



Contents

General legislative update	02
Mandatory benefit changes	03
Optional benefit changes	04
Other news	06
Your member number	07
Your team	08
Communications timetable 2006	08

Notice for the visually impaired

Copies of this report in a large type text only format are available from the Fund Office. Please write to TfL Pension Fund, 4th Floor, Wing over Station, 55 Broadway, London SW1H 0BD, or call 020 7918 3733 for your copy.

Introduction

Welcome to the second edition of Pensionews. This brings you up-to-date with some more of the issues currently facing the Fund arising from the recent Pensions Act and Finance Act. As you will see, there have been many changes to the law on pensions and there are more to come. The good news is that many of the new requirements relate to aspects of pensions management that our Fund has already introduced as a matter of good practice. We are, however, continuing to review the details of the new legislation to make sure that we are fully compliant.

There are also a number of areas where the law makes provision for optional changes. The Trustees, the Principal and

Participating Employers and the unions have been considering these in detail, and our intention is to implement the changes, as outlined in the 'Optional benefit changes' section, as soon as possible after 6 April 2006, the date when much of the new legislation will take effect.

Adopting these changes will be beneficial and provide greater flexibility for Fund members.

We hope you find this newsletter interesting and informative and are always interested in hearing your views. Please contact us via the Fund Office with any comments.

Chairman of Trustees

General legislative update

Trustee knowledge and understanding

- On 6 April 2006, the Government will bring in legal guidelines on Trustee knowledge and understanding. Broadly, these require all pension scheme Trustees to



have a level of knowledge and understanding that is appropriate for their role. The Board of the Transport for London (TfL) Pension Fund has always taken Trustee training seriously and every Board meeting is followed by a training session. Trustees, particularly new ones, are also encouraged to attend external courses as appropriate. In addition there is a wide range of documents available to help new Trustees understand their duties and how the Fund is managed

Pensions and civil partnerships

- New laws, which came into effect on 5 December 2005, require pension schemes to treat same sex couples who have formally registered their 'civil partnership' in the same way as married couples. The TfL Pension Fund already pays dependants' pensions to surviving same sex partners, subject to their satisfying the Trustees' dependency requirements. In addition, the Fund pays dependants' benefits to unmarried heterosexual partners, who are not covered by the new legislation

Pension Protection Fund (PPF)

- The PPF provides an element of protection for members' benefits if their employer goes out of business. We do not

believe that TfL could go out of business and so do not feel we should be required to pay into the PPF. However, the Fund has had to pay the PPF levy for 2005/06 but the Trustees are still hoping to get the Public Sector section of the Fund reclassified as exempt from the PPF levy

Dispute resolution

- The current dispute resolution procedure will remain unchanged

Statutory funding objective

- Every pension scheme will be required to have sufficient and appropriate assets to cover the amount required to make provision for the scheme's liabilities as calculated by the Actuary. In addition, Trustees must have a Statement of Funding Principles setting out their policy for making sure that the funding objective is met. The Fund's Trustees, their advisers and TfL are working together to agree a funding plan to meet this new requirement
- From this year, the Trustees are required to provide members with information about the funding position, how contribution rates are set and how any funding shortfall will be dealt with. You will also be entitled to see copies of the relevant documents, including the scheme's Statement of Funding Principles, on request

Mandatory benefit changes

Maximum benefits

- From April this year, simpler Lifetime and Annual Allowances will replace the current rules on maximum benefits. The Fund Office will advise you where you stand in relation to these allowances as appropriate, for example if you leave the Fund or are approaching retirement
- Under the new tax regime, you will be liable to pay a special additional tax on any benefits that are above the Lifetime and Annual Allowances. When you retire, you will be required to provide information about any other pension benefits you are

due, so that the Fund Office can establish whether this tax applies to you

Death benefits

- Eligible children's pensions which become payable on or after 6 April 2006 can only be paid until age 23 without adverse tax charges, subject to the child being in full-time education or professional or vocational training. Children's pensions can currently be paid to age 25 under the Rules and all eligible children's pensions that came into payment before 6 April 2006 can continue to be paid to age 25, subject to

the educational requirements mentioned above

- There are no changes to eligible children's pensions that are payable where the child is, in the opinion of the Trustees, mentally or physically disabled and unable to earn an income

Trivial pensions

- From April the Trustees will be able to pay very small pensions as a one-off cash lump sum, so long as the value of the member's total benefits from all schemes is no more than one per cent of the Lifetime Allowance



Optional benefit changes

Changes to maximum benefits

- It will be possible to take up to 25 per cent of the value of the pension at retirement as a tax-free cash lump sum. In addition, the law has been changed to allow Additional Voluntary Contributions (AVCs) to be taken as cash, subject to the 25 per cent limit. The Trustees intend to introduce

these changes for Fund members, but are currently awaiting the issue of Government regulations which would permit this

- The Trustees have decided to continue to apply an earnings cap to members' pensionable pay. For the 2006/07 tax year, this is set at £108,600. This cap will however no longer apply to lump sum death in service

benefits, which are subject to the Lifetime Allowance

- From April 2006, you will be allowed to contribute to other pension arrangements, such as personal or stakeholder pensions, while you are a contributing member of the Tfl Pension Fund. Please note that your employer will not contribute to any pension arrangement other than the Fund



Early retirement

- All members of the Fund on 5 April 2006 will retain the right to take their pension from age 50, subject to the usual reductions for early payment

- Members who join from 6 April 2006 onwards will be allowed to take their pension before age 55 as long as they retire before 6 April 2010
- Members who join from 6 April 2006 onwards and retire on or

after 6 April 2010 will not be allowed to take their pension until they are at least age 55

- This is the maximum flexibility we are allowed to provide under the new law

Death benefits

- The Fund will continue to pay dependants' pensions as now
- With effect from 1 January 2006, the Trustees have discretion over who should receive any lump sums payable on a member's death. This allows the Trustees to pay lump sum death benefits to one or more persons and in such proportion as they decide. This also means that the Trustees can pay benefits direct to a member's dependants, even when there is no will. This change has been introduced to aid the payment of the benefits as quickly as possible and to the most appropriate recipients
- While the final decision on who receives these benefits rests with the Trustees, they will take your wishes into account. To notify the Trustees of your choice of beneficiaries and the share of any lump sum death benefit you would like each to receive, you will need to complete an Expression of Wish form. These forms are available from our website www.tflpensionfund.co.uk or from the Fund Office
- The new arrangements will apply to only a few of the Fund's pensioners, as there is no lump sum payable on death in most circumstances. The Fund Office will be contacting those pensioners



who need to complete an Expression of Wish form shortly

- Please note that it is important to update your Expression of Wish form if your personal circumstances change

Additional Voluntary Contributions (AVCs)

- The Trustees have decided to retain the current AVC arrangement. Please note

that the current contribution limit of 15 per cent of earnings (including your regular Fund contribution) will also be retained

Member Nominated Trustees (MNTs)

- There are currently no plans to change the existing procedure for appointing MNTs

Other news

Pensions from the TfL Pension Fund increase by 2.7 per cent

The full pension increase from 1 April 2006 will be 2.7 per cent and is based on the rise in the Retail Prices Index over the 12 months to September 2005. This will be paid to eligible pensioners on 2 May 2006. If you have been receiving your pension for less than a year you may receive a pro-rata increase, and you can find out how much this is by visiting our website at www.tflpensionfund.co.uk or

by looking on the reverse side of your annual pension payslip when you receive it.

Pension Consultative Council (PCC) election results

The results of the recent postal ballot are as follows:

- Linda Arwood and Vic Lane were elected to Section One (pensioners and deferred pensioners)
- Ray Spiteri was re-elected unopposed to Section Two (TfL and its subsidiaries or contractors)

- John Robson and Mark Harding were re-elected to Section Three (LUL and its subsidiaries or contractors)

Their period of office will end on 30 November 2009 when they may stand for re-election.

In addition, David Biggs and Tom O'Callaghan were appointed to Section One to fill two casual vacancies. Their period of office will end on 30 November 2006 when they may stand for re-election.



Your member number

The Fund will be using a new administration system from April 2006, which will mean that your member number will change. You will be advised of your new number in due course via the annual payslips, benefit statements etc, so please use your new number, when this is known to you, when contacting the Fund Office. In the interim please continue to use your existing member number.



Your team

The staff in the Fund Office are happy to answer any questions you may have about your pension. They cannot provide financial advice or deal with tax matters, but will be able to advise you who to contact for the help you need. They can be contacted at:

TfL Pension Fund
4th Floor
Wing Over Station
55 Broadway
London SW1H 0BD

Telephone:
External: 020 7918 3733
Internal: 1288
Website
www.tflpensionfund.co.uk

If you have access to the internet you can find plenty of information on the Fund's website. There are also a number of on-line forms to use, for example to change address or bank details, or to submit an AVC enquiry. If you are a contributing member, or a non-member who is thinking of joining the Fund, try our interactive modeller which shows you what you might receive when you retire.

Communications timetable 2006

April

- Annual payslips and P60s sent to pensioners. These will show this year's pension increase and payment dates for the forthcoming tax year, as well as showing total pension and tax information for 2005/06

July

- Benefit statements and AVC statements to all contributing members

September

- Benefit statements and AVC statements to all deferred members
- Annual Review – the Trustees' summary of the Full Report and Accounts

October

- Annual Members' Meeting. A forum for all members to meet the Trustees and discuss the Fund. This year's meeting will be held on 3 October at 11am. Please note we have a new venue, as follows: One Great George Street London SW1

Note: We apologise to those of you who received your copy of the 2005 Annual Review late and reassure you that steps have been taken to ensure that you receive it in good time in this and future years.

