



your pension

LPFA fund members spring newsletter 2006



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A very sad start to the year

It is with deep regret and much sadness that I must inform you that Phil Goodwin, our Director of Pensions Operations, passed away on 14th February following a short illness. Phil was diagnosed with inoperable cancer just two weeks previously and spent most of his final days at home and in a hospice. His family and close friends were with him to the end and he was in excellent care.

Phil had been with the LPFA since its inception in 1989 and his energy and dedication helped make LPFA the sound, successful business it is today. He strove for technical excellence and saw through a number of changes in the working processes ~ Phil was at the forefront of technological change ~ and in the operation of the Local Government Pension Scheme.

His influence went way beyond the LPFA and he was a recognised expert on the LGPS. Phil had a long and illustrious career in the pensions world and will be sadly missed by his family, and by his many friends and colleagues.

Peter Scales
Chief Executive

Fund Member Forum 2006

LPFA is pleased to announce that this year's event will be held on Tuesday 5th September 2006 at the Queen Elizabeth II Conference Centre, Westminster.

The venue is always a popular choice due to its central location and excellent facilities. 25 organisations have already been invited to attend the Information Centre and more will be invited in the coming months.

LPFA is in the process of confirming speakers and these will be announced in the near future. The choice of speaker will reflect the suggestions received following the 2005 Forum.

If you have any suggestions on how to improve the Fund Member Forum, or which organisations you would like to attend the Information Centre, please write to the LPFA.

The format of the Forum will be similar to last year's:

- ~ Information Centre opens at 10 a.m.
- ~ Formal presentations at 11 a.m.
- ~ Chairman's introduction
- ~ Chief Executive's review of the year
- ~ Guest speakers
- ~ Open forum for questions
- ~ Information Centre re-opens at 12.30 .

This year, members can send their questions to LPFA's offices in advance of the Forum if they so wish. This will enable similar questions to be addressed either at question time or perhaps by incorporating responses into the formal presentations. LPFA will contact you nearer to the event to arrange possible questions.



Modernisation and development of the Local Government Pension Scheme (LGPS)

Recent changes

In the Winter newsletter you were notified of the introduction of Civil Partner's pensions and tax simplification. Regulations have now been issued that require the LPFA to publish a Governance Policy and a Communications Policy before 1st April 2006. Both policies will be published on the website, www.lpfa.org.uk

The Governance Policy describes the Board appointment process and how the Authority conducts its business. It confirms that the LPFA does not delegate the function of maintaining a pension Fund.

The Communications Policy sets out how the Authority plans to communicate with members, employers and other interested groups.

Proposals for changes in 2006

Because pensioners are living longer and investment returns are not meeting expectations there is increasing pressure on funding the LGPS and other public service pension schemes.

For the Scheme to remain sustainable it must, in future, be affordable for both employers and scheme members and take into account the needs of current and future members. Representatives of the employers, the unions and the government have been in meetings to discuss a way forward.

Amending regulations have been drafted and the proposals they contain are being consulted on at the moment. These proposals, some of which will partially deal with the above issues, are summarised below. The proposals, and any amendments made as a result of the consultation, are expected as actual regulations in March 2006.

- Employees would be able to join the scheme at any time until their 75th birthday.

- Employees would be able to choose to remain in the scheme until their 75th birthday.
- Employees who defer drawing benefits beyond age 65 would have those benefits actuarially increased.
- The members' contribution rate for buying periods of strike breaks would reflect the full cost to the fund.
- The ability of a member to surrender part of their pension in favour of a dependant would be removed (but the normal survivor benefits for widow's, widower's, civil partners and eligible children remain).
- Children's pensions starting after 5th April 2006 would not be extended beyond their 23rd birthday, unless the child was permanently unfit.
- The maximum number of added years a scheme member can purchase in the future would be 6 2/3rd.
- The ability to convert some or all of the lump sum paid on retirement into additional pension would be removed.
- It is proposed that the "85-year- rule" be removed from October 2006, but that members may nominate a retirement date between 60 and 65 and make additional contributions to offset any reduction to benefits paid before age 65. Transitional protections may be as described in the Winter newsletter, however the exact form of any protections and who they would apply to are still under discussion.
- Flexible retirement would be permitted at or after age 60, enabling members, with employers consent, to reduce hours and/or grade and draw benefits whilst continuing membership of the scheme.
- The 15% contribution limit and 40 years at age 60/45 at age 65 limits be removed.
- Members would be able to take up to a maximum of 25% of the capital value of their pension fund as a lump sum. Any amount taken above the current limit would be achieved by exchanging part of your pension for tax free cash at a rate of £12 lump sum for each £1 of pension given up.

Proposals for a new pension scheme:

Alongside the proposed 2006 changes, discussions are beginning on a new-look LGPS for 2008. It is expected that a formal consultation exercise on what the new scheme may contain will begin in November 2006, with the new scheme coming into force in April 2008. It is not known at this stage what the new scheme will contain, but you will be kept informed of developments as and when they take place.

Overview

The LGPS remains an excellent scheme, with the following key features:

- It is a statutory scheme which means the accrued benefits are guaranteed.
- It is a defined benefit scheme which means the benefits are a proportion of your final pay, calculated by reference to how long you have been in the Scheme, and do not depend on the investment performance of the scheme.
- It is funded by employee and employer contributions with employers meeting a large share of the cost (on average, over the long term, the employer pays £2 for every £1 paid by the employee).

The current and future changes are being discussed with a view to retaining these key features, whilst ensuring that the Scheme remains attractive to staff, as well as being affordable to scheme members and to employers. The changes under discussion are intended to ensure this future sustainability, and have not been designed to recover any existing shortfall in funding.

If you have any queries or need more information about the Scheme changes please contact Keith Garlick on 020 7369 6033 or Alan Piper on 020 7369 6063.

Please remember the proposals are just that at the moment, and it is unlikely that the LPFA will be able to answer all your questions until more details are known about the actual content of the scheme changes.

Investment update

The Winter newsletter reported changes to the investment structure which would take effect from 1st January 2006. The aim of this change was to make a shift away from the traditional bond/equity structure, to one that was more closely related to liabilities and cash flow requirements. This process will improve investment returns and ease the pressure on employer contribution rates over the long term but there can be no guarantee of this and short term fluctuations are likely.

The transition was managed by Merrill Lynch and, following a press release in late December, LPFA is pleased to announce the new investment management line-up:

GLOBAL EQUITIES: (The management of shares on a global basis)

Goldman Sachs Asset Management
MFS Investment Management
Newton Investment Management Ltd
Legal and General Investment Management (passive)

CURRENCY: (To manage the exposure to risk in overseas currency through hedging)

Record Currency Management

TARGET RETURN: (This matches the desire to achieve an investment return that reflected LPFA's index linked liabilities)

UBS Global Asset Management (UK) Ltd
Merrill Lynch Investment Managers

CASHFLOW MATCHING BONDS: (This mandate matches assets and projected cash flows)

European Credit Management Ltd
Insight Investment
Barclays Global Investors

The change has resulted in an increase in the number of investment managers and greater risk diversification in an attempt to avoid the effects of slumps in one particular market.

Please note that your pensions and pension contributions are protected by statute and the aim of the investment changes is to protect the long term viability of the fund and ease the burden on employers.

Fund Member Panel update

There was an impressive response to the call for new Fund Member Panel members. So far LPFA has received interest from an additional 20 members and that number is still rising.

The next meeting of the Panel will take place in April 2006 so any Fund Members still interested should contact Greg Smith on 020 7369 6058.

Since publication of the Winter newsletter, a volunteer group from the Panel has met and produced articles for use in future newsletters.

The aim is to have 2 or 3 pages in each newsletter dedicated to the Fund Member Panel and the views of Fund Members. These could include articles on life after retirement, general interest or details of groups which Fund Members have organised and wish to advertise to enable other readers to attend. Whilst LPFA is unable to provide a personal contact service, it is possible to advertise organised events in these pages and encourage former colleagues to attend.

If you have an article you would like to be considered for inclusion in future publications, please send it to The Panel, c/o Greg Smith at Dexter House, or email greg.smith@lpfa.org.uk

From the Fund Member Panel

Adair Turner, head of the Pensions Commission, recently warned future generations that they will not be so well off as those recently-retired. Present-day pensioners are not only living longer than previous generations – for 200 years life-expectancy has been lengthening by roughly two weeks a decade, “like an extra 20 per cent for free”, said Tom Kirkwood, biologist and Reith lecturer – but they are enjoying healthier and more active lives. Sixteen per cent of the retired carry out some form of voluntary work, and that's not

counting looking after grandchildren. Below are the stories of two LPFA pensioners who found life didn't come to an end when they retired. There must be many more examples, and readers are invited to submit stories of their own, or their friends' activities for future publication.

Climb every mountain

When John Percival retired on the abolition of the GLC, aged 50, he had a number of tasks to do. One was to find another job, and another to complete his 'bag' of the Munros – the 284 Scottish peaks over 3,000ft. In earlier days he had climbed in the Himalayas, in Africa and in the Alps, as well as in Britain, and in 1986 only 120! of the Scottish peaks remained for him to conquer. One by one they fell to him, sometimes climbing with his three sons, sometimes with the Swiss Alpine Club, sometimes alone. In May 2005, just after his 69th birthday, the last peak on his list – Ben Lomond (3,200ft) – yielded.



John had joined the LCC in 1959 after University and national service in the RAF. At County Hall he worked in the Clerk's and Establishments departments and, finally, in ILEA. He put his experience at the disposal of Kingston Borough Council and also become clerk to the governors of a local special school, a job he continues to do, working mostly from home.

Always keen on fitness, he was a member of the Council's football club, and went on to captain the first XI on tours in France, Belgium, Luxembourg, Germany and Austria: GLC-crested plaques are still to be found in club bars all over the continent!

He lives in Worcester Park with his wife Rosemary (nee Dean), formerly of the Clerk's Department.

He swapped sides

When the ILEA was abolished in 1990, Michael Turner, then in employee relations advising others on redundancy, accepted redundancy himself. At 57, far too young to give up work altogether, he took up a two-year appointment as a Personnel Manager in the NHS. Then, still with energy to spare, he did voluntary work, teaching adults to read and write, and three years after that he was adjudged so successful that he was offered the post he still holds: part-time course tutor in a College of Further Education, teaching citizenship among other subjects.



As it happens, citizenship is a subject Michael knows a lot about. Having been interested in local politics most of his adult life, on retirement he became an active member of his local Conservative Association and – “crossing sides”, as he says – he was adopted to fight a marginal ward. He lost three times (but regular service in the RAF must have given him resolution), he was eventually elected to the Council and is now not only Deputy Mayor, but also serves on, amongst others, the General Purposes and Licensing Committee, which decides on applications for extended hours, and is particularly busy since the recent change in the law.

Councillor Turner particularly enjoys representing his borough as Deputy Mayor though it entails a huge additional workload, attending school speech days and all kinds of charitable events. But his most pressing concern, given that he represents a marginal ward, is the outcome of next May's borough elections. “If I don't win”, he says, pragmatically, “I'll be back to fight again, and again”. And though already 71, he still has the energy to do just that.

John Howes, Panel Member

Voluntary working

I'm sure that many of you lead very busy lives! However, should you have some spare time and wish to participate in community projects, a good place to start would be to contact a volunteer organisation. Many Members participate in voluntary activities during evenings and weekends.

The following two websites

www.csv.org.uk and www.do-it.org.uk explain about volunteering, and where local volunteer centres can be found. Those of you without computers can go to your local library to find information, or telephone the Community Service Volunteers on 0207 643 1385 in order to find out what schemes are running in your area.

Ex GLC Valuation Department staff

An annual lunch for ex-members of the Valuation Department is held every October near Victoria Station. Normally over 60 people attend the event but should you be interested, or know of anyone from the department who would be, please feel free to contact Andrew Devlin tel: 01737 353179, e-mail

Andrew.devlin1@ntlworld.com, or Mike Power 020 8642 6959.

If you have details of a volunteer programme or meeting group and wish to advertise it in these pages, please contact Greg Smith on 020 7369 6058 or greg.smith@lpfa.org.uk

Opening Board meetings to the public

The Winter newsletter 2005 reported developments to strengthen member representation and feedback to the LPFA. In order to demonstrate openness and further transparency in the way the Authority conducts its affairs the LPFA Board decided at its December meeting to hold future Board meetings in public.

The next Board meeting is to be held on 30th March 2006, 10:00 a.m. to 12 noon, and will be held in the Assembly Chamber, in City Hall, the Greater London Authority's offices.

Dates for further meetings in 2006 are 29th June, 5th October and 7th December.

In making this decision the Board took into account the following:-

- LPFA is not required by law to hold meetings in public but it does have the power to do so if it so decides;

- There should be clear criteria for deciding whether agenda items are for the public or non public part of the meeting;
- The right can be reserved to exclude the public from meetings should the Chairman so decide;
- The agenda should list all items to be transacted;
- Adequate public notice of meetings should be given i.e. at least five days prior;
- The agenda and public reports should be made available for the public;
- Accommodation for the meeting should be reasonably large enough to provide seating for the public;
- Members of the public are not permitted to participate, just observe.

Copies of the agenda and public reports will be made available at the meeting but will be available for public inspection at LPFA's offices at least five days before 30th March. If you would like further information please contact Peter Harris on 020 7369 6048.

Fact : 3.8 MILLION PENSIONERS HAVE CUT BACK THEIR SPENDING TO TRY AND MAKE ENDS MEET.

As a member of the Local Government Pension Scheme (LGPS) you're already doing more than most. But can you really say you're doing enough?

It's an interesting question, and it's one many of us don't like to face up to. But ask yourself this: Would you book a holiday without first finding out where you were going? No? Well that's what millions of people are doing with retirement.

Consider this ... if you've worked in Local Government for 10 years and your final salary is £20,000, your annual pension would be just £2,500 (you would also get a tax free lump sum of £7,500)

Not even enough for the odd treat now and again is it?

That's why in addition to the main pension scheme Prudential has been chosen as one

of the UK's largest and strongest pension providers, to provide an in-house Additional Voluntary Contributions (AVC) scheme to members of the London Pensions Fund Authority Local Government Pension Scheme.

AVCs enable you to top up your Local Government Pension Scheme with flexible payments providing you with an additional source of income when you've retired. Another option - added years - may also be available to you and details can be obtained from your pensions team.

Fact: THE SOONER YOU ACT THE BETTER OFF YOU COULD BE.

For more information on AVCs contact the Prudential Pension Connection™ on 0845 607 0077 * today, to find out what the future has in-store for you.

*Lines are open between 8am & 9pm Monday to Friday and 9am to 1pm Saturday. Calls are charged at local rate and may be recorded/monitored to improve service.

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