

ITB PensionNews

The newsletter for members of the ITB Pension Funds

Welcome



Welcome to the latest issue of ITB Pension News. We hope that you will find plenty of interest as we bring you up to date with the latest information about the Funds and news of what's happening in the wider world of pensions.

There are full details of the pension increases, a reminder to stay up to date with 'News for Pensioners', and some information about your choices for additional voluntary contributions.

The Government has been taking action to simplify pensions and bring in greater protection for members of occupational pension schemes such as the ITB Pension Funds. We have included two articles which provide you with a simple summary of the Government's proposals.

Annual pension increases for 2004/2005

Pensions in payment are increased in April each year in accordance with Section 59 of the Social Security Act 1975 (as amended). The amount payable is based on the annual increase in the Retail Prices Index (RPI) up to the previous September, which is announced by the Government in October each year.

The pension increase being paid by the Open and Closed Funds this year is 2.8%, which is the published annual rise in RPI as at September 2003. The increase, which comes into effect from 12 April 2004, will be included in your April pension payment. If you retired after April 2003 you will receive a proportional increase this year and a full increase at the time of the next review in April 2005.

At the review immediately following your attaining State Pension Age your pension increase may be paid in part by the Scheme and in part by the State, but only if you have a Guaranteed Minimum Pension (GMP) for service before April 1997 as part of your Scheme pension. The Funds' Office will advise you if this year's increase will be paid in this way.

Pensions in payment arising from compulsory retirement or redundancy are not eligible for increase until the member reaches the age of 55. Ill-health and disability pensions granted under the Funds are not affected by this restriction.

The pension increases apply equally to preserved (deferred) pensions, which receive increases for the period from the date of leaving to the date payment begins as well as thereafter.

The Pensions Bill

The Pensions Bill was finally published on 12 February 2004. It included details of the Pension Protection Fund (PPF) which is intended to provide new security for pension scheme members, along with many other measures.

The PPF is not due to take effect until next year, so in the meantime the government is taking urgent steps to help prevent problems between now and then. It has already published regulations to try to prevent solvent companies from walking away from a pension scheme which is being wound up, without meeting their responsibilities. The Department for Work and Pensions will also shortly publish draft rules to change the priority order when a pension scheme is wound up, with the objective of giving more protection to those people who have been in the scheme the longest.

The PPF will be complemented by a new Pensions Regulator that will make it easier for businesses to get on with running good pension schemes. This new occupational pensions watchdog, replacing OPRA (Occupational Pensions Regulatory Authority), will focus on the underfunding, fraud and maladministration that can threaten members' benefits.



The Bill is part of a wider programme of pension reform, including the Government's proposals on tax simplification to replace eight tax regimes with a single system (see below).

The Bill also makes changes for people who choose to draw their state pension later. Those who defer taking their state pension for five years after the normal retirement date would be compensated with a lump sum worth up to £30,000.

A simplified pensions tax regime

The Treasury has announced plans to do away with the present eight different sets of tax rules that govern the operation of pension schemes in the UK. The new rules will take effect in April 2006, a year later than was originally planned.

A planned new lifetime allowance (LTA) for pension savings will allow people to build up a large pension pot and enjoy full tax relief on all contributions up to the LTA limit. This has been set at £1.5 million in 2006 but will rise to at least £1.8 million by 2010. Everything over the LTA will be taxed at a rate of 55% and individuals will be allowed to take surpluses above the cap as cash lump sums.

It will be easier to contribute to more than one pension at a time, so that for example someone can join an occupational pension scheme while still building up a personal pension.

There are a number of other changes being proposed, affecting areas such as pensions and divorce, tax free lump sums, early retirement and the types of investment which can be made. The Trustees will be considering all of these matters in the coming months, with a view to being fully prepared for April 2006.

The Closed Fund - Special Increase as at 1 May 2004

Members of the Closed Fund will be pleased to hear the news that the Actuarial Valuation performed as at 31 March 2003 revealed another healthy surplus.

In arriving at the surplus of £31 million, the assets were valued at £173 million with total liabilities of £142 million.

After careful consideration of the results and the amount of surplus available for distribution, as well as the need to ensure the future protection and security of the Fund, the Trustees have decided to use the full amount permitted under the Rules of £10.3 million to apply further increases to Closed Fund pensions at the levels shown in the table. On this basis the Employers' consent to the improvements is not necessary.

These special increases will be effective from 1 May 2004 for all classes of pensioner under the Closed Fund and as usual they are subject to Inland Revenue limits as determined and applied by the Trustees - which may mean that in certain cases

the full increase may not be applicable. You will be advised if you are affected in this way.

The increases are due for payment on the last day of May 2004 and are on top of this year's 2.8% RPI increase to pensions in payment.

Age Band	Proposed Increase %
Pensioners	
Under 60	6
60-62	6.5
63-65	7
66-68	7.5
69-71	8
72-74	8.5
75-77	9
78-80	9.5
Over 80	10
Dependants	8
Deferreds	5.5

Don't miss out on 'News for Pensioners'

Currently available online (at www.itb-online.co.uk), and of specific interest to pensioners and those approaching retirement, is the News for Pensioners section. This is devoted to providing pensioners and retirees with relevant and up to date information across a broad range of issues. This service, which the ITB Funds' Office has subscribed to, is updated regularly by the Funds' Office.

Many topics relating to pensions are covered in a newsy but readable style in News for Pensioners, and other areas given more than just a passing reference include health, finance and other more general issues. Examples from the most recent issue include *Tax boost for the over 65s*, *Watchdog acts on pension 'unlocking'*, *Consider long term care insurance*, as well as lighter topics such as *How to beat those coughs and sneezes* and *Donate your unwanted Christmas gifts*. Useful web-links have also been provided for cases where stories may stimulate the reader to investigate further.

New Section for Open Fund

In light of the prevailing conditions in the world of pensions and investments, the Employers in the Open Fund ("the Scheme") expressed a wish to institute changes to contribute to the long term health of the Open Fund. Therefore, for those Employers who wish to participate, a New Section has been opened within the Scheme, and although of a different nature, the New Section still provides final salary benefits.

The New Section became effective on 1 September 2003 and those Employers who elected to provide the New Section have done so at various dates since then. For the avoidance of doubt, if you became a member of the Scheme before 1 September 2003, there has been no change to your Scheme benefits, as you remain a member of the existing section, now known as the 'Old Section'. If you joined the Scheme after the 1 September 2003 and are unsure which section you are in, you can find this information on the Funds' website by clicking on 'Member Booklet' on www.itb-online.co.uk. Alternatively, you can contact your Employer directly for clarification.

Is it time to consider the new AVC options?



As a member of the ITB Pension Funds (Open Fund) you'll receive a lifetime income during your retirement. This will be very valuable. However, you may wish to increase it further.

You can boost your pension by paying Additional Voluntary Contributions (AVCs), which is considered an effective way of building up extra retirement income (or for providing extra pension for your spouse or dependants):

- you benefit from group terms
- you enjoy important tax advantages
- you have the convenience of having contributions deducted directly from pay

To both complement and enhance its existing AVC arrangements the Open Fund now offers a choice of funds invested with the Prudential which you can choose from to suit your needs. Those currently on offer are:

1. The Prudential With-Profits Fund – a medium risk fund giving a higher return than the Deposit Fund, while smoothing out most of the peaks and troughs of investment by using a bonus system.
2. The Unit-Linked Funds – a wide range managed on behalf of Prudential by M&G and Deutsche Asset Management. These are:
 - Fixed Interest Fund
 - Retirement Protection Fund
 - Overseas Equity Fund
 - UK Equity Fund
 - Socially Responsible Fund
 - Balanced Fund
3. The Deposit Fund – the lowest risk fund, where your investments are held in a variable interest rate account just as with a building society, so your money is completely safe although it will never make large returns.
4. The Lifestyle Option – in the early years, your contributions are invested in a relatively high risk fund. Then, 10 years before your normal retirement date, your investment is gradually switched to a relatively low risk fund so the value of your fund is protected.

If you'd like to find out more about AVCs, you can read about them on the pensions website at www.itb-online.co.uk and click on the link to AVCs under 'New Employees' or 'Active Members'. This will take you to an AVC factsheet which provides an overview of the AVC arrangements for the Open Fund alongside a guide to the Prudential AVCs. Alternatively, you may request these details from the Funds Office.

Help when you need it

If you would like further information on Fund benefits or AVCs, you can find the answer to most questions by visiting our website at: www.itb-online.co.uk

Or you can write to us at: The ITB Pension Funds Office, 23 Kings Street, Watford, Hertfordshire WD18 0BJ

Or you can phone us on the Pensions helpline: 01923 471699 (answerphone outside normal office hours)