

# ITB PensionNews

The newsletter for members of The ITB Pension Funds

## Welcome

**A** warm welcome to the latest issue of ITB Pension News. We hope that you will be interested to read the latest information about the Funds and news of what's happening in the wider world of pensions.

We have included details of the pension increases, a summary of the results of the latest Actuarial Valuation, and a reminder to log on to our websites at [www.itb-online.co.uk](http://www.itb-online.co.uk) and [www.myitb.com](http://www.myitb.com)

The last year has seen the Government introduce two major pieces of legislation which will affect members of occupational pension schemes such as the ITB Pension Funds – the Pensions Act 2004 and the Finance Act 2004. We have included an article which explains in simple terms how these important changes may affect our members.

## Annual pension increases for 2005/2006

**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 3.1%, which is the published annual rise in RPI as at September 2004. The increase, which came into effect from 11 April 2005, will be included in your April pension payment. If you retired after April 2004 you will receive a proportional increase this year and a full increase at the time of the next review in April 2006.

At the review immediately following your State Pension Age your pensions 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.

# Open Fund in satisfactory position

**A**n Actuarial Valuation is usually carried out on the Open Fund every three years. This is an assessment done by the Actuary to check what the Fund's assets were worth and to compare them with the Fund's liabilities. The Actuary also specialises in assessing life expectancy and probabilities and works out whether the pension fund is likely to have enough money to pay pensions when they are due.

The results of the latest triennial Actuarial Valuation of the Open Fund as at 31 March 2004 showed that the Fund continued to be in a satisfactory ongoing financial position, with the assets and assumed levels of contributions expected to be sufficient to meet both accrued and future liabilities. The result of this formal valuation is much in line with expectation and is as previously mentioned by the Chairman of the Trustees in his Statement published in the August 2004 edition of Pension News.

Members will be aware of the vagaries in equities markets worldwide over the three year period since the 2001 valuation and how difficult this has made investment markets to contend with generally. Other factors in the period under review, such as Fund membership increasing at greater than previously forecast levels and increasing longevity, together served to reduce the surplus in the Fund by £18 million, as disclosed by the results of this latest Actuarial Valuation.

The result of this experience has been to cut back the period over which Member and Employer contributions may be paid at current levels to June 2010 for Members and at varying dates for the Employers, but on average to June 2008 (previously until 31 March 2014). Indeed, some Employers have been required to increase their contribution levels with effect from April 2004.

As normal, following an Actuarial Valuation, the Actuary carried out an asset and liability study assessment of the Funds' current investment approach. The Trustees have discussed this assessment with their investment advisers in order to set the investment strategy for the foreseeable future.

The process investigated in detail a number of investment strategies and the selection of assets which are expected to be the most suited to the Funds' aims over the next 10 years or so. This review was carried out with a degree of caution, as movements in financial markets are notoriously difficult to predict.

The Trustees' Statement of Investment Principles (SIP) embodies their investment approach and the current SIP can be found on the ITB Pension Funds website at [www.itb-online.co.uk](http://www.itb-online.co.uk). The Trustees are required to consult Employers before changing the SIP and adopting any new investment strategy. This consultation process is currently underway, following which a revised SIP will be prepared for formal approval by the Trustees and then updated on the Funds' website.

## Revised terms of membership for late entrants

Following a review of the Scheme entry conditions by the Trustees, they have changed the conditions under which late applicants may join the Scheme. Consequently, employees who do not join the Scheme within the first three months of becoming eligible will be deemed as 'late entrants', where membership is subject to both the Employer's and the Trustees' discretion.

Full details of this change may be obtained from the ITB Pension Funds' Office or from your Employer. The conditions have also been communicated to any late entrant who is affected by this change.





# New pensions legislation

**During the past year, two important pieces of legislation have been passed – the Pensions Act 2004 and the Finance Act 2004. Together, these will reshape the whole area of pensions law, and here is a summary of some of the main changes.**

## The picture now

Some things have already changed in April 2005. For example, the new Pensions Regulator has taken over from the Occupational Pensions Regulatory Authority (Opra) and has set out its new remit. The intention of this new watchdog is to focus on underfunding, fraud and other maladministration that can threaten members' benefits, while minimising interference and red tape for well-run schemes.

The new Pension Protection Fund has also begun its work to provide enhanced security for the members of UK pension schemes by offering help if a company goes bust and is unable to meet its pension liabilities.

People who put off taking their State pension for five years after reaching State pension age may now receive a lump sum payment of up to £30,000.

## Preparing for 'A-Day'

'A-Day' is 6 April 2006 – the day when the majority of the Government's changes aimed at simplifying the world of pensions will come into effect.

Most of these changes are to do with the simplification of the tax system affecting pensions. These include:

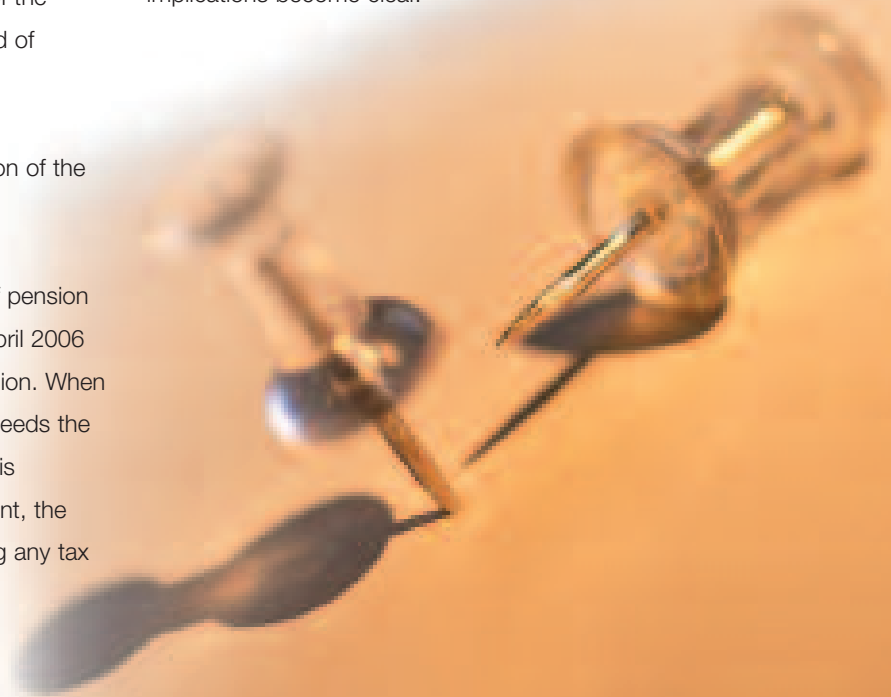
- a new lifetime allowance - the maximum value of pension benefits that can be taken tax efficiently. From April 2006 the lifetime allowance will commence at £1.5 million. When calculating whether an occupational pension exceeds the lifetime allowance, the promised annual pension is multiplied by 20. If a pension is already in payment, the gross annual pension is multiplied by 25 (ignoring any tax free cash which was taken at retirement).

- the maximum tax-free cash sum a member will be able to take will be a quarter of the value of their pension, up to a maximum of one quarter of the lifetime allowance in force at the date they retire. These changes will also affect Additional Voluntary Contributions

The minimum age from which people can start drawing benefits from their pension (other than in the case of ill health) is to rise from 50 to 55 in 2010. However, in cases where people had an established contractual right as at 9 December 2003 to retire from age 50, they will be able to retain that right.

## Under review

There are many other changes included in the legislation, and the Trustees are currently reviewing all these matters, to assess what impact they will have and to be fully prepared for 'A'-Day next year. These Government changes do not necessarily mean that our scheme will be changed, but the situation will continue to be monitored. Further updates will be issued as the implications become clear.



# Are you getting the most from the **ITB website?**

**T**he ITB Pension Funds website enables you to gain quick and easy access to details of all the benefits of membership.

A recent innovation has been the launch of an interactive section called My ITB. This empowers members to take further interest in and control of their pension planning. It is protected by a secure login and password system. You may apply for your access details by clicking onto the My ITB interactive site at [www.myitb.com](http://www.myitb.com) and there is also the information site at [www.itb-online.co.uk](http://www.itb-online.co.uk)

The six main sections in My ITB are:

- Home Page
- Members' Current Details
- Benefit Statements
- Pension Modelling
- Help Areas
- Combined Pension and AVC Modelling

Accessing the online versions of a range of our documents, such as the Member Booklet, the Additional Voluntary Contributions (AVC) Guide, the Trustees' Report and Accounts and previous issues of this newsletter, takes the hassle out of finding your own hard copies.

The site contains a Scheme Induction for new employees, which may also be used as a quick reference guide for active members and other interested parties.

Pensioners and deferred pensioners can click on and obtain a number of forms such as the Change of Marital Status or Bank/Building Society Account forms. There is also information about pensions in payment, payroll matters, tax, P60s and pension increases, retirement issues and about your ITB pension being paid overseas.

Pension Facts, a newsletter about State pensions and other benefits and services for older people, is reproduced on the web site and there are links to other useful sites.

The ITB website has recently been recognised within the industry, in gaining two awards from Professional Pensions magazine – for 'Best Use of IT' and 'Best Website Design'.

I am a deferred pensioner of the ITB Pension Funds. Please send me future issues of ITB Pension News.

Name \_\_\_\_\_

Date of birth \_\_\_\_\_

Address \_\_\_\_\_



## Calling deferred pensioners!

**T**he Trustees have decided that deferred pensioners will no longer automatically be sent a regular copy of ITB Pension News. If you are a deferred pensioner and would like to continue to receive this newsletter, please complete the cut-out slip on the left and send it to: The ITB Pension Funds Office, 23 Kings Street, Watford, Hertfordshire WD18 0BJ. If we do not hear from you by 30 June 2005, this will be the last newsletter which you will receive. Remember, though, that you can continue to read the newsletters on the website at: [www.itb-online.co.uk](http://www.itb-online.co.uk)



**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](http://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)