

# yourpension

LPFA deferred pensioners newsletter - Spring 2003

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## yourpension

Welcome to the second edition of "Your Pension", a newsletter for deferred pensioners in the Local Government Pension Scheme.

The past six months have been a busy period for pensions and particularly for LPFA. In December, we made submissions to the Mayor of London on future strategy and the budget for 2003-04 (see page 7), which has since been approved and the levy issued in February.

The review of our management structure, started in the Spring of last year, has been completed and changes are taking place. See page 7 for details of new appointments. Although we followed an extensive and fair process externally, I am pleased to say that three internal candidates came out on top, underlying the value of LPFA training and experience.

It's hard to ignore the regular diet of news in the media regarding pensions in crisis, schemes closing, accounting and funding deficits, pensions reduced, etc, etc. Certainly there is a degree of hype and sensationalism in the press, but we cannot ignore the impact of low inflation, low interest rates, negative investment returns and longer life spans.

Page 6 provides a brief summary of the current reviews of pensions provision. In local government, the future of the current scheme for existing members has been assured by the Minister in Parliament. But there are issues to address on modernising the LGPS and making it simpler to understand and administer.

On the investment side, I refer to our recent review of strategy on page 4 and provide some data on investments and



**Peter Scales**  
Chief Executive

returns. The picture is pretty bleak after three consecutive years of negative returns on global equities, a major asset class. But this is relatively short term and we can afford to look ahead over the longer term to some recovery of returns even if not as great as past years.

The message I've given to pensioners is:

"For those pensioners who rely on their savings or other pension arrangements, these are worrying times as returns from investments and interest rates remain low. BUT all this has absolutely no effect on your local government pension which is a statutory payment, increased to match inflation."

The purpose of this newsletter is to keep you up to date with LPFA activities and issues currently affecting the LGPS and Fund members. If you have any suggestions regarding topics for inclusion in future editions please write to us at the address on the back page or telephone the general enquiries number on 020 7369 6118. I look forward to any comments you may have.

**Peter Scales**  
March 2003



## Fund Members Forum

*11th September 2003*

**LPFA's tenth Forum for Fund members will take place on the 11th September 2003 at the Queen Elizabeth II Conference Centre, Westminster.**

LPFA has held annual forums for the membership since 1994. Issues of relevance and topical interest are presented and delegates are given an opportunity to question staff and Board Members. Feedback shows consistent approval of the event but the many comments and suggestions for improvement received from delegates are taken into account in the planning and preparation of the following years event.

The format of the Forum will be similar to that of previous years and is likely to include:

- Information Centre open at 10 am
- Formal presentations begin at 11 am
  - Chairmans Introduction
  - Chief Executive's Review of the Year
  - Current concerns to pensioners
    - Government's response to the pensions crisis  
*Ronnie Bowie (Actuary, Hymans Robertson)*
    - Do's and don'ts for pensioners  
*A N Other (possibly from the Consumer Association)*
  - Open Forum - Question time
- Information Centre - light refreshments available - 13:00



**Ronnie Bowie**  
LPFA Fund Actuary

If you have any suggestions for the Forum, especially with regard to organisations that you would like to see at the Information Centre, please contact the LPFA's Call Centre.

If you would like to attend the Forum on the 11th September 2003 please complete and return the enclosed application card, or contact the general enquiries number on 020 7369 6118, or e-mail [forum@lpfa.org.uk](mailto:forum@lpfa.org.uk)

Tickets will be limited to the first 1,000 applicants.



## Investment review

Following an asset liability study by the Fund's actuary in Spring 2002, we have been considering changes to the investment strategy to give a better mix of assets to reflect our liabilities, the need to have sufficient cash available to pay pensions each month and the wish to keep employer contribution rates as stable as possible. Stability may be an elusive dream at the time of such volatility in investment markets but it is important that LPFA does not become a forced seller of investments at the wrong time.

The table below shows the Fund's value three years ago, compared to the position at the end of 2002, and the different type of assets we hold.

A number of things have happened over these three years:

- There has been a switch from index-linked to fixed interest bonds to better match liabilities
- Bonds and cash have reduced as cash flows out to pay pensions
- The value of equities relative to bonds has fallen sharply but there have been recent switches from bonds to equities
- The sale of all property holdings was completed taking value out of a maturing portfolio

	1999	2002
<b>Fixed interest</b>	9%	19%
<b>Index Linked</b>	49%	34%
<b>Equities</b>	33%	43%
<b>Property, etc.</b>	2%	-
<b>Cash</b>	7%	4%
<b>Value</b>	<b>£2.9bn</b>	<b>£2.5bn</b>

What the table doesn't show is our target allocations which have shifted the balance within equities between UK and overseas holdings with a new global equities portfolio and will switch from quoted equities to property and private equity.

But we have some way to go to meet the target allocations set and this is because we are trying to reduce equities when the prices are at a low point ~ not a good time to sell. These changes will be phased over time therefore as the stock market values allow.

### Social Responsibility

LPFA continues to develop a more pro-active approach to social responsibility and has recently joined the Local Authority Pension Fund Forum. This group of 20 plus local authorities considers a broad range of issues and how they impact on engagement with the companies in which we invest.

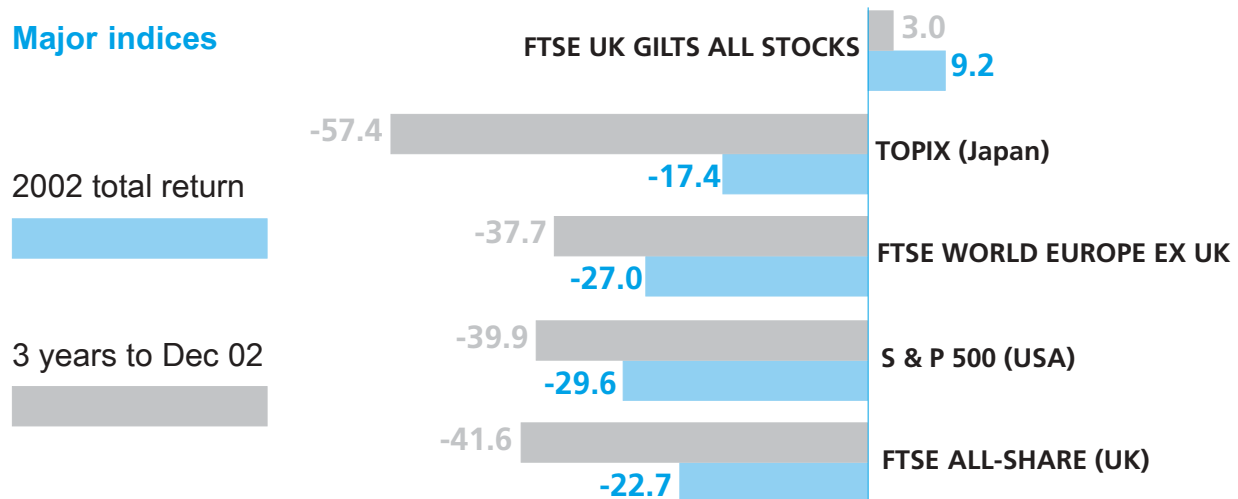


## Investment review

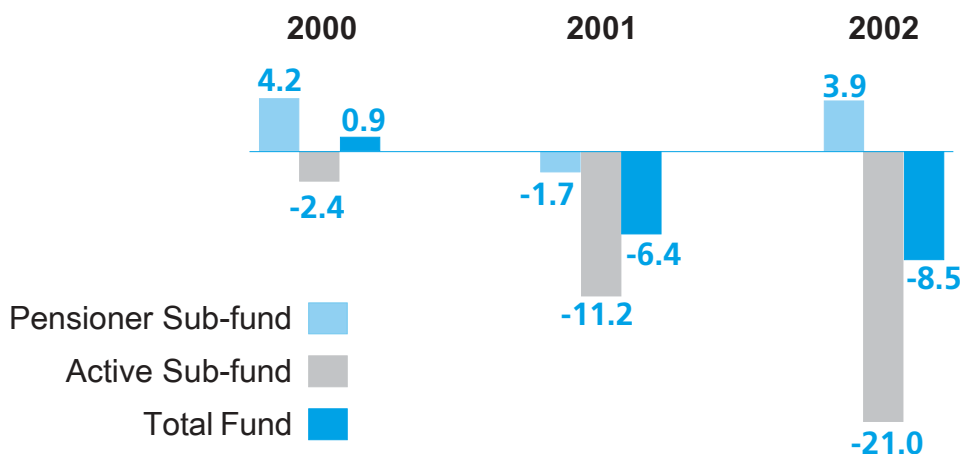
The movement in market indices shown below demonstrates just how far the value of equities has fallen over the last three years compared to bonds.

The other key factor from the table is the dramatic fall in the value of the Fund back to a level last seen in 1993-94 and this is almost entirely due to the value of equities.

### Major indices



For the LPFA funds, the overall returns and for each sub-fund are affected by the mix of assets as shown below:



Since March 2001 pensioner membership has remained fairly constant and the steady growth in the number of deferred beneficiaries is as expected. The number of contributors increased during 2001 - 02 as a result of growth within Transport for London and the Greater London Authority and the admission of Greater London Magistrates Courts Authority. During 2002-03 the National Criminal Intelligence Service (to Civil Service Scheme) and Futures Careers Service (profit making) left the Fund.

### LPFA Fund membership

	31st March 2001	31st March 2002	31st December 2002
Contributors	21,442	22,444	22,623
Deferreds	16,907	17,844	18,416
Pensioners	31,789	31,853	32,066
<b>Total</b>	<b>70,138</b>	<b>72,141</b>	<b>73,105</b>



## Public sector pensions

The Government's green paper on pension reform was published in December 2002. This green paper is intended to simplify the regulation of occupational pension schemes but includes other measures. This came at the end of a year in which the gradual review and development of public sector schemes contrasted starkly with the rapid decline and closure of good quality schemes in the private sector.

### Final salary schemes

The trend towards money purchase pensions continued with an acceleration in final salary scheme closures. The public sector could become the bastion of final salary provision; according to the National Association of Pension Funds 30% of private sector final salary schemes are already closed to new entrants compared to only 2% in the public sector.

### New scheme designs

While the public sector generally retains final salary schemes new forms of provision are beginning to appear. The Local Government Pension Scheme (LGPS) is beginning to move towards choice and flexibility of pension provisions for new employees. The second stage of a stocktake exercise has concluded that the LGPS, though fine for full-time, career employees, is not well focused on the pension needs of part-timers or those taking career breaks.

There have been discussions about the possibility of introducing average salary or money purchase arrangements for new employees, at least for an initial period of service. It is not yet known how this will develop but it is clear that the ODPM is prepared to consider a wide range of scheme design options for future provision in local government.

### Unmarried partners

Public service schemes do not generally provide pensions for unmarried partners in the event of a member's death. There are however some exceptions; new civil servants have been offered a final salary scheme that provides pensions to unmarried and same-sex partners.

The Government's general policy on this is that benefits should only be extended to unmarried partners if the membership of a public service scheme is prepared to meet the additional costs. In June 2002 the ODPM rejected a proposal made by TUC and the Local Government Pensions Committee to extend dependants pensions to unmarried partners.

The Government is committed to bringing forward legislation on sexual orientation by the end of 2003, but impact on pensions will depend on the rules of each individual scheme. The fact that the directive is 'without prejudice to national laws on marital status' means that the regulations, as currently drafted, could make it unlawful for schemes to restrict pension benefits to opposite sex partners but would not stop schemes from continuing to aim benefits exclusively at married couples.

The Public Sector Pensions for Unmarried Couples Bill has its second reading on 7th March 2003. This Bill makes provision for pensions in receipt of a public sector pension to be able to provide survivor benefits for unmarried, financially interdependent partners.



## LPFA update

### New organisational structure

During 2002 Dunnett Shaw and Partners were asked to review the way our pensions administration service was delivered. The review covered the overall organisational structure including issues of quality, compliance, training and document scanning.

The significant outcome of that review was to strengthen the senior management team and a proposal to create a new managerial layer between Director and manager. Phil Goodwin has been redesignated Director of Pensions Operations and following a formal recruitment and interviewing process three



<b>Mike Allen</b>	<b>Annemarie Allen</b>	<b>Jeff Houston</b>
Member Services	Support Services	Business Services

Assistant Directors of Operations have been appointed and they are pictured above. Jeff is responsible for IT, telecommunications, office services, business development and client liaison, Annemarie for central processing, pensions payroll, payments, technical and training and Mike for LPFA Fund and agency pensions administration.

Amanda Walker becomes Director of Finance and Investment (formerly 'Head of') and the work of the directorate will be reviewed over the coming months.

### Strategic vision

The Authority submitted a strategy statement to the Mayor in December 2002 setting out LPFA's aims, objectives and plans over the next three year period. A budget statement was also submitted. Both statements were approved by the Mayor.

The key themes of the strategy centre on quality, equality and growth:-

### Aims

- To deliver the LPFA's responsibilities by providing quality services at optimum cost
- To strengthen LPFA's standing through growth in pensions administration and contribution to public debate within the sector
- To strive for social and environmental best practice across all LPFA's activities

### Objectives

- To secure greater control and reduction of costs, year on year, by optimising efficiency and effectiveness
- To maintain an investment strategy that balances growth and sustainability to protect and enhance the viability of the fund
- To increase LPFA's share of its available market by creating and winning new business opportunities
- To establish a national Index of Pensions Performance indicators and aim to be in the upper quartile by 2006
- To develop an informed, motivated and diverse workforce
- To integrate equalities into all areas of the business



# yourpensioncontacts

## Contact points

When contacting us please include or be ready to state the following information:

**the name of your last employer**  
**your national insurance number**  
**the nature of your query**

If telephoning please use the contact number shown on our last correspondence with you and ask for the contact name shown.

Alternatively you may ring the general enquiries number on

**020 7369 6118**

customers with textphones should ring

**020 7369 6119**

You may also contact us by email at

**enquiries@lpfa.org.uk**

by fax on

**020 7369 6242**

or in writing to the

**LPFA Pensions Team**



The Call Centre number, 0845 30 30 335 is now a dedicated helpline for LPFA pensioners

**London Pensions Fund  
Authority  
Dexter House  
2 Royal Mint Court  
LONDON  
EC3N 4LP**

**Fund member website:  
[www.yourpension.org.uk](http://www.yourpension.org.uk)**

