



October 2014

To all members of the Fund

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Dear Member

The Port of London Authority Pension Fund (“the Fund”)

I am writing to you on behalf of the Committee of Management, who are responsible for the running of your pension fund.

To comply with legislation, you will receive an annual statement from the Committee of Management providing details regarding the Fund’s funding position. This statement will be based on calculations carried out when the Fund had its last formal valuation. Such valuations are typically carried out every three years and, for your Fund, the last valuation was as at 31 March 2012. The attached statement refers to the funding of the Fund as at 31 March 2013, and the figures shown reflect the results of that valuation. The next valuation of the fund is due as at 31 March 2015.

This valuation was carried out under the government’s new funding regime, overseen by the Pensions Regulator. Under these new rules the Committee of Management has greater powers to decide the contributions that should be paid to the Fund. The Regulator has issued guidelines for trustees on funding their pension schemes. The Committee of Management intends to be fully compliant with this guidance.

The attached statement also details what would happen to your benefits if the Fund were to wind-up. Please note that it is a legislative requirement that all trustees of defined benefit pension schemes include such a section in the summary funding statement. Therefore, this information is designed to be informative – it does not mean that the Port of London Authority is thinking of winding up the Fund.

If you have any questions regarding this, please write to me at the above address.

Yours sincerely

W T BEAN
Fund Secretary

Port of London Authority Pension Fund (the "Fund")

Dear Member

October 2014

SUMMARY FUNDING STATEMENT FOR 2014

It is the responsibility of the Committee of Management to make sure that a full valuation of the Fund is carried out every 3 years. In addition, the Committee of Management must, by law, provide you with an annual statement of how the Fund is funded and remind you of the results of the last full valuation. This is the ninth such statement.

How is my pension funded?

The Port of London Authority (the "Authority") pays contributions so that the Fund can pay pensions and other benefits to members. Active members also pay contributions to the Fund at a varying rate that is dependent on their salary band and the section of the Fund they are in. All the Fund assets are in one common fund. Members do not have separate individual holdings apart from their Additional Voluntary Contributions.

The Committee of Management obtains regular valuations from the Scheme Actuary which provide an estimate of the assets needed today to meet the payment of benefits allowing for future investment returns. Using this information, the Committee of Management and the Authority come to an agreement on how much the Authority should pay to keep the Fund's funding on track against this funding target.

The Pensions Regulator has powers to direct matters affecting the funding of the Fund in certain circumstances. No such directions have ever been made in relation to the Fund.

Results of the last Valuation

The latest valuation of the Fund showed that on 31 March 2012 the funding position was as follows:

Assets	£263.6m
Amount assessed as needed to provide benefits ("Liabilities")	£358.9m
Surplus / (Deficit)	(£95.3m)
Funding level	73.4%

Following discussions between the Committee of Management and the Authority, it was agreed that from 1 July 2013 to 31 December 2013 the Authority would pay contributions to the Fund at the rate of 32.05% of Pensionable Salaries for pre-2009 members, 13.2% of Pensionable Salaries for post-2009 higher rate members and 9.9% of Pensionable Salaries for post-2009 lower rate members.

The Rules of the Fund were amended at a general meeting of members held in April 2013. These changes moved all active members of the Fund to a Career Average Revalued Earnings benefit structure from 1 January 2014. From this date, the Authority has been paying contributions to the Fund at the rate of 13.4% of Pensionable Salaries for higher rate members and 10.05% of Pensionable Salaries for lower rate members. The above rates, when combined with the member contributions, are equal to the estimated cost of the benefits accruing to active members.

In addition, it was agreed that the Authority would pay contributions of £2.8m per annum from 1 July 2013 to 30 June 2014 and £4.0m per annum from 1 July 2014 to 30 June 2033 in respect of the shortfall in funding. The contribution rates will be reviewed as part of the next actuarial valuation due as at 31 March 2015.

Change in funding position between 31 March 2012 and 31 March 2013

The Committee of Management monitors the funding position between valuations. The latest report by the Scheme Actuary showed that as at 31 March 2013, the funding level of the Fund was estimated to be 71%, with a deficit of £115.0 million. The position has worsened since the last statement largely because the change in market conditions since 31 March 2012 has led to a higher value being placed on the liabilities. This has been partly offset by the investment return over the period being greater than the assumed rate of return.

You should be aware that the factors affecting the funding level are very changeable, particularly stock market performance, interest rates and life expectancy. This means that the funding level can go up or down in the future.

Payment to the Authority

There has not been any refund of surplus to the Authority out of the Fund.

The importance of the Employer's support

The Committee of Management's objective is to have enough money in the Fund to pay pensions now and in the future. However, this relies on the on-going existence of the Authority and its support for the Fund because:

- Assets can go down as well as up, and when there is a shortfall, the Authority will usually need to put in more money; and
- The cost of benefits may increase so that the Authority will need to put in more money.

What would happen if the Fund started to wind up?

The Rules of the Fund do not state how the benefits will be provided in the event of a winding up. If the Fund winds up, you may not receive the full amount of pension you have earned even if the Fund is fully funded on its target funding level. However, whilst the Fund remains ongoing, even though funding may temporarily be below target, pensions will continue to be paid in full.

If the Fund were to wind up, the Authority would be required to pay enough into the Fund to enable your benefits to be completely secured with an insurance company. At 31 March 2012, the estimated amount that the insurance company would require (full solvency) was approximately £434m. This means that there was a shortfall from full solvency of approximately £170m. Please note that this information is designed to be informative - it does not imply that the Fund will wind up.

In the event of a wind up, it may be the case that the Authority is unable to pay the full amount required by the insurance company. If the Authority became insolvent, the Pension Protection Fund (PPF) might be able to take over the Fund and pay compensation to members. The PPF has been set up by the government to help protect members' pensions where a company becomes insolvent, although it does not guarantee to pay full benefits. Further information and guidance is available on the PPF's website at www.pensionprotectionfund.org.uk. Or, you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

Why does the Committee of Management's funding plan not call for full solvency at all times?

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are required to take a very cautious view of the future, include a profit margin and make an allowance for their expenses. By contrast, our funding plan assumes that the Authority continues to financially support the Fund, while adopting less cautious assumptions about the future.

What is the Fund invested in?

The Committee of Management's policy is to invest in a broad range of assets to get the best return possible while taking account of the liabilities of the Fund, and the risks of having too much money in any one type of investment. We currently aim to invest in the following broad proportions

Equities	20%
Fund of Hedge Funds	20%
Multi Asset Credit	40%
Liability Driven Investment	15%
Infrastructure	5%

This policy is reviewed regularly and is formalised in the Fund's Statement of Investment Principles.

Where can I get further information?

If you have any other questions, or would like any more information about the Fund, please contact the Secretary. Please help us to keep in touch with you by telling us if you change address.

Please note that if you are an active member and considering leaving the Fund, we suggest that you consult an independent financial adviser before taking any action.

Yours sincerely

The Committee of Management of the Port of London Authority Pension Fund

Additional Fund documents are available on request:

Statement of Funding Principles. This explains how the Fund is to be funded.

Statement of Investment Principles. This explains how the Committee of Management invests the assets of the Fund.

Schedule of Contributions. This shows how much money is being paid into the Fund.

Annual Report and Accounts. This shows the Fund's income and expenditure in the year up to 31 March 2013.

Actuarial Valuation Report. This report details the Actuary's check on the Fund's situation as at 31 March 2012.

Actuarial Report. This report provides a review of the Fund's position as at 31 March 2013.

Member booklet.

Benefit Statement. If you are not getting a pension from the Fund (and have not received a benefit statement in the last 12 months) you can ask for a statement that provides an illustration of your pension benefits.

Trust Deed and Rules. This details the Rules and benefits of the Fund.

Recovery Plan. This document sets out how any shortfall in the Fund will be eliminated.