

October 2014

To all members of the Scheme

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Dear Member

The Port of London Authority Retirement Benefits Scheme ("the Scheme")

I am writing to you on behalf of the Trustees, who are responsible for the running of your pension scheme.

To comply with legislation, you will receive an annual statement from the Trustees providing details regarding the Scheme's funding position. This statement will be based on calculations carried out when the Scheme had its last formal valuation. Such valuations are typically carried out every three years and, for your Scheme, the last valuation was as at 31 March 2013. The attached statement refers to the funding of the Scheme as at 31 March 2013 and the figures shown reflect the results of that valuation. The next valuation of the Scheme is due at 31 March 2016.

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

The attached statement also details what would happen to your benefits if the Scheme 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 Scheme.

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

Yours sincerely

W T BEAN
Pensions Manager

Port of London Authority Retirement Benefits Scheme (the "Scheme")

Dear Member

October 2014

SUMMARY FUNDING STATEMENT FOR 2014

It is the responsibility of the Trustees to make sure that a full valuation of the Scheme is carried out every 3 years. In addition, the Trustees must, by law, provide you with an annual statement of how the Scheme 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 Scheme can pay pensions and other benefits to members. All the Scheme assets are in one common fund. Members do not have separate individual holdings.

The Trustees obtain 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 Trustees and the Authority come to an agreement on how much the Authority should pay to keep the Scheme's funding on track against this funding target.

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

Results of the last Valuation

The latest valuation of the Scheme showed that on 31 March 2013 the funding position was as follows:

Assets	£2.923m
Amount assessed as needed to provide benefits ("Liabilities")	£5.077m
Surplus / (Deficit)	(£2.154m)
Funding level	58%

Following discussions between the Trustees and the Authority, it was agreed that the Authority would make annual contributions of £215,000 from 1 April 2013 until 31 January 2024. The rate of contributions payable by the Authority will be reviewed as part of the next actuarial valuation due as at 31 March 2016.

Change in funding position

The Trustees monitor the funding position between valuations. The previous report by the Scheme Actuary showed that as at 31 March 2012, the funding level of the Scheme was estimated to be 58% with a deficit of £2.139 million.

Since 31 March 2012, there has been very little change in the funding position. Whilst market conditions at 31 March 2013 lead to a higher value being placed on the liabilities compared to 31 March 2012 market conditions, this has been broadly offset by higher than expected investment returns and employer contributions received over the period.

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.

The next full valuation of the Scheme is due to be carried out as at 31 March 2016.

Payment to the Authority

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

The importance of the Employer's support

The Trustees' objective is to have enough money in the Scheme to pay pensions now and in the future. However, this relies on the on-going existence of the Authority and its support for the Scheme 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 Scheme started to wind up?

If the Scheme winds up, you may not receive the full amount of pension you have earned even if the Scheme is fully funded on its target funding level. However, whilst the Scheme remains ongoing, even though funding may temporarily be below target, pensions will continue to be paid in full.

If the Scheme were to wind up, the Authority would be required to pay enough into the Scheme to enable your benefits to be completely secured with an insurance company. At 31 March 2013, the estimated amount that the insurance company would require (full solvency) was approximately £5.7m. This means that there was a shortfall from full solvency of approximately £2.8m. Please note that this information is designed to be informative - it does not imply that the Scheme 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 Trustees' 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 Scheme, while adopting less cautious assumptions about the future.

What is the Scheme invested in?

The Trustees' policy is to invest in a broad range of assets to get the best return possible while taking account of the liabilities of the Scheme, and the risks of having too much money in any one type of investment. The assets are currently invested 100% in bonds, in a mixture of Sterling Government and non-Government securities.

This policy is reviewed regularly and is formalised in the Scheme'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 Scheme, please contact the Secretary. Please help us to keep in touch with you by telling us if you change address.

Yours sincerely

The Trustees of the Port of London Authority Retirement Benefits Scheme

Additional Scheme documents are available on request:

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

Statement of Investment Principles. This explains how the Trustees invest the assets of the Scheme.

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

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

Actuarial Valuation Report. This report details the Actuary's check on the Scheme's situation as at 31 March 2013.

Actuarial Report. These reports provide a review of the Scheme's position as at 31 March 2011 and 31 March 2012.

Benefit Statement. If you are not getting a pension from the Scheme (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 Scheme.

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