

Date: 18 March 2022

Item: Actuarial Valuation of the TfL Pension Fund

This paper will be published with the papers for the next meeting of the Finance Committee

1 Summary

- 1.1 This paper provides the Committee with an update on the triennial actuarial valuation of the TfL Pension Fund (the Scheme) as at 31 March 2021 and seeks approval of certain proposed provisions in response to that valuation.
- 1.2 Exempt supplementary information is included as an appendix to this paper.
- 1.3 The use of Chair's action by the Chair of the Finance Committee is considered appropriate as consideration of this matter is required in the very short term, outside the meeting cycle.
- 1.4 The Members of the Committee are asked to consider the proposal and provide Anne McMeel, as Chair, with their views on or before 12 noon on 25 March 2022. The contents of this paper and the exercise of Chair's action will be reported to the next meeting of the Committee.

2 Recommendation

- 2.1 The Chair of the Committee, in consultation with available Members, is asked to note this paper and the exempt supplementary appendix and give authority for certain commitments to be made to the TfL Pension Fund as described in the exempt supplementary appendix.**

3 Background

- 3.1 The Scheme is a final salary funded occupational pension scheme set up under trust. The Scheme is separate and distinct from TfL and its subsidiaries. TfL is the principal employer of the Scheme and TfL Trustee Company Limited is the Trustee of the Scheme (the Trustee). The Scheme has other participating employers from within the TfL group and they are represented by TfL in the triennial valuation process.
- 3.2 The Scheme is a defined benefit scheme with two sections – a Public Sector Section and a Composite Section. The Public Sector Section holds 99 per cent of the liabilities. This paper relates to the Public Sector Section.

- 3.3 The Scheme has around 85,000 members of which just over 25,000 are active members. The Scheme remains open to new members and the future accrual of benefits.
- 3.4 Under the Scheme Rules, any deficit must be funded over a period no longer than ten years and changes to future service benefits require the agreement of the Trustee of the Scheme as well as a majority of members attending a meeting together with certification by the Scheme Actuary.
- 3.5 Every three years, the Trustee is required to carry out an actuarial valuation of the Scheme. As the last valuation was carried out as at 31 March 2018, the Trustee is currently carrying out its latest valuation, in discussion with TfL, with a calculation date of 31 March 2021.

4 The valuation process

- 4.1 The purpose of the valuation is to assess the value of the Scheme's assets and liabilities and to review and revise (if necessary) the level of contributions paid by TfL. The method and assumptions used in the valuation to calculate the value of the Scheme's liabilities (the Technical Provisions), as well as the required level of contributions, must be agreed between TfL and the Trustee and set out in a number of key compliance documents.
- 4.2 The Trustee and TfL have been progressing the valuation process. The Technical Provisions and Schedule of Contributions have been agreed in principle between the Trustee and TfL following receipt of advice from respective actuarial and legal advisors, subject to approvals.
- 4.3 The whole valuation process must be completed within 15 months of the calculation date of 31 March 2021 so, for the current valuation, this deadline is 30 June 2022. Any revision to the rate of contributions payable is currently expected to have an effective date of 1 April 2022.
- 4.4 Once the valuation process is completed, the documents setting out the Schedule of Contributions and the valuation results must be sent to the Pensions Regulator (the Regulator) who will then review the appropriateness of the agreed funding plan. If the Regulator considers that the plan is not appropriate then it has the power to ask for further documents detailing the process followed by the Trustee and, in extreme circumstances, may require the Trustee to revisit the prudence of the Scheme's Technical Provisions or instruct it as to what contributions should be paid by TfL and the other Scheme employers.

List of appendices to this report:

Appendix 1 – Exempt supplementary information.

List of Background Papers:

None.

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