TfL Pension Fund

Important update Jan/Feb 2021

Defending our Pension Scheme

The Commissioner for TfL on 11th December 2020 announced the publication of an Independent Panel Review of TfL finances which recommends that a commission is established to review the TfL Pension Fund because it believes the fund is outdated and must be reformed.

While it is important to note that no formal proposals are yet to be made the review makes reference to a number of changes which it believes would "modernise" the fund and reduce costs for TfL. One such change is closing the fund to new entrants; i.e. not allowing new employees to join the employer's final salary, Defined Benefit (DB), pension scheme and instead offering them a less generous arrangement.

The reality is that while such a proposal would reduce risk to the employer, in respect of slowing down the build up of future liabilities, the fact is that this will not improve the funding level of the fund and indeed will result in more financial pressure being placed on TfL.

It is a fact that those DB schemes which have closed their doors to entrants are likely to have the following problems:

- As with all DB pension schemes the TfL Pension Fund relies on a steady flow of money coming into the fund to meet its pension obligations.
- If you have members leaving the scheme or retiring then that steady flow of contributions slows down. Therefore, as more and more members become pensioners then there is a drain on the fund as there is less money being paid into the fund through contributions by members and the employer. This scenario often ends up with schemes becoming more underfunded then those schemes which are open to new entrants.

- TfL will no doubt argue that investment returns will take care of any funding shortfall but in the majority of instances this is just not the case.
- As a result of the fund being closed to new members the TfL Pension Fund Trustee Board will have to rethink their investment strategy which often means moving away from growth assets, such as equities, and moving into matching investment options such as bonds. Disinvesting in this way will result in lower investment returns which will have to be picked up by the employer or changing members' future benefits.
- Closing the scheme to new members will also affect the valuation assumptions set by the fund actuary in respect of future investment growth. Again this will not reduce the financial strain on TfL but in fact increase it.

The reality is that closing the TfL Pension Fund to new entrants is not going to resolve the financial pressures the sponsoring employer finds itself under. The conclusion of the Independent Review is nothing more than opportunist during a time when workers across LUL are risking their lives to keep London moving.

The references which are made in the review in respect of what is happening elsewhere are nothing more than misleading and fail to mention that there are many UK DB schemes which remain open to new members.

As mentioned above no formal proposals are yet to be made but it is the RMT's view that all workers should be entitled to a decent income in retirement and there is nothing in the Independent Review findings which leads us to think that this principle was considered when the review was being carried out.

It is clear from the tone of the review findings that there is some resentment when it comes to working class people having decent occupational pension benefits and while the RMT acknowledges that the TfL Pension Fund has a deficit this is not a race to the bottom and any attack on our members retirement expectations will be defended vigorously.