22nd January 2013

Ms T Riley
HR Director
TFL
Windsor House
42-50 Victoria Street
London
SW1H 0TL

Dear Tricia,

TRANSPORT FOR LONDON PENSION FUND 2012 TRIENNAL ACTUARIAL VALUATION RESULTS

Following the Pensions Working Group (PWG) Staff Side meeting held on 14th January 2013 it is requested that you consider the following:

1. The PWG Staff Side note the advice contained on Page 13 of the Actuarial Valuation Report. The Staff Side believe that in light of the volatile economic climate retaining or bringing forward the three lump sum payments £107.4 million (subject to RPI) would be prudent.

   We would like the Scheme Actuary to provide options showing how the lump sum payment could be brought forward to shorten recovery plan. To support this case we note the following extract from The Pension Regulator regarding Recovery Plans:-

   "*We expect any shortfall to be eliminated as quickly as the employer can reasonably afford*"

   We would also like to know that if the budgeted lump sums remained, those agreed as a result of the 2009 valuation, what effect this would have on the future valuation of fund on a Technical provision & buy out basis.

   We further request examples of how any future surplus in the fund could be used to allow more prudent assumptions to be used than present or a greater allocation of less volatile assets.

2. In 2003 the Tube Lines (TL) section of the Transport for London Pension Fund (TfLPF) was closed to new entrants. While those already employed by TL remained members of the TfLPF, new employees were excluded from joining the fund.

   However, as a result of the TfL Group acquisition of TL, and therefore the TL becoming a subsidiary of TfL a request was made that those TL employees being denied access to the fund should be allowed to join.

The buyout of TL was a significant development which should have allowed employees working for TL the right to join the TfLPF in line with the Trust Deed and Rules of the TfLPF. TL management should therefore have the authority to enrol employees into the fund.

It should also be noted that the present rules allow any staff to join the fund that are TUPE transferred into TfL, or are in a company that becomes a wholly owned subsidiary of TfL.

While the PWG Staff Side recognise that the TfLPF Triennial Valuation results still show a deficit in the fund it is suggested that in light of the 'positive' results, which show the shortfall reducing from £1.331 million in 2009 to £699 million in 2012, it is now appropriate that those TL employees not already in the TfLPF be offered the opportunity to join the fund.

The PWG Staff notes the actuary's recommendation to reduce the three lump sum payments which would have been made as a part of the 2009 Triennial Actuarial Valuation results recovery plan. If agreed by the employer the proposal would see savings in excess of £152 million between 2013 and 2019. While TfL may have been apprehensive in allowing all TL employees to join the fund, in the light of these positive valuation results, the PWG Staff Side believe that the above proposal is particularly relevant and should now be seriously reconsidered.

We would further add that as the number of pensioners increase it is important that new 'active' members are allowed to join the fund. This point is particularly relevant in a 'balance of cost' arrangement where the majority of past and future pension liabilities often fall on the employer.

The PWG staff side would request that management give serious consideration to this proposal, seeking actuarial advice to the cost implications of allowing TL employees the right to join the fund.

If you require any further clarification to the above questions and point can you please contact the Secretary of the PWG Staff Side.

Yours sincerely

The Staff Side of the TfLPF Pensions Working Group

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Steve Connolly
Graham Dean
John Knowles
Steve Hedley
Chris Miller
John Robson
John Timbrell
Colenzo Jarrett-Thorpe