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By email only: permanent.secretaries@dft.gov.uk

20 July 2023

Dear Bernadette,

TfL Pensions Review

I am writing in response to HM Government's (HMG) letter of 14 July 2023 (the 14 July letter), which provided HMG's response to TfL's letter of 17 March (the 17 March letter) in relation to the requirements of the Funding and Financing Agreement dated 30 August 2022 (the Funding Agreement). I would again like to confirm at the outset, that TfL remains committed to continuing to deliver the requirements of the Funding Agreement.

We are pleased to see, as set out in your 14 July letter, that HMG recognise that public sector treatment is most appropriate for TfL's pension arrangements going forward. This would avoid unnecessary cost and risk and assist in creating pension arrangements going forward that are sustainable, and, in turn, make a positive contribution to TfL's overall financial sustainability. Your 14 July letter expresses HMG's preference for the Local Government Pension Scheme (LGPS) to be the vehicle to deliver this. While we believe that there are other options [such as a new funded public sector scheme] that may deliver better value for members, farepayers and taxpayers overall, we appreciate HMG's view that the LGPS already exists for the purposes of providing funded pensions in the public sector. We, of course, have no objection in general to the LGPS as a funded public sector scheme (it being one of the schemes used for pensions provision across the GLA group) and are willing to continue to work together to see if this could meet the requirements of TfL and its employees.

There are several significant complexities to work through which remain critical to TfL and the Mayor being able to agree a final detailed proposal with HMG. Your 14 July letter begins to address some of these complexities at a high level, in relation to matters such as the protection of members' past service benefits built up to date, protected persons and legislation. I will respond to each of these points in turn.

Thank you for confirming in your 14 July letter that it is a shared priority that the benefits members' have built up to date are protected - we both agree that this must be met. It is essential that members' past service benefits built up to date will be protected on a mirror image basis without detriment (including maintaining the final salary link), as was the case for all other public sector pensions reform that has been progressed. We will move forward to explore the LGPS option in more detail on the basis that this protection can be fully delivered. We note your 14 July letter refers to the existing scheme rules being carried over into the LGPS, and we will need to work through this together so that we are all clear on what assurance on this point is being given by HMG and whether or not, therefore, the LGPS can deliver the necessary protection required.

In relation to those members who have statutory protected status (Protected Persons), we appreciate this is a complex area and that you will need time to work through this further to determine how Protected Persons can be accommodated in the LGPS. We will continue to support you in that work.

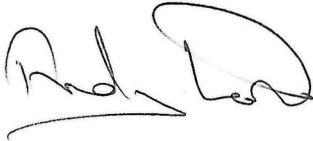
In relation to legislation more broadly, your confirmation of HMG's intention to bring forward legislation is a significant milestone. TfL would welcome further information on the specifics of this, including HMG's expected timetable of when draft legislation will be made available to achieve the matters we set out in our 17 March letter and information regarding the type and scope (including the outline) of legislation needed.

As mentioned above, we will continue to work with you to ensure that the complexities can be resolved in order that a final detailed proposal can then be agreed.

We note that Government is keen for a consultation process to commence no later than 1 July 2024. While we can work towards this date, any commencement of a consultation on a Final Detailed Proposal (once agreed) will require a full resolution of the issues and complexities outlined above. This will also impact any date for implementation and we agree this could not be before 30 September 2026.

The option discussed in this letter is not a proposal for reform and, given the above considerations, "do nothing" remains an option. The implementation of anything else will remain subject to further detailed preparatory work, the availability of appropriate legislation, relevant consultation with affected members and their representatives and TfL's decision-making processes.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andy Lord', with a large loop at the end of the name.

Andy Lord

cc: Emma Ward CBE, Director General