

Date: 17 March 2016

Item: Final Results of the 2015 Actuarial Valuation of the TfL Pension Fund

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to inform the Board of the final results of the 2015 Actuarial Valuation of the TfL Pension Fund and to recommend that the Board to approve the proposed Recovery Plan.
- 1.2 The information from the Trustee was not available in time for a paper to be submitted to and considered by the meeting of the Finance and Policy Committee on 2 March 2016. A draft of this paper was circulated to Committee members.
- 1.3 A paper is included on Part 2 of the agenda, which contains exempt supplemental information. This information is exempt by virtue of paragraphs 1 and 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of a person or authority.. Any discussion of that exempt information must take place after the press and public have been excluded from any public meeting.

2 Recommendations

- 2.1 **The Board is asked to note the paper and the supplemental paper on Part 2 of the agenda and to:**
 - (a) approve the proposed Recovery Plan described in the paper on Part 2 of the agenda; and**
 - (b) authorise the Chief Finance Officer to execute the various related documents on behalf of TfL.**

3 Background

- 3.1 At the 21 January 2016 meeting of the Finance and Policy Committee, an initial paper was presented on the summary of results and progress of the formal valuation of the TfL Pension Fund.
- 3.2 Every three years, the Trustee of the Fund is required to carry out a formal actuarial valuation of the Fund. As the last valuation was carried out with an effective calculation date of 31 March 2012, the Trustee is currently carrying out its latest valuation with an effective calculation date of 31 March 2015.

- 3.3 The purpose of the valuation is to carry out an assessment of the value of the Fund's assets and liabilities and to review and revise (if necessary) the level of contributions paid by TfL and the other Participating Employers. Any recommendations made by the Trustee in relation to the method and assumptions used in the valuation, as well as the required level of contributions must be agreed with TfL and formally set out in a number of key compliance documents. The revised contributions are payable from 1 April 2016.
- 3.4 The valuation is effectively split into two components. The first relates to what are known as the Technical Provisions. This stage is largely centred on what actuarial method and assumptions are appropriate for placing a value on the Fund's liabilities. The second component relates to the "Recovery Plan" which sets out the pattern of contributions agreed between the Trustee and TfL in order to pay off any shortfall in the assets versus the liabilities. Furthermore, any contributions agreed between the Trustee and TfL must be written down in a "Schedule of Contributions".
- 3.5 Once the valuation process is completed, the Recovery Plan, Schedule of Contributions and the valuation results must be sent to the Pensions Regulator (tPR) who will then review the appropriateness of the agreed funding plan. If tPR feels that the plan is not appropriate (for example, if the agreed assumptions do not contain enough margins for adverse experience) 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 its valuation or instruct it as to what contributions should be paid.

4 Summary of the Results and Recovery Plan

- 4.1 Details of the valuation results are set out in the paper on Part 2 of the agenda.
- 4.2 TfL needs to agree a Recovery Plan with the Trustee as to how and when the resulting deficit would be paid. Details of the proposed Recovery Plan is set out in the paper on Part 2 of the agenda.

List of appendices to this report:

Exempt supplementary material is included in Part 2 of the agenda for members

List of Background papers:

None

Contact Officer: Ian Nunn, Chief Finance Officer
Number: 020 3054 8941
Email: iannunn@tfl.gov.uk

Contact Officer: Stephen Field, Director of Pensions & Reward
Number: 020 7918 3786
Email: stephenfield@tfl.gov.uk