



Department for Transport

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Andy Lord
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Sent via email

24 February 2023

Dear Andy,

TfL Pension Reform

Firstly, I would like to thank our teams for their hard work on reviewing TfL's pension scheme (the 'Scheme') and submitting your Options Report dated 14 October 2022.

For this Government, protecting the benefits that Scheme members have built up to date, and putting the costs of future pension provision on a financially sustainable footing in the long-term is a priority.

Within that context, and with the help of expertise from across Government, we have carefully reviewed and considered TfL's reports from March 2022, 27 September 2022, and 14 October 2022 in accordance with the requirements set out under the 30 August 2022 funding settlement letter between TfL and Government. In particular, we have considered TfL's two broad categories of options for future service reform and proposals for managing past service liabilities from the October report. My team and I greatly appreciate the time and effort that TfL colleagues have invested over the past few months analysing the numerous options, the high-quality output of that work, and its delivery in a timely manner.

After careful consideration, I would like to confirm that, if required, Government is willing to support the principle of using legislation to facilitate a solution which ensures that TfL's pension provision forward is affordable and sustainable in the long term for scheme members, TfL, farepayers and taxpayers. This will be subject to cross-Government agreement, identifying a suitable legislative vehicle, and available parliamentary time. This legislation could cover moving TfL's pension fund in its

entirety (past service assets and liabilities, and future service provision) into an existing funded public sector scheme or into a new or existing private sector scheme. At this time, Government is unable to support a transfer of liabilities into an unfunded arrangement or into a new funded public sector scheme. A Government principle of reform has always been that any recommended option should not involve the transfer of additional funding risk for the scheme to the Exchequer and that concept therefore rules out unfunded schemes. It would not be appropriate to treat TfL differently to schemes in a similar position.

I would also like to reiterate that it is for TfL and the Mayor to agree with Government and bring forward a final detailed proposal for any recommended changes which considers both future service benefits and past service liabilities. For the avoidance of doubt, any proposed reform option should adhere to the statutory requirements to secure the benefits that scheme members have contributed towards to date. It is also subject to relevant consultation with affected members, their representatives, and stakeholders such as the Trustees of the Scheme.

I hope this articulation of our current position is helpful to you as you prepare for the final detailed proposal. Given the need for Government to consider these options diligently and being cognisant that TfL and the Mayor will need sufficient time in order to inform Government of a final detailed proposal for any recommended changes, the Secretary of State has agreed to extend the current 28 February 2023 deadline further.

The revised date for TfL and the Mayor to agree with HMG a final proposal is now 17 March 2023. We understand that there are further layers of complexity to work through regarding how reform would work in practice, and we will continue to work closely to resolve outstanding issues of concern around your final detailed proposal.

Yours sincerely,

A handwritten signature in black ink that reads "Emma Ward". The signature is written in a cursive, flowing style.

Emma Ward CBE | Director General, Roads and Local Group, Department for Transport