

Date: 4 July 2018

Item: Actuarial Valuation of the TfL Pension Fund

This paper will be considered in public

1 Summary

- 1.1 This paper provides the Committee with an update on the triennial actuarial valuation of the TfL Pension Scheme (the Scheme) as at 31 March 2018 and seeks approval of certain proposed provisions in response to that valuation.
- 1.2 A paper is included on Part 2 of the agenda, which contains exempt supplemental information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains legally privileged information and information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from any public meeting.

2 Recommendation

- 2.1 The Committee is asked to note this paper and the related paper on Part 2 of the agenda and give authority for certain commitments to the TfL Pension Scheme as described in the paper on Part 2 of the agenda.**

3 Background

- 3.1 The Scheme is a final salary funded occupational pension scheme set up under trust. The Scheme is separate and distinct from TfL and its subsidiaries. TfL is the principal employer of the Scheme and TfL Trustee Company Limited is the Trustee of the Scheme (the Trustee). The Scheme has other participating employers from within the TfL group and they are represented by TfL in the triennial valuation process.
- 3.2 The Scheme is a defined benefit scheme with 2 sections – a Public Sector Section and a Composite Section. The Public Sector Section holds 99 per cent of the liabilities. This paper relates to the Public Sector Section.
- 3.3 The Scheme has over 85,000 members of which over 25,000 are active. The Scheme remains open to new members and the future accrual of benefits.
- 3.4 Under the Scheme Rules, any deficit must be funded over a period no longer than ten years and changes to future service benefits require the agreement of a majority of members attending a meeting.

3.5 Every three years the Trustee of the Scheme is required to carry out an actuarial valuation of the Fund. As the last valuation was carried out as at 31 March 2015, the Trustee is currently carrying out its latest valuation, in discussion with TfL, with a calculation date of 31 March 2018.

4 The valuation process

4.1 The purpose of the valuation is to assess the value of the Fund's assets and liabilities and to review and revise (if necessary) the level of contributions paid by TfL. The method and assumptions used in the valuation to calculate the value of the Scheme's liabilities (the Technical Provisions), as well as the required level of contributions must be agreed between TfL and the Trustee and set out in a number of key compliance documents.

4.2 The Trustee and TfL have started the valuation process. The Technical Provisions and deficit recovery plan have been agreed in principle between the Trustee and TfL following receipt of advice from respective actuarial advisors, subject to approvals.

4.3 The whole valuation process must be completed within 15 months of the calculation date (of 31 March 2018) and hence for the current valuation this deadline is 30 June 2019. Any revision to the rate of contributions payable is expected to apply from 1 April 2019, as has been practice in the past.

4.4 Once the valuation process is completed, the documents setting out the Recovery Plan, Schedule of Contributions and the valuation results must be sent to the Pensions Regulator (the Regulator) who will then review the appropriateness of the agreed funding plan. If the Regulator considers that the plan is not appropriate 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.

List of appendices to this report:

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

List of Background Papers:

None.

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