

**Annual Members Meeting (AMM)
Tuesday 13 October 2009**

Q1 What are the prospects for our equity investments, given what has happened. In the great crash of 70 years ago there was a recovery followed by an 80% drop in the share market. Should we be rebasing the Fund away from equities ?

A1 There is always uncertainty about future prospects in all investment classes: equities, bonds, property and cash. There is a strategy of diversification in the Fund in order to give protection against substantial corrections in one or more asset classes.

It would be a brave adviser who said sell equities at this point. The UK FTSE 100 Index could remain around the 5000 level for some time or move significantly either upwards or downwards. The Fund is investing for the long term, ie tens of years, rather the short term of two or three years.

The Trustees' view, which is widely shared within the financial sector, is that equities will outperform bonds in the long term. As the Fund remains cash positive, it can continue to take such a view which is supported by the Principal Employer, who does have an obligation to make good any deficit in the Fund.

Q2 Where were the safety nets regarding Equitable Life and the losses incurred by members invested in Additional Voluntary Contributions (AVCs) through the Fund?

A2 The investment risk in AVCs lies with the member. The Fund provides the facility and information but legally cannot provide financial advice to members. The Trustees can only assist members on this issue where it is possible for it to do so.

Q3 What is the period over which a 100% funding position must be achieved?

A3 For the 2006 valuation, the deficit was scheduled to be cleared by 2017, with the majority by 2010. As we are in middle of a valuation, we cannot give information at this stage of the recovery period for the 2009 valuation, but the Trustees recognise the validity of the question. The Fund Rules state that a deficit should be cleared over a period of no more than ten years i.e. March 2019.

The timetable available to achieve 100% funding should also be seen in the context of the security of the employer to pay off the deficit and the further safeguards provided by the Pension Protection Fund.

Q4 I was concerned that one of the Trustees, Gerry Duffy, as Director of Employee Relations LUL, commented that employer contributions were not sustainable. This has given rise to concerns.

A4 Mr Duffy made his comments not in his Trustee capacity, but rather in the context of his employer role and he is entitled to his opinions. The current Rules of the Fund state that the employee contribution is 5% of pensionable salary. The employer has not approached the Trustees with regard to making any changes.

Q5 In seeking to pay down the national debt, the sale of state assets is being considered by the government. Would the Fund consider investing?

A5 Yes, if a suitable addition to the Fund's portfolio becomes available. The Trustees already have experience of these types of infrastructure-related investments and would actively look to add to the portfolio.

Q6 There has been action taken to address "missing membership" for those groups who had fixed term contracts or training periods. Is there anything similar which could be done for those who joined at 16 or 18, but were not allowed to join the Fund until age 25.

A6 There are no plans to address this by the Trustees as it is a matter for the employer. The Trustees would look favourably on any proposal as long as it was backed by a funding commitment. The current "missing membership" exercise is correcting errors the employer made in the starting point of membership under the Fund Rules. It is not a retrospective change in the Fund Rules.

In the case of age eligibility for membership, those were the Rules at that time and those Rules have been correctly applied. To seek to make retrospective changes to that settlement would be a different issue entirely.

Q7 As the Trustee Board has 18 members, all with day jobs, would it be beneficial to replace half of them with paid professional trustees?

A7 No. To do so, the Fund would incur additional costs. The question also implies that the current Trustees cannot commit sufficient time to carrying out their responsibilities, which is not the case.

Q8 There is discrimination against bus company employees who are excluded from the Fund. Could not these London Transport workers be allowed to join the Fund.

A8 This is not a matter for the Trustees, but one that would need to be taken up with the employers of the bus workers to pursue.

Q9 With the sale by EDF of Powerlink, will this affect the funding of this section of the Fund?

A9 The shortfall in the 2006 valuation for the EDF Powerlink section of the Fund was made good. As far as the current valuation is concerned, the employer will continue to have the obligation to make good any shortfall. There are also regulatory safeguards for pensions when a business is being sold.

Q10 I was advised to put money into AVCs and all I got back was what I put in. Why is no action being taken against Equitable Life and if the Trustees cannot do anything, what can individual members do.

A10 The Fund is not permitted legally to give financial advice on AVCs, only information. The Equitable Life issue has been running for a decade and has not yet reached a conclusion. There has been a Parliamentary Ombudsman report and we are waiting to see the final shape of any settlement that arises. The Trustees will keep members informed over further developments.

Questions received prior to the meeting and responses

Q11 In the past years that I have attended this AMM I have wondered why out of a two hour meeting the members only get a mere 25/30 minutes Questions & Answer slot at their annual meeting.

As a LT member I do not see any point in the Trustee Board wasting time reading out statistics from the Annual Review which I, and all other members, can read for ourselves at home!

The purpose of this meeting should be for us, the members, to put our questions to the Board. Therefore the Q&A slot should be allocated the greatest proportion of time at our AMM for this purpose. I would like to see this matter addressed by the Trustee Board.

A11 The agenda for the AMM is reviewed by the Trustees each year and feedback from members is considered. There have been changes to the format of the meeting this year, including the absence of a guest speaker.

While some questions may be of interest to the members attending the AMM, this will not necessarily be the case for all questions. Members are not limited to the AMM if they want to raise questions with the Trustees and therefore the time allocation for the Q&A session is set with this in mind.

Although information presented at the AMM may be available elsewhere, the Trustees believe that members attending this event do expect to be given an account of the Fund's activities for the year.

Q12 It would be nice to see the Fund spend some of the money you have got i.e give a Christmas bonus to pensioners like £100-150 which would be nice. My father gets up to £350 per year from his pension fund.

A12 The Trustees can only consider making benefit improvements if the Fund is in surplus. As it currently has a substantial deficit, there is no scope to consider the sort of payments you have suggested.

Q13 When was the last exercise to understand members' views on ethical investments (tobacco companies, arms companies, etc) and what were the results of that exercise ?

A13 The Trustees (of whom 50% are selected by members or their representatives) cannot invest other than on the grounds of financial returns, security and diversification. They can consider other social and moral criteria, but only where this would be expected to produce a financial return as least as good and within the standard of care and prudence required by law. The Trustees as a body have considered the issue and concluded they did not wish to change their investment approach given this general duty.

If all beneficiaries held strong views on a particular matter, there may be a justification in law for refraining from a particular investment. With such a large and diverse membership, the Trustees consider it very unlikely that such a unanimous view would emerge. The Trustees have therefore not considered spending Fund money on carrying out such an exercise to understand members' views.

There has been some recognition of social, environmental and ethical considerations in more recent disclosure requirements on pension fund investments. The Trustees are monitoring these developments positively.

Q14 In the light of the way that the Royal Bank of Scotland (RBS) conducts its business (i.e. collapsing) should we trust our Pension Fund with them?

A14 The Fund's banking arrangements, as with any other of its relations with third parties, are regularly reviewed by the Trustees. With the timing and nature of the government support given to RBS following the collapse of Lehman Brothers, the Trustees saw no need to end its relationship with the bank. Currently the majority of RBS's shares are publicly-owned and the Trustees have no concerns at the present time that it will collapse.

Q15 Please can the following questions be put to this meeting:

- 1. That there are not any proposals for changing the level of contributions by employee.**
- 2. That there are no proposals to reduce the level of benefit for employees, and in particular who may be expecting to retire in next 3 years.**
- 3. That there are no proposals to vary the retirement option plans currently available to employees.**
- 4. Advise and communicate what process the TfL pension fund will operate if any of the above matters are proposed.**

A15 None of the above proposals are currently under discussion by the Trustees.

Under the Fund Rules, any proposal which would result in an adverse change to members' benefits payable or prospectively would require the approval of a General Meeting of all members.

While changes such as increasing member contributions would not require a General Meeting, it would require the approval of both Trustees and employer. There is also legislation which would require the employer to consult with their employees or their representatives for no less than 60 days before a change took place.

Overriding legislation may require or facilitate rule changes, recent examples being compliance with age legislation and the April 2006 "A Day" changes. Here the Trustees' principal communication to all members is through the Newsletter.