

Annual Members' Meeting 9 October 2012: Questions & Answers

- Q1 A lot of people were thanked in the Annual Review, but no mention has been made of the Pension Consultative Council (PCC)
- A1 We will ensure there is appropriate mention of the PCC in the presentations.
- Q2 The number of active members has declined by 1000 over the year, how long can the scheme remain viable?
- A2. The TfL Pension Fund can be considered one of the best and strongest funds. TfL's support for the Fund has been unwavering to date and the Fund continues to enjoy positive cash flow. As a "balance of cost" arrangement, any increase in costs currently fall to the employer, so if there was a dramatic shift in circumstances this would put pressure on TfL, as it would have to increase its contributions.
- Q3 There has been recent press coverage of plans to allow a release from pension funds to support children's mortgages.
- A3 A number of years ago there was a "pension mortgage" product, but this did not prosper. We shall have to wait and see what emerges with respect to this latest proposal, but there must be some doubt as to whether it is workable in practice, such as what would happen if the child defaulted on the mortgage payments.
- .Q4 Last week it was announced that pension schemes would be allowed to pay off their deficits over a longer period. How does this affect the Fund ?
- A4 Under our scheme Rules the recovery period for paying off a deficit is restricted to 10 years, so any relaxing by the Regulator does not affect us as there is no current intention to change those Rules.
- Q5 The cost of insurance premiums has increased threefold, what is the reason ?
- A5 The Trustees made a conscious decision to externally insure to cover the costs of death-in-service payments and the insurance premium reflects this. The increase is mainly due the arrangement starting part of the way through the year. Overall the policy should work out broadly cost neutral, however it has an additional advantage of providing catastrophe cover, which otherwise we would have had to self-insure.

- Q6 The Office of National Statistics (ONS) is looking to change how the RPI inflation measure is calculated. How would this affect pensions and the Fund's index-linked investments?
- A6 The Fund pays pension increases by reference to RPI, so any change would need to be followed in calculating these increases. The prices of index-linked securities have already changed modestly in anticipation of possible changes. However we do hold proportionately fewer of these types of securities than many other schemes so are relatively less affected.
- Q7 As 40.4% of the Fund is invested in overseas equities, what about adverse currency movements?
- A7 The Trustees have taken out hedging contracts for the major currencies which means there is protection against adverse movements. The extent to which adverse currency movements are hedged is reviewed regularly.
- Q8 Investment expenses have increased by £2 million, why is this?
- A8 The number of managers has increased to 14 at 31 March 2012, whereas five years ago it was only 6. As the Fund has diversified and employed specialist managers, there has been more in fees to pay, but this should correspond to a better long term performance for investments. The Trustees monitor manager performance net of fees to ensure they are adding value.
- Q9 Should we be invested more in high yield corporate bonds instead of low yielding gilts?
- A9 We are invested in high yield bonds as part of a diversified portfolio. The proportion we invest in the different types of bonds is regularly reviewed by the Investment Committee.
- Q10 For the administration by Atos of the Equitable Life Payment Scheme, will the Fund notify members when the information has been supplied to Atos?
- A10 We are expecting Atos to send us a list of names for which they require addresses in November. Atos will use these addresses to write to members and we expect this will happen in the first half of 2013. We will be using 'On the Move' and the Fund Website to provide updates, but if members want to check they are on the list Atos send us, they can contact the Fund office.
- Q11 When considering mortality assumptions for the actuarial report, do we take into account the experience of our own Fund?
- A11 A detailed analysis of the Fund's mortality experience is carried out for the actuarial valuation. Because of the size of Fund membership, the actuary is able to use the Fund's own experience in determining the suitable actuarial tables to use for valuation purposes.

- Q12 What action is being taken to ensure members are not dying with their nomination forms out of date?
- A12 There are several channels which we use to ensure members complete nomination forms and keep them updated. For example active members see on their annual statement if they have completed a nomination form. Because of the way data is stored we cannot measure the numbers of form updates, just the number of forms we hold. We will continue to look at other communication opportunities for encouraging members to complete or renew their nomination forms.
- Q13 Transfers into the Fund have been suspended for sometime. What is the outlook for this suspension ending, as if it continues would this not be trying to enforce a rule change by the back door?
- A13 The position is due for renewal next year. The risk in holding the pension liabilities represented by transfers is a burden which is borne by the company and so there was a good rationale as to why the suspension commenced. Many schemes have chosen to end this facility.
- Q14 How are relations with the Regulator with respect to the actuarial valuation?
- A14 We have an ongoing relationship with the Regulator and an exchange of views continues. Because of the importance of the Fund, the Regulator has elected it as one of 40 large schemes with which it is going to be proactively engaged during the current actuarial valuation process.
- Q15 Do Additional Voluntary Contributions (AVCs) make a good addition to the Fund ?
- A15 AVCs are separate from the main fund. The assets held are held separately in accounts in the member's name by the AVC providers under group policies held by the Trustees. There has been a healthy take up by members, who receive annual statements from the AVC providers.
- Q16 Is it the case that the Government does not want final salary schemes to continue?
- A16 The Government changes affect only public service pension schemes. These schemes are administered through legislation and are subject to ministerial oversight. TfL Pension Fund has its own Trust Deed and Rules and falls outside the public service pension scheme remit

Q17 Why are we still dealing with Equitable Life as the accounts indicate we have written off large sums?

A17 There are no sums written off. The reduction in value is due to members taking their investment funds from Equitable Life at retirement.