

TfL Pension Fund

Recovery Plan

March 2019



Notice for the visually impaired

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TfL Pension Fund – Public Sector Section

Recovery Plan

This recovery plan relates to the Public Sector Section (the “Section”) of the TfL Pension Fund (the “Scheme”). It has been prepared by the Trustee of the Scheme after obtaining the advice of Gareth Oxtoby, the Scheme actuary.

For the purposes of this recovery plan, ‘Agreed Index’, ‘Scheme Rules’, ‘Scheme Year’ and ‘2021 valuation’ are as defined in the Schedule of Contributions dated 22 March 2019 (“Schedule of Contributions”).

Funding shortfall

The actuarial valuation of the Section as at 31 March 2018 revealed a funding shortfall (technical provisions minus value of assets) of £603 million.

Steps to be taken to ensure that the statutory funding objective is met

To eliminate this funding shortfall, the Trustee and Transport for London (“TfL”), the Principal Employer, have agreed that (after making due allowance for contributions, benefit accruals, expenses and interest since the valuation date) contributions to meet the shortfall will be paid to the Section by the employers as follows:

- a) Contributions from 1 April 2018 until 31 March 2019 equal to 5.45% of the total of the relevant pay definition (as set out in Rule 13 of the Scheme Rules for the purpose of calculating Members’ contributions) for all Members of the Section, and payable on the same dates as the Members’ contributions are due to be remitted to the Section; plus
- b) on or before 31 March 2019 a lump sum of £70 million; plus
- c) Contributions from 1 April 2020 until 31 May 2026 equal to 6.4% of the total of the relevant pay definition (as set out in Rule 13 of the Scheme Rules for the purpose of calculating Members’ contributions) for all Members of the Section, and payable on the same dates as the Members’ contributions are due to be remitted to the Section.

If the deficit contributions referred to under c) above that are paid by the end of each Scheme Year are less than £70 million (increased at the start of each Scheme Year commencing with effect from 1 April 2020 by the Agreed Index), TfL has agreed to pay a top-up deficit contribution to the Scheme by no later than 30 April immediately following the end of the Scheme Year to bring the total amount of deficit reduction contributions payable in the preceding Scheme Year to £70 million (increased at the start of each Scheme Year commencing with effect from 1 April 2020 by the Agreed Index) (“Top-up Deficit Contribution”).

If the deficit reduction contributions referred to under c) above that are paid by the end of each Scheme Year are more than £70 million (increased at the start of each Scheme Year commencing with effect from 1 April 2020 by the Agreed Index), it has been agreed that TfL shall not reclaim any overpaid deficit reduction contribution but the excess over £70 million (increased at the start of each Scheme Year commencing with effect from 1 April 2020 by the Agreed Index) shall be set off from any future Top-up Deficit Contributions that are required to be paid by TfL in any subsequent Scheme Years in accordance with the Schedule of Contributions.

Period within which the statutory funding objective is expected to be met

The funding shortfall is expected to be eliminated by 31 May 2026.

This expectation is based on the following assumptions:

- technical provisions calculated according to the method and assumptions set out in the statement of funding principles dated 22 March 2019;
- the investment return on existing assets and on new contributions during the period being as described in the statement of funding principles dated 22 March 2019.

For the avoidance of doubt, the contents of this recovery plan supersede the deficit reduction contributions set out in the recovery plan made between TfL and the Trustee dated 26 April 2016.

This recovery plan has been agreed by the Trustee and TfL.

Date of recovery plan (for reference purposes): 22 March 2019

Signed for and on behalf of TfL Trustee Company Limited acting as Trustee of the Scheme

Signed on behalf of Transport for London

Signed

M. Antoniou

Signed

S. Kilonback

Print name M Antoniou

Print name S Kilonback

Position Chair

Position Chief Finance Officer

Date

22 March 2019

Date

22 March 2019

For further help or information

Please contact the Fund Office if you have any questions about this document.
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