



Department for Transport

Emma Ward CBE
DIRECTOR GENERAL, ROADS AND LOCAL GROUP
DEPARTMENT FOR TRANSPORT
GREAT MINSTER HOUSE
33 HORSEFERRY ROAD
LONDON
SW1P 4DR

Web Site: www.dft.gov.uk

Andy Lord
Commissioner
Transport for London
Palestra
197 Blackfriars Road
London
SE1 8NJ

14 July 2023

Dear Andy,

Further to our letter of 24 February and your letter of 17 March, we have considered the points raised by you as critical to progressing to a final option for reform of TfL's pension scheme.

As set out in our previous letter, protecting the benefits that TfL Scheme members have built up to date, and putting costs of future pension provision on a financially sustainable footing in the long-term is a priority. That is why Government is willing to support the transfer of the TfL pension scheme into a public sector scheme.

In our previous letter, I set out the Government's position that it will not support the transfer of liabilities to an unfunded scheme as this would constitute full cost risk of the Scheme transferring from TfL to the Exchequer and, by extension, the taxpayer.

Government is however willing to support a transfer of the scheme into an existing funded scheme and has identified the Local Government Pension Scheme (LGPS) as being the most suitable: the LGPS is the recognised, established scheme within the public sector for local authorities such as TfL. As you know, a small number of TfL staff already participate in the LGPS. We are confident that the LGPS can accommodate the TfL scheme and therefore a new, bespoke scheme – which will be costly and take time to set up from scratch – is not necessary.

It is a shared priority to ensure that the benefits that scheme members have built up to date are protected. We fully appreciate yourselves and members will want reassurance that this remains our priority, given the complexity of such transfers. I therefore wish to make clear that Government's intention is to create, via legislation, a bespoke section of the LGPS which would allow TfL's existing Scheme rules to be

carried over into the LGPS, and past service benefits administered on that basis. As you are aware and we have discussed, there will inevitably be some areas where a simple replication of scheme rules cannot be achieved. For example, where at present TfL's Trustees have discretionary powers, we will need to continue working together to decide how such discretions will be reflected in the LGPS (which does not have Trustees) in such a way that seeks to avoid any detriment to members. HMG are committed to continuing this complex work with TfL, with protection of member's accrued rights continuing to be at the forefront of our considerations.

I recognise that there are a number of members for whom HMG afforded statutory protected status as a result of the London Underground PPP arrangements. We recognise there are complexities around this cohort of members and will work with TfL to understand this further. Past service benefits for protected persons will still be protected as above.

I reconfirm Government's intention to support with legislation in order to transfer TfL scheme members into the LGPS – through this HMG will need to ensure that all members are treated equally to avoid any form of unjustified direct or indirect discrimination arising. I also give you my assurance that the positions taken in this and previous letters reflects the cross-Government approach to pension reform.

Given the above, Government is keen to see demonstrable progress through the commencement of a thorough consultation process to start as quickly as possible, and no later than 1 July 2024, with an implementation date for reform not before 30 September 2026.

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