

Scheme Advisory Board

HYBRID MEETING – 22 MAY 2023

ITEM 8 – PAPER D

TRANSPORT FOR LONDON (TfL) PENSION SCHEME DEVELOPMENTS

Background

1. Following funding challenges during and post-CoViD and concerns about funding potential future levels of employer contributions, TfL was required by the Department for Transport and HM Treasury to undertake a review of the TfL pension scheme and reform options with the explicit aim of moving TfL's pensions arrangements into a financially sustainable position.
2. The pension scheme is an open, defined benefit (currently final salary) scheme. The Scheme provides the main pension arrangement for its permanent employees and has over 85,000 members of which over 25,000 are active members. Despite TfL being a public sector organisation, the Scheme is established in trust and is regulated as a funded private sector scheme.
3. TfL commissioned an independent review of options which took place from mid-2021, with an interim report published in October 2021 and a final report published in late March 2022. All relevant documents can be [found at this link](#).

Issue

4. It is clear from the final exchange of letters between the Government and TfL (dated 24th February 2023 and 17th March 2023 respectively – both available at the above link) that Government's preferred option to ensure the future affordability of the TfL pension scheme is to transfer past liabilities into the LGPS, and to have future accrual for TfL employees in the LGPS.
5. It is already the case that some TfL employees are members of the LGPS, and TfL is named in Part 2 of Schedule 2 of the 2013 Regulations as a scheme employer that may nominate classes of employee to be eligible for enrolment. Those TfL employees who are members of the scheme participate in the LPFA fund.
6. We understand from the documents and statements in the public domain that neither TfL, the Mayor of London nor relevant stakeholders are in favour of the Government's preferred option for the future of the TfL pension scheme. There do appear to be significant barriers to achieving the Government's aim without primary legislation.
7. Discussions are ongoing between DfT, HMT and DLUHC on how a transfer of TfL members and membership into LGPS could work, and the Secretariat has had meetings with the relevant DLUHC officials. All acknowledge that there are significant challenges to the practical and

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legislative achievement of the Government's aim. While it is not the place of the Board to take a position on the future of TfL pension arrangements, we are concerned to protect the integrity of the LGPS scheme and not place further unmanageable burdens on its administration. There is also the question of employer risk and who would underwrite the obligations of TfL if it were to participate in LGPS.

8. The amount of work that would be required of officials, actuarial advisers etc should not be underestimated. If the Government does proceed, it is likely to involve significant Secretariat and other LGA pensions team specialist input to support DLUHC.
9. It is also notable, of course, that if this does proceed it is likely to be controversial and may well be unpopular with TfL employees and their representatives.
10. The Board will be kept informed at all stages as the work proceeds as this is clearly a potentially significant issue going forwards.

Recommendation – that the Board notes this report and awaits further updates