

TFL Pension Consultative Council (PCC)

Summary of minutes of meeting number 70 held on 2 February 2012

New Councillors

The Chair welcomed the new councillors to the meeting and all Councillors and attendees introduced themselves.

Election of Chair and Vice-Chair

Michael Swiggs was re-elected to Chair and Mark Harding was elected Vice-Chair

Section One Casual Vacancies

Following the resignation of John Howie, Section One currently has three casual vacancies. Section one advised that these have now been filled and will report back at the March meeting with their terms of office.

Report of Trustee Board Meeting held on 16 December 2011

Funding level had fallen from 90% in June 2011 to 82% in September, as a result of increased liabilities – driven by falling bond yields. However, the funding level remained slightly ahead of the forecast within the Recovery Plan. The Investment Committee is continuing to review the Fund's Investment Strategy, including the passive/active split of and the nature and management of the Bond portfolio.

It was confirmed that the Fund had been the preferred single bidder for an investment in a group of Wind farms but it had just learned that its bid had been rejected by the seller – it had been decided not to pursue further negotiations. The Committee is reviewing the management and nature of the Fund's Currency Hedging process.

The closure of the Cadbury Section had been informed. The last member of this Section retired in June 2011.

It had been noted that for 2011/12, a few members will accrue annual pension benefits which are in excess of their Annual Allowance and will face a tax charge on the excess. Collection could be made through AVCs or the creation of a negative deferred pension, equal in value to the tax charge paid.

The Trustees approached the Principal Employer to exercise their discretion and agree the full RPI increase of 5.6% to the New Section pensioners and deferred pensioners, whose pension increase in April 2012 would otherwise had been capped at 5%. A reply had been received subsequent to the meeting from the Principal Employer which did not agree or provide consent to the request.

A meeting had been held with the Pensions Regulator in November 2011, at which the Regulator set out their challenge to the Recovery Plan agreed between the Trustees and the Principal Employer, as part of the 2009 Valuation. A follow-up letter was awaited from the Regulator, and a further meeting would take place in February.

The timetable for the 2012 Actuarial Valuation had been set out and will be shared with the consultative bodies as appropriate.

The Trustees had been updated on the issue of the changing of the state pension age and the effect on the Variable Pension Option. The Pensions Act had now received Royal Assent, but the 2012 Finance Act is not yet published. Until it is passed they will not know if they will be able to make any offer to members impacted by the change to vary their pension on a cost neutral basis, although the legal view is that the Government is highly likely to make the necessary legislative changes to permit this.

TfL Administration Report for the quarter ended 30th September 2011

The PCC noted the service provider's report to the Trustees of the TfL Pension Fund.