

**TfL Pension Consultative Council (PCC)
Summary of minutes of meeting number 64 held on 3 February 2011**

New Councillors

The Chair welcomed 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 John Howie to Vice-Chair

Report of the Trustee Board meeting held on 7 December 2010

Appointment of Director

It was confirmed that Unite the Union had nominated Lewis Brown to replace Tom Chinnery.

Actuarial Valuation Committee

Actuarial Factors Review – As part of the 2009 Valuation process, the Actuary had reviewed the factors, referred to in the Rules, which he is required to propose to the Trustees. The Principal Employer's views had also been sought. Those factors agreed for amendment were in respect of external transfers, transfer credits, internal transfers and earlier service periods, to be updated to reflect the Public Sector Section's 2009 valuation assumptions. These were agreed for implementation on 1 January 2011 and are generally more favourable to members.

Catastrophe Insurance – The Committee had discussed the impact on the Fund of large scale loss of life, and the consequential high death in service benefit payments, arising, for example, from a major disaster. Insurance protection was agreed, to be placed with Legal & General and Zurich.

Operations Committee

Administration Report – An updated and more user friendly version of the Report was presented, and the excellent service provided to members during the quarter was commended.

Independent Medical Adviser – Dr Sheard's appointment had now taken effect.

Equality legislation and the Fund's Opting-In Policy – the Equality Act 2010 came into force on 1 October last year making it unlawful to discriminate against employees with a disability. Legal advice was sought regarding the Fund's Opting-In Policy under the Rules, relating to staff seeking to opt in [or back in] to the Fund, where currently medical checks may be sought and some applicants rejected as a result. It was agreed that no change to the Policy was required, provided that an additional check was undertaken to ensure that an applicant who has a registered disability under the Act had not been excluded.

Administration Agreement – Changes were agreed, improving service levels to members.

Investment Committee

Investment Performance – Mercers, the Fund's Investment Advisers, reported that the value of assets, at 30 November 2010 was £5.2 bn. Returns for the quarter,

including JP Morgan [currency hedging] to 30 November were 0.8% versus the benchmark of -0.1%, for the year were 8.9% vs. 6.7% and for the last 3 years 3.0% vs. 2.7%.

The tender processes for the Investment Adviser's appointment were now in progress.

Committee Structure – new Committee

The Risk Budgeting Working Group was set up in 2007 as a sub-Committee of the Investment Committee, with the aim of investigating the possibility of protecting the Fund from the effects of inflation and interest rate changes. It had moved on also to take responsibility for diversifying the Fund's portfolio through investment in "alternative" assets. This work is now well established and on-going. It was agreed that this group become a full standing Committee of the Board, meeting monthly, with responsibility for appointing, reviewing and meeting with all the alternative assets managers and the liability hedging managers. The new Committee will be called the Alternatives and Liability Hedging Committee.

The Committee Remits document will be amended to take account of these changes

Investment Strategy Review

The Board endorsed recommendations for:

The Fund's investment objectives – to target a funding level of 85% by 31 March 2012 on a Technical Provisions basis, towards a 100% funding level by 2020; to target a downside risk at a deficit of £2bn or less by 31 March 2012, again on a Technical Provisions basis. We noted that to 30 September 2010, the Fund had already achieved 87% funding and that the chance of a deficit of £2bn occurring by 31 March 2012 was relatively small, at 7-8%

The split between growth and liability hedging portfolios – to retain the present split i.e. 30% to bonds, 70% to growth [return seeking] assets

The growth portfolio – to move towards a reduction in the quoted equity content in the portfolio from the present 55.5% to 45%, with a corresponding increase in alternative investments from the present 14.5% to 25% – which may entail exposure to a wider set of such assets, although the Alternatives and Liability Hedging Committee will consider the Trustee's and Fund Office's resources before making further proposals for increased diversification. The balance between active and passive management will also be reviewed.

The liability hedging portfolio – future strategy and detailed implementation to be developed by the Alternatives and Liability Hedging Committee, including consideration of to cost/benefits of protecting against inflation risk and consideration of the Principal Employer's view.

TfL Pension Fund Administration Report – quarter ended 30 September 2010

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

Minutes of Pensioners' Forum Meeting held on 8 November 2010

The minutes were noted.