

TfL Pension Fund

Report and Accounts

for the year to 31 March 2012



Notice for the visually impaired

Copies of this report in large type and in a text only format are available from the Fund Office. Please write to TfL Pension Fund, 4th Floor, Wing over Station, 55 Broadway, London SW1H 0BD, or call 020 7918 3792 for your copy.

TfL Pension Fund

Report and Accounts for the year to 31 March 2012

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Administration Office:

TfL Pension Fund
Wing Over Station
55 Broadway
London SW1H 0BD

Telephone (020) 7918 3733

Requests for a copy of the Trust Deed and Rules of the Fund and enquiries about the Fund generally, or about an individual's entitlement to benefit, should be addressed to the TfL Pension Fund Office at the above address. The Report and Accounts and Trust Deed and Rules may be viewed on the TfL Pension Fund's Website, www.tflpensionfund.co.uk.

Pension Schemes Registry scheme reference number: 101653517

TfL Pension Fund

Organisation and Advisers as at 31 March 2012

Trustee

TfL Trustee Company Limited

Board of Directors of TfL Trustee Company Limited

(Nominating bodies are shown in brackets)

Ms M Antoniou (Chairman)	External Appointment, Transport for London (TfL)
Ms LJ Arwood	Pensioner (PCC)
Mr ME Binnington	Senior Principal, Commercial Finance, Transport for London (TfL)
Mr LP Brown	IM Service Manager, Transport for London (Unite the Union (T&GWU))
Mr HP Collins	Chief Operating Officer, London Underground Limited (TfL)
Mr SR Critchley	Chief Finance Officer, Transport for London (TfL)
Mr GF Duffy	Director of Employee Relations, London Underground Limited (TfL)
Mr SW Ellaby	HSE Manager, Specialist Services, Transport for London (PCC)
Mr S Grant	District Organiser, ASLEF (ASLEF)
Ms JV Hart	Principal Lawyer, Health, Safety and Environment, Transport for London (TfL)
Ms C Kavanagh	Director of Performance – Surface Transport, Transport for London (TfL)
Mr JH Knowles	Station & Revenue Functional Council Representative, London Underground Limited (TSSA)
Mr CA Miller	Pensioner (PCC)
Mr SI Munro	Finance and Commercial Director, Tube Lines (TfL)
Mr PJ Murphy	Train Instructor, Acton Town, London Underground Limited (PCC)
Mr DJ O'Brien	Head of Risk Management and Audit, Tube Lines (TfL)
Mr PW Sikorski	Assistant General Secretary, RMT (RMT)
Mr JB Timbrell	Project Engineer, London Underground Limited (Unite the Union (Amicus))

TfL Pension Fund

Organisation and Advisers as at 31 March 2012 (continued)

Principal Employer
Transport for London

Communications Advisers
Hughes Communications

Participating Employers

Transport for London
Docklands Light Railway Limited
London Bus Services Limited
London Buses Limited
London River Services Limited
London Transport Museum Limited
London Underground Limited
Transport Trading Limited
Tube Lines Limited
Victoria Coach Station Limited
British Transport Police Authority
Capgemini UK plc
Cubic Transportation Systems Limited
HP Enterprise Services UK Limited
Thales Transport and Security Limited
Tribal Technology Limited
UK Power Networks Services Powerlink Limited

Secretary to the Trustee
Mr S Field

Auditor
KPMG LLP

Legal Advisers
Sacker & Partners LLP

Scheme Actuary
Mr RV Williams, Towers Watson Limited

Independent Medical Adviser
Dr S Sheard

Bankers
The Royal Bank of Scotland plc

Investment Adviser
Towers Watson Limited

Investment Managers	Date of Appointment
Blue Crest Capital Management (UK) LLP	30 July 2010
Bridgewater Associates, Inc.	2 November 2005
Burgundy Asset Management	14 October 2010
Colonial First State Global Asset Mgt	15 December 2009
Davidson Kempner	17 November 2009
Goldman Sachs Asset Management	15 June 2005
IronBridge Capital Management LP	24 December 2009
JO Hambro Capital Management Limited	5 January 2010
Legal & General Investment Management	14 June 2006
Nephila Capital Limited	23 March 2012
Nomura Asset Management UK Limited	1 September 2004
Partners Group (UK) Limited	4 June 2010
Rogge Global Partners PLC	22 March 2012
Russell Implementation Services Limited	8 December 2011
Semperian PPP Investment Partners Holdings Limited	18 February 2008
Siguler Guff & Company	10 December 2009
Taube Hodson Stonex Partners LLP	11 January 2010

Custodian
JP Morgan Chase Bank

Investment Performance Monitoring
BNY Mellon Asset Servicing

AVC Providers
Clerical Medical
Equitable Life
Standard Life

TfL Pension Fund

Chairman's Introduction

I am pleased to present my review as Chairman for the year ended 31 March 2012. As in previous years, the subject of pensions has maintained its presence as a regular topic for comment in the media and as a focus for government activity. We again have seen a range of impacts from financial and economic events during the year and while these have been less dramatic than in recent years, a more settled future outlook still looks unlikely.

As last year, the value of the fund's assets have steadily increased in value during the year, and now exceed £6 billion for the first time. The corresponding value of the Fund's liabilities has also increased to almost the same extent bringing only a modest improvement in the overall funding and hence continuing the importance of employer support. The Trustees have therefore had to remain focused on both the Fund's asset and liability components in seeking to ensure the security of member benefits.

The Alternatives and Liability Hedging Committee has been working alongside the Investment Committee in reviewing the Fund's investment strategy, as well as continuing to ensure good governance across the Fund's diverse investment holdings and expanded investment manager base. A number of investment proposals have been considered, but only those which met the Fund's reward and risk criteria have been pursued. The equity portfolio has been rebalanced to give greater exposure to emerging markets and an investment made in global real estate, both through existing manager Legal & General. Also there have been modest additions to existing investments in the "alternative" portfolio, in line with overall allocation commitments. At the end of the year, agreements were signed with Rogge Global Partners PLC and Nephila Capital Limited for investments in emerging market currency and insurance products respectively, as part of the development of the Fund's alternative portfolio.

Enhancement to the monitoring of investment performance of the Fund's managers has included introducing more challenging market specific benchmarks for a number of the alternative asset portfolio managers.

During the year, JP Morgan were replaced by Russell Investments as managers of the Fund's currency overlay programme, although JP Morgan remains the Fund's Custodian.

On investment performance, the market recovery during the year, primarily in bonds, has seen the overall assets of the Fund increased over the past 12 months from £5.699 billion to £6.027 billion. This year's investment performance was behind the benchmark by 0.5%, while over three years, it was ahead by 1.2% and over five years it was equal to the benchmark. More information is contained in the Investment Report starting on page 14.

Mention is also deserved of the work of the other Committees (Operations, Audit, Actuarial Valuation and Appeals) and the Trustee Board itself in ensuring good governance prevails in all the Fund's activities.

With a membership of over 82,000, the day to day administration of the Fund is a significant undertaking. Just under 41,000 tasks were completed by the Fund Office during the year. Their service level agreement targets were met 100% in two of the quarters and were above 99% in the other two quarters of the year.

During the year, the Trustees commenced planning for the next triennial actuarial valuation due as at 31 March 2012. The Actuarial Valuation Committee which was established as a standing committee of the Board in September 2008 has already met several times. The valuation is expected to be finalised by the statutory deadline of 30 June 2013.

There have been no changes on the Trustee Board during the year and we have therefore benefitted from this period of continuity. However some changes were made in the membership of underlying committees to provide some fresh insight. I can report that at year-end the Trustee Board was at full strength.

The Trustee Directors continued to attend regular training sessions throughout the year to ensure that they remain up to date with legislative changes as well as best practices, and that the Trustee complies with the requirements regarding trust knowledge and understanding.

Finally, on your behalf, I would like to record my thanks to all involved with the continued operations and development of the Fund: the Trustee Directors, Scheme Actuary, Investment and Legal Advisers, Investment Managers, Custodian, Auditors and not least the Fund Office and Fund Secretary for their support. I remain confident that, with these resources, we can meet the current challenges and those which lie ahead of us.

Chairman
10 July 2012

TfL Pension Fund

Trustee's Report

The Directors of TfL Trustee Company Limited, the Trustee of TfL Pension Fund, have pleasure in submitting their Annual Report on the operations of the Fund, together with the Accounts of the Fund for the year ended 31 March 2012.

1. Management of the Fund

(a) The Trustee

The Trustee is required to act in accordance with the Trust Deed and Rules of the Fund, within the framework of pension and trust law. It is responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

(b) Board of Directors

The Board of the Trustee is made up of 18 Directors as set out on page 2. Full details of how Directors are nominated are also shown on page 8.

Directors serve for such period as their nominating body determines, or until that body withdraws their nomination or additionally, in the case of a nominee from the TfL Pension Consultative Council (PCC), they cease to be a member of the PCC.

No changes to directors occurred during the year to 31 March 2012.

The table below shows the number of scheduled Trustee Board and Committee meetings attended by each Director in the year to 31 March 2012 against the total number that they were eligible to attend.

TfL Nominated Directors	No. of meetings	No. of attendances	Non-TfL Nominated Directors	No. of meetings	No. of attendances
Ms M Antoniou	12	11	Ms LJ Arwood	13	12
Mr ME Binnington	21	20	Mr LP Brown	13	12
Mr HP Collins	8	7	Mr SW Ellaby	11	10
Mr SR Critchley	24	21	Mr S Grant	11	1
Mr GF Duffy	10	7	Mr JH Knowles	8	5
Ms JV Hart	13	9	Mr CA Miller	30	21
Ms C Kavanagh	10	5	Mr PJ Murphy	15	12
Mr SI Munro	18	14	Mr PW Sikorski	10	8
Mr DJ O'Brien	13	10	Mr JB Timbrell	22	22

The average attendance at scheduled Trustee Board and Committee meetings was 76% and 79% respectively.

TfL Pension Fund

Trustee's Report (continued)

2. Committees of the Board of Directors

Whilst the Board of the Trustee decides all policy matters, it has recognised that committees are necessary in carrying out its functions in respect of the TfL Pension Fund efficiently and that the exercise of all delegated authority, when not directly supervised by the Board, shall be supervised by a committee.

For this purpose the Board has set up six committees which comprise either four, six or eight Directors of the Trustee, half of whom are TfL nominated Directors and half of whom are non-TfL nominated Directors. Membership of each committee is shown below.

Committee	TfL Nominated	Non-TfL Nominated
Investment	Mr ME Binnington Mr HP Collins Mr SR Critchley Mr GF Duffy	Mr LP Brown Mr CA Miller Mr PJ Murphy Mr JB Timbrell
Alternatives and Liability Hedging	Mr ME Binnington Mr SR Critchley	Mr CA Miller Mr JB Timbrell
Operations	Ms JV Hart Ms C Kavanagh Mr SI Munro Mr DJ O'Brien	Ms LJ Arwood Mr CA Miller Mr PJ Murphy Mr PW Sikorski
Audit	Ms JV Hart Mr SI Munro Mr DJ O'Brien	Mr LP Brown Mr S Grant Mr JH Knowles
Appeals	Ms M Antoniou Mr HP Collins Mr SR Critchley	Ms LJ Arwood Mr S Grant Mr PJ Murphy
Actuarial Valuation	Ms M Antoniou Mr SI Munro	Mr SW Ellaby Mr CA Miller

3. Committee Remits

Investment Committee

Covers investment matters concerning equities and bonds, including strategy and the appointment and monitoring of investment managers and the custodian.

Alternatives and Liability Hedging Committee

Covers investment matters concerning alternative assets and liability hedging, including strategy, the appointment and monitoring of investment managers and monitoring the overall benchmark for the Fund's portfolio.

Operations Committee

Monitoring the Service Provider's (Transport for London) performance under the Administration Agreement and Fund Rules; monitoring quarterly cash flow, income/expenditure and capital expenditure budgets, instructing the Fund Secretary to prepare the brief to professional advisers to the Fund and to monitor their performance; devising the Fund's communications strategy.

TfL Pension Fund

Trustee's Report (continued)

Audit Committee

To ensure that the rules relating to finance and corporate governance matters are properly applied, the Fund's financial affairs are properly conducted in accordance with best practice and the Fund's accounting policies, and to ensure that there are processes in place for the Fund and the Trustee to comply with the Trust Deed and Fund Rules, Articles of Association, legislation and regulation, corporate governance and all relevant internal procedures and policies.

Appeals Committee

To hear appeals as the second stage adjudicator under the Internal Disputes Resolution Procedure as approved from time to time by the Board.

Actuarial Valuation Committee

To liaise with the Actuary and negotiate with the Principal Employer on matters relating to scheme specific funding and actuarial factors for benefit calculations. The committee ensures compliance with the statutory funding requirements.

4. Governance

Introduction

The Fund was established with effect from 1 April 1989 to provide retirement and death benefits for all eligible employees of Transport for London, its subsidiaries and associated companies, in accordance with the Rules of the Fund and Definitive Trust Deeds.

Dalkia Energy & Technical Services Limited ceased participation in the Fund with effect from 20 March 2012 and Cadbury Limited ceased participation in the Fund with effect from 22 March 2012.

Up to 5 April 2006 the Fund was approved by HM Revenue and Customs as an exempt approved scheme under the provisions of Chapter I Part XIV of the Income and Corporation Taxes Act 1988. From 6 April 2006 the Fund automatically became a "registered pension scheme" for tax purposes under the Finance Act 2004.

Members of the Fund are contracted out of the earnings-related element of the state pension scheme.

Changes to the Trust Deed and Rules of the Fund

During the year there have been no changes to the Trust Deed and Rules.

Management of the Fund

(a) Trustee's responsibility for preparing Accounts

Under the Rules of the Fund and the Pensions Act 1995, the Trustee is required to prepare Accounts for each Fund year which show a true and fair view of the financial transactions of the Fund during the Fund year and of the disposition, at the end of the Fund year, of the assets and liabilities. Assets do not include insurance policies which are specifically allocated to the provision of benefits for, and which provide all the benefits payable under the Fund to, particular members; liabilities do not include liabilities to pay pensions and benefits after the end of the year.

TfL Pension Fund

Trustee's Report (continued)

(b) Statement of trustee's responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the trustee. Pension scheme regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. The Trustee is also responsible for making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of trustee responsibilities accompanying the Trustee's summary of contributions.

The Trustee also has general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

(c) Board of Directors

The Directors of the Trustee are nominated as follows:

- Nine persons by TfL of whom at least five must be members of the Fund.
- One person each by: - Unite the Union; the National Union of Rail, Maritime and Transport Workers; the Associated Society of Locomotive Engineers & Firemen; the London Transport Joint Trades Committee; the Transport Salaried Staffs' Association (or any successor body).
- Two persons by and from Section One of the TfL Pension Consultative Council.
- One person by and from each of Sections Two and Three of the TfL Pension Consultative Council.

Members of the TfL Pension Consultative Council are Fund Members elected by their fellow members. Section One members are pensioners or deferred pensioners. Sections Two and Three are contributing members of the Fund.

The Directors of the Trustee are committed to high standards of governance for all aspects of the Fund's operations. Although the Trustee is not governed by the Combined Code, which applies to UK fully listed companies, the Directors of the Trustee believe that the internal control aspects of the Code help demonstrate good governance and therefore the Trustee has followed the principles of the Code in relation to internal controls.

The Pensions Act 2004 established the Pensions Regulator and amongst its objectives is the promotion of good administration of work-based pension schemes. This has included the publication of codes of practice and accompanying guidance to support trustees in their responsibilities, in particular those covering trustee knowledge and understanding and internal controls. The Trustee has taken steps to follow the Pensions Regulator's guidance as it has developed.

TfL Pension Fund

Trustee's Report (continued)

The Directors of the Trustee acknowledge their responsibility for the Fund's system of internal controls and for reviewing its effectiveness. The internal controls are designed to manage risk and control the Fund's business and financial activities in a manner that enables it to:

- avoid or reduce risks that can cause loss of the Fund's assets or reputational damage,
- ensure compliance with applicable laws and regulations; and
- enhance resilience to external events.

To achieve this the Trustee has developed a Governance Framework that includes an annual risk review carried out by the Chairs of Committees, which identifies the key risks facing the Fund and the controls in place to manage these risks. These risks and controls are set out in a Risk Register which is considered by the Audit Committee and the Board who, together with the relevant committees, regularly review the effectiveness of the internal controls contained therein. The planned work and audit findings of Internal and External Audit are considered by the Audit Committee throughout the year and reported to the Board annually. It should be recognised, however, that such a process can only provide reasonable, not absolute, assurance against material misstatements or loss.

The Trustee has established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are clearly documented and reviewed regularly.

The performance of the Fund's operations and of the Trustee's Investment Managers is reported regularly to the Fund Secretary and the relevant Committees and, where appropriate, the Trustee Board itself. Performance trends and forecasts, as well as actual performance against budgets, are closely monitored. Financial information is prepared using appropriate accounting policies that are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions, communications to members and the safeguarding of the Fund's assets.

Governance Plan

Following the Risk Review, the Trustee has established a one year Governance Plan which is updated annually to use in operating and managing the Fund, covering three main areas:

(i) Mission and Goals

Setting out the main goals of the Trustee and the main resources available and the Trustee's key success criteria and performance measures.

(ii) Review and Monitoring Goals, Risks and Performance

Setting up main areas which the Trustee will review and measure in order to evaluate various aspects of the Fund arrangements.

(iii) Specific Actions and Year Plan

Identifying specific actions with a target date for the completion of each action.

Strength of Employer Covenant

The Trustee monitors the credit rating of the Participating Employers by taking advice from its professional advisers and by having good communication and exchange of information. As part of the 2012 actuarial valuation, the Trustee has commissioned an independent review of the employer covenant of Transport for London and of the private sector section Participating Employers.

Quarterly Investment Updates

The Trustee monitors the financial strength of the Fund by receiving quarterly updates from the Fund Actuaries and Investment Advisers.

The Trustee monitors the performance of the investment managers each quarter.

TfL Pension Fund

Trustee's Report (continued)

5. Financial review

The Accounts of the Fund for the year to 31 March 2012 have been drawn up in compliance with the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007).

The net assets of the Fund, that is the investment assets including the AVC scheme, the fixed assets held for own use, and the net current assets, amounted to £6,027.0m at 31 March 2012. The increase of £328.0m, compared with the value at 31 March 2011 of £5,699.0m, was made up as follows:

	2012 £m	2011 £m
Net returns on investments	294.2	488.9
Net additions from dealings with members	<u>33.8</u>	<u>112.3</u>
	<u>328.0</u>	<u>601.2</u>

Net returns on investments comprised increased market value of investments of £218.5m (2011: £418.9m) and investment income of £85.2m (2011: £77.5m) which were partly offset by investment management expenses of £9.5m (2011: £7.5m). The increase in market value of investments was made up of realised investment gains of £105.9m (2011: £151.8m) and unrealised investment gains of £112.6m (2011: £267.1m).

The increase in the value of investments together with the net additions from dealings with members, as contributions receivable plus transfers in from other schemes exceeded benefits payable, payments to and on account of leavers, administrative expenses and pension levies.

The decrease in the amount of net additions of £78.5m was mainly due to a fall in transfers in from other schemes of £69.3m and a decrease of contributions of £7.1 million. Administrative costs and pension levies increased by £1.0m primarily due to the increase in Pension Protection Fund levies. Under the Rules of the Fund the administrative costs of the Fund are borne by the Fund itself. Payments to and on account of leavers increased by £1.0m and benefits and other payments increased by £0.1m.

Further details of the financial movements of the Fund may be found in the audited Accounts on pages 20 to 29.

Details of the participating employers' unit holdings and asset values are set out in the unaudited statement on page 49. Unitisation is subject to a separate audit, following the audit of the main report and accounts.

6. Actuarial valuations and actuarial reports

Fund Rule 43, together with recent legislation, requires the Scheme Actuary to carry out a formal actuarial valuation of each section of the Fund at least every three years. The valuations reveal the extent to which the sections' existing assets are sufficient to meet their liabilities for benefits that have been earned for service up to the valuation date. They also establish the levels of contributions required in future to provide an appropriate level of funding when account is taken of benefits to be earned in the future.

A formal valuation was carried out by the Scheme Actuary as at 31 March 2009 of each of the nine sections that were still in existence on 31 March 2010 (as at 30 March 2010 the assets and liabilities of the LUL BCV and LUL SSL sections were transferred to the Public Sector Section so that valuations were not required for these two sections). As required by legislation and the Fund's governing documents, the assumptions that the Actuary needed to make regarding such matters as future investment returns and members' longevity were agreed between the Trustee and TfL and are recorded in formal documents called Statements of Funding Principles. The process of agreeing assumptions was carried out separately for each section.

TfL Pension Fund

Trustee's Report (continued)

As required by legislation and the Fund's governing documents, for each of the sections that had a funding deficit the Trustee and TfL agreed a Recovery Plan which sets out how the deficit is to be made good. They also agreed a schedule of contributions for each of the sections which shows the contributions that are to be paid for the next five years or, if longer, until the funding deficit was expected to be eliminated. They show separately the contributions required to meet future accruing benefit costs and the additional contributions that are planned to finance the funding deficits.

For each section with 100 or more members, legislation requires the Scheme Actuary to provide an actuarial report in each year between formal actuarial valuations to give the Trustee an approximate update of the section's funding position. Actuarial reports have therefore been provided for the three largest sections as at 31 March 2010 and 31 March 2011.

Following completion of the formal valuation, a Summary Funding Statement was sent to each member of the Fund which summarise the valuation results for their section. Further Summary Funding Statements will be sent annually including, where applicable, information from the actuarial reports. Extracts from the 2012 Summary Funding Statements for each section are shown on pages 32 to 39.

Copies of the Actuary's reports on the valuations and the actuarial reports referred to above are available on application to the Fund Secretary at the address given on the contents page at the front of the Report and Accounts.

7. Pension increases

Deferred members and pensioners receive increases in accordance with the Fund Rules. The April 2012 pension increase is based on the increase in the Retail Price Index over the 12 months to September 2011. Members of the Fund fall into one of two categories; *Existing Members* are those who joined the Fund when it was formed in April 1989 and *New Members* are those who joined on or after 2 April 1989 whose increase is capped at 5%. The full year's increase is 5.6% for Existing Members and 5.0% for New Members.

Increases to pensions in payment and deferred pensions over the past five years have been as follows:

	Existing Members	New Members
April 2008	3.9%	3.9%
April 2009	5.0%	5.0%
April 2010	0.0%	0.0%
April 2011	4.6%	4.6%
April 2012	5.6%	5.0%

8. Fund's advisers

In advance of the actuarial valuation as at 31 March 2012, a competitive tender was carried out for the provision of actuarial services, including the Scheme Actuary appointment. This resulted in the reappointment of Towers Watson as actuarial advisers and of Richard Williams as Scheme Actuary.

Following a competitive tendering exercise, Towers Watson were appointed the Trustee's investment adviser from 1 April 2011, replacing Mercer Investment Consulting.

TfL Pension Fund

Trustee's Report (continued)

9. Changes in membership during the year

The table below summarises the movement in membership during the year to 31 March 2012. In addition, the Fund has 117 (2011: 92) pension credit members comprising 81 deferred pensioners (2011: 69) and 36 pensioners (2011: 23).

	2011/ 2012	2011/ 2012	2010/ 2011	2010/ 2011	Change
Contributing members as at 1 April 2011	23,606		24,430		
Joiners	611		674		
	<u>24,217</u>		<u>25,104</u>		
Contributing members retiring	(556)		(729)		
Leavers taking a refund of contributions	(133)		(133)		
Leavers becoming deferred pensioners	(823)		(599)		
Leavers with less than two years service – member option decision pending	-		(12)		
Leavers taking a trivial commutation lump sum	-		(2)		
Deaths in service	(25)		(23)		
Contributing members as at 31 March 2012		22,680		23,606	-926
Deferred pensioners as at 1 April 2011	18,244		18,456		
Leavers becoming deferred pensioners	823		599		
	<u>19,067</u>		<u>19,055</u>		
Deferred pensions coming into payment	(668)		(673)		
Deferred pensioners taking a trivial commutation lump sum	-		(6)		
Deferred pensioners transferring to other schemes	(59)		(80)		
Deferred pensioner deaths	(48)		(52)		
Deferred pensioners as at 31 March 2012		18,292		18,244	+48
Pensioners as at 1 April 2011	30,997		30,708		
Contributing members retiring	556		729		
Deferred pensions coming into payment	668		673		
	<u>32,221</u>		<u>32,110</u>		
Pensioner deaths	(1,103)		(1,112)		
Pensioners taking a trivial commutation lump sum	(3)		-		
Pensioners ceasing to be eligible for a pension	(4)		(1)		
Pensioners as at 31 March 2012		31,111		30,997	+114
Dependants as at 1 April 2011	10,184		10,247		
Dependants becoming entitled to pensions	565		553		
	<u>10,749</u>		<u>10,800</u>		
Dependant deaths	(591)		(613)		
Dependants taking a trivial commutation lump sum	(2)		(3)		
Dependants as at 31 March 2012		10,156		10,184	-28
Eligible children as at 1 April 2011	641		597		
Children becoming entitled to pensions	67		91		
	<u>708</u>		<u>688</u>		
Children ceasing to be eligible	(76)		(46)		
Child deaths	(1)		(1)		
Eligible children as at 31 March 2012		631		641	-10
Total membership as at 31 March 2012		<u>82,870</u>		<u>83,672</u>	<u>-802</u>

TfL Pension Fund

Trustee's Report (continued)

Details of contributing members by section as at 31 March 2012 were as follows:

	<u>2011/ 2012</u>	<u>2011/ 2012</u>	<u>2010/ 2011</u>	<u>2010/ 2011</u>	<u>Change</u>
	%		%		
Transport for London	21,519	94.88	22,384	94.82	-865
Tube Lines Limited	1,005	4.43	1,055	4.47	-50
UK Power Networks Services Powerlink Limited	108	0.47	112	0.47	-4
Cubic Transportation Systems Limited	24	0.11	27	0.11	-3
HP Enterprise Services UK Limited	17	0.07	19	0.08	-2
Composite section	4	0.02	5	0.02	-1
Thales Transport and Security Limited	2	0.01	2	0.01	-
Cadbury Limited	-	-	1	0.01	-1
Capgemini UK plc	1	0.01	1	0.01	-
	<u>22,680</u>	<u>100.00</u>	<u>23,606</u>	<u>100.00</u>	<u>-926</u>

10 Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

TfL Pension Fund

Investment Report

1. Investment policy (excluding AVC investments)

Most of the Fund's investment assets were invested and administered by the investment managers, whose names appear on page 3. The investment managers employed during the financial year ended 31 March 2012 had discretion to invest as they saw fit within the asset classes and geographical limitations of their benchmarks, as agreed by the Directors. Certain legacy investments amounting to no more than 1% of total assets are administered in-house but the Directors take appropriate investment advice in the disposition of these assets.

Investment managers' fees are primarily based on the market value of the Fund and, in the case of the active managers, performance (subject to upper and lower limits and achieving investment hurdle rates, in most cases), but commissions and fees are also charged on investment transactions.

The Directors measure the Fund's performance against the benchmark below which is based on the long-term strategic asset allocation.

Benchmark Summary at 31 March 2012

Sector	Weight (%)	Comparison Basis
UK Equities	16.80	FTSE All-Share Index
Overseas Equities	39.20	FTSE AW All World ex UK (GBP Hedged) Index FTSE AW All World ex UK Index
UK Index-Linked Gilts	16.80	FTSE A ILG (Over 5 Years) Index
UK Gilts	5.70	FTSE A Over 15 Years Gilts Index
UK Non Gilt Bonds	6.90	ML Sterling NonGilt 10+ Index
Overseas Bonds	4.60	Barclays Global Aggregate
UK Cash Balances	10.00	LIBID 7 day Sterling
	<u>100.00</u>	

Each of the active managers is financially incentivised to out-perform a relevant index over rolling three-year periods. The Directors believe the investment mix set out below will maintain an appropriate balance between risk minimisation and return maximisation given the current and future liabilities of the Fund.

Portfolio	% of Manager Fund
Core	
Index tracking (all asset classes) and liability matching assets	52.0 Legal & General Investment Management ¹
Active Specialist	
Global bonds	14.0 Goldman Sachs Asset Management
Global equities 1	6.0 IronBridge Capital Management LP
Global equities 2	6.0 Taube Hodson Stonex Partners LLP
Global equities 3	4.0 JO Hambro Capital Management Limited
North American equities	2.0 Burgundy Asset Management
Pacific Basin equities	4.0 Nomura Asset Management UK Limited
Currency overlay (equities)	0.0 Russell Implementation Services Limited
Alternative Assets	
Infrastructure assets	3.2 Semperian PPP Investment Partners Holdings Limited ²
Infrastructure assets	1.2 Colonial First State Global Asset Mgt
Global tactical asset allocation	3.0 Bridgewater Associates, Inc
Multi strategy Hedge Fund	2.0 Blue Crest Capital Management (UK) LLP
Private equity Fund of Funds	1.5 Partners Group (UK) Limited
Distressed debt Hedge Fund	0.6 Davidson Kempner
Distressed debt Private Equity	0.5 Siguler Guff & Company
	<u>100.0</u>

¹ Legal & General manage a portfolio of financial instruments which seeks to hedge a proportion of the Fund's liabilities interest rate and inflation risk.

² The Fund has a 25.8828% economic interest in Semperian PPP Investment Partners Holdings Limited.

TfL Pension Fund

Investment Report (continued)

The allocation of index tracking funds to market categories is regularly rebalanced to ensure that the total fund is allocated in accordance with the strategic guidelines. The Directors maintain a Statement of Investment Principles as required by the Pensions Act 1995 and the latest version is available on request from the Fund Office at TfL Pension Fund, Wing Over Station, 55 Broadway, London SW1H 0BD or from the Fund's website.

2. Custodial arrangements

During the year the Trustee was custodian of certain property unit trusts, venture capital funds and cash. Various brokers hold cash in connection with the Goldman Sachs forward foreign exchange contracts and interest rate swaps. The rest of the Fund's investments, comprising those assets managed by the Fund's investment managers, were held by JP Morgan Chase Bank as nominee. The Fund's pooled investment managed fund units are held under managed fund policies in the name of the Trustee and the policy documents are held by Legal & General Investment Management Limited and BNY Mellon Asset Management.

3. Investment overview

The investment assets of the Fund as at 31 March 2012, including AVC investments, had a value of £6,003.5m, an increase of £319.0m compared with their value, including AVC investments, of £5,684.5m as at 31 March 2011. Investment income (i.e. dividends and interest) amounted to £85.2m for the year to 31 March 2012 compared with £77.5m for the year to 31 March 2011.

The bulk of the assets held by the active managers are quoted on the main worldwide stock exchanges and are marketable. The assets held with Legal & General are also highly marketable. A small proportion of the Fund's assets are less readily marketable.

The income and maturity values of the holdings in UK government stocks are secure but capital values may fluctuate. The other assets have less secure income streams and capital values may also fluctuate.

4. Analysis of investments

A detailed analysis of the investment assets of the Fund at 31 March 2012 is shown below.

	2012		2011	
	£m	%	£m	%
Fixed interest securities	643.8	10.7	535.5	9.4
Equities - UK	119.0	2.0	112.7	2.0
- Overseas	1,084.1	18.1	1,140.2	20.1
Index-linked securities	119.6	2.0	123.3	2.2
Pooled investment vehicles				
Fixed interest securities	903.6	15.0	829.7	14.6
Index-linked securities	222.4	3.7	195.4	3.4
Equities	2,094.6	34.9	2,016.3	35.5
Other	680.2	11.3	638.5	11.2
Derivatives	28.8	0.5	(28.6)	(0.5)
Cash deposits	69.8	1.2	62.7	1.1
Other investment balances	(3.3)	(0.1)	20.2	0.3
AVC scheme investments	40.9	0.7	38.6	0.7
	<u>6,003.5</u>	<u>100.0</u>	<u>5,684.5</u>	<u>100.0</u>

TfL Pension Fund

Investment Report (continued)

A geographical analysis of the Fund's worldwide equity and alternative asset holdings is given below.

	Total		UK	North America	Europe	Japan	Other
	%	£m	£m	£m	£m	£m	£m
Direct quoted	30.3	1,203.1	119.0	513.4	227.2	130.7	212.8
Pooled investment vehicles	69.7	2,773.2	949.7	1,055.8	370.9	41.7	355.1
Total	100.0	3,976.3	1,068.7	1,569.2	598.1	172.4	567.9

The 10 largest direct quoted equity holdings of the Fund as at 31 March 2012 are shown below.

	Value	% of Fund's quoted equity holdings	Country
	£m	%	
Nestle	19.8	1.6	Switzerland
Apple Computer	16.0	1.3	USA
Exxon Mobil	13.3	1.1	USA
HSBC Holdings	11.7	1.0	UK
Hitachi	11.5	1.0	Japan
Google	11.5	1.0	USA
Occidental Petrol	11.5	1.0	USA
Svenska Handelsbanken	11.4	0.9	Sweden
Oracle	11.2	0.9	USA
National Oilwell Varco	10.9	0.9	USA
	<u>128.8</u>	<u>10.7</u>	

The foregoing excludes exposure to individual stocks through the Fund's holdings of units in pooled investment vehicles.

The Fund's investment in the following unit trusts represents more than 5% of the units in issue of these trusts.

	No of units held by the Fund	% of units in issue	Value of units £m
Midlands Growth Fund	14,055	25.4	0.049
Abbotstone Property Unit Trust	2,575	56.3	1.622

5. Investment performance

The Fund participates in an independent investment performance measurement scheme organised by BNY Mellon Asset Servicing which provides comparative information for assessing investment performance. BNY Mellon Asset Servicing calculates both the overall investment returns obtained on the Fund's assets and the returns obtained by the individual investment managers.

The table on the next page shows the total investment returns (including both capital and income) obtained on the Fund's assets (including property but excluding AVCs) for the one, three and five years to 31 March 2012 and the corresponding composite benchmark established by the Trustee as the prime performance comparator. The benchmark quoted is a weighted average of indices relevant to the structure and is relevant throughout the time periods shown.

TfL Pension Fund

Investment Report (continued)

	One Year		Three Year Average		Five Year Average	
	Total Fund	Benchmark	Total Fund	Benchmark	Total Fund	Benchmark
Annual Return %	6.1	6.6	15.4	14.2	5.2	5.2

The Fund assets returned 6.1% for the year ending 31 March 2012, 0.5% below its benchmark return of 6.6%.

Details of the performance of the individual portfolios in the year to 31 March 2012 compared with the previous year are shown below:

	Year to 31 March 2012		Year to 31 March 2011	
	Fund %	Benchmark %	Fund %	Benchmark %
Index-Tracking – Legal & General	0.7	N/A	8.9	N/A
UK Equities	1.5	1.4	8.9	8.7
North American Equities	6.9	6.8	9.6	9.5
European Equities (ex. UK)	(11.3)	(11.5)	7.4	7.0
Japan Equities	1.0	0.9	(3.8)	(4.0)
Pacific Basin (ex. Japan) Equities	(5.1)	(5.1)	14.4	14.0
Middle/Africa Equity	(20.0)	(20.2)	(10.3)	(10.7)
Emerging Market Equities	(8.7)	(8.8)	11.9	11.7
UK Fixed Interest	22.6	22.6	7.0	6.9
Index-linked Gilts	-	-	6.8	6.7
LDI – Legal & General	15.1	N/A	5.9	4.2
Global Equities				
Ironbridge	1.5	0.9	8.2	7.4
J O Hambro	(2.4)	(0.4)	25.0	8.0
Taube Hodson Stonex	(7.4)	0.9	8.9	7.4
North American Equities				
Burgundy	10.8	0.1	4.1 ²	5.4 ²
Far East Equities				
Nomura	(5.1)	(5.2)	10.1	6.1
Bonds				
Goldman Sachs	13.3	12.4	6.0	5.2
Legal & General – Network Rail Bonds	22.5	21.1	4.7	6.7
Other assets				
Blue Crest Capital Management ¹	1.6	3.9	4.4 ²	0.2 ²
Bridgewater Pure Alpha Sterling ¹	18.5	6.0	36.5	0.1
Bridgewater Pure Alpha Major Markets ¹	14.4	6.0	-	-
Colonial First State Global Asset Mgt ¹	12.0	12.5	3.8 ²	0.2 ²
Davidson Kempner ¹	(1.9)	0.6	9.4	0.4
Partners Group ¹	9.1	3.9	1.6 ³	0.3 ³
Semperian ¹	1.9	9.2	(2.6)	0.4
Siguler Guff ¹	(7.2)	3.9	13.6 ²	0.2 ²

¹ Performance shown net of fees

² Two quarter's results (not annualised)

³ Three quarter's results (not annualised)

The active managers (all of the above except Legal & General) have been set targets to achieve, measured as out-performance of the relevant benchmarks over 3 year rolling periods, with the extent of out-performance depending on the portfolio.

TfL Pension Fund

Investment Report (continued)

6. AVCs

The distribution of the AVCs invested with the three providers as at the year end is set out below:

	Value of fund at 31 March 2012	% of total	Reported returns (where declared) Year to 31 March 2012
	£m		
Equitable Life			
With Profits	3.8	9.3	N/A
Unit-linked funds			
Managed	3.9	9.5	2.6%
UK Tracking	1.4	3.4	0.0%
Lifestyle	0.6	1.5	0.0%
Building Society funds	0.8	2.0	N/A
	<u>10.5</u>	<u>25.7</u>	
Clerical Medical			
With Profits	7.1	17.4	N/A
Unit-linked funds	0.5	1.2	N/A
	<u>7.6</u>	<u>18.6</u>	
Standard Life			
Managed Pension Fund	10.1	24.7	0.8%
International Pension Fund	1.7	4.2	(2.6)%
Annuity Purchase Fund	4.8	11.7	20.2%
Sterling Pension Fund	0.8	2.0	0.3%
FTSE Tracker Pension Fund	1.8	4.4	(0.4)%
Ethical Pension Fund	0.7	1.7	1.6%
Managed Cash Pension Fund	1.3	3.2	(0.4)%
Blackrock Aquila HP Over 15 year Gilts Fund	0.2	0.5	21.4%
Blackrock Aquila HP Over 5 year Index-linked	0.5	1.2	19.8%
Blackrock Aquila HP World (ex UK) Equity Fund	0.3	0.7	0.3%
Amanah Fund	0.1	0.2	5.9%
With Profits	0.5	1.2	1.4%
	<u>22.8</u>	<u>55.7</u>	
	<u>40.9</u>	<u>100.0</u>	

7. Approval of the Report of the Directors of the Trustee

The Compliance Statement on page 50 forms part of this Report of the Directors of the Trustee.

This Report was approved by the Board of Directors of TfL Trustee Company Limited on 10 July 2012 and was signed on their behalf by:

M Antoniou

SW Ellaby

Directors
TfL Trustee Company Limited

Independent Auditor's Report to the Trustee of TfL Pension Fund

We have audited the Financial Statements of the TfL Pension Fund for the year ended 31 March 2012 set out on pages 20 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Fund's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder.

Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustee and Auditor

As explained more fully in the Statement of Trustee's responsibilities on pages 7 and 8, the Fund's Trustee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year ended 31 March 2012 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Richard Hinton
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canada Wharf
London E14 5GL

10 July 2012

TfL Pension Fund

Fund Account

For the year ended 31 March 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Dealings with members					
Contributions receivable	3	309,228		316,281	
Individual transfers in from other schemes		<u>2,232</u>		<u>71,520</u>	
		311,460		387,801	
Benefits payable	4	(263,944)		(267,246)	
Payments to and on account of leavers	5	(2,712)		(1,681)	
Other payments	6	(4,491)		(1,122)	
Administrative expenses	7	(3,577)		(3,833)	
Pension levies	8	<u>(2,943)</u>		<u>(1,670)</u>	
		(277,667)		(275,552)	
Net additions from dealings with members			33,793		112,249
Returns on investments					
Investment income	9	85,227		77,468	
Change in market value of investments	10	218,556		418,891	
Investment management expenses	11	<u>(9,539)</u>		<u>(7,452)</u>	
Net returns on investments			294,244		488,907
Net increase in the fund during year			328,037		601,156
Net assets at beginning of year			5,699,004		5,097,848
Net assets at end of year			<u>6,027,041</u>		<u>5,699,004</u>

Net Assets Statement

As at 31 March 2012

	Note	2012 £'000	2011 £'000
Investment assets	10b	6,045,445	5,735,502
Investment liabilities	10b	(41,935)	(51,015)
Total net investments		<u>6,003,510</u>	<u>5,684,487</u>
Fixed assets held for own use	12	306	362
Current assets	13	40,208	34,678
Current liabilities	14	(16,983)	(20,523)
Net assets at end of year		<u>6,027,041</u>	<u>5,699,004</u>

The Notes on Pages 21 to 29 form part of these Accounts.

These Accounts were approved by the Board of Directors of TfL Trustee Company Limited on 10 July 2012 and were signed on their behalf by:

M Antoniou
Directors
TfL Trustee Company Limited

SW Ellaby

TfL Pension Fund

Notes to the Accounts

1. Basis of preparation

The Accounts have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007).

The Accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. The Accounts do not take account of the obligations to pay pensions and other benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the extracts from the Summary Funding Statements and certificates by the Actuary on pages 31 to 47 and these Accounts should be read in conjunction with those statements.

2. Accounting policies

(a) Inclusion of income and expenditure

(i) *Contributions*

Employers' contributions are accounted for in the period to which the corresponding pay relates. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the schedules of contributions and Recovery Plan under which they are paid.

(ii) *Transfers to and from other schemes*

Transfer payments in respect of members transferred to and from the Fund during the year are included in the Accounts in accordance with the transfer agreement.

(iii) *Benefits payable*

Benefits payable are accounted for on the basis of entitlement during the year in accordance with the Rules of the Fund. Where a member has a choice about the form of their benefit, the benefit is accounted for when the member notifies the Trustee of his or her decision as to what form of benefit they will take.

(iv) *Investment income*

Dividends from quoted securities are credited to income when the investments are declared ex-dividend. Other investment income is accounted for on an accruals basis. Dividends and interest are grossed up for the amount of any taxation recoverable. Investment income arising from the underlying investments of pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the unit price.

(v) *Investment management expenses*

Investment management expenses are accounted for on an accruals basis. Performance related investment management expenses are accounted for at the time they become due for payment under the terms of the appropriate Investment Management Agreement.

(vi) *Foreign currencies*

Balances denominated in foreign currencies are translated using the rate of exchange ruling at the Net Assets Statement date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Differences arising on investment balances translation are accounted for in the change in market value of investments during then year.

(vii) *Additional voluntary contributions (AVCs)*

AVCs are accounted for on an accruals basis, in the same way as other contributions, and the resulting investments are included in the net assets statement.

(viii) *Depreciation*

Expenditure on fixed assets held for own use has been capitalised to reflect the economic usefulness of the assets to the Fund. Depreciation of fixed assets held for own use is provided on a straight-line basis over their estimated useful lives as follows:

Computer equipment	-	5 years
Furniture	-	5 years

TfL Pension Fund

Notes to the Accounts (continued)

(b) Valuation of investments

Investments are included at values which are determined as follows:

- (i) UK and foreign securities quoted on a recognised stock exchange are stated at the bid price or last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the Net Assets Statement;
- (ii) fixed interest securities are stated at their clean prices (i.e. excluding accrued income). Accrued income is accounted for within investment income;
- (iii) pooled investment vehicles (managed funds and unit trusts) are stated at the bid price for funds with bid/offer spreads as provided by the investment managers;
- (iv) unquoted securities are included at fair value estimated by the Trustee based on the advice from the investment manager;
- (v) derivatives are stated at market value. All gains and losses arising on derivatives contracts are reported with the Change in Market Value of investments.

Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Over the counter (OTC) derivatives are stated at market value using pricing models and relevant data as at the year-end date

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing the contract at the reporting date by entering into an equal and opposite contract at that date;

- (vi) short-term deposits are valued at cost at 31 March 2012 taking into account gains or losses on foreign currencies;
- (vii) AVC investments are shown at the values advised by the AVC providers.

3. Contributions receivable

	2012 £'000	2011 £'000
Employers		
Normal	152,057	150,990
Deficit funding	111,973	120,333
	<u>264,030</u>	<u>271,323</u>
Members		
Normal	41,123	41,189
Additional voluntary contributions	4,075	3,769
	<u>45,198</u>	<u>44,958</u>
	<u>309,228</u>	<u>316,281</u>

Members' contributions are 5% of their contributory pensionable salary and are accounted for when deducted from members' pay. Employers' contributions are a multiple of the members' contributions, subject to fixed cash additions or deductions. Employer contributions are agreed between the Trustee, on the advice of the Actuary, and the Principal Employer following the actuarial valuation which resulted in a change of normal and deficit contributions which took effect from 1 April 2010.

All employers paid their respective contributions in accordance with the schedules of contributions.

TfL Pension Fund

Notes to the Accounts (continued)

4. Benefits payable

	2012 £'000	2011 £'000
Pensions	217,556	202,893
Commutations and lump sum retirement benefits	44,659	59,386
Lump sum death benefits (net of those insured)	1,729	4,967
	<u>263,944</u>	<u>267,246</u>

5. Payments to and on account of leavers

	2012 £'000	2011 £'000
Individual transfers to other schemes	2,396	1,381
Refunds to members leaving service	176	191
Payments for members joining state scheme	140	109
	<u>2,712</u>	<u>1,681</u>

6. Other payments

	2012 £'000	2011 £'000
Premiums on term insurance policies	4,491	1,122

7. Administrative expenses

	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Staff costs				
Payroll	1,924		1,958	
Recruitment and training (incl. trustee)	14		15	
		1,938		1,973
Establishment costs				
Accommodation	186		187	
Computer costs	394		410	
Telecommunications	19		18	
Depreciation	155		289	
		754		904
Professional fees				
Legal fees	223		163	
Audit fees	93		93	
KPMG non-audit fees	90		11	
Actuarial fees	209		426	
Medical fees	39		32	
Other professional fees	44		37	
		698		762
Communication				
Distribution	71		72	
Printing	91		90	
		162		162
Consumables				
Stationery	7		17	
Microfilm	-		1	
General	18		14	
		25		32
		<u>3,577</u>		<u>3,833</u>

TfL Pension Fund

Notes to the Accounts (continued)

8. Pension levies

	2012	2011
	£'000	£'000
Pension Protection Fund	2,722	1,441
Pension Regulator levies	221	229
	<u>2,943</u>	<u>1,670</u>

9. Investment income

	2012	2011
	£'000	£'000
Income from fixed interest securities	28,910	26,760
Dividends from equities	28,894	23,775
Income from index-linked securities	3,718	4,110
Income from pooled investment vehicles	12,737	10,404
Income from derivatives	9,736	11,587
Interest on cash deposits	419	257
Income from securities lending	798	503
Other investment income	15	72
	<u>85,227</u>	<u>77,468</u>

10. Investments

a) Reconciliation of investments held at beginning and end of year

	Value at 1 April 2011	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Change in Market Value	Value at 31 March 2012
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	535,495	465,819	372,568	15,075	643,821
Equities	1,252,852	528,941	527,449	(51,259)	1,203,085
Index-linked securities	123,286	105,761	129,250	19,822	119,619
Pooled investment vehicles	3,679,892	448,433	445,127	217,536	3,900,734
Derivative contracts	(28,612)	46,221	4,094	15,304	28,819
AVC investments	38,630	4,477	4,253	2,078	40,932
	<u>5,601,543</u>	<u>1,599,652</u>	<u>1,482,741</u>	<u>218,556</u>	<u>5,937,010</u>
Cash deposits	62,709				69,848
Other investment assets	33,135				29,980
Other investment liabilities	(12,900)				(33,328)
Total net investments	<u>5,684,487</u>				<u>6,003,510</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions and stamp duty. Transaction costs incurred during the year amounted to £1,939,000 (2011: £1,559,000). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investment within pooled investment vehicles. The amount of indirect costs is not separately identified.

TfL Pension Fund

Notes to the Accounts (continued)

b) Details of investments held at year end

	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed interest securities				
UK public sector quoted	82,068		62,399	
UK corporate quoted	386,499		351,560	
Overseas public sector quoted	70,775		44,497	
Overseas corporate quoted	<u>104,479</u>		<u>77,039</u>	
		643,821		535,495
Equities				
UK quoted	118,994		112,676	
Overseas quoted	<u>1,084,091</u>		<u>1,140,176</u>	
		1,203,085		1,252,852
Index-linked securities				
UK public sector quoted	<u>119,619</u>		<u>123,286</u>	
		119,619		123,286
Pooled investment vehicles				
Managed funds				
Fixed interest - UK	903,552		829,694	
Fixed interest - Overseas	10		9	
Index-linked - UK	222,378		195,370	
Equities - UK	2,094,648		2,016,359	
Other - UK	178,591		173,647	
Other - Overseas	499,884		463,077	
Unit trusts				
Other - UK	49		49	
Property - UK	<u>1,622</u>		<u>1,687</u>	
		3,900,734		3,679,892
Derivative assets				
Swaps - OTC	2,190		6,729	
Futures - exchange traded	426		350	
FX - OTC	34,252		2,424	
Options - exchange traded	<u>558</u>		<u>-</u>	
		37,426		9,503
Cash deposits				
Sterling deposits	46,503		52,047	
Foreign currency deposits	<u>23,345</u>		<u>10,662</u>	
		69,848		62,709
Other investment asset balances				
Amounts due from broker	3,469		10,809	
Outstanding trades	7,786		5,169	
Outstanding dividend entitlements and recoverable withholding tax	<u>18,725</u>		<u>17,157</u>	
		29,980		33,135
AVC investments		40,932		38,630
Total investment assets		<u>6,045,445</u>		<u>5,735,502</u>

TfL Pension Fund

Notes to the Accounts (continued)

	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Derivative liabilities				
Swaps – OTC	(3,203)		(10,258)	
Futures – exchange traded	(144)		(1,049)	
FX – OTC	(5,077)		(26,808)	
Options – exchange traded	(183)		-	
		(8,607)		(38,115)
Other investment liability balances				
Amounts due to broker	(1,321)		(3,366)	
Outstanding trades	(29,110)		(7,379)	
Accrued expenses	(2,897)		(2,155)	
		(33,328)		(12,900)
Total investment liabilities		<u>(41,935)</u>		<u>(51,015)</u>
Total net investments		<u>6,003,510</u>		<u>5,684,487</u>

c) Pooled investment vehicles

The Fund's investment in the following managed funds represented more than 5% of the net investment assets at the 31 March 2012:

	£'000	% of Net Assets
Legal & General UK Equity Index	736,803	12%
Legal & General North America Equity Index	704,106	12%
Legal & General LDI Portfolio implementation	670,693	11%
Legal & General World Emerging Markets Equity Index	311,685	5%

The investments in pooled investment vehicles are managed by companies registered in the UK with the exception of Bridgewater Associates and Davidson Kempner which are US registered.

d) Derivative assets

The Trustee has authorised the use of derivatives by some of their investment managers as part of their investment strategy for the pension scheme. The main objectives for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

Interest rate and credit default swaps

Interest rate swaps to hedge the interest rate risk were undertaken as part of the Fund's investment strategy to enhance returns and facilitate efficient portfolio management. The Fund had derivative contracts outstanding at the year end relating to its fixed interest investment portfolio. These contracts are traded over the counter. The details are:

Nature	Country	Nominal amount	Currency	Duration	Asset value	Liability
					at year end	value at year end
					£'000	£'000
Interest rate swaps	Europe	202,850,000	EUR	2014-2029	792	(389)
	UK	109,360,000	GBP	2016-2052	316	(1,321)
	USA	115,960,000	USD	2017-2042	753	(989)
Credit default swaps	USA	112,070,000	USD	2014-2017	329	(504)
					<u>2,190</u>	<u>(3,203)</u>

TfL Pension Fund

Notes to the Accounts (continued)

Futures

The Fund had exchange-traded UK and overseas bond index futures outstanding at the year end as follows:

Nature	Bought /Sold	Nominal amount	Duration	Asset value at year end	Liability value at year end
				£'000	£'000
UK Long Gilt	Sold	(57)	June 2012	26	-
German Bonds	Bought	375	June 2012	206	(13)
Japanese Bonds	Sold	(10)	June 2012	31	-
US Treasury Bonds	Sold	(14)	June 2012	16	-
US Treasury Bonds	Bought	689	June 2012	29	(102)
US Treasury Bonds	Bought	260	June 2014	58	-
US Treasury Bonds	Bought	650	September 2014	-	(29)
US Treasury Bonds	Sold	(650)	September 2015	60	-
				<u>426</u>	<u>(144)</u>

Forward foreign exchange

In order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investment to the targeted level.

The Fund had open FX contracts at the year end as follows:

Contract	Settlement date	Currency bought	Currency sold	Asset value at year end	Liability value at year end
				£'000	£'000
Forward OTC	1 month	Various	Various	9,071	(1,537)
Forward OTC	2 months	Various	Various	6,256	(1,237)
Forward OTC	3 months	Various	Various	7,326	(2,039)
Forward OTC	4 month	Various	Various	5,999	(186)
Forward OTC	5 months	Various	Various	3,260	-
Forward OTC	6 months	Various	Various	2,340	(78)
				<u>34,252</u>	<u>(5,077)</u>

Options

The Fund had derivative contracts outstanding at the year end relating to its fixed interest investment portfolio. The details are:

Type of options	Expiration	Underlying investment	Notional number of outstanding contracts	Asset value at year end	Liability value at year end
				£'000	£'000
Write Put	9 months	Euro Dollars	866	558	-
Buy Put	9 months	Euro Dollars	866	-	(183)
				<u>558</u>	<u>(183)</u>

TfL Pension Fund

Notes to the Accounts (continued)

e) AVC investments

During the year Standard Life, Clerical Medical and Equitable Life had delegated responsibility for the investment and administration of the Fund's Additional Voluntary Contribution (AVC) plan. Members' contributions are deducted from their pay by the employers and are paid directly to the providers, where they are invested on behalf of the individuals concerned and in accordance with their instructions to provide additional pension benefits, within the Scheme limits. Each member contributing to the AVC plan receives an annual benefit statement of their account. The aggregate amounts of AVC investments at the year end are as follows:

	2012 £'000	2011 £'000
Standard Life	22,810	19,690
Equitable Life	10,468	11,237
Clerical Medical	7,654	7,703
	<u>40,932</u>	<u>38,630</u>

f) Securities lending

The Fund lends certain fixed interest and equity securities under a Trustee approved securities lending programme. At the 31 March 2012 £131.7m of investments were loaned comprising £85.1m overseas equities, £7.8m UK equities, £14.1m UK Gilts and £24.7m overseas fixed interest securities. Collateral of £142.2m was held at the 31 March 2012 in the form of cash of £27.6m and non-cash of £114.6m (2011: £118.1m loaned against £124.6m collateral).

g) Self investment

There were no employer-related investments at any time during the year ended 31 March 2012.

11. Investment management expenses

	2012 £'000	2011 £'000
Administration, management and custody	8,812	6,843
Performance measurement services	36	30
Other advisory services	691	579
	<u>9,539</u>	<u>7,452</u>

Investment management expenses have increased following the implementation of revisions to the investment strategy which has resulted in an increase of managers and attributed fees.

12. Fixed assets held for own use

	Computer equipment £'000	Furniture £'000	Total £'000
<i>Cost at 1 April 2011</i>	1,765	72	1,837
Additions	99	-	99
<i>Cost at 31 March 2012</i>	<u>1,864</u>	<u>72</u>	<u>1,936</u>
<i>Accumulated depreciation at 1 April 2011</i>	(1,403)	(72)	(1,475)
Depreciation charge for the year	(155)	-	(155)
<i>Accumulated depreciation at 31 March 2012</i>	<u>(1,558)</u>	<u>(72)</u>	<u>(1,630)</u>
Net book value at 1 April 2011	<u>362</u>	<u>-</u>	<u>362</u>
Net book value at 31 March 2012	<u>306</u>	<u>-</u>	<u>306</u>

TfL Pension Fund

Notes to the Accounts (continued)

13. Current assets

	2012 £'000	2011 £'000
Debtors		
Contributions due from employer in respect of:		
Employer	11,862	11,571
Employee	13	14
Prepayments and accrued income	<u>12,712</u>	<u>13,215</u>
	24,587	24,800
Cash balances	<u>15,621</u>	<u>9,878</u>
	<u>40,208</u>	<u>34,678</u>

14. Current liabilities

	2012 £'000	2011 £'000
Creditors		
Unpaid benefits	3,810	4,186
Accrued expenses and deferred income	<u>12,237</u>	<u>14,800</u>
	16,047	18,986
Bank overdrafts	<u>936</u>	<u>1,537</u>
	<u>16,983</u>	<u>20,523</u>

Bank overdrafts represent payments submitted and cheques drawn but not presented for payment by 31 March 2012. Interest is not payable on these sums.

15. Related parties

The Fund has received contributions in respect of Directors of the Trustee who are also members of the Fund. The Fund has paid benefits to Directors of the Trustee who are also beneficiaries of the Fund.

Transport for London pays administration and investment expenses on behalf of the Fund and subsequently recharges these to the Fund. At 31 March 2012, £412,000 (2011: £428,000) has been included in creditors in respect of administration expenses and fixed asset expenditure rechargeable to the Fund.

All of the above transactions are in accordance with the Trust Deed and Rules of the Fund.

TfL Pension Fund

Statement of Trustee's Responsibilities in respect of Contributions

The Fund's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised the schedules of contributions showing the rates of contributions payable towards the fund by or on behalf of the employer and the active members of the fund and the dates on or before which such contributions are to be paid. The Fund's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the fund in accordance with the schedules.

Trustee's Summary of Contributions payable under the Schedules in respect of the fund year ended 31 March 2012

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Fund's Trustee. It sets out the employer and member contributions payable to the Fund under the schedules of contributions certified by the Scheme Actuary on the 16 March 2010 and 19 May 2010 in respect of the Fund year ended 31 March 2012. The Fund auditor reports on contributions payable under the schedules in the Auditor's statement about contributions.

Contributions payable under the schedules in respect of the Fund year

	£'000
Employers	
Normal contributions	152,057
Deficit funding	111,973
Members	
Normal contributions	41,123
Contributions payable under the schedules (as reported on by the Fund auditors)	<u>305,153</u>

Reconciliation of contributions payable under the schedules of contributions reported in the Accounts in respect of the Fund year

	£'000
Contributions payable under the schedules (as above)	305,153
Contributions payable in addition to those due under the schedules (and not reported on by the Fund auditors)	
Member additional voluntary contributions	4,075
Total contributions reported in the accounts	<u>309,228</u>

This Report was approved by the Board of Directors of TfL Trustee Company Limited on 10 July 2012 and was signed on their behalf by:

M Antoniou

SW Ellaby

Directors
TfL Trustee Company Limited

TfL Pension Fund

Summary Funding Statements and Actuary's Certificates

Pages 32 to 39 contain extracts from the 2012 Summary Funding Statements. There is a separate statement for each section of the Fund.

Pages 40 to 47 contain a formal certificate for each section provided by the Scheme Actuary to the effect that, in his opinion:

- when the certificates were given, the contributions shown in the section's schedule of contributions were expected to be sufficient to meet the "statutory funding objective" by the end of the period covered by the schedule;
- the schedule is consistent with the section's Statement of Funding Principles.

The "statutory funding objective" is that the value of the section's assets is at least equal to the value of its past service liabilities assessed as described in the section's Statement of Funding Principles.

Capgemini UK plc Section

Extract from the 2012 Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2009, the funding position of the Section was as follows:

Assets	£0.392 million
Amount needed to provide benefits earned to 31 March 2009	£0.459 million
Shortfall	£0.067 million
Funding level	85%

As a result Capgemini UK plc ("Capgemini") agreed to pay a one-off contribution of £0.069m by 1 April 2010 with the aim of eliminating the ongoing deficit. This amount took account of contributions, benefit accruals, expenses and interest after the valuation date. This deficit payment is in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service. Regular employer contributions from the 1 April 2010 are 23.55% of pensionable pay for all members of the Section.

The estimated additional amount needed on 31 March 2009 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £0.540 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Next funding valuation

The next formal valuation is as at 31 March 2012 and the results will be included in the 2013 Summary Funding Statement.

Composite Section

Extract from the 2012 Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2009, the funding position of the Section was as follows:

Assets	£0.915 million
Amount needed to provide benefits earned to 31 March 2009	£1.169 million
Shortfall	£0.254 million
Funding level	78%

As a result Tribal Technology Limited agreed to pay a one-off contribution of £0.113m by 1 April 2010 and British Transport Police Authority the sum of £0.031 million each year (payable monthly at the rate of £2,583 per month) from 1 April 2010 to 31 March 2016 with the aim of eliminating the ongoing deficit. These amounts take account of contributions, benefit accruals, expenses and interest after the valuation date. These deficit payments are in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service. Regular employer contributions from the 1 April 2010 are 22.05% of pensionable pay for all members of the Section.

The estimated additional amount needed on 31 March 2009 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £1.576 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Next funding valuation

The next formal valuation is as at 31 March 2012 and the results will be included in the 2013 Summary Funding Statement.

TfL Pension Fund

Cubic Transportation Systems Limited Section

Extract from the 2012 Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2009, the funding position of the Section was as follows:

Assets	£3.280 million
Amount needed to provide benefits earned to 31 March 2009	£4.175 million
Shortfall	£0.895 million
Funding level	79%

As a result Cubic Transportation Systems Limited ("CTS") agreed to pay a one-off contribution of £0.918m by 1 April 2010 with the aim of eliminating the ongoing deficit. This amount took account of contributions, benefit accruals, expenses and interest after the valuation date. This deficit payment is in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service. Regular employer contributions from the 1 April 2010 are 22.95% of pensionable pay for all members of the Section.

The estimated additional amount needed on 31 March 2009 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £5.615 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Next funding valuation

The next formal valuation is as at 31 March 2012 and the results will be included in the 2013 Summary Funding Statement.

TfL Pension Fund

HP Enterprise Services UK Limited Section

Extract from the 2012 Summary Funding Statement

This section was formerly known as the Electronic Data Systems Limited Section

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2009, the funding position of the Section was as follows:

Assets	£1.795 million
Amount needed to provide benefits earned to 31 March 2009	£2.557 million
Shortfall	£0.762 million
Funding level	70%

As a result HP Enterprise Services UK Limited agreed to pay a one-off contribution of £0.798m by 1 April 2010 with the aim of eliminating the ongoing deficit. This amount took account of contributions, benefit accruals, expenses and interest after the valuation date. This deficit payment is in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service. Regular employer contributions from the 1 April 2010 are 21.4% of pensionable pay for all members of the Section.

The estimated additional amount needed on 31 March 2009 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £3.963 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Next funding valuation

The next formal valuation is as at 31 March 2012 and the results will be included in the 2013 Summary Funding Statement.

TfL Pension Fund

Public Sector Section

Extract from the 2012 Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2009, the funding position of the Section was as follows:

Assets	£3,369 million
Amount needed to provide benefits earned to 31 March 2009	£4,575 million
Shortfall	£1,206 million
Funding level	74%

As a result TfL agreed to pay deficit contributions of 12.95% of pensionable pay from 1 April 2010 to 31 March 2020 and on or before each of 31 March 2018, 31 March 2019 and 31 March 2020, a lump sum of £107.4 million increased in line with the increase in RPI between September 2008 and the September before the payment is due in order to eliminate the shortfall by 31 March 2020. These amounts took account of contributions, benefit accruals, expenses and interest after the valuation date. These deficit payments are in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service. Regular employer contributions from the 1 April 2010 are 18.05% of pensionable pay for all members of the Section.

The estimated additional amount needed on 31 March 2009 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £4,963 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Change in funding position

The ongoing funding position was last assessed as at 31 March 2011, when the Funding level was estimated to be 89% with a shortfall of £664 million. This assessment was not a formal valuation, but measured the position in an appropriate manner consistent with that used for the 2009 valuation, taking account of membership changes since then. The improvement in the funding position since the actuarial valuation as at 31 March 2009 was principally due to favourable investment returns since that date. This more than offset the increase in the amount needed to provide benefits that resulted from a reduction in prospective investment returns. Contributions paid into the Section over the period since the valuation have exceeded the estimated cost of new benefit accrual which also helped to improve the funding position.

Next funding valuation

The next formal valuation is as at 31 March 2012 and the results will be included in the 2013 Summary Funding Statement.

Other matters

With effect from 30 March 2010 the assets, liabilities and members of the LUL SSL and LUL BCV sections have been transferred to the Public Sector Section. The total shortfall after including the shortfalls in the LUL BCV Section and the LUL SSL Section as at 31 March 2009 was £1,331 million. This total shortfall amount was used as the basis for determining the deficit payments described above.

TfL Pension Fund

Thales Transport and Security Limited Section

Extract from the 2012 Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2009, the funding position of the Section was as follows:

Assets	£0.274 million
Amount needed to provide benefits earned to 31 March 2009	£0.310 million
Shortfall	£0.036 million
Funding level	88%

As a result Thales Transport and Security Limited ("Thales") agreed to pay a one-off contribution of £0.035m by 1 April 2010 with the aim of eliminating the ongoing deficit. This amount took account of contributions, benefit accruals, expenses and interest after the valuation date. This deficit payment is in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service. Regular employer contributions from the 1 April 2010 are 19.25% of pensionable pay for all members of the Section.

The estimated additional amount needed on 31 March 2009 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £0.498 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Next funding valuation

The next formal valuation is as at 31 March 2012 and the results will be included in the 2013 Summary Funding Statement.

Tube Lines Limited Section

Extract from the 2012 Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2009, the funding position of the Section was as follows:

Assets	£113.5 million
Amount needed to provide benefits earned to 31 March 2009	£189.1 million
Shortfall	£75.6 million
Funding level	60%

As a result Tube Lines Limited ("Tube Lines") agreed to pay £0.34425m in the period 1 April 2010 to 30 June 2010, £0.923m per month in the period 1 July 2010 to 31 December 2017, increased each 1 April from 1 April 2011 by the percentage increase (if any) in the RPI over the year to the previous September with the aim of eliminating the ongoing deficit by 31 December 2017. These amounts took account of contributions, benefit accruals, expenses and interest after the valuation date. These deficit payments are in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service. Regular employer contributions from the 1 July 2010 are 20.95% of pensionable pay for all members of the Section.

The estimated additional amount needed on 31 March 2009 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £313.5 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Changes in funding position

The ongoing funding position was last assessed as at 31 March 2011, when the Funding level was estimated to be 70% with a shortfall of £66 million. This assessment was not a formal valuation, but measured the position in an appropriate manner consistent with that used for the 2009 valuation, taking account of membership changes since then. The improvement in the funding position since the actuarial valuation as at 31 March 2009 was principally due to favourable investment returns since that date. Contributions paid into the Section over the period since the valuation have exceeded the estimated cost of new benefit accrual which also helped to improve the funding position.

Next funding valuation

The next formal valuation is as at 31 March 2012 and the results will be included in the 2013 Summary Funding Statement.

TfL Pension Fund

UK Power Networks Services Powerlink Limited Section

Extract from the 2012 Summary Funding Statement

This section was formerly known as the EDF Energy Powerlink Limited Section

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2009, the funding position of the Section was as follows:

Assets	£22.40 million
Amount needed to provide benefits earned to 31 March 2009	£32.57 million
Shortfall	£10.17 million
Funding level	69%

As a result UK Power Networks Services Powerlink Limited (formerly EDF Energy Powerlink Limited) agreed to pay a one-off contribution of £9.74m by 1 April 2010 and 2.55% of pensionable pay for all members from 1 April 2010 to 31 March 2020 with the aim of eliminating the ongoing deficit. These amounts take account of contributions, benefit accruals, expenses and interest after the valuation date. These deficit payments are in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service. Regular employer contributions from the 1 April 2010 are 23.45% of pensionable pay for all members of the Section.

The estimated additional amount needed on 31 March 2009 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £45.99 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Change in funding position

The ongoing funding position was last assessed as at 31 March 2011, when the Funding level was estimated to be 107% with a surplus of £2.6 million. This assessment was not a formal valuation, but measured the position in an appropriate manner consistent with that used for the 2009 valuation, taking account of membership changes since then. The improvement in the funding position since the actuarial valuation as at 31 March 2009 was principally due to contributions paid into the Section over the period since the valuation exceeding the cost of new benefit accrual. In addition, favourable investment returns since the valuation date have also helped to improve the funding position.

Next funding valuation

The next formal valuation is as at 31 March 2012 and the results will be included in the 2013 Summary Funding Statement.

Actuary's certification of schedule of contributions

Name of section: **TfL Pension Fund – Capgemini UK plc Section**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2009 to be met by the end of the period specified in the recovery plan dated 16 March 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 16 March 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were to be wound up.

R V Williams
Fellow of the Institute of Actuaries
Watson Wyatt Limited

Date 22 March 2010

Watson House
London Road
Reigate
Surrey
RH2 9PQ

Actuary's certification of schedule of contributions

Name of section: **TfL Pension Fund – Composite Section**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2009 to be met by the end of the period specified in the recovery plan dated 16 March 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 16 March 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were to be wound up.

R V Williams
Fellow of the Institute of Actuaries
Watson Wyatt Limited

Date 22 March 2010

Watson House
London Road
Reigate
Surrey
RH2 9PQ

Actuary's certification of schedule of contributions

Name of section: **TfL Pension Fund – Cubic Transportation Systems Limited Section**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2009 to be met by the end of the period specified in the recovery plan dated 16 March 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 16 March 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were to be wound up.

R V Williams
Fellow of the Institute of Actuaries
Watson Wyatt Limited

Date 22 March 2010

Watson House
London Road
Reigate
Surrey
RH2 9PQ

Actuary's certification of schedule of contributions

Name of section: **TfL Pension Fund – EDF Energy Powerlink Limited Section**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2009 to be met by the end of the period specified in the recovery plan dated 16 March 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 16 March 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were to be wound up.

R V Williams
Fellow of the Institute of Actuaries
Watson Wyatt Limited

Date 22 March 2010

Watson House
London Road
Reigate
Surrey
RH2 9PQ

This section is now known as the UK Power Networks Services Powerlink Limited Section

Actuary's certification of schedule of contributions

Name of section: **TfL Pension Fund – Electronic Data Systems Limited Section**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2009 to be met by the end of the period specified in the recovery plan dated 16 March 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 16 March 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were to be wound up.

R V Williams

Watson House

Fellow of the Institute of Actuaries

Watson Wyatt Limited

Date 22 March 2010

London Road

Reigate

Surrey

RH2 9PQ

This section is now known as the HP Enterprise Services UK Limited Section

Actuary's certification of schedule of contributions

Name of section: **TfL Pension Fund – Public Sector Section**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2009 to be met by the end of the period specified in the recovery plan dated 19 May 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 19 May 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were to be wound up.

R V Williams
Fellow of the Institute of Actuaries
Towers Watson Limited

Date 25 May 2010

Watson House
London Road
Reigate
Surrey
RH2 9PQ

Actuary's certification of schedule of contributions

Name of section: **TfL Pension Fund – Thales Transport and Security Limited Section**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2009 to be met by the end of the period specified in the recovery plan dated 16 March 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 16 March 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were to be wound up.

R V Williams
Fellow of the Institute of Actuaries
Watson Wyatt Limited

Date 22 March 2010

Watson House
London Road
Reigate
Surrey
RH2 9PQ

Actuary's certification of schedule of contributions

Name of section: **TfL Pension Fund – Tube Lines Limited Section**

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2009 to be met by the end of the period specified in the recovery plan dated 19 May 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 19 May 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the section's liabilities by the purchase of annuities, if the section were to be wound up.

R V Williams
Fellow of the Institute of Actuaries
Towers Watson Limited

Date 25 May 2010

Watson House
London Road
Reigate
Surrey
RH2 9PQ

Independent Auditor's Statement about Contributions to the Trustee of the TfL Pension Fund

We have examined the summary of contributions payable under the schedules of contributions to the TfL Pension Fund in respect of the Fund year ended 31 March 2012 which is set out on page 30.

This statement is made solely to the Fund's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of the Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 8, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions to the Fund and to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the schedule of contributions.

Statement about contributions payable under the schedules of contributions

In our opinion contributions for the Fund year ended 31 March 2012 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the actuary on the 16 March 2010 and 19 May 2010.

Richard Hinton
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canada Wharf
London E14 5GL

10 July 2012

TfL Pension Fund

Participating Employers' Unit Holdings and Asset Values Statement

The Fund is structured into a series of financially segregated sections, comprising a composite section for the ongoing public sector employees (including responsibility for all pensioners and deferred pensioners) and individual sections for each of the private sector employees. The Fund's main investment portfolio is unitised for accounting purposes. The participating employers' unit entitlements and unit values as determined under Rule 2C of the Fund are shown below.

Participating Employer	Equity Fund			
	As at 31 March 2012		As at 31 March 2011	
	Units	£'000s	Units	£'000s
Public Sector Section	2,209,423,010	3,233,015	2,153,801,002	3,179,733
Tube Lines Limited	68,816,917	100,699	73,581,092	108,630
Cadbury Limited	-	-	111,913	165
Capgemini UK plc	318,387	466	289,225	427
Cubic Transportation Systems Ltd	2,879,754	4,214	2,800,535	4,135
Composite section	348,254	510	343,107	507
HP Enterprise Services UK Ltd	1,394,861	2,041	1,289,641	1,904
Thales Transport and Security Ltd	233,969	342	208,630	308
UK Power Networks Services	19,355,348	28,322	18,014,901	26,596
	<u>2,302,770,500</u>	<u>3,369,609</u>	<u>2,250,440,046</u>	<u>3,322,405</u>

The Equity Fund unit price at the year-end was £1.463284604 (2011 £1.476335777)

Participating Employer	Bond Fund			
	As at 31 March 2012		As at 31 March 2011	
	Units	£'000s	Units	£'000s
Public Sector Section	464,428,011	959,398	459,681,053	824,575
Tube Lines Limited	13,447,320	27,779	25,953,794	46,556
Cadbury Limited	-	-	54,095	97
Capgemini UK plc	132,454	273	139,801	251
Cubic Transportation Systems Ltd	1,198,023	2,475	1,353,673	2,428
Composite section	144,879	299	165,845	298
HP Enterprise Services UK Ltd	580,284	1,199	623,364	1,118
Thales Transport and Security Ltd	97,335	201	100,844	181
UK Power Networks Services	8,052,129	16,634	8,707,720	15,620
	<u>488,080,435</u>	<u>1,008,258</u>	<u>496,780,189</u>	<u>891,124</u>

The Bond Fund unit price at the year-end was £2.065761877 (2011 £1.793798833)

Participating Employer	Alternative and Liability Driven Assets Fund			
	As at 31 March 2012		As at 31 March 2011	
	Units	£'000s	Units	£'000s
Public Sector Section	1,363,810,214	1,535,954	1,426,299,189	1,426,299
Tube Lines Limited	40,082,832	45,142	-	-
	<u>1,403,893,046</u>	<u>1,581,096</u>	<u>1,426,299,189</u>	<u>1,429,299</u>

The Alternative Liability Driven Assets Fund unit price at the year-end was £1.126222299 (2011 £1.000000000)

	31 March 2012	31 March 2011
	£'000s	£'000s
Equity Fund	3,369,609	3,322,405
Bond Fund	1,008,258	891,124
Alternative and Liability Driven Assets Fund	1,581,096	1,426,299
Other (non unitised assets allocated to Public Sector)	68,078	59,176
Total Net Assets at 31 March	<u>6,027,041</u>	<u>5,699,004</u>

TfL Pension Fund Compliance Statement

1. Scheme Advisers

There are written agreements in place between the Trustee and each of the Scheme advisers listed on Page 2 of this report and also with the Principal Employer.

2. Transfers

All transfer values paid to or received from other pension schemes were calculated using formulae agreed by the Scheme Actuary and in accordance with statutory regulations. No transfers were made at less than their cash equivalent.

3. Changes to the Fund's advisers

There were no changes to the Fund's advisers during the year.

4. Pension Tracing Service

To help members of pension schemes trace past pension rights, the Department for Work and Pensions (DWP) has set up the Pension Tracing Service. The Fund is registered with the Pension Tracing Service and the registration number is 101653517.

The Pension Tracing Service can be contacted at:

The Pension Service
Tyneview Park
Whitely Road
Newcastle upon Tyne
NE98 1BA
Telephone 0845 6002 537

5. Complaints Procedure

In the event of a complaint from a member or beneficiary of the Scheme, every effort will be made to fully investigate and resolve it on an informal basis. In the event that a complaint cannot be satisfactorily resolved, the Fund has an Internal Disputes Resolution Procedure, a copy of which is available from the Secretary to the Trustee.

Should any complaint still remain unresolved after using this procedure, it may be referred to the Pensions Advisory Service and the Pensions Ombudsman as follows:

The Pensions Advisory Service (TPAS)

The Service was established to assist members of schemes in clarifying their expectations and rights with present or past Schemes. TPAS can be contacted at:

The Pensions Advisory Service
11 Belgrave Road
London SW1V 1RB
Telephone 0845 6012 923 (Calls charged at local rate)

Pensions Ombudsman

The Pensions Ombudsman was appointed to resolve issues and disputes that may arise between schemes and their members. The Ombudsman has powers similar to those of a County Court. The Ombudsman can be contacted at the same address as TPAS and has a separate telephone number:

Telephone 020 7630 2200

Scheme members should initially seek assistance through TPAS who, if unable to satisfactorily clarify matters, will refer appropriate cases to the Ombudsman.

For further help or information

Please contact the Fund Office if you have any questions about this report.
Contact details are shown below.

TfL Pension Fund
4th floor
Wing over Station
55 Broadway
London SW1H 0BD

Telephone: 020 7918 3733
Email: helpdesk@tflpensionfund.co.uk
Website: www.tflpensionfund.co.uk