



Annual Member's Meeting – 18 October 2019 - Q&As

1. What are the Trustees intentions to move forward with ESG in investment decisions?

ESG considerations are taken into account when making any investment decisions, with the time allocated to this area and activity only expected to increase. The Trustees expect the allocation to ESG tilted investments to increase over time, and with more pressure on our investment managers to engage with companies on ESG matters this may lead to some changes in the investment managers the Trustees currently employ.

The Trustees initial report on Sustainable investment was published in December 2018 and the Trustees expect to publish their new sustainability report in December 2019 where it will be available to download from the Funds website.

2. With the announcement that RPI is to be replaced by 2030, what are the Trustees plans to protect the level of pension increases currently provided to members under the Fund Rules?

At the moment this is open for consultation and there is no guarantee that there will be a change and in the short term any change would need to be agreed by the Chancellor of the Exchequer. The Fund Rules are clear as to the index to be used to determine pension increases and refer to the RPI or any replacement index, the Trustees will adhere to the Fund Rules.

3. The report shows that all benchmarks for investments have been missed, what are the Trustees doing to redress this?

The performance of investment managers against benchmark is actively reviewed by the Trustees at each quarterly meeting, however the Trustees have a diversified investment portfolio designed to spread risk and as a result certain investment strategies will perform better than others in a particular economic cycle. It should further be noted that the Trustees have stretching benchmarks for investment managers which may be difficult to achieve, however looking at the Fund overall, positive investment returns are generated. The Trustees are looking at the overall benchmark composition and changes may be made as a result.

4. The Trustees are asked to divest a minimum of 90% (from April 2019 levels) of fossil fuel investments from TfL direct shares and active and passively managed funds in a staged manner by April 2022?

This is something that the Trustees will consider when looking at their overall investment strategy and progress against objectives set out in the Statement of Investment Principles in March 2020



5. As a pensioner, what level of pension will be paid to my next of kin on my death?

An adult dependant can receive a pension of one-half of your full pension at retirement, regardless of any lump sum or variable pension that you may have already received, plus pension increases.

6. When terminating investment managers are there any early exit penalties?

The Trustees have not suffered any early exit penalties when terminating investment managers. The Trustees do hold investment in some illiquid assets which by their nature would mean early divestment could lead to a lower valuation being achieved.

7. You mentioned an assumption of general pay increases of 0.25% over RPI, can you explain this?

This is an actuarial assumption used as part of the valuation process for increases in pensionable salary, over the last 10 years there has been a reduction in this assumption. Over the last 3 years the actual increase was less than the assumption, however when setting this assumption the Trustees take into account the level of any agreed pay deals as well as an allowance for promotional increases.

8. Can you reduce the use of acronyms in future presentations?

We will certainly take that feedback on board.

9. When making investment decisions, do the Trustees take into account factors such as religious persecution which occurs in some countries?

These issues tend to be in underdeveloped countries where there is little investment opportunity, but this is an area that is covered under ESG considerations when looking at investment opportunities.

10. How long does the new pensions funding agreement with TfL last?

The funding agreement covers the next three triennial valuations in 2021, 2024 and 2027 so while the agreement does not offer certainty of achieving 100% funding it does provide contingency for additional employer contributions for a number of years.



11. Do the Trustees take account of the diversity of the Funds membership when looking at the composition of the Trustee Board and the panel presenting to members today?

Fifty percent of the Trustee Board are nominated by Fund members through either the Trades unions or the Pension Consultative council with the remaining fifty percent nominated by TfL; overall one third of the Board are female. When looking for new Trustees as well as diversity the Trustees look for a broad range of skills from prospective Trustees.

12. What would be the impact on the value of the Funds assets if a future UK Government enforced the transfer of shares to employees at a below market value?

If there were a forced sale of UK assets at below market value this would impact the Fund, however such political risk is one of the reasons the Trustees have a diversified investment portfolio; as a result the Trustees hold a relatively small percentage of assets in UK equities.

13. When will the AVC provider review be completed and how will this be communicated to members?

The Trustees are meeting with potential providers in the week commencing 21 October; once a decision is made further due diligence will be undertaken with the preferred provider and a workable timetable to transition from the existing provider(s) will be agreed. Once finalized this will be communicated to members advising them of the change and any actions they need to take as a result. It is anticipated that any transaction will occur during the first part of 2020.

14. Who will replace Mike Brown as Commissioner?

Mike Brown's departure was announced on 17 October and it was confirmed that he would remain in his role until the end of the Mayor's first term in May 2020, so no immediate announcement on his successor is anticipated.