

TfL

PENSIONFUND

Providing for your tomorrow



Annual Report & Accounts for the year to 31 March 2023

Notice for the visually impaired

Copies of this document in large type and in a text only format are available from the Fund Office. Please write to TfL Pension Fund, 4th Floor, 200 Buckingham Palace Road, London SW1W 9TJ, or call 020 7126 4000 for your copy.

MAYOR OF LONDON

Transport for London



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TfL Pension Fund

Report and Accounts for the year to 31 March 2023

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Administration Office:

TfL Pension Fund
4th Floor
200 Buckingham Palace Road
London SW1W 9TJ

Telephone (020) 7126 4000

Email: - helpdesk@tflpensions.co.uk

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.tfl.gov.uk/pensions

Pension Schemes Registry scheme reference number: 10165351

TfL Pension Fund

Organisation and Advisers as at 31 March 2023

Trustee

TfL Trustee Company Limited

Board of Directors of TfL Trustee Company Limited

(Nominating bodies are shown in brackets)

Ms M Antoniou (Chair)	External Appointment (TfL)
Ms M Adesida	Senior Trains Delivery Manager, Train Operations Jubilee & Northern (TfL)
Ms T Ashton	Director of Rail and Sponsored Services, London Rail & Sponsored Services (TfL)
Mr FE Brennan	District Organiser, ASLEF (ASLEF)
Mr LP Brown	Service Performance Manager, Transport for London (Unite the Union (T&GWU))
Mr T Cunnington	Head of Buses Business Development (TfL)
Mr SW Ellaby	Assistant SHE Assurance Manager, Insights & Direction, Transport for London (TSSA)
Mr MA Evers	Chief Customer Officer, Transport for London (TfL)
Ms S Folarin	Internal Auditor, Risk & Assurance, Transport for London (PCC)
Mr P Kilius-Smith	Pensioner (PCC)
Mr J Leach	Assistant General Secretary, RMT (RMT)
Mr CA Miller	Pensioner (PCC)
Mr PJ Murphy	Train Instructor, Northfields, London Underground Limited (PCC)
Ms R O'Donnell	Senior Treasury Accounting Manager, Transport for London (TfL)
Mr C Reader	Head of Commercial Media, Transport for London (TfL)
Mr J Terry	Head of SHE Business Partnering, Chief Capital Office, Engineering and Asset Strategy, Transport for London (TfL)
Mr J Thirlby	Corporate Finance Senior Manager, Transport for London (TfL)
Mr JB Timbrell	Senior Manufacturing Engineer, London Underground Limited (Unite the Union (Amicus))

TfL Pension Fund

Organisation and Advisers as at 31 March 2023 (continued)

Principal Employer
Transport for London

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
Rail for London (Infrastructure) Limited
Transport Trading Limited
Tube Lines Limited
Victoria Coach Station Limited
Cubic Transportation Systems Limited
Thales Transport and Security Limited

Secretary to the Trustee

Mr S Field

Auditor

RSM UK Audit LLP

Fund Actuary

Mr G Oxtoby, WTW

Legal Advisers

Sacker & Partners LLP

Communications Advisers

Hughes Communications

Independent Medical Adviser

Dr S Sheard

Fund Employer Covenant Reviewer

Penfida Limited

Bankers

The Royal Bank of Scotland plc

Investment Adviser

WTW

Custodian & Investment Performance Monitoring

JP Morgan Investor Services

AVC Providers

Clerical Medical

Legal & General

Standard Life

Transition Investment Manager

Citigroup Global Markets Limited

Investment Managers

Anchorage Capital Group LLC
Ardevora Asset Management LLP
Augment Brazil I, LP
BlackRock Investment Management (UK) Limited
Blue Mountain Capital Partners LLC
Brevan Howard Asset Management, LLP
Bridgewater Associates, Inc.
Cambridge Associates LLC
CBRE Global Collective Investors UK Limited
Colonial First State Global Asset Management
Coronation International Limited
Credit Suisse AG
Equilibrium Capital Group LLC
Goldman Sachs Asset Management
Harrison Street Real Estate Capital LLC
IFC Asset Management Company, LLC
Industry Funds Management Pty Limited
J O Hambro Capital Management Limited
JP Morgan Asset Management
Man Asset Management Ltd
Neuberger Berman Alternatives Advisers LLC
Nomura Asset Management UK Limited
Oak Hill Advisors, LP
Paradice Investment Management Pty Limited
Partners Group (UK) Limited
Pzena Investment Management, LLC
Russell Implementation Services Limited
Semperian PPP Investment Partners Holdings Limited
SCM ManCo 1 Limited
Siguler Guff & Company, LP
Stonepeak Associates III LLC
Veritas Asset Management LLP
Wellington Management Company, LLP

Date of Appointment

3 July 2017
29 June 2015
26 October 2022
1 September 2014
1 August 2017
18 February 2013
2 November 2005
28 January 2022
11 September 2013
15 December 2009
24 July 2013
9 December 2015
3 December 2020
15 June 2005
12 December 2019
15 March 2013
24 May 2013
5 January 2010
15 January 2018
26 April 2018
24 October 2014
1 September 2004
1 August 2012
24 June 2014
4 June 2010
24 June 2013
8 December 2011
18 February 2008
21 June 2018
10 December 2009
26 April 2018
7 July 2015
5 November 2012

TfL Pension Fund Chair's Introduction

I am pleased to present my review as Chair for the year ended 31 March 2023. This has been a busy year for the Trustee, with a significant focus on investments, the Trustee has undertaken work to reduce risk in the Fund's assets and increase hedging ratios against both interest rates and inflation hedging in line with the new investment strategy agreed in consultation with TfL. This is expected to lock in some of the expected gains in funding levels related to an increase in the UK long term real rates, one of the key determinants in the valuation of the Fund's liabilities. You will be aware of the market turmoil following the Government's mini budget in September 2022, I am pleased to confirm that as a direct result of the Trustee's investment strategy the Fund was not adversely impacted by this.

The Trustee has over the course of the year considered their investment beliefs and once again held a strategy day at which investment beliefs were considered further along with the Pensions Regulator's new code of practice which is expected to be published later this year.

For TfL the principal employer, recovery of ridership and revenue following the pandemic and the consequential impact on finances has been an area of considerable focus for the Trustee Directors who have continually monitored the strength of employer covenant over this period.

As a condition of the Government's funding agreements, TfL was asked to carry out an independent review of their pension arrangements with the final report from Sir Brendan Barber submitted to Government in March 2022. The current Funding deal with Government agreed in August 2022 required TfL to respond to the final report, including a number of specified actions by specific dates. TfL subsequently engaged with Government and TfL's latest response on 17 March 2023 explained that they required further information and assurances before any further progress can be made. A special meeting of the Trustee was held on 28 March with TfL representatives to receive an update on progress, next steps and for the Trustee to provide direct feedback on the review.

With a membership of over 84,000, the day-to-day administration of the Fund is a significant undertaking. Over the course of the year we have seen a significant increase in the volume of workload, over 82,000 tasks were completed by the Fund Office during the year and they managed to achieve service level agreement targets of 97.8% for the year. The Trustee has looked at ways to enhance our member offering and are currently developing a new standalone Fund website as well as looking at other opportunities to enhance the service provided to members.

Over the year, assets have reduced by £263.8m to £14,176.64m as at 31 March 2023. The Trustee receives regular updates on the Funding level and using appropriate models. I am pleased to report that the Fund remains over 100% funded despite the volatility in investment markets. The importance of employer support and the Trustee's attention on both the Fund's asset and liability components remain crucial in seeking to ensure the security of member benefits and the Fund's independent covenant reviewer has continued to monitor developments with respect to TfL, as the Principal Employer.

Both the Alternatives and Liability Hedging Committee and the Investment Committee, working with our investment advisers, WTW and the Fund Office continue to actively manage the Fund's investments in order to optimise the risk/return profile through identifying new opportunities and in responding promptly to developments. Augment Brazil I, LP was the only new manager appointed during the year.

This year's investment performance was (0.6%), 11.9% above the benchmark return of (12.5%), while over the longer period of three years the return was 10.4% per year, above the benchmark by 4.2%. Over five years returns were 6.6% per year, 2.8% above the benchmark. More information is contained in the Investment Report starting on page 15.

Environmental, Social and Governance ("ESG") matters remain a key area of focus with it being a matter many of our members are passionate about; the Trustee published their fourth Sustainability Report in December 2022. The Fund is aiming to achieve a 100% reduction in its carbon emissions no later than 2045; with an interim target reduction of 55% of carbon emissions for 2030 at the latest. These targets are set based on the comparison with the 2016 baseline, when the Paris Agreement came into effect. The targets will be measured using the weighted average carbon intensity ("WACI") metric, which is the same metric used to measure the Fund's carbon footprint.

The diligent work carried out by the other Committees (Actuarial Valuation, Audit & Risk, Operations and Appeals) and the Trustee Board itself in carrying out their respective responsibilities has also contributed greatly to supporting good governance in all the Fund's activities.

TfL Pension Fund Chair's Introduction (continued)

During the year we welcomed John Leach, Chris Reader, Julian Thirlby and James Terry to the Trustee Board and at the year end the Board was at full strength. Alongside the Trustee Directors' continued attendance at regular training sessions throughout the year, there has been focus on effectiveness, the conduct of meetings and setting of priorities as well as re-establishing the investment beliefs of the Board.

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, Fund Actuary, Investment and Legal Advisers, Investment Managers, Custodian, and not least the Fund Office who despite many challenges continues to deliver for our members and the Fund Secretary for their support.

Maria Antoniou
Chair
7 July 2023

TfL Pension Fund Trustee's Report

The Directors of TfL Trustee Company Limited, the Trustee of TfL Pension Fund, have the pleasure of submitting their Annual Report on the operations of the Fund, together with the Accounts of the Fund for the year ended 31 March 2023.

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.

All Trustee Directors are expected to complete the Pensions Regulator Trustee Toolkit within 6 months of appointment.

(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 9.

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.

The following changes to Directors occurred during and after the year to 31 March 2023:

Retiring Director	Date of Retirement	New Appointment	Date of Appointment	Nominating Body
Mr S Hedley	29 April 2022	Mr J Leach	9 June 2022	RMT
Ms A Hopkins	22 September 2022	Mr C Reader	23 September 2022	TfL
Ms L Matson	22 September 2022	Mr J Thirlby	23 September 2022	TfL
Mr N Pickup	10 February 2023	Mr J Terry	3 March 2023	TfL

The table below shows the number of scheduled Trustee Board and Committee meetings attended by each Director listed below, in the year to 31 March 2023, 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 Adesida *	14	12	Mr FE Brennan *	15	14
Ms M Antoniou *	10	10	Mr LP Brown *	21	19
Ms T Ashton *	10	8	Mr SW Ellaby *	11	11
Mr T Cunningham *	15	14	Ms S Folarin *	8	7
Mr MA Evers *	19	16	Mr P Kilius-Smith *	14	12
Ms R O'Donnell *	8	8	Mr J Leach *	10	4
Mr C Reader *	8	8	Mr CA Miller *	9	7
Mr J Terry	2	2	Mr PJ Murphy *	25	25
Mr J Thirlby *	9	9	Mr JB Timbrell *	20	19

The average attendance for the Directors listed above at scheduled Trustee Board and Committee meetings was 92% TfL nominated and 89% non-TfL nominated respectively.

* Trustee Directors who have provided a certificate of completion of the Pensions Regulator Trustee Toolkit.

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 as at the date the accounts were signed is shown below.

Committee	TfL Nominated	Non-TfL Nominated
Investment	Ms T Ashton Mr MA Evers Ms R O'Donnell Mr J Thirlby	Mr LP Brown Mr P Kilius-Smith Mr PJ Murphy Mr JB Timbrell
Alternatives and Liability Hedging	Mr MA Evers Ms R O'Donnell	Mr PJ Murphy Mr JB Timbrell
Operations	Ms M Adesida Mr T Cunnington Mr C Reader Mr J Terry	Mr FE Brennan Mr LP Brown Ms S Folarin Mr PJ Murphy
Audit and Risk	Mr T Cunnington Mr C Reader Mr J Terry	Mr FE Brennan Mr LP Brown Mr J Leach
Appeals	Ms M Adesida Ms T Ashton Mr J Thirlby	Mr SW Ellaby Ms S Folarin Mr P Kilius-Smith
Actuarial Valuation	Ms M Antoniou Ms R O'Donnell	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, Investment Adviser 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 and devising the Fund's communications strategy.

TfL Pension Fund

Trustee's Report (continued)

Audit and Risk 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; 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. Overall responsibility for risk management by receiving, reviewing and where appropriate testing risk mitigations documented in the Funds' Risk Register.

Appeals Committee

To hear appeals as the second stage adjudicator under the Internal Disputes Resolution Procedure.

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.

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.

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.

Change to Participating Employers

There were no changes to the participating employers in the year.

Changes to the Trust Deed and Rules of the Fund

A consolidation exercise was undertaken during the year resulting in a new Deed. Whilst no rule changes were made the Deed was updated to include all previous Deeds of Amendment, ensuring gender neutral terms and reflecting all legislation updates since the last consolidation.

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 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.

(b) Statement of Trustee's responsibilities for the accounts

The accounts, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those accounts:

- show a true and fair view of the financial transactions of the fund during the scheme year and of the amount and disposition at the end of the fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the fund year, and
- contain the information specified in Regulation 3A of 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 relevant financial reporting framework applicable to occupational pension schemes.

TfL Pension Fund Trustee's Report (continued)

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the accounts on a going concern basis unless it is inappropriate to presume that the Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the Fund in the form of an annual report.

The Trustee also has a 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 an appropriate system of internal control.

The Trustee is responsible for the maintenance and integrity of the pension and financial information included on the TfL Pension Fund website.

(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: - Transport and General Workers' 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.

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 and Risk 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 and Risk 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.

TfL Pension Fund

Trustee's Report (continued)

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 rolling 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 their professional advisers and by having good communication and exchange of information. As it has done for previous valuations, as part of the 2021 actuarial valuation, the Trustee commissioned an independent review of the employer covenant of Transport for London (TfL) and of the private sector Participating Employers by Penfida, the Fund's independent covenant reviewer. The Trustee also actively monitors the strength of the employer covenant via updates and analysis provided by Penfida.

TfL has a funding agreement with the Government until the end of March 2024, to support the running of their day-to-day operating costs and protecting their growing passenger income following the dramatic fall in fares caused by the pandemic. The Department for Transport (DfT) contributed revenue grant funding totalling £920m to TfL in 2022/23. Discussions regarding levels of future funding are ongoing with the DfT and they have acknowledged that, over the longer term, TfL cannot be expected to cover the cost of major capital enhancements from its own operating incomes.

Reports or updates were produced by Penfida following each of the funding deals reached between TfL and the DfT and this is expected to be the case on future funding deals beyond the existing settlement to March 2024.

Penfida's latest report confirmed a rating of "strong" for TfL covenant support unchanged from their previous rating.

Quarterly Investment Updates

The Trustee continually monitors the financial strength of the Fund by receiving quarterly updates from the Fund Actuary and Investment Adviser and has in place an Integrated Risk Management framework which includes strategic dashboard monitoring which is reviewed quarterly.

TfL Pension Fund

Trustee's Report (continued)

Pension Regulator Supervision

The Pension Regulator has introduced dedicated one-to-one supervision for the biggest pension schemes and the Fund has been included as part of this initiative. This involves maintaining ongoing contact with the Trustee and TfL as the Principal Employer. The Pension Regulator is seeking to build relationships with schemes whose size means they are strategically important regardless of whether they trigger any of the Regulator's risk indicators. Information has been provided to the Regulator following a request for governing documentation.

5. Financial review

The Accounts of the Fund for the year to 31 March 2023, as set out on pages 38 to 53, have been prepared and audited in accordance with Section 41(1) and (6) of the Pensions Act 1995.

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 £14,176.6m on 31 March 2023. The reduction of £263.8m, compared with the value on 31 March 2022 of £14,440.4m, was made up as follows:

	Movement in the year	
	2023	2022
	£m	£m
Net returns on investments	(185.2)	1,346.0
Net withdrawals from dealings with members	(78.6)	(7.5)
	<u>(263.8)</u>	<u>1,338.5</u>

Net returns on investments comprised changes in the market value of investments of -£333.2m (2022: £1,253.8m) and investment income of £177.7m (2022: £119.7m) which were partly offset by investment management expenses of £29.7m (2022: £27.5m). The change in market value of investments for 2023 was made up of realised investment gains of £56.4m and unrealised investment losses of £389.6m (2022: realised gains of £868.8m and unrealised gains of £385.0m).

The decrease from last year in the amount from dealings with members of £71.1m was mainly due to lower contributions receivable of £63m and an increase in benefits payable of £10.6m. The rate of contributions payable by the employers participating in the Public Sector Section has been reduced to 27.3% under the new Schedule of Contributions. Under the Rules of the Fund the administrative costs of the Fund are borne by the Fund itself.

Further details of the financial movements of the Fund can be found in the audited accounts on pages 38 to 53.

Details of the participating employers' unit holdings and asset values are set out in the unaudited statement on page 60. 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 Fund 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 Fund Actuary as at 31 March 2021 of each of the two sections of the Fund. The valuation for the Public Sector Section was completed on 31 March 2022 and the valuation for the Composite Section was completed on 28 April 2022. 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)

For the Public Sector Section there is a surplus of assets over liabilities of £179m as at 31 March 2021. The Pensions Funding Agreement reached between the Trustee and TfL as part of the 2018 valuation has been updated to reflect the surplus as at 31 March 2021. Under the Agreement, certain additional contributions become automatically payable in the event of a funding deterioration (calculated on an annual basis and in subsequent formal valuations). This provides significant additional financial support for the Fund above the contributions required through the Schedule of Contributions.

For the Composite Section there is a surplus of assets over liabilities of £5.4m.

As required by legislation and the Fund's governing documents, the Trustee and TfL agreed a schedule of contributions for each of the sections which show the contributions that are to be paid.

The next actuarial valuation is as at 31 March 2024 and the statutory deadline for completion is 30 June 2025.

Following completion of the formal valuation, a Summary Funding Statement will be sent to each member of the Fund which summarises the valuation results for their section. Further Summary Funding Statements will be sent annually including, where applicable, information from the actuarial reports.

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.

TfL Pension Fund

Trustee's Report (continued)

7. Changes in membership during the year

The table below summarises the movement in membership during the year to 31 March 2023. In addition, the Fund has 350 (2022: 316) pension credit members comprising 206 deferred pensioners (2022: 189) and 144 pensioners (2022: 127).

	<u>2022/ 2023</u>	<u>2022/ 2023</u>	<u>2021/ 2022</u>	<u>2021/ 2022</u>	<u>Change</u>
<i>Contributing members as at 1 April</i>	25,659		25,627		
Joiners	1,358		1,725		
	<u>27,017</u>		<u>27,352</u>		
Contributing members retiring	(615)		(731)		
Leavers taking a refund of contributions	(203)		(185)		
Leavers becoming deferred pensioners	(676)		(737)		
Leavers taking a trivial commutation lump sum	(4)		(6)		
Deaths in service	(30)		(34)		
<i>Contributing members as at 31 March</i>		25,489		25,659	(170)
<i>Deferred pensioners as at 1 April</i>	16,499		16,465		
Leavers becoming deferred pensioners	676		737		
	<u>17,175</u>		<u>17,202</u>		
Deferred pensions coming into payment	(658)		(624)		
Deferred pensioners transferring to other schemes	(39)		(31)		
Deferred pensioners taking a trivial commutation lump sum	(18)		(14)		
Deferred pensioner deaths	(34)		(34)		
<i>Deferred pensioners as at 31 March</i>		16,426		16,499	(73)
<i>Pensioners as at 1 April</i>	32,319		32,158		
Contributing members retiring	615		731		
Deferred pensions coming into payment	658		624		
	<u>33,592</u>		<u>33,513</u>		
Pensioner deaths	(1,292)		(1,194)		
Pensioners taking a trivial commutation lump sum / 100% Pension Sharing order	(1)		(-)		
<i>Pensioners as at 31 March</i>		32,299		32,319	(20)
<i>Dependants as at 1 April</i>	9,528		9,545		
Dependants becoming entitled to pensions	595		570		
	<u>10,123</u>		<u>10,115</u>		
Dependant deaths	(586)		(539)		
Dependants taking a trivial commutation lump sum	(44)		(48)		
<i>Dependants as at 31 March</i>		9,493		9,528	(35)
<i>Eligible children as at 1 April</i>	710		711		
Children becoming entitled to pensions	54		56		
	<u>764</u>		<u>767</u>		
Children ceasing to be eligible	(20)		(56)		
Child deaths	(4)		(1)		
<i>Eligible children as at 31 March</i>		740		710	30
<i>Total membership as at 31 March</i>		<u>84,447</u>		<u>84,715</u>	<u>(268)</u>

TfL Pension Fund

Trustee's Report (continued)

Details of contributing members by section as at 31 March 2023 were as follows:

	<u>2022/ 2023</u>	<u>2022/ 2023</u>	<u>2021/ 2022</u>	<u>2021/ 2022</u>	<u>Change</u>
	%		%		
Transport for London	25,469	99.92	25,637	99.91	(168)
Composite section	20	0.08	22	0.09	(2)
	<u>25,489</u>	<u>100.00</u>	<u>25,659</u>	<u>100.00</u>	<u>(170)</u>

8. Pension increases

Deferred members and pensioners receive increases in accordance with the Fund Rules. The April 2023 pension increase is based on the increase in the Retail Price Index over the 12 months to September 2022. 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 12.6% for Existing Members and 5% 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 2019	3.3%	3.3%
April 2020	2.4%	2.4%
April 2021	1.1%	1.1%
April 2022	4.9%	4.9%
April 2023	12.6%	5.0%

9. Contingent Liability

There were little developments in the year on the liability estimates in relation to Guaranteed Minimum Pension (GMP) equalisation, see note 16 of the accounts for full explanation.

10. Fund's advisers

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

11. Approval of the Report of the Directors of the Trustee

The Investment Report and the Implementation Statement on pages 15 to 34, and the Compliance Statement on page 61 form 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 7 July 2023 and was signed on their behalf by:

M Antoniou
Director
TfL Trustee Company Limited

S Folarin
Director
TfL Trustee Company Limited

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 2023 had discretion to invest as they saw fit within the asset classes and geographical limitations of their benchmarks, as agreed by the Directors (including any restrictions) following advice from WTW. During the year August Brazil I, LP was appointed to manage an infrastructure fund. 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. One mandate (GSAM Alternative Risk Premia) was terminated following several quarters of close watch as a result of prolonged underperformance.

Investment Managers' fees are primarily based on the market value of the Fund and, in the case of some 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.

2. Investment overview

The investment assets of the Fund as at 31 March 2023, including AVC investments, had a value of £14,147.3m a reduction of £255.9m compared with their value of £14,403.2m as at 31 March 2022. Investment income (i.e. dividends and interest) amounted to £177.7m for the year to 31 March 2023 compared with £119.7m for the year to 31 March 2022.

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 BlackRock are also highly marketable. A proportion of the Fund's assets are less liquid.

Benchmark Summary at 31 March 2023

The Directors measure the Fund's performance against a composite benchmark based upon the current asset allocation. For each active manager the Directors select a portfolio performance measure and for passive managers the performance measure is that of the relevant index being tracked. While the Fund is moving towards its current long-term strategic target allocation, the weightings given to the individual manager benchmarks are their current portfolio valuations, updated on a quarterly basis. The approximate benchmark weights as at 31 March 2023 are set out below (the table has been simplified due to the large number of managers).

Allocation	Weight %	Comparison Basis
UK equities	0.6%	FTSE All Share/MSCI UK
Overseas developed equities	27.4%	FTSE Developed World ex UK/MSCI World ex UK
Emerging market equities	3.8%	MSCI EM/ Russell EM
Fundamental equities	3.6%	FTSE RAFI All World 3000 Index
Developed equities with EM tilt	0.4%	Russell GeoExposure
Fixed interest gilts	0.0%	FTSE Over 15 Year Gilts
Index-linked gilts	10.0%	FTSE ILG Over 5 Year
Global bonds	2.1%	BarCap 60/40 Sovereign Credit Index
Global bonds	2.8%	BarCap Global Agg Corp 1% Constrained
Alternative credit	2.8%	CS Leveraged Loan/BoAML US High Yield
Alternative credit	0.7%	BoAML US T-bills +2%
Alternative credit/ Liquid alternatives	13.6%	SONIA/ SOFR +3.25% / SONIA +5.25% pa
Alternative credit	1.4%	EMBI Global Div /JPM CEMBI Broad Div GBP Hedged
Renewables	0.8%	FTSE Index Linked Gilts over 15years Index +3%
Infrastructure	4.4%	UK/European RPI/CPI +3.5% pa
Infrastructure	5.4%	US CPI + 4% pa/ US CPI + 7% pa
Infrastructure	0.3%	MSCI Brazil Gross Index +3%
Infrastructure	0.1%	MSCI Emerging Markets +2%
Private equity	7.2%	MSCI World +3% pa
Private equity	0.3%	US CPI + 5% pa
Private equity	0.4%	SONIA +3.25% pa
Private credit	4.2%	BoAML Global High Yield +2% pa
Commodities	0.8%	Bloomberg Commodity 3 Month Forward
Real estate	4.8%	FTSE EPRA/NAREIT Developed +1%
Cash for investing/derivatives for hedging	2.1%	SONIA/Mark to market rates
	<u>100.0</u>	

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

TfL Pension Fund Investment Report (continued)

Actual Asset Allocation Summary as at 31 March 2023

Portfolio	% of Fund	Manager
Core		
Index tracking (all asset classes) and liability matching assets	24.4	BlackRock Investment Management (UK) Limited ¹
Active Specialist		
Global bonds	5.0	Goldman Sachs Asset Management
Global equities 1	2.7	Ardevora Asset Management LLP
Global equities 2	4.4	Pzena Investment Management LLC
Global equities 3	3.8	JO Hambro Capital Management Limited
Global equities 4	3.1	Veritas Asset Management LLP
Pacific Basin equities	1.7	Nomura Asset Management UK Limited
Global emerging market equities	1.0	Coronation International Limited
Global emerging market equities	1.3	Russell Investments Limited
Alternative Credit	2.8	Oak Hill Advisors, LP ²
Global Small Cap equities	1.7	Paradice Investment Management Pty Limited
Alternative Credit	0.7	Wellington Management Company, LLP
Asia (ex Japan) equities	0.9	JO Hambro Capital Management Limited
Emerging market debt	1.4	JP Morgan Asset Management
Currency overlay	0.6	Russell Implementation Services Limited
Alternative Assets		
Global Macro Systematic Hedge Fund	4.2	Bridgewater Associates, Inc ²
Infrastructure Investment	2.6	Semperian PPP Investment Partners Holdings Ltd ³
Cory Topco Limited	1.5	SCM ManCo 1 Limited ⁴
Private Equity Fund of Funds	0.4	Partners Group (UK) Limited
Reinsurance Hedge Fund	1.4	Credit Suisse AG ²
Alternative Credit	0.3	Goldman Sachs Asset Management
Private Equity	0.3	Goldman Sachs & Co LLC
Distressed & Structured PE Credit	2.1	Siguler Guff & Company, LP
Infrastructure Private Equity Fund	0.4	Colonial First State Global Asset
Beta Trend Hedge Fund	1.2	Goldman Sachs Asset Management
Private Real Estate (Separate Account)	3.5	CBRE Global Collective Investors UK Limited
Multi-Strategy Credit Hedge Fund	0.3	Anchorage Capital Group LLC
Global Macro Discretionary Hedge Fund	2.5	Brevan Howard Asset Management, LLP
Segregated Infrastructure Debt Portfolio	1.2	Industry Funds Management Pty Limited
Global Private Equity (Separate Account)	6.6	Neuberger Berman Alternatives Advisers LLC
Private Mezzanine Debt	0.7	GS Mezzanine Partners
Emerging Market Infrastructure Fund	0.1	IFC Asset Management Company, LLC
UK Renewables Private Equity	0.8	BlackRock Investment Management (UK) Limited
Commodities	0.8	BlackRock Investment Management (UK) Limited
Real Estate	1.4	BlackRock Investment Management (UK) Limited
Alternative Risk Premium Hedge Fund	1.1	Man Asset Management Ltd
Multi-Strategy Hedge Fund	1.0	Man Asset Management Ltd ⁵
Infrastructure Private Equity Fund	3.3	Stonepeak Associates III LLC
Social Infrastructure Fund	2.2	Harrison Street Real Estate Capital ⁶
Agriculture Capital Fund	0.3	Equilibrium Capital Group, LLC ⁷
Macro Opportunities Drawdown Fund	0.4	Brevan Howard Asset Management, LLP
Hedge Fund Completion Programme	2.0	Cambridge Associates Ltd
Infrastructure Emerging Market Fund	0.3	Augment Infrastructure Managers Advisory LLC ⁸
Cash	1.6	Cash
	100.0	

¹ BlackRock manages a portfolio of financial instruments which seeks to hedge a proportion of the Fund's liabilities interest rate and inflation risk.

² The Fund was the only investor in Oak Hill Enhanced Credit Strategy Fund (Offshore) LP, the Credit Suisse Fund and Bridgewater Pure Alpha Strategy Fund as at 31 March 2023.

³ The Fund has a 25.49% (2022: 25.68%) economic interest in Semperian PPP Investment Partners Holdings Limited.

⁴ The Fund has a 12.44% (2022: 11.36%) economic interest in Cory Topco Limited.

⁵ The Fund has a 14.47% (2022: 14.47%) economic interest in the Man 1783 Fund.

⁶ The Fund has a 13.50% (2022: 13.75%) economic interest in the Harrison Street Social Infrastructure Fund.

⁷ The Fund has a 14.00% (2022: 19.95%) economic interest in the CEFF II Fund.

⁸ The Fund has a 15.00% (2022: Nil%) economic interest in the Augment Brazil I, LP.

TfL Pension Fund Investment Report (continued)

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, 200 Buckingham Palace Road, London SW1W 9TJ or can be found here:

<https://content.tfl.gov.uk/statement-of-investment-principles-june-2023.pdf>

3. Analysis of investments

The 10 largest direct quoted equity holdings of the Fund as at 31 March 2023 are shown below.

	Value	% of Fund's quoted equity holdings	Country	Sector
	£m			
Alphabet	46.7	1.6	USA	Communication Services
Microsoft Corp	41.8	1.4	USA	Information Technology
Thermo Fisher Scientific	33.9	1.1	USA	Health Care
Unitedhealth Group	28.8	1.0	USA	Health Care
Charter Communications	28.7	1.0	USA	Communication Services
Intercontinental Exchange	28.2	0.9	USA	Financials
Taiwan Semiconductor	25.5	0.9	Taiwan	Information Technology
Canadian Pacific Railway	24.0	0.8	Canada	Industrials
Safran SA	23.6	0.8	France	Industrials
Vinci SA	22.9	0.8	France	Industrials
	304.1	10.3		

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

4. Investment performance

The Fund participates in an independent investment performance measurement scheme organised by JP Morgan Investor Services which provides comparative information for assessing investment performance. JP Morgan Investor Services calculates both the overall investment returns obtained on the Fund's assets and the returns obtained by the individual Investment Managers.

Over the past five years, the Fund has performed broadly in line with its benchmark until recently, when the Fund experienced significant outperformance. The Fund has shown lower volatility over the whole period. Over the last year, equity markets have fallen and yields risen, but this has reversed over Q1 2023. Strong performance of alternatives has contributed significantly to the Fund's outperformance of the benchmark. This continues to demonstrate the robustness of the return-seeking portfolio and the continued value of diversification.

The table below shows the total investment returns, net of fees, (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 2023 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.

	One Year		Three Year Average		Five Year Average	
	Total Fund	Benchmark	Total Fund	Benchmark	Total Fund	Benchmark
Annual Return %	(0.6)	(12.5)	10.4	6.2	6.6	3.8
Ex currency hedging	0.5	(1.8)	10.2	10.0	7.0	6.6

The Fund assets returned (0.6%) for the year ended 31 March 2023, 11.9% above its benchmark returns of (12.5)%.

The Annual Return on investments disclosed in the Trustee's Report above is calculated using consistent and defined source information and using precise inputs. The financial statements disclosures are prepared using the latest available valuations and as a consequence there may be some minor timing differences and variances between investment returns reported above and the investment income, changes in market value and investment management expenses reported in the financial statements.

Since 1 April 2016, the Total Fund ex Currency Hedging Benchmark is calculated by the Fund's performance measurer as a weighted average of the underlying manager benchmarks. This has then been adjusted to estimate the impact of the currency overlay portfolio to produce the Total Fund Benchmark. The currency impact has been estimated as the difference in performance between the Total Fund ex Currency Hedging and the Total Fund.

TfL Pension Fund

Investment Report (continued)

Details of the performance of the individual portfolios in the year to 31 March 2023 gross of fees, unless shown otherwise, compared with the previous year are shown below:

	Year to 31 March 2023		Year to 31 March 2022	
	Fund %	Benchmark %	Fund %	Benchmark %
Index-Tracking – BlackRock				
UK equities	3.0	2.9	13.1	13.1
US equities	(2.3)	(2.4)	19.3	19.3
Canadian equities	(6.6)	(6.6)	28.5	28.2
European equities (ex. UK)	7.6	8.2	6.8	6.3
Japan equities	2.0	2.0	(2.4)	(2.4)
Pacific Basin (ex. Japan) equities	(3.8)	(3.8)	2.2	2.2
Middle East equities	(17.5)	(18.2)	43.0	42.3
Emerging Market equities	(5.3)	(4.9)	(7.5)	(7.1)
Over 15 year Gilts	(29.7)	(29.7)	(7.1)	(7.1)
FTSE RAFI All World 3000	3.0	2.4	14.5	15.3
GeoExposure	8.0	7.9	6.5	6.0
LDI – BlackRock QIF	(18.5)	(18.5)	(8.3)	(8.3)
Equities				
Adevora - Global equities	(2.7)	(1.4)	2.1	12.4
Coronation – Global EM equities	(4.2)	(4.9)	(29.8)	(7.1)
J O Hambro – Asia (exJapan) equities	1.8	(3.0)	(9.8)	(10.6)
J O Hambro – Global equities	(12.3)	(1.4)	7.0	12.4
Nomura – Far East equities	(0.6)	(0.4)	(3.4)	(3.2)
Paradise -Global Small Cap equities	(3.1)	(3.6)	1.8	6.4
Pzena -Global equities	5.1	(1.0)	12.3	15.4
Russell - EM equities	(6.6)	(4.9)	(6.1)	(7.1)
Veritas - Global equities	(1.5)	(1.4)	11.8	12.4
Bonds				
BlackRock - Network Rail bonds ¹	(21.3)	(21.3)	3.3	3.3
Goldman Sachs - Asset Backed	1.3	9.1	7.3	5.0
Goldman Sachs - Corporate Credit	(6.5)	(6.5)	(4.6)	(4.6)
Goldman Sachs - Sovereign Credit	(0.3)	0.6	(2.9)	(5.5)
Industry Funds Management	12.1	6.1	8.6	3.3
J P Morgan - Emerging Market Debt	(7.6)	(5.8)	(6.4)	(7.6)
Oak Hill - Enhanced Credit	7.3	5.8	8.5	6.3
Wellington	3.8	3.9	2.2	1.9
Other assets				
Anchorage Capital	9.4	6.1	10.1	3.3
Augment Brazil ²	(12.3)	(5.6)	-	-
BlackRock Commodities ¹	(24.4)	(15.0)	124.3	143.2
BlackRock long Lease Property	(12.5)	(14.6)	15.5	22.1
BlackRock Real Estate ¹	(15.4)	(15.5)	20.7	20.9
BlackRock Renewable ¹	35.2	(37.5)	6.5	(3.5)
Broad Street Real Estate	15.6	3.9	29.2	1.9
Brevan Howard Fund ¹	19.1	6.1	4.1	3.3
Brevan Howard Special Opportunities	15.9	6.1	9.0	2.3
Blue Mountain Capital	(14.0)	6.1	1.2	3.3
Bridgewater Pure Alpha Plus Gold	(5.0)	9.1	38.2	15.0
Bridgewater AW China	1.3	12.4	11.3	8.1
Cambridge Associates Hedge Fund Program ²	13.0	12.4	-	-
CBRE	8.2	(14.6)	21.3	22.1
Colonial First State Global Asset Mgt ¹	26.8	15.0	15.8	11.6
Cory Topco Limited	18.1	17.4	2.2	14.0
Credit Suisse ¹	5.7	12.4	0.6	8.1
Equilibrium CEFF II ²	0.8	16.9	5.7	19.5
Goldman Sachs Coop Fund	8.8	1.4	98.6	24.3
Goldman Sachs Mezzanine VI	17.6	3.9	54.6	1.9
Goldman Sachs Mezzanine VII	12.0	3.9	20.5	1.9
Goldman Sachs – Trend	12.0	6.1	31.3	3.3
Harrison Street Social Infrastructure Fund	16.6	15.8	14.9	18.4
IFC Global Infrastructure	(26.7)	(3.0)	(40.0)	(5.3)
Man ARP	6.6	6.1	15.0	3.3
Man 1783	9.7	6.1	7.6	3.3
Neuberger Berman	4.4	2.3	51.6	18.4
Partners Group	(7.4)	2.5	16.4	19.4
Semperian	24.5	17.4	9.3	14.0
Siguler Guff Distressed Debt	11.9	2.9	17.5	9.9
Siguler Guff TARO	14.7	3.9	20.4	1.9
Stonepeak Infrastructure Fund	13.3	19.1	31.8	21.8

¹ Performance shown net of fees ² Since inception

The active managers (all the managers shown above with the exception of the Index/Passive and the LDI manager) 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)

5. AVCs

Legal and General is the ongoing AVC provider. The distribution of the AVCs invested with the two legacy providers as at the year end is set out below:

	Value of fund at 31 March 2023	% of total	Reported returns (where declared) Year to 31 March 2023
	£m		
Legal & General			
Diversified G28	41.4	32.6	(5.6%)
Cash 3	22.8	18.0	2.2%
All World Equity Index 3	20.7	16.3	(3.4%)
UK Equity Index 3	10.5	8.3	2.3%
World (Ex-UK) Equity Index 3	8.7	6.9	(3.6%)
HSBC Islamic Global Equity Index Fund 3	7.2	5.7	(5.9%)
Ethical Global Equity Index 3	6.6	5.2	(1.9%)
All Stocks Index Linked Gilts Index 3	2.7	2.1	(25.8%)
Future World Annuity Aware Fund 3	2.3	1.8	(20.3%)
Future World Fund 3	0.6	0.5	(2.4%)
	<u>123.5</u>	<u>97.4</u>	
Clerical Medical			
With Profits	2.1	1.7	N/A
Unit-linked funds	0.6	0.5	N/A
	<u>2.7</u>	<u>2.2</u>	
Standard Life			
Pension With Profits One Fund	0.5	0.4	N/A
	<u>0.5</u>	<u>0.4</u>	
	<u>126.7</u>	<u>100.0</u>	

6. Custodial arrangements

During the year the Trustee was Custodian of certain property unit trusts and cash. Various brokers hold cash in connection with forward foreign exchange contracts, futures 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 Investor Services as nominee. The Fund's pooled investment interests are held under managed fund policies in the name of the Trustee and the policy documents are held by BlackRock Investment Management (UK) Limited and other custodians.

7. Stewardship and activism

The Trustee recognises the Fund's responsibility as an active and long term institutional investor to support and encourage good corporate practices in the companies in which it invests. In the stewardship of assets this means paying regard to relevant environmental, social and governance, ("ESG") considerations when considering the purchase, retention or sale of investments. Following the Trustee's review of their investment beliefs that underpin the approach to investment strategy, in addition to the existing belief that active corporate governance can add value, they have included as a new belief that investment return and sustainability are not conflicting objectives.

Analysis of ESG factors may serve to highlight exposures that could harm a company over the longer term while companies which positively engage with ESG issues may achieve better long-term value when compared with those which do not.

Through delegation to their investment managers the Trustee currently communicates with companies and exercises their rights attaching to their investments through shareholder voting.

In order to build on this investor activism, the Fund has become a signatory of the UN Principles of Responsible Investment ("PRI") which require the Fund to:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be an active owner and incorporate ESG issues into ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which it invests.
4. Promote acceptance and implementation of the Principles within the investment industry
5. Work together to enhance our effectiveness in implementing the Principles.
6. Report on activities and progress towards implementing the Principles.

TfL Pension Fund Investment Report (continued)

Through this association with the PRI the Fund will gain support in developing its engagement with ESG issues and through the PRI reporting framework provide information on its activities and be able to assess progress. Signatories are not expected to achieve instant compliance, but they are required to start to incorporate the PRI into investment decision-making and ownership practices and report on their implementation. The Fund continues to work on its compliance with the PRI using its existing resources and this determines the scale and pace of the Fund's engagement.

From 1 October 2021 the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 introduce new requirements relating to reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. These aim to improve both the quality of governance and the level of action by Trustee in identifying, assessing and managing climate risk. The TCFD report for 2023 has been published and can be found here:

<https://content.tfl.gov.uk/task-force-on-climate-related-disclosures-june-2023.pdf>

TfL Pension Fund Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ('the Regulations'). The Regulations, amongst other things, require that the Directors outline how they have ensured that the policies and objectives relating to voting and engagement policies set out in their Statement of Investment Principles (SIP) have been adhered to over the course of the year. This document covers the year ending 31 March 2023.

The purpose of the Implementation Statement ('the Statement' or 'IS') is to:

- Set out the extent to which, in the opinion of the Trustee, the voting and engagement policy under the Fund's Statement of Investment Principles ('SIP') have been followed during the year.
- Describe the voting behaviour by, or on behalf of, the Trustee over the year (including the most significant votes cast by Trustee or on their behalf)

The Trustee must include the Implementation Statement in the Trustee's Report & Accounts and publish this on a publicly available website. - Both the Statement of Investment Principles (dated June 2023), which includes the voting and engagement policies, and Implementation Statement can be found here:

<https://tfl.gov.uk/pensions/fund-management/investment-management-and-principles>

The Trustee is only required to report whether, in their opinion, their policies on voting and engagement have been met in the period. They have, however, chosen to report more generally on compliance with the SIP given the importance of this from the governance perspective.

The Fund makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact. The Trustee confirms that the investments which the Fund holds were chosen in line with the requirements of s36 of the Pensions Act 1995.

Changes to the SIP over the year to 31 March 2023

The SIP that was updated in March 2022 was applicable for the majority of the period covered by this statement and therefore the sections referenced in this statement are those given in the SIP dated March 2022. The March 2022 SIP was aligned with the regulations mentioned above, which covered policies regarding how asset manager incentives to achieve long-term objectives, policies regarding cost transparency and policies on voting and stewardship rights.

The SIP underwent its annual review in Q2 2023, after the 31 March 2023 Fund Year End, and the following changes were made:

- The Investment Beliefs were reviewed by the Trustee Board and updates reflected in the SIP (and the Beliefs now contained in a standalone document).
- New Investment Strategy based on the results of the actuarial valuation of the Fund as at 31 March 2021. It would see a small reduction in targeted returns in line with a de-risking approach agreed by the Trustee in consultation with the sponsor.
- Small updates to improve clarity where needed and reflect changes in the manager line-up.

Compliance statement

This Statement demonstrates that the TfL Pension Fund has adhered to the investment principles and policies regarding voting and stewardship, including ESG factors, as set out in the Fund's SIP.

Summary of ESG Policy Implementation

The Trustee outlines in their SIP a number of key objectives and policies that fall under ESG. This section gives a summary of the implementation of these policies.

As all the Fund's assets are externally managed, the implementation of sustainable investing/ESG integration at individual mandate level is delegated to the investment managers ("the managers"), with the managers also engaging with investee companies on the Fund's behalf.

In addition, the Fund partners with stewardship specialist, Sustainalytics, and several collaborative engagement platforms, to carry out focused engagements. Since March 2020, all proxy voting activities for the Fund's active equity mandates are carried out by Glass Lewis (as part of the Sustainalytics partnership) on behalf of the Fund.

TfL Pension Fund Implementation Statement (continued)

For all the above external service providers, the Fund ensures that the sustainable investing and stewardship activities are implemented in alignment with its ESG policy by:

- 1) selecting/designing mandates to reflect its ESG policy
- 2) closely monitoring the activities of incumbent managers to ensure they are aligned with its policy

In addition, at the Fund level, the Fund monitors a range of ESG metrics to ensure portfolio outcome is in alignment with its ESG policy. At the strategic asset allocation level, the Fund follows the ESG policy by investing in asset classes that provide more opportunities for ESG tilted investments, including renewable energy/ waste to energy infrastructure, energy efficient buildings and Impact private equity.

The Fund publishes an annual Sustainable Investing report every year which covers the above topics in detail and provides graphical analysis and case studies. The Sustainable Investing report can be read in conjunction with this Implementation Statement:

[2022 Sustainable Investing Report](#)

How the ESG Objectives & Policies outlined in the SIP have been met

In this section, the ESG policy sections of the SIP are noted, together with an explanation of how these objectives have been met and policies adhered to over the course of the year to 31 March 2023:

Investment managers and advisers (sections 10.10 – 10.11):

As part of the Fund's due diligence process, a thorough check of the prospective manager's credentials relating to all matters on ESG, sustainable investing and stewardship are reviewed. In the year to 31 March 2023, there were 2 new investment strategies the Fund invested in, both of which were reviewed through questionnaire responses with follow up clarifications, as well as further assessment in meetings with the Trustee. None of the new investment funds breached the Trustee's exclusion policy of excluding companies that generate more than 30% of their annual revenues from thermal coal in power generation and/or mineral extraction. ESG was explicitly covered in all stages of the selection process. The Fund assessed whether the manager has an ESG policy, how it is embedded in its strategy, risk management, investment selection, portfolio management and reporting. This was also covered in detail in presentations to the Trustee. Based on the findings of this analysis, the Trustee was satisfied with the suitability of the managers' policies and their alignment with the Fund's objectives. Where segregated mandates were implemented, specific requirements for the Investment Manager to consider the alignment of the Fund's ESG policy with the investment decisions made by the Investment Manager were included within the Investment Management Agreement (IMA).

The Fund Office (in house management team lead by the Fund Secretary and reporting to the Trustee) monitored all underlying managers through regular calls held either quarterly or semi-annually on each underlying fund or mandate. ESG topics are discussed on these calls and the Fund would ask questions on how ESG issues had been integrated into the investment process in the given period, in particular covering high risk holdings/ material ESG factors and looking for evidence that managers assessed and managed ESG risks adequately. Managers have clear sight of the SIP and Fund ESG expectations, and they are required to produce detailed documents which form the basis of the annual ESG review. On the back of these reports, feedback is provided, and the Fund would seek ongoing improvements in the managers' ESG approach. During the implementation of all investments already held within the period, the Trustee was satisfied with the above-mentioned policies for the respective managers by going through this process.

In September 2021, the Trustee reviewed the biennial "Sustainable Investment Review" report from the Fund's investment advisor, WTW, to assess the extent to which the Fund's managers are meeting the Fund's requirements on ESG integration and corporate governments. The next report is due in 2023. Alongside an assessment of the Fund's public equity investment managers, this review was expanded to cover a number of the Fund's credit and alternatives managers. All managers reported on had achieved either a rating of "Strength" or "Neutral" across the areas assessed.

Assessment of ESG related risks on individual investment decisions made by the manager are given in the monitoring section below.

Risk management: Financially material ESG issues, including climate change (sections 10.12 - 10.23)

Monitoring on ESG metrics

During the year, the Fund Office reported their findings on ESG characteristics and scores for the Fund's active public equity and bond mandates, on a quarterly basis to the Trustee. These reports included analysis on the highest carbon emitters within these asset class holdings as well as the companies with the worst ESG scores.

TfL Pension Fund Implementation Statement (continued)

Each quarter, a selection of these highlighted companies was discussed with the investment managers that had selected them to understand the rationale for continuing to hold them. One example during the year was a corporate bond holding in Expedia. The company had a low ESG rating by MSCI mainly due to governance concerns (the largest shareholder holding 27% of voting shares through a dual class structure). The corporate bond manager, while aware of the governance limitations, believed that the company had bounced back strongly post-pandemic and found the company to have a good track record with respect to addressing its carbon footprint and information security.

Alongside this data, ESG scores at the mandate level were also assessed and used in conjunction with performance figures to evaluate whether any of the mandates were exhibiting significant detrimental impacts on returns due to assets held. Within the Fund year the Trustee was happy that no mandates needed to be changed based on these metrics.

The weighted average ESG and weighted average carbon emissions intensity “WACI” (defined as metric tonnes per million USD sales) across the actively managed public equity and bond holdings were compared against equivalent scores for relevant benchmarks each quarter. The Fund was broadly in line with the best ESG score of the bucket of indices used for comparison and had an overall lower emissions intensity than all the benchmarks across all quarters in the year. For illustrative purposes, the table below shows ESG scores and emissions intensity versus benchmarks at different time periods, starting with Q2 2017, when the Fund first started monitoring these metrics:

TfL Pension Fund and Benchmark ESG Scores (higher the better)

Date	Fund score	MSCI ACWI	MSCI EM	Russell 2000
Q2 2017	4.93	5.39	4.25	3.90
Q1 2020	5.70	5.14	4.58	4.65
Q1 2021	5.09	4.97	4.40	4.60
Q1 2022	5.32	5.20	4.64	4.69
Q1 2023	5.99	5.50	4.90	4.90

TfL Pension Fund and Benchmark Carbon Emissions Intensity (lower the better)

Date	Fund score	MSCI ACWI	MSCI EM	Russell 2000
Q2 2017	185.22	214.82	340.99	192.57
Q1 2020	123.42	180.39	290.16	138.62
Q1 2021	115.69	157.62	274.10	132.43
Q1 2022	114.60	162.81	325.65	154.17
Q1 2023	98.50	149.82	320.50	148.07

Further to the emissions intensity data given in the table above, the Fund produced figures outlining its resource intensity output for 2022 on page 10 in the annual Sustainable Investing Report. In line with upcoming best practice under TCFD, the Fund started the process of evaluating its “carbon footprint” across all asset classes with the view to measure and set future aims based on this analysis.

The Impact of the Fund’s investments was assessed against the UN Sustainable Development Goals (‘SDGs’ or ‘Goals’), which are 17 goals to drive the end of poverty, protect the planet and facilitate peace and prosperity by 2030. This analysis was completed by comparing the Fund’s active equity portfolio per SDG, against a custom benchmark. The Fund outperformed the benchmark on 16 out of 17 SDG goals. Full details of these results can be found on page 21 in the Sustainable Investing report.

The Sustainable Investing Report for 2022 has been published and can be found here:

[2022 Sustainable Investing Report](#)

Exclusion Policy

Throughout the period, the exclusion already in place to exclude companies that generate more than 30% of their annual revenues from thermal coal in power generation and/or mineral extraction from its active mandates across the Fund was monitored and no breaches were reported. No further exclusion policies were agreed by the Trustee within the year.

TfL Pension Fund

Implementation Statement (continued)

Private markets

The Trustee has put significant thought into how to improve engagement and assessment of ESG and sustainability factors in private markets. The Fund Office engaged with the underlying managers to continue this process and has provided materials to the Trustee to help improve the understanding of asset class specific initiatives such as GRESB, formerly known as the Global Real Estate Sustainability Benchmark, an organisation that provides ESG benchmarks for infrastructure and real estate assets based on company or fund self-assessments.

Investments with positive impact and sustainability themes (sections 10.33 – 10.35):

As part of its strategic long-term goals, the Fund is increasing its weighting to private markets. In this space, there is a variety of assets and initiatives that strongly align with impact and sustainability themes.

In the scheme year, the Fund has made top ups and deployed further capital across a number of infrastructure funds covering investments from renewable energy to sustainable greenhouses in North America. Some of these assets are outlined further on pages 23-25 in the Sustainable Investing Report. All these investments were made with social or environmental impacts in mind.

It is expected that private markets investments will continue to be an important part of the target of allocating at least 15% of assets to investments with a strong “ESG tilt” by 2025.

Collaborative initiatives (sections 10.36 – 10.39):

The Trustee recognises the importance of their role as institutional investors; however, they understand the limits of the impact of acting alone. Due to this, the following collaborative initiatives were undertaken within the year:

- The Fund is a signatory to the United Nations Principles for Responsible Investment and as such completed its annual reporting submission. In the latest results from 2021, the Fund scored 5 stars (the highest score) in all but one of the ten categories assessed by the PRI.
- The Fund continued to be a signatory to CDP, a not-for-profit charity that gathers global environmental data from companies and cities and engaged in the 2022 Non-Disclosure Campaign within the period. As a result, the Fund reached out to 61 companies in 2022 requesting disclosures of climate change related information. Out of these companies, 26 (43%) have now made disclosures. This engagement will help investors and companies work together to tackle worldwide environmental issues.
- Through Climate Action 100+ the Fund continued to engage with three companies (Rolls Royce, Anglo-American and Rio Tinto), with carbon reduction targets set by each one and companies either established on in the process of developing roadmaps to outline the course to achieving these goals. More information is given in the TCFD report.
- Accounting for Sustainability (A4S) is an initiative that provides tools to help embed sustainability in financial processes. The Chair of the Investment Committee represents the Fund on the A4S Asset Owners Network and provided input on important matters at meetings, including climate change.

Voting and Engagement (sections 10.28 – 10.32):

Policies and alignment

Overview

The Fund held investments in public equities with voting rights in two main ways: through segregated mandates set up specifically for the Fund’s needs or through pooled vehicles where the Fund is investing alongside other investors. The key difference in terms of voting is that for segregated mandates, the Fund retains voting rights, where for pooled vehicles the investment manager controls voting. The Trustee continues to assess the possibility of moving pooled equity fund assets to segregated structures for more voting control and better outcomes for its members.

Segregated mandates and voting policies

For equities held in segregated mandates, the Fund used Glass Lewis as its proxy advisor and Sustainalytics as its engagement partner for the period covered. Glass Lewis votes on behalf of the Fund in line with best practice in the region in which a certain company is based. Sustainalytics’ approach to engagement is centred around the notion of building long-term partnerships with the aim of creating long-term sustainable investment value in the companies that they engage with.

TfL Pension Fund Implementation Statement (continued)

Glass Lewis policies are largely based on the regulations, listing rules, codes of best practice and other relevant standards set in each country. While these guidelines provide a high-level overview of our general policy approach, implementation varies in accordance with relevant requirements or best practices in each market. The latest guidelines can be found in the link below:

[Glass Lewis Voting Policies](#)

For the scheme year covered, the Fund voted based on the Glass Lewis guidelines, with a Sustainalytics 'overlay' using voting as a means of escalation in a small number of engagement cases.

Details of the voting behaviour undertaken on behalf of the Trustee, including details of the most significant votes cast, is set out in the appendix to this report.

Pooled vehicles and voting policies

In the year 1 April 2022 to 31 March 2023, the Fund's pooled equity fund managers were BlackRock and Russell Investments. As a result of this, votes attached to the underlying equity investments are controlled by the manager. Their voting policies can be found on the links below:

[Blackrock Investment Stewardship & Voting Policy](#)

[Russell Investments Proxy Voting Policies](#)

The Trustee received and reviewed voting reports from both BlackRock and Russell Investments at least quarterly to monitor the latest period's key votes and review whether the policy is in line with the Trustee's policies. For the year of this statement, the Trustee was content that the voting and engagement carried out by BlackRock and Russell Investments was in line with its policies.

Engagement

Following consultation with Sustainalytics in 2019, the Trustee decided to focus on the following three programmes:

- **Global Standards:** Engaging with companies that severely and systematically violate international standards. The aim of the engagement is not only to resolve incidents deemed to breach these standards, but also to improve the company's future ESG performance and risk management to ensure incidents do not occur again.
- **Material Risk:** Proactive engagement with companies with the greatest unmanaged financially-material ESG risks. The collaborative and constructive engagement helps high-risk portfolio companies to better identify, understand and manage their ESG risks.
- **Thematic Engagement:** Focusing on tackling the most challenging ESG issues, from climate change to child labour. In July 2021, the Fund began its focus on Sustainable Forests and Finance, which aims to address climate risk and advocate for reductions in both direct and indirect emissions in global forest systems. The Fund worked closely with Sustainalytics in the design stage of this thematic engagement topic.

The thematic engagements have a three-year circle.

Engagement is core to the Trustee's arsenal to help driving ESG progression within the Fund and within the industry. Engagement statistics and examples can be found in the collaborative initiatives section and the appendix, with additional case studies available in the 2021 Sustainable Investing Report (pages 20-28).

Summary of Other Policies

The Trustee outlines in their SIP a number of key objectives and policies on strategy, beliefs, allocations, and risks amongst other required policies. This section gives a summary of these policies.

The SIP (Statement of Investment Principles) sets out the Trustee's investment objectives for the Fund and the investment principles governing how decisions about investments must be made.

An important part of investment principles is the Investment Beliefs. The SIP sets out the Trustee's Investment Beliefs and they are intended to set the background against which all investment related decisions are made for the benefit of the Fund.

The aim is that discussions and decisions on investment strategy, implementation, tactical views, and funding should be considered within these principles. The full list of beliefs can be found in the SIP. (The Investment Beliefs were updated in Q2 2023, after the 31 March 2023 Fund Year End and are now contained in a standalone document but referenced in the SIP.)

The Trustee has a duty to set investment strategy and to select and monitor underlying funds and managers. When setting the investment strategy, the Trustee needs to consider how the assets are best invested to help the scheme to pay benefits when they are due, whether these are due in the short-term or in the long-term.

TfL Pension Fund Implementation Statement (continued)

Trustee will need to consider and respond to changes in the strength of the employer covenant and the level of investment return expected in the scheme's recovery plan.

As stated in Section 4 of the SIP, while the primary objective is to hold sufficient assets to meet the liabilities of each section, the Trustee has recognised that the level of funding within each section and the strength of the employers' covenants permit some investment risk being taken in pursuit of growth.

The aim is to take on risk in a controlled fashion in order to achieve incremental excess return - a process that is agreed by the Trustee in consultation with TfL and submitted to the Pensions Regulator as part of the triennial funding update review.

In the past decade, the Fund's investment strategy has evolved from a simple combination of equities and bonds to a much more diversified portfolio comprising a significant allocation to alternative assets. The introduction of liquid alternatives and private market allocations looks to enhance the return (while controlling risk) for the Fund.

These changes have been guided by the Fund's SIP. The SIP itself has evolved to reflect the Trustee's changing investment beliefs, adapting to the emergence of new investment trends and products available in the marketplace.

As part of setting up the strategy, the Trustee has the task of selecting, monitoring and reviewing a mix of assets which provides an appropriate degree of risk exposure and potential for reward (returns) for the Fund investments.

Trustee also must ensure that assets are sufficiently liquid, in order to be able to release funds from the scheme investments and pay the benefits as they become due and meet other cash requirements including meeting collateral calls within the Fund's derivatives portfolio and capital calls from private markets managers whether on a long term or a short-term basis.

How the other objectives & policies outlined in the SIP have been met

The Trustee outlines in their SIP a number of key objectives and policies. These are noted below, together with an explanation of how these objectives have been met and policies adhered to over the course of the year to 31 March 2023:

Objectives of the Fund (sections 4.1 – 4.5):

To deliver sustainable long-term funding in line with the recovery plan agreed as part of Triennial review in 2018. Following the completion of the 2021 Actuarial Valuation, the Trustee has now agreed a new Investment Strategy based on the results of the actuarial valuation, which is documented in the June 2023 SIP. It results in a small reduction in targeted returns in line with a de-risking approach agreed by the Trustee in consultation with TfL.

Additional Voluntary Contributions (AVCs) (sections 12.1- 12.2):

The Trustee fulfilled their duties in providing members the option to make additional contributions into investment options provided by the chosen provider, Legal & General Investment Management (LGIM). LGIM was appointed following a review at the end of 2019.

Investment Beliefs (sections 7.1 – 7.16):

The beliefs guided how the Fund was managed during the year and have helped to inform Trustee actions and safeguard value during periods of ongoing uncertainty, such as the conflict in Russia and Ukraine. This can be most prominently seen through the beliefs that diversification can control risk and the importance of long-term thinking. There are also beliefs around climate change and sustainability which shape the Fund's approach in these areas. No changes to the investment beliefs were made in the year to 31 March 2023. (The Investment Beliefs were updated after the 31 March 2023 Fund Year End in Q2 2023 and are now contained in a standalone document but referenced in the SIP.)

Governance Policy (sections 10.7 – 10.9):

In the year to 31 March 2023 the Trustee took steps to meet the TCFD reporting requirements in line with the DWP regulations and best practice guidance.

TfL Pension Fund

Implementation Statement (continued)

Investment Strategy: Asset Allocation (sections 8.1 – 8.6):

The Trustee is advised by the Fund's Investment Adviser, WTW, on the Fund's Investment Strategy. It was initially set following the conclusion of the 2018 Triennial review and is reviewed on an annual basis to consider any significant market and economic changes. The aim of the strategy was to increase the expected return of the Fund while maintaining the same level of risk it was taking before. This would be achieved through reducing the public equity allocation and increasing private market and alternative credit weightings. In the year to March 2023, the Fund made investments in line with the target allocation. In addition, as part of the pensions review and broader strategy discussions with the Fund's corporate sponsor TfL, and based on the results of the actuarial valuation of the Fund as at 31 March 2021, decisions were made to de-risk the investment strategy by reducing the expected return by a total 0.3% pa. The decisions also considered favourable gilt yield movements over the last year. The first stage of 0.1% reduction was implemented through increased liability hedging in the LDI portfolio in December 2022 and the next 0.1% reduction was completed in March 2023. The final stage of a further 0.1% reduction will be implemented via reduction in equity exposure and increased alternatives and credit allocations. The detailed portfolio construction guidelines are in the process of being agreed.

Risk Management (sections 9.1 – 9.5):

Risk management at the mandate level is delegated to the investment managers.

Risk monitoring is fully integrated in the Quarterly Performance reports reviewed by the Trustee. Several risk metrics are covered in these reports ranging from portfolio level Value at Risk (VaR) and volatility to scenario analysis, tracking error, drawdown measures and market beta at both the portfolio and at an individual mandate level. Risk was assessed on a regular basis throughout the year using these methods and the Fund operated within its risk limits.

Rates of Return (section 8.5):

Rates of return for the Fund are calculated independently by the Fund's performance manager (JP Morgan) and reported on a quarterly basis. It shows current portfolio return expectations against benchmark returns. In addition, mandate level returns were monitored against performance benchmarks agreed with the managers, to ensure that they were in line with long-term expectations. During the year, one mandate (GSAM Alternative Risk Premia) was terminated following several quarters of close watch as a result of prolonged underperformance.

Liquidity (sections 5.1 – 5.2):

The Trustee monitors the Fund's liquidity at all times including projections of near and mid-term requirements.

Monitoring (sections 11.7 – 11.14):

During the period, four monitoring reports were produced for the Investment Committee meetings and four were produced for the Alternatives and Liability Hedging Committee meetings in the period by the Performance Manager, Investment Adviser, and the Fund Office. Fees were assessed against performance both on a short-term and long-term basis to assess value. During this process, fees were checked to ensure they were in line with IMAs.

The Trustee will continue to work with the Investment Adviser and the Fund Office to improve monitoring analysis and mitigate unwanted risks which are more prevalent in times of stress. No concerns were raised within the period, relating to fees and incentives versus performance. The Trustee will closely monitor fees to ensure value for the Fund and its members.

The performance manager reports provide returns over multiple time frames (quarterly, annual, 3 years etc) for the Fund, the individual mandates and also their benchmarks. It receives data feed directly from the Fund managers and for the segregated mandates through the Fund's custodian, which also is JP Morgan.

The Fund's investment adviser reports give a quarterly holistic update of performance and funding in the context of the liabilities. Performance is provided net of fees and compared to individual benchmarks per fund/mandate. Risk is also monitored at the portfolio and underlying fund or mandate level. Quarterly manager assessments are included and highlight major manager changes.

The Fund Office report compliments this by assessing value for money (VFM) through analysis of outperformance against fees. For the active equity, fixed income and property mandates, the active performance added to the Fund weighted based on market values was 0.47% vs fees calculated on the same basis of 0.46% over a trailing 36-month period to March 2023, leading to outperformance of 0.02% net of fees. As of end-December 2022, the liquid alternative mandates generated around 7.9% alpha and the Fund paid 4.3% of fee leading to outperformance of around 3.7% net of fees over a trailing 36-month period.

TfL Pension Fund Implementation Statement (continued)

Performance is analysed versus peer group and is rule based. Stress testing of certain relevant scenarios is included for a different view on risk.

Conclusion & future developments

Over the course of the year to 31 March 2023, the Trustee is pleased to report that they have, in their opinion, adhered to the policies set out in the Scheme's SIP.

The Trustee will continue monitoring the funds and managers the Fund uses and will seek professional advice from its investment adviser as appropriate.

The Trustee recognises that they have a responsibility, as an institutional investor, to encourage and promote high standards of stewardship in relation to the assets that the Fund invests in. The Trustee will continue to use its influence to drive positive behaviour and change among the fund managers and other third parties that the Trustee rely on, such as the stewardship service provider and investment adviser.

The Trustee will, as appropriate, set increasingly higher standards for these parties in future, and will monitor, assess, and hold them to account to ensure that the assets of the Fund are appropriately invested. Accordingly, the Trustee will continue to develop the Fund's responsible investment policies during 2023-2024 with a focus on its net-zero strategy and, with support from the investment adviser and regular engagement with managers, will monitor their appropriate application.

TfL Pension Fund Implementation Statement (continued)

Appendix

Voting Statistics

The table below gives a summary of voting statistics across all public equity holdings within the year to 31 March 2023:

	Votable meetings	Votable Resolutions	% of votable resolutions voted on	% of votes with management	% votes against management	% of votes abstained	% of resolutions voted contrary to proxy adviser
Segregated accounts	591	7,197	100%	89%	8%	1%	1%
BlackRock Total*	11,130	133,696	94%	92%	7%	1%	1%
Blackrock Real Estate Index Fund	356	3,900	90%	95%	4%	0%	0%
Blackrock Russell Developed Large Cap EM Geo-Exposure Index Fund	379	5,802	92%	92%	7%	0%	0%
BlackRock Aquila Life MSCI World Fund	931	14,092	88%	96%	6%	0%	0%
BlackRock Aquila Life US Equity Fund	617	7,672	99%	96%	3%	0%	0%
BlackRock Aquila Life Canadian Equity Fund	49	735	100%	98%	1%	0%	0%
BlackRock Aquila Life UK Equity Fund	1,072	14,903	96%	94%	5%	1%	0%
BlackRock Aquila Life European Equity Fund	504	8,994	76%	87%	12%	1%	0%
BlackRock Aquila Life Japanese Equity Fund	497	6,176	100%	97%	2%	0%	1%
BlackRock Aquila Life Pacific Rim Equity Fund	473	3,317	100%	88%	11%	0%	0%
BlackRock Aquila Life Israel Equity Fund	96	803	100%	88%	11%	3%	0%
BlackRock Aquila Life Global 3000							
Fundamental Weighted Index	3,374	41,952	96%	93%	6%	1%	0%
BlackRock iShares EM Index Fund (IE) Agg	2,782	25,350	98%	88%	11%	3%	0%
Russell Total†	948	9,285	98%	81%	14%	2%	5%
Russell Emerging Markets Equity Fund	948	9,285	98%	81%	14%	2%	5%
Total Votes	12,669	150,178	95%	91%	7%	1%	1%

Figures provided by the investment managers, Glass Lewis and Sustainalytics

Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

Most figures for resolutions voted contrary to the proxy adviser display 0% due to a minimal number of resolutions being voted in contrast to the proxy adviser.

†Russell Investments does not strictly follow the voting policy of its proxy adviser as it has its own voting policy, which is why there is a large deviation in contrary votes. The Fund has no control over that policy.

* BlackRock uses multiple proxy advisers for information but voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

Voting Behaviour

Through voting with Glass Lewis, the Fund generally votes in line with what is seen as best practice and relevant to the given jurisdiction. The effect of minority stakeholder votes tends to be small but is growing. A few examples of this are given by Glass Lewis' Proxy Season review reports, which looks specifically at their coverage. Regional statistics highlighting voting trends for 2022 are given below:

TfL Pension Fund Implementation Statement (continued)

USA

- Companies continue to improve their disclosures on environmental and social issues, as a significant 88% of companies in the Russell 1000 specifically outlined their approach to board oversight of environmental and social issues. The total number of shareholder proposals increased by approximately 30% this year, with 100 more resolutions covering environmental and social issues than last year.
- In March 2022, the Securities and Exchange Commission (“SEC”) proposed rules to enhance and standardize climate-related disclosures for investors. Amongst other things, proposed rules would require disclosure of direct greenhouse gas (GHG) emissions (Scope 1) and indirect emissions (Scope 2) from purchased electricity or other forms of energy. Only certain companies would be required to disclose Scope 3 emissions.

UK

- For companies whose AGM has already occurred, under 67% of those in the FTSE 100 set a clear target for the proportion of the board to be made up of women, and around 43% for the FTSE 250.
- ‘Say on Climate’ numbers of proposals in the UK more than doubled compared to the previous year, and there was a notable increase of disclosure on board-level oversight of material ESG topics and the incorporation of ESG targets into executive incentive plans.

Europe

- During 2022 proxy season, the number of companies in Continental Europe adopting a shareholder vote on their climate strategy (“Say on Climate”) doubled compared to 2021. Europe has become the global leader in this nascent space, with 36 of the 41 management-proposed resolutions to date this year having taken place at companies domiciled in the UK, Ireland, or Continental Europe. In Continental Europe, the 2022 Say on Climate proposals were predominantly clustered in:-
 - France - Several major domestic shareholders and investor associations – such as the Responsible Investment Forum – have called for Say on Climate votes to become an annual agenda item at large companies.
 - Spain - Since 2019, Spanish companies have been required to provide shareholders with an annual vote on their non-financial reporting.
 - Switzerland – Similar with Spain, on annual vote coming into force in Switzerland in 2024.
- In 2022, Glass Lewis recommended that shareholders vote against three Say on Climate resolutions: -
 - at French retail centre operator Carmila SA - Glass Lewis expressed concern that the company had failed to disclose the results of its climate change scenario analysis or provide meaningful insight into how the board of directors oversees strategic decisions on climate-related issues.
 - at Spanish transport infrastructure company Ferrovial SA – similar concern as above while also noting Ferrovial’s lack of disclosure on its capital expenditures.
 - at Norwegian energy company Equinor ASA – Glass Lewis expressed concern on the lack of clarity in certain areas of its energy transition plan, in particular on how the company’s targets are aligned with science or how it intends to meet its ambitious Scope 3 emissions reduction targets.
- After years of slow progress in increasing gender diversity at the top of Dutch companies, a harder, “growth gender quota” came into effect at the start of 2022. The new legislation requires that empty supervisory board seats are filled by the underrepresented gender on the board until men and women each account for at least one-third of all board positions.

Japan

- Although Prime Market-listed companies are more likely to appoint women as directors than companies listed in other markets, 20.8% of Prime Market-listed companies still have no board-level gender diversity, and when diversity is present, it is typically limited. Overall, only 20.6% of companies have appointed two or more women as directors.
- Over half (55%) of shareholder proposals were on ESG issues, of which 16% were on environmental issues. While none of the climate change-related shareholder proposals were passed, they received a significant level of support, up to 36%, which we believe merits a response from the board.

China/Taiwan

- Compared to 2021, board gender diversity increased from 15.53% to 17.02%. Meanwhile, around 27.9% of gender diverse directors served in management roles in 2022, up from 23.2% in 2021.
- It was unsurprising that 99.75% of independent directors reviewed in 2022 had served less than 6 years as Chinese regulations mandate that independent directors may serve a maximum of two three-year terms. After six consecutive years of service, an independent director either needs to resign if their current term has not yet expired or should not be re-elected if their current term has expired.

These facts demonstrate growing impact of minority investors voice as engagements and voting policies develop. The Fund fully accepts the fact that the impact it can have on its own is limited but appreciates the importance of voicing its opinion in the pursuit of better company’s governance.

TfL Pension Fund Implementation Statement (continued)

In line with the Fund's Investment Beliefs, there is clear recognition that ESG/sustainability should be fully integrated with the Fund's investment framework. In that context, the relevance, applicability, and materiality of different ESG issues is different for every investment and these factors can form a credible basis for the Trustee to pursue engagement and voting activities in partnership with the Fund's managers and Sustainalytics. Based on this, the Fund has outlined the votes it deemed to be most significant over the year:

Company name	Tesla	Wells Fargo	Estee Lauder Cos Inc
Part of Fund portfolio	Segregated	Segregated	Segregated
Date of vote	04/08/2022	26/04/2022	18/11/2022
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.02%	0.13%	0.08%
Summary of the resolution	Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement.	Shareholder proposal regarding fossil fuel financing policy to ensure that the company's lending and underwriting do not contribute to new fossil fuel development.	Elect Jennifer Tejada
How you voted	For, against management	For, against management	Withhold
Rationale for the voting decision	Glass Lewis believes that companies should provide sufficient disclosure of the use of company funds for political and lobbying purposes, including grants made to politically active trade associations to allow shareholders to evaluate the use of and the oversight provided over the making of such grants. This is particularly important for ensuring that a company's spending is aligned with its key strategic and material issues. Tesla's disclosures regarding the alignment of its lobbying activities with the Paris Agreement significantly lagged those of its peers (General Motors Company and Ford Motor Company), as it is the only firm that does not provide an assessment of its association memberships and their climate positions. Further, Tesla is the only firm that does not provide board-level oversight of political spending or climate issues.	Wells Fargo has implemented robust governance practices to address climate change risks and has committed to establish medium-term emission reduction targets for scope 3 emissions, in addition to a net zero commitment by 2050; nonetheless, Sustainalytics believes the proposal to be in line with the scientific standards for the net zero pathway. The request asks the company to adopt a policy to ensure that the Bank's financial decisions do not contribute to new fossil fuel developments inconsistent with 2050 net zero standard. Such a policy can help to accelerate the Bank's scope 3 emission reduction, at the same time allowing Wells Fargo to continue working with companies in the oil and gas sector as they transition to a net zero future.	Jennifer Tejada serves as CEO of PagerDuty, Inc., a public company, while serving on a total of three public company boards; noting that it is exceptionally rare for sitting CEOs of public companies to serve on more than one additional public company board. In Glass Lewis view, the time commitment required by this number of board memberships, in addition to executive duties, may preclude this nominee from dedicating the time necessary to fulfil the responsibilities required of directors.
Outcome of the vote	34.27% For, Rejected	10.8% For, Rejected	94.87% for, Passed
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	It is important that companies actively evaluate how their funds are used and ensure that any political or lobbying expenditure furthers the company's stated goals and values. Whilst the resolution was rejected, McDonald recognizes this is an area of increasing concern for stakeholders and have begun developing a report on the	Whilst the resolution was rejected, support for this practice will continue if the stock remains to be held by the Fund.	Whilst the resolution was rejected, support for this practice will continue if the stock remains to be held by the Fund.

TfL Pension Fund

	feasibility of reusable packaging and its impact on plastic usage and the environment. McDonald expects to publicly release the report in 2024.		
'Most Significant' criteria	The distinction of vote rationale	The distinction of vote rationale	The distinction of vote rationale
Theme	Governance, Environment	Environment	Governance
Company name	McDonalds Corp	Exxon Mobil Corp.	Dollar Tree Inc
Part of TfL portfolio	Segregated	Segregated	Segregated
Date of vote	26/05/2022	25/05/2022	30/06/2022
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.01%	0.05%	0.13%
Summary of the resolution	Shareholder proposal regarding report on plastic	Shareholder Proposal Regarding Political Contributions and Expenditures Report	Shareholder proposal regarding report on aligning GHG reductions with Paris Agreement
How you voted	For, Against Management	For, Against Management	For, Against Management
Rationale for the voting decision	Glass Lewis research showed that McDonald's has taken significant actions and provided substantial disclosure regarding minimizing its plastic footprint, its improvements to the sustainability of its packaging, and its recycling initiatives. Glass Lewis were unconvinced that providing the requested report would be an especially prudent use of resources. However, Sustainalytics recommended a vote in favour of this resolution. Even though McDonald's has set targets for reduction and recycling of plastic in guest packaging, it has not yet set a goal targeting all its plastic, nor has it aligned its goals with the findings of key plastic pollution initiatives.	Glass Lewis research finds that Exxon has provided adequate disclosure regarding its political spending process, policies, and expenditures. Further, Exxon has met and exceeded the legal requirements for political expenditure disclosure and has provided readily accessible information regarding the policies governing its political contribution activities and oversight process thus recommended against vote. Contrarily, Sustainalytics recommended a vote in favour of the proposal believing that investors benefit from the full picture of Exxon's political influence spending, given heightened reputational risks associated with misalignment between political influence and public statements as well as the potential use of corporate funds to obstruct public policies that may be beneficial to investors and other corporate stakeholders.	Glass Lewis research showed that McDonald's has taken significant actions and provided substantial disclosure regarding minimizing its plastic footprint, its improvements to the sustainability of its packaging, and its recycling initiatives. Glass Lewis were unconvinced that providing the requested report would be an especially prudent use of resources. However, Sustainalytics recommended a vote in favour of this resolution. Even though McDonald's has set targets for reduction and recycling of plastic in guest packaging, it has not yet set a goal targeting all its plastic, nor has it aligned its goals with the findings of key plastic pollution initiatives.
Outcome of the vote	42% For, Rejected	26.54% For, Rejected	54.54% For, Passed
Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	Whilst the resolution was rejected, support for this practice will continue if the stock remains to be held by the Fund.	Whilst the resolution was rejected, we will continue to support this practice based on sound rationale and if the stock remains to be held by the Fund	The win of shareholder proposal sets a significant tone of necessity for company to report on how it intends to reduce its GHG emissions in alignment with the Paris Agreement, including its relevant Scope 3 emissions which constitute 80% of its total emissions. Emissions-wise, Scope 3 is nearly always the biggest contributor hence would require Dollar Tree to engage the third parties it does its business with to adopt GHG target. We can see that the win of the proposal

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			has value added effect across the value chain.
'Most Significant' criteria	The distinction of vote rationale	The distinction of vote rationale	The distinction of vote rationale
Theme	Environment	Social	Environment

Engagement

Voting can only go so far in representing an investor's view of a company and whether a company is deemed to be run in the best way it can. As a result of this, engagement is a key tool that the Fund uses, with its engagement partner Sustainalytics and the Fund's investment managers work hand in hand through three engagement streams: -

1. **Global Standard Engagement:** Sustainalytics engages with companies that severely and systematically violate international standards, thus aim to resolve the incident, and to improve the company's future ESG performance and risk management to ensure no recurrence of such incidents.
2. **Material Risk Engagement:** Sustainalytics helps high-risk portfolio companies to better identify, understand and manage their ESG risks. With an aim to address the management gaps, so the target company improves its ESG performance and risk management; and
3. **Thematic Engagement (Climate Change-Sustainable Forest and Finance):** Engagement is intended to address climate risk and advocate for reductions in direct and indirect emissions in the context of global forest systems which targets companies throughout forestry-linked value chains to promote science-based emissions reduction strategies, transparent climate-related disclosure, and sustainable practices to mitigate impacts from climate change.

Some cases from the streams of engagement which took place within the year are provided below. Further cases can be referred to in the Fund's 2022 Sustainable Investing report, on pages 22-23.

Global Standard Engagement: Toyota Motor Corp

Background

In March 2022, Japanese truck maker Hino Motors (Hino), a subsidiary of Toyota Motor Corporation, admitted that it had falsified emissions and fuel performance data for some of its vehicles manufactured in Japan. In the same month, Japanese authorities inspected Hino's offices in Tokyo and shares of Hino dropped by nearly 17%. In August 2022, Hino published a report by the special investigation committee, which found additional instances of fraud. The report concluded that Hino falsified emissions data on some engines dating back to at least 2003. The misconduct included altering durability tests related to emissions on a wide range of models and tampering with fuel efficiency measurements in heavy-duty engines. Hino has recalled 67,000 vehicles in relation to the misconduct.

Engagement Objective

Toyota should improve its global subsidiary governance framework. The company should have an adequate risk management framework and have robust oversight of its global subsidiaries. Furthermore, the company should explore emissions mitigation and offset options for its subsidiary's non-compliant excess emissions.

Engagement Update

This is a new engagement commencing from August 2022. Toyota acknowledged the violations of its subsidiary, Hino Motors, in its Corporate Governance Report and committed to stringent compliance to prevent a recurrence of Hino's misconduct.

Material Risk Engagement: Glencore Plc

Background

Glencore is certainly not averse to risk as the company has a highly diversified and international portfolio of mining assets. It continues to operate its coal assets and remains engaged in cobalt extraction in the Democratic Republic of Congo (DRC). These are two red flags for investors which call for exceptional transparency and accountability. DRC cobalt assets stand out as high risk both because of the operational context as well as the strategic importance of cobalt as an energy transition metal.

Engagement Objective

Glencore should provide investors with a high level of insight and transparency on its DRC operations and associated risks. The company will also benefit from explicit incentive alignment to climate goals across senior management and improved disclosure on Paris-aligned lobbying.

Engagement Update

The engagement commenced since November 2021. Presently, Glencore has significantly expanded disclosure of its whistleblowing mechanism in line with best practices and has invested heavily into building a strong compliance culture and an effective compliance program, including a standalone Compliance Report. A good dialogue was established with Glencore where the company is quick to respond professionally.

TfL Pension Fund

Implementation Statement (continued)

Thematic Engagement (Sustainable Forest & Finance): Yum! Brands, Inc

Background

Yum! Brands, Inc. is an American fast-food corporation. It operates the brands KFC, Pizza Hut, Taco Bell, The Habit Burger Grill, and WingStreet. The company has climate governance in place at the board level and covers all aspects of TCFD.

Engagement Objective

The company also has a Science-Based target set, however, still has considerable work to do in terms of climate transition strategy and forest risks. As a US-based company, Yum should also be aware of the upcoming Securities and Exchange Commission (SEC) and International Sustainability Standards Board (ISSB) climate-related reporting requirements such as board expertise to mitigate climate risks, climate-related risks mitigation and quantification into financial terms. Yum should also continue to develop its climate action roadmap and report on its progress.

Engagement Update

Case opened in September 2021. Yum has found the TCFD reporting helpful but faces difficulties in finding the right scope and clear target to report on for TNFD, as nature topic is still emerging. Yum also recognizes there is a philosophical difference between the past and now where previously it focuses mainly on high-risk areas (e.g.: Brazil has a higher risk than US in terms of deforestation). However, the TNFD philosophy nowadays is shifting away from the highest risk to the highest volumes. Yum also reports on soy for the first time in 2022. Yum leverages a mix of approaches in tackling deforestation, such as supplier engagement, collaborative engagement, annual surveys, and audit systems. Yum has also improved its score through its public disclosures. For example, in the Global Citizenship & Sustainability Report, Yum has conducted water risks assessments and has identified that 68% of its supply chain is low water risk and 14% is considered moderate risk. In the latest TCFD report, Yum has reported in line with TCFD recommendations, such as its emissions breakdown, climate governance, identified climate-related risks and strategic partnerships that Yum is involved in to advance its climate commitments. Going forward, the engagement dialogue with Yum will focus on its carbon pricing approach to mitigate upcoming transition risk and drive low carbon behaviour internally.

TfL Pension Fund

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

Opinion

We have audited the accounts of the TfL Pension Fund for the year ended 31 March 2023 which comprise the Fund Account, and the Statement of Net Assets (available for benefits) and notes to the accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the accounts:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the accounts, which indicates that the Fund could be impacted by the uncertainty as to the principal employer's ability to secure long-term funding to enable them to continue to support the Fund. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the accounts, we have concluded that the Fund's Trustee's use of the going concern basis of preparation of the accounts is appropriate.

Our responsibilities and the responsibilities of the Fund's Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the accounts and our auditor's report thereon. The Fund's Trustee is responsible for the other information contained within the annual report. Our opinion on the accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee

As explained more fully in the Trustee responsibilities statement set out on pages 8 and 9, the Trustee is responsible for the preparation of accounts and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

TfL Pension Fund

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

Auditor's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the accounts, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the accounts, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the accounts due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Fund operates in and how the Fund is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the accounts may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the accounts are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP).

We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the accounts were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgements and estimates.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

TfL Pension Fund

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

Use of our report

This report is made solely to the Fund's Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them 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 and the Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
25 Farringdon Street,
London, EC4A 4AB

7 July 2023

TfL Pension Fund Fund Account

For the year ended 31 March 2023

	Note	2023 £ million	2023 £ million	2022 £ million	2022 £ million
Contributions and benefits					
Contributions receivable	3				
Employer		307.7		373.3	
Employee		73.9		71.6	
Individual transfers in from other schemes		1.4		1.1	
		<u>383.0</u>		<u>446.0</u>	
Benefits payable	4	(433.4)		(422.8)	
Payments to and on account of leavers	5	(2.6)		(4.4)	
Other payments	6	(5.5)		(5.6)	
Administrative expenses	7	(4.0)		(4.7)	
Pension levies	8	(16.1)		(16.0)	
		<u>(461.6)</u>		<u>(453.5)</u>	
Net withdrawals from dealings with members			(78.6)		(7.5)
Returns on investments					
Investment income	9	177.7		119.7	
Change in market value of investments	11 a	(333.2)		1,253.8	
Investment management expenses	12	(29.7)		(27.5)	
			<u>(185.2)</u>	<u></u>	<u>1,346.0</u>
Net returns on investments			(185.2)		1,346.0
Net (decrease)/increase in the fund during year			(263.8)		1,338.5
Net assets at beginning of year			<u>14,440.4</u>		<u>13,101.9</u>
Net assets at end of year			<u>14,176.6</u>		<u>14,440.4</u>

The Notes on Pages 40 to 53 form part of these Accounts.

TfL Pension Fund

Statement of Net Assets (available for benefits)

As at 31 March 2023

	Note		2023 £ million	2022 £ million
<i>Investment assets</i>	11			
Bonds		641.2	686.8	
Equities		3,041.4	3,140.3	
Loans		319.2	357.3	
Pooled investment vehicles	11b	9,264.8	9,308.7	
Derivatives	11c	131.1	97.6	
AVC investments		126.7	123.9	
Cash and liquidity funds		621.9	756.9	
Other investment balances		47.6	69.9	
			14,193.9	14,541.4
<i>Investment liabilities</i>	11			
Derivatives	11c	(36.6)	(110.1)	
Other investment balances		(10.0)	(28.1)	
			(46.6)	(138.2)
<i>Total net investments</i>			14,147.3	14,403.2
<i>Fixed assets held for own use</i>	13		-	0.1
<i>Current assets</i>	14		49.1	62.0
<i>Current liabilities</i>	15		(19.8)	(24.9)
Net assets at end of year			14,176.6	14,440.4

The Notes on Pages 40 to 53 form part of these Accounts.

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 Report on Actuarial Liabilities included on page 58 and these Accounts should be read in conjunction with that Report.

These Accounts were approved by the Board of Directors of the TfL Trustee Company Limited on 7 July 2023 and were signed on their behalf by:

M Antoniou
Director
TfL Trustee Company Limited

S Folarin
Director
TfL Trustee Company Limited

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, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (SORP) (Revised 2018).

With most companies in the UK operating a hybrid working model, the ridership on TfL's network has yet to reach the pre-pandemic level. However, TfL has a funding agreement with the Government until the end of March 2024, to support the running of their day-to-day operating costs and protecting their growing passenger income following the dramatic fall in fares. The Department for Transport (DfT) contributed revenue grant funding totalling £920m to TfL in 2022/23. Discussions regarding levels of future funding are ongoing with the DfT and they have acknowledged that, over the longer term, TfL cannot be expected to cover the cost of major capital enhancements from its own operating incomes.

If the employer is unable to meet its obligations to the Pension Fund, there is a risk that the Pension Fund would enter into a Pension Protection Fund assessment period and therefore the Pension Fund would not be a going concern. However, on the basis of measures already seen in response to the fall in fares as noted above, the Trustee believes that either further budget cuts would be made or further funding from the Government would be forthcoming to the employer due to its critical role in the infrastructure of London transport.

However, based on the latest funding agreement with the Government noted above expiring within 12 months of the signing of these financial statements, a material uncertainty exists that may cast significant doubt over the Fund's ability to continue as a going concern. This uncertainty has significantly reduced from the previous year. Having considered funding matters, operational matters and the overall position of the Principal Employer, there is an expectation that the Fund will remain a going concern for the 12 months subsequent to the signing of these accounts. Therefore, the accounts have been prepared on a going concern basis.

2. Accounting policies

(a) Inclusion of income and expenditure

(i) Contributions

Employers' and Employees' 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. Additional deficit reduction contributions are accounted for on the due date on which they are payable under the Pension Funding Agreement.

(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 which is reinvested within the pooled investment vehicles is reflected in the unit price.

(v) Securities lending

The Fund's custodian is authorised to release securities to a third party under a securities lending arrangement.

TfL Pension Fund

Notes to the Accounts (continued)

(vi) *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.

(vii) *Foreign currencies*

Balances denominated in foreign currencies are translated using the rate of exchange ruling at the Statement of Net Assets 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 the translation of investment balances are accounted for in the change in market value of investments during the year.

(viii) *Additional voluntary contributions (AVCs)*

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

(ix) *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 which is 5 years for computer equipment and furniture.

(b) Investments

(i) Investments are included at their fair value as described below;

(ii) The majority of listed investments are stated at the bid price at the date of the Statement of Net Assets;

(iii) Fixed interest securities are stated at their clean prices (i.e. excluding accrued income). Accrued income is accounted for within investment income;

(iv) Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

(v) Unquoted securities are included at fair value estimated by the Trustee based on the advice from the Investment Manager using appropriate valuation techniques;

(vi) Loans are included at fair value estimated by the Trustee based on the advice from the Investment Manager using appropriate valuation techniques;

(vii) Derivatives are stated at fair value.

- Exchange traded derivatives are stated at fair value determined using market quoted prices.
- Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
- Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year end date
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.
- Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

(viii) Short-term deposits are valued at cost at 31 March 2023 taking into account gains or losses on foreign currencies;

(ix) AVC investments are shown at the values advised by the AVC providers.

TfL Pension Fund

Notes to the Accounts (continued)

3. Contributions receivable

	2023 £ million	2022 £ million
<i>Employers</i>		
Normal	307.7	300.6
Deficit funding	-	72.7
	<u>307.7</u>	<u>373.3</u>
<i>Members</i>		
Normal	56.4	55.8
Additional Voluntary Contributions	17.5	15.8
	<u>73.9</u>	<u>71.6</u>
	<u>381.6</u>	<u>444.9</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.

Following the actuarial valuation as at 31 March 2018, for the Public Sector Section a funding shortfall was being met through deficit funding contributions equal to 6.4% of the total of the relevant pay definition for all Members of that section.

Following the completion of the latest triennial actuarial valuation as at 31 March 2021, no deficit reduction contributions are payable under the new Schedules of Contributions for the Public Sector Section certified by the Fund Actuary on 31 March 2022 and for the Composite Section certified by the Fund Actuary on 28 April 2022 effective from 1 April 2022 and 1 May 2022 respectively.

In addition to contributions required under the Schedule of Contributions an annual assessment is undertaken at 31 March each year to determine the Fund's financial position which in turn determines whether any additional contributions are required to be paid to the Fund by TfL. Due to the strength of the Fund and its current funding level, no deficit reduction contributions were required from TfL for the year to 31 March 2023 following this annual assessment (2022: £Nil).

4. Benefits payable

	2023 £ million	2022 £ million
Pensions	350.9	333.6
Commutations and lump sum retirement benefits	79.2	86.8
Lump sum death benefits (net of those insured)	1.2	1.1
Taxation where lifetime or annual allowance exceeded	2.1	1.3
	<u>433.4</u>	<u>422.8</u>

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Fund in exchange for the Fund settling their tax liability.

5. Payments to and on account of leavers

	2023 £ million	2022 £ million
Individual transfers to other schemes	2.4	4.3
Refunds to members leaving service	0.2	0.1
	<u>2.6</u>	<u>4.4</u>

6. Other payments

	2023 £ million	2022 £ million
Premiums on term insurance policies	<u>5.5</u>	<u>5.6</u>

TfL Pension Fund

Notes to the Accounts (continued)

7. Administrative expenses

	2023 £ million	2023 £ million	2022 £ million	2022 £ million
<i>Staff costs</i>				
Payroll		2.2		2.3
<i>Establishment costs</i>				
Accommodation	0.1		0.1	
Computer costs	0.3		0.4	
		0.4		0.5
<i>Professional fees</i>				
Legal fees	0.3		0.4	
Audit fees	0.1		0.1	
Accountancy and tax fees	0.1		0.1	
Actuarial fees	0.3		0.6	
Medical fees	0.1		0.1	
Covenant review	0.1		0.1	
TfL Pensions review	0.1		0.2	
		1.1		1.6
<i>Communication</i>				
Distribution	0.2		0.1	
Printing	0.1		0.1	
		0.3		0.2
<i>Consumables</i>				
General		-		0.1
		4.0		4.7

Administrative expenses include recharges by Transport for London of £2.3m (2022: £2.5m) for staff and other costs.

8. Pension levies

	2023 £ million	2022 £ million
Pension Protection Fund	15.7	15.7
Pension Regulator levies	0.4	0.3
	16.1	16.0

9. Investment income

	2023 £ million	2022 £ million
Income from bonds	20.0	19.1
Dividends from equities	56.6	47.5
Income from pooled investment vehicles	58.6	31.4
Income from loans	27.2	21.1
Expenses from derivatives	(1.3)	(0.7)
Interest on cash deposits	16.0	0.7
Income from securities lending	0.6	0.5
Other investment income	-	0.1
	177.7	119.7

TfL Pension Fund

Notes to the Accounts (continued)

10. Tax

TfL Pension Fund is a registered pension scheme for tax purposes under the Finance Act 2004. The Fund is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate (see Note 9 above).

11. Investments

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

	Value at 1 April 2022	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Change in Market Value	Value at 31 March 2023
	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>
Bonds	686.8	1,410.6	1,442.5	(13.7)	641.2
Equities	3,140.3	1,306.4	1,336.7	(68.6)	3,041.4
Loans	357.3	32.7	76.8	6.0	319.2
Pooled investment vehicles	9,308.7	1,372.0	1,379.4	(36.5)	9,264.8
Derivative contracts	(12.5)	359.8	8.2	(244.6)	94.5
Liquidity funds	389.3	2,050.8	2,022.7	28.7	446.1
AVC investments	123.9	17.4	10.1	(4.5)	126.7
	<u>13,993.8</u>	<u>6,549.7</u>	<u>6,276.4</u>	<u>(333.2)</u>	<u>13,933.9</u>
Cash deposits	367.6				175.8
Other investment assets	69.9				47.6
Other investment liabilities	(28.1)				(10.0)
Total net investments	<u>14,403.2</u>				<u>14,147.3</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.

b) Pooled investment vehicles (PIVs)

The Fund's holdings of PIVs are analysed below:

	2023	2022
	<i>£ million</i>	<i>£ million</i>
Absolute Return funds	1,544.2	1,274.9
Equity funds	2,375.6	2,480.2
Fixed Interest funds	684.3	1,182.6
Multi Private Credit funds	14.2	-
Private Equity funds and infrastructure funds	2,979.7	2,618.1
Property funds	234.5	266.0
Qualifying Investor fund (see below)	1,228.8	1,298.6
Reinsurance funds	203.5	188.3
	<u>9,264.8</u>	<u>9,308.7</u>

The Fund invests in a Qualifying Investor Fund with BlackRock Investment Management (UK) Limited, in which the Fund is the sole investor. A breakdown of the underlying investment classes held within this fund is shown below:

	2023	2022
	<i>£ million</i>	<i>£ million</i>
Government Bonds	1,047.7	1,074.5
Network Rail Bonds	154.2	196.1
Options	13.0	17.8
Swaps	13.9	10.2
	<u>1,228.8</u>	<u>1,298.6</u>

TfL Pension Fund

Notes to the Accounts (continued)

b) Pooled investment vehicles (PIVs) (continued)

The Fund invests in a number of pooled investment vehicles in which it is the sole investor, the aggregated investment position of these sole investor funds is summarised below:

	2023	2022
	£ million	£ million
Fixed income	394.9	368.5
Reinsurance	203.6	188.3
Absolute return	414.6	436.5
Infrastructure fund	37.8	-
	<u>1,050.9</u>	<u>993.3</u>

c) Derivatives

The Trustee has authorised the use of derivatives by some of their Investment Managers as part of the Fund's investment strategy. The main objectives for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

Total derivatives

	2023		2022	
	Assets £ million	Liabilities £ million	Assets £ million	Liabilities £ million
Swaps	7.6	(2.4)	24.7	(13.6)
Futures	10.1	(16.5)	45.5	(29.2)
Foreign exchange	113.4	(17.4)	26.6	(66.9)
Options	-	(0.3)	0.8	(0.4)
	<u>131.1</u>	<u>(36.6)</u>	<u>97.6</u>	<u>(110.1)</u>

Swaps

Swaps comprising interest rate swaps, credit default swaps, total return swaps and basis swaps have been implemented to hedge the interest rate risk 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 and exchange traded. The details are:

Nature	Nominal amount	Duration	Asset value at year end £ million	Liability value at year end £ million
Interest rate swaps	242,587,699	Expires 1 to 5 years	2.8	(0.3)
	76,404,315	Expires 5 to 10 years	1.1	(0.4)
	34,297,193	Expires 10 to 15 years	1.6	(1.2)
	16,933,789	Expires 15 to 20 years	-	(0.2)
	10,754,297	Expires 20 to 25 years	0.3	(0.1)
	6,650,870	Expires 25 to 30 years	-	(0.1)
	6,211,140	Expires 30 to 35 years	0.2	(0.1)
Credit default swaps	60,843,165	Expires less than 1 year	1.3	-
	35,619,945	Expires 5 to 10 years	0.3	-
Total 2023			<u>7.6</u>	<u>(2.4)</u>
<i>Total 2022</i>			<u>24.7</u>	<u>(13.6)</u>

At the end of the year the Fund held collateral of £4.1m (2022: £44.8m) in respect of swaps.

TfL Pension Fund

Notes to the Accounts (continued)

c) Derivatives (continued)

Futures

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

Nature	Nominal amount	Duration	Asset value at year end £ million	Liability value at year end £ million
Commodities	261,484,175	Expires under 1 year	8.7	(14.4)
Equity	24,466,312	Expires under 1 year	0.6	(0.5)
Treasury	299,153,452	Expires under 1 year	0.6	(1.3)
Swap	135,281,467	Expires under 1 year	0.1	-
Swap	132,737,179	Expires 1 to 5 years	-	(0.1)
Diversified Financials	41,362,960	Expires under 1 year	-	(0.2)
Diversified Financials	42,268,612	Expires 1 to 5 years	0.1	-
Total 2023			10.1	(16.5)
<i>Total 2022</i>			<i>45.5</i>	<i>(29.2)</i>

At the end of the year the Fund held collateral of £19.8m (2022: £39.0m) in respect of futures.

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 a targeted level.

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

Contract	Settlement date	Currency bought and sold	Asset value at year end £ million	Liability value at year end £ million
Forward OTC	1 month	Various	24.4	(10.6)
Forward OTC	2 months	Various	43.8	(0.9)
Forward OTC	3 months	Various	26.7	(3.0)
Forward OTC	4 months	Various	7.9	(2.5)
Forward OTC	5 months	Various	4.8	(0.4)
Forward OTC	6 months	Various	5.2	-
Forward OTC	9 months	Various	0.6	-
Total 2023			113.4	(17.4)
<i>Total 2022</i>			<i>26.6</i>	<i>(66.9)</i>

TfL Pension Fund Notes to the Accounts (continued)

c) Derivatives (continued)

Options

Type of Option	Nominal amount	Duration	Asset value at year end £ million	Liability value at year end £ million
Put OTC	21,004,002	Expires under 1 year	-	(0.3)
Total 2023			<u>-</u>	<u>(0.3)</u>
<i>Total 2022</i>			<u>0.8</u>	<u>(0.4)</u>

d) AVC investments

During the year Legal & General, Clerical Medical and Standard 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 to the providers via the Fund Office, where they are invested on behalf of the individuals concerned and in accordance with their instructions to provide additional benefits, within the Fund 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:

	2023 £ million	2022 £ million
Legal & General	123.5	120.3
Clerical Medical (legacy)	2.7	3.3
Standard Life (legacy)	0.5	0.3
	<u>126.7</u>	<u>123.9</u>

e) Transaction costs

Included within purchases and sales are direct transaction costs of £2.0m (2022: £2.1m) comprising commissions, fees and stamp duty. These costs are attributable to the key asset classes as follows:

	Commission £ million	Fees and Stamp Duty £ million	Total £ million
2023			
Equities	1.2	0.8	2.0
<i>2022</i>			
Equities	1.3	0.8	2.1

TfL Pension Fund

Notes to the Accounts (continued)

f) Investment fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1: the unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the measurement date;

Level 2: inputs other than quoted prices included within Level 1 which are observable (ie developed using market data) for the asset or liability, either directly or indirectly;

Level 3: inputs which are unobservable (ie for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Fund's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	Level 1	Level 2	Level 3	Total
	£ million	£ million	£ million	£ million
At 31 March 2023				
Bonds	2.5	638.7	-	641.2
Equities	2,621.7	-	419.7	3,041.4
Loans	-	-	319.2	319.2
Pooled investment vehicles	268.4	3,510.1	5,486.3	9,264.8
Derivatives	(1.2)	96.0	(0.3)	94.5
Liquidity funds	446.1	-	-	446.1
AVC investments	-	124.1	2.6	126.7
Cash	175.8	-	-	175.8
Other investment balances	37.6	-	-	37.6
	<u>3,550.9</u>	<u>4,368.9</u>	<u>6,227.5</u>	<u>14,147.3</u>
<i>At 31 March 2022</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>
<i>Bonds</i>	<i>6.1</i>	<i>680.7</i>	<i>-</i>	<i>686.8</i>
<i>Equities</i>	<i>2,861.1</i>	<i>-</i>	<i>279.2</i>	<i>3,140.3</i>
<i>Loans</i>	<i>-</i>	<i>-</i>	<i>357.3</i>	<i>357.3</i>
<i>Pooled investment vehicles</i>	<i>769.3</i>	<i>3,675.7</i>	<i>4,863.7</i>	<i>9,308.7</i>
<i>Derivatives</i>	<i>24.9</i>	<i>(40.3)</i>	<i>2.9</i>	<i>(12.5)</i>
<i>Liquidity funds</i>	<i>389.3</i>	<i>-</i>	<i>-</i>	<i>389.3</i>
<i>AVC investments</i>	<i>-</i>	<i>121.2</i>	<i>2.7</i>	<i>123.9</i>
<i>Cash</i>	<i>367.6</i>	<i>-</i>	<i>-</i>	<i>367.6</i>
<i>Other investment balances</i>	<i>41.8</i>	<i>-</i>	<i>-</i>	<i>41.8</i>
	<u><i>4,460.1</i></u>	<u><i>4,437.3</i></u>	<u><i>5,505.8</i></u>	<u><i>14,403.2</i></u>

TfL Pension Fund

Notes to the Accounts (continued)

g) Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed limits which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Fund's exposures to credit and market risks are set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Fund.

(i) Credit risk

The Fund is subject to credit risk as it invests in bonds, OTC derivatives, has cash balances, undertakes stock lending activities and enters into repurchase agreements. The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Analysis of direct credit risk

	Investment grade	Non- investment grade	Unrated	Total
At 31 March 2023	£ million	£ million	£ million	£ million
Bonds*	1,896.5	14.1	8.4	1,919.0
Loans	-	-	319.2	319.2
OTC Derivatives	122.6	-	-	122.6
Cash	1,035.9	-	-	1,035.9
Other investment balances	9.2	0.2	0.1	9.5
Stock lending	341.4	-	-	341.4
Repos	90.1	-	-	90.1
Time deposits	76.0	-	-	76.0
PIVs	-	-	8,036.0	8,036.0
	3,571.7	14.3	8,363.7	11,949.7

* This includes bonds held in the Qualifying Investor Fund.

TfL Pension Fund

Notes to the Accounts (continued)

g) Investment risks (continued)

	<i>Investment grade</i>	<i>Non- investment grade</i>	<i>Unrated</i>	<i>Total</i>
<i>At 31 March 2022</i>	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>
<i>Bonds*</i>	1,956.0	38.5	22.8	2,017.3
<i>Loans</i>	-	-	357.3	357.3
<i>OTC Derivatives</i>	(9.3)	-	-	(9.3)
<i>Cash</i>	792.1	-	-	792.1
<i>Other investment balances</i>	17.9	0.5	0.3	18.7
<i>Stock lending</i>	456.0	-	-	456.0
<i>Repos</i>	126.5	-	-	126.5
<i>Time deposits</i>	34.2	-	-	34.2
<i>PIVs</i>	-	-	8,010.1	8,010.1
	<u>3,373.4</u>	<u>39.0</u>	<u>8,390.5</u>	<u>11,802.9</u>

* This includes bonds held in the Qualifying Investor Fund.

The Fund has indirect credit risk which arises in relation to underlying investments held in the bond pooled investment vehicles of £684.3m (2022: £1,182.6m).

A summary of pooled investment vehicles by type of arrangement is as follows:

	2023	2022
	£ million	£ million
Open ended investment fund	3,341.2	3,129.6
Qualifying Investor Fund	1,228.8	1,298.6
Closed ended investment companies	947.1	1,493.0
Open ended investment companies	1,123.5	1,070.7
Shares of limited partnerships	1,059.6	860.3
Unit trusts	662.3	660.3
Shares of limited companies	66.8	57.5
Closed ended investment funds	557.1	540.0
Shares of listed REIT	16.4	12.4
Other	262.0	186.3
	<u>9,264.8</u>	<u>9,308.7</u>

(ii) Currency risk

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy.

(iii) Interest rate risk

The Fund is subject to interest rate risk on the LDI investments comprising bonds and interest rate swaps held either as segregated investments or through pooled vehicles and cash.

(iv) Other price risk

Other price risk arises principally in relation to the Fund's return seeking portfolio which includes directly held equities, equities held in pooled vehicles, equity futures, hedge funds, private equity and investment properties.

The Fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed limits which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

TfL Pension Fund

Notes to the Accounts (continued)

g) Investment risks (continued)

The following table summarises the extent to which the various classes of investments are affected by financial risks:

	Market risk			2023	2022
	Currency	Interest rate	Other price	£ million	£ million
Bonds	●	●	○	641.2	686.8
Equities	●	○	●	3,041.4	3,140.3
Loans	●	●	○	319.2	357.3
Pooled investment vehicles				9,264.8	9,308.7
Direct	●	○	○		
Indirect	●	○	●		
Derivative contracts	●	○	○	94.5	(12.5)
Liquidity funds	●	○	○	446.1	389.3
AVC investments	●	●	●	126.7	123.9
Cash deposits	●	●	○	175.8	367.6
Other investments	●	○	○	37.6	41.8
Total				14,147.3	14,403.2

In the above table, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/not at all.

h) Securities lending

The Fund lends certain fixed interest and equity securities under a Trustee approved securities lending programme. As at 31 March 2023 £341.4m of investments were loaned comprising £227.4m Overseas equities, £75.2m Overseas fixed interest securities, £36.3m UK equities and £2.5m UK fixed interest securities. Collateral of £356.6m was held as at 31 March 2023 in the form of cash of £165.8m and non-cash of £190.8m (2022: £456.0m loaned against £476.9m collateral).

Additionally, included in the securities lending programme are Repos of £90.1m (2022: £126.5m) and Time Deposits of £76.0m (2022: £34.2m).

i) Self investment

There were no employer-related investments at any time during the year ended 31 March 2023.

j) Commitments

At the 31 March 2023 the Fund had contractual commitments of £968.8m (2022 £1,358.4m) to pay calls on outstanding drawdowns for alternative investments in pooled investment vehicles, unquoted equities and loans.

k) Concentration of investments

The concentration of investments is disclosed on page 17 of the Investment report.

12. Investment management expenses

	2023	2022
	£ million	£ million
Administration, management and custody	28.8	26.6
Performance measurement services	0.2	0.2
Other advisory services	0.7	0.7
	<u>29.7</u>	<u>27.5</u>

The total investment management expenses incurred during the year was £91.4m (2022: £72.3m) of which only £29.7m (2022: £27.5m) was remitted; the balance was deducted as part of the daily pricing of the individual asset portfolios.

TfL Pension Fund

Notes to the Accounts (continued)

13. Fixed assets held for own use

	Computer equipment £ million	Total £ million
<i>Cost at 1 April 2022</i>	0.7	0.7
<i>Cost at 31 March 2023</i>	<u>0.7</u>	<u>0.7</u>
<i>Accumulated depreciation at 1 April 2022</i>	(0.6)	(0.6)
Depreciation charge for the year	(0.1)	(0.1)
<i>Accumulated depreciation at 31 March 2023</i>	<u>(0.7)</u>	<u>(0.7)</u>
Net book value at 1 April 2022	<u>0.1</u>	<u>0.1</u>
Net book value at 31 March 2023	<u>-</u>	<u>-</u>

14. Current assets

	2023 £ million	2022 £ million
<i>Debtors</i>		
Prepayments and accrued income	34.6	37.7
<i>Cash balances</i>	<u>14.5</u>	<u>24.3</u>
	<u>49.1</u>	<u>62.0</u>

Accrued income includes contributions of £24.2m (2022 £28.5m) received in accordance with the Schedule of Contributions after the year end.

15. Current liabilities

	2023 £ million	2022 £ million
<i>Creditors</i>		
Unpaid benefits	10.3	15.4
Accrued expenses and deferred income	<u>8.3</u>	<u>8.5</u>
	18.6	23.9
<i>Unpresented items</i>	<u>1.2</u>	<u>1.0</u>
	<u>19.8</u>	<u>24.9</u>

Unpresented items are payments submitted and cheques drawn but not presented for payment by 31 March 2023. Interest is not payable on these sums.

TfL Pension Fund

Notes to the Accounts (continued)

16. Contingent Liability

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pension (GMP) benefits provided to members of pension schemes must be recalculated to reflect equalisation requirements between 17 May 1990 and 6 April 1997. As a result of the ruling, the Trustee of the Fund will need to equalise GMPs between men and women. A further High Court ruling on 20 November 2020 confirmed that this requirement extends to the calculation of cash equivalent transfer values paid from pension schemes such as the Fund prior to the 2018 ruling.

At this point in time a method of equalisation for the Fund has not yet been agreed by the Trustee and the Company, and there remain a number of areas where further industry guidance is awaited, or legal uncertainties remain. The Trustee expects to further consider the approach to be taken during 2023/24.

The Trustee has carried out initial liability estimates in relation to GMP equalisation which indicates the overall Fund liabilities will not increase by more than 0.5%. As a result, the expected backdated corrective payments are deemed not material to these accounts. The Trustee will include the amounts once they can be reliably estimated or in the year of payment.

17. Related parties

The Fund has received contributions from 11 Trustee Directors who are also members of the Fund. The Fund has paid benefits to 3 Trustee Directors who are also beneficiaries of the Fund.

Transport for London (TfL) pays administration expenses on behalf of the Fund and subsequently recharges these to the Fund. Administrative expenses recharged by TfL during the year end were £2.3m (2022: £2.5m) and are included in Note 7 on page 43. At 31 March 2023, £0.4m (2022: £0.5m) has been included in creditors in respect of administration expenses rechargeable to the Fund and a balance due to TfL.

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

TfL Pension Fund

Summary of Contributions

The Fund's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule 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 in respect of any active member of the Fund 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 2023

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; for the Public Sector Section certified by the Fund Actuary on 31 March 2022 effective from 1 April 2022, for the Composite Section certified by the Fund Actuary on 10 April 2019 and 28 April 2022 effective to 30 April 2022 and from 1 May 2022 respectively. 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

	£ million
<i>Employers</i>	
Normal contributions	307.7
Deficit funding	-
<i>Members</i>	
Normal contributions	56.4
Contributions payable under the schedules (as reported on by the Fund auditor)	<u>364.1</u>

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

	£ million
Contributions payable under the schedules (as above)	364.1
Contributions payable in addition to those due under the schedules (and not reported on by the Fund auditor)	
Additional employer contributions	-
Member additional voluntary contributions	17.5
Total contributions reported in the accounts	<u>381.6</u>

This Report was approved by the Board of Directors of the TfL Trustee Company Limited on 7 July 2023 and was signed on their behalf by:

M Antoniou
Director
TfL Trustee Company Limited

S Folarin
Director
TfL Trustee Company Limited

TfL Pension Fund Actuary's Certificates

Pages 56 to 58 contain a formal certificate for each section provided by the Fund 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.

TfL Pension Fund

Actuary's certification of schedule of contributions

Name of section: TfL Pension Fund – Composite Section

Adequacy of rates of contributions

- 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 2021 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

- I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 28 April 2022.

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.

G M Oxtoby
Fellow of the Institute and Faculty of Actuaries

Date 28 April 2022

Towers Watson Limited, a
WTW company
Watson House
London Road
Reigate
Surrey
RH2 9PQ

TfL Pension Fund

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 2021 to continue to be met for the period for which the schedule is to be in force.

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 31 March 2022.

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.

G M Oxtoby
Fellow of the Institute and Faculty of Actuaries

Date 31 March 2022

Towers Watson Limited, a
WTW company
Watson House
London Road
Reigate
Surrey
RH2 9PQ

TfL Pension Fund

Report on Actuarial Liabilities (forming part of the Trustee's report)

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to base on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee Board and the Employer and set out in the Statement of Funding Principles, which is available to Fund members on request.

The most recent full actuarial valuation of the Fund was carried out as at 31 March 2021. This showed that on that date:

The value of the Technical Provisions for the Public Sector section (PSS) was £12,906m and for the Composite section was £11.12m.

The value of the assets at that date was: £13,085m for the Public Sector section and £16.48m for the Composite section.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Statement of Funding Principles):

Method

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount interest rate to value technical provisions:

Public Sector section = Term dependent discount rate trending from a real rate* of 0.9% per annum to 0.6% per annum over 7 years from 1 April 2021.

Composite section = In service, a term dependent discount rate trending from a real rate* of -1.57% per annum to -2.14% per annum over 7 years from 1 April 2021. The PSS discount rate is used post-transfer to the PSS.

*real rates shown are compounded with assumed RPI inflation to obtain nominal discount rates

Future retail price inflation (RPI): Gilt market-implied RPI inflation curve

Future consumer price inflation (CPI): RPI inflation curve, less 1.0% pa before 2030 (no adjustment thereafter)

Pension increases (non-GMP): based on RPI inflation adjusted for caps and floors as appropriate, with single-equivalent rates of

Existing Members: 3.5% pa in deferment, 3.5% pa in payment

New Members: 3.3% pa in deferment, 3.1% pa in payment

Pay increases: general increases in line with the assumed rate of future retail price inflation (RPI)

Mortality – current assumed mortality rates in deferment and in payment are based on standard 'S3' tables with different tables and different scaling factors adopted for males and females, and for members retiring in normal health or ill-health respectively. Allowance is made for improvements in longevity after 2021 in line with the CMI 2020 core projection model with an assumed long-term mortality improvement trend of 1.5% per annum.

TfL Pension Fund

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the TfL Pension Fund

Statement about contributions payable under schedule of contributions

We have examined the summary of contributions payable to the TfL Pension Fund on page 54, in respect of the Fund year ended 31 March 2023.

In our opinion the contributions for the Fund year ended 31 March 2023 as reported in the summary of contributions on page 54 and payable under the schedules of contributions have in all material respects been paid for the Public Sector Section at least in accordance with the schedule of contributions certified by the Fund Actuary on 31 March 2022 and for the Composite Sector Section at least in accordance with the schedules of contributions certified by the Fund Actuary on 10 April 2019 and 28 April 2022.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 54 have in all material respects been paid at least in accordance with the schedules 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 schedules of contributions.

Respective responsibilities of trustee and auditor

As explained more fully on page 54, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised schedules 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 schedules of contributions.

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

Use of our statement

This statement is made solely to the Fund's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's statement 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 as a body, for our audit work, for this statement, or for the opinions we have formed.

**RSM UK Audit LLP
Statutory Auditor
Chartered Accountants**

25 Farringdon Street,
London,
EC4A 4AB

7 July 2023

TfL Pension Fund

Participating Employers' Unit Holdings and Asset Values Statement

Historically the Fund is structured into a series of financially segregated sections, with the Public Sector section providing benefits for public sector employees and 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.

	Equity Fund			
	As at 31 March 2023		As at 31 March 2022	
	Units	£ million	Units	£ million
Participating Employer				
Public Sector Section	1,263,552,058	5,121.9	1,284,151,558	5,423.0
Composite section	2,489,080	10.1	2,778,254	11.7
	<u>1,266,041,138</u>	<u>5,132.0</u>	<u>1,286,929,812</u>	<u>5,434.7</u>

The Equity Fund unit price at the year end was £4.05 (2022 £4.22)

	Bond Fund			
	As at 31 March 2023		As at 31 March 2022	
	Units	£ million	Units	£ million
Participating Employer				
Public Sector Section	477,546,297	1,542.9	633,203,030	2,096.5
Composite section	1,226,564	3.9	1,391,763	4.6
	<u>478,772,861</u>	<u>1,546.8</u>	<u>634,594,793</u>	<u>2,101.1</u>

The Bond Fund unit price at the year end was £3.23 (2022 £3.31)

	Alternative and Liability Driven Assets Fund			
	As at 31 March 2023		As at 31 March 2022	
	Units	£ million	Units	£ million
Participating Employer				
Public Sector Section	3,207,941,467	7,111.3	3,021,216,036	6,585.2
	<u>3,207,941,467</u>	<u>7,111.3</u>	<u>3,021,216,036</u>	<u>6,585.2</u>

The Alternative Liability Driven Assets Fund unit price at the year end was £2.22 (2022 £2.18)

	31 March 2023	31 March 2022
	£ million	£ million
Equity Fund	5,132.0	5,434.7
Bond Fund	1,546.8	2,101.1
Alternative and Liability Driven Assets Fund	7,111.3	6,585.2
Other (non unitised assets allocated to Public Sector)	386.5	319.4
Total Net Assets at end of year	<u>14,176.6</u>	<u>14,440.4</u>

TfL Pension Fund Compliance Statement

1. Fund Advisers

There are written agreements in place between the Trustee and each of the Fund advisers listed on Page 3 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 Fund 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:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone 0800 731 0193

You cannot currently request contact details by post because of coronavirus.

Web address : <https://www.gov.uk/find-pension-contact-details>

5. Money and Pensions Service

The Money and Pensions Service (MaPS) brings together three respected financial guidance bodies: the Money Advice Service, The Pensions Advisory Service and Pension Wise. MaPS is an arm's length body sponsored by the Department for Work and Pensions, established at the beginning of 2019, and also engages with HM Treasury on policy matters relating to financial capability and debt advice.

For general enquiries, please contact:

contact@maps.org.uk

Telephone 01159 659570

6. Complaints Procedure

In the event of a complaint from a member or beneficiary of the Fund, 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 Ombudsman as follows:

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 Pensions Ombudsman can be contacted at:

enquiries@pensions-ombudsman.org.uk

Telephone Local: 0800 917 4487 Overseas: +44 (0) 207 630 2200



Please consider the environment before printing this Report

For further help or information

Please contact the Fund Office (details below) if you have any questions or feedback about the Report & Accounts.

TfL Pension Fund
4th Floor
200 Buckingham Palace Road
London
SW1W 9TJ

Telephone: 020 7126 4000

Email: helpdesk@tflpensionfund.co.uk

Website: www.tfl.gov.uk/pensions

Pension Web Portal

If you have not already done so why not register today?

To Register, please visit www.pensions.tfl.gov.uk you will need your e-mail address, Pension Fund Member number and your National Insurance number, you will also need to key in other details about yourself such as your name and date of birth.

Once registered you will be able to:

- View payslips (pensioners only)
- View P60s (pensioners only)
- View benefit statements
- Run retirement calculations (active and deferred members only)
- Update your address (pensioners and deferred members only)
- Submit and track the progress of general enquiries to the Fund Office

We have published a Pension Web Portal user guide on the Pension Fund website which includes step by step the process to register.

Pension Fund Website

Pensions can be complicated. For more information, visit our website for a comprehensive look at the benefits provided by the TfL Pension Fund. It makes things as clear as possible so that you can understand your benefits and options, no matter what you have planned for the future.