

Terms of Reference for Transport for London Pensions Review (the Review)

1. Purpose of the Review

Under the terms of the TfL funding agreement dated 1 June 2021, HM Government required that TfL conduct a review of the TfL Pension Fund (the **Scheme**) and reform options, with the explicit aim of moving TfL's pension arrangements into a financially sustainable position.

The purpose of the Review, therefore, is to conduct an assessment of the Scheme and to make recommendations in relation to TfL's pension arrangements generally that are sustainable and affordable in the long term, fair to employees, farepayers and taxpayers and consistent with TfL's financial challenges ahead, while protecting members' benefits built up to date (the **Purpose**).

2. Scheme Coverage

The Review shall relate to all sections of the Scheme.

3. Scope of the Review

The Review shall have regard to and consider the following matters (the **Scope**):

- A. the need to ensure that future pension provision is fair across TfL's employees, including protecting members' benefits built up to date;
- B. the needs of TfL in ensuring generally that TfL's future pensions provision is affordable and sustainable in the long term for TfL, farepayers and taxpayers (including taking into account the volatility and risk associated with TfL's contributions to the Scheme);
- C. the circumstances of the Scheme in terms of its employer covenant, member contributions, benefits, funding position on the bases required under Part 3 of the Pensions Act 2004, section 179 of the Pensions Act 2004 and section 75 of the Pensions Act 1995, investment strategy, legal status and legal constraints on making changes under its trust documentation and how this compares to other public and private sector schemes; and based on these circumstances, produce an analysis of the funding and legal issues faced by TfL in relation to the Scheme;
- D. how risk should be shared between farepayers, taxpayers, employees and members;
- E. wider policy considerations such as provision of choices for, and promoting adequate saving for, retirement and longer working lives;
- F. the needs of TfL as an employer in terms of recruitment and retention including matters such as the overall reward package being offered; and



G. potential implementation and transitional arrangements for any recommendations.

Based on the Purpose and Scope set out above, the Review shall consider all options for reforming TfL's pension arrangements, with nothing ruled in and nothing ruled out (the **Options**).

4. Review Scope Exclusions

It is recognised that TfL will be required by law to inform and consult with affected members and their union representatives about any proposals for reform which may arise as a consequence of the Review and to follow any required legislative processes. These matters are therefore excluded from the Scope.

5. Review Independent Lead

The Review shall be independently led and facilitated by Sir Brendan Barber (the **Independent Lead**) who will be joined by Joanne Segars OBE, who will provide independent expert pensions advice.

The Independent Lead will have access to the knowledge and full co-operation of TfL, including the provision of a secretariat function.

The Independent Lead shall also have access to professional external advice in relation to legal, actuarial and technical modelling matters.

The Independent Lead will conduct the Review in accordance with these terms of reference, including the matters set out in section 6 below.

6. Reporting Deliverables

The Review will:

- identify and clearly set out the potential pros and cons of Options that would meet the Purpose and Scope; and
- set out a recommended approach (including an explanation of why the other Options considered are not being recommended) that would meet the Purpose and Scope.

These matters shall be reported as follows (the **Deliverables**):

- by 31 October 2021, the Independent Lead shall provide a final list of Options under consideration; setting out high level, general assessments on how they could meet the matters set out in the Purpose and the Scope;
- by 11 December 2021, the Independent Lead shall provide an Interim Report which shall explain the Options that are being considered in further detail and clearly describe in further detail how they meet the matters set out in the Purpose and the Scope; and



- by 31 March 2022, having considered all of the evidence and representations received, the Independent Lead shall provide a Final Report, setting out a full analysis of the Options and a recommended approach along with an implementation plan.

The Independent Lead shall meet regularly with TfL during the course of the Review period in order to discuss and report on progress and other matters pertaining to the completion of the Deliverables set out above.

7. Engagement, Evidence Gathering and Representations

The Independent Lead of the Review shall offer interested parties (including but not limited to trade unions, the Trustee of the Scheme, HM Government, other public and private sector organisations with relevant pension arrangements) a reasonable period of time to engage with and submit evidence and representations to the Review. This will be taken account of at all stages of the Review.

The Independent Lead shall decide how this engagement shall be organised considering the period of time available to conduct the Review; for example, via written correspondence and/or meetings.

The Independent Lead shall decide upon the general views and/or specific questions to be posed in the engagement, in consideration of the matters set out in the Purpose and Scope.

