

# TfL Pension Fund

# Report and accounts

For the year to 31 March 2007



# TfL Pension Fund

## Report and Accounts for the year to 31 March 2007

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#### Administration Office

TfL Pension Fund, Wing Over Station, 55 Broadway, London SW1H 0BD Telephone (020) 7918 3733

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

Pension Schemes Registry scheme reference number: 101653517

# TfL Pension Fund

## Organisation and Advisers as at 31 March 2007

### Trustee

TfL Trustee Company Limited

### Board of Directors of TfL Trustee Company Limited

(Nominating bodies are shown in brackets)

SR Critchley (Chairman)	Chief Finance Officer, Transport for London (TfL)
SD Allen	Interim Managing Director Finance, Transport for London (TfL)
M Antoniou	Group HR Director, Transport for London (TfL)
HP Collins	Deputy Chief Operating Officer, London Underground Limited (TfL)
A Cleaves	Director of Periodic Review, Tube Lines Limited (TfL)
GF Duffy	Director of Employee Relations, London Underground Limited (TfL)
JC Godbold	Director, Transport Benevolent Fund (PCC)
S Grant	District Organiser, ASLEF (ASLEF)
S Gray	Group Reserve Station Supervisor Class 1, London Underground Limited (TSSA)
JV Hart	Senior Disputes Resolution Lawyer, Transport for London (TfL)
CA Miller	Pensioner (PCC)
S Perry	VP Asset Performance Controller, Metronet Rail (TfL)
TJ Robson	Train Operator, Arnos Grove, London Underground Limited (PCC)
TC Scanlon	Regional Industrial Organiser, T&GWU (T&GWU)
PW Sikorski	Assistant General Secretary, RMT (RMT)
ML Swiggs	Pensioner (PCC)
JB Timbrell	Project Engineer, Metronet Trains Division, Metronet Rail (LTJTC)
RPJ Webster	Director of Finance – Surface Transport, Transport for London (TfL)

### Principal Employer

Transport for London

### Scheme Actuary

RV Williams, Watson Wyatt Limited

### Participating Employers

Transport for London

Transport Trading Limited

Victoria Coach Station Limited

London Bus Services Limited

London Buses Limited

London River Services Limited

London Underground Limited

Docklands Light Railway Limited

British Transport Police Authority

Cadbury Limited

Capgemini UK plc

Cubic Transportation Systems Limited

Dalkia Energy & Technical Services Limited

EDF Energy Powerlink Limited

Electronic Data Systems Limited

Metronet Rail BCV Limited

Metronet Rail SSL Limited

Thales Communications Services Limited

Tribal Technology Limited

Tube Lines Limited

### Secretary to the Trustees

SJ Timbrell

### Bankers

The Royal Bank of Scotland plc

### Communications Adviser

GR Communications

### Investment Adviser

Mercer Investment Consulting

### Investment Managers

Alliance Capital Limited

Baillie Gifford & Co.

Bridgewater Associates, Inc.

Goldman Sachs Asset Management

Legal & General Investment Management

Nomura Asset Management UK Limited

### Custodian

JP Morgan Chase Bank

### AVC Providers

Clerical Medical

Equitable Life

Standard Life

### Auditors

KPMG LLP

### Medical Adviser

Prof. K Holland-Elliott

### Legal Advisers

Sacker & Partners LLP

# TfL Pension Fund

## Chairman's Introduction

I am pleased to present my review of the year ended 31 March 2007. Once again the Fund has operated against a background of continuing change. We have also seen a number of changes on the Trustee Board, although I am pleased to report that at year-end we were at full strength.

The beginning of the year saw the closing stages of a long process to address the impact of the Pensions and Finance Act changes. The details were contained in the Fund's second newsletter sent to members at the end of March 2006. The beginning of the year also marked the start of the Scheme Actuary's triennial valuation of the scheme. This has taken place for the first time under new regulations. Despite the more demanding processes and consultations that this has involved, the Trustee Board has managed to achieve substantive agreement with TfL and Principal Employer by the statutory deadline of 30 June.

The main purpose of the triennial valuation of the Fund is to ascertain whether the assets already held by the Fund are sufficient to pay all the benefits that have been earned by service up to the date of the valuation, 31 March 2006, and to assess the contributions that need to be paid in future. The Trustee Board believes the contribution settlement reached will give members confidence that appropriate security exists for the Fund to continue to deliver on its pension promises.

Turning to investment performance, our Fund has continued to benefit from more favourable conditions which have followed the market setbacks experienced at the beginning of the decade. Overall with our investments in a well diversified portfolio we have successfully navigated the short-term market fluctuations to provide long-term security. The Fund's value increased by 7% during the year to £4.7billion at year-end. This year's investment performance did fall short of the Fund's performance benchmark, but over the longer periods of three years and five years the benchmark has been equalled or exceeded.

The only change in investment management during the year was the transfer of our index-tracking investments from Barclays Global Investors to Legal & General Investment Management. This was noted in our report last year and the switch was successfully completed in June 2006.

Finally, I would like to record my thanks to all involved with the continued operations and development of the Fund: the Trustee Directors, Actuary, Investment and Legal Advisers, Investment Managers, Custodian, Auditors and not least the Fund Office and Fund Secretary for their support. As usual we can expect to face new challenges ahead, but I remain confident we have the resources to meet these and ensure that the Fund continues to prosper.

Chairman  
11 July 2007

# TfL Pension Fund

## Report of the Directors of TfL Trustee Company Limited

The Directors of TfL Trustee Company Limited, the Trustee of TfL Pension Fund, have pleasure in submitting their Annual Report on the operations of the Fund, together with the Accounts of the Fund for the year ended 31 March 2007.

### 1. Management of the Fund

#### (a) The Trustee

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

#### (b) Board of Directors

The Board of the Trustee is made up of 18 Directors as set out on page 2. Full details of how Directors are nominated are given in the Compliance Statement starting on page 24.

Directors serve for such period as their nominating body determines, or until that body withdraws their nomination or, 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 the year to 31 March 2007:

Director	Replaced by	Nominating body	Date
MS Ainsworth	RPJ Webster	TfL	27 September 2006
N Belben	A Cleaves	TfL	13 December 2006 – Resignation 22 January 2007 – Appointment
JM Hamilton	S Gray	TSSA	27 September 2006 – Resignation 13 December 2006 – Appointment
HJ Hood	M Antoniou	TfL	13 December 2006 – Resignation 16 March 2007 – Appointment
PJ Worthington	S Perry	TfL	13 December 2006

In addition HP Collins was appointed on 14 June 2006 following a nomination from TfL.

The table below shows the number of meetings attended by each Director in the year to 31 March 2007 for which they were eligible to attend including attendance at scheduled Trustee Board meetings and Committee meetings.

TfL Nominated Directors	No. of meetings	No. of attendances	Non-TfL Nominated Directors	No. of meetings	No. of attendances
MS Ainsworth	6	6	JC Godbold	12	12
SD Allen	13	13	S Grant	16	12
M Antoniou	1	1	S Gray	5	5
N Belben	9	7	JM Hamilton	7	1
A Cleaves	3	1	CA Miller	16	15
HP Collins	9	4	TJ Robson	13	12
SR Critchley	13	11	TC Scanlon	13	11
GF Duffy	18	10	PW Sikorski	9	9
JV Hart	13	12	ML Swiggs	12	10
HJ Hood	6	5	JB Timbrell	18	16
S Perry	4	2			
RPJ Webster	7	3			
PJ Worthington	13	9			

The average attendance at scheduled Trustee Board and Committee meetings was 80% and 79% respectively.

# TfL Pension Fund

## (c) 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 an Investment Committee, an Audit Committee, an Operations Committee, a Disputes Resolution Committee and an Appeals Committee. Each Committee comprises 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.

Further information regarding the management of the Fund is contained in the Compliance Statement on page 24.

## 2. Financial review

The Accounts of the Fund for the year to 31 March 2007 have been drawn up in compliance with the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised November 2002).

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 £4,660.9m at 31 March 2007. The increase of £318.5m, compared with the value at 31 March 2006 of £4,342.4m, was made up as follows:

	<u>2007</u> £m	<u>2006</u> £m
Net returns on investments	302.2	805.6
Net additions from dealings with members	16.3	20.5
	<u>318.5</u>	<u>826.1</u>

Net returns on investments comprised increased market value of investments of £234.9m (2006: £742.3m) and investment income of £71.6m (2006: £67.7m) offset by investment management expenses of £4.3m (2006: £4.4m). The increase in market value of investments was made up of realised investment gains of £501.2m (2006: £310.0m) and unrealised investment losses of £266.3m (2006: gains of £432.3m).

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

The net additions from dealings with members were £16.3m (2006: £20.5m). The additions primarily comprised contributions, which increased by £11.5m as a consequence of the annual increase in salaries. Under the Rules of the Fund the administrative costs of the Fund are borne by the Fund itself. Administrative costs and pension levies increased by £1.2m primarily due to the payment of the Pension Protection Fund and Pension Regulator levies and actuarial fees in respect of the triennial valuation of the Fund. Benefits payable increased by £13.8m, mainly as a result of increases in pensions and lump sum retirement benefit payments.

Further details of the financial movements of the Fund may be found in the audited Accounts on pages 10 to 16.

Details of the participating employers' unit holdings and asset values are set out in the unaudited statement on page 45.

## 3. Actuarial valuation of the Fund

The Scheme Actuary carries out a triennial valuation of each section of the Fund under Rule 43 and in accordance with the Pensions Act 2004. The actuarial valuation assesses whether the assets already held by the section are expected to be sufficient to pay all the benefits that have been earned for service up to the date of the valuation. The Scheme Actuary, in carrying out the valuation, also gives advice on the future contributions needed to maintain an appropriate level of security for the benefits that are expected to be paid in the future.

## TfL Pension Fund

In the past, employers' contribution levels have been determined by TfL (as Principal Employer) on the advice of the Actuary in accordance with Rule 16(1)(b). However under new legislation, the assumptions used for the valuation and the employer contributions must now be agreed between the Trustee on the advice of the Actuary and the Principal Employer. Where a section has an excess of assets over accrued liabilities (i.e. a funding surplus), the level of employer contributions may be reduced by amortising the surplus over a period of not less than ten years (Rule 16(3)). Where a section has an excess of accrued liabilities over assets (i.e. a funding deficit), the level of employer contributions must be increased by amortising the deficit over a period of not more than ten years (Rule 16(4)).

A valuation of each section of the Fund has been carried out by the Scheme Actuary as at 31 March 2006. However, agreement has yet to be reached on the assumptions and employer contributions. The results of the valuations will be summarised in next year's report.

### 4. Pension increases

Deferred members and pensioners whose pension commenced on or before 1 April 2005 received an increase, with effect from 1 April 2006, of 2.7%, based, in accordance with the Fund Rules, on the increase in the Retail Price Index for the year to September 2005. For pensioners whose pension commenced after 1 April 2005, the increase was reduced pro-rata.

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

April 2002	1.7%
April 2003	1.7%
April 2004	2.8%
April 2005	3.1%
April 2006	2.7%

## TfL Pension Fund

### 5. Changes in membership during the year

During the year to 31 March 2007 total membership increased by 227 to 82,484. This figure comprises an increase in contributing members of 279, a decrease in deferred pensioners of 138, and an increase in pensioners of 91 and a decrease in dependants and eligible children of 5.

	<u>2006/ 2007</u>	<u>2006/ 2007</u>	<u>2005/ 2006</u>	<u>2005/ 2006</u>	<u>Change</u>
<b>Contributing members as at 1 April</b>	22,174		22,367		
Joiners	1,588		1,575		
	<u>23,762</u>		<u>23,942</u>		
Contributing members retiring	(388)		(582)		
Leavers taking a refund of contributions	(162)		(192)		
Leavers becoming deferred pensioners	(584)		(892)		
Leavers with less than two years service – member option decision pending	(148)		-		
Leavers through opting out	-		(87)		
Deaths in service	(27)		(15)		
<b>Contributing members as at 31 March</b>		22,453		22,174	+279
<b>Deferred pensioners as at 1 April</b>	18,941		18,779		
Members ceasing to be eligible for ill health pension	-		58		
Leavers becoming deferred pensioners	584		892		
	<u>19,525</u>		<u>19,729</u>		
Deferred pensions coming into payment	(628)		(624)		
Deferred pensioners taking a trivial commutation lump sum	(4)		-		
Deferred pensioners transferring to other schemes	(69)		(122)		
Deferred pensioner deaths	(21)		(42)		
<b>Deferred pensioners as at 31 March</b>		18,803		18,941	-138
<b>Pensioners as at 1 April</b>	30,345		30,273		
Contributing members retiring	388		582		
Deferred pensions coming into payment	628		624		
	<u>31,361</u>		<u>31,479</u>		
Members ceasing to be eligible for ill health pension	-		(58)		
Pensioner deaths	(925)		(1,076)		
<b>Pensioners as at 31 March</b>		30,436		30,345	+91
<b>Dependants as at 1 April</b>	10,239		10,282		
Dependants becoming entitled to pensions	586		758		
	<u>10,825</u>		<u>11,040</u>		
Dependant deaths	(575)		(801)		
<b>Dependants as at 31 March</b>		10,250		10,239	+11
<b>Eligible children as at 1 April</b>	558		612		
Children becoming entitled to pensions	83		162		
	<u>641</u>		<u>774</u>		
Children ceasing to be eligible	(98)		(216)		
Child deaths	(1)		-		
<b>Eligible children as at 31 March</b>		542		558	-16
<b>Total membership as at 31 March</b>		<u><u>82,484</u></u>		<u><u>82,257</u></u>	<u><u>+227</u></u>



## TfL Pension Fund

Details of contributing members by Participating Employer as at 31 March 2007 were as follows:

	<u>2006/</u> <u>2007</u>	<u>2006/</u> <u>2007</u>	<u>2005/</u> <u>2006</u>	<u>2005/</u> <u>2006</u>	<u>Change</u>
		%		%	
TfL	17,274	76.93	16,632	75.00	+642
Metronet Rail BCV Limited	1,813	8.07	1,950	8.80	-137
Metronet Rail SSL Limited	1,711	7.62	1,835	8.28	-124
Tube Lines Limited	1,434	6.39	1,522	6.86	-88
EDF Energy Powerlink Limited	145	0.65	158	0.71	-13
Electronic Data Systems Limited	30	0.13	31	0.14	-1
Cubic Transportation Systems Limited	29	0.13	31	0.14	-2
British Transport Police Authority	5	0.02	5	0.02	-
Tribal Technology Limited	4	0.02	4	0.02	-
Dalkia Energy & Technical Services Limited	3	0.01	-	-	+3
Thales Communications Services Limited	2	0.01	3	0.01	-1
Cadbury Limited	2	0.01	2	0.01	-
Capgemini UK plc	1	0.01	1	0.01	-
<b>Total</b>	<u>22,453</u>	<u>100.00</u>	<u>22,174</u>	<u>100.00</u>	<u>+279</u>

### 6. Disclosure of information to auditors

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

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

The Investment Report on page 19 and the Compliance Statement on page 24 form part of this Report of the Directors of the Trustee.

This Report was approved by the Directors of TfL Trustee Company Limited on 11 July 2007 and was signed on their behalf by:

SR Critchley

JC Godbold

Directors  
TfL Trustee Company Limited

## TfL Pension Fund

# Independent Auditors' Report to the Trustee of TfL Pension Fund

We have audited the Accounts of the TfL Pension Fund for the year ended 31 March 2007 which comprise the Fund Account, the Net Assets Statement and related notes. These Accounts have been prepared under the accounting policies set out therein.

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

### Respective responsibilities of the Trustee and Auditors

As described in the Statement of Trustee's responsibilities on pages 24 and 25, the Fund's Trustee is responsible for obtaining an annual report, including audited accounts prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Accounts give a true and fair view and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the Trustee's report and other information contained in the Annual Report and consider whether it is consistent with the audited Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Accounts. Our responsibilities do not extend to any other information.

### Basis of audit opinion

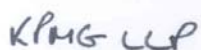
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustee in the preparation of the Accounts, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinions we also evaluated the overall adequacy of the presentation of information in the Accounts.

### Opinion

In our opinion the financial statements:

- show a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial transactions of the Fund during the Fund year ended 31 March 2007 and of the amount and disposition at that date of its assets and liabilities (other than liabilities to pay pensions and benefits after the end of the Fund year); and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.



KPMG LLP  
Chartered Accountants  
Registered Auditor  
LONDON  
11 July 2007

## TfL Pension Fund

### Fund Account

For the year ended 31 March 2007

	<u>Note</u>	<u>2007</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
<b>Dealings with members</b>					
Contributions receivable	3	218,499		207,019	
Individual transfers in from other schemes		9,865		9,380	
Group transfers in from other schemes		-		2,549	
		<u>228,364</u>		<u>218,948</u>	
Benefits payable	4	204,807		191,026	
Payments to and on account of members leaving	5	1,451		2,755	
Administrative expenses	6	3,951		3,468	
Pension levies	7	1,881		1,148	
		<u>212,090</u>		<u>198,397</u>	
<b>Net additions from dealings with members</b>			16,274		20,551
<b>Returns on investments</b>					
Investment income	8	71,638		67,683	
Change in the market value of investments	9	236,755		742,339	
Change in the market value of swaps	9	(1,817)		-	
Investment management expenses	10	(4,328)		(4,437)	
<b>Net returns on investments</b>			302,248		805,585
<b>Net increase in assets during year</b>			<u>318,522</u>		<u>826,136</u>
<b>Net assets at beginning of year</b>			<u>4,342,408</u>		<u>3,516,272</u>
<b>Net assets at end of year</b>			<u><u>4,660,930</u></u>		<u><u>4,342,408</u></u>

### Net Assets Statement

As at 31 March 2007

	<u>Note</u>	<u>2007</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
<b>Investment assets at market value</b>	9		4,650,744		4,328,704
<b>Fixed assets held for own use</b>	11		917		830
<b>Current assets</b>					
Prepayments and accrued income		61		2,890	
Cash balances		15,968		14,135	
		<u>16,029</u>		<u>17,025</u>	
<b>Current liabilities</b>					
Creditors	12	6,715		3,679	
Bank overdrafts	13	45		472	
		<u>6,760</u>		<u>4,151</u>	
<b>Net current assets</b>			9,269		12,874
<b>Net assets at end of year</b>			<u><u>4,660,930</u></u>		<u><u>4,342,408</u></u>

The Notes on pages 11 to 16 form part of these Accounts.

These Accounts were approved by the Board of Directors of TfL Trustee Company Limited on 11 July 2007 and were signed on their behalf by:

SR Critchley

JC Godbold

Directors  
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 and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised November 2002).

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 statements and certificates by the Actuary on pages 27 to 44 and these Accounts should be read in conjunction with those statements.

### 2. Accounting policies

#### (a) Inclusion of income and expenditure

##### (i) *Contribution income*

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. In the past, employers' contribution levels have been determined by the Principal Employer on the advice of the Actuary following an actuarial review. However, under new legislation, employer contributions will need to be agreed between the Trustee on the advice of the Actuary, and the Principal Employer following the actuarial valuation. All employers paid their respective contributions in accordance with the Schedules of Contributions as shown on pages 39 to 44. Employers' contributions are accounted for in the period to which the corresponding pay relates.

##### (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 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.

##### (v) *Change in the market value of investments – gains/losses on derivatives*

Gains and losses in the market value of investment and forward foreign exchange contracts are recorded in the Fund Account under Change in the market value of investments. Gains and losses in the market value of interest rate swaps are reported in the Fund Account under Change in the market value of swaps.

##### (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 currency translation*

Foreign income is translated into sterling at the rate ruling on the date the income is received. Income accrued at the year end is translated at the rate ruling at the end of the Fund year. Investments denominated in foreign currencies are translated using the sterling rate of exchange ruling at the end of the Fund year. Exchange gains and losses arising on translation of investment balances are included in the change in market value of investments shown in Note 9.

## TfL Pension Fund

Forward foreign exchange contracts held at the year-end are valued at the forward rates that match the maturity dates of the open contracts.

(viii) *Additional voluntary contributions (AVCs)*

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

(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 as follows:

Computer equipment	-	5 years
Furniture	-	5 years

### (b) Valuation of investments

Investments are included in the Net Assets Statement at their market values which are determined as follows:

- (i) UK and foreign securities quoted on a recognised stock exchange are stated at mid-market values or last traded prices ruling on 31 March 2007;
- (ii) fixed interest securities are valued at their clean prices (i.e. excluding accrued income). Accrued income is accounted for within investment income;
- (iii) pooled investment vehicles (managed funds) are stated at the average of the latest bid and offer prices quoted by the trust managers prior to 31 March 2007;
- (iv) unquoted securities are stated at the Trustee's valuation at 31 March 2007 based on the advice of the Fund's investment managers;
- (v) derivative contracts (except stock index futures contracts) are valued at mid-market values at 31 March 2007 as advised by the investment manager. Such contracts are presented gross in the notes to the accounts unless there is an agreement with the counterparty to settle on a net basis;
- (vi) stock index futures contracts are valued at exchange prices at the year-end and are reported using the economic exposure method of accounting;
- (vii) short-term deposits are valued at cost at 31 March 2007 taking into account gains or losses on foreign currency;
- (viii) AVC investments are shown at the values advised by the AVC providers.

### 3. Contributions receivable

	<u>2007</u> £'000	<u>2006</u> £'000
<b>Members</b>		
Ordinary	32,179	30,663
Additional voluntary contributions	2,349	2,393
	<u>34,528</u>	<u>33,056</u>
<b>Employers</b>		
Ordinary	183,971	173,963
<b>Total contributions receivable</b>	<u>218,499</u>	<u>207,019</u>

## TfL Pension Fund

### 4. Benefits payable

	<u>2007</u> £'000	<u>2006</u> £'000
<i>On or during retirement</i>		
Pensions	173,438	166,724
Commutation of pensions and lump sum retirement benefits	26,567	19,980
<i>Death benefits</i>		
Lump sum payments	4,802	4,322
<b>Total benefits payable</b>	<u>204,807</u>	<u>191,026</u>

### 5. Payments to and on account of members leaving

	<u>2007</u> £'000	<u>2006</u> £'000
Individual transfers out to other schemes	1,000	2,233
Gross refunds of contributions to members	293	303
State scheme premiums	158	219
<b>Total payments to and on account of members leaving</b>	<u>1,451</u>	<u>2,755</u>

### 6. Administrative expenses

	<u>2007</u> £'000	<u>2007</u> £'000	<u>2006</u> £'000	<u>2006</u> £'000
<i>Staff costs</i>				
Payroll	1,904		1,846	
Recruitment and training	22		64	
		1,926		1,910
<i>Establishment costs</i>				
Accommodation	132		132	
Computer costs	165		212	
Telecommunications	27		26	
Depreciation	177		37	
		501		407
<i>Professional fees</i>				
Legal fees	315		313	
Audit fees	131		55	
KPMG non-audit fees	33		-	
Actuarial fees	690		349	
Medical fees	64		116	
Other professional fees	78		81	
		1,311		914
<i>Communication</i>				
Distribution	78		99	
Printing	94		75	
		172		174
<i>Consumables</i>				
Stationery	12		10	
Microfilm	4		5	
General	25		48	
		41		63
<b>Total administrative expenses</b>		<u>3,951</u>		<u>3,468</u>

### 7. Pension levies

	<u>2007</u> £'000	<u>2006</u> £'000
Pension Protection Fund	1,758	1,095
Pension Regulator levies	123	53
<b>Total pension levies</b>	<u>1,881</u>	<u>1,148</u>

# TfL Pension Fund

## 8. Investment income

	<u>2007</u> £'000	<u>2006</u> £'000
Income from fixed interest securities	24,959	26,733
Dividends from equities	39,764	35,137
Income from index-linked securities	2,845	2,960
Income from pooled investment vehicles	709	417
Interest on cash deposits	2,893	2,115
Income from securities lending	224	244
Income from commission recapture	5	72
Other investment income	239	5
<b>Total investment income</b>	<u><u>71,638</u></u>	<u><u>67,683</u></u>

## 9. Investment assets at market value

	<u>2007</u> £'000	<u>2007</u> £'000	<u>2006</u> £'000	<u>2006</u> £'000
<b>Fixed interest securities</b>				
UK public sector quoted	143,990		264,803	
Other UK quoted	369,760		247,858	
Overseas public sector quoted	21,460		20,562	
Other overseas quoted	96,731		95,311	
UK bond index futures contracts	20,567		(26,349)	
Overseas bond index futures contracts	78,591		(135,916)	
		731,099		466,269
<b>Equities</b>				
UK quoted	1,068,682		975,715	
Overseas quoted	342,012		354,706	
Overseas stock index futures contracts	151,778		99,933	
		1,562,472		1,430,354
<b>Index-linked securities</b>				
UK quoted	139,623		128,536	
		139,623		128,536
<b>Pooled investment vehicles</b>				
Managed funds				
Fixed interest - UK	237,170		98,186	
Fixed interest - Overseas	13,583		-	
Index-linked - UK	565,599		473,906	
Equities - UK	1,386,913		1,487,736	
Short term investments - Overseas	132,953		91,444	
Unit trusts				
Other - UK	23,068		18,388	
Other - Overseas	11,601		-	
Property - UK	1,687		1,687	
		2,372,574		2,171,347
<b>Other investment balances</b>				
Accrued income	11,456		10,207	
Investment creditors	(1,755)		(2,422)	
Unsettled transactions	3,132		(8,586)	
		12,833		(801)
<b>Sterling cash deposits</b>				
Sterling interest earning deposits	52,555		39,830	
Cash backing open bond & stock futures	(250,936)		62,332	
		(198,381)		102,162
<b>Interest rate swaps</b>				
Assets	3,643		-	
Liabilities	(5,460)		-	
		(1,817)		-
<b>AVC scheme investments</b>		32,341		30,837
<b>Total investment assets</b>		<u><u>4,650,744</u></u>		<u><u>4,328,704</u></u>

## TfL Pension Fund

Change in value of the Investment assets	Value at 1 April 2006 £'000	Purchases At cost £'000	Sale Proceeds £'000	Change in Market Value £'000	Value at 31 March 2007 £'000
Fixed interest securities	466,269	871,994	586,793	(20,371)	731,099
Equities	1,430,354	1,642,869	1,618,617	107,866	1,562,472
Index-linked securities	128,536	536,543	525,532	76	139,623
Pooled investment vehicles	2,171,347	2,237,502	2,163,040	126,765	2,372,574
Other investment balances	(801)	13,634	-	-	12,833
Cash deposits	102,162	-	320,817	20,274	(198,381)
Interest rate swaps	-	-	-	(1,817)	(1,817)
AVC scheme investments	30,837	3,009	3,650	2,145	32,341
<b>Total investment assets</b>	<b>4,328,704</b>	<b>5,305,551</b>	<b>5,218,449</b>	<b>234,938</b>	<b>4,650,744</b>

Index futures contracts have been reported above based on their economic exposure value at the year-end. Under this basis of presentation, sold index futures, which reduce the Fund's exposure to the underlying investment sector, have a negative value and bought index futures, which increase the Fund's exposure to the underlying investment sector, have a positive value. The net economic value of futures contracts at the year-end was £250.9m which is matched by cash backing open bond and stock futures of £(250.9)m.

The investments in pooled investment vehicles are managed by companies registered in the UK.

At the 31 March 2007 £117.4m of investments were loaned under a securities lending programme against collateral of £125.1m comprising £26.7m Gilts, £19.3m overseas bonds, £8.9m UK equities, £33.0 overseas equities and £37.2m cash (2006: £142.5m loaned against £150.6m collateral).

The Fund's investment in the following managed funds represented more than 5% of the net assets at the 31 March 2007:

	£'000
Legal & General UK Equity Index	665,486
Legal & General Over 5 Years Index-Linked Gilts	565,599
Legal & General Europe (ex UK) Equity Index	489,076
Legal & General Over 15 Years Gilts Index	237,170

During the year Equitable Life, 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 direct to the providers, where they are invested on behalf of the individuals concerned and in accordance with their instructions to provide additional pension benefits, within the overall limits laid down by the Inland Revenue. Each member contributing to the AVC plan receives an annual benefit statement of their account. At the 31 March 2007, £14,892,000 (2006: £15,719,000) of the Fund's AVC investments were managed by Equitable Life, £9,459,000 by Clerical Medical (2006: £9,413,000) and £7,990,000 by Standard Life (2006: £5,705,000).

There were no employer-related investments at any time during the year ended 31 March 2007.

Interest rate swaps to hedge the interest rate risk were undertaken as part of the Fund's investment strategy to enhance returns. The valuation of the swaps at 31 March 2007 analysed by currency and time to maturity is as follows:

Currency	£'000	Time to maturity	£'000
Australian dollar	(996)	Less than 5 years	(1,248)
British pound	(540)	5 to 10 years	(1,024)
Canadian dollar	(630)	10 to 15 years	510
Euro	300	20 to 25 years	(400)
Japanese yen	(721)	25 to 30 years	345
Swedish krona	822	<b>Total interest rate swaps</b>	<b>(1,817)</b>
United States dollar	(52)		
<b>Total interest rate swaps</b>	<b>(1,817)</b>		



## TfL Pension Fund

### 10. Investment management expenses

	<u>2007</u> £'000	<u>2006</u> £'000
Administration, management and custody	4,174	4,161
Performance measurement services	21	22
Other advisory services	133	254
<b>Total investment management expenses</b>	<u>4,328</u>	<u>4,437</u>

### 11. Fixed assets held for own use

	Computer equipment £'000	Furniture £'000	Total £'000
<i>Cost at 1 April 2006</i>	1,683	140	1,823
Additions	264	-	264
Withdrawals	(630)	(68)	(698)
<b>Cost at 31 March 2007</b>	<u>1,317</u>	<u>72</u>	<u>1,389</u>
<i>Accumulated depreciation at 1 April 2006</i>	864	129	993
Depreciation charge for the year	173	4	177
Withdrawals	(630)	(68)	(698)
<b>Accumulated depreciation at 31 March 2007</b>	<u>407</u>	<u>65</u>	<u>472</u>
<b>Net book value at 1 April 2006</b>	<u>819</u>	<u>11</u>	<u>830</u>
<b>Net book value at 31 March 2007</b>	<u>910</u>	<u>7</u>	<u>917</u>

### 12. Creditors

	<u>2007</u> £'000	<u>2006</u> £'000
Unpaid benefits	2,422	1,456
Accruals and deferred income	4,293	2,223
<b>Total creditors</b>	<u>6,715</u>	<u>3,679</u>

### 13. Bank overdrafts

Bank overdrafts represent cheques drawn but not presented for payment by 31 March 2007. Interest is not payable on these sums.

### 14. Related parties

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

Transport for London pays administration and investment expenses on behalf of the Fund and subsequently recharges these to the Fund. At 31 March 2007, £458,000 (2006: £316,000) has been included in creditors in respect of administration expenses and fixed asset expenditure rechargeable to the Fund.

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

## TfL Pension Fund

### Statement of Trustee's Responsibilities in respect of Contributions

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

### Trustee's Summary of Contributions payable under the Schedules of Contributions in respect of the scheme year ended 31 March 2007

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Fund's Trustee. It sets out the employer and member contributions payable to the Fund under the Schedules of Contributions certified by the Scheme Actuary on 10 March 2004 and 29 September 2005 in respect of the scheme year ended 31 March 2007. The Fund auditor reports on contributions payable under the Schedules in the Auditors' Statement about Contributions.

#### Contributions payable under the Schedules in respect of the Fund year

	£'000
<i>Employers</i>	
Normal contributions	183,971
<i>Members</i>	
Normal contributions	32,179
<b>Contributions payable under the Schedules (as reported on by the Fund auditors)</b>	<u>216,150</u>

#### Reconciliation of contributions payable under the Schedules to contributions reported in the accounts in respect of the Fund year

	£'000
Contributions payable under the Schedules (as above)	216,150
Contributions payable in addition to those due under the Schedules (and not reported on by the Fund auditor)	
Member additional voluntary contributions	2,349
<b>Total contributions reported in the accounts</b>	<u>218,499</u>

This Report was approved by the Directors of the TfL Trustee Company Limited on 11 July 2007 and was signed on their behalf by:

SR Critchley

JC Godbold

Directors  
TfL Trustee Company Limited

## TfL Pension Fund

# Independent Auditors' Statement about Contributions, made 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 TfL Pension Fund

We have examined the summary of contributions payable under the Schedules of Contributions to the TfL Pension Fund in respect of the Fund year ended 31 March 2007 which is set out on page 17.

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

### Respective responsibilities of the Fund's Trustee and auditors

As described on page 25, the Fund's Trustee is responsible, under the Pensions Act 2004, for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employers and the active members of the Fund. The Trustee has a general responsibility for procuring that contributions are made to the Fund in accordance with the Schedules of Contributions.

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

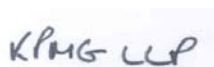
We read the Trustee's report and other information in the Annual Report and consider whether it is consistent with the Summary of Contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary of Contributions.

### Basis of statement about contributions

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the Summary of Contributions have been paid in accordance with the relevant requirements. For this purpose, the work that we carried out included 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. Our statement about contributions is required to refer to those exceptions which come to our attention in the course of our work.

### Statement about contributions payable under the Schedules

In our opinion contributions for the Fund year ended 31 March 2007 as reported in the Summary of Contributions and payable under the Schedules have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the actuary on the 10 March 2004 and on the 29 September 2005.



KPMG LLP  
Chartered Accountants  
LONDON  
11 July 2007

# 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 2. The investment managers employed during the financial year ended 31 March 2007 had discretion to invest as they saw fit within the asset classes and geographical limitations laid down by the Directors. Certain legacy investments amounting to no more than 1% of total assets are administered in-house but the Directors take appropriate investment advice in the disposition of these assets.

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

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

#### Benchmark Summary at 31 March 2007

Sector	Weight (%)	Comparison Basis
UK Equities	38.30	FTSE All-Share
European Equities	10.20	FTSE AWDev Europe ex UK
North American Equities	7.65	FTSE AW North America and FTSE AW USA (gross)
Japanese Equities	4.20	FTSE AW Japan
Pacific (excluding Japan) Equities	3.45	FTSE AW AsiaPacific ex Japan and FTSE AW Dev Asia Pac ex Japan
UK Index-Linked Gilts	16.75	FTSE A ILG (Over 5 Years)
UK Gilts	6.95	FTSE A All Stocks Gilts and FTSE A Over 15 Years Gilts
UK Non-Gilt Bonds	7.50	ML Stlg NonGilt 10+
Overseas Bonds	5.00	LB Global Aggregate Hedged
	<u>100.00</u>	

Each of the active managers has been set a target based on out-performance of a relevant index over rolling three-year periods. The Directors believe the target allocation set out below will maintain an appropriate balance between risk minimisation and return maximisation given the current and future liabilities of the Fund.

Portfolio	% of Fund	Manager
<b>Core</b>		
Index tracking - all asset classes	49.0	Legal & General Investment Management
<b>Active Specialist</b>		
Bonds	20.0	Goldman Sachs Asset Management
UK equities 1	11.0	Alliance Capital Limited
UK equities 2	11.0	Baillie Gifford & Co.
Pacific Basin equities	6.5	Nomura Asset Management UK Limited
Currency overlay (equities)	2.5	Bridgewater Associates, Inc.
	<u>100.0</u>	

The allocation of index tracking funds to market categories is regularly rebalanced to ensure that the total fund is allocated in accordance with the strategic guidelines. The Directors maintain a Statement of Investment Principles as required by the Pensions Act 1995 and the latest version is available on request from the Fund Office at the address given on page 2.

## TfL Pension Fund

### 2. Investment overview

The investment assets of the Fund as at 31 March 2007, including AVC investments, had a market value of £4,650.7m, an increase of £322.0m compared to their market value, including AVC investments, of £4,328.7m as at 31 March 2006. Investment income (i.e. dividends and interest) amounted to £71.6m for the year to 31 March 2007 compared to £67.7m for the year to 31 March 2006.

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

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

### 3. Analysis of investments

A detailed analysis of the investment assets of the Fund at 31 March 2007 is shown below.

	<u>2007</u>		<u>2006</u>	
	£m	%	£m	%
Fixed interest securities	731.1	15.7	466.3	10.8
Equities - UK	1,068.7	23.0	975.7	22.5
- Other	493.8	10.6	454.6	10.5
Index-linked securities	139.6	3.0	128.5	3.0
Pooled investment vehicles	2,372.6	51.0	2,171.4	50.2
Other investment balances	12.8	0.2	(0.8)	-
Cash deposits	(198.4)	(4.2)	102.2	2.3
Interest rate swaps	(1.8)	-	-	-
AVC scheme investments	32.3	0.7	30.8	0.7
	<u>4,650.7</u>	<u>100.0</u>	<u>4,328.7</u>	<u>100.0</u>

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

	Total		UK	North America	Europe	Japan	Other
	%	£m	£m	£m	£m	£m	£m
Direct quoted	50.1	1,562.5	1,068.7	151.8	28.4	157.3	156.3
Pooled investment vehicles	49.9	1,554.5	688.5	334.2	489.1	15.8	26.9
Total	<u>100.0</u>	<u>3,117.0</u>	<u>1,757.2</u>	<u>486.0</u>	<u>517.5</u>	<u>173.1</u>	<u>183.2</u>

The 10 largest direct UK equity holdings of the Fund as at 31 March 2007 are shown below.

	Market value £m	% of total UK equity holdings
Royal Bank of Scotland	76.3	7.1
GlaxoSmithKline	62.7	5.9
Royal Dutch Shell	53.8	5.0
Barclays Bank	50.3	4.7
BP	48.6	4.6
Vodafone	45.3	4.2
HSBC	43.5	4.1
BG Group	30.2	2.8
BHP Billiton	26.5	2.5
HBOS	21.9	2.1
	<u>459.1</u>	<u>43.0</u>

## TfL Pension Fund

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

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

	No of units held by the Fund	% of units in issue	Market value of units £m
Midlands Growth Fund	14,055	25.4	0.2
Abbotstone Property Unit Trust	2,575	56.3	1.7

#### 4. Custodial arrangements

During the year the Trustee was custodian of certain property unit trusts, venture capital funds and cash. Various brokers hold cash held in connection with Goldman Sachs and Bridgewater forward foreign exchange contracts, and Goldman Sachs interest rate swaps. The rest of the Fund's investments, comprising those assets managed by the Fund's investment managers, were held in the names of nominees by JP Morgan Chase Bank.

#### 5. Investment performance

The Fund participates in an investment performance measurement scheme organised by Mellon Analytical Solutions which provides comparative information for assessing investment performance. Mellon Analytical Solutions calculate both the overall investment returns obtained on the Fund's assets and the returns obtained by the individual investment managers.

The table below shows the total investment returns (including both capital and income) obtained on the Fund's assets (including property but excluding AVCs) for the one, three and five years to 31 March 2007 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 new structure and, as such, is of limited application to the five-year averages.

	One Year		Three Year Average		Five Year Average	
	Total Fund	Bench -mark	Total Fund	Bench -mark	Total Fund	Bench -mark
Annual Return %	5.8	6.1	13.0	12.9	7.7	7.7

The Fund assets returned 5.8%, 0.3% below its benchmark return of 6.1%.

During the year the Fund's the index-tracking portfolio was transferred from Barclays Global Investors to Legal and General Investment Management.

## TfL Pension Fund

Details of the performance of the individual portfolios in the year to 31 March 2007 compared with the previous year are shown below:

	Year to 31 March 2007		Year to 31 March 2006	
	Fund %	Benchmark %	Fund %	Benchmark %
Index-Tracking – BGI	-	-	24.0	N/A
UK Equities	-	-	28.2	28.0
US Equities	-	-	23.2	23.0
European Equities (ex. UK)	-	-	35.7	35.5
Japan Equities	-	-	48.7	48.1
Pacific Basin (ex. Japan) Equities	-	-	33.9	33.8
UK Fixed Interest	-	-	10.6	10.7
Index-linked Gilts	-	-	9.0	9.0
Index-Tracking – Legal & General	9.8 <sup>^</sup>	N/A	-	-
UK Equities	13.2 <sup>^</sup>	13.2 <sup>^</sup>	-	-
North American Equities	7.1 <sup>^</sup>	7.1 <sup>^</sup>	-	-
European Equities (ex. UK)	17.7 <sup>^</sup>	17.5 <sup>^</sup>	-	-
Japan Equities	0.6 <sup>^</sup>	0.4 <sup>^</sup>	-	-
Pacific Basin (ex. Japan) Equities	24.6 <sup>^</sup>	24.2 <sup>^</sup>	-	-
UK Fixed Interest	1.7 <sup>^</sup>	1.7 <sup>^</sup>	-	-
Index-linked Gilts	3.6 <sup>^</sup>	3.7 <sup>^</sup>	-	-
UK Equities				
Alliance Bernstein	12.6	11.1	27.9	28.0
Baillie Gifford	8.3	11.1	28.1	28.0
Barclays Global Investors	-	-	3.9*	5.0*
Far East Equities				
Nomura	-2.4	-0.2	48.7	44.9
Bonds				
Goldman Sachs	1.1	1.9	1.9#	2.0#
Henderson	-	-	5.7*	5.6*
Currency overlay				
Bridgewater – Currency forward positions	4.6	5.5	-0.2*	0.3*
Bridgewater – Cash (equitised to US equities)	11.0	11.4	4.0	4.2

\* One quarter's results (not annualised)

# Two quarters' results (not annualised)

^ Three quarters' results (not annualised)

The active managers (all the above except Legal & General and BGI) 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

### 6. AVCs

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

	Value of fund at 31 March 2007 £m	% of total	Reported returns (where declared) Year to 31 March 2007
<b><i>Equitable Life</i></b>			
With-profits fund	6.0	18.6	N/A
Unit-linked funds			
Managed	5.2	16.0	5.5%
UK Tracking	1.8	5.6	8.1%
Lifestyle	0.6	1.9	8.1%
Building Society funds	1.3	4.0	N/A
	<u>14.9</u>	<u>46.1</u>	
<b><i>Clerical Medical</i></b>			
With-profits fund	8.8	27.2	1.1%
Unit-linked funds	0.7	2.2	N/A
	<u>9.5</u>	<u>29.4</u>	
<b><i>Standard Life</i></b>			
Managed	3.8	11.8	8.0%
International	0.6	1.9	6.3%
Protection	1.4	4.3	(1.7)%
Sterling	0.6	1.9	4.1%
FTSE Tracker	0.8	2.5	9.6%
Ethical	0.2	0.6	16.6%
With Profits	0.5	1.5	2.0%
	<u>7.9</u>	<u>24.5</u>	
Total AVC scheme investments	<u>32.3</u>	<u>100.0</u>	



# TfL Pension Fund

## Compliance Statement

### 1. Introduction

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

During the year ended 31 March 2007 Dalkia Energy and Technical Services Limited entered into a Deed of Participation as non-associated employer.

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.

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

### 2. Changes to the Trust Deed and Rules of the Fund

With effect from 1 December 2006 the definition of salary for the purpose of pension benefits was adjusted to accommodate flexible benefit arrangements and the use of a reference salary for these purposes.

Other changes to the Trust Deed and Rules following government pension changes became effective from 6 April 2006 and include:

- (i) provision to take up to 25 per cent of the value of the pension at retirement as a tax-free cash lump sum
- (ii) provision to take up to 100% of benefits arising from Additional Voluntary Contributions (AVCs) as a tax-free cash lump sum, subject to the 25 per cent overall limit (including AVCs) mentioned above
- (iii) members who join from 6 April 2006 will not be able to draw pension on retirement from active or deferred status until they are at least age 55 unless they retire before 6 April 2010
- (iv) eligible children's pensions which become payable on or after 6 April 2006 can be paid only until age 23
- (v) provision for payment of pension as a one-off cash lump sum where total benefits from all schemes are no more than one per cent of the Lifetime Allowance.
- (vi) the earnings cap provision was disapplied for the calculation of lump sum death benefits on death in service

### 3. Management of the Fund

#### (a) Trustee's responsibility for preparing Accounts

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

The audited accounts are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties, audited accounts for each Fund year which:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised November 2002).

## TfL Pension Fund

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

The Fund's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from to time revised a Schedule of Contributions showing the rates of contributions payable towards the Fund by or on behalf of the employers and the active members of the Fund and the dates on or before which such contributions are to be paid. The 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 Rules of the Fund and with the Schedule of Contributions.

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

The Trustee has considered the Fund's compliance with law and regulations and is not aware of any actual or potential non-compliance with laws, regulations and the Trust Deed that could have a material effect on the ability of the Fund to conduct its affairs and therefore on the position disclosed in these Accounts.

### **(b) Board of Directors**

The 18 Directors of the Trustee, set out on page 2, are nominated as follows:

- Nine persons by TfL of whom at least five must be members of the Fund.
- One person each by: - the 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.
- 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.

### **(c) Corporate Governance**

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. In April 2007 the Pensions Regulator also published a discussion paper on the governance of work-based pension schemes. The Trustee is taking steps to follow the Pensions Regulator's guidance as it develops.

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.

## TfL Pension Fund

To achieve this the Trustee has developed a Fund Governance Scheme that includes an annual risk review carried out by The Risk Review Group, comprising 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 and Controls Register which is considered by the Audit Committee and the Board who regularly review the effectiveness of the internal controls contained therein. The planned work and audit findings of Internal and External Audit are considered by the Audit Committee throughout the year and reported to the Board annually. It should be recognised, however, that such a process can only provide reasonable, not absolute, assurance against material misstatements or loss.

The Trustee has established a management structure that clearly defines roles, responsibilities and reporting lines. These are summarised in the Fund Governance Scheme. Delegated authorities are clearly documented and reviewed regularly.

The performance of the Fund's operations and of the Trustee's 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.

#### **4. Matters relating to the Fund's investments**

The Fund's investments are invested in compliance with the Pensions Act 1995. The investment adviser and the investment managers appointed by the Trustee to advise on and manage funds are appropriately authorised under the Financial Services and Markets Act 2000. No employer-related investments were held during the year ended 31 March 2007. The Fund's Statement of Investment Principles was revised during the year to reflect changes to the Fund's advisers and revisions to individual manager portfolios.

On 2 October 2001 the Government published its response to Paul Myners' Review of Institutional Investment endorsing the ten investment principles proposed for Defined Benefit Pensions Schemes and asking schemes to comply with them on a voluntary basis. To this end the Trustee commissioned a compliance review which showed that the Fund was, or had plans to become, compliant with the principles, or explaining the reasons for any departures from them. A summary of the Fund's compliance was included in last year's Report and Account's and there have been no changes to report this year.

The Trustee has supported the Pension Fund Disclosure Code published by the Investment Management Association and the National Association of Pensions Funds in May 2002 and requires compliance by the Fund's Investment Managers with both Level One and Level Two. The Trustee also welcomed the Financial Services Authority's Consultation Paper 176 "Bundled Brokerage and Soft Commission Arrangements" published in April 2003. The ending of soft commissions and the separation of payments for execution and research, preferably on a scale fee, rather than commission, basis are seen as prerequisites for an acceptable degree of transparency in transaction costs and evidencing best execution by Managers. The voluntary approach being followed by the FSA will be monitored closely for effectiveness.

The environment in which pension funds are operating has changed significantly since the principles were first published in 2001. For that reason the National Association of Pension Funds (NAPF) has agreed to undertake a further review of compliance to be completed by October 2007. A Discussion Paper which seeks the views of a range of stakeholders on the principles was issued at the commencement of the review. The Trustee supports this development and will consider its future approach in conjunction with the results of the NAPF review.

#### **5. Transfers**

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

#### **6. Changes to the Fund's advisers**

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

## TfL Pension Fund

### Actuary's Statements and Certificates

Pages 28 to 44 contain formal statements and certificates provided by the Scheme Actuary and the Fund's Schedules of Contributions.

The statement on pages 28 to 30 sets out the financial position measured in accordance with the statutory minimum funding requirement (MFR) as at the date of the last completed actuarial valuation.

The statement on pages 31 to 33 confirms that, when the last valuation was prepared, the Scheme Actuary regarded the contributions payable to the Fund as sufficient in the normal course of events to meet the benefits as they fall due.

The certificates on pages 34 to 38 indicate whether or not, when the certificates were given, the levels of contributions then payable were adequate to meet the constraints imposed by the MFR. The certificate on page 34 confirms that this was the case for four sections of the Fund. Since the other eight sections had MFR funding levels below 100% at the last valuation date, legislation required their position to be reviewed annually. For five of these sections, the last such review (in 2005) found that the contributions were not adequate, so their schedule of contributions was replaced in September 2005. The certificate on pages 35 and 36 confirms that the contributions in the replacement schedule were adequate. For the other three sections (whose contributions were found to be adequate at the last review in 2006), the certificate on pages 37 and 38 confirms that the contributions remained adequate when this review was carried out. It will be seen that slightly different wording is used in relation to some sections from that used for others. The wording used is prescribed by legislation and depends on the estimated MFR funding level when the certificate is given. Following legislative changes there is no requirement to review these certificates again before new Schedules of Contributions are agreed when the 31 March 2006 valuation is completed.

Pages 39 to 44 contain the current Schedules of Contributions which specify the contributions that are to be paid to the Fund.

Since a valuation of the Composite section has yet to be completed, there are no certificates included for this section.

# TfL Pension Fund

## Actuarial statement (regarding MFR position)

Actuary's statement : minimum funding valuations

Actuarial statement made for the purposes of regulation 14 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

Name of scheme: LRT Pension Fund

Effective date of valuation: 31 March 2003

### 1 Compliance with minimum funding requirement

In my opinion, on the effective date the value of the assets of each section of the Fund was the following proportion of the amount of the liabilities of that section:

Public Sector Section	- 95%
Metronet Rail BCV Limited Section	- 96%
Metronet Rail SSL Limited Section	- 93%
Tube Lines Limited Section	- 93%
Seaboard Powerlink Limited Section	- 86%
Electronic Data Systems Limited Section	- over 120%
Cubic Transportation Systems Limited Section	- 99%
Instant Library Limited Section	- 82%
Strategic Rail Authority Section	- over 120%
Cadbury Limited Section	- over 120%
Thales Communication Services Limited Section	- 55%
Cap Gemini UK plc Section	- 107%

## TfL Pension Fund

### 2 Security of preferential liabilities

In my opinion, for each section of the Fund where the assets fell short of the amount of the liabilities on the effective date the assets of the section were sufficient to satisfy the liabilities of that section mentioned in section 73(3) of the Pensions Act 1995 (which lists the liabilities of schemes in the order in which they are to be met on a winding up) to the following extent –

<i>Section of Fund</i>	<i>Percentage satisfied</i>		
	<i>Liabilities within sections 73(3)(a) to (b)</i>	<i>Liabilities within sections 73(3)(c)</i>	<i>Liabilities within section 73(3)(d)</i>
Public Sector	100%	100%	71%
Metronet Rail BCV Limited	100%	100%	83%
Metronet Rail SSL Limited	100%	100%	74%
Tube Lines Limited	100%	100%	75%
Seaboard Powerlink Limited	100%	100%	46%
Cubic Transportation Systems Limited	100%	100%	97%
Instant Library Limited	100%	100%	28%
Thales Communications Services Limited	100%	78%	0%

#### Notes

- (i) Liabilities within sections 73(3)(a) to (b) are benefits derived from additional voluntary contributions and benefits (excluding future pension increases) to which entitlement had already arisen at the valuation date.
- (ii) Liabilities within section 73(3)(c) are benefits (excluding future pension increases) other than those within sections 73(3)(a) to (b).
- (iii) Liabilities within section 73(3)(d) are future pension increases.

## TfL Pension Fund

### 3 Valuation principles

The assets and liabilities of each section of the Fund are valued in accordance with section 56(3) of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN 27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries.

M D May  
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3 March 2004

Note: The valuation of the amount of the liabilities of each section of the Fund does not reflect the cost of securing those liabilities by the purchase of annuities, if the section were to have been wound up on the effective date of the valuation.

# TfL Pension Fund

## Actuarial statement (regarding security of prospective rights)

Actuary's statement : ongoing valuations

Actuarial statement made for the purposes of regulation 30 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

Name of scheme: LRT Pension Fund

Effective date of valuation: 31 March 2003

### 1 Security of prospective rights

In my opinion, the resources of each section of the Fund are likely in the normal course of events to meet in full the liabilities of that section as they fall due. In giving this opinion, I have assumed that the following amounts will be paid to each section of the Fund:

#### Description of contributions

By members: - contributions as specified in Rule 13 of the Fund's rules (these are based on 5% of the relevant pay definition)

By the employers: - contributions as set out in the following table

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<i>Section of the Fund</i>	<i>Level of employer contributions</i>		
	<i>from 1 April</i>		<i>from 1 April 2004 onwards</i>
	<i>2003 to 31</i>	<i>March 2004</i>	
	<i>(i)</i>	<i>(i)</i>	<i>(ii)</i>
Public Sector	3.05	6.10	-
Metronet Rail BCV Limited	3.25	3.50	£3.075m
Metronet Rail SSL Limited	3.25	3.55	£2.869m
Tube Lines Limited	3.20	3.45	£2.697m
Seaboard Powerlink Limited	3.50	3.80	£0.764m
Electronic Data Systems Limited	2.95	3.35	-£8,000
Cubic Transportation Systems Limited	3.55	3.90	£72,000
Instant Library Limited	3.70	4.00	£37,000
Strategic Rail Authority	3.40	3.65	£2,000
Cadbury Limited	2.75	3.30	£8,000
Thales Communications Services Limited	3.45	3.20	£16,000
Cap Gemini UK plc	3.10	3.80	£15,000

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# TfL Pension Fund

## Notes

- (i) these are the rates expressed as a multiple of the members' normal Rule 13 contributions
- (ii) the annual additional cash contribution to reflect the section's funding position; in the case of the Electronic Data Systems Limited Section the cash adjustment is a reduction, not an increase.

The rates set out above are subject to review at future actuarial valuations.

## 2 Summary of methods and assumptions used

For the purposes of Section 1 I have assumed that each section of the Fund will continue. In the normal course of events active members will continue to accrue benefits under the Fund and their benefits will be based on their actual pensionable service at cessation of active membership and their pensionable pay at that time. The liabilities referred to in Section 1 relate to the benefits which are expected to become payable under the normal operation of the Fund. They take account of future benefit accruals and include appropriate allowance for future pay increases. Allowance has also been made for the expected level of expenses charged to each section of the Fund.

The asset details on which the valuation has been based reflect the information provided in the Fund's published Annual Report and Accounts. While the accounts for the Fund as a whole are audited, those for the individual sections of the Fund are not audited.

### **Funding method : projected unit**

The projected unit method of valuation entails the following stages.

First the rate of contribution required to meet the ongoing cost of accruing benefits is assessed by calculating the percentage of members' pensionable pay that is needed to meet the cost of all the benefits accruing to active members in the year following the valuation date, with allowance for projected future pay increases.

The value placed on the accrued liabilities at the valuation date (including all the liabilities for pensioners and deferred pensioners and based on projected pensionable pay for active members) is then compared with the value placed on the assets.

The actual contribution rate payable is based on the ongoing contribution rate required to meet accruing benefits, adjusted for a temporary period to reflect the difference between the value of the accrued liabilities and the value of the assets.

## TfL Pension Fund

The ongoing contribution requirement has been assessed by reference to long-term financial assumptions. The comparison of the assets with the accrued liabilities reflects market conditions on the valuation date; the assets of each section of the Fund have therefore been taken at their market value and the discount rate for assessing the value to be placed on the accrued liabilities reflects market conditions on that day.

The adjustment to the ongoing contribution rate to reflect each section's difference in value of assets and accrued liabilities has been expressed as a multiple of the members' normal Rule 13 contributions (in the case of the Public Sector Section) and as a fixed annual cash amount (for each other section). The amortisation period is ten years (from 1 April 2004) for all sections except the Cap Gemini UK plc Section for which it is five years.

### Main financial assumptions:

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	<i>% pa</i>
<hr/>	
long-term rate of:	
investment return	6.75
general pay escalation	4.0
price inflation	2.5
pension increases (non GMP component)	2.5
market-related discount rate for assessing the Fund's accrued liabilities	
Public Sector Section	7.0
other sections	7.8

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Further details of the methods and assumptions used are set out in my actuarial valuation addressed to the Trustees dated 3 March 2004.

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3 March 2004

## TfL Pension Fund

### **Actuarial certificate given for the purposes of section 58 of the Pensions Act 1995 (Certificate of Schedule of Contributions)**

**Name of scheme:** LRT Pension Fund

*The following opinion (set out in paragraph 1) relates to each of the following sections of the Fund:*  
*Electronic Data Systems Limited Section*  
*Strategic Rail Authority Section*  
*Cadbury Limited Section*  
*Capgemini UK plc Section*

#### **1. Adequacy of rates of contributions**

I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 9 March 2004 are adequate for the purpose of securing that throughout the period it covers the section will meet the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995.

In forming this opinion I have complied with the requirements imposed by sections 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

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**10 March 2004**

## TfL Pension Fund

### **Actuarial certificate given for the purposes of section 58 of the Pensions Act 1995 (Certificate of Schedule of Contributions)**

Name of scheme: TfL Pension Fund

*The following opinion (set out in paragraph 1) relates to each of the following sections of the Fund:*

*Metronet Rail BCV Limited Section  
Metronet Rail SSL Limited Section  
Tube Lines Limited Section  
Cubic Transportation Systems Limited Section*

#### **1. Adequacy of rates of contributions**

I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 27 September 2005 are adequate for the purpose of securing that throughout the period it covers the section will meet the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995.

*The following opinions (set out in paragraphs 2 and 3) relate to the following section of the Fund:*

*EDF Energy Powerlink Section*

#### **2 Adequacy of rates of contributions**

I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 27 September 2005 are adequate for the purpose of securing that by the end of the period it covers the section will meet the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995 and are such that the amount by which the value of the section's assets falls short of the amount of the section's liabilities will be reduced by additional contributions of equal or decreasing amounts made at not more than yearly intervals throughout that period.

#### **3 Cessation of serious shortfall in assets**

In my opinion an actuarial valuation for the section as at the date 7 days before the date of this certificate would not show a shortfall as is mentioned in section 60(1) of the Pensions Act 1995 (value of scheme assets less than 90 per cent. of amount of scheme liabilities).

## TfL Pension Fund

- 4 In forming these opinions I have complied with the requirements imposed by sections 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

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29 September 2005

**Note:**

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the minimum funding requirement 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 wound up.

# TfL Pension Fund

## **Actuarial certificate given for the purposes of section 57(1)(b) of the Pensions Act 1995 (Occasional or Periodical Certification of Contributions)**

Name of scheme: TfL Pension Fund

*The following opinion (set out in paragraph 1), together with paragraph 3, relates to each of the following sections of the Fund:*

*Public Sector Section  
Instant Library Limited Section*

### **1. Adequacy of rates of contributions**

I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 9 March 2004 are adequate for the purpose of securing that the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995 will continue to be met throughout the remainder of the period covered by the schedule of contributions.

In forming this opinion I have complied with the requirements imposed by sections 56(3) and 57 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

*The following opinion (set out in paragraph 2), together with paragraph 3, relates to the following section of the Fund:*

*Thales Communications Services Limited Section*

### **2. Adequacy of rates of contributions**

I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 9 March 2004 are adequate for the purpose of securing that the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995 will be met by the end of the period covered by the schedule of contributions.

In forming this opinion I have complied with the requirements imposed by sections 56(3) and 57 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

## TfL Pension Fund

### 3. Relevant changes since last actuarial valuation

Since the last actuarial valuation of the section was prepared under section 57 of the Pensions Act 1995 the following changes which are relevant have occurred: -

- (i) investment returns on the section's assets have exceeded those assumed in the valuation
- (ii) since the valuation date, contributions received by the section have exceeded the value of accruing benefits and salary-related increases to accrued benefits.

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30 March 2006

#### Note:

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the minimum funding requirement 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 wound up.

# TfL Pension Fund

## *Schedule of contributions*

(as required under section 58 of the Pensions Act 1995)

1 **Name of scheme:** LRT Pension Fund

2 **Period covered by this schedule of contributions:**

From the date (in March 2004) on which this schedule is formally certified by the Scheme Actuary for a period of five years (in the case of those sections of the Fund listed in paragraph 4) and for a period of ten years (in the case of those sections of the Fund listed in paragraph 5).

3 **Level of member contributions payable:**

Member contributions are payable in accordance with Rule 13, with contributions based on 5% of the relevant pay definition.

4 **Level of employer contributions payable (over a period of five years):**

Employer contributions to the following sections of the Fund are based on the following multiples of the normal Rule 13 contributions payable by members of that section, together with an additional cash contribution (with effect from 1 April 2004) to reflect the section's funding position.

<i>Section of the Fund</i>	<i>Level of employer contributions</i>		
	<i>to 31 March 2004</i>	<i>from 1 April 2004 onwards</i>	
	<i>(i)</i>	<i>(i)</i>	<i>(ii)</i>
Electronic Data Systems Limited	2.95	3.35	-£8,000
Strategic Rail Authority	3.40	3.65	£2,000
Cadbury Limited	2.75	3.30	£8,000
Cap Gemini UK plc	3.10	3.80	£15,000

### **Notes**

- (i) these are the rates expressed as a multiple of the members' normal Rule 13 contributions
- (ii) the annual additional cash contribution to reflect the section's funding position; in the case of the Electronic Data Systems Limited Section the cash adjustment is a reduction, not an increase.



## TfL Pension Fund

### 5 Level of employer contributions payable (over a period of ten years):

Employer contributions to the following sections of the Fund are based on the following multiples of the normal Rule 13 contributions payable by members of that section, together with an additional cash contribution (with effect from 1 April 2004) to reflect the section's funding position.

<i>Section of the Fund</i>	<i>Level of employer contributions</i>		
	<i>to 31 March 2004</i>	<i>from 1 April 2004 onwards</i>	
	<i>(i)</i>	<i>(i)</i>	<i>(ii)</i>
Public Sector	3.05	6.10	-
Instant Library Limited	3.70	4.00	£37,000
Thales Communications Services Limited	3.45	3.20	£16,000

#### Notes

- (i) these are the rates expressed as a multiple of the members' normal Rule 13 contributions
  
- (ii) the annual additional cash contribution to reflect the section's funding position. In the case of the Thales Communications Services Limited Section the amount shown includes contributions to secure the increase in the value of the assets of the section that is required by section 60(2) of the Pensions Act 1995 of £12,514 pa payable for two years from 1 April 2004.

### 6 Due date for payment of contributions:

In accordance with Rule 13(3), member contributions are due to be paid to the Fund on or before the 5th day after the end of the period in respect of which the member's wages or salary was paid or the member's pay date, whichever is the later. Under the Pensions Act 1995 member contributions are legally due to be paid to the Fund no later than 19 days after the end of the month in which they were deducted from the member's pay. The employer undertakes to pay contributions to the Fund in accordance with the rules of the Fund. However, member contributions will not be deemed to be late under this Schedule unless they are paid later than the legal due date.

## TfL Pension Fund

Employer contributions that are expressed as a multiple of the members' Rule 13 contributions are due to be paid by the same date as the member contributions to which they relate and similarly are not deemed to be late under this Schedule unless they are paid later than the legal due date for member contributions. Employer contributions that are expressed as cash amounts are due to be paid in twelve equal instalments over each year by the 15th of each calendar month. In the case of the Electronic Data Systems Limited Section, the cash adjustment (of £8,000 a year) is deducted in twelve equal instalments over each year, with the deduction being made each month from the employer contributions payable that month that are expressed as a multiple of the members' contributions payable.

- 7 Special employer contributions shall be paid to the Fund at amounts agreed between the Trustees and the employer. Special employer contributions are due to be paid to the Fund no later than 19 days after the end of the month in which they are agreed between the Trustees and the employer.

**Note:**

This schedule of contributions relates to the payment of normal contributions to the Fund payable under Rule 13 (members) or Rule 16 (employers). It does not relate to the payment of additional voluntary contributions (AVCs) under Rule 27.

Agreed on behalf of the Trustees to the Fund

Agreed on behalf of the Principal Employer

Signed.....

Signed.....

C L Angell  
Fund Secretary  
9 March 2004

S J Timbrell  
TfL Director of Pensions  
9 March 2004

## TfL Pension Fund

### LRT Pension Fund

#### Addendum to the Schedule of Contributions

From 1 July 2004, the Strategic Rail Authority ceased to participate, and the British Transport Police Authority started to participate, in the Fund. The British Transport Police Authority was allocated to the same section of the Fund as the one in which the Strategic Rail Authority participated. The reference in the schedule of contributions to the Strategic Rail Authority section should therefore be read (with effect from 1 July 2004) as a reference to the British Transport Police Authority section.

### TfL Pension Fund

#### Addendum to the Schedule of Contributions

From 1 April 2005, Instant Library Limited ceased to participate, and Tribal Technology Limited started to participate, in the Fund. Tribal Technology Limited was allocated to the same section of the Fund as the one in which Instant Library Limited participated. The reference in the schedule of contributions to Instant Library Limited section should therefore be read (with effect from 1 April 2005) as a reference to Tribal Technology Limited section.

# TfL Pension Fund

## **Schedule of contributions**

(as required under section 58 of the Pensions Act 1995)

1      **Name of scheme:**                      **TfL Pension Fund**

*This schedule relates to the following sections of the Fund:*

*Metronet Rail BCV Limited Section  
Metronet Rail SSL Limited Section  
Tube Lines Limited Section  
EDF Energy Powerlink Section  
Cubic Transportation Systems Limited Section*

2      **Period covered by this schedule of contributions:**

From the date (in September 2005) on which this schedule is formally certified by the Scheme Actuary until 9 March 2014.

3      **Level of member contributions payable:**

Member contributions are payable in accordance with Rule 13, with contributions based on 5% of the relevant pay definition.

4      **Level of employer contributions payable (over a period of ten years):**

Employer contributions to the following sections of the Fund are based on the following multiples of the normal Rule 13 contributions payable by members of that section, together with an additional cash contribution to reflect the section's funding position.

<i>Section of the Fund</i>	<i>Level of employer contributions</i>			
	<i>to 30 September 2005</i>		<i>from 1 October 2005 onwards</i>	
	<i>(i)</i>	<i>(ii)</i>	<i>(i)</i>	<i>(ii)</i>
Metronet Rail BCV Limited	3.50	£3.075m	3.50	£3.075m
Metronet Rail SSL Limited	3.55	£2.869m	3.55	£2.869m
Tube Lines Limited	3.45	£2.697m	3.45	£2.697m
EDF Energy Powerlink Limited	3.80	£0.764m	4.20	£0.668m
Cubic Transportation Systems Limited	3.90	£0.072m	4.60	£0.115m

### **Notes**

- (i) these are the rates expressed as a multiple of the members' normal Rule 13 contributions
- (ii) these are the annual additional cash contributions to reflect the section's funding position.

## TfL Pension Fund

### 5 Due date for payment of contributions:

In accordance with Rule 13(3), member contributions are due to be paid to the Fund on or before the 5th day after the end of the period in respect of which the member's wages or salary was paid or the member's pay date, whichever is the later. Under the Pensions Act 1995 member contributions are legally due to be paid to the Fund no later than 19 days after the end of the month in which they were deducted from the member's pay. The employer undertakes to pay contributions to the Fund in accordance with the rules of the Fund. However, member contributions will not be deemed to be late under this Schedule unless they are paid later than the legal due date.

Employer contributions that are expressed as a multiple of the members' Rule 13 contributions are due to be paid by the same date as the member contributions to which they relate and similarly are not deemed to be late under this Schedule unless they are paid later than the legal due date for member contributions. Employer contributions that are expressed as cash amounts are due to be paid in twelve equal instalments over each year by the 15th of each calendar month.

### 6 Special employer contributions shall be paid to the Fund at amounts agreed between the Trustees and the employer. Special employer contributions are due to be paid to the Fund no later than 19 days after the end of the month in which they are agreed between the Trustees and the employer

#### Note:

This schedule of contributions relates to the payment of contributions to the Fund payable under Rule 13 (members) or Rule 16 (employers). It does not relate to the payment of additional voluntary contributions (AVCs) under Rule 27.

Agreed on behalf of the Trustees to the Fund

Agreed on behalf of the Principal Employer

Signed

Signed

S J Timbrell  
Fund Secretary  
27 September 2005

S R Critchley  
TfL Chief Finance Officer  
27 September 2005

## TfL Pension Fund

### Participating Employers' Unit Holdings and Asset Values Statement

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

Participating Employer	<u>Equity Fund</u>			
	<u>As at 31 March 2007</u>		<u>As at 31 March 2006</u>	
	<u>Units</u>	<u>£'000</u>	<u>Units</u>	<u>£'000</u>
Public Sector	1,816,425,949	2,621,802.5	1,906,313,862	2,500,096.4
Metronet Rail BCV Limited	93,053,083	134,311.5	122,005,968	160,008.6
Metronet Rail SSL Limited	81,678,446	117,893.5	105,559,657	138,439.6
Tube Lines Limited	82,279,605	118,761.2	108,790,809	142,677.2
EDF Energy Powerlink Limited	12,142,314	17,526.0	12,434,038	16,307.0
Cadbury Limited	135,806	196.0	130,836	171.6
Capgemini UK plc	149,058	215.1	144,688	189.8
Cubic Transportation Systems Ltd	1,261,538	1,820.9	1,292,084	1,694.5
Electronic Data Systems Limited	1,384,798	1,998.8	1,426,793	1,871.2
Tribal Technology Limited	126,159	182.1	107,224	140.6
British Transport Police Authority	264,182	381.3	255,850	335.6
Thales Communications Services Ltd	110,972	160.2	98,158	128.7
	<u>2,089,011,910</u>	<u>3,015,249.1</u>	<u>2,258,559,967</u>	<u>2,962,060.8</u>

The Equity Fund unit price at the year-end was £1.443385320 (2006 £1.311482031)

Participating Employer	<u>Bond Fund</u>			
	<u>As at 31 March 2007</u>		<u>As at 31 March 2006</u>	
	<u>Units</u>	<u>£'000</u>	<u>Units</u>	<u>£'000</u>
Public Sector	1,026,542,294	1,431,817.8	917,390,508	1,265,065.8
Metronet Rail BCV Limited	39,850,594	55,583.5	12,892,645	17,778.8
Metronet Rail SSL Limited	34,983,524	48,794.9	11,154,727	15,382.2
Tube Lines Limited	35,238,763	49,150.9	11,496,170	15,853.0
EDF Energy Powerlink Limited	6,529,699	9,107.6	6,367,520	8,780.7
Cadbury Limited	45,260	63.1	41,477	57.2
Capgemini UK plc	149,015	207.9	137,605	189.8
Cubic Transportation Systems Ltd	1,257,461	1,753.9	1,228,837	1,694.5
Electronic Data Systems Limited	461,470	643.7	452,317	623.7
Tribal Technology Limited	126,166	176.0	101,975	140.6
British Transport Police Authority	46,606	65.0	42,940	59.2
Thales Communications Services Ltd	47,563	66.3	40,009	55.2
	<u>1,145,278,415</u>	<u>1,597,430.6</u>	<u>961,346,730</u>	<u>1,325,680.7</u>

The Bond Fund unit price at the year-end was £1.394796714 (2006 £1.378982886)

	<u>31 March 2007</u>	<u>31 March 2006</u>
	<u>£'000</u>	<u>£'000</u>
Equity Fund	3,015,249	2,962,061
Bond Fund	1,597,431	1,325,681
Other (non unitised assets allocated to Public Sector)	48,250	54,666
<b>Total Net Assets at 31 March</b>	<u>4,660,930</u>	<u>4,342,408</u>



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