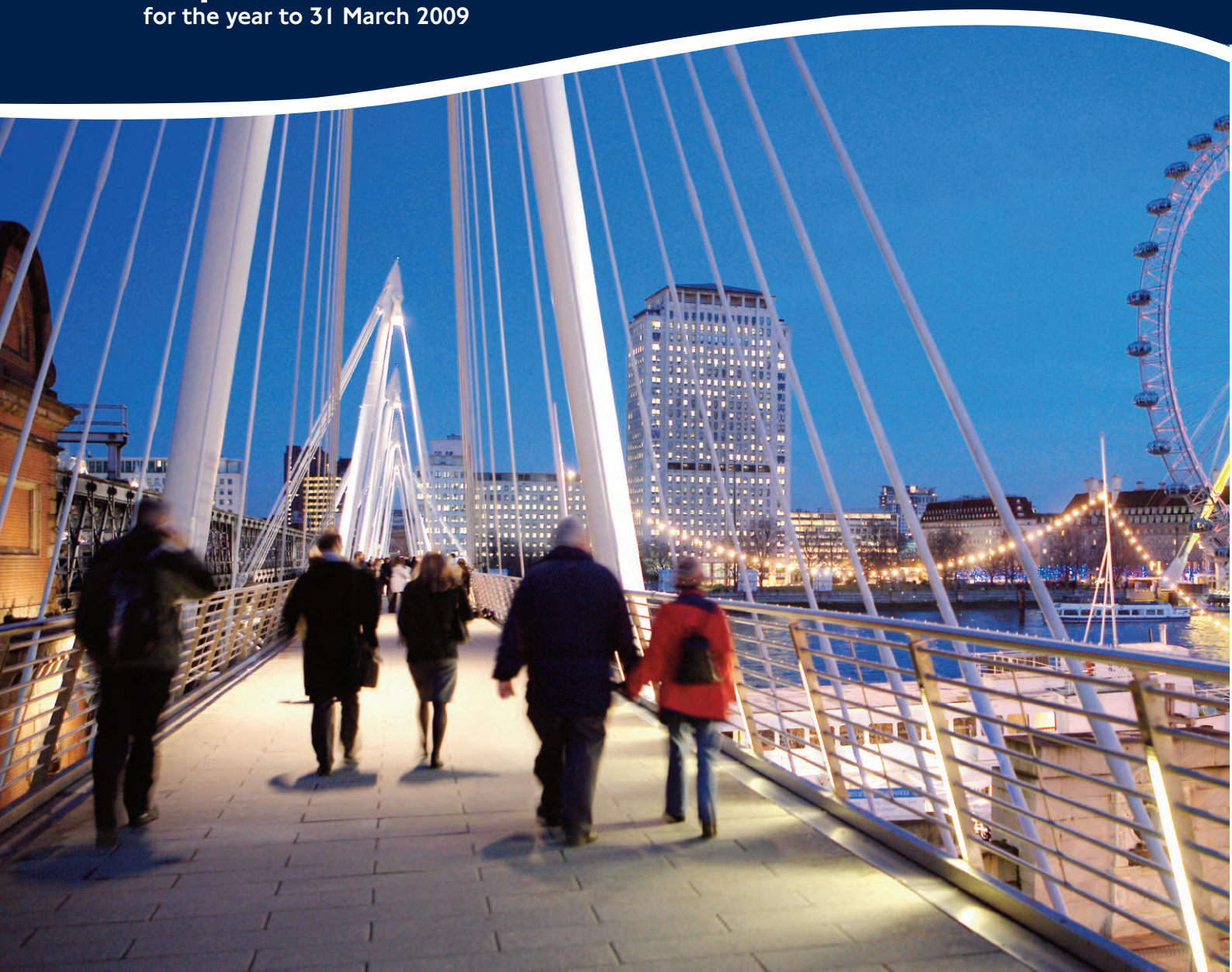


# TfL Pension Fund

## Report and Accounts

for the year to 31 March 2009



### Notice for the visually impaired

Copies of this report in large type and in a text only format are available from the Fund Office. Please write to TfL Pension Fund, 4th Floor, Wing over Station, 55 Broadway, London SW1H 0BD, or call 020 7918 3733 for your copy.



# TfL Pension Fund

## Report and Accounts for the year to 31 March 2009

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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 2009

### Trustee

TfL Trustee Company Limited

### Board of Directors of TfL Trustee Company Limited

(Nominating bodies are shown in brackets)

Mr SR Critchley (Chairman)	Chief Finance Officer, Transport for London (TfL)
Ms M Antoniou	External Appointment, Transport for London (TfL)
Ms L Arwood	Pensioner (PCC)
Mr T Chinnery	Pensioner (Unite the Union)
Mr A Cleaves	Commercial Director, Tube Lines Limited (TfL)
Mr HP Collins	Chief Operating Officer, London Underground Limited (TfL)
Mr GF Duffy	Director of Employee Relations, London Underground Limited (TfL)
Mr S Grant	District Organiser, ASLEF (ASLEF)
Mr S Gray	Group Reserve Stations Supervisor Class 1, London Underground Limited (TSSA)
Ms JV Hart	Senior Disputes Resolution Lawyer, Transport for London (TfL)
Ms C Kavanagh	Director of Performance – Surface Transport, Transport for London (TfL)
Mr I Kierans	Group HR Customer Services Delivery, Transport for London (PCC)
Mr CA Miller	Pensioner (PCC)
Mr PJ Murphy	Train Instructor, Acton Town, London Underground Limited (PCC)
Mr SR Perry	VP Asset Performance Controller, London Underground Limited (TfL)
Mr P Regan	Director of Corporate Finance, Transport for London (TfL)
Mr PW Sikorski	Assistant General Secretary, RMT (RMT)
Mr JB Timbrell	Project Engineer, Trains Division, London Underground Limited (LTJTC)

### Principal Employer

Transport for London

### Scheme Actuary

Mr 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 Transport Museum 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  
Thales Transport and Security Limited  
Tribal Technology Limited  
Tube Lines Limited

### Bankers

The Royal Bank of Scotland plc

### Communications Advisers

Talking People

### Investment Adviser

Mercer Investment Consulting

### Investment Managers

	Date of Appointment
Alliance Bernstein Limited	21 December 2001
Baillie Gifford & Co.	17 December 2001
Bridgewater Associates, Inc.	2 November 2005
Goldman Sachs Asset Management	15 June 2005
Legal & General Investment Management	14 June 2006
Nomura Asset Management UK Limited	1 September 2004
Semperian PPP Investment Partners LP	18 February 2008

### Custodian

JP Morgan Chase Bank

### Secretary to the Trustees

Mr S Field

### 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 for the year ended 31 March 2009. During this year more than most it has been financial and economic events that have dominated the news. These have affected the pensions industry as a whole and it is not surprising that the Trustee's main focus continues to be the long term security of the Fund. While we have, as usual, seen a number of changes on the Trustee Board during the year, the continuity provided by the longer serving members has ensured a mix of experience capable of handling the new demands that have emerged during the year.

The Investment Committee has had a challenging year monitoring investment performance of the underlying managers and reviewing the overall investment strategy. The Fund is currently cash positive and this position is expected to continue for the foreseeable future, so there are no immediate concerns about the impact of market falls. The Trustee Directors have therefore been able to focus on the longer term with the Fund well-positioned to take advantage of any upturn in the economic environment; seeking enhancement of performance and to the drivers of that performance and through taking steps to further diversify asset holdings. As part of these activities the working group established by the Board to populate the alternative investment portfolio has normally met monthly. Further investments have been added to the first investment noted last year with Semperian (previously named Trillium) LLP Investment Partners, an investor in a wide range of infrastructure projects. An investment was also made with Bridgewater in its Global Tactical Asset Allocation Fund. A number of other potential investments are currently under consideration by the Fund.

On investment performance, as already mentioned, the market setbacks during the year have taken their toll. The overall assets of the Fund have decreased over the past 12 months from £4.682 bn to £3.829 bn. This year's investment performance fell short of the Fund's performance benchmark by 2.3% and over the longer periods of three and five years by 1% and 0.6% respectively. More information is contained in the Investment Report starting on page 13.

A major enhancement has been made to the Pensions website during the year with the introduction of member self-service. Further details on this development were provided in the April 2009 "**Pensionews**" sent to all members.

While the events of last year for the Fund were dominated by the impact of Metronet Rail BCV Limited and Metronet Rail SSL Limited going into administration on 18 July 2007, during this year we saw the positive development of the business transfer of the former Metronet undertakings to TfL in May 2008. Following the transfer of staff to the LUL Nominee companies it has been possible to close the two new sections in the Fund which were established for Metronet REW Limited and Metronet TMU Limited as part of the scheme rescue. With the transfer of LUL Nominee staff to LUL in December 2008, LUL became the participating employer for the two former Metronet sections.

A further initiative to simplify the structure of the Fund and reduce regulatory costs has been achieved through the transfer of Tribal Technology Limited and British Transport Police Authority members into the Composite Section of the Fund. This enabled the number of Fund sections to be reduced by two.

During the year, the Trustees commenced planning for the next triennial actuarial valuation due as at 31 March 2009. A standing committee of the Board, the Actuarial Valuation Committee was established in September 2008 and this has already met several times. This will be the second actuarial valuation conducted under new regulations and its finalisation is expected by the statutory deadline of 30 June 2010.

I can report that at year-end the Trustee Board was at full strength. We welcomed Linda Arwood, Tom Chinnery, Ian Kierans and Paul Murphy to the Trustee Board during the year. In addition Tim Handley was appointed as Pensions Manager in August 2008.

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

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

Chairman

# TfL Pension Fund

8 July 2009

## Trustee's Report

The Directors of TfL Trustee Company Limited, the Trustee of TfL Pension Fund, have pleasure in submitting their Annual Report on the operations of the Fund, together with the Accounts of the Fund for the year ended 31 March 2009.

### 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 on page 7.

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

The following changes to directors occurred during the year to 31 March 2009:

Retiring Director	Date of Retirement	New Appointment	Date of Appointment	Nominating Body
Mr TJ Robson	12 June 2008	Mr PJ Murphy	12 June 2008	PCC
Mr ML Swiggs	1 September 2008	Ms L Arwood	2 October 2008	PCC
Mr J Griffiths	2 October 2008	Mr T Chinnery	2 October 2008	Unite the Union
Mr JC Godbold	30 November 2008	Mr I Kierans	24 March 2009	PCC

The table below shows the number of meetings attended by each Director in the year to 31 March 2009 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 M Antoniou	10	8	Ms L Arwood	7	7
Mr A Cleaves	13	9	Mr T Chinnery	8	8
Mr HP Collins	16	10	Mr JC Godbold	7	7
Mr SR Critchley	16	15	Mr S Grant	10	6
Mr GF Duffy	11	8	Mr S Gray	9	8
Ms JV Hart	13	12	Mr J Griffiths	3	3
Ms C Kavanagh	10	9	Mr I Kierans	1	1
Mr SR Perry	9	9	Mr CA Miller	19	19
Mr P Regan	12	10	Mr PJ Murphy	11	10
			Mr TJ Robson	1	1
			Mr PW Sikorski	10	9
			Mr ML Swiggs	4	4
			Mr JB Timbrell	15	10

The average attendance at scheduled Trustee Board and Committee meetings was 82% and 86% respectively.

# TfL Pension Fund

## Trustee's Report (continued)

### 2. Committees of the Board of Directors

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

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

<u>Committee</u>	<u>TfL Nominated</u>	<u>Non TfL Nominated</u>
<b>Investment</b>	Mr HP Collins Mr SR Critchley Mr GF Duffy Mr P Regan	Mr T Chinnery Mr CA Miller Mr PJ Murphy Mr JB Timbrell
<b>Operations</b>	Ms M Antoniou Mr A Cleaves Ms JV Hart Ms C Kavanagh	Ms L Arwood Mr I Kierans Mr CA Miller Mr PW Sikorski
<b>Audit</b>	Mr A Cleaves Ms JV Hart Mr SR Perry	Mr T Chinnery Mr S Grant Mr S Gray
<b>Appeals</b>	Mr HP Collins Mr SR Critchley Mr P Regan	Ms L Arwood Mr S Grant Mr PJ Murphy
<b>Actuarial Valuation</b>	Mr HP Collins Mr SR Critchley	Mr CA Miller Mr JB Timbrell

### 3. Committee Remits

#### Investment Committee

Keeping under review the appropriateness and, where deemed appropriate, recommending changes to the overall investment strategy of the Fund; investigating and reporting the use of new financial instruments; overseeing the investment adviser and investment managers and global custodian; keeping under review the appropriateness of investment managers, custodians, and the Fund's investment adviser.

#### Operations Committee

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

#### Audit Committee

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

#### Appeals Committee

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

# TfL Pension Fund

## Trustee's Report (continued)

### Actuarial Valuation Committee

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

## 4. Governance

### Introduction

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

During the year ended 31 March 2009, London Transport Museum Limited became a participating employer with effect from 1 April 2008. LUL Nominee BCV Limited and LUL Nominee SSL Limited were participating employers from 27 May 2008 until 7 December 2008. Metronet REW Limited and Metronet TMU Limited ceased participation in the Fund with effect from 24 March 2009.

With effect from 30 March 2009 Tribal Technology Limited ("Tribal") and British Transport Police Authority ("BTPA") became participating employers in the Composite Section in addition to Dalkia. Tribal Technology Limited and British Transport Police Authority previously participated in their own sections of TfL Pension Fund and the assets and liabilities of those sections have been transferred to the Composite Section.

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.

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

During the year the following changes to the Trust Deed and Rules have been agreed by the Trustees with Transport for London:

- (i) Allowing members who remain in service after age 65 to continue accruing additional pension as an alternative to ceasing contributions and receiving a bonus amount for the period of deferment.
- (ii) Removing the limit of 40 years for contributory membership for benefit entitlements, except in respect of ill health retirement benefits where the 40 years limit still applies.
- (iii) If changes are made to a member's salary, which relate to a period before the Assessment Day (date used to calculate the pension contributions amount) then this will be taken account of in determining the Contributory Pensionable Salary and contributions adjusted accordingly.

In addition there has been a consolidation of all rule amendments since 23 March 2000 into a new consolidated Trust Deed and Rules dated 19 December 2008, a copy of which is available on the Fund's website.

### Management of the Fund

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

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



## TfL Pension Fund

### Trustee's Report (continued)

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 May 2007).

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 time 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: - Unite the Union (previously 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.

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 2008 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.



## TfL Pension Fund

### Trustee's Report (continued)

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

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

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

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

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

#### **Governance Plan**

Following the Risk Review the Trustee has established a 1 year Governance Plan which is updated annually to use in operating and managing the Fund, covering three main areas:

(i) Mission and Goals

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

(ii) Review and Monitoring Goals, Risks and Performance

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

(iii) Specific Actions and Year Plan

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

#### **Strength of Employer Covenant**

The Trustee monitors the credit rating of the Participating Employers by taking advice from its professional advisers and by having good communication and exchange of information.

#### **Quarterly Investment Updates**

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

## TfL Pension Fund

### Trustee's Report (continued)

The Trustee monitors the performance of the investment managers each quarter. In order to increase the diversification of assets, the Trustee recommended a reduction in the amount of equities exposure to facilitate the funding of the alternative investment mandates.

#### 5. Financial review

The Accounts of the Fund for the year to 31 March 2009 have been drawn up in compliance with the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007).

The net assets of the Fund, that is the investment assets including the AVC scheme, the fixed assets held for own use, and the net current assets, amounted to £3,829.0m at 31 March 2009. The decrease of £852.6m, compared with the value at 31 March 2008 of £4,681.6m, was made up as follows:

	<u>2009</u> £m	<u>2008</u> £m
Net returns on investments	(954.8)	(27.8)
Net additions from dealings with members	102.2	48.5
	<u>(852.6)</u>	<u>20.7</u>

Net returns on investments comprised decreased market value of investments of £1,021.5m (2008: £121.3m), investment income of £69.7m (2008: £100.7m) offset by investment management expenses of £3.0m (2008: £7.2m). The decrease in market value of investments was made up of realised investment losses of £292.1m (2008: £126.5m) and unrealised investment losses of £729.4m (2008: losses of £247.8m).

The decrease in the value of investments was offset 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, administrative expenses and pension levies.

The net additions from dealings with members were £102.2m (2008: £48.5m). The additions primarily comprised contributions, which increased by £63.0m as a consequence of the annual increase in salaries and changes in employer contributions, and transfers in from other schemes which increased by £4.0m. 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 £2.3m primarily owing to the payment of the Pension Protection Fund and Pensions Regulator levies. Benefits payable increased by £10.3m, 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 20 to 29.

Details of the participating employers' unit holdings and asset values are set out in the unaudited statement on page 57.

#### 6. Actuarial valuations and actuarial reports

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

A formal valuation was carried out by the Scheme Actuary as at 31 March 2006 of each of the twelve sections that were then in existence and a formal valuation of the Composite Section carried out as at 31 March 2007. As required by legislation and the Fund's governing documents, the assumptions that the Actuary needed to make regarding such matters as future investment returns and members' longevity were agreed between the Trustees and TfL and are recorded in formal documents called Statements of Funding Principles. The process of agreeing assumptions was carried out separately for each section.

## TfL Pension Fund

### Trustee's Report (continued)

As required by legislation and the Fund's governing documents, for each of the sections that had a funding deficit the Trustees and TfL agreed a Recovery Plan which sets out how the deficit is to be made good. They also agreed a Schedule of Contributions for each of the twelve sections which shows the contributions that are to be paid for the next five years or, if longer, until the funding deficit was expected to be eliminated. They show separately the contributions required to meet future accruing benefit costs and the additional contributions that are planned to finance the funding deficits. In the case of the Cadbury Limited Section, the contributions for future service benefits have been abated in recognition of its funding surplus.

For each section with 100 or more members, legislation requires the Scheme Actuary to provide an actuarial report in each year between formal actuarial valuations to give the Trustees an approximate update of the section's funding position. Actuarial reports have therefore been provided for the five largest sections as at 31 March 2007 and 31 March 2008.

Following completion of the valuations, a Summary Funding Statement was sent to each member of the Fund which summarised the valuation results for his or her section. Further Summary Funding Statements were sent following receipt of the actuarial reports. Extracts from the 2009 Summary Funding Statements for each section are shown on pages 32 to 42.

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

#### 7. Pension increases

Deferred members and pensioners whose pension commenced on or before 1 April 2007 received an increase, with effect from 1 April 2008, of 3.9%, based, in accordance with the Fund Rules, on the increase in the Retail Price Index for the year to September 2007. For pensioners whose pension commenced after 1 April 2007, the increase was reduced pro-rata.

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

April 2004	2.8%
April 2005	3.1%
April 2006	2.7%
April 2007	3.6%
April 2008	3.9%

#### 8. Metronet

The business undertakings of Metronet were transferred to TfL on 27 May 2008 with staff transferring to new companies within TfL, LUL Nominee SSL Limited and LUL Nominee BCV Limited. On that date these two companies became the participating employers for the former Metronet sections and at the same time Metronet Rail BCV Limited and Metronet Rail SSL Limited ceased their participation in the Fund.

As part of the arrangements which followed the Metronet scheme rescue in September 2007, two separate sections of the fund were established with Metronet REW Limited and Metronet TMU Limited as their respective participating employers. Members employed by these companies transferred to LUL Nominee SSL Limited and LUL Nominee BCV Limited with effect from 1 July 2008. Subsequently the assets and liabilities of the REW and TMU sections were also transferred to the members' new sections and Metronet REW Limited and Metronet TMU Limited ceased their participation in the Fund on 24 March 2009.

In December 2008 staff employed by LUL Nominee SSL Limited and LUL Nominee BCV Limited transferred to the employment of London Underground Limited. London Underground Limited replaced LUL Nominee SSL Limited and LUL Nominee BCV Limited (which both ceased their participation in the Fund) as participating employer. The sections were renamed the LUL SSL and LUL BCV sections and remain for the time being as "New Sections" separate from the Public Sector Section.

# TfL Pension Fund

## Trustee's Report (continued)

### 9. Changes in membership during the year

During the year to 31 March 2009 total membership increased by 1,058 to 84,807. This figure comprises an increase in contributing members of 1,126, a decrease in deferred pensioners of 30, a decrease in pensioners of 10 and a decrease in dependants and eligible children of 28.

	<u>2008/ 2009</u>	<u>2008/ 2009</u>	<u>2007/ 2008</u>	<u>2007/ 2008</u>	<u>Change</u>
<b>Contributing members as at 1 April</b>	23,849		22,453		
Joiners	2,508		2,907		
	<u>26,357</u>		<u>25,360</u>		
Contributing members retiring	(409)		(495)		
Leavers taking a refund of contributions	(307)		(233)		
Leavers becoming deferred pensioners	(617)		(595)		
Leavers with less than two years service – member option decision pending	(16)		(155)		
Leavers taking a career break	-		(3)		
Deaths in service	(33)		(30)		
<b>Contributing members as at 31 March</b>		24,975		23,849	+1,126
<b>Deferred pensioners as at 1 April</b>	18,656		18,803		
Leavers becoming deferred pensioners	617		595		
	<u>19,273</u>		<u>19,398</u>		
Deferred pensions coming into payment	(519)		(606)		
Deferred pensioners taking a trivial commutation lump sum	(2)		(3)		
Deferred pensioners transferring to other schemes	(69)		(94)		
Deferred pensioner deaths	(57)		(39)		
<b>Deferred pensioners as at 31 March</b>		18,626		18,656	-30
<b>Pensioners as at 1 April</b>	30,408		30,436		
Contributing members retiring	409		495		
Deferred pensions coming into payment	519		606		
	<u>31,336</u>		<u>31,537</u>		
Pensioner deaths	(938)		(1,129)		
<b>Pensioners as at 31 March</b>		30,398		30,408	-10
<b>Dependants as at 1 April</b>	10,219		10,250		
Dependants becoming entitled to pensions	597		572		
	<u>10,816</u>		<u>10,822</u>		
Dependant deaths	(591)		(603)		
Dependants taking a trivial commutation lump sum	(1)		-		
<b>Dependants as at 31 March</b>		10,224		10,219	+5
<b>Eligible children as at 1 April</b>	617		542		
Children becoming entitled to pensions	82		117		
	<u>699</u>		<u>659</u>		
Children ceasing to be eligible	(114)		(40)		
Child deaths	(1)		(2)		
<b>Eligible children as at 31 March</b>		584		617	-33
<b>Total membership as at 31 March</b>		<u>84,807</u>		<u>83,749</u>	<u>+1,058</u>

## TfL Pension Fund

### Trustee's Report (continued)

Details of contributing members by section as at 31 March 2009 were as follows:

	<u>2008/ 2009</u>	<u>2008/ 2009</u>	<u>2007/ 2008</u>	<u>2007/ 2008</u>	<u>Change</u>
	%		%		
Transport for London	19,046	76.26	18,970	79.54	+76
LUL BCV section	2,378	9.52	1,714	7.19	+664
LUL SSL section	2,129	8.52	1,630	6.83	+499
Tube Lines Limited	1,233	4.93	1,328	5.56	-95
EDF Energy Powerlink Limited	127	0.51	137	0.57	-10
Cubic Transportation Systems Limited	26	0.10	27	0.11	-1
Electronic Data Systems Limited	23	0.09	29	0.12	-6
Composite section	9	0.04	10	0.05	-1
Thales Transport and Security Limited	2	0.01	2	0.01	-
Cadbury Limited	1	0.01	1	0.01	-
Capgemini UK plc	1	0.01	1	0.01	-
<b>Total</b>	<u>24,975</u>	<u>100.00</u>	<u>23,849</u>	<u>100.00</u>	<u>+1,126</u>

# 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 2009 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 2009

Sector	Weight (%)	Comparison Basis
UK Equities	34.61	FTSE All-Share
European Equities	9.22	FTSE AW Dev Europe ex UK
North American Equities	6.91	FTSE AW North America and FTSE AW USA (gross)
Japanese Equities	3.80	FTSE AW Japan
Pacific (excluding Japan) Equities	3.11	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
UK Cash Balances	6.15	LIBID 7 day
	<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) and liability matching assets *	48.10	Legal & General Investment Management
<b>Active Specialist</b>		
Bonds	20.00	Goldman Sachs Asset Management
UK equities 1	9.94	Alliance Bernstein Limited
UK equities 2	9.94	Baillie Gifford & Co.
Pacific Basin equities	5.87	Nomura Asset Management UK Limited
Currency overlay (equities)	-	JP Morgan
<b>Alternative Assets</b>		
Infrastructure, cash & other assets	6.15	Bridgewater Associates, Inc Semperian PPP Investment Partners LP**
	<u>100.00</u>	

\* Legal & General are in the process of constructing a portfolio which seeks to hedge a proportion of the Fund's liabilities interest rate and inflation risk.

\*\* Semperian PPP Investment Partners LP is a Limited Partnership in which the Fund has a 25.228% economic interest.

## TfL Pension Fund

### Investment Report (continued)

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

#### 2. Custodial arrangements

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

#### 3. Investment overview

The investment assets of the Fund as at 31 March 2009, including AVC investments, had a market value of £3,818.9m, a decrease of £909.4m compared to their market value, including AVC investments, of £4,728.3m as at 31 March 2008. Investment income (i.e. dividends and interest) amounted to £69.7m for the year to 31 March 2009 compared to £100.7m for the year to 31 March 2008.

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, including the Fund's interest in Semperian PPP Investment Partners LP.

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

#### 4. Analysis of investments

A detailed analysis of the investment assets of the Fund at 31 March 2009 is shown below.

	2009		2008	
	£m	%	£m	%
Fixed interest securities	564.3	14.8	694.5	14.7
Equities - UK	822.5	21.5	1,061.7	22.4
- Other	367.2	9.6	312.7	6.6
Index-linked securities	134.5	3.5	173.2	3.7
Pooled investment vehicles	1,813.7	47.5	2,369.6	50.1
Derivatives	10.3	0.3	(10.2)	(0.2)
Cash deposits	58.8	1.5	48.7	1.0
Other investment balances	18.2	0.5	46.3	1.0
AVC scheme investments	29.4	0.8	31.8	0.7
	<u>3,818.9</u>	<u>100.0</u>	<u>4,728.3</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					
Direct quoted	40.2	885.7	635.4	10.5	10.2	108.9	120.7
Direct unquoted	13.8	304.0	187.1	116.9	-	-	-
Pooled investment vehicles	46.0	1,013.5	460.2	219.4	296.0	17.0	20.9
Total	<u>100.0</u>	<u>2,203.2</u>	<u>1,282.7</u>	<u>346.8</u>	<u>306.2</u>	<u>125.9</u>	<u>141.6</u>



# TfL Pension Fund

## Investment Report (continued)

The 10 largest direct UK quoted equity holdings of the Fund as at 31 March 2009 are shown below.

	Market value	% of total UK quoted equity holdings
	£m	%
Vodafone	46.5	7.3
Royal Dutch Shell	44.2	7.0
GlaxoSmithKline	41.3	6.5
BG Group	36.6	5.7
BHP Billiton	29.7	4.7
HSBC	27.6	4.3
BP	27.1	4.3
British American Tobacco	22.4	3.5
Tesco	20.8	3.3
Imperial Tobacco	17.2	2.7
	<u>313.4</u>	<u>49.3</u>

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

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

	No of units held by the Fund	% of units in issue	Market value of units £m
Midlands Growth Fund	14,055	25.4	0.1
Abbotstone Property Unit Trust	2,575	56.3	1.7

### 5. Investment performance

The Fund participates in an investment performance measurement scheme organised by BNY Mellon Asset Servicing which provides comparative information for assessing investment performance. BNY Mellon Asset Servicing 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 2009 and the corresponding composite benchmark established by the Trustee as the prime performance comparator. The benchmark quoted is a weighted average of indices relevant to the structure and is relevant throughout the time periods shown.

	One Year		Three Year Average		Five Year Average	
	Total Fund	Bench -mark	Total Fund	Bench -mark	Total Fund	Bench -mark
Annual Return %	-16.3	-14.0	-3.9	-2.9	3.9	4.5

The Fund assets returned -16.3% for the year ending 31 March 2009, 2.3% below its benchmark return of -14.0%.

## TfL Pension Fund

### Investment Report (continued)

Details of the performance of the individual portfolios in the year to 31 March 2009 compared with the previous year are shown below:

	Year to 31 March 2009		Year to 31 March 2008	
	Fund %	Benchmark %	Fund %	Benchmark %
Index-Tracking – Legal & General	-21.3	N/A	3.3	N/A
UK Equities	-29.1	-29.3	-7.8	-7.7
North American Equities	-13.9	-14.0	-4.8	-4.8
European Equities (ex. UK)	-30.6	-31.1	2.7	2.4
Japan Equities <sup>1</sup>	N/A	-10.8	-7.2	-7.2
Pacific Basin (ex. Japan) Equities <sup>1</sup>	N/A	-22.4	-13.4	-13.4
UK Fixed Interest	8.6	8.6	5.1	5.1
Index-linked Gilts	-2.9	-2.8	13.6	13.5
LDI	0.2*	N/A	-	-
UK Equities				
Alliance Bernstein	-39.4	-29.3	-10.8	-7.7
Baillie Gifford	-26.9	-29.3	-6.3	-7.7
Far East Equities				
Nomura	-18.4	-15.7	-0.4	-2.3
Bonds				
Goldman Sachs	-8.4	0.0	3.6	3.8
Currency overlay				
Bridgewater – Currency forward positions	-4.1*	-1.3	-2.4	-5.1
Bridgewater – Cash (equitised to US equities)	-9.9*	-10.0	-5.4	-4.2
Other assets				
Bridgewater <sup>2</sup>	16.9*	0.3*	-	-
Semperian	16.1	3.6	-	-

\* Two quarter's results (not annualised)

<sup>1</sup> L & G did not have an allocation to these funds for the full period, therefore performance is not shown

<sup>2</sup> Performance shown net of fees

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

# TfL Pension Fund

## Investment Report (continued)

### 6. AVCs

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

	Value of fund at 31 March 2009	% of total	Reported returns (where declared) Year to 31 March 2009
	£m		
<b><i>Equitable Life</i></b>			
With-profits fund	5.0	17.0	N/A
Unit-linked funds			
Managed	3.1	10.5	4.7%
UK Tracking	1.0	3.4	6.9%
Lifestyle	0.4	1.4	6.9%
Building Society funds	1.0	3.4	N/A
	<u>10.5</u>	<u>35.7</u>	
<b><i>Clerical Medical</i></b>			
With-profits fund	7.1	24.1	-12.4%
Unit-linked funds	0.4	1.4	N/A
	<u>7.5</u>	<u>25.5</u>	
<b><i>Standard Life</i></b>			
Managed	4.8	16.3	-20.5%
International	0.7	2.4	-21.0%
Protection	2.9	9.9	11.8%
Sterling	0.8	2.7	-0.8%
FTSE Tracker	0.7	2.4	-30.2%
Ethical	0.2	0.7	-27.0%
With Profits	0.6	2.0	-11.2%
Managed cash	0.4	1.4	N/A
BGI Gilts	0.3	1.0	-3.6%
	<u>11.4</u>	<u>38.8</u>	
Total AVC scheme investments	<u>29.4</u>	<u>100.0</u>	

## TfL Pension Fund

### Investment Report (continued)

#### 7. 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.

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

The Compliance Statement on page 58 forms part of this Report of the Directors of the Trustee.

This Report was approved by the Board of Directors of TfL Trustee Company Limited on 8 July 2009 and was signed on their behalf by:

SR Critchley

S Gray

Directors  
TfL Trustee Company Limited

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

We have audited the Financial Statements of the TfL Pension Fund for the year ended 31 March 2009 which comprise the Fund Account, the Net Assets Statement and related notes. These Financial Statements 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 6 and 7, the Fund's Trustee is responsible for obtaining an annual report, including audited Financial Statements prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the Financial Statements 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 Financial Statements show 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 Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

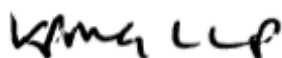
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustee in the preparation of the Financial Statements, 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 Financial Statements 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 Financial Statements.

## 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 2009 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 Scheme 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  
8 July 2009

# TfL Pension Fund

## Fund Account

For the year ended 31 March 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Dealings with members</b>					
Contributions receivable	3	321,065		258,133	
Individual transfers in from other schemes		17,991		14,019	
		<u>339,056</u>		<u>272,152</u>	
Benefits payable	4	223,906		213,585	
Payments to and on account of leavers	5	2,539		2,014	
Administrative expenses	6	4,237		4,264	
Pension levies	7	6,138		3,825	
		<u>236,820</u>		<u>223,688</u>	
<b>Net additions from dealings with members</b>			102,236		48,464
<b>Returns on investments</b>					
Investment income	8	69,670		100,686	
Change in market value of investments	9	(1,021,453)		(121,303)	
Investment management expenses	10	(3,032)		(7,206)	
<b>Net returns on investments</b>			(954,815)		(27,823)
<b>Net increase or (decrease) in the fund during year</b>			(852,579)		20,641
<b>Net assets at beginning of year</b>			4,681,571		4,660,930
<b>Net assets at end of year</b>			<u>3,828,992</u>		<u>4,681,571</u>

## Net Assets Statement

As at 31 March 2009

	Note	2009 £'000	2008 £'000
<b>Investment assets</b>	9	3,843,927	4,837,059
<b>Investment liabilities</b>	9	(25,024)	(108,793)
<b>Total net investments</b>		<u>3,818,903</u>	<u>4,728,266</u>
<b>Fixed assets held for own use</b>	11	816	919
<b>Current assets</b>	12	26,082	19,016
<b>Current liabilities</b>	13	(16,809)	(66,630)
<b>Net assets at end of year</b>		<u>3,828,992</u>	<u>4,681,571</u>

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

These Accounts were approved by the Board of Directors of TfL Trustee Company Limited on 8 July 2009 and were signed on their behalf by:

SR Critchley

S Gray

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 May 2007).

The Accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. The Accounts do not take account of the obligations to pay pensions and other benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the extracts from the Summary Funding Statements and certificates by the Actuary on pages 31 to 55 and these Accounts should be read in conjunction with those statements.

### 2. Accounting policies

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

(i) *Contributions*

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

(ii) *Transfers to and from other schemes*

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

(iii) *Benefits payable*

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

(iv) *Investment income*

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

(v) *Investment management expenses*

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

(vi) *Foreign currencies*

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

(vii) *Additional voluntary contributions (AVCs)*

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

(viii) *Depreciation*

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

Computer equipment	-	5 years
Furniture	-	5 years



# TfL Pension Fund

## Notes to the Accounts (continued)

### (b) Valuation of investments

Investments are included at values which are determined as follows:

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

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

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

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

- (vi) short-term deposits are valued at cost at 31 March 2009 taking into account gains or losses on foreign currencies;
- (vii) AVC investments are shown at the values advised by the AVC providers.

### 3. Contributions receivable

	2009 £'000	2008 £'000
<b>Employers</b>		
Normal	174,261	104,796
Deficit funding	104,026	116,094
	<u>278,287</u>	<u>220,890</u>
<b>Members</b>		
Normal	39,578	34,702
Additional voluntary contributions	3,200	2,541
	<u>42,778</u>	<u>37,243</u>
	<u>321,065</u>	<u>258,133</u>

Members' contributions are 5% of their contributory pensionable salary and are accounted for when deducted from members' pay. Employers' contributions are a multiple of the members' contributions, subject to fixed cash additions or deductions. 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 current legislation, employer contributions are 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.

# TfL Pension Fund

## Notes to the Accounts (continued)

### 4. Benefits payable

	2009 £'000	2008 £'000
Pensions	187,613	180,936
Commutations and lump sum retirement benefits	31,330	27,070
Lump sum death benefits	4,963	5,579
	<u>223,906</u>	<u>213,585</u>

### 5. Payments to and on account of leavers

	2009 £'000	2008 £'000
Individual transfers to other schemes	1,981	1,539
Refunds to members leaving service	339	281
Payments for members joining state scheme	219	194
	<u>2,539</u>	<u>2,014</u>

### 6. Administrative expenses

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Staff costs</b>				
Payroll	1,934		1,937	
Recruitment and training	11		19	
		1,945		1,956
<b>Establishment costs</b>				
Accommodation	174		139	
Computer costs	384		300	
Telecommunications	22		22	
Depreciation	265		221	
		845		682
<b>Professional fees</b>				
Legal fees	335		451	
Audit fees	102		102	
KPMG non-audit fees	11		-	
Actuarial fees	538		689	
Medical fees	55		59	
Other professional fees	52		84	
		1,093		1,385
<b>Communication</b>				
Distribution	98		93	
Printing	198		89	
		296		182
<b>Consumables</b>				
Stationery	13		15	
Microfilm	8		8	
General	37		36	
		58		59
		<u>4,237</u>		<u>4,264</u>

### 7. Pension levies

	2009 £'000	2008 £'000
Pension Protection Fund	5,936	3,654
Pension Regulator levies	202	171
	<u>6,138</u>	<u>3,825</u>

# TfL Pension Fund

## Notes to the Accounts (continued)

### 8. Investment income

	2009 £'000	2008 £'000
Income from fixed interest securities	38,984	36,006
Dividends from equities	40,899	45,043
Dividends from unquoted securities	6,817	233
Income from index-linked securities	2,911	3,561
Income from pooled investment vehicles	1,897	1,383
Income from derivatives	(25,793)	10,139
Interest on cash deposits	3,356	3,574
Income from securities lending	432	386
Other investment income	167	361
	<u>69,670</u>	<u>100,686</u>

### 9. Investments

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

	Value at 1 April 2008 £'000	Purchases at cost & derivative payments £'000	Sale proceeds & derivative receipts £'000	Change in Market Value £'000	Value at 31 March 2009 £'000
Fixed interest securities	694,512	382,409	405,381	(107,233)	564,307
Equities	1,374,333	560,527	342,717	(402,482)	1,189,661
Index-linked securities	173,173	147,792	179,571	(6,861)	134,533
Pooled investment vehicles	2,369,584	980,690	1,200,090	(336,496)	1,813,688
Derivative contracts	(10,210)	331,810	145,985	(165,267)	10,348
AVC investments	31,775	3,222	2,513	(3,114)	29,370
	<u>4,633,167</u>	<u>2,406,450</u>	<u>2,276,257</u>	<u>(1,021,453)</u>	<u>3,741,907</u>
Cash deposits	48,787				58,793
Other investment assets	71,183				32,324
Other investment liabilities	(24,871)				(14,121)
<b>Total net investments</b>	<u>4,728,266</u>				<u>3,818,903</u>

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

Transactions costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions and stamp duty. Transaction costs incurred during the year amounted to £1,774,000 (2008: £1,961,000). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investment within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

# TfL Pension Fund

## Notes to the Accounts (continued)

### b) Details of investments held at year end

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Fixed interest securities</b>				
UK public sector quoted	74,552		158,460	
UK corporate quoted	298,009		300,581	
Overseas public sector quoted	56,367		52,575	
Overseas corporate quoted	<u>135,379</u>		<u>182,896</u>	
		564,307		694,512
<b>Equities</b>				
UK quoted	635,406		967,563	
UK unquoted	187,091		94,100	
Overseas quoted	250,274		312,670	
Overseas unquoted	<u>116,890</u>		<u>-</u>	
		1,189,661		1,374,333
<b>Index-linked securities</b>				
UK public sector quoted	<u>134,533</u>		<u>173,173</u>	
		134,533		173,173
<b>Pooled investment vehicles</b>				
Managed funds				
Fixed interest - UK	743,231		229,936	
Fixed interest - Overseas	9,592		9,545	
Index-linked - UK	45,003		653,640	
Equities - UK	991,922		1,176,282	
Short term investments - Overseas	-		56,061	
Cash - UK	637		208,235	
Unit trusts				
Other - UK	13,755		19,589	
Other - Overseas	7,861		14,609	
Property - UK	<u>1,687</u>		<u>1,687</u>	
		1,813,688		2,369,584
<b>Derivative assets</b>				
Swaps - OTC	8,731		46,907	
Futures - exchange traded	1,343		507	
FX - OTC	<u>11,177</u>		<u>26,298</u>	
		21,251		73,712
<b>Cash deposits</b>				
Sterling deposits	53,654		39,344	
Foreign currency deposits	<u>5,139</u>		<u>9,443</u>	
		58,793		48,787
<b>Other investment asset balances</b>				
Amounts due from broker	488		18,468	
Outstanding trades	7,551		21,632	
Outstanding dividend entitlements and recoverable withholding tax	<u>24,285</u>		<u>31,083</u>	
		32,324		71,183
<b>AVC investments</b>				
		29,370		31,775
<b>Total investment assets</b>				
		<u>3,843,927</u>		<u>4,837,059</u>

## TfL Pension Fund

### Notes to the Accounts (continued)

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Derivative liabilities</b>				
Swaps – OTC	(5,523)		(54,461)	
Futures – exchange traded	(445)		-	
FX – OTC	(4,935)		(29,461)	
		(10,903)		(83,922)
<b>Other investment liability balances</b>		(14,121)		(24,871)
<b>Total investment liabilities</b>		<u>(25,024)</u>		<u>(108,793)</u>
<b>Total net investments</b>		<u>3,818,903</u>		<u>4,728,266</u>

#### c) Pooled investment vehicles

The Fund's investment in the following managed funds represented more than 5% of the net assets at the 31 March 2009:

	£'000
Legal & General LDI Portfolio implementation	713,836
Legal & General UK Equity Index	446,488
Legal & General Europe (ex UK) Equity Index	295,970
Legal & General North America Equity Index	219,429

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

#### d) Derivative assets

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

##### Interest rate and credit default swaps

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

Nature	Country	Nominal amount	Currency	Duration	Asset value at year end £'000	Liability value at year end £'000
Interest rate swaps	Canada	94,120,000	CAD	2013-2035	539	(590)
	Europe	16,370,000	EUR	2010-2014	661	-
	Japan	11,870,000,000	JPY	2013-2014	-	(1,452)
	Korea	15,568,000,000	KRW	2011	-	(52)
	UK	97,560,000	GBP	2013-2039	4,475	(917)
	USA	37,290,000	USD	2014-2048	721	(2,512)
Credit default swaps	Europe	7,150,000	EUR	2013-2014	298	-
	USA	80,350,000	USD	2013	2,037	-
					<u>8,731</u>	<u>(5,523)</u>

## TfL Pension Fund

### Notes to the Accounts (continued)

#### Futures

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

Nature	Country	Nominal amount	Duration	Asset value at year end	Liability value at year end
				£'000	£'000
UK Long Gilt	Bought	472	June 2009	882	-
German Bonds	Bought	142	June 2009	-	(37)
German Bonds	Sold	(377)	June 2009	-	(102)
German Index-Linked	Bought	292	June 2009	128	-
Japanese Bonds	Sold	(1)	June 2009	4	-
US Long Bonds	Bought	103	June 2009	329	-
US Treasury Bonds	Sold	(58)	June 2009	-	(143)
US Treasury Bonds	Sold	(145)	June 2009	-	(163)
				<u>1,343</u>	<u>(445)</u>

#### Forward foreign exchange

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

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

Contract	Settlement date	Currency bought	Currency sold	Asset value at year end	Liability value at year end
				£'000	£'000
Forward OTC	1 month	Various	Various	90	(2,167)
Forward OTC	3 months	Various	Various	11,087	(2,768)
				<u>11,177</u>	<u>(4,935)</u>

#### e) AVC investments

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

	2009 £'000	2008 £'000
Standard Life	11,333	9,509
Equitable Life	10,520	13,159
Clerical Medical	7,517	9,107
	<u>29,370</u>	<u>31,775</u>

#### f) Securities lending

The Fund lends certain fixed interest and equity securities under a Trustee approved securities lending programme. At the 31 March 2009 £151.2m of investments were loaned under a securities lending programme against collateral of £165.9m comprising £61.1m overseas bonds, £29.0m UK equities, £34.2m overseas equities, £36.2m cash, and Gilts of £5.4m (2008: £326.9m loaned against £353.5m collateral).

# TfL Pension Fund

## Notes to the Accounts (continued)

### g) Self investment

There were no employer-related investments at any time during the year ended 31 March 2009.

### 10. Investment management expenses

	2009 £'000	2008 £'000
Administration, management and custody	2,644	6,908
Performance measurement services	24	22
Other advisory services	364	276
	<u>3,032</u>	<u>7,206</u>

### 11. Fixed assets held for own use

	Computer equipment £'000	Furniture £'000	Total £'000
<i>Cost at 1 April 2008</i>	1,540	72	1,612
Additions	162	-	162
Withdrawals	(37)	-	(37)
<i>Cost at 31 March 2009</i>	<u>1,665</u>	<u>72</u>	<u>1,737</u>
<i>Accumulated depreciation at 1 April 2008</i>	624	69	693
Depreciation charge for the year	262	3	265
Withdrawals	(37)	-	(37)
<i>Accumulated depreciation at 31 March 2009</i>	<u>849</u>	<u>72</u>	<u>921</u>
<i>Net book value at 1 April 2008</i>	<u>916</u>	<u>3</u>	<u>919</u>
<i>Net book value at 31 March 2009</i>	<u>816</u>	<u>-</u>	<u>816</u>

### 12. Current assets

	2009 £'000	2008 £'000
<i>Debtors</i>		
Contributions due from employer in respect of:		
Employer	7,036	3,177
Prepayments and accrued income	13,134	13,197
	<u>20,170</u>	<u>16,374</u>
Cash balances	5,912	2,642
	<u>26,082</u>	<u>19,016</u>

### 13. Current liabilities

	2009 £'000	2008 £'000
<i>Creditors</i>		
Unpaid benefits	3,081	3,395
Accrued expenses and deferred income	12,361	63,192
	<u>15,442</u>	<u>66,587</u>
Bank overdrafts	1,367	43
	<u>16,809</u>	<u>66,630</u>



## TfL Pension Fund

### Notes to the Accounts (continued)

Accrued expenses and deferred income for 2008 included £58,386,000 employer contributions relating to the 2008/09 financial year. This prepayment was received as part of the amount of £157,000,000 paid by Transport for London to the Fund on 31 August 2007 in accordance with the Schedule of Contributions.

Bank overdrafts represent cheques drawn but not presented for payment by 31 March 2009. 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 2009, £443,000 (2008: £430,000) has been included in creditors in respect of administration expenses and fixed asset expenditure rechargeable to the Fund.

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

## TfL Pension Fund

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

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

### Trustee's Summary of Contributions payable under the Schedules of Contributions in respect of the scheme year ended 31 March 2009

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 in respect of the scheme year ended 31 March 2009. 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	174,261
Deficit funding	104,026
<i>Members</i>	
Normal contributions	39,578
<b>Contributions payable under the Schedules (as reported on by the Fund auditors)</b>	<u>317,865</u>

#### Reconciliation of contributions payable under the Schedules of Contributions reported in the Accounts in respect of the Fund year

	£'000
Contributions payable under the Schedules (as above)	317,865
Contributions payable in addition to those due under the Schedules (and not reported on by the Fund auditor)	
Member additional voluntary contributions	3,200
<b>Total contributions reported in the accounts</b>	<u>321,065</u>

This Report was approved by the Board of Directors of TfL Trustee Company Limited on 8 July 2009 and was signed on their behalf by:

SR Critchley

S Gray

Directors  
TfL Trustee Company Limited

## TfL Pension Fund

### Summary Funding Statements and Actuary's Certificates

Pages 32 to 42 contain extracts from the 2009 Summary Funding Statements. There is a separate statement for each section of the Fund. Pages 43 to 55 contain a formal certificate for each section provided by the Scheme Actuary to the effect that, in his opinion:

- when the certificates were given, the contributions shown in the section's Schedule of Contributions were expected to be sufficient to meet the "statutory funding objective"
- by the end of the period covered by the Schedule (this form of words applies to those sections which had funding shortfalls at their last actuarial valuations); or
- throughout the period covered by the Schedule (this form of words applies to those sections which had funding surpluses at their last actuarial valuations);
- the Schedule is consistent with the section's Statement of Funding Principles.

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

Cadbury Limited Section

**Extract from the 2009 Summary Funding Statement**

**The last ongoing funding valuation**

The most recent funding valuation showed that, on 31 March 2006, the funding position of the Section was as follows:

Assets	£0.229 million
Amount needed to provide benefits earned to 31 March 2006	£0.165 million
Surplus	£0.064 million
Funding level	139%

The estimated amount needed on 31 March 2006 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £0.111 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

**Next funding valuation**

The next formal valuation is as at 31 March 2009 and the results will be included in the 2010 summary funding statement.

**Other matters**

The Trustee is required to tell you by law that there has not been any payment to Cadbury Limited out of the funds of TfL Pension Fund since the date of the last summary funding statement sent to you. Also that the Pensions Regulator has not exercised its statutory powers to modify the Section's benefits or to determine the outcome of the actuarial valuation or the contributions to be paid to the Section.

## Capgemini UK plc Section

### Extract from the 2009 Summary Funding Statement

#### The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2006, the funding position of the Section was as follows:

Assets	£0.380 million
Amount needed to provide benefits earned to 31 March 2006	£0.424 million
Shortfall	£0.044 million
Funding level	90%

As a result Capgemini UK plc ("Capgemini") paid a one-off contribution of £0.035m in July 2007 with the aim of eliminating the ongoing deficit. This amount took account of contributions, benefit accruals, expenses and interest since the valuation date. This deficit payment is in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service.

The estimated additional amount needed on 31 March 2006 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £0.402 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

#### Next funding valuation

The next formal valuation is as at 31 March 2009 and the results will be included in the 2010 summary funding statement.

#### Other matters

The Trustee is required to tell you by law that there has not been any payment to Capgemini out of the funds of TfL Pension Fund since the date of the last summary funding statement. Also that the Pensions Regulator has not exercised its statutory powers to modify the Section's benefits or to determine the outcome of the actuarial valuation or the contributions to be paid to the Section.

## Composite Section

### Extract from the 2009 Summary Funding Statement

#### The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2007, the funding position of the Section was as follows:

Assets	£0.131 million
Amount needed to provide benefits earned to 31 March 2007	£0.163 million
Shortfall	£0.032 million
Funding level	80%

As a result Dalkia Energy & Technical Services Limited ("Dalkia") agreed to pay a one-off contribution of £0.032m in June 2008 with the aim of eliminating the ongoing deficit. This amount takes account of contributions, benefit accruals, inter-section transfer payments, expenses and interest since the valuation date. This deficit payment is in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service.

The estimated additional amount needed on 31 March 2007 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £0.207 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

#### Next funding valuation

The next formal valuation is as at 31 March 2009 and the results will be included in the 2010 summary funding statement.

#### Other matters

With effect from 30 March 2009 Tribal Technology Limited ("Tribal") and British Transport Police Authority ("BTPA") became participating companies in the Composite Section in addition to Dalkia. Tribal and BTPA previously participated in their own sections of TfL Pension Fund and the assets and liabilities of those sections have been transferred to the Composite Section.

The Trustee is required to tell you by law that there has not been any payment to Dalkia, Tribal or BTPA out of the funds of TfL Pension Fund since the date of the last summary funding statement. Also that the Pensions Regulator has not exercised its statutory powers to modify the Section's benefits or to determine the outcome of the actuarial valuation or the contributions to be paid to the Section.

## TfL Pension Fund

### Cubic Transportation Systems Limited Section

#### Extract from the 2009 Summary Funding Statement

##### The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2006, the funding position of the Section was as follows:

Assets	£3.389 million
Amount needed to provide benefits earned to 31 March 2006	£4.008 million
Shortfall	£0.619 million
Funding level	85%

As a result Cubic Transportation Systems Limited ("CTS") paid a one-off contribution of £0.572m in July 2007 with the aim of eliminating the ongoing deficit. This amount took account of contributions, benefit accruals, expenses and interest since the valuation date. This deficit payment is in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service.

The estimated additional amount needed on 31 March 2006 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £4.265 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

##### Next funding valuation

The next formal valuation is as at 31 March 2009 and the results will be included in the 2010 summary funding statement.

##### Other matters

The Trustee is required to tell you by law that there has not been any payment to CTS out of the funds of TfL Pension Fund since the date of the last summary funding statement sent to you. Also that the Pensions Regulator has not exercised its statutory powers to modify the Section's benefits or to determine the outcome of the actuarial valuation or the contributions to be paid to the Section.



## EDF Energy Powerlink Limited Section

### Extract from the 2009 Summary Funding Statement

#### The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2006, the funding position of the Section was as follows:

Assets	£25.09 million
Amount needed to provide benefits earned to 31 March 2006	£32.23 million
Shortfall	£7.14 million
Funding level	78%

As a result EDF Energy Powerlink Limited ("EDF") paid a one-off contribution of £7.235m in July 2007 with the aim of eliminating the ongoing deficit. This amount took account of contributions, benefit accruals, expenses and interest since the valuation date. This deficit payment is in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service.

The estimated additional amount needed on 31 March 2006 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £36.8 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

#### Change in funding position

The ongoing funding position was last assessed as at 31 March 2008, when the funding level was estimated to be 86% with a shortfall of £5.4 million. This assessment was not a formal valuation, but measured the position in an approximate manner consistent with that used for the 2006 valuation, taking account of membership changes since then. In the last summary funding statement it was stated that the ongoing funding level as at 31 March 2007 was estimated to be 80% with a shortfall of £6.7 million. The improvement in the funding position between 31 March 2007 and 31 March 2008 was due primarily to contributions paid into the Section exceeding the estimated cost of new benefit accrual, partly offset by poor investment returns. The next formal valuation is as at 31 March 2009 and the results will be included in the 2010 summary funding statement.

#### Other matters

The Trustee is required to tell you by law that there has not been any payment to EDF out of the funds of TfL Pension Fund since the date of the last summary funding statement sent to you. Also that the Pensions Regulator has not exercised its statutory powers to modify the Section's benefits or to determine the outcome of the actuarial valuation or the contributions to be paid to the Section.

Electronic Data Systems Limited Section

Extract from the 2009 Summary Funding Statement

**The last ongoing funding valuation**

The most recent funding valuation showed that, on 31 March 2006, the funding position of the Section was as follows:

Assets	£2.495 million
Amount needed to provide benefits earned to 31 March 2006	£2.432 million
Surplus	£0.063 million
Funding level	103%

The estimated additional amount needed on 31 March 2006 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £2.771 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

**Next funding valuation**

The next formal valuation is as at 31 March 2009 and the results will be included in the 2010 summary funding statement.

**Other matters**

The Trustee is required to tell you by law that there has not been any payment to Electronic Data Systems Limited ("EDS") out of the funds of TfL Pension Fund since the date of the last summary funding statement sent to you. Also that the Pensions Regulator has not exercised its statutory powers to modify the Section's benefits or to determine the outcome of the actuarial valuation or the contributions to be paid to the Section.

## LUL BCV Section

### Extract from the 2009 Summary Funding Statement

The section was formerly known as the LUL Nominee BCV Limited Section and prior to that the Metronet Rail BCV Limited Section.

#### **The last ongoing funding valuation**

The most recent funding valuation showed that, on 31 March 2006, the funding position of the Section was as follows:

Assets	£177.8 million
Amount needed to provide benefits earned to 31 March 2006	£199.7 million
Shortfall	£21.9 million
Funding level	89%

As a result Metronet Rail BCV Limited agreed to pay £4.086m each year for a seven year period from 1 April 2007 to 31 March 2014 with the aim of eliminating the ongoing deficit over seven years. Following the Metronet business transfer to LUL Nominee BCV Limited in May 2008 a lump sum payment of £20.128m was made in lieu of the remaining deficit payments. These deficit payments are in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service.

The estimated additional amount needed on 31 March 2006 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £231.6 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

#### **Change in funding position**

The ongoing funding position was last assessed as at 31 March 2008, when the funding level was estimated to be 75% with a shortfall of £64 million. This assessment was not a formal valuation, but measured the position in an approximate manner consistent with that used for the 2006 valuation, taking account of membership changes since then. In the last summary funding statement it was stated that the ongoing funding level as at 31 March 2007 was estimated to be 89% with a shortfall of £23 million. The deterioration in the funding position between 31 March 2007 and 31 March 2008 was due to poor investment returns, partly offset by contributions paid into the Section exceeding the estimated cost of new benefit accrual. The next formal valuation is as at 31 March 2009 and the results will be included in the 2010 summary funding statement.

#### **Other matters**

London Underground Limited ("LUL") replaced LUL Nominee BCV Limited as the participating employer in December 2008.

The Trustee is required to tell you by law that there has not been any payment to LUL Nominee BCV Limited or LUL out of the funds of TfL Pension Fund since the date of the last summary funding statement sent to you. Also that the Pensions Regulator has not exercised its statutory powers to modify the Section's benefits or to determine the outcome of the actuarial valuation or the contributions to be paid to the Section.

## TfL Pension Fund

### LUL SSL Section

#### Extract from the 2009 Summary Funding Statement

The section was formerly known as the LUL Nominee SSL Limited Section and prior to that the Metronet Rail SSL Limited Section.

##### **The last ongoing funding valuation**

The most recent funding valuation showed that, on 31 March 2006, the funding position of the Section was as follows:

Assets	£153.8 million
Amount needed to provide benefits earned to 31 March 2006	£178.4 million
Shortfall	£24.6 million
Funding level	86%

As a result Metronet Rail SSL Limited agreed to pay £4.532m each year for a seven year period from 1 April 2007 to 31 March 2014 with the aim of eliminating the ongoing deficit over seven years. Following the Metronet business transfer to LUL Nominee SSL Limited in May 2008 a lump sum payment of £22.325m was made in lieu of the remaining deficit payments. These deficit payments are in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service.

The estimated additional amount needed on 31 March 2006 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £211.1 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

##### **Change in funding position**

The ongoing funding position was last assessed as at 31 March 2008, when the funding level was estimated to be 73% with a shortfall of £64 million. This assessment was not a formal valuation, but measured the position in an approximate manner consistent with that used for the 2006 valuation, taking account of membership changes since then. In the last summary funding statement it was stated that the ongoing funding level as at 31 March 2007 was estimated to be 86% with a shortfall of £27 million. The deterioration in the funding position between 31 March 2007 and 31 March 2008 was due primarily to poor investment returns, partly offset by contributions paid into the Section exceeding the estimated cost of new benefit accrual. The next formal valuation is as at 31 March 2009 and the results will be included in the 2010 summary funding statement.

##### **Other matters**

London Underground Limited ("LUL") replaced LUL Nominee SSL Limited as the participating employer in December 2008.

The Trustee is required to tell you by law that there has not been any payment to LUL Nominee SSL Limited or LUL out of the funds of TfL Pension Fund since the date of the last summary funding statement sent to you. Also that the Pensions Regulator has not exercised its statutory powers to modify the Section's benefits or to determine the outcome of the actuarial valuation or the contributions to be paid to the Section.

## Public Sector Section

### Extract from the 2009 Summary Funding Statement

#### The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2006, the funding position of the Section was as follows:

Assets	£3,820 million
Amount needed to provide benefits earned to 31 March 2006	£4,012 million
Shortfall	£192 million
Funding level	95%

As a result TfL agreed to pay deficit contributions of 9.25% of pensionable salaries from 1 April 2007 to 31 March 2010 and 0.75% of pensionable salaries from 1 April 2010 in order to eliminate the shortfall by 31 March 2017. These deficit payments are in addition to regular contributions (from members and TfL) which are intended to cover the cost of benefits for future service. TfL made an advance payment of £157 million in August 2007 in respect of some of its future contributions.

The estimated additional amount needed on 31 March 2006 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £2,949 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

#### Change in Funding Position

The ongoing funding position was last assessed as at 31 March 2008, when the funding level was estimated to be 84% with a shortfall of £773 million. This assessment was not a formal valuation, but measured the position in an approximate manner consistent with that used for the 2006 valuation, taking account of membership changes since then. In the last summary funding statement it was stated that the ongoing funding level as at 31 March 2007 was estimated to be 97% with a shortfall of £114 million. The deterioration in the funding position between 31 March 2007 and 31 March 2008 was due primarily to poor investment returns, partly offset by contributions paid into the Section exceeding the estimated cost of new benefit accrual. The next formal valuation is as at 31 March 2009 and the results will be included in the 2010 summary funding statement.

#### Other matters

The Trustee is required to tell you by law that there has not been any payment to TfL out of the funds of TfL Pension Fund since the date of the last summary funding statement sent to you. Also that the Pensions Regulator has not exercised its statutory powers to modify the Section's benefits or to determine the outcome of the actuarial valuation or the contributions to be paid to the Section.

## TfL Pension Fund

### Thales Transport and Security Limited Section

#### Extract from the 2009 Summary Funding Statement

##### The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2006, the funding position of the Section was as follows:

Assets	£0.184 million
Amount needed to provide benefits earned to 31 March 2006	£0.330 million
Shortfall	£0.146 million
Funding level	56%

As a result Thales Transport and Security Limited ("Thales") agreed to pay a one-off contribution of £0.076m in August 2007 and a further £0.076m in August 2008 with the aim of eliminating the ongoing deficit. These amounts took account of contributions, benefit accruals, expenses and interest since the valuation date. These deficit payments are in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service.

The estimated additional amount needed on 31 March 2006 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £0.477 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

##### Next funding valuation

The next formal valuation is as at 31 March 2009 and the results will be included in the 2010 summary funding statement.

##### Other matters

The Trustee is required to tell you by law that there has not been any payment to Thales out of the funds of TfL Pension Fund since the date of the last summary funding statement sent to you. Also that the Pensions Regulator has not exercised its statutory powers to modify the Section's benefits or to determine the outcome of the actuarial valuation or the contributions to be paid to the Section.

## Tube Lines Limited Section

### Extract from the 2009 Summary Funding Statement

#### The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2006, the funding position of the Section was as follows:

Assets	£158.5 million
Amount needed to provide benefits earned to 31 March 2006	£166.3 million
Shortfall	£7.8 million
Funding level	95%

As a result Tube Lines Limited ("Tube Lines") agreed to pay £0.861m in the year to 31 March 2008, £1.561m in the year to 31 March 2009, £1.661m in the year to 31 March 2010 and £1.377m in each of the years from 1 April 2010 to 31 March 2014 with the aim of eliminating the ongoing deficit over seven years. These deficit payments are in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service.

The estimated additional amount needed on 31 March 2006 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £194.8 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

#### Change in funding position

The ongoing funding position was last assessed as at 31 March 2008, when the funding level was estimated to be 76% with a shortfall of £52 million. This assessment was not a formal valuation, but measured the position in an approximate manner consistent with that used for the 2006 valuation, taking account of membership changes since then. In the last summary funding statement it was stated that the ongoing funding level as at 31 March 2007 was estimated to be 95% with a shortfall of £8 million. The deterioration in the funding position between 31 March 2007 and 31 March 2008 was due primarily to poor investment returns, partly offset by contributions paid into the Section exceeding the estimated cost of new benefit accrual. The next formal valuation is as at 31 March 2009 and the results will be included in the 2010 summary funding statement.

#### Other matters

The Trustee is required to tell you by law that there has not been any payment to Tube Lines out of the funds of TfL Pension Fund since the date of the last summary funding statement sent to you. Also that the Pensions Regulator has not exercised its statutory powers to modify the Section's benefits or to determine the outcome of the actuarial valuation or the contributions to be paid to the Section.

## **Actuary's certification of schedule of contributions**

Name of section: **TfL Pension Fund – British Transport Police Authority Section**

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to continue to be met for the period for which the schedule is to be in force.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 12 July 2007.

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

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

**Date 23 July 2007**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**



## **Actuary's certification of schedule of contributions**

Name of section: **TfL Pension Fund – Cadbury Limited Section**

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to continue to be met for the period for which the schedule is to be in force.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 12 July 2007.

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

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

**Date 23 July 2007**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

## **Actuary's certification of schedule of contributions**

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

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to be met by the end of the period specified in the recovery plan dated 12 July 2007.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 12 July 2007.

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

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

**Date 23 July 2007**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

## **Actuary's certification of schedule of contributions**

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

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2007 to be met by the end of the period specified in the recovery plan dated 13 June 2008.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 13 June 2008.

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

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

**Date 19 June 2008**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

## **Actuary's certification of schedule of contributions**

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

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to be met by the end of the period specified in the recovery plan dated 12 July 2007.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 12 July 2007.

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

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

**Date 23 July 2007**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

## **Actuary's certification of schedule of contributions**

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

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to be met by the end of the period specified in the recovery plan dated 12 July 2007.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 12 July 2007.

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

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

**Date 23 July 2007**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

## **Actuary's certification of schedule of contributions**

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

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to continue to be met for the period for which the schedule is to be in force.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 12 July 2007.

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

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

**Date 23 July 2007**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

## **Actuary's certification of schedule of contributions**

Name of section: **TfL Pension Fund – Metronet Rail BCV Limited Section**

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to be met by the end of the period specified in the recovery plan dated 17 January 2008.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 17 January 2008.

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

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

**Date 22 January 2008**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

## **Actuary's certification of schedule of contributions**

Name of section: **TfL Pension Fund – Metronet Rail SSL Limited Section**

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to be met by the end of the period specified in the recovery plan dated 17 January 2008.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 17 January 2008.

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

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

**Date 22 January 2008**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**



## **Actuary's certification of schedule of contributions**

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

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to be met by the end of the period specified in the recovery plan dated 12 July 2007.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 12 July 2007.

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

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

**Date 23 July 2007**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

## **Actuary's certification of schedule of contributions**

Name of section: **TfL Pension Fund – Thales Communications Services Limited Section**

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to be met by the end of the period specified in the recovery plan dated 9 August 2007.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 9 August 2007.

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

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

**Date 13 August 2007**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

## **Actuary's certification of schedule of contributions**

Name of section: **TfL Pension Fund – Tribal Technology Limited Section**

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to be met by the end of the period specified in the recovery plan dated 30 July 2007.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 30 July 2007.

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

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

**Date 31 July 2007**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

## **Actuary's certification of schedule of contributions**

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

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

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2006 to be met by the end of the period specified in the recovery plan dated 31 August 2007.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 31 August 2007.

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

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

**Date 12 September 2007**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

# **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 2009 which is set out on page 30.

This statement is made solely to the Fund's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to it in an 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 Trustee and Auditors**

As described on page 7, 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.

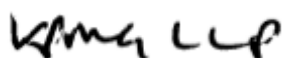
We read the Trustee's report and other information in the Annual Report and consider whether it is consistent with the Summary of Contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary of Contributions.

## **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. 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 2009 as reported in the Summary of Contributions and payable under the Schedule have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the actuary on the 23 July 2007, 31 July 2007, 13 August 2007, 12 September 2007, 22 January 2008 and 19 June 2008.



KPMG LLP  
Chartered Accountants  
LONDON  
08 July 2009

## TfL Pension Fund

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

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

Participating Employer	Equity Fund			
	As at 31 March 2009		As at 31 March 2008	
	Units	£'000s	Units	£'000s
Public Sector	1,816,393,466	1,626,640.8	1,628,793,378	2,201,519.1
LUL BCV section	128,750,051	115,300.0	97,739,600	132,107.4
LUL SSL section	118,135,010	105,793.8	88,098,559	119,076.3
Tube Lines Limited	88,680,641	79,416.5	83,064,733	112,272.4
EDF Energy Powerlink Limited	16,241,095	14,544.4	15,530,293	20,991.1
Cadbury Limited	126,509	113.3	102,287	138.3
Capgemini UK plc	212,299	190.1	174,170	235.4
Cubic Transportation Systems Ltd	1,839,330	1,647.2	1,547,330	2,091.4
Composite section	631,716	565.7	68,467	92.5
Electronic Data Systems Limited	1,656,305	1,483.3	1,483,897	2,005.7
Tribal Technology Limited	-	-	175,420	237.1
British Transport Police Authority	-	-	279,608	377.9
Thales Transport and Security Ltd	239,827	214.8	156,851	212.0
	<u>2,172,906,249</u>	<u>1,945,909.9</u>	<u>1,917,214,593</u>	<u>2,591,356.6</u>

The Equity Fund unit price at the year-end was £0.895533313 (2008 £1.351625750)

Participating Employer	Bond Fund			
	As at 31 March 2009		As at 31 March 2008	
	Units	£'000s	Units	£'000s
Public Sector	488,538,272	679,135.0	1,078,303,078	1,614,439.6
LUL BCV section	35,546,339	49,414.3	37,815,450	56,617.4
LUL SSL section	32,615,655	45,340.2	34,085,332	51,032.7
Tube Lines Limited	24,483,658	34,035.6	32,137,744	48,116.8
EDF Energy Powerlink Limited	5,633,707	7,831.6	7,549,355	11,302.9
Cadbury Limited	27,166	37.8	30,781	46.1
Capgemini UK plc	136,764	190.1	157,235	235.4
Cubic Transportation Systems Ltd	1,184,906	1,647.2	1,396,878	2,091.4
Composite section	219,129	304.6	26,490	39.7
Electronic Data Systems Limited	355,667	494.4	446,538	668.6
Tribal Technology Limited	-	-	158,363	237.1
British Transport Police Authority	-	-	44,545	66.7
Thales Transport and Security Ltd	66,213	92.0	60,686	90.9
	<u>588,807,476</u>	<u>818,522.8</u>	<u>1,192,212,475</u>	<u>1,784,985.3</u>

The Bond Fund unit price at the year-end was £1.390136628 (2008 £1.497203899)

	31 March 2009	31 March 2008
	£'000s	£'000s
Equity Fund	1,945,910	2,591,357
Bond Fund	818,523	1,784,985
Alternative assets (allocated to Public Sector)	1,020,973	305,549
Other (non unitised assets allocated to Public Sector)	43,586	(320)
<b>Total Net Assets at 31 March</b>	<u>3,828,992</u>	<u>4,681,571</u>

# TfL Pension Fund

## Compliance Statement

### 1. Scheme Advisers

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

### 2. Transfers

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

### 3. Changes to the Fund's advisers

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

### 4. Pension Tracing Service

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

The Pension Tracing Service can be contacted at:

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

### 5. Complaints Procedure

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

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

The Pensions Advisory Service (TPAS)

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

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

Pensions Ombudsman

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

Telephone 020 7630 2200

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

## For further help or information

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

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

**Telephone:** 020 7918 3733  
**Email:** [helpdesk@tflpensionfund.co.uk](mailto:helpdesk@tflpensionfund.co.uk)  
**Website:** [www.tflpensionfund.co.uk](http://www.tflpensionfund.co.uk)