

TFL Pension Consultative Council (PCC)

Summary of minutes of Meeting 125 held on the 26 January 2023

Election of Chair

Eddie Darroch was re-elected unopposed as Chair.

Election of Vice Chair

Mark Harding was re-elected unopposed as Vice-Chair.

Administration Report for Quarter Ending 30 September 2022

The PCC noted the service provider's report to the Trustee of the TfL Pension Fund.

Report of Trustee Board Meeting held 2 December 2022

From April to September 2022, market conditions changed significantly due to events like the mini-budget and rising gilt yields. The Fund's funding level remained in a good position. The Fund's Liability Driven Investments (LDI) were resilient due to low leveraged exposure.

TfL's covenant assessment remains "Strong," bolstered by a £500m finance facility from the GLA.

An update was provided on TfL Pensions Review through the lens of the covenant provider which indicated that a move to a public sector basis with a Crown guarantee (positive impact on covenant), close the scheme to new accruals and future entrants (negative impact on covenant and maintain the status quo (neutral impact on covenant).

The Fund responded to tPR's call for information, with no further contact.

The minimum pension age will rise to 57 from April 2028, with some protections for earlier retirement ages.

The Annual Sustainability Report was approved, focusing on Social ESG and avoiding greenwashing. Continued work on de-risking using the actuarial surplus, with TfL supporting the current strategy of 0.1% per annum.

Investment Committee approved Semperian's Cory 2 investment proposal.

Actuarial Valuation Committee noted TfL's workshops with the DfT on the Pension Review, emphasising the Fund's modest average pensions.

Member guides are being updated. A separate website is under development. Pension increases for 2023 set at 12.6% for existing members and 5% for new members.

Appeals Committee met only once in 2022, indicating effective Fund Office performance. Discussed potential updates to the IDRP.

Legal & General's AVC performance remains strong, though call times are longer than usual.

Fund Office representatives attended a London Assembly session on pensions and ESG with no major outcomes reported.

This report highlights the Fund's resilience in challenging markets, strategic focus on sustainability, and operational improvements, while addressing ongoing regulatory and agreement considerations.

Trustee News Update

The Committee had no comments for the news update.

Pension Fund Sustainability Report 2022 and TCFD Statement 2022

Cathy Oates and Luke Howard addressed concerns about the 2022 Sustainability Report and the TCFD Statement. The TCFD framework aims to guide companies in disclosing climate-related financial risks in areas such as governance, strategy, risk management, metrics, and targets. The Fund's target is to reduce the carbon intensity of investments by 55% by 2030 (compared to 2016 levels). Ms. Oates highlighted limited progress since 2020, as indicated by the graph on page 10 of the Sustainability Report.

The TCFD Statement revealed overexposure to coal, creating a "transition risk." Oil and gas investments underperformed benchmarks and contradicted the Fund's claim of having a comprehensive and industry-leading net zero plan.

Cathy Oates questioned the rationale for continuing investments in fossil fuel companies engaged in new exploration and exploitation, which conflicts with climate mitigation goals. Cathy Oates suggested the PCC send a representation to the Trustee raising these issues.

A draft representation prepared by Cathy Oates was considered too general by the PCC, and she was asked to rewrite it for further discussion at a future meeting. This discussion emphasised the need for the Fund to align its investment strategy more closely with its net zero commitments and address the identified discrepancies in its reports.

Pensioners Forum Minutes for meeting held on 10 November 2022

Minutes were noted.

PWG Minutes for Meeting held on 7 November 2022 and Agenda for Meeting held on 26 January 2023

Minutes were noted.