TfL Pension Fund Review

November 2022

Joint Trade Union Update

As you will be aware as part of the Government 'three step' Long-term Funding Settlement process TfL have been forced to lay out options in respect of reforming the TfL Pension Fund. The Government weaponised the financial support given to TfL during the pandemic and its immediate aftermath to demand £100m of savings to TfL future service pension costs. The second step of this process was announced on Friday 14th October 2022 and has been submitted to the Government. While the Government has stipulated that there should be no more than two reform options the 69-page Pensions Position Paper submitted outlines in fact three options which are under the following headings:

Option one: a future service Career Average Revalued Earning (CARE) pension scheme based on the Local Government Pension Scheme (LGPS)

Option two: a future service CARE pension scheme based on the Principle Civil Service Pension Scheme (PCSPS)

Option three: no change to the current TfL Pension Fund

It needs to made clear from the start that neither of the first two options have been agreed or indeed discussed by your trade unions. Members continue to accrue benefits in the same way as before the review into the TfL Pension Fund began.

However, it needs to be made absolutely clear that the first two proposals represent a massive financial risk to your future service retirement expectations if implemented, and while TfL management have gone to great pains to outline in their submission that they believe the first two options above will be detrimental to members, it is transparent to us that these proposals haven't just been made for the sake of appeasing the Government. They are designed to cut Government funding of TfL at the expense of workers retirement provision i.e. to make workers poorer in retirement, work longer, and pay more in contributions. It is significant that the Employer deliberately downplayed the 'do-nothing' option in its lengthy response to Government. Instead, the Employer pushed strong arguments to divest itself of responsibilities to meet liabilities for past service in exchange for handing over the Pension Fund's £14bn assets – money you have paid into the Fund. This would involve the Fund being put into the public sector. This would undermine all indexation protections for future pensions in payment.

Our view is simple – this exceptionally well-run Pension Fund is well funded and doesn't need reforming. The only option that should be considered is 'no change'.

The Government is demanding that £100m of pension costs is saved per annum but completely ignores the fact that TfL are already saving £70m pa as a result of the 2021 actuarial valuation results which showed a surplus of £179m.

So what are the proposals management have outlined to Government in their Pension Option Paper even though they know their employees will be worse off in retirement:

1. Changing how benefits are built up from Final Salary to CARE. This will result in your pension at retirement being based on an average of your pensionable salary throughout your service instead of your final pensionable salary at retirement. **This will ultimately result in you receiving a lower**

pension and smaller lump sum

2. Increasing the Normal Retirement Age (NRA) to either 65 or to the State Pension Age (SPA) which is due to increase to age 68. While members of the TfL Pension Fund can currently take their benefits in full at age 60 any increase in the NRA **will result in a reduction of benefits if a member takes their pension before the age of 65 or the SPA**
3. Pension contributions could be increased (see below). **You will pay more for less**
4. Pensions in payment are currently increased in line with RPI and it is proposed that future increases will be based on the lower method of inflation CPI which would be capped at 5% for all members. **This will make you poorer in retirement**

The Pensions Position Paper is quite explicit when it outlined what this means to members when it gives several examples of what individual grades can expect to lose when they retire.

The examples below have been taken from the paper and illustrate what a current TfL Pension Fund member can expect to lose following 10 years of retirement if the proposed future pension changes were implemented.

CARE Design	Retirement Age	Increases to Pensions	Member Contributions	Accrual Rate
TfL Pension Fund	60	RPI	5% fixed	1/60ths
CARE 1	65	CP1 capped at 5%	5% fixed	1/70ths or 1/49ths
CARE 2	SPA (AGE 68)	CP1 capped at 5%	5% tiered	1/60ths or 1/49ths

Job Title	CARE 1 (a) (1/70ths)	CARE 1 (b) 1/49ths	CARE 2 (a) (1/60ths)	CARE 2 (b) (1/49ths)
CSA	-36%	-9%	-32%	-16%
Train Operator	-36%	-9%	-31%	-16%
Service Control Op	-36%	-9%	-31%	-16%
Pay Band 3	-36%	-9%	-31%	-16%
Pay Band 4	-36%	-9%	-31%	-16%
Pay Band 5	-36%	-9%	-31%	-16%

Key: Retiring with 13 years pensionable service at age 60

Put into simple terms a pensioner at age 70 who retired on an average pension of £8,500pa can expect to lose a staggering £3,060pa under CARE 1 (a) or £1,360pa under CARE 2(a).

The above modelling, which is fundamentally designed on the LGPS and PCSPS Public Sector schemes, would not necessarily result in savings for TfL and in fact would result in additional pension costs. As an example, providing benefits based on the PCSPS CARE 1 (a) design would increase TfL's pensions costs by at least £14m pa.

The LGPS design, which is seen as less generous arrangement for members when compared to the PCSPS, would not generate the saving of £100m being targeted by the Government.

The simple truth is that TfL are dancing to tune of Government by predictably making two proposals which were on the cards long before the TfL Pension Fund review began. We have no faith in this process which we believe is allowing TfL management to hide behind Government policy which is aimed at making our members poorer while cutting the TfL funding budget. The Government expressed deep hostility to the TfL Pension Fund over many months of discussions with the Employer. The Employer is now acting through on government wishes.

All your Trade Unions are 100% committed in protecting not only your future pension rights **but also** your past service accrual. It is our view that it is a fundamental right of all workers that they have dignity in retirement, and this can only be achieved by decent workplace pension provision. Government and management may argue that other Public Sector workers have had to make changes to their pension provision, but we reiterate the TfL Pension Fund is a well management and well-funded pension scheme and ultimately **this is not a race to the bottom.**

It is expected that Government will respond to the Pensions Position Paper by the end of March 2023 and while we will be pushing that no changes are made, we will be making it crystal clear that if they propose to make any changes, we will vigorously defend our members right to a decent pension in retirement.

The Trade Unions intend to keep meeting over the coming weeks and we will keep you the members fully informed of any developments.