

TfL Pension Fund

Report and Accounts

for the year to 31 March 2019



Notice for the visually impaired

Copies of this document 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 3792 for your copy.



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TfL Pension Fund

Report and Accounts for the year to 31 March 2019

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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 and Trust Deed and Rules may be viewed on the TfL Pension Fund's Website, www.tfl.gov.uk/pensions

Pension Schemes Registry scheme reference number: 10165351

TfL Pension Fund

Organisation and Advisers as at 31 March 2019

Trustee

TfL Trustee Company Limited

Board of Directors of TfL Trustee Company Limited

(Nominating bodies are shown in brackets)

Ms M Antoniou (Chair)	External Appointment (TfL)
Ms T Ashton	General Manager, Docklands Light Railway, Transport for London (TfL)
Mr ME Binnington	Head of Corporate Finance, Structured Finance, Transport for London (TfL)
Mr LP Brown	Service Performance Manager, Transport for London (Unite the Union (T&GWU))
Ms J Collis	Director of Health, Safety and Environment, Transport for London (TfL)
Mr G Dean	Train Operator, London Underground Limited (ASLEF)
Mr SW Ellaby	Assistant HSE Manager, HSE Assurance and Improvement, Transport for London (TSSA)
Mr MA Evers	Chief Customer Officer, Transport for London (TfL)
Ms S Folarin	Internal Auditor, Risk & Assurance, Transport for London (PCC)
Mr S Hedley	Senior Assistant General Secretary, RMT (RMT)
Mr M Hurwitz	Director of Transport Innovation, Transport for London (TfL)
Mr P Kilius-Smith	Pensioner (PCC)
Ms MJ Kingsley	Head of Group Tax, Group Financial Accounting, Transport for London (TfL)
Ms L Matson	Director of Transport Strategy, Transport for London (TfL)
Mr CA Miller	Pensioner (PCC)
Mr PJ Murphy	Train Instructor, Northfields, London Underground Limited (PCC)
Mr N Pickup	Head of Commercial Property, Transport for London (TfL)
Mr JB Timbrell	Manufacturing Engineer, London Underground Limited (Unite the Union (Amicus))

TfL Pension Fund

Organisation and Advisers as at 31 March 2019 (continued)

Principal Employer

Transport for London

Participating Employers

Transport for London
Docklands Light Railway Limited
London Bus Services Limited
London Buses Limited
London River Services Limited
London Transport Museum Limited
London Underground Limited
Rail for London (Infrastructure) Limited
Transport Trading Limited
Tube Lines Limited
Victoria Coach Station Limited
British Transport Police Authority
Cubic Transportation Systems Limited
Thales Transport and Security Limited

Secretary to the Trustee

Mr S Field

Auditor

KPMG LLP

Fund Actuary

Mr G Oxtoby, Willis Towers Watson

Investment Managers

AQR Capital Management, LLC
Anchorage Capital Group LLC
Ardevora Asset Management LLP
BlackRock Investment Management (UK) Limited
Blue Mountain Capital Partners LLC
Brevan Howard Asset Management, LLP
Bridgewater Associates, Inc.
CBRE Global Collective Investors UK Limited
Colonial First State Global Asset Management
Coronation International Limited
Credit Suisse AG
Goldman Sachs Asset Management
IFC Asset Management Company, LLC
Industry Funds Management Pty Limited
J O Hambro Capital Management Limited
JP Morgan Asset Management
Man Asset Management Ltd
Neuberger Berman Alternatives Advisers LLC
Nomura Asset Management UK Limited
Oak Hill Advisors, LP
Paradice Investment Management Pty Limited
Partners Group (UK) Limited
Pzena Investment Management, LLC
Russell Implementation Services Limited
Semperian PPP Investment Partners Holdings Limited
SCM ManCo 1 Limited
Siguler Guff & Company, LP
Stonepeak Associates III LLC
Veritas Asset Management LLP
Wellington Management Company, LLP

Legal Advisers

Sacker & Partners LLP

Communications Advisers

Hughes Communications

Independent Medical Adviser

Dr S Sheard

Fund Employer Covenant Reviewer

Penfida Limited

Bankers

The Royal Bank of Scotland plc

Investment Adviser

Willis Towers Watson

Custodian & Investment Performance Monitoring

JP Morgan Investor Services

AVC Providers

Clerical Medical
Equitable Life
Standard Life

Transition Investment Manager

Citigroup Global Markets Limited

Date of Appointment

2 September 2014
3 July 2017
29 June 2015
1 September 2014
1 August 2017
18 February 2013
2 November 2005
11 September 2013
15 December 2009
24 July 2013
9 December 2015
15 June 2005
15 March 2013
24 May 2013
5 January 2010
15 January 2018
26 April 2018
24 October 2014
1 September 2004
1 August 2012
24 June 2014
4 June 2010
24 June 2013
8 December 2011
18 February 2008
21 June 2018
10 December 2009
26 April 2018
7 July 2015
5 November 2012

TfL Pension Fund

Chair's Introduction

I am pleased to present my review as Chair for the year ended 31 March 2019. A key achievement this year has been the completion of the triennial valuation well in advance of the 30 June 2019 deadline. This has taken place against a background of greater regulatory scrutiny for large pension arrangements such as ours and of increased financial challenges for TfL as the principal sponsoring employer following the withdrawal of government grants.

As the Fund is sectionalised, there were two valuations required to be undertaken. For the Public Sector Section which contains TfL and its subsidiary employing companies, assets at 31 March 2018 were £10,321m. This represents an increase of 24% since the last valuation. Liabilities were £10,924m which represents an increase of 26% since the last valuation. For the much smaller Composite Section which contains the non-TfL participating employers, the assets of £16.6m as at 31 March 2018 exceeded liabilities by £4.1m.

In order to address the shortfall of £603m for the Public Sector Section at the valuation date of 31 March 2018, the Recovery Plan produced as part of the valuation settlement sets out the deficit contributions required which are expected to eliminate the shortfall by 31 May 2026. In addition, the Trustee and TfL have signed a Pension Funding Agreement which provides additional security through an annual review of any excess of liabilities over assets. Additional deficit contributions may become payable if the excess is above the pre-agreed amount. This settlement marks the end of a constructive approach of both parties to the negotiation and in their dealings with the Pensions Regulator. This is never a given, as the press coverage of high profile pension controversies occurring during the year has illustrated.

Since the valuation date, assets have increased by £621.7m to £10,959.5m as at 31 March 2019, while liabilities are estimated to have increased by a greater amount. The importance of employer support and the Trustee's attention on both the Fund's asset and liability components remain crucial in seeking to ensure the security of member benefits.

There has been one termination of an investment manager during this year with another taking place after year end. There have been three new investment manager appointments, but this is only part of the investment picture as there has also been change to the portfolios of a number of existing managers. This has involved both additions and disinvestments together with new portfolios being established.

Both the Alternatives and Liability Hedging Committee and the Investment Committee, working with our investment advisers, Willis Towers Watson and the Fund Office continue to actively manage the Fund's investments in order to optimise the risk/return profile through identifying new opportunities and in responding promptly to market developments. This year's investment performance was 5.3%, below the stretch benchmark return of 6.8% by 1.5%, while over the longer period of three years the return was 9.6% per year, below the benchmark by 1.5%. Over five years returns were 8.0% per year, 1.1% behind the benchmark. More information is contained in the Investment Report starting on page 15.

Following on from becoming a signatory of the UN Principles of Responsible Investment, the Fund issued its foundation Sustainability Report in December 2018 and more recently updated its Statement of Investment Principles to further embed its approach to the consideration of environmental, social and governance factors as part of the investment process and the involvement in collaborative action such as its role as supporting investor on three company engagements in the Climate Action 100+ initiative.

This focus on the Fund's investments is not to ignore their underlying purpose in providing benefits either currently or in the future to its membership of almost 86,000. The day to day administration of the Fund continues to be a significant undertaking. Over 61,000 tasks were completed by the Fund Office during the year and the service level agreement targets achievement was 99.7% for the year.

The diligent work carried out by the Actuarial Valuation Committee is evidenced by the actuarial valuation settlement which has already been referred to above, but the work of the other Committees (Operations, Audit and Appeals) and the Trustee Board itself in carrying out their respective responsibilities has also contributed greatly to supporting good governance in all the Fund's activities.

During the year we welcomed Mark Evers, Sonja Folarin and Miriam Kingsley to the Trustee Board and at year-end the Trustee Board was at full strength. 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 trust knowledge and understanding. All Trustee Directors have completed and passed the Pension Regulator's Trustee Toolkit with the exception of a new Trustee Director who has six months to do so.

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, Fund Actuary, Investment and Legal Advisers, Investment Managers, Custodian, Auditor and not least the Fund Office and Fund Secretary for their support.

TfL Pension Fund

Trustee's Report

The Directors of TfL Trustee Company Limited, the Trustee of TfL Pension Fund, have the pleasure of submitting their Annual Report on the operations of the Fund, together with the Accounts of the Fund for the year ended 31 March 2019.

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 also shown on page 8.

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 and after the year to 31 March 2019 :

Retiring Director	Date of Retirement	New Appointment	Date of Appointment	Nominating Body
Ms RJ Kerry	19 October 2018	Mr MA Evers	7 December 2018	TfL
Mr S White	1 September 2018	Ms MJ Kingsley	7 December 2018	TfL
Mr SA Mobbs	24 January 2019	Ms S Folarin	29 March 2019	PCC
Ms MJ Kingsley	30 June 2019	Ms R Doherty	5 July 2019	TfL

The table below shows the number of scheduled Trustee Board and Committee meetings attended by each Director listed below, in the year to 31 March 2019, against the total number that they were eligible to attend.

TfL Nominated Directors	No. of meetings	No. of attendances	Non-TfL Nominated Directors	No. of meetings	No. of attendances
Ms M Antoniou	12	11	Mr LP Brown	17	15
Ms T Ashton	13	11	Mr G Dean	16	16
Mr ME Binnington	19	17	Mr SW Ellaby	15	15
Ms J Collis	13	11	Ms S Folarin	1	1
Mr MA Evers	5	4	Mr S Hedley	8	4
Mr M Hurwitz	11	9	Mr P Kilius-Smith	12	10
Ms MJ Kingsley	6	6	Mr CA Miller	12	10
Ms L Matson	14	11	Mr PJ Murphy	24	23
Mr N Pickup	19	16	Mr JB Timbrell	19	18

The average attendance for the Directors listed above at scheduled Trustee Board and Committee meetings was 86% TfL nominated and 88% non-TfL nominated 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 six 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.

Committee	TfL Nominated	Non-TfL Nominated
Investment	Mr ME Binnington Ms L Matson Mr N Pickup Mr MA Evers	Mr LP Brown Mr P Kilius-Smith Mr PJ Murphy Mr JB Timbrell
Alternatives and Liability Hedging	Mr ME Binnington Mr N Pickup	Mr PJ Murphy Mr JB Timbrell
Operations	Ms T Ashton Ms J Collis Ms L Matson Ms MJ Kingsley	Mr LP Brown Mr G Dean Ms S Folarin Mr PJ Murphy
Audit	Ms J Collis Mr M Hurwitz Ms MJ Kingsley	Mr LP Brown Mr G Dean Mr S Hedley
Appeals	Ms T Ashton Mr M Hurwitz Mr MA Evers	Mr G Dean Mr SW Ellaby Mr P Kilius-Smith
Actuarial Valuation	Ms M Antoniou Ms MJ Kingsley	Mr SW Ellaby Mr CA Miller

3. Committee Remits

Investment Committee

Covers investment matters concerning equities and bonds, including strategy and the appointment and monitoring of Investment Managers, Investment Adviser and the Custodian.

Alternatives and Liability Hedging Committee

Covers investment matters concerning alternative assets and liability hedging, including strategy, the appointment and monitoring of Investment Managers and monitoring the overall benchmark for the Fund's portfolio.

Operations Committee

Monitoring the Service Provider's (Transport for London) performance under the Administration Agreement and Fund Rules; monitoring quarterly cash flow, income/expenditure and capital expenditure budgets; instructing the Fund Secretary to prepare the brief to professional advisers to the Fund and to monitor their performance and 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; 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.

TfL Pension Fund

Trustee's Report (continued)

Appeals Committee

To hear appeals as the second stage adjudicator under the Internal Disputes Resolution Procedure.

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.

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.

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 under the Finance Act 2004.

Changes to the Trust Deed and Rules of the Fund

There have been no changes to the Fund Rules.

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 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.

(b) Statement of Trustee's responsibilities for the accounts

The audited accounts, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, 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 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.

The Trustee has supervised the preparation of the accounts and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for:

- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up Fund, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pensions legislation, which they should ensure is consistent with the accounts it accompanies.

TfL Pension Fund

Trustee's Report (continued)

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities.

(c) Board of Directors

The Directors of the Trustee are nominated as follows:

- Nine persons by TfL of whom at least five must be members of the Fund.
- One person each by: - 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 (or any successor body).
- 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. The Trustee has taken steps to follow the Pensions Regulator's guidance as it has developed.

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, together with the relevant committees, 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.

TfL Pension Fund

Trustee's Report (continued)

Governance Plan

Following the Risk Review, the Trustee has established a rolling 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. As it has done for previous valuations, as part of 2018 actuarial valuation, the Trustee commissioned an independent review of the employer covenant of Transport for London and of the private sector section Participating Employers by Penfida. This was updated in February 2019 following the publication of the TfL Business Plan.

Quarterly Investment Updates

The Trustee continually monitors the financial strength of the Fund by receiving quarterly updates from the Fund Actuary and Investment Adviser and has in place a Financial Management Plan which is reviewed quarterly.

The Trustee monitors the performance of the Investment Managers each quarter.

5. Financial review

The Accounts of the Fund for the year to 31 March 2019, as set out on pages 22 to 37, have been prepared and audited in accordance with Section 41(1) and (6) of the Pensions Act 1995.

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 £10,959.5m at 31 March 2019. The increase of £621.7m, compared with the value at 31 March 2018 of £10,337.8m, was made up as follows:

	Movement in the year	
	2019	2018
	£m	£m
Net returns on investments	562.9	394.8
Net additions from dealings with members	58.8	75.2
	<u>621.7</u>	<u>470.0</u>

Net returns on investments comprised changes in the market value of investments of £455.3m (2018: £286.2m) and investment income of £125.2m (2018: £127.3m) which were partly offset by investment management expenses of £17.6m (2018: £18.7m). The increase in market value of investments was made up of realised investment gains of £319.3m (2018: £583.3m) and unrealised investment gains of £136m (2018: £297.1m).

TfL Pension Fund

Trustee's Report (continued)

The increase in the value of investments together with 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 decrease from last year in the amount of net additions from dealings with members of £16.4m was mainly due to a decrease in transfers in of £15.7m, an increase in pension levies of £3.3m offset by a decrease of payments to and on account of leavers of £2.3m. Under the Rules of the Fund the administrative costs of the Fund are borne by the Fund itself.

Further details of the financial movements of the Fund can be found in the audited accounts on pages 22 to 37.

Details of the participating employers' unit holdings and asset values are set out in the unaudited statement on page 44. Unitisation is subject to a separate audit, following the audit of the main report and accounts.

6. Actuarial valuations and actuarial reports

Fund Rule 43, together with recent legislation, requires the Fund 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 Fund Actuary as at 31 March 2018 of each of the two sections of the Fund. The valuation for the Public Sector Section was completed on 22 March 2019 and the valuation for the Composite Section was completed on 10 April 2019. 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 Trustee 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.

For the Public Sector Section the funding shortfall of £603m as at 31 March 2018 is being met through contributions from 1 April 2019 until 31 May 2026 equal to 6.4% of the total of the relevant pay definition for all Members of the section. If deficit contributions in the Fund Year are less than £70m (increased by the Agreed Index) a top-up deficit contribution will be required. If deficit contributions in the Fund Year are more than £70m (increased by the Agreed Index) the excess may be used to offset any top-up deficit contribution required in any subsequent Fund Year. For the first time, a Contingent Funding Agreement has also been reached between the Trustee and TfL as part of the formal valuation. Under the Agreement, certain additional contributions become automatically payable in the event of a funding deterioration (calculated on an annual basis and in subsequent formal valuations). This provides significant additional financial support for the Fund above the contributions required through the Recovery Plan.

For the Composite Sector Section there is a surplus of assets over liabilities of £4.1m.

As required by legislation and the Fund's governing documents, for the Public Sector section which had a funding deficit the Trustee 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 sections which show the contributions that are to be paid. They show separately the contributions required to meet future accruing benefit costs and the additional contributions that are planned to finance the funding deficit.

The next actuarial valuation is as at 31 March 2021 and the statutory deadline for completion is 30 June 2022.

Following completion of the formal valuation, a Summary Funding Statement will be sent to each member of the Fund which summarises the valuation results for their section. Further Summary Funding Statements will be sent annually including, where applicable, information from the actuarial reports.

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.

TfL Pension Fund

Trustee's Report (continued)

7. Changes in membership during the year

The table below summarises the movement in membership during the year to 31 March 2019. In addition, the Fund has 255 (2018: 226) pension credit members comprising 161 deferred pensioners (2018: 148) and 94 pensioners (2018: 78).

	<u>2018/ 2019</u>	<u>2018/ 2019</u>	<u>2017/ 2018</u>	<u>2017/ 2018</u>	<u>Change</u>
Contributing members as at 1 April 2018	26,665		26,623		
Joiners	<u>1,274</u>		<u>2,167</u>		
	27,939		28,790		
Contributing members retiring	(709)		(730)		
Leavers taking a refund of contributions	(236)		(353)		
Leavers becoming deferred pensioners	(856)		(1,075)		
Leavers transferring to other schemes	(1)		(-)		
Leavers with less than two years service – member option decision pending	-		55		
Leavers taking a trivial commutation lump sum	(14)		(6)		
Deaths in service	<u>(30)</u>		<u>(16)</u>		
Contributing members as at 31 March 2019		26,093		26,665	-572
Deferred pensioners as at 1 April 2018	16,910		16,618		
Leavers becoming deferred pensioners	<u>856</u>		<u>1,075</u>		
	17,766		17,693		
Deferred pensions coming into payment	(652)		(615)		
Deferred pensioners transferring to other schemes	(61)		(92)		
Deferred pensioners taking a trivial commutation lump sum	(66)		(50)		
Deferred pensioner deaths	<u>(71)</u>		<u>(26)</u>		
Deferred pensioners as at 31 March 2019		16,916		16,910	+6
Pensioners as at 1 April 2018	32,325		32,183		
Contributing members retiring	709		730		
Pensions coming into payment	<u>652</u>		<u>615</u>		
	33,686		33,528		
Pensioner deaths	(1,175)		(1,201)		
Pensioners taking a trivial commutation lump sum / 100% Pension Sharing order	<u>-</u>		<u>(2)</u>		
Pensioners as at 31 March 2019		32,511		32,325	+186
Dependants as at 1 April 2018	9,710		9,876		
Dependants becoming entitled to pensions	<u>558</u>		<u>536</u>		
	10,268		10,412		
Dependant deaths	(544)		(633)		
Dependants taking a trivial commutation lump sum	<u>(74)</u>		<u>(69)</u>		
Dependants as at 31 March 2019		9,650		9,710	-60
Eligible children as at 1 April 2018	637		583		
Children becoming entitled to pensions	<u>72</u>		<u>85</u>		
	709		668		
Children ceasing to be eligible	(23)		(26)		
Child deaths	<u>(3)</u>		<u>(5)</u>		
Eligible children as at 31 March 2019		683		637	+46
Total membership as at 31 March 2019		<u>85,853</u>		<u>86,247</u>	<u>-394</u>

TfL Pension Fund

Trustee's Report (continued)

Details of contributing members by section as at 31 March 2019 were as follows:

	2018/ 2019	2018/ 2019	2017/ 2018	2017/ 2018	Change
	%		%		
Transport for London	26,061	99.88	26,631	99.88	-570
Composite section	32	0.12	34	0.12	-2
	<u>26,093</u>	<u>100.00</u>	<u>26,665</u>	<u>100.00</u>	<u>-572</u>

8. Pension increases

Deferred members and pensioners receive increases in accordance with the Fund Rules. The April 2019 pension increase is based on the increase in the Retail Price Index over the 12 months to September 2018. Members of the Fund fall into one of two categories; *Existing Members* are those who joined the Fund when it was formed in April 1989 and *New Members* are those who joined on or after 2 April 1989 whose increase is capped at 5%. The full year's increase is 3.3% for both Existing Members and New Members.

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

	Existing Members	New Members
April 2015	2.3%	2.3%
April 2016	0.8%	0.8%
April 2017	2.0%	2.0%
April 2018	3.9%	3.9%
April 2019	3.3%	3.3%

9. Contingent Liability

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pension (GMP) benefits provided to members of pension schemes must be recalculated to reflect equalisation requirements between 17 May 1990 and 6 April 1997. As a result of the ruling, the Trustee of the Fund will need to equalise GMPs between men and women.

At this point in time a method of equalisation for the Fund has not yet been agreed by the Trustee and the Company. The Trustee expects to consider the approach to be taken during 2019/20 after obtaining legal and actuarial advice as well as reviewing the expected guidance from the Pensions regulator and Department for Work and Pensions (DWP).

The Trustee has carried out initial liability estimates in relation to GMP equalisation which indicates the overall Fund liabilities will not increase by more than 0.5%. As a result the expected backdated corrective payments are deemed not material to these accounts. The Trustee will include the amounts once they can be reliably estimated or in the year of payment.

10. Fund's advisers

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

11. Disclosure of information to auditors

The Directors who held office at the date of approval of this Trustee's report confirm that, so far as they are each aware, there is no relevant audit information of which the Fund's auditor is 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 Fund's auditor is aware of that information.

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 3. The Investment Managers employed during the financial year ended 31 March 2019 had discretion to invest as they saw fit within the asset classes and geographical limitations of their benchmarks, as agreed by the Directors (including any restrictions) following advice from Willis Towers Watson. During the year a termination notice was served on Burgundy Asset Management Limited while Man Asset Management Ltd, Stonepeak Associates III LLC and SCM ManCo 1 Limited were appointed. 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. Termination notices were served on AQR Capital Management, LLC and Blue Mountain Capital Partners LLC after the year end.

Investment Managers' fees are primarily based on the market value of the Fund and, in the case of some of the active managers, performance (subject to upper and lower limits and achieving investment hurdle rates, in most cases), 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.

2. Investment overview

The investment assets of the Fund as at 31 March 2019, including AVC investments, had a value of £10,927.8m an increase of £625.2m compared with their value, including AVC investments, of £10,302.6m as at 31 March 2018. Investment income (i.e. dividends and interest) amounted to £125.2m for the year to 31 March 2019 compared with £127.3m for the year to 31 March 2018.

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 BlackRock are also highly marketable. A smaller proportion of the Fund's assets are less liquid.

Benchmark Summary at 31 March 2019

The Directors measure the Fund's performance against a composite benchmark based upon the current asset allocation. For each active manager the Directors select a portfolio performance measure and for passive managers the performance measure is that of the relevant index being tracked. While the Fund is moving towards its current long-term strategic target allocation, the weightings given to the individual manager benchmarks are their current portfolio valuations, updated on a quarterly basis. The approximate benchmark weights as at 31 March 2019 are set out below (the table has been simplified due to the large number of managers).

Allocation	Weight %	Comparison Basis
UK equities	2.8	FTSE All Share/MSCI UK
Overseas developed equities	28.1	FTSE Developed World ex UK/MSCI World ex UK
Emerging market equities	6.2	MSCI EM/ Russell EM
Fundamental equities	4.8	FTSE RAFI All World 3000 Index
Developed equities with EM tilt	1.5	FTSE Russell GeoExposure
Fixed interest gilts	0.3	FTSE Over 15 Year Gilts
Index-linked gilts	11.7	FTSE ILG Over 5 Year
Global bonds	2.7	BarCap 60/40 Sovereign Credit Index
Global bonds	3.5	BarCap Global Agg Corp 1% Constrained
Alternative credit	3.0	CS Leveraged Loan/BoAML US High Yield
Alternative credit	0.8	BoAML US T-bills +2%
Alternative credit/ Liquid alternatives	12.2	LIBOR +3% pa/LIBOR +5% pa
Alternative credit	1.2	EMBI Global Div /JPM CEMBI Broad Div GBP Hedged
Renewables	0.9	Absolute return of 6.5% pa
Infrastructure	3.8	UK RPI +5% pa
Infrastructure	1.2	European CPI +5%
Infrastructure	0.3	MSCI Emerging Markets +2%
Private equity	4.1	MSCI World +3% pa
Private credit	0.5	BoAML Global High Yield +2% pa
Commodities	0.6	Bloomberg Commodity 3 Month Forward
Private real estate	4.4	FTSE EPRA/NAREIT Developed +1%
Cash for investing/derivatives for hedging	5.4	LIBOR/Mark to market rates
	<u>100.0</u>	

The majority of active managers are financially incentivised to out-perform a relevant index over rolling three-year periods. The Directors believe the investment mix set out on the following page will maintain an appropriate balance between risk minimisation and return maximisation given the current and future liabilities of the Fund.

TfL Pension Fund

Investment Report (continued)

Actual Asset Allocation Summary as at 31 March 2019

Portfolio	% of Fund	Manager
Core		
Index tracking (all asset classes) and liability matching assets	36.3	BlackRock Investment Management (UK) Limited ¹
Active Specialist		
Global bonds	6.2	Goldman Sachs Asset Management
Global equities 1	2.5	Ardevora Asset Management LLP
Global equities 2	5.0	Pzena Investment Management LLC
Global equities 3	4.5	JO Hambro Capital Management Limited
Global equities 4	4.1	Veritas Asset Management LLP
Pacific Basin equities	2.5	Nomura Asset Management UK Limited
Global emerging market equities	1.3	Coronation International Limited
Global emerging market equities	1.8	Russell Investments Limited
Alternative Credit	2.1	Oak Hill Advisors, LP ²
Global Small Cap equities	1.9	Paradise Investment Management Pty Limited
Alternative Credit	0.8	Wellington Management Company, LLP
Asia (ex Japan) equities	1.2	JO Hambro Capital Management Limited
Emerging market debt	1.2	JP Morgan Asset Management
Currency overlay	0.1	Russell Implementation Services Limited
Alternative Assets		
Global Macro Systematic Hedge Fund	2.7	Bridgewater Associates, Inc
Infrastructure Investment	2.6	Semperian PPP Investment Partners Holdings Ltd ³
Cory Topco Limited	1.2	SCM ManCo 1 Limited
Private Equity Fund of Funds	1.1	Partners Group (UK) Limited
Reinsurance Hedge Fund	1.7	Credit Suisse AG
Alternative Risk Premium Hedge Fund	1.3	Goldman Sachs Asset Management
Alternative Credit	0.1	Goldman Sachs Asset Management
Private Equity	0.1	Goldman Sachs & Co LLC
Distressed & Structured PE Credit	0.9	Siguler Guff & Company, LP
Infrastructure Private Equity Fund	1.1	Colonial First State Global Asset Management
Managed Futures Hedge Fund	0.8	AQR Capital Management, LLC
Private Real Estate (Separate Account)	3.1	CBRE Global Collective Investors UK Limited
Multi-Strategy Credit Hedge Fund	0.9	Anchorage Capital Group LLC
Global Macro Discretionary Hedge Fund	1.5	Brevan Howard Asset Management, LLP
Multi-Strategy Credit Hedge Fund	0.9	Blue Mountain Capital Partners LLC
Segregated Infrastructure Debt Portfolio	1.2	Industry Funds Management Pty Limited
Global Private Equity (Separate Account)	2.9	Neuberger Berman Alternatives Advisers LLC
Private Mezzanine Debt	0.4	GS Mezzanine Partners
Emerging Market Infrastructure Fund	0.3	IFC Asset Management Company, LLC
UK Renewables Private Equity	0.9	BlackRock Investment Management (UK) Limited
Commodities	0.6	BlackRock Investment Management (UK) Limited
Real Estate	0.7	BlackRock Investment Management (UK) Limited
Alternative Risk Premium Hedge Fund	1.3	Man Asset Management Ltd
Infrastructure Private Equity Fund	0.1	Stonepeak Associates III LLC
Cash	0.1	Cash
	100.0	

¹ BlackRock manages a portfolio of financial instruments which seeks to hedge a proportion of the Fund's liabilities interest rate and inflation risk.

² The Fund was the only investor in Oak Hill Enhanced Credit Strategies Fund (Offshore) LP as at 31 March 2019.

³ The Fund has a 25.675% economic interest in Semperian PPP Investment Partners Holdings Limited.

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 from the Fund's website.

TfL Pension Fund

Investment Report (continued)

3. Analysis of investments

The 10 largest direct quoted equity holdings of the Fund as at 31 March 2019 are shown below.

	Value	% of Fund's quoted equity holdings	Country	Sector
	£m			
Thermo Fisher Scientific	30.3	1.1	USA	Health Care
Charter Communications	30.3	1.1	USA	Communication Services
Alphabet	29.2	1.1	USA	Communication Services
Microsoft	27.5	1.0	USA	Information Technology
Unilever	26.0	0.9	Netherlands	Consumer Staples
Oracle	22.9	0.8	USA	Information Technology
Comcast	20.4	0.7	USA	Communication Services
Cigna	19.9	0.7	USA	Health Care
Philip Morris International	19.8	0.7	USA	Consumer Staples
General Electric	19.3	0.7	USA	Consumer Discretionary
	<u>245.6</u>	<u>8.8</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	Value of units £m
Abbotstone Property Unit Trust	2,575	56.3	1.416

4. Investment performance

The Fund participates in an independent investment performance measurement scheme organised by JP Morgan Investor Services which provides comparative information for assessing investment performance. JP Morgan Investor Services calculates both the overall investment returns obtained on the Fund's assets and the returns obtained by the individual Investment Managers.

The Fund has underperformed its benchmark by a very small margin due to a combination of factors. The benchmark targets for the Fund are ambitious across the alternative investments part of the portfolio and for some of this outperformance is expected to be concentrated more in the latter period of investment. Also some of the Fund's large equity and hedge fund mandates underperformed over the year, contributing to the shortfall against the benchmark. But in most cases their performance since inception has remained quite strong.

The table below shows the total investment returns, net of fees, (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 2019 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	Benchmark	Total Fund	Benchmark	Total Fund	Benchmark
Annual Return %	5.3	6.8	9.6	11.1	8.0	9.1
Ex currency hedging	6.4	6.8	10.4	11.0	8.8	9.5

The Fund assets returned 5.3% for the year ended 31 March 2019, 1.5% below its benchmark returns of 6.8%.

Since 1 April 2016, the Total Fund ex Currency Hedging Benchmark is calculated by the Fund's performance measurer as a weighted average of the underlying manager benchmarks. This has then been adjusted to estimate the impact of the currency overlay portfolio to produce the Total Fund Benchmark. The currency impact has been estimated as the difference in performance between the Total Fund ex Currency Hedging and the Total Fund.

TfL Pension Fund

Investment Report (continued)

Details of the performance of the individual portfolios in the year to 31 March 2019 gross of fees, unless shown otherwise, compared with the previous year are shown below:

	Year to 31 March 2019		Year to 31 March 2018	
	Fund %	Benchmark %	Fund %	Benchmark %
Index-Tracking – BlackRock				
UK equities	6.4	6.4	1.4	1.3
North American equities	17.9	17.7	1.7	1.8
Canadian equities	13.1	12.6	(6.2)	(6.6)
European equities (ex. UK)	2.8	2.7	3.9	3.9
Japan equities	1.0	(1.1)	7.4	7.3
Pacific Basin (ex. Japan) equities	4.7	4.7	1.9	1.8
Middle East/Africa equities	13.6	13.1	(19.4)	(19.6)
Emerging Market equities	(0.9)	(0.3)	11.2	11.4
Over 15 year Gilts	4.8	4.7	2.3	2.2
FTSE RAFI All World 3000	6.9	6.2	1.3	0.7
GeoExposure	4.3	3.8	5.1	5.0
LDI – BlackRock QIF	4.3	4.3	(0.9)	(0.9)
Equities				
Adevora - Global equities	11.5	10.5	8.5	2.4
Coronation – Global EM equities	1.6	(0.3)	11.9	11.4
J O Hambro – Asia (ex Japan) equities	(0.1)	2.0	1.5	12.2
J O Hambro – Global equities	9.3	10.5	10.8	2.4
Nomura - Far East equities	(1.6)	0.9	12.0	6.6
Paradice -Global Small Cap equities	(3.9)	5.4	12.4	3.4
Pzena -Global equities	3.1	12.0	1.9	1.3
Russell - EM equities	(3.9)	(0.3)	10.0	10.2
Veritas - Global equities	18.7	10.5	1.5	2.4
Bonds				
BlackRock - Network Rail bonds ¹	6.1	6.1	2.0	2.0
Goldman Sachs - Asset Backed	10.0	10.3	1.0	(2.9)
Goldman Sachs - Corporate Credit	4.0	3.2	1.7	1.7
Goldman Sachs - Sovereign Credit	4.1	4.5	0.4	(0.1)
Industry Funds Management	12.8	3.8	(1.2)	3.4
J P Morgan - Emerging Market Debt	(0.1)	2.4	(2.2) ²	(1.8) ²
Oak Hill - Enhanced Credit	11.2	7.8	(3.7) ²	(3.1) ²
Wellington	5.4	2.9	2.0	2.1
Other assets				
Anchorage Capital	(2.2)	12.6	(2.2) ²	(4.0) ²
AQR Capital Management ¹	(10.7)	3.8	(5.1)	3.4
BlackRock Commodities ¹	(9.7)	(3.9)	(2.5) ²	(1.6) ²
BlackRock long Lease Property	(5.0) ²	3.5 ²	n/a	n/a
BlackRock Real Estate ¹	23.4	23.1	(7.5)	(7.1)
BlackRock Renewable ¹	13.6	6.5	9.5	6.5
Broad Street Real Estate	13.1	13.3	(12.8) ²	(3.1) ²
Brevan Howard Fund ¹	10.0	3.8	(3.2)	3.4
Blue Mountain Capital	(6.7)	3.8	(0.5) ²	2.0 ²
Bridgewater Pure Alpha Sterling ¹	1.9	5.8	3.5	5.4
CBRE	13.5	24.3	5.8	(6.2)
Colonial First State Global Asset Mgt ¹	9.3	4.9	13.0	9.1
Cory Topco Limited	4.4 ²	3.2 ²	n/a	n/a
Credit Suisse ¹	0.5	13.7	(20.8)	(8.3)
Goldman Sachs - ARP	(0.5)	3.8	8.0	3.4
Goldman Sachs Coop Fund	0.9 ²	6.9 ²	n/a	n/a
Goldman Sachs Mezzanine VI	4.3	13.3	(3.2)	(3.0)
Goldman Sachs Mezzanine VII	8.4	13.3	(5.5) ²	(2.9) ²
IFC Global Infrastructure	(4.7)	1.7	(20.8)	13.6
Man ARP	(4.4) ²	3.5 ²	n/a	n/a
Neuberger Berman	13.6	14.4	10.8	5.6
Partners Group	10.9	16.0	8.8	4.9
Semperian	14.9	7.6	10.4	8.5
Siguler Guff Distressed Debt	9.0	14.2	2.7	2.4
Siguler Guff TARO	11.0	13.3	2.2 ²	0.3 ²
Stonepeak Infrastructure Fund	6.3	8.0	n/a	n/a

¹ Performance shown net of fees

² Since inception

The active managers (all the managers shown above with the exception of BlackRock) 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)

5. 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 2019	% of total	Reported returns (where declared) Year to 31 March 2019
	£m		
Equitable Life			
With Profits	1.9	2.3	N/A
Unit-linked funds			
Managed	2.7	3.3	5.2%
UK FTSE Tracking	1.7	2.1	5.3%
Money	0.4	0.5	0.2%
	<u>6.7</u>	<u>8.2</u>	
Clerical Medical			
With Profits	3.5	4.3	N/A
Unit-linked funds	0.8	1.0	N/A
	<u>4.3</u>	<u>5.3</u>	
Standard Life			
Passive Plus Iii Pension Fund	32.9	40.3	4.5%
International Equity Pension Fund	6.2	7.6	6.1%
Annuity Targeting Pension Fund	3.0	3.7	3.9%
Ethical Pension Fund	3.3	4.1	0.3%
Deposit and Treasury Pension Fund	9.2	11.3	(0.4%)
Ishares Index Linked Gilt Index Pension Fund	3.0	3.7	5.5%
BlackRock Acs World (ex UK) Equity Tracker Fund	4.1	5.0	11.5%
Vanguard FTSE UK All Share Index Pension Fund	6.4	7.9	5.2%
HSBC Islamic Global Equity Index Pension Fund	1.7	2.1	17.7%
Pension With Profits One Fund	0.3	0.4	N/A
Managed Pension Fund	0.3	0.4	4.3%
	<u>70.4</u>	<u>86.5</u>	
	<u>81.4</u>	<u>100.0</u>	

6. Custodial arrangements

During the year the Trustee was Custodian of certain property unit trusts and cash. Various brokers hold cash in connection with forward foreign exchange contracts, futures and interest rate swaps. The rest of the Fund's investments, comprising those assets managed by the Fund's Investment Managers, were held by JP Morgan Investor Services as nominee. The Fund's pooled investment interests are held under managed fund policies in the name of the Trustee and the policy documents are held by BlackRock Investment Management (UK) Limited and other custodians.

TfL Pension Fund

Investment Report (continued)

7. Stewardship and activism

The Trustee recognises the Fund's responsibility as an active and long term institutional investor to support and encourage good corporate practices in the companies in which it invests. In the stewardship of assets this means paying regard to relevant environmental, social and governance, ("ESG") considerations when considering the purchase, retention or sale of investments. Following the Trustee's review of their investment beliefs that underpin the approach to investment strategy, in addition to the existing belief that active corporate governance can add value, they have included as a new belief that investment return and sustainability are not conflicting objectives.

Analysis of ESG factors may serve to highlight exposures that could harm a company over the longer term while companies which positively engage with ESG issues may achieve better long-term value when compared with those which do not.

Through delegation to its investment managers the Trustee currently communicates with companies and exercises its rights attaching to its investments through shareholder voting.

In order to build on this investor activism, the Fund has become a signatory of the UN Principles of Responsible Investment ("PRI") which require the Fund to:

- Incorporate ESG issues into investment analysis and decision-making processes.
- Be an active owner and incorporate ESG issues into ownership policies and practices.
- Seek appropriate disclosure on ESG issues by the entities in which it invests.
- Promote acceptance and implementation of the Principles within the investment industry
- Work together to enhance our effectiveness in implementing the Principles.
- Report on activities and progress towards implementing the Principles.

Through this association with the PRI the Fund will gain support in developing its engagement with ESG issues and through the PRI reporting framework provide information on its activities and be able to assess progress. There are over 2,300 PRI signatories worldwide comprising asset owners, such as the Fund, investment managers and service providers, representing \$89 trillion in assets.

Signatories are not expected to achieve instant compliance, but they are required to start to incorporate the PRI into investment decision-making and ownership practices and report on their implementation. The Fund will be working on its compliance with the PRI using its existing resources and this will determine the scale and pace of the Fund's engagement.

The update to the Fund's investment beliefs and its becoming a signatory to PRI have been included in the Fund's Statement of Investment Principles.

In 2018 the Fund became a supporting investor in the Climate Action 100+. This is a joint initiative between the PRI organisation and regional investor groups on climate change. As supporting investor the Fund has participated collectively with fellow investors in engaging with the world's largest greenhouse gas emitters. The objectives are that companies implement a strong governance framework which clearly articulates their Boards' accountability and oversight of climate change risk, take action to reduce greenhouse emissions and provide enhanced corporate disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

From the carbon emissions data the Fund has established a measure of its "carbon footprint" based on scope 1 and 2 greenhouse gas emissions giving a figure of 162 metric tonnes per million USD sales at 31 December 2018. This compares with an average figure of 213 for the representative global equity index.

The Fund is also a signatory of the Carbon Disclosure Project, now known as CDP, which works with shareholders and corporations to disclose environmental matters such as the greenhouse gas emissions of major corporations.

Within its arrangements with Investment Managers, the Trustee communicates with companies and exercises the rights attaching to its investments and these activities are reported back to the Trustee by these managers.

The Trustee has asked the Investment Managers to exercise their voting and other rights as shareholders in a manner they believe to be consistent with best practice in relation to Corporate Governance and in accordance with the Institutional Shareholders' Committee's ("ISC") Statement of Principles on the Responsibilities of Institutional Shareholders and Agents. These Principles have been carried forward and adopted by the Financial Reporting Council ("FRC") in the UK Stewardship Code for institutional investors.

TfL Pension Fund

Investment Report (continued)

For companies in the Fund's actively managed equity portfolios there were 594 annual general meetings or extraordinary general meetings held in the year to 31 March 2019 and at 212 of these there were votes for the Fund's portfolio cast against management. Because of the nature of the active portfolio the number of companies in which the Fund has direct shareholdings is relatively small. By contrast as an index tracker, the Fund's passive equity manager, BlackRock holds a wider number of shareholdings.

With respect to passive equity management, because the Fund holds units rather than the underlying shares, its manager BlackRock acts independently but has a strong track record of activism both at meetings with and in its engagement with management. During the year BlackRock voted at 16,686 shareholder meetings and at 6,472 of these it casted votes against management.

Experience to date in the votes against management is that they have rarely been sufficient to overturn management proposals. But such votes against may still have a role in influencing management behaviour going forward together with engagement with companies by the investment managers.

The Trustee receives regular reports on governance and compliance matters, as well as voting information

Following its consultation in 2018 on the Occupational Pension Schemes (Investment) Regulations 2005 ("the Investment Regulations"), the Government has made changes to the Investment Regulations which are aimed at providing greater clarity on trustees' investment duties, including financially material environmental, social and governance ("ESG") matters.

By 1 October 2019, trustees will be required to have updated their statement of investment principles ("SIP") with a policy on how they take account of financially material Environmental, Social and Governance ("ESG") issues, specifically including climate change "over the appropriate time horizon of the schemes".

On stewardship, scheme trustees will also need to outline, in their SIP, their policy in relation to exercising of their voting rights and their engagement activities by 1 October 2019.

On members' views, after 1 October 2019, trustees will need to outline "the extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments, the next time they update their SIP.

In March 2019, the Trustees approved changes to the SIP to comply with the revised Investment Regulations.

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

The Compliance Statement on page 45 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 5 July 2019 and was signed on their behalf by:

M Antoniou

PJ Murphy

Directors
TfL Trustee Company Limited

TfL Pension Fund

Independent Auditor's Report to the Trustee of TfL Pension Fund

Opinion

We have audited the accounts of TfL Pension Fund ("the Fund") for the year ended 31 March 2019 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 2.

In our opinion the accounts:

- show a true and fair view of the financial transactions of the Fund during the Fund year ended 31 March 2019 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Trustee and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Fund's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Fund's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Trustee has prepared the accounts on the going concern basis as it does not intend to wind up the Fund, and as it has concluded that the Fund's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the accounts ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the accounts. In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Fund, including the impact of Brexit, and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Fund will continue in operation.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities and the summary of contributions), the Chair's Statement, and the actuarial certification of the schedule of contributions. Our opinion on the accounts does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our accounts audit work, the information therein is materially misstated or inconsistent with the accounts or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

TfL Pension Fund

Independent Auditor's Report to the Trustee of TfL Pension Fund (continued)

Trustee's responsibilities

As explained more fully in their statement set out on pages 7 and 8, the Fund's Trustee is responsible for: supervising the preparation of accounts which show a true and fair view; such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error; assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Fund, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 it in an auditor's 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 Trustee, for our audit work, for this report, or for the opinions we have formed.

Julie Radcliffe
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square,
London,
E14 5GL

5 July 2019

TfL Pension Fund Fund Account

For the year ended 31 March 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<i>Dealings with members</i>					
Contributions receivable	3				
Employer		399,223		374,865	
Employee		65,503		64,047	
Individual transfers in from other schemes		4,272		19,987	
		<u>468,998</u>		<u>458,899</u>	
Benefits payable	4	(381,924)		(357,701)	
Payments to and on account of leavers	5	(5,265)		(7,572)	
Other payments	6	(5,515)		(4,333)	
Administrative expenses	7	(4,302)		(4,168)	
Pension levies	8	(13,218)		(9,952)	
		<u>(410,224)</u>		<u>(383,726)</u>	
<i>Net additions from dealings with members</i>			58,774		75,173
<i>Returns on investments</i>					
Investment income	9	125,225		127,327	
Change in market value of investments	11 a	455,290		286,177	
Investment management expenses	12	(17,602)		(18,720)	
<i>Net returns on investments</i>			562,913		394,784
<i>Net increase in the fund during year</i>			621,687		469,957
<i>Net assets at beginning of year</i>			10,337,801		9,867,844
Net assets at end of year			10,959,488		10,337,801

The Notes on Pages 24 to 37 form part of these Accounts.

TfL Pension Fund

Statement of Net Assets (available for benefits)

As at 31 March 2019

	Note	2019 £'000	Restated 2018 £'000
<i>Investment assets</i>	11		
Bonds		659,871	622,526
Equities		2,578,264	2,673,170
Loans		258,864	217,414
Pooled investment vehicles	11b	6,501,714	6,184,002
Derivatives	11c	60,926	67,582
AVC investments		81,458	73,909
Cash and liquidity funds		816,378	477,587
Other investment balances		42,659	35,616
		<u>11,000,134</u>	<u>10,351,806</u>
<i>Investment liabilities</i>	11		
Derivatives	11c	(45,817)	(17,700)
Other investment balances		(26,482)	(31,519)
		<u>(72,299)</u>	<u>(49,219)</u>
<i>Total net investments</i>		<u>10,927,835</u>	<u>10,302,587</u>
<i>Fixed assets held for own use</i>	13	163	87
<i>Current assets</i>	14	45,986	45,545
<i>Current liabilities</i>	15	(14,496)	(10,418)
Net assets at end of year		<u>10,959,488</u>	<u>10,337,801</u>

The prior year figures have been restated to reflect the reclassification of direct equity and debt holdings previously classified as pooled investment vehicles.

The Notes on Pages 24 to 37 form part of these Accounts.

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 Report on Actuarial Liabilities included on page 42 and these Accounts should be read in conjunction with that Report.

These Accounts were approved by the Board of Directors of the TfL Trustee Company Limited on 5 July 2019 and were signed on their behalf by:

M Antoniou
Directors
TfL Trustee Company Limited

PJ Murphy

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, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (SORP) (Revised 2018). The Fund Trustee has taken advantage of the option to adopt the amendments to FRS 102, and the SORP (revised 2018).

2. Accounting policies

(a) Inclusion of income and expenditure

(i) Contributions

Employers' and Employees' 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 Schedules 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) Stock lending

The Fund's custodian is authorised to release stock to a third party under a stock lending arrangement.

(vi) Investment management expenses

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

(vii) Foreign currencies

Balances denominated in foreign currencies are translated using the rate of exchange ruling at the Statement of Net Assets 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 the translation of investment balances are accounted for in the change in market value of investments during the year.

(viii) Additional voluntary contributions (AVCs)

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

(ix) Depreciation

Expenditure on fixed assets held for own use has been capitalised to reflect the economic usefulness of the assets to the Fund. Depreciation of fixed assets held for own use is provided on a straight-line basis over their estimated useful lives which is 5 years for computer equipment and furniture.

TfL Pension Fund

Notes to the Accounts (continued)

(x) *Going Concern*

The accounts have been prepared on a going concern basis as it is considered by the Trustee that TfL Pension Fund will continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment.

(b) Investments

- (i) Investments are included at fair value;
- (ii) The majority of listed investments are stated at the bid price at the date of the Statement of Net Assets;
- (iii) Fixed interest securities are stated at their clean prices (i.e. excluding accrued income). Accrued income is accounted for within investment income;
- (iv) Pooled investment vehicles are stated at the bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the Investment Managers;
- (v) Unquoted securities are included at fair value estimated by the Trustee based on the advice from the Investment Manager;
- (vi) Loans are included at fair value estimated by the Trustee based on the advice from the Investment Manager;
- (vii) Derivatives are stated at fair value.
 - Exchange traded derivatives are stated at fair value determined using market quoted prices.
 - Swaps are valued taking the current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date.
 - Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year end date
 - Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
 - All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.
 - Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.
- (viii) Short-term deposits are valued at cost at 31 March 2019 taking into account gains or losses on foreign currencies;
- (ix) AVC investments are shown at the values advised by the AVC providers.

TfL Pension Fund

Notes to the Accounts (continued)

3. Contributions receivable

	2019 £'000	2018 £'000
<i>Employers</i>		
Normal	271,363	269,754
Deficit funding	57,860	105,111
Other contribution	70,000	-
	<u>399,223</u>	<u>374,865</u>
<i>Members</i>		
Normal	53,072	52,762
Additional voluntary contributions	12,431	11,285
	<u>65,503</u>	<u>64,047</u>
	<u>464,726</u>	<u>438,912</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. Employer contributions are agreed between the Trustee, on the advice of the Actuary, and the Principal Employer following the actuarial valuation.

For the Public Sector Section the funding shortfall of £603m as at 31 March 2018 is being met through contributions from 1 April 2019 until 31 May 2026 equal to 6.4% of the total of the relevant pay definition for all Members of the section. If deficit contributions in the Fund Year are less than £70m (increased by the Agreed Index) a top-up deficit contribution will be required. If deficit contributions in the Fund Year are more than £70m (increased by the Agreed Index) the excess may be used to offset any top-up deficit contribution required in any subsequent Fund Year.

4. Benefits payable

	2019 £'000	2018 £'000
Pensions	297,369	281,205
Commutations and lump sum retirement benefits	82,430	74,493
Lump sum death benefits (net of those insured)	1,551	1,540
Taxation where lifetime or annual allowance exceeded	574	463
	<u>381,924</u>	<u>357,701</u>

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Fund in exchange for the Fund settling their tax liability.

5. Payments to and on account of leavers

	2019 £'000	2018 £'000
Individual transfers to other schemes	4,947	7,155
Refunds to members leaving service	310	350
Payments for members joining state scheme	8	67
	<u>5,265</u>	<u>7,572</u>

6. Other payments

	2019 £'000	2018 £'000
Premiums on term insurance policies	<u>5,515</u>	<u>4,333</u>

TfL Pension Fund

Notes to the Accounts (continued)

7. Administrative expenses

	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<i>Staff costs</i>				
Payroll	2,246		2,400	
Recruitment and training (incl. Trustee)	15		14	
		2,261		2,414
<i>Establishment costs</i>				
Accommodation	90		88	
Computer costs	488		477	
Telecommunications	15		13	
Depreciation	41		50	
		634		628
<i>Professional fees</i>				
Legal fees	292		350	
Audit fees	88		87	
KPMG non-audit fees	54		83	
Actuarial fees	469		208	
Medical fees	34		64	
Covenant review	172		30	
Other professional fees	24		16	
		1,133		838
<i>Communication</i>				
Distribution	136		158	
Printing	105		94	
		241		252
<i>Consumables</i>				
Stationery	6		8	
General	27		28	
		33		36
		<u>4,302</u>		<u>4,168</u>

Administrative expenses include recharges by Transport for London of £2,367,173 (2018: £2,518,656) for staff and other costs.

8. Pension levies

	2019 £'000	2018 £'000
Pension Protection Fund	12,996	9,733
Pension Regulator levies	222	219
	<u>13,218</u>	<u>9,952</u>

9. Investment income

	2019 £'000	2018 £'000
Income from bonds	21,970	22,069
Dividends from equities	55,407	53,323
Income from pooled investment vehicles	36,091	45,659
Income from loans	6,685	4,028
Income / (expenses) from derivatives	(2,103)	(2,158)
Interest on cash deposits	6,067	1,996
Income from securities lending	1,086	1,416
Other investment income	22	994
	<u>125,225</u>	<u>127,327</u>

TfL Pension Fund

Notes to the Accounts (continued)

10. Tax

TfL Pension Fund is a registered pension scheme for tax purposes under the Finance Act 2004. The Fund is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate (see Note 9 above).

11. Investments

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

	Restated Value at 1 April 2018	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Change in Market Value	Value at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Bonds	622,526	671,190	660,371	26,526	659,871
Equities	2,673,170	1,175,736	1,430,553	159,911	2,578,264
Loans	217,414	56,566	20,651	5,535	258,864
Pooled investment vehicles	6,184,002	986,308	1,084,155	415,559	6,501,714
Derivative contracts	49,882	137,248	149	(171,872)	15,109
Liquidity funds	182,012	1,193,586	866,803	16,287	525,082
AVC investments	73,909	12,432	8,227	3,344	81,458
	<u>10,002,915</u>	<u>4,233,066</u>	<u>4,070,909</u>	<u>455,290</u>	<u>10,620,362</u>
Cash deposits	295,575				291,296
Other investment assets	35,616				42,659
Other investment liabilities	(31,519)				(26,482)
Total net investments	<u>10,302,587</u>				<u>10,927,835</u>

The prior year figures have been restated to reflect the reclassification of direct equity and debt holdings previously classified as pooled investment vehicles.

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.

b) Pooled investment vehicles (PIVs)

The Fund's holdings of PIVs are analysed below:

	2019 £'000	Restated 2018 £'000
Absolute Return funds	871,702	671,394
Equity funds	2,362,332	2,721,595
Fixed Interest funds	481,857	401,236
Private Equity funds and infrastructure funds	1,175,322	913,737
Property funds	153,243	63,627
Qualifying Investor fund	1,269,651	1,224,531
Reinsurance funds	187,607	187,882
	<u>6,501,714</u>	<u>6,184,002</u>
	2019 £'000	2018 £'000
Government Bonds	876,218	837,398
Network Rail Bonds	380,095	360,674
Options	35,624	46,125
Swaps	(22,286)	(23,596)
Other	-	3,930
	<u>1,269,651</u>	<u>1,224,531</u>

TfL Pension Fund

Notes to the Accounts (continued)

c) Derivatives

The Trustee has authorised the use of derivatives by some of their Investment Managers as part of the Fund's investment strategy. The main objectives for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

Total derivatives

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Swaps	14,416	(8,944)	5,584	(5,844)
Futures	13,551	(9,175)	7,726	(6,415)
Foreign exchange	32,916	(27,554)	53,968	(5,104)
Options	43	(144)	304	(337)
	<u>60,926</u>	<u>(45,817)</u>	<u>67,582</u>	<u>(17,700)</u>

Swaps

Swaps comprising interest rate swaps, credit default swaps, total return swaps and basis swaps have been implemented to hedge the interest rate risk 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 and exchange traded. The details are:

Nature	Nominal amount	Duration	Asset value at year end £'000	Liability value at year end £'000
Interest rate swaps	26,270,573	Expires less than 1 year	-	(6)
	94,035,603	Expires 1 to 5 years	638	(941)
	20,269,215	Expires 5 to 10 years	2,475	(1,020)
	10,001,336	Expires 10 to 15 years	693	(793)
	660,000	Expires 15 to 20 years	39	-
	5,264,537	Expires 20 to 25 years	304	(23)
	990,039	Expires 30 to 35 years	78	(80)
Credit default swaps	1,895,552	Expires less than 1 year	-	(13)
	24,296,834	Expires 1 to 5 years	703	(200)
	200,832,054	Expires 5 to 10 years	4,046	(257)
	112,538,284	Expires 10 to 15 years	838	-
Total return swaps	113,476,046	Expires less than 1 year	4,378	(5,328)
Basis	18,070,000	Expires 1 to 5 years	-	(120)
	14,225,715	Expires 5 to 10 years	224	(135)
	880,000	Expires 25 to 30 years	-	(28)
Total 2019			<u>14,416</u>	<u>(8,944)</u>
<i>Total 2018</i>			<u>5,584</u>	<u>(5,844)</u>

At the end of the year the Fund held collateral of £41.4m (2018: £5.3m) in respect of swaps.

TfL Pension Fund

Notes to the Accounts (continued)

c) Derivatives (continued)

Futures

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

Nature	Nominal amount	Duration	Asset value at year end £'000	Liability value at year end £'000
Commodities	107,021,573	Expires under 1 year	9,563	(6,039)
Equity	29,829,210	Expires under 1 year	543	(72)
Swaps	91,441,478	Expires under 1 year	222	(149)
Treasury	116,182,069	Expires under 1 year	3,223	(2,915)
Total 2019			<u>13,551</u>	<u>(9,175)</u>
<i>Total 2018</i>			<u>7,726</u>	<u>(6,415)</u>

At the end of the year the Fund held collateral of £32.0m (2018: £14.0m) in respect of futures.

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 a targeted level.

The Fund had open foreign exchange contracts at the year end as follows:

Contract	Settlement date	Currency bought	Currency sold	Asset value at year end £'000	Liability value at year end £'000
Forward OTC	1 month	Various	Various	11,674	(18,551)
Forward OTC	2 months	Various	Various	1,416	(3,843)
Forward OTC	3 months	Various	Various	10,103	(181)
Forward OTC	4 months	Various	Various	4,942	-
Forward OTC	5 months	Various	Various	4,781	-
Forward OTC	6 months	Various	Various	-	(4,979)
Total 2019				<u>32,916</u>	<u>(27,554)</u>
<i>Total 2018</i>				<u>53,968</u>	<u>(5,104)</u>

TfL Pension Fund Notes to the Accounts (continued)

c) Derivatives (continued)

Options

Type of Option	Nominal amount	Duration	Asset value at year end £'000	Liability value at year end £'000
Call ET	1,917,040	Expires under 1 year	8	-
Call OTC	1,918,575	Expires under 1 year	25	-
Put ET	45,443,367	Expires under 1 year	-	(109)
Put OTC	1,611,603	Expires under 1 year	-	(35)
Call ET	1,267,775	Expires 1 to 5 years	10	-
Total 2019			<u>43</u>	<u>(144)</u>
<i>Total 2018</i>			<u>304</u>	<u>(337)</u>

d) 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 benefits, within the Fund 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:

	2019 £'000	2018 £'000
Standard Life	70,497	61,425
Equitable Life	6,689	7,105
Clerical Medical	4,272	5,379
	<u>81,458</u>	<u>73,909</u>

e) Transaction costs

Included within purchases and sales are direct transaction costs of £2,103,000 (2018: £1,964,000) comprising commissions, fees and stamp duty. These costs are attributable to the key asset classes as follows:

	Commission £'000	Fees and Stamp Duty £'000	Total £'000
2019			
Equities	1,246	801	2,047
Bonds	48	8	56
2018			
Equities	1,293	666	1,959
Bonds	-	5	5

TfL Pension Fund

Notes to the Accounts (continued)

f) Investment fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1: the unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the measurement date;

Level 2: inputs other than quoted prices included within Level 1 which are observable (ie developed using market data) for the asset or liability, either directly or indirectly;

Level 3: inputs which are unobservable (ie for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Fund's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	Level 1	Level 2	Level 3	Total
At 31 March 2019	£'000	£'000	£'000	£'000
Bonds	5,457	654,414	-	659,871
Equities	2,324,015	-	254,249	2,578,264
Loans (IFM)	-	-	258,864	258,864
Pooled investment vehicles	314,085	3,544,830	2,642,799	6,501,714
Derivatives	4,376	10,834	(101)	15,109
Liquidity funds	525,082	-	-	525,082
AVC investments	-	75,744	5,714	81,458
Cash	291,296	-	-	291,296
Other investment balances	16,177	-	-	16,177
	<u>3,480,488</u>	<u>4,285,822</u>	<u>3,161,525</u>	<u>10,927,835</u>

	Level 1	Level 2	Level 3	Restated Total
At 31 March 2018	£'000	£'000	£'000	£'000
Bonds	5,348	599,269	17,909	622,526
Equities	2,542,421	16,719	114,030	2,673,170
Loans (IFM)	-	3,840	213,574	217,414
Pooled investment vehicles	10,789	3,795,608	2,377,605	6,184,002
Derivatives	1,310	48,604	(32)	49,882
Liquidity funds	182,012	-	-	182,012
AVC investments	-	67,188	6,721	73,909
Cash	295,575	-	-	295,575
Other investment balances	4,097	-	-	4,097
	<u>3,041,552</u>	<u>4,531,228</u>	<u>2,729,807</u>	<u>10,302,587</u>

TfL Pension Fund

Notes to the Accounts (continued)

g) Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed limits which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Fund's exposures to credit and market risks are set out below. This does not include annuity insurance policies or AVC investments as these are not considered significant in relation to the overall investments of the Fund.

(i) Credit risk

The Fund is subject to credit risk as it invests in bonds, OTC derivatives, has cash balances, undertakes stock lending activities and enters into repurchase agreements. The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Analysis of direct credit risk

	Investment grade	Non- investment grade	Unrated	Total
At 31 March 2019	£'000	£'000	£'000	£'000
Bonds*	1,884,912	20,657	21,260	1,926,829
Loans	-	-	258,864	258,864
OTC Derivatives	17,489	-	-	17,489
Cash	851,765	-	-	851,765
Other investment balances	(11,435)	255	232	(10,948)
Stock lending	313,904	-	-	313,904
Repos	12,968	-	-	12,968
Time deposits	4,551	-	-	4,551
PIVs	-	-	5,232,062	5,232,062
	<u>3,074,154</u>	<u>20,912</u>	<u>5,512,418</u>	<u>8,607,484</u>

* This includes bonds held in the Qualifying Investor Fund.

TfL Pension Fund

Notes to the Accounts (continued)

g) Investment risks (continued)

	Investment grade	Non- investment grade	Unrated	Restated Total
At 31 March 2018	£'000	£'000	£'000	£'000
Bonds*	1,770,460	26,763	20,194	1,817,417
Loans	-	-	217,414	217,414
OTC Derivatives	70,140	-	-	70,140
Cash	521,049	-	-	521,049
Other investment balances	(32,377)	262	265	(31,850)
Stock lending	336,000	-	-	336,000
Repos	28,189	-	-	28,189
Time deposits	3,343	-	-	3,343
PIVs	-	-	4,959,470	4,959,470
	<u>2,696,804</u>	<u>27,025</u>	<u>5,197,343</u>	<u>7,921,172</u>

* This includes bonds held in the Qualifying Investor Fund.

The Fund has indirect credit risk which arises in relation to underlying investments held in the bond pooled investment vehicles of £481.8m (2018: £401.2m).

A summary of pooled investment vehicles by type of arrangement is as follows:

	2019 £'000	Restated 2018 £'000
Open ended investment fund	2,552,607	2,811,583
Qualifying Investor Fund	1,269,651	1,224,531
Closed ended investment companies	645,603	600,564
Open ended investment companies	770,223	674,378
Shares of limited partnerships	489,998	374,144
Unit trusts	492,757	326,990
Shares of limited companies	73,803	54,226
Closed ended investment funds	164,215	96,353
Other	42,857	21,233
	<u>6,501,714</u>	<u>6,184,002</u>

(ii) Currency risk

The Fund is subject to currency risk because some of the Fund's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy.

(iii) Interest rate risk

The Fund is subject to interest rate risk on the LDI investments comprising bonds and interest rate swaps held either as segregated investments or through pooled vehicles and cash.

(iv) Other price risk

Other price risk arises principally in relation to the Fund's return seeking portfolio which includes directly held equities, equities held in pooled vehicles, equity futures, hedge funds, private equity and investment properties.

The Fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed limits which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

TfL Pension Fund

Notes to the Accounts (continued)

g) Investment risks (continued)

The following table summarises the extent to which the various classes of investments are affected by financial risks:

	Market risk			2019	Restated
	Currency	Interest rate	Other price	£'000	2018 £'000
Bonds	●	●	○	659,871	622,526
Equities	●	○	●	2,578,264	2,673,170
Loans	●	●	○	258,864	217,414
Pooled investment vehicles					
Direct	○	○	○		
Indirect	○	○	●	6,501,714	6,184,002
Derivative contracts	●	●	●	15,109	49,882
Liquidity funds	●	○	○	525,082	182,012
AVC investments	○	●	●	81,458	73,909
Cash deposits	●	○	○	291,296	295,575
Other investments	●	○	○	16,177	4,097
Total				10,927,835	10,302,587

In the above table, the risk noted affects the asset class [●] significantly, [●] partially or [○] hardly/not at all.

h) Securities lending

The Fund lends certain fixed interest and equity securities under a Trustee approved securities lending programme. As at 31 March 2019 £313.9m of investments were loaned comprising £240.5m Overseas equities, £43.6m Overseas fixed interest securities, £26.5m UK equities and £3.3m UK fixed interest securities. Collateral of £352.5m was held as at 31 March 2019 in the form of cash of £17.5m and non-cash of £335.0m (2018: £336.0m loaned against £366.9m collateral).

i) Self investment

There were no employer-related investments at any time during the year ended 31 March 2019.

j) Commitments

At the 31 March 2019 the Fund had contractual commitments of £1,010.8m (2018 £943.8m) to pay calls on outstanding drawdowns for alternative investments in pooled investment vehicles, unquoted equities and loans.

12. Investment management expenses

	2019	2018
	£'000	£'000
Administration, management and custody	16,897	17,829
Performance measurement services	115	135
Other advisory services	590	756
	<u>17,602</u>	<u>18,720</u>

The total investment management expenses incurred during the year was £50.3m (2018:£43.3m) of which only £17.6m (2018:£18.7m) was actually remitted; the balance was deducted as part of the daily pricing of the individual asset portfolios.

TfL Pension Fund

Notes to the Accounts (continued)

13. Fixed assets held for own use

	Computer equipment £'000	Furniture £'000	Total £'000
<i>Cost at 1 April 2018</i>	716	34	750
Additions	117	-	117
Disposals	(79)	(1)	(80)
<i>Cost at 31 March 2019</i>	<u>754</u>	<u>33</u>	<u>787</u>
<i>Accumulated depreciation at 1 April 2018</i>	(629)	(34)	(663)
Depreciation charge for the year	(41)	-	(41)
Depreciation on disposals	79	1	80
<i>Accumulated depreciation at 31 March 2019</i>	<u>(591)</u>	<u>(33)</u>	<u>(624)</u>
Net book value at 1 April 2018	<u>87</u>	<u>-</u>	<u>87</u>
Net book value at 31 March 2019	<u>163</u>	<u>-</u>	<u>163</u>

14. Current assets

	2019 £'000	2018 £'000
<i>Debtors</i>		
Prepayments and accrued income	28,569	27,568
<i>Cash balances</i>	<u>17,417</u>	<u>17,977</u>
	<u>45,986</u>	<u>45,545</u>

15. Current liabilities

	2019 £'000	2018 £'000
<i>Creditors</i>		
Unpaid benefits	8,418	4,419
Accrued expenses and deferred income	<u>4,272</u>	<u>4,280</u>
	<u>12,690</u>	<u>8,699</u>
<i>Unpresented items</i>	<u>1,806</u>	<u>1,719</u>
	<u>14,496</u>	<u>10,418</u>

Unpresented items are payments submitted and cheques drawn but not presented for payment by 31 March 2019. Interest is not payable on these sums.

16. Contingent Liability

On 26 October 2018, the High Court ruled that Guaranteed Minimum Pension (GMP) benefits provided to members of pension schemes must be recalculated to reflect equalisation requirements between 17 May 1990 and 6 April 1997. As a result of the ruling, the Trustee of the Fund will need to equalise GMPs between men and women.

At this point in time a method of equalisation for the Fund has not yet been agreed by the Trustee and the Company. The Trustee expects to consider the approach to be taken during 2019/20 after obtaining legal and actuarial advice as well as reviewing the expected guidance from the Pensions regulator and Department for Work and Pensions (DWP).

The Trustee has carried out initial liability estimates in relation to GMP equalisation which indicates the overall Fund liabilities will not increase by more than 0.5%. As a result the expected backdated corrective payments are deemed not material to these accounts. The Trustee will include the amounts once they can be reliably estimated or in the year of payment.

TfL Pension Fund

Notes to the Accounts (continued)

17. Related parties

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

Transport for London (TfL) pays administration expenses on behalf of the Fund and subsequently recharges these to the Fund. Administrative expenses recharged by TfL during the year end were £2,367,173 (2018: £2,518,656) and are included in Note 7 on page 27. At 31 March 2019, £625,200 (2018: £727,300) has been included in creditors in respect of administration expenses 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 a schedule 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 in respect of any active member of the Fund and for procuring that contributions are made to the Fund in accordance with the schedule.

Trustee's Summary of Contributions payable under the Schedules in respect of the fund year ended 31 March 2019

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; for the Public Sector Section certified by the Fund Actuary on 27 May 2016 and 22 March 2019 and for the Composite Sector Section certified by the Fund Actuary on 27 May 2016, in respect of the Fund year ended 31 March 2019. The Fund auditor reports on contributions payable under the schedules in the Auditor's statement about contributions.

Contributions payable under the schedules in respect of the Fund year

	£'000
<i>Employers</i>	
Normal contributions	271,363
Deficit funding	57,860
<i>Members</i>	
Normal contributions	53,072
Contributions payable under the schedules (as reported on by the Fund auditor)	<u>382,295</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)	382,295
Contributions payable in addition to those due under the schedules (and not reported on by the Fund auditor)	
Additional employer contribution	70,000
Member additional voluntary contributions	12,431
Total contributions reported in the accounts	<u>464,726</u>

This Report was approved by the Board of Directors of the TfL Trustee Company Limited on 5 July 2019 and was signed on their behalf by:

M Antoniou
Directors
TfL Trustee Company Limited

PJ Murphy

TfL Pension Fund Actuary's Certificates

Pages 40 to 41 contain a formal certificate for each section provided by the Fund 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;
- 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.

TfL Pension Fund

Actuary's certification of schedule of contributions

Name of section: TfL Pension Fund – Composite Section

Adequacy of rates of contributions

1. 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 2018 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 29 March 2019.

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.

G M Oxtoby
Fellow of the Institute and Faculty of Actuaries

Date 10 April 2019

Towers Watson Limited, a
Willis Towers Watson company
Watson House
London Road
Reigate
Surrey
RH2 9PQ

TfL Pension Fund

Actuary's certification of schedule of contributions

Name of section: TfL Pension Fund – Public Sector Section

Adequacy of rates of contributions

1. 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 2018 to be met by the end of the period specified in the recovery plan dated 22 March 2019.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 22 March 2019.

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.

G M Oxtoby
Fellow of the Institute and Faculty of Actuaries

Date 22 March 2019

Towers Watson Limited, a
Willis Towers Watson company
Watson House
London Road
Reigate
Surrey
RH2 9PQ

TfL Pension Fund

Report on Actuarial Liabilities (forming part of the Trustee's report)

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to base on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Fund members on request.

The most recent full actuarial valuation of the Fund was carried out as at 31 March 2018. This showed that on that date:

The value of the Technical Provisions for the Public Sector section (PSS) was £10,924m and for the Composite section was £12.44m.

The value of the assets at that date was: £10,321m for the Public Sector section and £16.55m for the Composite section.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Statement of Funding Principles):

Method

The actuarial method used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount interest rate to value technical provisions:

Public Sector section = Term dependent discount rate trending from a nominal rate of 4.84% per annum to 4.54% per annum over 10 years from 1 April 2018

Composite section = In service, a term dependent discount rate trending from a nominal rate of 3.10% per annum to 2.35% per annum over 10 years from 1 April 2018. The PSS discount rate is used post-transfer to the PSS.

Future retail price inflation:

Public Sector section = 3.4% pa

Composite section = 3.2% pa in-service, 3.4% pa post-transfer to PSS

Future consumer price inflation:

Public Sector section = 2.4% pa

Composite section = 2.2% pa in-service, 2.4% pa post-transfer to PSS

Pension increases: 3.4% pa for Existing Members, 3.2% pa for New Members

Pay increases: General pay increases of 0.25% pa above the assumed rate of future retail price inflation.

Mortality – current assumed mortality rates in deferment and in payment are based on standard 'S2' tables with different tables and different scaling factors adopted for males and females, and for members retiring in normal health or ill-health respectively. Allowance is made for improvements in longevity from 2018 in line with the CMI 2017 core projection model with an assumed long-term mortality improvement trend of 1.5% per annum.

TfL Pension Fund

Independent Auditor's Statement about Contributions to the Trustee of the TfL Pension Fund

Statement about contributions

We have examined the summary of contributions payable under the schedule of contributions to the TfL Pension Fund in respect of the fund year ended 31 March 2019 which is set out on page 37.

In our opinion contributions for the Fund year ended 31 March 2018 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid for the Public Sector Section for the period from 1 April 2018 to 21 March 2019 at least in accordance with the schedule of contributions certified by the actuary on 22 May 2016 and subsequently at least in accordance with the schedule of contributions certified by the Scheme Actuary on 22 March 2019 and for the Composite Sector Section at least in accordance with the schedule of contributions certified by the Scheme Actuary on 27 May 2016.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the schedule of contributions.

Respective responsibilities of trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on pages 7 and 8, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the schedule of contributions.

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

The purpose of our work and to whom we owe our responsibilities

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 auditor's 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.

Julie Radcliffe for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square,
Canary Wharf,
London,
E14 5GL

5 July 2019

TfL Pension Fund

Participating Employers' Unit Holdings and Asset Values Statement

Historically the Fund is structured into a series of financially segregated sections, with the Public Sector section providing benefits for public sector employees and 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 2019		As at 31 March 2018	
	Units	£'000s	Units	£'000s
Public Sector Section	1,618,479,637	4,843,544	1,927,672,258	5,471,317
Composite section	3,742,741	11,201	4,161,063	11,810
	<u>1,622,222,378</u>	<u>4,854,745</u>	<u>1,931,833,321</u>	<u>5,483,127</u>

The Equity Fund unit price at the year end was £2.99 (2018 £2.84)

Participating Employer	Bond Fund			
	As at 31 March 2019		As at 31 March 2018	
	Units	£'000s	Units	£'000s
Public Sector Section	519,040,330	1,529,679	502,773,381	1,405,485
Composite section	1,522,932	4,488	1,696,677	4,743
	<u>520,563,262</u>	<u>1,534,167</u>	<u>504,470,058</u>	<u>1,410,228</u>

The Bond Fund unit price at the year end was £2.95 (2018 £2.80)

Participating Employer	Alternative and Liability Driven Assets Fund			
	As at 31 March 2019		As at 31 March 2018	
	Units	£'000s	Units	£'000s
Public Sector Section	2,400,045,777	4,034,396	2,028,396,973	3,224,989
	<u>2,400,045,777</u>	<u>4,034,396</u>	<u>2,028,399,700</u>	<u>3,224,989</u>

The Alternative Liability Driven Assets Fund unit price at the year end was £1.68 (2018 £1.59)

	31 March 2019	31 March 2018
	£'000s	£'000s
Equity Fund	4,854,745	5,483,127
Bond Fund	1,534,167	1,410,228
Alternative and Liability Driven Assets Fund	4,034,396	3,224,989
Other (non unitised assets allocated to Public Sector)	536,180	219,457
<i>Total Net Assets at end of year</i>	<u>10,959,488</u>	<u>10,337,801</u>

TfL Pension Fund Compliance Statement

1. Fund Advisers

There are written agreements in place between the Trustee and each of the Fund advisers listed on Page 3 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 Fund 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 have been no changes 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:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU
Telephone 0345 6002 537

5. Complaints Procedure

In the event of a complaint from a member or beneficiary of the Fund, 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 Ombudsman as follows:

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

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)

For further help or information

Please contact the Fund Office if you have any questions about this document.
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
Website: www.tfl.gov.uk/pensions