

TfL Pension Fund

Report and Accounts

for the year to 31 March 2015



Notice for the visually impaired

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TfL Pension Fund

Report and Accounts for the year to 31 March 2015

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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.tflpensionfund.co.uk.

Pension Schemes Registry scheme reference number: 10165351

TfL Pension Fund

Organisation and Advisers as at 31 March 2015

Trustee

TfL Trustee Company Limited

Board of Directors of TfL Trustee Company Limited

(Nominating bodies are shown in brackets)

Ms M Antoniou (Chairman)	External Appointment, Transport for London (TfL)
Ms A Back	Head of Health, Safety & Environment for COO, London Underground Limited (TfL)
Mr ME Binnington	Senior Principal, Commercial Finance, Transport for London (TfL)
Mr LP Brown	IM Service Analyst Team Leader, Transport for London (Unite the Union (T&GWU))
Ms E Cernovia	Assistant Treasurer, Finance, Transport for London (TfL)
Mr G Dean	Train Operator, London Underground Limited (ASLEF)
Mr SW Ellaby	HSE Manager, HSE Rail and Corporate, Transport for London (PCC)
Ms JV Hart	Principal Solicitor, Health, Safety and Environment, Transport for London (TfL)
Mr S Hedley	Assistant General Secretary, RMT (RMT)
Mr P Kilius-Smith	Pensioner (PCC)
Mr JH Knowles	Station & Revenue Functional Council Representative, London Underground Limited (TSSA)
Mr CA Miller	Pensioner (PCC)
Mr PJ Murphy	Train Instructor, Northfields, London Underground Limited (PCC)
Mr DJ O'Brien	Head of Risk Management, Rail & Underground, Transport for London (TfL)
Mr AM Pollins	Director of Finance, Rail & Underground, Transport for London (TfL)
Mr JB Timbrell	Project Engineer, London Underground Limited (Unite the Union (Amicus))
Mr MJ Weston	Director of Buses, Surface Transport, Transport for London (TfL)
Mr S White	Operations Director, SSL, London Underground Limited (TfL)

TfL Pension Fund

Organisation and Advisers as at 31 March 2015 (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
Transport Trading Limited
Tube Lines Limited
Victoria Coach Station Limited
British Transport Police Authority
Capgemini UK plc
Cubic Transportation Systems Limited
Thales Transport and Security Limited
Tribal Technology Limited

Secretary to the Trustee

Mr S Field

Auditor

KPMG LLP

Scheme Actuary

Mr G Oxtoby, Towers Watson Limited

Investment Managers

Arrowgrass Capital Partners, LLP
Blackrock Investment Management (UK) Limited
AQR Capital Management, LLC
Brevan Howard Asset Management, LLP
Bridgewater Associates, Inc.
Brigade Capital Management, LLC
Burgundy Asset Management Limited
CBRE Global Collective Investors UK Limited
Colonial First State Global Asset Management
Coronation International Limited
Davidson Kempner Capital Management, LLC
Goldman Sachs
Gresham Investment Management, LLC
IFC Asset Management Company, LLC
Industry Funds Management Pty Limited
IronBridge Capital Management, LP
J O Hambro Capital Management Limited
Legal & General Investment Management
Nephila Capital Limited
Neuberger Berman Alternatives Advisers LLC
Nomura Asset Management UK Limited
Oak Hill Advisors, LP
OZ Management LP
Paradice Investment Management Pty Limited
Partners Group (UK) Limited
Pzena Investment Management, LLC
Rogge Global Partners Plc
Russell Implementation Services Limited
Semperian PPP Investment Partners Holdings Limited
Siguler Guff & Company, LP
Wellington Management Company, LLP

Legal Advisers

Sacker & Partners LLP

Communications Advisers

Hughes Communications

Independent Medical Adviser

Dr S Sheard

Scheme Employer Covenant Reviewer

Penfida Partners LLP

Bankers

The Royal Bank of Scotland plc

Investment Adviser

Towers Watson Limited

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

13 December 2012
1 September 2014
2 September 2014
18 February 2013
2 November 2005
1 August 2012
14 October 2010
11 September 2013
15 December 2009
24 July 2013
17 November 2009
15 June 2005
20 September 2012
15 March 2013
24 May 2013
24 December 2009
5 January 2010
14 June 2006
23 March 2012
24 October 2014
1 September 2004
1 August 2012
13 December 2012
24 June 2014
4 June 2010
24 June 2013
22 March 2012
8 December 2011
18 February 2008
10 December 2009
5 November 2012

TfL Pension Fund

Chairman's Introduction

I am pleased to present my review as Chairman for the year ended 31 March 2015. Pensions has continued to be in the spotlight during the year and while defined contribution arrangements have been the main area of government and regulatory change, there has still been much to contend with by defined benefit arrangements such as the Fund.

The Fund's assets have continued the steady progress in increasing their value as in the previous year, with the Fund's net assets exceeding £8.3 billion at 31 March 2015. As the estimated increase in the value of the Fund's liabilities has also seen a broadly corresponding increase, it has meant no improvement in the overall funding position. However a more accurate picture will emerge following the detailed review through the actuarial valuation as at 31 March 2015. But it does emphasise the continued importance of employer support and for the Trustee's attention on both the Fund's asset and liability components in seeking to ensure the security of member benefits.

The Alternatives and Liability Hedging Committee and the Investment Committee have been continuing their work in implementing the Fund's investment strategy, as well as continuing to ensure good governance across the Fund's diverse investment holdings and expanded investment manager base. This has included consideration of a number of investment proposals, with only those which meet the Fund's reward and risk criteria having been pursued further, together with a rolling review of existing managers and/or strategies to ensure they continue to meet the Fund's needs. As a result of these activities there have been five new investment manager appointments made during the year as well as a major re-organisation of the passive investment portfolio which comprises almost half of the Fund's assets. Also three investment manager mandates were terminated during the year.

On investment performance, the market advances during the year, across a range of asset classes, has seen the overall assets of the Fund increased over the past 12 months from £7.3 billion to £8.3 billion. This year's investment performance was behind the benchmark return of 13.7% by 0.5%, while over the longer period of three years it matched the 10.6% return and over five years it was ahead by 0.2% with an average return of 9.5%. More information is contained in the Investment Report starting on page 14.

The Fund has 31 investment managers and through the increase in their number in recent years the Fund has sought greater diversity to maximise the probability of achieving its return objectives, while managing the overall risk in the portfolio. But it has brought new challenges in carrying out effective investment governance. The Investment Committee and Alternatives & Liability Hedging Committee continue to use both the resources of the Fund Office and their investment advisers to support them. In particular this includes keeping under review the fees paid to managers to ensure they are providing value for money for the investment returns or risk mitigation achieved. As part of this process there is additional disclosure in the accounts this year so that manager fees which are charged to the funds they manage, as well as those settled by a separate payment from the Fund, are given equal prominence.

The Fund is a segregated scheme with a number of sections each requiring its own valuation, summary funding statement and audited accounts. At the end of the year the last member in the CapGemini UK plc Section retired, so that company's participation can now be terminated and the number of sections will reduce from six to five. Also the last member of Tribal Technology Limited transferred to TfL from 1 April 2015, so that company's participation in the Composite Section and Fund will also now end.

The Actuarial Valuation Committee continues the dialogue with the Pensions Regulator on the Technical Provisions and Recovery Plan following the 2012 valuation.

Mention is also deserved of the work of the other Committees (Operations, Audit and Appeals) and the Trustee Board itself in ensuring good governance prevails in all the Fund's activities.

With a membership of over 83,000, the day to day administration of the Fund is a significant undertaking. Close to 42,000 tasks were completed by the Fund Office during the year. Their service level agreement targets were met 100% in two out of the four quarters of the year and by 99.94% and 99.97% in the two other quarters.

During the year we welcomed Steve White 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.

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, Scheme Actuary, Investment and Legal Advisers, Investment Managers, Custodian, Auditors and not least the Fund Office and Fund Secretary for their support. I remain confident that, with these resources, we can meet the day-to-day challenges and plan effectively for those which lie ahead of us.

Chairman
10 July 2015

TfL Pension Fund

Trustee's Report

The Directors of TfL Trustee Company Limited, the Trustee of TfL Pension Fund, have pleasure in submitting their Annual Report on the operations of the Fund, together with the Accounts of the Fund for the year ended 31 March 2015.

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 the year to 31 March 2015:

Retiring Director	Date of Retirement	New Appointment	Date of Appointment	Nominating Body
Mr GF Duffy	16 May 2014	Mr S White	6 June 2014	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 2015, 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	13	13	Mr LP Brown	17	15
Ms A Back	14	10	Mr G Dean	18	15
Mr ME Binnington	19	18	Mr SW Ellaby	9	9
Ms E Cernoia	21	19	Mr S Hedley	10	3
Ms JV Hart	13	9	Mr P Kilius-Smith	14	13
Mr DJ O'Brien	13	10	Mr JH Knowles	8	6
Mr AM Pollins	18	11	Mr CA Miller	15	11
Mr MJ Weston	11	10	Mr PJ Murphy	21	20
Mr S White	8	3	Mr JB Timbrell	19	17

The average attendance for the Directors listed above at scheduled Trustee Board and Committee meetings was 74% and 76% 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	Ms A Back Mr ME Binnington Ms E Cernoia Mr S White	Mr LP Brown Mr P Kilius-Smith Mr PJ Murphy Mr JB Timbrell
Alternatives and Liability Hedging	Mr ME Binnington Ms E Cernoia	Mr PJ Murphy Mr JB Timbrell
Operations	Ms JV Hart Mr DJ O'Brien Mr AM Pollins Mr MJ Weston	Mr LP Brown Mr G Dean Mr S Hedley Mr PJ Murphy
Audit	Ms JV Hart Mr DJ O'Brien Mr AM Pollins	Mr LP Brown Mr G Dean Mr JH Knowles
Appeals	Ms M Antoniou Ms A Back Mr AM Pollins	Mr G Dean Mr SW Ellaby Mr P Kilius-Smith
Actuarial Valuation	Ms M Antoniou Mr MJ Weston	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 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.

TfL Pension Fund

Trustee's Report (continued)

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.

Appeals Committee

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

Actuarial Valuation Committee

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

4. Governance

Introduction

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

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.

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

Changes to the Trust Deed and Rules of the Fund

The Fund Rules have been amended so that after a member's death, a surviving same sex spouse is treated in the same way as a spouse who is not of the same sex. Equivalent conditions apply in the case of the rights of any other survivor.

Management of the Fund

(a) Trustee's responsibility for preparing accounts

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

TfL Pension Fund

Trustee's Report (continued)

(b) Statement of Trustee's responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

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

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

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

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

(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: - Unite the 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.

TfL Pension Fund

Trustee's Report (continued)

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

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

To achieve this the Trustee has developed a Governance Framework that includes an annual risk review carried out by the Chairs of Committees, which identifies the key risks facing the Fund and the controls in place to manage these risks. These risks and controls are set out in a Risk Register which is considered by the Audit Committee and the Board who, 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.

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, the taking of advice from its professional advisers and by having good communication and exchange of information. As part of the 2012 and 2015 actuarial valuations, the Trustee commissioned an independent review of the employer covenant of Transport for London and of the private sector section Participating Employers by Penfida.

Quarterly Investment Updates

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

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

TfL Pension Fund

Trustee's Report (continued)

5. Financial review

The Accounts of the Fund for the year to 31 March 2015 have been drawn up in compliance with the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007).

The net assets of the Fund, that is the investment assets including the AVC scheme, the fixed assets held for own use, and the net current assets, amounted to £8,304.2m at 31 March 2015. The increase of £992.3m, compared with the value at 31 March 2014 of £7,311.9m, was made up as follows:

	Movement in the year	
	2015	2014
	£m	£m
Net returns on investments	959.1	401.2
Net additions from dealings with members	<u>33.2</u>	<u>41.0</u>
	<u>992.3</u>	<u>442.2</u>

Net returns on investments comprised changes in the market value of investments of £890.8m (2014: £331.4m) and investment income of £81.5m (2014: £80.7m) which were partly offset by investment management expenses of £13.2m (2014: £10.9m). The increase in market value of investments was made up of realised investment gains of £1,329.9m (2014: £475.3m) and unrealised investment losses of £439.1 (2014: Losses of £143.9m).

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 in the amount of net additions of £7.8m was mainly due to an increase in benefits payable of £17.7m, a decrease in transfers in from other schemes of £5.4m, an increase in pension levies of £1.4m offset by increase of contributions receivable of £17.0 million. Under the Rules of the Fund the administrative costs of the Fund are borne by the Fund itself. Payments to and on account of leavers, administrative expenses and other payments increased by £0.3m.

Further details of the financial movements of the Fund may be found in the audited Accounts on pages 22 to 31.

Details of the participating employers' unit holdings and asset values are set out in the unaudited statement on page 45. 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 Scheme Actuary to carry out a formal actuarial valuation of each section of the Fund at least every three years. The valuations reveal the extent to which the sections' existing assets are sufficient to meet their liabilities for benefits that have been earned for service up to the valuation date. They also establish the levels of contributions required in future to provide an appropriate level of funding when account is taken of benefits to be earned in the future.

A formal valuation was carried out by the Scheme Actuary as at 31 March 2012 of each of the eight sections that were still in existence on 31 March 2012 and completed on 17 May 2013. 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.

TfL Pension Fund

Trustee's Report (continued)

As required by legislation and the Fund's governing documents, for each of the sections that had a funding deficit the 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 shows the contributions that are to be paid for the next five years or, if longer, until the funding deficit was expected to be eliminated. They show separately the contributions required to meet future accruing benefit costs and the additional contributions that are planned to finance the funding deficits.

For each section with 100 or more members, legislation requires the Scheme Actuary to provide an actuarial report in each year between formal actuarial valuations to give the Trustee an approximate update of the section's funding position. Actuarial reports have therefore been provided for the two largest sections as at 31 March 2014.

Following completion of the formal valuation, a Summary Funding Statement will be sent to each member of the Fund which summarise the valuation results for their section. Further Summary Funding Statements will be sent annually including, where applicable, information from the actuarial reports. Extracts from the 2014 Summary Funding Statements for each section are shown on pages 34 to 38.

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

7. Pension increases

Deferred members and pensioners receive increases in accordance with the Fund Rules. The April 2015 pension increase is based on the increase in the Retail Price Index over the 12 months to September 2014. 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 2.3% 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 2011	4.6%	4.6%
April 2012	5.6%	5.0%
April 2013	2.6%	2.6%
April 2014	3.2%	3.2%
April 2015	2.3%	2.3%

8. Fund's advisers

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

TfL Pension Fund

Trustee's Report (continued)

9. Changes in membership during the year

The table below summarises the movement in membership during the year to 31 March 2015. In addition, the Fund has 164 (2014: 149) pension credit members comprising 111 deferred pensioners (2014: 103) and 53 pensioners (2014: 46).

	2014/ 2015	2014/ 2015	2013/ 2014	2013/ 2014	Change
Contributing members as at 1 April 2014	23,662		23,012		
Joiners	1,868		1,676		
	<u>25,530</u>		<u>24,688</u>		
Contributing members retiring	(499)		(454)		
Leavers taking a refund of contributions	(139)		(134)		
Leavers becoming deferred pensioners	(508)		(420)		
Leavers with less than two years service – member option decision pending	(16)		7		
Leavers taking a trivial commutation lump sum	(5)		(2)		
Deaths in service	(27)		(23)		
Contributing members as at 31 March 2015		24,336		23,662	+674
Deferred pensioners as at 1 April 2014	17,406		17,812		
Leavers becoming deferred pensioners	508		420		
	<u>17,914</u>		<u>18,232</u>		
Deferred pensions coming into payment	(676)		(711)		
Deferred pensioners transferring to other schemes	(71)		(56)		
Deferred pensioners taking a trivial commutation lump sum	-		(3)		
Deferred pensioner deaths	(56)		(56)		
Deferred pensioners as at 31 March 2015		17,111		17,406	-295
Pensioners as at 1 April 2014	31,310		31,228		
Contributing members retiring	499		454		
Pensions coming into payment	676		711		
	<u>32,485</u>		<u>32,393</u>		
Pensioner deaths	(1,091)		(1,082)		
Pensioners ceasing to be eligible for a pension	-		(1)		
Pensioners as at 31 March 2015		31,394		31,310	+84
Dependants as at 1 April 2014	10,084		10,103		
Dependants becoming entitled to pensions	558		599		
	<u>10,642</u>		<u>10,702</u>		
Dependant deaths	(624)		(615)		
Dependants taking a trivial commutation lump sum	(7)		(3)		
Dependants as at 31 March 2015		10,011		10,084	-73
Eligible children as at 1 April 2014	635		617		
Children becoming entitled to pensions	49		90		
	<u>684</u>		<u>707</u>		
Children ceasing to be eligible	(70)		(69)		
Child deaths	-		(3)		
Eligible children as at 31 March 2015		614		635	-21
Total membership as at 31 March 2015		<u>83,466</u>		<u>83,097</u>	<u>+369</u>

TfL Pension Fund

Trustee's Report (continued)

Details of contributing members by section as at 31 March 2015 were as follows:

	<u>2014/ 2015</u>	<u>2014/ 2015</u>	<u>2013/ 2014</u>	<u>2013/ 2014</u>	<u>Change</u>
	%		%		
Transport for London	23,410	96.20	22,680	95.85	+730
Tube Lines Limited	886	3.64	939	3.97	-53
Cubic Transportation Systems Limited	35	0.14	37	0.16	-2
Composite section	3	0.01	3	0.01	-
Thales Transport and Security Limited	2	0.01	2	0.01	-
Capgemini UK plc	-	-	1	-	-1
	<u>24,336</u>	<u>100.00</u>	<u>23,662</u>	<u>100.00</u>	<u>+674</u>

10 Disclosure of information to auditors

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

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 2015 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 Towers Watson Limited. Certain legacy investments amounting to no more than 1% of total assets are administered in-house but the Directors take appropriate investment advice in the disposition of these assets.

Investment Managers' fees are primarily based on the market value of the Fund and, in the case of 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 2015, including AVC investments, had a value of £8,294.5m an increase of £989.1m compared with their value, including AVC investments, of £7,305.4m as at 31 March 2014. Investment income (i.e. dividends and interest) amounted to £81.5m for the year to 31 March 2015 compared with £80.7m for the year to 31 March 2014.

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 small proportion of the Fund's assets are less readily marketable.

Benchmark Summary at 31 March 2015

The Directors measure the Fund's performance against the benchmark below which is based on the current asset allocation and is reviewed regularly as the Fund moves towards the long-term strategic target allocation.

Allocation	Weight (%)	Comparison Basis
UK equities	7.0	FTSE All Share
Overseas developed equities	12.5	FTSE Developed World ex UK (unhedged)
Overseas developed equities	19.5	FTSE Developed World ex UK (GBP hedged)
Emerging market (EM) equities	8.0	FTSE Emerging
Fundamental equities	6.0	FTSE RAFI All World 3000 Index
Developed equities with EM tilt	2.0	Russell Large GeoExposure
Fixed interest gilts	0.5	FTSE Over 15 Year Gilts
Index-linked gilts	14.5	FTSE ILG Over 5 Year
Global bonds	3.6	BarCap 60/40 Sovereign Credit Index
Global bonds	4.5	BarCap Global Agg Corporate Bmk 1% Constrained
Alternative credit	1.4	ML US High Yield Master II Constrained Index
Alternative credit	1.4	Credit Suisse Leveraged Loan Index
Alternative credit	1.1	ML US T-Bills +3% pa
Liquid alternatives	8.5	GBP 3 Month LIBOR +3% pa
Infrastructure and Real Estate	5.0	Absolute return of 9% pa
Private equity	2.3	MSCI World +3% pa
Commodities	1.5	Bloomberg Commodity 3 Month Forward
Real estate	0.7	FTSE EPRA/NAREIT Developed
	<u>100.0</u>	

Each of the active managers is financially incentivised to out-perform a relevant index over rolling three-year periods. The Directors believe the investment mix set out below 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 2015

Portfolio	% of Manager Fund
Core	
Index tracking (all asset classes) and liability matching assets	46.2 Blackrock Investment Management (UK) Limited ¹
Index tracking (equities)	0.5 Legal & General Investment Management
Active Specialist	
Global bonds	7.3 Goldman Sachs Asset Management
Global equities 1	6.6 IronBridge Capital Management LP
Global equities 2	5.8 Pzena Investment Management LLC
Global equities 3	5.6 JO Hambro Capital Management Limited
Pacific Basin equities	3.0 Nomura Asset Management UK Limited
North American Small Cap equities	2.1 Burgundy Asset Management Limited
Global emerging market equities	1.3 Coronation International Limited
Alternative Credit	1.1 Oak Hill Advisors, LP ²
Alternative Credit	1.1 Brigade Capital Management, LLC
Global Small Cap equities	1.0 Paradise Investment Management Pty Limited
Alternative credit	1.0 Wellington Management Company, LLP
Asia (ex Japan) equities	0.8 JO Hambro Capital Management Limited
Currency overlay	(0.4) Russell Implementation Services Limited
Alternative Assets	
Global Macro Systematic Hedge Fund	3.4 Bridgewater Associates, Inc
Infrastructure Investment	2.9 Semperian PPP Investment Partners Holdings Ltd ³
Private Equity Fund of Funds	1.5 Partners Group (UK) Limited
Reinsurance Hedge Fund	1.4 Nephila Capital Limited
Distressed & Structured PE Credit	1.1 Siguler Guff & Company, LP
Infrastructure Private Equity Fund	1.1 Colonial First State Global Asset Management
Managed Futures Hedge Fund	0.9 AQR Capital Management, LLC
Commodities Smart Beta Fund	0.9 Gresham Investment Management, LLC
Real Estate (Fund of Funds Exposure)	0.8 CBRE Global Collective Investors UK Limited
Global Multi-Strategy Hedge Fund	0.7 Arrowgrass Capital Partners, LLP
Global Macro Discretionary Hedge Fund	0.5 Brevan Howard Asset Management, LLP
Global Multi-Strategy Hedge Fund	0.5 OZ Management, LP
Segregated Infrastructure Debt Portfolio	0.4 Industry Funds Management Pty Limited
Global Private Equity Fund of Fund	0.2 Neuberger Berman Alternatives Advisers LLC
Private Mezzanine Debt	0.2 GS Mezzanine Partners
Emerging Market Infrastructure Fund	0.2 IFC Asset Management Company, LLC
Emerging Market Currencies	0.1 Rogge Global Partners Plc
Distressed Debt Hedge Fund	0.1 Davidson Kempner Capital Management, LLC
UK Renewables Private Equity	0.1 Blackrock Renewable Income UK Fund
	100.0

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

² The Fund has 8% economic interest in Oakhill Diversified Credit Strategies Fund (Offshore) Ltd.

³ The Fund has a 29.1215% 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

A detailed analysis of the investment assets of the Fund at 31 March 2015 is shown below.

	2015		2014	
	£m	%	£m	%
Fixed interest securities	575.8	7.0	527.2	7.2
Equities - UK	117.3	1.4	91.4	1.3
- Overseas	2,034.9	24.5	1,632.6	22.4
Index-linked securities	19.7	0.2	4.7	0.1
Loans	31.2	0.4	3.0	-
Pooled investment vehicles				
Fixed interest securities	1,121.3	13.5	1,141.8	15.6
Index-linked securities	298.0	3.6	237.9	3.3
Equities	2,367.1	28.6	2,280.8	31.2
Other	1,328.0	16.0	1,163.2	15.9
Derivatives	(47.9)	(0.6)	31.7	0.4
Cash deposits	382.2	4.6	134.7	1.8
Other investment balances	8.7	0.1	6.3	0.1
AVC scheme investments	58.2	0.7	50.1	0.7
	<u>8,294.5</u>	<u>100.0</u>	<u>7,305.4</u>	<u>100.0</u>

The 10 largest direct quoted equity holdings of the Fund as at 31 March 2015 are shown below.

	Value	% of Fund's quoted equity holdings	Country	Sector
	£m	%		
Nestle	26.5	1.3	Switzerland	Food Processing
Novartis	21.7	1.0	Switzerland	Pharmaceuticals
Bayer	20.2	1.0	Germany	Healthcare
Microsoft	20.0	1.0	USA	Technology
Tencent Holdings	19.6	0.9	China	Technology
Illinois Tool Works	19.4	0.9	USA	Engineering
CVS Health	18.3	0.9	USA	Healthcare
Ing Groep	18.2	0.9	Netherlands	Financial Services
Walt Disney	18.0	0.9	USA	Entertainment
Google	17.9	0.9	USA	Internet
	<u>199.8</u>	<u>9.7</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	1.599

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.

TfL Pension Fund

Investment Report (continued)

The table below shows the total investment returns (including both capital and income) obtained on the Fund's assets (including property but excluding AVCs) for the one, three and five years to 31 March 2015 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 %	13.2	13.7	10.6	10.6	9.5	9.3

The Fund assets returned 13.2% for the year ending 31 March 2015, 0.5% below its benchmark return of 13.7.

Details of the performance of the individual portfolios in the year to 31 March 2015 gross of fees, unless shown otherwise, compared with the previous year are shown below:

	Year to 31 March 2015		Year to 31 March 2014	
	Fund %	Benchmark %	Fund %	Benchmark %
Index-Tracking – Legal & General	7.4 ²	N/A	7.1	N/A
UK equities	0.9 ²	0.9 ²	9.0	8.8
North American equities	14.7 ²	14.7 ²	10.3	10.3
European equities (ex. UK)	-4.5 ²	-4.7 ²	18.1	18.0
Japan equities	8.4 ²	8.5 ²	-	-
Pacific Basin (ex. Japan) equities	4.2 ²	4.1 ²	(6.6)	(6.7)
Middle East/Africa equities	9.2 ²	9.1 ²	12.1	11.9
Emerging Market equities	16.2	16.0	(10.9)	(11.0)
Over 15 year Gilts	12.6 ²	12.6 ²	(3.1)	(3.1)
FTSE RAFI All World 3000	5.8 ²	5.8 ²	10.8	10.8
GeoExposure	12.1	12.2	4.6	4.7
LDI – Legal & General	18.3 ²	N/A	(5.3)	N/A
Index-Tracking – Blackrock	2.4 ¹	N/A	-	-
UK equities	(1.0) ¹	(1.0) ¹	-	-
North American equities	5.9 ¹	5.9 ¹	-	-
European equities (ex. UK)	10.9 ¹	10.9 ¹	-	-
Japan equities	16.3 ¹	16.3 ¹	-	-
Pacific Basin (ex. Japan) equities	8.5 ¹	8.6 ¹	-	-
Middle East/Africa equities	14.5 ¹	14.5 ¹	-	-
Emerging Market equities	8.8 ¹	7.4 ¹	-	-
Over 15 year Gilts	4.2 ¹	4.1 ¹	-	-
FTSE RAFI All World 3000	7.5 ¹	9.9 ¹	-	-
GeoExposure ⁴	7.1 ¹	10.6 ¹	-	-
LDI – Blackrock QIF	3.5 ¹	N/A	-	-
Equities				
Blackrock – EM equity futures	8.0 ¹	7.4 ¹	-	-
Burgundy - North American equities	19.4	21.5	12.1	13.8
Coronation – Global EM equities	4.9	12.8	0.4 ²	(1.5) ²
Ironbridge - Global equities	20.4	19.1	8.7	8.5
J O Hambro – Asia (ex Japan) equities	24.2 ³	19.4 ³	-	-
J O Hambro - Global equities	31.2	18.4	18.0	6.2
Nomura - Far East equities	22.5	24.1	(4.2)	(4.7)
Paradice -Global Small Cap equities	17.6 ²	17.6 ²	-	-
Pzena -Global equities	12.5	19.1	11.9 ³	7.7 ³
Taube Hodson Stonex - Global equities	-	-	1.3 ¹	0.8 ¹

TfL Pension Fund

Investment Report (continued)

	Year to 31 March 2015		Year to 31 March 2014	
	Fund %	Benchmark %	Fund %	Benchmark %
Bonds				
Blackrock - Network Rail bonds ⁴	25.7 ¹	21.0 ¹	-	-
Brigade ⁴	13.8	15.1	(2.8)	(3.2)
Goldman Sachs - Asset Backed	12.1	0.5	3.2	0.5
Goldman Sachs - Corporate Credit	6.9	7.5	3.6	2.4
Goldman Sachs - Sovereign Credit	2.3	4.5	(10.9)	(10.5)
Industry Funds Management	18.7	4.6	-	-
Legal & General - Network Rail bonds	14.1	10.8	(0.9)	(4.6)
Oak Hill ⁴	15.9	15.1	(1.7)	(3.2)
Wellington	3.6	3.3	(0.5)	3.1
Other assets				
AQR Capital Management ⁴	21.0 ²	1.8 ²	-	-
Arrowgrass ⁴	4.1	3.6	8.6	3.5
Blackrock Real Estate ⁴	19.5 ¹	22.9 ¹	-	-
Blackrock Renewable ⁴	0.0 ¹	1.8 ¹	-	-
BlueCrest: Blue Trend ⁴	13.4	1.8	(18.7)	3.5
BlueCrest: Capital ⁴	0.0	2.7	(0.4)	3.5
Brevan Howard : Fund ⁴	5.2	3.6	(2.7)	3.5
Brevan Howard: Multi Strategy ⁴	5.8	3.6	(1.4)	3.5
Bridgewater Pure Alpha Sterling ⁴	15.5	5.6	9.1	5.5
Bridgewater Pure Alpha Major Markets ⁴	21.6	5.6	9.1	5.5
CBRE	17.9	10.0	-	-
Colonial First State Global Asset Mgt ⁴	(3.2)	12.5	7.0	12.5
Davidson Kempner ⁴	10.3	14.9	11.9	(5.0)
Goldman Sachs Mezzanine ⁴	1.4 ¹	3.0 ¹	-	-
Gresham ⁴	(25.8)	(27.5)	(1.9)	(2.5)
IFC Global Infrastructure ⁴	12.8	12.0	(6.1)	4.8
Legal & General : REITS	14.2 ²	14.0 ²	(6.8)	(6.9)
Nephila ⁴	20.0	15.9	(2.4)	(6.0)
Neuberger Berman	3.4 ¹	2.8 ¹	-	-
Och-Ziff ⁴	9.6	3.6	3.7	(6.4)
Partners Group ⁴	13.8	23.3	1.8	12.3
Rogge	30.9	0.5	14.8	0.5
Semperian ⁴	14.6	8.4	11.5	8.4
Siguler Guff ⁴	22.0	23.3	3.3	12.3

¹ One quarter's results (not annualised)

² Two quarter's results (not annualised)

³ Three quarter's results (not annualised)

⁴ Performance shown net of fees

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

TfL Pension Fund

Investment Report (continued)

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 2015	% of total	Reported returns (where declared) Year to 31 March 2015
	£m		
Equitable Life			
With Profits	3.1	5.3	N/A
Unit-linked funds			
Managed	3.8	6.5	9.7%
UK FTSE Tracking	1.5	2.6	7.0%
UK FTSE Tracking Lifestyle	0.5	0.9	7.0%
Deposit Account Fund	0.7	1.2	N/A
	<u>9.6</u>	<u>16.5</u>	
Clerical Medical			
With Profits	6.9	11.8	N/A
Unit-linked funds	1.2	2.1	N/A
	<u>8.1</u>	<u>13.9</u>	
Standard Life			
Managed Pension Fund	17.2	29.5	1.4%
International Equity Pension Fund	3.6	6.2	18.8%
Annuity Purchase Fund	7.3	12.5	16.6%
Money Market Pension Fund	1.5	2.6	(0.1)%
FTSE Tracker Pension Fund	2.9	5.0	7.1%
Ethical Pension Fund	1.5	2.6	5.5%
Deposit and Treasury Pension Fund	2.2	3.8	(0.6)%
Blackrock Aquila HP Over 15 year Gilts Fund	0.5	0.9	6.0%
Blackrock Aquila HP Over 5 year Index-linked	1.3	2.2	2.1%
Blackrock Aquila HP World (ex UK) Equity Fund	1.1	1.9	0.4%
Vanguard FTSE UK All Share Ind Pension Fund	0.6	1.0	6.7%
HSBC Amanah Pension Fund	0.3	0.5	20.4%
Pension With Profits One Fund	0.5	0.9	1.0%
	<u>40.5</u>	<u>69.6</u>	
	<u>58.2</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. Activism

The Trustee recognises the Fund's responsibility as an active and long term institutional investor to support and encourage good corporate governance practices in the companies in which it invests. Specifically 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.

For companies in the Fund's actively managed equity portfolios there were 336 annual general meetings or extraordinary general meetings held in the year to 31 March 2015 and at 124 of these there were votes 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.

During the year, the passive equity manager has changed from Legal & General to BlackRock. Because the Fund holds units rather than the underlying shares, both Legal & General and BlackRock act independently but have a strong track record of activism both at meetings with and in their engagement with management. For the first half of the year Legal & General voted at 2,504 shareholder meetings and of the 33,554 resolutions considered at them, voted against management for 3,919. In the second half of the year BlackRock voted at 3,921 shareholder meetings where 28,396 resolutions were considered and 9,344 voted against.

The Fund is 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. As part of supporting its discussions with BP and Shell, the Fund voted in favour of shareholder resolutions at their AGMs which would result in further information being included in their annual reports on environmental matters.

The Trustees have considered the Law Commission's report on the Fiduciary Duties of Investment Intermediaries. The review was initiated by government to evaluate whether the law on Fiduciary duties works in the interests of end investors. The government has issued a consultation on changes to the Investment Regulations following this report which closed on 24 April 2015. The Trustees will consider the government's response when this is issued, but have decided to make no changes to the Statement of Investment Principles on environmental, social and governance issues in the interim.

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.

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

The Compliance Statement on page 46 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 10 July 2015 and was signed on their behalf by:

M Antoniou

Directors

TfL Trustee Company Limited

JB Timbrell

TfL Pension Fund

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

We have audited the Financial Statements of the TfL Pension Fund for the year ended 31 March 2015 set out on pages 22 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of the Trustee and Auditor

As explained more fully in the Statement of Trustee's responsibilities on pages 7 and 8, the Fund's Trustee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscope/ukprivate.cfm.

Opinion on financial statements

In our opinion the financial statements:

- Show a true and fair view of the financial transactions of the Fund during the Fund year ended 31 March 2015 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 Generally Accepted Accounting Practice; and
- Contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Kevin Clark
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canada Wharf
London E14 5GL

10 July 2015

TfL Pension Fund

Fund Account

For the year ended 31 March 2015

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Dealings with members					
Contributions receivable	3	351,603		334,589	
Individual transfers in from other schemes		214		5,600	
		<u>351,817</u>		<u>340,189</u>	
Benefits payable	4	(300,400)		(282,684)	
Payments to and on account of leavers	5	(3,549)		(2,952)	
Other payments	6	(3,720)		(3,855)	
Administrative expenses	7	(3,675)		(3,824)	
Pension levies	8	(7,327)		(5,908)	
		<u>(318,671)</u>		<u>(299,223)</u>	
Net additions from dealings with members			33,146		40,966
Returns on Investments					
Investment income	9	81,482		80,694	
Change in market value of investments	10a	890,811		331,461	
Investment management expenses	11	(13,155)		(10,911)	
		<u>959,138</u>		<u>401,244</u>	
Net returns on investments			959,138		401,244
Net increase in the fund during year			<u>992,284</u>		<u>442,210</u>
Net assets at beginning of year			<u>7,311,873</u>		<u>6,869,663</u>
Net assets at end of year			<u>8,304,157</u>		<u>7,311,873</u>

Net Assets Statement

As at 31 March 2015

	Note	2015 £'000	2014 £'000
Investment assets	10b	8,389,190	7,340,987
Investment liabilities	10b	(94,662)	(35,592)
Total net Investments		<u>8,294,528</u>	<u>7,305,395</u>
Fixed assets held for own use	12	218	279
Current assets	13	18,914	19,186
Current liabilities	14	(9,503)	(12,987)
Net assets at end of year		<u>8,304,157</u>	<u>7,311,873</u>

The Notes on Pages 23 to 31 form part of these Accounts.

These Accounts were approved by the Board of Directors of the TfL Trustee Company Limited on 10 July 2015 and were signed on their behalf by:

M Antoniou
Directors
TfL Trustee Company Limited

JB Timbrell

TfL Pension Fund

Notes to the Accounts

1. Basis of preparation

The Accounts have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007).

The Accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. The Accounts do not take account of the obligations to pay pensions and other benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the extracts from the Summary Funding Statements and certificates by the Actuary on pages 33 to 43 and these Accounts should be read in conjunction with those statements.

2. Accounting policies

(a) Inclusion of income and expenditure

(i) *Contributions*

Employers' contributions are accounted for in the period to which the corresponding pay relates. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the 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) *Investment management expenses*

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

(vi) *Foreign currencies*

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

(vii) *Additional voluntary contributions (AVCs)*

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

(viii) *Depreciation*

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

TfL Pension Fund

Notes to the Accounts (continued)

(b) Valuation of investments

Investments are included at values which are determined as follows:

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

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

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

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

- (vi) Short-term deposits are valued at cost at 31 March 2015 taking into account gains or losses on foreign currencies;
- (vii) AVC investments are shown at the values advised by the AVC providers.

3. Contributions receivable

	2015 £'000	2014 £'000
<i>Employers</i>		
Normal	191,107	182,431
Deficit funding	106,895	101,937
	<u>298,002</u>	<u>284,368</u>
<i>Members</i>		
Normal	46,488	44,473
Additional voluntary contributions	7,113	5,748
	<u>53,601</u>	<u>50,221</u>
	<u>351,603</u>	<u>334,589</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 which resulted in a change of normal and deficit contributions which took effect from 1 April 2013.

All employers paid their respective contributions in accordance with the Schedules of Contributions.

TfL Pension Fund

Notes to the Accounts (continued)

Employers' contributions for 2013/14 have been reclassified between Normal and Deficit funding to reflect the Schedule of Contributions which took effect from 1 April 2013

4. Benefits payable

	2015 £'000	2014 £'000
Pensions	246,878	236,262
Commutations and lump sum retirement benefits	52,726	44,591
Lump sum death benefits (net of those insured)	796	1,831
	<u>300,400</u>	<u>282,684</u>

5. Payments to and on account of leavers

	2015 £'000	2014 £'000
Individual transfers to other schemes	3,331	2,743
Refunds to members leaving service	137	131
Payments for members joining state scheme	81	78
	<u>3,549</u>	<u>2,952</u>

6. Other payments

	2015 £'000	2014 £'000
Premiums on term insurance policies	3,720	3,855

7. Administrative expenses

	2015 £'000	2015 £'000	2014 £'000	2014 £'000
<i>Staff costs</i>				
Payroll	2,133		2,005	
Recruitment and training (incl. Trustee)	<u>20</u>		<u>16</u>	
		2,153		2,021
<i>Establishment costs</i>				
Accommodation	84		185	
Computer costs	459		499	
Telecommunications	1		18	
Depreciation	<u>81</u>		<u>78</u>	
		625		780
<i>Professional fees</i>				
Legal fees	224		244	
Audit fees	91		89	
KPMG non-audit fees	22		19	
Actuarial fees	212		352	
Medical fees	49		40	
Other professional fees	<u>44</u>		<u>35</u>	
		642		779
<i>Communication</i>				
Distribution	106		104	
Printing	<u>104</u>		<u>114</u>	
		210		218
<i>Consumables</i>				
Stationery	7		5	
General	<u>38</u>		<u>21</u>	
		45		26
		<u>3,675</u>		<u>3,824</u>

Administrative expenses include recharges by Transport for London of £2,317,000 for staff and other costs.

TfL Pension Fund

Notes to the Accounts (continued)

8. Pension levies

	2015 £'000	2014 £'000
Pension Protection Fund	7,172	5,753
Pension Regulator levies	155	155
	<u>7,327</u>	<u>5,908</u>

9. Investment income

	2015 £'000	2014 £'000
Income from fixed interest securities	19,931	19,428
Dividends from equities	37,550	33,758
Income from index-linked securities	3,512	2,404
Income from pooled investment vehicles	19,986	22,352
Income from loans	655	-
Income from derivatives	(1,034)	1,979
Interest on cash deposits	306	147
Income from securities lending	551	529
Other investment income	25	97
	<u>81,482</u>	<u>80,694</u>

10. Investments

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

	Value at 1 April 2014 £'000	Purchases at cost & derivative payments £'000	Sale proceeds & derivative receipts £'000	Change in Market Value £'000	Value at 31 March 2015 £'000
Fixed interest securities	527,229	498,379	473,077	23,293	575,824
Equities	1,723,991	3,160,151	3,092,833	360,843	2,152,152
Index-linked securities	4,677	36,187	26,278	5,097	19,683
Loans	3,011	27,453	471	1,264	31,257
Pooled investment vehicles	4,823,664	3,784,927	4,091,849	597,692	5,114,434
Derivative contracts	31,713	22,938	-	(102,575)	(47,924)
AVC investments	50,138	7,332	4,475	5,197	58,192
	<u>7,164,423</u>	<u>7,537,367</u>	<u>7,688,983</u>	<u>890,811</u>	<u>7,903,618</u>
Cash deposits	134,633				382,194
Other investment assets	32,053				32,595
Other investment liabilities	(25,714)				(23,879)
Total net investments	<u>7,305,395</u>				<u>8,294,528</u>

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

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions and stamp duty. Transaction costs incurred during the year amounted to £2,979,000 (2014: £2,358,000). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investment within pooled investment vehicles. The amount of indirect costs is not separately identified.

TfL Pension Fund

Notes to the Accounts (continued)

b) Details of investments held at year end

	2015 £'000	2015 £'000	2014 £'000	2014 £'000
<i>Fixed interest securities</i>				
UK public sector quoted	16,879		29,087	
UK corporate quoted	43,155		56,703	
Overseas public sector quoted	204,268		202,258	
Overseas corporate quoted	<u>311,522</u>		<u>239,181</u>	
		575,824		527,229
<i>Equities</i>				
UK quoted	109,153		87,637	
UK unquoted	8,117		3,768	
Overseas quoted	1,963,124		1,610,062	
Overseas unquoted	<u>71,758</u>		<u>22,524</u>	
		2,152,152		1,723,991
<i>Index-linked securities</i>				
Overseas public sector quoted	<u>19,683</u>		<u>4,677</u>	
		19,683		4,677
<i>Loans</i>				
Overseas unquoted	<u>31,257</u>		<u>3,011</u>	
		31,257		3,011
<i>Pooled investment vehicles</i>				
<i>Managed funds</i>				
Fixed interest - UK	855,322		902,585	
Fixed interest - Overseas	265,989		239,217	
Index-linked - UK	297,994		237,911	
Equities - UK	2,367,107		2,280,796	
Other - UK	231,247		211,160	
Other - Overseas	1,095,176		950,373	
Unit trusts Property - UK	<u>1,599</u>		<u>1,622</u>	
		5,114,434		4,823,664
<i>Derivative assets</i>				
Futures - exchange traded	254		857	
Swaps - OTC	1,046		350	
Forward FX - OTC	<u>21,559</u>		<u>40,384</u>	
		22,859		41,591
<i>Cash deposits</i>				
Sterling deposits	99,238		38,200	
Foreign currency deposits	<u>282,956</u>		<u>96,433</u>	
		382,194		134,633
<i>Other investment asset balances</i>				
Amounts due from broker	3,081		4,518	
Outstanding trades	10,789		13,122	
Outstanding dividend entitlements and recoverable withholding tax	<u>18,725</u>		<u>14,413</u>	
		32,595		32,053
<i>AVC investments</i>				
		58,192		50,138
Total investment assets		<u>8,389,190</u>		<u>7,340,987</u>

TfL Pension Fund

Notes to the Accounts (continued)

	2015 £'000	2015 £'000	2014 £'000	2014 £'000
<i>Derivative liabilities</i>				
Futures – exchange traded	(474)		(42)	
Swaps – OTC	(1,004)		(1,455)	
Forward FX – OTC	(69,305)		(8,381)	
		(70,783)		(9,878)
<i>Other investment liability balances</i>				
Amounts due to broker	(574)		(180)	
Outstanding trades	(20,052)		(23,069)	
Accrued expenses	(3,253)		(2,465)	
		(23,879)		(25,714)
Total investment liabilities		(94,662)		(35,592)
Total net investments		8,294,528		7,305,395

c) Pooled investment vehicles

The Fund's investment in the following managed funds represented more than 5% of the net investment assets at the 31 March 2015:

	£'000	% of Net Assets
Blackrock Aquila Life US Equity Index Fund	873,990	10.5%
Blackrock QIF	825,862	10.0%
Blackrock Aquila Life RAFI AW 3000 Equity Index fund	491,470	5.9%

d) Derivative assets

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:

Futures

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

Nature	Bought /Sold	Nominal amount	Duration	Asset value at year end	Liability value at year end
		000		£'000	£'000
UK Long Gilt	Bought	20	June 2015	46	-
Canadian Bonds	Bought	37	June 2015	-	-
Canadian Bonds	Sold	(1)	June 2015	-	(1)
German Bonds	Bought	63	June 2015	14	(13)
German Bonds	Sold	(145)	June 2015	-	(42)
US Bonds	Bought	294	June 2015	194	(6)
US Bonds	Sold	(114)	June 2015	-	(9)
Emerging Market Stock Equities	Bought	(4,434)	June 2015	-	(403)
				<u>254</u>	<u>(474)</u>

TfL Pension Fund

Notes to the Accounts (continued)

Swaps

Swaps comprising interest rate swaps, credit default swaps, total return swaps and basis swaps have been implemented to hedge the interest rate risk were undertaken as part of the Fund's investment strategy to enhance returns and facilitate efficient portfolio management. The Fund had derivative contracts outstanding at the year end relating to its fixed interest investment portfolio. These contracts are traded over the counter. The details are:

Nature	Country	Nominal amount	Currency	Duration	Asset value at year end	Liability value at year end
					£'000	£'000
Interest rate swaps	Brazil	233,710,000	BRL	2016-2021	121	(774)
	Chile	2,222,930,000	CLP	2017-2019	-	(39)
	Columbia	12,516,050,000	COP	2016-2024	15	(7)
	India	1,031,750,000	INR	2016-2020	10	(10)
	Malaysia	21,070,000	MYR	2018-2025	5	(20)
	Mexico	46,910,000	MXN	2018-2025	76	(9)
	South Africa	41,480,000	ZAR	2018-2020	1	(37)
	South Korea	57,014,090,000	KRW	2017-2024	663	(93)
	Thailand	701,670,000	THB	2016-2017	28	-
Credit default swaps	China	2,470,000	USD	2019	-	(15)
	USA	18,000,000	USD	2016	127	-
					1,046	(1,004)

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 FX contracts at the year end as follows:

Contract	Settlement date	Currency bought	Currency sold	Asset value at year end	Liability value at year end
				£'000	£'000
Forward OTC	1 month	Various	Various	9,684	(28,678)
Forward OTC	2 months	Various	Various	3,434	(12,074)
Forward OTC	3 months	Various	Various	3,668	(13,335)
Forward OTC	4 months	Various	Various	2,151	(4,978)
Forward OTC	5 months	Various	Various	880	(9,048)
Forward OTC	6 months	Various	Various	1,686	(546)
Forward OTC	7 months	Various	Various	-	(6)
Forward OTC	8 months	Various	Various	28	(433)
Forward OTC	10 months	Various	Various	28	(207)
				21,559	(69,305)

TfL Pension Fund

Notes to the Accounts (continued)

e) AVC investments

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

	2015	2014
	£'000	£'000
Standard Life	40,483	32,308
Equitable Life	9,646	9,866
Clerical Medical	8,063	7,964
	<u>58,192</u>	<u>50,138</u>

f) Securities lending

The Fund lends certain fixed interest and equity securities under a Trustee approved securities lending programme. At the 31 March 2015 £104.0m of investments were loaned comprising £80.9m overseas equities, £22.2m overseas fixed interest securities and £0.9 UK equities. Collateral of £111.8m was held at the 31 March 2015 in the form of cash of £14.7m and non-cash of £97.1m (2014: £111.2m loaned against £120.6m collateral).

g) Self investment

There were no employer-related investments at any time during the year ended 31 March 2015.

h) Commitments

At the 31 March 2015 the Fund had contractual commitments of £675.3m to pay calls on outstanding drawdowns for alternative Investments in pooled investment vehicles, unquoted equities and loans.

11. Investment management expenses

	2015	2014
	£'000	£'000
Administration, management and custody	12,425	10,070
Performance measurement services	60	144
Other advisory services	670	697
	<u>13,155</u>	<u>10,911</u>

The total investment management expenses incurred during the year was £47.6m (2014:£37.2m) of which only £13.2m (2014:£10.9m) 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)

12. Fixed assets held for own use

	Computer equipment £'000	Furniture £'000	Total £'000
<i>Cost at 1 April 2014</i>	2,011	45	2,056
Additions	20	-	20
Withdrawals	(25)	(11)	(36)
<i>Cost at 31 March 2015</i>	<u>2,006</u>	<u>34</u>	<u>2,040</u>
<i>Accumulated depreciation at 1 April 2014</i>	(1,732)	(45)	(1,777)
Depreciation charge for the year	(81)	-	(81)
Withdrawals	25	11	36
<i>Accumulated depreciation at 31 March 2015</i>	<u>(1,788)</u>	<u>(34)</u>	<u>(1,822)</u>
Net book value at 1 April 2014	<u>279</u>	<u>-</u>	<u>279</u>
Net book value at 31 March 2015	<u>218</u>	<u>-</u>	<u>218</u>

13. Current assets

	2015 £'000	2014 £'000
<i>Debtors</i>		
Prepayments and accrued income	12,588	12,831
<i>Cash balances</i>		
	<u>6,326</u>	<u>6,355</u>
	<u>18,914</u>	<u>19,186</u>

14. Current liabilities

	2015 £'000	2014 £'000
<i>Creditors</i>		
Unpaid benefits	5,529	6,598
Accrued expenses and deferred income	<u>3,296</u>	<u>3,086</u>
	8,825	9,684
<i>Bank overdrafts</i>		
	<u>678</u>	<u>3,303</u>
	<u>9,503</u>	<u>12,987</u>

Bank overdrafts represent payments submitted and cheques drawn but not presented for payment by 31 March 2015. Interest is not payable on these sums.

15. 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 behalf of the Fund and subsequently recharges these to the Fund. Administrative expenses recharged by TfL during the year end were £2,317,000 (2014: £2,390,000) and are included in Note 7 on page 25. At 31 March 2015, £580,000 (2014: £494,000) 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 schedules of contributions showing the rates of contributions payable towards the fund by or on behalf of the employer and the active members of the fund and the dates on or before which such contributions are to be paid. The Fund's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the fund in accordance with the schedules.

Trustee's Summary of Contributions payable under the Schedules in respect of the fund year ended 31 March 2015

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Fund's Trustee. It sets out the employer and member contributions payable to the Fund under the schedules of contributions certified by the Scheme Actuary on the 1 May 2013 in respect of the Fund year ended 31 March 2015. 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
Employers	
Normal contributions	191,107
Deficit funding	106,895
Members	
Normal contributions	46,488
Contributions payable under the schedules (as reported on by the Fund auditors)	<u>344,490</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)	344,490
Contributions payable in addition to those due under the schedules (and not reported on by the Fund auditors)	
Member additional voluntary contributions	7,113
Total contributions reported in the accounts	<u>351,603</u>

This Report was approved by the Board of Directors of the TfL Trustee Company Limited on 10 July 2015 and was signed on their behalf by:

M Antoniou

JB Timbrell

Directors
TfL Trustee Company Limited

TfL Pension Fund

Summary Funding Statements and Actuary's Certificates

Pages 34 to 38 contain extracts from the 2014 Summary Funding Statements. There is a separate statement for each section of the Fund except for the Capgemini UK plc Section which no longer has any members and is being wound up.

Pages 39 to 43 contain a formal certificate for each section provided by the Scheme Actuary to the effect that, in his opinion:

- When the certificates were given, the contributions shown in the section's schedule of contributions were expected to be sufficient to meet the "statutory funding objective" by the end of the period covered by the schedule;
- 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.

Composite Section

Extract from the 2014 Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2012, the funding position of the Section was as follows:

Assets	£0.810 million
Amount needed to provide benefits earned to 31 March 2012	£0.753 million
Surplus	£0.057 million
Funding level	108%

Regular contributions (from members and the employers) are intended to cover the cost of benefits for future service. Regular employer contributions from 1 April 2013 are 26.90% of pensionable pay for all members of the Section. The surplus will be amortised by reducing contributions paid by Tribal Technology Limited ("Tribal") by £12,700 a year over a period of 10 years from 1 April 2013 and by increasing the contributions paid by the British Transport Police Authority ("BTPA") by £2,583 a month during the period from 1 April 2013 to 31 October 2013.

In the last summary funding statement it was stated that the ongoing funding level as at 31 March 2009 was 78% with a shortfall of £0.254 million. The improvement in the funding position between 31 March 2009 and 31 March 2012 was due primarily to good investment returns, contributions paid into the Section being more than the cost of new benefit accrual and lower salary increases than had been assumed, partly offset by the effect of changes to the valuation assumptions.

The estimated additional amount needed on 31 March 2012 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £0.738 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Next funding valuation

The next formal valuation is as at 31 March 2015.

TfL Pension Fund

Cubic Transportation Systems Limited Section

Extract from the 2014 Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2012, the funding position of the Section was as follows:

Assets	£6.383 million
Amount needed to provide benefits earned to 31 March 2012	£6.009 million
Surplus	£0.374 million
Funding level	106%

Regular contributions (from members and the employer) are intended to cover the cost of benefits for future service. Regular employer contributions from 1 April 2013 are 30.15% of pensionable pay for all members of the Section. The surplus will be amortised by reducing employer contributions by £41,800 a year over a period of 10 years from 1 April 2013.

In the last summary funding statement it was stated that the ongoing funding level as at 31 March 2009 was 79% with a shortfall of £0.895 million. The improvement in the funding position between 31 March 2009 and 31 March 2012 was due primarily to good investment returns, contributions paid into the Section being more than the cost of new benefit accrual and lower salary increases than had been assumed, partly offset by the effect of changes to the valuation assumptions.

The estimated additional amount needed on 31 March 2012 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £5.182 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Next funding valuation

The next formal valuation is as at 31 March 2015.

Public Sector Section

Extract from the 2014 Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2012, the funding position of the Section was as follows:

Assets	£5,796 million
Amount needed to provide benefits earned to 31 March 2012	£6,495 million
Shortfall	£699 million
Funding level	89%

As a result TfL agreed to pay deficit contributions of 10.60% of pensionable pay from 1 April 2013 to 31 March 2020 and, on or before 31 March 2018, a lump sum of £37.8 million increased in line with the increase in RPI between September 2008 and September 2017. These amounts took account of contributions, benefit accruals, expenses and interest after the valuation date. These deficit payments are in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service. Regular employer contributions from 1 April 2013 are 20.40% of pensionable pay for all members of the Section.

The estimated additional amount needed on 31 March 2012 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £7,288 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Change in funding position

The ongoing funding level was last assessed as at 31 March 2014 when the funding level was estimated to be 92% with a shortfall of £589 million. The improvement in the funding position between 31 March 2012 and 31 March 2014 was due primarily to investment returns being higher than assumed and exceeded the increase in the value of liabilities that resulted from lower prospective investment returns. Also contributions paid into the Section exceeded the estimated cost of new benefit accrual.

Next funding valuation

The next formal valuation is as at 31 March 2015.

TfL Pension Fund

Thales Transport and Security Limited Section

Extract from the 2014 Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2012, the funding position of the Section was as follows:

Assets	£0.545 million
Amount needed to provide benefits earned to 31 March 2012	£0.526 million
Surplus	£0.019 million
Funding level	104%

Regular contributions (from members and the employer) are intended to cover the cost of benefits for future service. Regular employer contributions from 1 April 2013 are 24.25% of pensionable pay for all members of the Section. The surplus will be amortised by reducing employer contributions by £1,900 a year over a period of 10 years from 1 April 2013.

In the last summary funding statement it was stated that the ongoing funding level as at 31 March 2009 was 88% with a shortfall of £0.036 million. The improvement in the funding position between 31 March 2009 and 31 March 2012 was due primarily to good investment returns, contributions paid into the Section being more than the cost of new benefit accrual and lower salary increases than had been assumed, partly offset by the effect of changes to the valuation assumptions.

The estimated additional amount needed on 31 March 2012 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £0.604 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Next funding valuation

The next formal valuation is as at 31 March 2015.

Tube Lines Limited Section

Extract from the 2014 Summary Funding Statement

The last ongoing funding valuation

The most recent funding valuation showed that, on 31 March 2012, the funding position of the Section was as follows:

Assets	£174.1 million
Amount needed to provide benefits earned to 31 March 2012	£215.0 million
Shortfall	£40.9 million
Funding level	81%

As a result Tube Lines Limited ("Tube Lines") agreed to pay £1.046 million per month in the period 1 April 2013 to 31 October 2015, increased each 1 April from 1 April 2014 by the percentage increase (if any) in the RPI over the year to the previous September. These amounts took account of contributions, benefit accruals, expenses and interest after the valuation date. These deficit payments are in addition to regular contributions (from members and the employer) which are intended to cover the cost of benefits for future service. Regular employer contributions from 1 April 2013 are 23.15% of pensionable pay for all members of the Section.

The estimated additional amount needed on 31 March 2012 to ensure that all members' benefits could have been paid in full if the Section had started winding up was around £335.3 million. This calculation assumes all benefits would be secured with an insurance company. The Trustee is required by law to provide you with this information. It does not imply that there is any intention of winding up the Section.

Changes in funding position

The ongoing funding level was last assessed as at 31 March 2014 when the funding level was estimated to be 91% with a shortfall of £25 million. The improvement in the funding position between 31 March 2012 and 31 March 2014 was due primarily to contributions paid into the Section exceeding the estimated cost of new benefit accrual and investment returns exceeding the increase in the value of liabilities (that resulted from a reduction in prospective investor returns).

Next funding valuation

The next formal valuation is as at 31 March 2015.

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 2012 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 1 May 2013.

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

R V Williams
Fellow of the Institute of and Faculty of Actuaries

Date 17 May 2013

Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

TfL Pension Fund

Actuary's certification of schedule of contributions

Name of section: **TfL Pension Fund – Cubic Transportation Systems Limited 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 2012 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 1 May 2013.

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

R V Williams
Fellow of the Institute of and Faculty of Actuaries

Date 17 May 2013

Towers Watson Limited
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 2012 to be met by the end of the period specified in the recovery plan dated 1 May 2013.

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 1 May 2013.

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

R V Williams
Fellow of the Institute of and Faculty of Actuaries

Date 17 May 2013

Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

TfL Pension Fund

Actuary's certification of schedule of contributions

Name of section: **TfL Pension Fund – Thales Transport and Security Limited 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 2012 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 1 May 2013.

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

R V Williams
Fellow of the Institute of and Faculty of Actuaries

Date 17 May 2013

Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

TfL Pension Fund

Actuary's certification of schedule of contributions

Name of section: **TfL Pension Fund – Tube Lines Limited 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 2012 to be met by the end of the period specified in the recovery plan dated 1 May 2013.

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 1 May 2013.

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

R V Williams
Fellow of the Institute of and Faculty of Actuaries

Date 17 May 2013

Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

TfL Pension Fund

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

We have examined the summary of contributions payable under the schedules of contributions to the TfL Pension Fund in respect of the Fund year ended 31 March 2015 which is set out on page 32.

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.

Respective responsibilities of the Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 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.

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 schedule 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.

Statement about contributions payable under the schedules of contributions

In our opinion contributions for the Fund year ended 31 March 2015 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the actuary on the 17 May 2013.

Kevin Clark
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canada Wharf
London E14 5GL

10 July 2015

TfL Pension Fund

Participating Employers' Unit Holdings and Asset Values Statement

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

Participating Employer	Equity Fund			
	As at 31 March 2015		As at 31 March 2014	
	Units	£'000s	Units	£'000s
Public Sector Section	2,071,617,405	4,507,275	2,068,207,694	3,896,847
Tube Lines Limited	73,096,882	159,039	73,726,660	138,913
Capgemini UK plc	86,020	187	352,003	663
Cubic Transportation Systems Ltd	4,173,243	9,080	4,285,195	8,074
Composite section	203,575	443	282,074	532
Thales Transport and Security Ltd	272,207	592	269,557	508
	<u>2,149,449,332</u>	<u>4,676,616</u>	<u>2,147,123,183</u>	<u>4,045,537</u>

The Equity Fund unit price at the year-end was £2.175727714 (2014 £1.884166349)

Participating Employer	Bond Fund			
	As at 31 March 2015		As at 31 March 2014	
	Units	£'000s	Units	£'000s
Public Sector Section	456,553,620	1,140,596	456,385,127	1,032,404
Tube Lines Limited	17,561,249	43,873	16,940,165	38,321
Capgemini UK plc	29,423	74	115,152	260
Cubic Transportation Systems Ltd	1,427,456	3,566	1,401,833	3,171
Composite section	69,633	174	92,276	209
Thales Transport and Security Ltd	93,108	233	88,181	200
	<u>475,734,489</u>	<u>1,188,516</u>	<u>475,022,734</u>	<u>1,074,565</u>

The Bond Fund unit price at the year-end was £2.498273512 (2014 £2.262133113)

Participating Employer	Alternative and Liability Driven Assets Fund			
	As at 31 March 2015		As at 31 March 2014	
	Units	£'000s	Units	£'000s
Public Sector Section	1,656,271,672	2,276,173	1,650,413,074	2,059,150
Tube Lines Limited	51,877,017	71,293	49,910,718	62,271
	<u>1,708,148,689</u>	<u>2,347,466</u>	<u>1,700,323,792</u>	<u>2,121,421</u>

The Alternative Liability Driven Assets Fund unit price at the year-end was £1.374275349 (2014 £1.247657383)

	31 March 2015	31 March 2014
	£'000s	£'000s
Equity Fund	4,676,616	4,045,537
Bond Fund	1,188,515	1,074,565
Alternative and Liability Driven Assets Fund	2,347,466	2,121,421
Other (non unitised assets allocated to Public Sector)	91,560	70,350
<i>Total Net Assets at end of year</i>	<u>8,304,157</u>	<u>7,311,873</u>

TfL Pension Fund

Compliance Statement

1. Scheme Advisers

There are written agreements in place between the Trustee and each of the Scheme advisers listed on Page 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 Scheme Actuary and in accordance with statutory regulations. No transfers were made at less than their cash equivalent.

3. Changes to the Fund's advisers

There 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:

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

5. Complaints Procedure

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

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

The Pensions Advisory Service (TPAS)

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

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

Pensions Ombudsman

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

Telephone 020 7630 2200

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

For further help or information

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

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

Telephone: 020 7918 3733
Email: helpdesk@tflpensionfund.co.uk
Website: www.tflpensionfund.co.uk