

London Pensions Fund Authority

Meeting of the Board

LPFA Investment Committee Update

30 September 2025
Agenda Item 8

Authority & decision trail	Decision trail: Funding and Investment Director > IC Chair Authority: LPFA Board
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Appendices:	Supplementary Pack: 8.1 Appendix 1: Investment Committee ToR
LPFA Freedom of Information Publication Scheme	This document is exempt under: S22 – Information intended for future publication

Purpose

To update the Board on matters considered by the Investment Committee at its September 2025 meeting.

Summary

The Investment Committee met on 12 September 2025 to consider investment performance, responsible investment, oversight arrangements, governance matters, and forward planning. Key discussion points and decisions are summarised below.

Recommendations

The Board is asked to:

- Note** the updates provided by the IC Chair
- Approve** the updated Investment Committee Terms of Reference, as recommended by the Investment Committee.

Detail of the Report

Introductory Matters (IC128)

The Committee approved the minutes of the June meeting and confirmed the action log had been reviewed. Belinda Howell declared a new interest, having joined the Board of Scottish Water on 1 September.

Investment Reporting (IC129)

LPPI presented the quarterly investment and business update. Assets under management were £8.2 billion at 30 June and approximately £8.4 billion as at the meeting date. Absolute performance remained strong at around 7.5 per cent per annum over five and seven years, though relative performance continued to lag benchmarks, driven by underweights in US technology stocks, inflation effects in infrastructure, and weaker private equity exits.

The funding level was reported at over 120 per cent on both the 2022 and preliminary 2025 valuation bases. £140 million of surplus cash had been subscribed into credit in July, reducing the prior cash overweight. Members discussed the balance between public and private credit and the structure of credit vehicles. LPPI confirmed that allocations were tilting toward private direct lending and noted possible future restructuring into more distinct vehicles.

Discussions also covered Baillie Gifford's performance volatility within the Global Equity Fund, liquidity monitoring processes, and the funding position at valuation date. Members emphasised the importance of early visibility of any costs and staffing implications associated with potential partner fund onboarding, and LPPI confirmed costs would be allocated fairly. Responsible investment sensitivities in the current political environment were acknowledged.

Responsible Investment (IC130)

The Committee received the quarterly RI report. Clarifications were sought on Robeco's engagement coverage. Members considered a voting case study on AerCap and queried defence sector exposures, index changes, and supply chain risks in solar panel production. LPPI outlined ongoing due diligence and work on a defence sector policy. Members also discussed auditor reporting of ESG matters and LPPI's voting approach. The Committee noted the report and discussion.

Internal Audit - Investment Manager Oversight (IC131)

The Funding and Investment Director introduced the forthcoming internal audit of LPFA's oversight of LPPI, to be conducted by PwC. Scope areas included cost and fee transparency, stewardship delivery, and reporting practices. Members agreed the proposed scope and requested a summary of any gaps and timelines for completion by early 2026.

Investment Committee Terms of Reference (IC132)

The Governance Manager presented the annual review of the Committee's Terms of Reference. Following consideration, the Committee approved the updated Terms of Reference, noting that the amendments were minimal and clarificatory in nature, and recommended them to the Board for approval.

LPPI Oversight (IC133)

The Committee received an update on the appointment of an external investment adviser to support LPFA's oversight of LPPI. The decision taken in June to proceed independently of other funds has been implemented, with LPFA's procurement services manager engaged under the National LGPS Framework. A working group, including the Funding and Investment Director, LPFA CEO, and an IC member, will oversee the process.

Proposals will be sought from all eight providers under the framework, with evaluation to follow. A recommended provider is expected to be presented to the Committee in December, with a subsequent recommendation to the Board. The Committee noted the update and next steps.

LPFA Pension Fund Annual Report (IC134)

The Committee received the draft front-half cover report of the Annual Report. Updated pooling disclosures had been incorporated. Timetables for Board review and publication were confirmed as on track. Members noted that cost saving figures were expected to remain broadly consistent with prior years.

Forward Plan and Any Other Business (IC135)

The Committee agreed to continue asset class deep dive training and confirmed the next meeting for 4 December. A site visit to the EDGE development on 16 October was noted. Members also discussed preparations for pooling changes, attribution of cost savings, potential employer-level risk management tools, and capacity risks associated with onboarding new partner funds. The Committee noted the forward plan and discussion.

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