

# London Pensions Fund Authority

Meeting of the LPFA Board – Corporate and Strategic Session – Part B

## LPFA Investment Committee Update

16 December 2025  
Agenda Item 11

<b>Authority &amp; decision trail</b>	<b>Decision trail:</b> Funding and Investment Director > IC Chair <b>Authority:</b> LPFA Board
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<b>Appendices:</b>	<b>None</b>
<b>LPFA Freedom of Information Publication Scheme</b>	<b>This document is exempt under:</b> N/A

### Purpose

To update the Board on matters considered by the Investment Committee at its meeting on 1 December 2025.

### Summary

The Investment Committee met on 1 December 2025 to review investment performance, pooling and business developments, responsible investment matters, the annual cost and value benchmarking pack, the Strategic Asset Allocation Health Check, and preparatory work on investment beliefs, the Funding Risk Management Framework and policy updates. Key points and outcomes are summarised below.

### Recommendations

The Board is asked to:

1. **Note** the updates provided by the Investment Committee Chair;
2. **Approve** the proposed update to the Strategic Currency Allocation, as recommended by the Investment Committee; and
3. **Approve** the recommendation that the current Strategic Asset Allocation be retained.

## Detail of the Report

### Introductory Matters (IC138)

The Committee approved the minutes of the September meeting subject to a minor amendment and reviewed the action log. LPPI confirmed progress on Brunel transition planning ahead of April 2026, including expected transfer into ACS mirror funds and potential TUPE obligations. The LPFA Responsible Investment Manager confirmed that updated engagement percentages had been incorporated into reporting and that the Defence Sector Policy had been published. The Committee also noted the emerging pooling guidance indicating that fiduciary oversight will be undertaken collectively by administering authorities in future.

### Investment Reporting (IC139)

#### Performance and Risk

The Committee received the quarterly LPPI performance and risk report. Assets under management were £8.4bn at 30 September, with a funding level of 122.7%. Absolute returns remained positive, though continued underperformance relative to the policy benchmark persisted, reflecting underweights to large US technology stocks, the CPI-linkage effects within infrastructure and weaker private equity realisations. LPPI introduced a new balanced scorecard providing a consolidated view of performance, risk, liquidity and extra-financial factors; all quadrants were rated green except active management, which remained amber. Asset allocations were within tolerance ranges.

#### Environmental Opportunities Fund

The Committee received an update on recent investments, including co-investment in Solum and commitments to climate-technology strategies. Members requested a one-page summary highlighting UK-based benefits and examples, for potential publication. LPPI agreed to produce this for the next IC meeting.

#### Business Update

LPPI reported completion of the PRS REIT acquisition, adding approximately 5,500 homes to its residential portfolio, with an intention to invest an additional £100m per year over the next decade. Members requested a deep-dive session on operational aspects of large-scale residential property management. LPPI will bring this forward. The Committee also noted progress in the London Fund pipeline and the upcoming review of investment criteria with the London CIV.

### SAA Health Check (IC140)

The Committee reviewed LPPI's Strategic Asset Allocation Health Check. LPPI advised that the current SAA continued to meet the Fund's objectives and remained appropriate, with more substantial review work planned for late summer or early autumn 2026 to align with pooling developments, the valuation, and updates to the Investment Strategy Statement.

Scenario analysis highlighted risks including potential reversal in US technology valuations, higher inflation, lower productivity and recessionary conditions in the US. LPPI advised that while a higher fixed-income allocation could be considered in future, there was no compelling case for immediate change, and any increase would likely be funded from listed equities.

The Committee agreed that the existing SAA should be retained at this stage.

## Strategic Currency Allocation (SCA)

The Committee reviewed LPPI’s proposed updates to the Strategic Currency Allocation as part of the 2025 Strategic Asset Allocation Review. LPPI confirmed that the SCA continues to play a key role in strengthening the Fund’s defensive positioning, enhancing liquidity management and supporting inflation resilience, without reducing expected long-term returns.

Following refreshed modelling, LPPI recommended maintaining the existing SCA framework but adjusting several currency weights to increase the allocation to USD, funded through small reductions to GBP, EUR, CAD and CHF. These changes remain consistent with the long-term trajectory previously agreed with the Fund and reflect updated assessments of valuation, risk behaviour and macroeconomic conditions.

The Committee noted that the proposed adjustments do not materially shift the Funding Risk Management Framework metrics but modestly improve the overall defensiveness of the allocation.

The Committee agreed to recommend that the Board approve the updated SCA as set out below.

### Proposed Strategic Currency Allocation

Currency Code	Region / Country	Underlying Exposure (30 Jun 2025)	Proposed SCA	Current SCA
USD	USA	40.90%	45.00% ▲	42.50%
CAD	Canada	1.54%	1.50% ▼	1.75%
EUR	Euro Area	8.87%	11.00% ▼	11.50%
CHF	Switzerland	0.81%	0.30% ▼	0.75%
NOK	Norway	0.03%	0.00%	0.00%
SEK	Sweden	0.85%	0.25%	0.25%
AUD	Australia	0.88%	1.00%	1.00%
NZD	New Zealand	0.08%	0.00%	0.00%
JPY	Japan	1.98%	3.00%	3.00%
GBP	UK	44.06%	37.95% ▼	39.25%

These changes reflect LPPI’s updated assessment of the currency mix best placed to support the Fund’s return and risk objectives within the agreed SAA framework. The Committee endorsed the proposal and recommended Board approval.

### Funding Risk Management Framework (IC141)

The Committee discussed the initial review of the Funding Risk Management Framework, noting the need to update metrics and thresholds following the 2025 valuation. Members indicated support for raising the red funding-level threshold towards 90 % and for re-examining the amber boundary in light of the Fund’s improved funding position. The Committee also supported developing clearer contribution-stability corridors and considering the explicit treatment of orphan liabilities in contribution risk metrics.

LPPI will work with the Funding and Investment Director to develop refined proposals for further Committee consideration before submission to the Board.

### **Investment Beliefs and Objective Setting (IC142)**

The Committee considered the proposed process for developing a refreshed set of LPFA investment beliefs and an accompanying objective-setting framework. Members supported the structure, which includes belief statements, supporting evidence and practical implications for strategy. External speakers will be invited, and belief topics will be allocated among Committee Members and officers for initial drafting. LPPI will engage throughout to ensure alignment with pooled implementation, partner-fund collaboration and expected Fit for the Future requirements.

The consolidated set of draft beliefs will return to the Committee before recommendation to the Board.

### **Responsible Investment Update (IC143)**

The Committee noted the quarterly Responsible Investment update. Members queried an AGM where no votable resolutions were provided; LPFA and LPPI stewardship teams are investigating the governance context and its implications for escalation. A further update will be provided once analysis is complete.

### **Investment Performance and Costs (IC144)**

The Committee reviewed the consolidated annual costs, value and benchmarking report. LPPI reported further annualised savings of £18–19m and cumulative savings exceeding £250m across clients. Members reaffirmed reservations regarding PIRC's benchmarking methodology but acknowledged its usefulness as a high-level comparator.

A Member requested that LPFA seek information from investment managers on portfolio resilience to climate-warming scenarios. LPFA and LPPI will take this forward and assess the feasibility of manager responses, particularly in private markets.

**-END-**