London Pension Fund Authority

Meeting of the Board – Corporate and Strategic Session

MINUTES

Meeting: Minutes of the meeting of the Board of the London Pension Fund Authority

Date: Tuesday 30 September 2025

Time: 11:15 – 15:45

Location: Room 101, 10 Union Street, London, SE1 1SZ

In Attendance:	John Preston	LPFA Chair & LPP Shareholder Rep
	Irshaad Ahmad	LPFA Board Member & IC Chair
	Audrey Allen-Chitwa	LPFA Head of Finance and Accountancy
	Mark Anderson	LPFA Compliance and Risk Director
	Cllr Ruth Dombey	LPFA Board Member
	Jo Darbyshire	LPPA CEO (Item 2 Only)
	Jo Donnelly	LPFA CEO
	Ashley Durkan	LPFA Governance Manager
	Conrad Hall	LPFA Board Member & ARC Chair
	Tegs Harding	LPFA Board Member
	Mark Hodgson	Ernst and Young Partner (Item 5 Only)
	Belinda Howell	LPFA Board Member
	Mandy Kaur-Sadler	LPFA Board Member
	Sophia Morrell	LPFA Board Member
	Joe Peach	LPPI Head of Client Engagement (Item 2 Only)
	Chris Rule	LPP / LPPI CEO (Item 2 Only)
	Christina Thompson	LPFA S151 Officer and Finance Director
	Clare Scott	LPFA Board Member & LPP Shareholder Rep
	Lana Watson	LPFA Funding and Investment Director
	Luke Webster	LPFA Board Member
Observer:	Philippa Tripp	External Board Evaluator, Oxygen8
Apologies:	Cllr Richard Olszewski	LPFA Board Member

1. Introductory Matters

1.1 The Chair welcomed those present to the meeting and confirmed that the meeting was quorate.

1.2 Apologies had been received from Richard Olszewski.

Declarations of Interest

1.3 Clare Scott and John Preston declared a standing conflict with matters under discussion as the Shareholder Representative Non-Executive Directors ("NED") of Local Pensions Partnership Ltd ("LPP Group") Board.

1.4 Belinda Howell reported that she had joined the Board of Scottish Water on 1 September. The Chair offered congratulations, and the Board **NOTED** the declaration

Minutes and Actions of the previous meeting held on 8 July 2025

1.5 The Board reviewed the minutes of the meeting held on 8 July 2025 and previous actions

1.6 The Board **RESOLVED** to

a) **APPROVE** the minutes of the meeting held on 8 July 2025, and the Chair was authorised to sign them;
b) **NOTE** the updates to the Action log.

2. LPP Group Business Update – Q1 2025-26

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

3. **Investment Committee Activity Update**

3.1 The IC Chair presented an overview of the recent Investment Committee meeting and confirmed that the Committee had reviewed performance, risk, funding levels and forward priorities. The Committee considered the reports provided by LPPI and noted that performance continued to be satisfactory in absolute terms, although relative performance remained behind benchmark, driven primarily by the Fund's underweight position to US technology stocks and the inflation-linked dynamics affecting infrastructure portfolios. Funding levels remained stable and the Committee would return to this in greater depth as part of the valuation discussions.

3.2 The IC Chair reported that, following the formal meeting, the Committee held an extended strategy session. This covered the refresh of the Fund's investment beliefs, initial thinking on future investment objectives, early considerations for the strategic asset allocation review following the 2025 valuation, and discussion of the Environmental Opportunities Fund, local investment themes and responsible investment. An external speaker from Tipping Frontier attended to provide a perspective on UK critical infrastructure and emerging systemic risks. The Chair noted that this had

been a useful scene-setting discussion rather than one requiring Board decisions.

3.3 A key area of focus for the Committee was the need to revisit the Fund's core investment beliefs in early 2026, ahead of the formal SAA review. The Chair emphasised the importance of engaging the Board in this process, given the links between investment beliefs, risk appetite, climate-related considerations and the overall direction of travel for the Fund. The Committee also reflected on the future nature of LPFA's relationship with LPPI, noting that the shift from LPFA being one of two shareholders to being one of many would require adjustments to oversight arrangements and expectations. This work would be progressed in 2026.

3.4 Members who attended the session agreed that the strategic discussion had been of high quality and provided a valuable opportunity to explore longer-term issues outside the structure of a standard Committee meeting.

3.5 The IC Chair **NOTED** that the Committee had agreed a set of priorities for 2025–26, including the investment beliefs refresh, the SAA review, continued monitoring of performance and the evolving relationship with LPPI. The Chair invited other Committee Members to add comments, and Members endorsed the summary.

3.6 The Board **APPROVED** the Committee's proposed updates to its Terms of Reference. These reflected minor revisions for clarity and alignment with current practice.

3.7 During discussion, Members highlighted an increasing emphasis across the sector on the social and governance dimensions of ESG, noting that public expectations were evolving. The Board agreed that this should be considered as part of the Board Awayday Strategy discussion. Members also noted a wider shift in climate discourse from mitigation-focused net zero commitments to adaptation and resilience and agreed that the Strategy Day should explore this further.

3.8 The Board **NOTED** the update.

4. Audit and Risk Committee Activity Update

4.1 The Chair of the Audit and Risk Committee presented an update following the Committee meeting held the previous week. The Chair noted that the external audit had progressed well and that the auditors had reported a smoother process than in the prior year. Some amendments to the accounts had been identified, all of which were routine in nature. Work continued between Officers and the auditors to ensure that the accounts could be signed on 30 September, subject to the Board's decisions later in the meeting.

4.2 [redacted]

[redacted]

[redacted]

4.5 The Board **NOTED** the update.

5. External Audit, Pension Fund Statement of Accounts and Annual Governance Statement

5.1 Mark Hodgson introduced the external audit findings. He reported that one uncorrected misstatement remained in the operational accounts, totalling £54,000, which management had assessed as immaterial. Two corrected misstatements had been identified in the Pension Fund Accounts, each above the reporting threshold but immaterial in the context of the £80m materiality level. He confirmed that a terminology amendment within the remuneration disclosures would be made to ensure that a payment relating to the former Chief Executive was described as payment in lieu of notice.

5.2 Mark Hodgson confirmed that an unqualified opinion would be issued for both the operational and Pension Fund Accounts, with one 'other matter' paragraph on value for money reflecting the limited assurance rating in the 2024–25 Head of Internal Audit Opinion.

5.3 The Board discussed whether to amend the narrative sections of the Annual Report to improve clarity and strategic messaging. The Board agreed that making changes at this stage could risk publication beyond the statutory deadline and concluded that a more substantial refresh would instead be undertaken for the 2025–26 report, supported by improved external communications during the year.

5.4 The Board **RESOLVED** to:

a) **RECEIVE** the External Audit Report 2024-25;
b) **APPROVE** the Pension Fund Accounts and the Operational Accounts, delegating signing to the Director of Finance and the Chief Executive
c) **APPROVE** the Annual Governance Statement, to be signed by the ARC Chair and the Chief Executive

5.5 The Board thanked the auditors for their work, particularly their efforts over the weekend to support completion ahead of the deadline and also recorded its thanks to LPFA Officers for the significant work undertaken to support the audit process.

6. Finance Update Report P5 – 01/04/2025 – 31/08/2025

6.1 The Head of Finance and Accountancy presented the quarterly finance update for the period to 30 June 2025, together with the latest position to 31 August 2025.

6.2 She reported that expenditure to the end of June was £1.985m, which was £487,000 below budget, mainly due to lower staff costs and reduced spending on professional and consultancy services. By the end of August, total expenditure was £3.318m, resulting in an underspend of £799,000. The underspends primarily reflected unfilled posts, including the Chief Operating Officer, Business Analyst and Finance Manager roles. The Finance Manager position had since been filled.

6.3 The Head of Finance and Accountancy noted that the forecast would be updated in September to reflect ongoing structural changes, with scope for the year-end underspend to increase once revisions to the staffing model were confirmed. She also highlighted ongoing financial projects, including the implementation of the new custodian from 1 October, the migration of the BC

accountancy system to the new LPFA tenancy, phased introduction of direct debit collections and preparatory work for the internal audit procurement.

6.4 The Board **NOTED** the updates provided.

7. Chief Executive Update Report

7.1 The Chief Executive presented the update, noting that this meeting marked the end of her sixth month in post. She reported that although the summer brought fewer external meetings, operational activity remained high. She highlighted the successful LPFA summer social event in July, which had supported team cohesion and enabled informal engagement across the organisation.

7.2 She confirmed the appointment of a new Finance Manager (Pensions Accountant), Daniel Lynch, who joined earlier in September. His extensive experience in local government pension accounting had already strengthened capacity within the Finance Team.

7.3 An update was provided on the Decision-Making and Accountability Review undertaken by the LGA Workforce Team. Staff consultation on the proposed structure had taken place between 5 and 19 September, with next steps to be communicated following the all-staff meeting on 29 September. The revised structure aimed to support clearer delegation, more effective decision-making and stronger accountability.

7.4 She reported that the onboarding of Hackney as a new LPPA client had progressed well, with contracts signed during the week commencing 15 September. The Governance Manager had established links with Hackney colleagues to support a smooth transition, and LPPA continued its work on migration planning. This development was noted as strategically significant for LPPA.

7.5 An update was provided on procurement activity, including the commencement of the new contract with Lifecycle (part of CSG), which was now supporting several key procurement workstreams.

7.6 She confirmed progress on actions relating to ITDR and cyber oversight. The separation of the LPFA IT tenancy remained on track, with an accelerated transition window proposed by SA Global. Work to strengthen wider information governance and oversight arrangements continued.

7.7 She noted that the external audit had progressed in line with plan, with draft findings considered by the Audit and Risk Committee on 23 September.

7.8 Recent engagement activity was summarised, including all-staff meetings, SLT meetings, discussions with employees as part of the structural review, and participation in Local Pension Board, Investment Committee, Audit and Risk Committee and Valuation Working Group meetings. She also continued engagement with Lancashire County Council, LPPI and LPPA, including attendance as Observer at the LPP Board in September.

7.9 Sector engagement included meetings with senior London stakeholders, LGPS pools and government departments, as well as participation in industry forums and events. She also featured on the Fifty Faces podcast, which had received positive feedback.

7.10 In discussion, Board members reflected on the scale of external engagement and noted the potential for Board networks and expertise to support LPFA's external profile. Opportunities for Board members to assist with engagement were encouraged where appropriate.

7.11 The Board **NOTED** the update.

Irshaad Ahmad left the meeting

8. Risk and Compliance Update Report

8.1 The Director of Compliance and Risk presented the update and confirmed that work to address the cyber and IT-related internal audit findings continued to progress. He reported that the new LPFA IT tenancy was scheduled for independent penetration testing on 6 October to confirm alignment with National Cyber Security Centre good practice. Most system vendors required for the tenancy transition had been configured, with two remaining areas being progressed relating to finance system licensing and managed printing architecture.

8.2 The Director of Compliance and Risk confirmed that the SharePoint migration had been completed successfully, strengthening information security and introducing improved controls for LPFA's data environment. Work continued to identify further opportunities to apply enhanced security measures across operational processes. He noted that the IT disaster recovery internal audit had highlighted the need to clarify roles and responsibilities and to ensure wider alignment with LGPS regulatory requirements. These actions were being embedded alongside the broader compliance improvement work.

8.3 The Board received an update on progress with the business continuity project. Procurement activity had advanced following evaluation under the framework, and final documentation was being reviewed prior to contract award.

8.4 The Board discussed cyber insurance. The Director of Compliance and Risk confirmed that LPFA did not currently hold its own cyber insurance. LPPI and LPPA held group-level cover, but LPFA would require separate insurance once the tenancy transition was complete. Officers had begun engaging with the market to identify suitable options.

8.5 The Board discussed bring-your-own-device arrangements in the context of the new tenancy. The Director of Compliance and Risk explained that LPPI operated a restrictive model and emphasised the need to balance security requirements with practical usability for Board Members. A paper would be brought to the December Board meeting setting out recommended arrangements, including access controls and email considerations.

8.6 The Director of Compliance and Risk noted that once the tenancy transition and related controls were embedded, it would be helpful for the Board to receive a cybersecurity briefing to provide assurance on risks, controls and the overall security posture. The Board agreed this would be beneficial.

8.7 The Director of Compliance and Risk presented the revised Risk Appetite and Risk Management Principles Policy, noting that it had been updated following Board feedback and recommended for approval by the Audit and Risk Committee. The policy aligned roles and responsibilities across the governance structure and consolidated existing definitions and frameworks.

8.8 The Board **RESOLVED** to:

a) **APPROVE** the revised Risk Appetite and Risk Management Principles Policy, in line with the recommendation of the Audit and Risk Committee.
b) **NOTE** the update provided.

9. Local Pension Board Activity Update

9.1 The Chief Executive presented the update on the Local Pension Board meeting held on 8 September 2025. She informed the Board that a Member Representative had resigned shortly before the meeting, resulting in a vacancy that would now be filled through the established recruitment process. The Board also noted that the tenure of one Employer Representative had been extended to reflect time spent on maternity leave during her term.

9.2 The Chief Executive summarised the LPPA performance and administration update provided to the LPB. LPPA continued to meet its Service Level Agreements, and performance reporting showed positive delivery across key indicators. LPB Members, however, shared observations about how performance felt from a client perspective, reflecting themes also discussed earlier by the Board.

9.3 The LPB received direct feedback on the recent Annual Benefit Statements. Members confirmed that the inclusion of McCloud underpin information had been well received, and LPPA was commended for being among the few administrators nationally to achieve this ahead of the deadline. Some LPB Members commented on the clarity of how underpin amounts had been presented, and LPPA would consider this feedback for future statements. Employers had noted that communications regarding ABS had been circulated after the issue of the statements and expressed a preference for earlier engagement.

9.4 The Chief Executive reported on the recent breach regarding the early payment of lump sums under the automated deferred retirement process. Three members had been affected. Two had been able to return the lump sum in full; for the remaining case, LPPA would meet the tax charge arising. LPPA had undertaken a review to identify the cause, which involved an unanticipated change within Civica's software combined with insufficient live-environment testing. LPB Members were assured by the openness and responsiveness of LPPA in managing the issue and by the strengthened testing approach being applied to future automations.

9.5 The LPB considered wider oversight themes including the operation of the Complaints Board, which had enhanced the objectivity of complaint handling, and recent IDRP cases, one of which had been upheld by the Pensions Ombudsman in favour of LPFA's approach. LPB Members also emphasised the importance of setting realistic expectations for delivery timelines to avoid repeated reporting of delays. The Chief Executive confirmed that this feedback had been relayed to LPPA.

9.6 The Chief Executive updated the Board that the LPB had reviewed options for the annual appraisal process and had agreed to undertake a group discussion session, scheduled to take place before the December Board meeting. Updates on the valuation and on preparations for the Autumn Employer Forum and Member Forum were also provided. The Employer Forum would be held in November and the Member Forum on 3 December. Board Members were invited to attend.

10. 2025 Actuarial Valuation Update – Funding Strategy Statement

10.1 The Funding and Investment Director presented the report on the 2025 actuarial valuation and the draft Funding Strategy Statement (FSS), noting the extensive work undertaken by the Valuation Working Group (VWG) and the Fund Actuary. She highlighted that the employer data had been received later than planned, and that Barnett Waddingham had therefore completed the core valuation analysis within a compressed timescale, enabling indicative results to be available for the Board in September.

10.2 The Funding and Investment Director summarised the initial whole-fund results. On current estimates, the funding level was expected to reduce from 128% at the 2022 valuation to around 120 %, with the primary contribution rate reducing slightly from 15.2% to around 14.5%. Best-estimate investment returns had increased from 6.3% to 6.6%, while the weighted average discount rate was expected to move marginally from 5.2% to 5.1%, reflecting updated assumptions and methodology. She reminded the Board that these figures remained subject to further actuarial checks and final asset data.

10.3 The Funding and Investment Director outlined the main areas of change within the draft FSS compared with 2022. These included: updated surplus management and contribution stability policies; revised discount rate methodology by employer covenant grade, including an updated minimum-risk basis reflecting higher gilt yields; the introduction of a strain cost allowance for well-funded strong-covenant employers; and a fixed exit payment/credit corridor within the Admission and Cessation Policy. She confirmed that the document structure had been aligned to the new

SAB/CIPFA/MHCLG guidance and Barnett Waddingham's template, with many changes being presentational rather than policy driven.

10.4 In relation to surplus management and contribution stability, the Funding and Investment Director explained the proposals to retain 120% as the threshold for negative secondary contributions, extend the surplus spreading period from 10 to 20 years, introduce a maximum change in total contribution rates of 2% per annum (up or down), and maintain the cap on negative secondary contributions at 10% of pensionable pay. The Board noted that these changes were intended to reduce volatility in total rates, particularly for employers moving away from significant negative secondaries agreed at the 2022 valuation, while still maintaining appropriate funding discipline.

10.5 The Board discussed the proposed explicit prudence margin of 1.4% in the discount rate, compared with 0.9% at the 2022 valuation. The Funding and Investment Director and Fund Actuary's advice, as relayed by the VWG, was that the higher numerical margin broadly maintained the overall level of prudence once higher best-estimate returns and increased macro-economic and climate-related uncertainty were taken into account. Some Board Members queried the scale of the increase and how this might be perceived in the wider LGPS context, particularly given the risk that the scheme nationally could become overly cautious and tie up scarce public resources.

10.6 Board Members also reflected on the potential for challenge from employers and their advisers, especially those with corporate actuarial support, around the prudence allowance and discount rate. Members stressed the need for a clear narrative that explained the relationship between best-estimate returns, the prudence margin, the Fund's long-term open status, and the role of investment risk premia, and that distinguished LPFA's approach from funds that relied more heavily on gilt-based discount rates.

10.7 Following discussion, the Board noted that the VWG had considered alternative prudence levels in detail with the Fund Actuary, including scenario and climate modelling, and had concluded that 1.4 % provided an appropriate balance between prudence and affordability at this valuation. The Board agreed to proceed on the basis of a 1.4% prudence allowance for consultation, recognising that the position could be revisited in light of consultation feedback and final valuation results ahead of the statutory sign-off deadline.

10.8 The Board considered the proposed strain cost allowance for employers in strong covenant categories with funding levels of at least 120%. The Funding and Investment Director explained that the allowance would permit such employers to fund limited redundancy-related strain costs from surplus, up to defined caps, without materially weakening their funding position. The Board agreed that this would support employers in managing business change programmes while maintaining an appropriate degree of prudence and noted that the policy would be reviewed at the next valuation.

10.9 Members discussed the wider policy framework referenced in the FSS, including the Contribution Review Policy, Pension Administration Strategy, Admission and Cessation Policy and Employer Risk Management Policy. The Board noted that only minor changes were proposed in most cases, with the more substantive amendments relating to the introduction of the fixed exit payment/credit corridor and the removal of standard provisions for covenant-improving security, given limited current use. The Board noted that these policies would form part of the overall consultation package.

10.10 The Board considered the proposed employer engagement and consultation approach. The Funding and Investment Director confirmed that, subject to Board approval, the draft FSS, covenant grades and initial employer-level results would be issued together in early November as a single valuation package, supported by explanatory letters and user guides. The Board emphasised the importance of framing and messaging, including explaining why LPFA's contribution rates might not show the same headline reductions as some peers despite remaining competitive, and highlighting that employers had already benefited from lower contributions at the 2022 valuation.

10.11 The Board noted the wider national context, including the Scheme Advisory Board guidance, the Government Actuary's Section 13 reporting and differing actuarial approaches across LGPS funds. Members agreed that LPFA should continue to position its funding strategy as consistent with national guidance while tailored to the Fund's own risk profile, membership and investment strategy.

10.12 The Board **RESOLVED** to:

a) **APPROVE** the draft Funding Strategy Statement for consultation, subject to minor amendments on terminology, consistency and design to be agreed by the Funding and Investment Director in consultation with the Chair and Chief Executive;
b) **NOTE** the indicative whole-fund valuation results and the further work required by the VWG and Fund Actuary before final figures are confirmed; and
c) **ENDORSE** the proposed engagement and consultation plan with employers and other stakeholders.

11. Employer Management Services Policy

11.1 The Funding and Investment Director presented the updated Employer Management Services policies, noting that these formed part of the 2025 valuation framework and had been reviewed by the Audit and Risk Committee at its meeting on 23 September. The Committee had endorsed both documents and recommended them to the Board for approval. The Funding and Investment Director confirmed that four policies would be issued with the valuation consultation. Two required only minor technical amendments, while the Admission and Cessation Policy and the Employer Risk Management Policy required substantive updates.

11.2 In relation to the Admission and Cessation Policy, the Funding and Investment Director explained that the main change was the introduction of a corridor mechanism, allowing employers to fix an exit payment or credit for a short period when planning cessation. This approach was intended to give employers greater certainty when making exit decisions, reduce the impact of short-term market volatility, and support more effective engagement with those preparing to leave the Fund. The Fund Actuary would advise on the appropriate corridor parameters once valuation results were available. These margins would not be set out in the published policy to maintain flexibility but would be applied consistently.

11.3 Turning to the Employer Risk Management Policy, the Funding and Investment Director confirmed that the primary change was the removal of the option for employers to provide security, such as bonds or charges, in order to improve their covenant grade. The Funding and Investment Director noted that this approach had become less effective, as the employers most affected were universities who had shown limited interest in providing security. In addition, many arrangements introduced in 2019 had been released following the 2022 valuation as funding positions strengthened. Under the revised framework, employers would achieve the highest covenant grade either through an appropriate guarantor or by holding a cessation surplus of at least 120 per cent at the most recent valuation.

11.4 A Board member raised a query regarding employers who inadvertently re-enter the scheme after triggering cessation, and whether this could allow an employer to benefit inadvertently from a better funding position. It was suggested that wording be considered to ensure that, if an employer becomes re-admitted, a mechanism would apply to prevent unintended financial advantage. The Funding and Investment Director agreed to include an appropriate safeguard within the policy.

11.5 The Board acknowledged the considerable volume of technical work undertaken during the valuation cycle and thanked the Funding and Investment Director and the Head of Employer Management Services for their work in undertaking the review.

11.6 The Board **APPROVED** the draft Admission and Cessation Policy and the draft Employer Risk Management Policy for inclusion within the valuation consultation, subject to the minor amendment discussed.

12. Any Other Business

12.1 There The Governance Manager presented the forward plan and confirmed that the next meeting would take place on 16 December. The Board took the plan as read.

12.2 The external consultant leading the Board Effectiveness Review provided an update on the forthcoming stages of the review. The consultant explained that the process comprised several elements. These included a Board 360 assessment to be completed anonymously by all members, individual reflective comments from each member, personality profiling for those who had not participated in the 2022–23 review cycle, and one-to-one discussions with all Board members in a confidential setting. The consultant noted that personality preferences do not materially shift within a five-year period and therefore those who completed the 2022–23 profile would not be required to repeat it.

12.3 The consultant outlined the timetable for the review. Links to the online assessments would be issued in the coming days, accompanied by guidance on emails and systems to expect. A scheduling sheet would be circulated to enable members to select one-to-one appointment times, with additional arrangements to be made for anyone unable to attend the proposed windows. The intention was to complete all fieldwork in time for a consolidated outcomes report to be shared ahead of the December Board meeting, at which a facilitated session would consider practical actions to strengthen effectiveness.

12.4 The consultant confirmed that the 360 assessment included questions relating to the Chair and committee operation. A separate Chair review would not be undertaken as part of this cycle, although broader observations on leadership, process and meeting effectiveness would be included in the final assessment.

12.5 There being no further business, the Chair thanked all attendees for their contributions and confirmed that the meeting was closed.

Signed as a true and accurate account of the meeting:

John Preston, Chair Date: 16 December 2025