

London Pensions Fund Authority

Meeting of the Board – Corporate and Strategic Session Part B

LPFA Investment Committee Summary Report

26 March 2026
Agenda Item 7

Authority & decision trail	Decision trail: IC Chair Authority: LPFA Board
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Appendices:	None
LPFA Freedom of Information Publication Scheme	This document is exempt under: S22 – Information intended for future publication

Purpose

To provide the Board with a summary of the key matters considered by the Investment Committee at its meeting of 12 March 2026, and to highlight areas of assurance, emerging risks and planned activity.

Summary

The Investment Committee met on 12 March 2026 and considered a range of items covering investment performance, Responsible Investment, funding risk, oversight of LPPI, and forward priorities.

The Committee received assurance across a number of areas, including a positive internal audit outcome on investment manager oversight and continued strong overall funding levels.

The Committee also identified a number of areas they would like to investigate further, in particular in relation to listed equity performance, evolving market dynamics, and the development of the Fund's Investment Beliefs and future strategy.

Recommendations

The Board is asked to:

1. **Note** the updates provided.

Detail of the report

Investment performance and market context

The Committee reviewed the LPPI investment performance report and noted continued underperformance against the policy benchmark over the medium to long term, driven primarily by global equities.

While absolute returns and the overall funding position remained strong, the Committee expressed concern regarding the level and concentration of relative underperformance and the implications for long-term outcomes.

The discussion focused on whether this reflected short-term market conditions or more structural issues, including the suitability of the current investment philosophy, benchmark design and broader changes in market dynamics.

The Committee also noted the increasingly challenging macroeconomic backdrop, including geopolitical developments in the Middle East and the potential implications for inflation, energy markets and broader asset prices.

The Committee requested further analysis to better understand:

- The robustness of the current quality-based investment approach
- The effectiveness of implementation
- The potential impact of structural market flows on active management

This work will be taken forward with LPPI.

Responsible Investment

The Committee reviewed the Responsible Investment update and noted that current positioning and themes were broadly aligned with emerging industry practice.

Discussion focused on the implications of existing exclusions, particularly in relation to energy, and the interaction with wider portfolio construction.

The Committee acknowledged that current policy settings may have short-term performance implications but agreed that any material changes should be considered alongside the Investment Beliefs work and in consultation with partner funds.

Funding Risk Management Framework

The Committee considered proposed updates to the Funding Risk Management Framework, including revised funding level thresholds and contribution ranges.

The proposed changes reflected the Fund's improved funding position and were supported as an appropriate starting point, subject to further modelling.

The Committee emphasised the importance of ensuring that the framework:

- Supports stability in employer contributions
- Does not lead to unintended de-risking of the portfolio
- Aligns with future Strategic Asset Allocation decisions

Further work will be undertaken once updated modelling is available.

Investment manager oversight

The Committee received the internal audit report on LPFA's oversight of LPPI, which received a green rating with no exceptions.

The outcome provided strong assurance that current oversight arrangements are effective.

Recommendations were limited to improving documentation and evidencing of existing processes. Work is underway to formalise an oversight framework, including clearer reporting of breaches and assurance activities.

The Committee also noted that future AAF reporting will be presented more clearly to both the Audit and Risk Committee and the Investment Committee to ensure full visibility of investment-related matters.

London Treasury Liquidity Fund

The Committee reviewed the annual report for the London Treasury Liquidity Fund.

Performance was slightly below benchmark due to asset allocation, particularly higher exposure to lower-yielding liquid assets. However, long-term performance remained in line with objectives.

The Committee noted recent improvements to the investment framework, including the introduction of tolerance ranges and a strengthened approach to asset selection, which are expected to improve outcomes going forward.

Investment Committee priorities for 2026–27

The Committee agreed its forward priorities, which will shape its work programme over the coming year.

These include:

- Completion of Investment Beliefs
- Strategic Asset Allocation and Strategic Currency Allocation review
- Development of a position on multiple investment strategies
- Targeted oversight of LPPI, particularly in relation to listed equities and portfolio transparency
- Orphan investment strategy

The Committee agreed not to undertake a full external oversight review of LPPI at this stage, given ongoing transition activity, but to focus instead on targeted areas of concern and enhanced scrutiny.

Key themes for the Board

The Board may wish to note the following emerging themes from the Committee's discussions:

- There is growing focus on the effectiveness of current equity implementation, particularly in global equities, including how existing structures and approaches are operating in practice, and whether these remain appropriate in evolving market conditions.
- The Fund remains in a strong funding position, but further work is required to ensure that risk frameworks and contribution strategies remain aligned with this position
- Responsible Investment continues to evolve, with policy direction likely to be revisited following completion of Investment Beliefs and engagement with partner funds
- Oversight of LPPI remains strong, with positive audit assurance, although the Committee is seeking deeper insight in specific areas.

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