

# London Pension Fund Authority

## Investment Committee Terms of Reference

**Owner:** Investment Committee

**Review Owner:** Ashley Durkan, Governance Manager

**Version 4**

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## 1. Purpose

- 1.1 The primary function of the Investment Committee (“the Committee”) is to monitor the operation of the investment and funding arrangements of the London Pensions Fund Authority (“LPFA”), to consider reports on these, and to make recommendations to the LPFA Board (“the Board”) as necessary.
- 1.2 The secondary function of the Committee is to exercise certain investment-related decisions on behalf of the Board under authority specifically delegated to the Committee. For the avoidance of doubt, any decisions not specifically delegated to the Committee are reserved for the Board. The Committee discharges the LPFA’s investment governance functions as an administering authority within the Local Government Pension Scheme (“LGPS”) and will operate in accordance with the LGPS (Management and Investment of Funds) Regulations 2016 and related statutory guidance.
- 1.3 Local Pensions Partnership Investments Ltd (LPPI), a subsidiary of Local Pensions Partnership, is LPFA’s appointed adviser and investment manager for LPFA’s investments. The Advisory and Management Agreement (AMA) between LPFA and LPPI determines how this arrangement is delivered and monitored. The Committee is responsible for monitoring the investment arrangements and ensuring that LPPI remains accountable and provides the necessary assurance to LPFA that services are being delivered.

## 2. Membership, quorum and attendance at meetings

- 2.1 The Committee shall comprise at least three members of the Board, as determined and nominated by the Board.
- 2.2 All members of the Committee shall be Board Members, at least one of whom shall have recent and relevant financial experience and with competence in investment. Neither the Chair or Deputy Chair (if any) of the Board shall be members of the Committee.
- 2.3 Only members of the Committee have the right to attend the meetings. However, the Principal Officers of LPFA shall attend meetings of the Committee on a regular basis, and others may attend all or part of any meeting as invited by the Committee Chair.
- 2.4 No business shall be transacted at a meeting of the Committee unless at least two members are present.

## 3. Frequency of meetings

- 3.1 The Committee shall meet at least four times a year and may be called at such other times as deemed necessary by the Committee Chair, or the LPFA Chief Executive (CEO).
- 3.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in LPFA’s governance, including the Board Chair, the CEO, the Funding and Investment Director and where relevant, other Principal Officers.

## 4. Notice and minutes of the meetings

- 4.1 The Monitoring Officer shall appoint a nominee to act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of issues.

4.2 The secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

4.3 Draft minutes shall be circulated in agreement with the Committee Chair. Circulated minutes will be shared with members of the Board and a redacted version published on the LPFA website as per LPFA's Freedom of Information (FOI) Publication Scheme.

## 5. Delegated Powers

The Committee is authorised to:

5.1 Carry out the specific duties set out in these terms of reference. Beyond these specific delegated powers, the Committee acts as an advisory body with no executive powers but is authorised to investigate any activity within its terms of reference.

5.2 Commission, via the LPFA CEO, and at LPFA's expense, independent professional advice on any matter it believes necessary.

5.3 Oversee the investment and management of Residual Liabilities, currently under the London Treasury Liquidity Fund.

## 6. Duties

6.1 The Committee's duties relate to the following areas:

- a) Investment Strategy review;
- b) Investment Performance Oversight;
- c) Liquidity and Cashflow;
- d) Investment Strategy Implementation;
- e) Responsible Investment;
- f) Investment Risk; and
- g) Investment Performance, Costs and Benchmarking.

### A. Investment Strategy Review

The Committee shall:

- a) At least every three years, review all strategic elements of LPFA's investment arrangements. This process includes a review of:
  - i. The Strategic Asset Allocation and allowable ranges for each asset class;
  - ii. The Strategic Currency Allocation and allowable ranges for each currency;
  - iii. Any liability hedging programme in place or that may be appropriate to implement;
  - iv. LPFA's Return Objective, as expressed in the AMA; and
  - v. Any other investment arrangements that are not delegated to LPPI
- b) Recommend any appropriate changes to Investment Strategy, including timing of any changes, to the Board.
- c) At least every three years, review and recommend to the Board the Investment Strategy Statement
- d) At least every three years, review and approve the Funding Risk Management Framework.

- e) In undertaking the strategic review, the Committee will have regard to the latest triennial actuarial valuation, the Funding Strategy Statement and any interim actuarial advice, and will ensure that strategic asset allocation and return objectives remain compatible with achieving the Fund's solvency and long-term cost efficiency.
- f) When reviewing and recommending the Investment Strategy Statement, the Committee will confirm compliance with statutory content requirements, having taken proper advice, including diversification, suitability of investments, risk management, pooling arrangements, responsible investment and the exercise of rights.

## **B. Investment performance oversight**

- a) Review the investment performance of the Fund on a quarterly basis.
- b) Review the risk profile of the Fund on a quarterly basis, in line with the Funding Risk Management Framework and Investment Strategy Statement.
- c) Performance and risk monitoring will include consideration of whether the benefits expected from pooling, including cost efficiency and access to appropriate investment opportunities, are being delivered by LPPI in line with LPFA's strategy.

## **C. Liquidity and Cashflow**

- a) At least quarterly, receive assurance from officers that liquidity risk has been managed in line with the approved processes and that performance of the cash manager is in line with the agreed strategy.
- b) At least every three years, review and approve the processes in place to manage the Fund's liquidity risk.

## **D. Investment Strategy Implementation**

- a) At least once every two years, review each Asset Class Mandate (ACM) provided by LPPI including performance, risk exposures, volatility, and costs, and attribution.
- b) Review any proposed changes to the remit for each ACM.
- c) Consider any proposals from LPPI regarding investment related-matters not covered under D(a-b) and make recommendations to the Board, as appropriate.

## **E. Responsible Investment**

- a) At least every three years, review and recommend to the Board any changes to LPFA policies relating to Responsible Investment and Climate Change.
- b) Periodically review the implementation of any such policies, including voting activity, to ensure compatibility with LPFA's relevant policies and, where necessary, make representations to LPPI on specific voting matters.
- c) Oversee performance against LPFA's agreed responsible investment commitments.

## **F. Investment Risks**

- a) Review reporting of metrics under the Funding Risk Management Framework and the adequacy of any proposed actions.
- b) Advise the Board on any concerns emerging from the reporting of metrics under the Funding Risk Management Framework.

## **G. Investment Costs & Benchmarking**

- a) At least annually, review investment performance and the costs associated with investment, including management fees and transaction fees.
- b) At least every two years, review comparisons of investment costs with peer group(s).
- c) In carrying out these reviews, ensure that cost oversight is aligned to the SAB Code of Transparency, so that value for money judgements are based on standardised data, reflect pooling efficiencies, and improve comparability with peers. This approach will also support clearer and more consistent disclosures in the LPFA Annual Report.

## **H. Appointment of Independent Investment Consultants**

- a) Determine whether independent investment advice is required (other than from LPPI) and, having reviewed any procurement activity, make recommendation to the Board on any independent investment consultants.
  - b) Set strategic objectives for independent investment consultants.
7. Reviewing any reports, suggestions, or advice from the consultants and make appropriate recommendations to the Board.

# **7. Reporting responsibilities**

- 7.1 The Committee Chair shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.
- 7.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed or if there is cause for concern. This shall be applicable for LPFA, any major shareholder undertakings, and partnership arrangements as necessary.
- 7.3 The Committee shall review the statements to be included in the annual report concerning investment performance. In reviewing investment content for the Annual Report, the Committee will ensure that required disclosures on performance, stewardship, climate and cost transparency are complete and accurate, and that they reflect the outcomes of the Committee's monitoring activities during the year.

## 8. Other matters

The Committee shall:

- 8.1 Have access to sufficient resources in order to carry out its duties, including assistance from the Monitoring Officer (and their nominee), the Principal Officers, and advisors as required.
- 8.2 Arrange appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members when necessary.
- 8.3 Work and liaise as necessary with all other Board Committees.
- 8.4 Arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board. The Committee will monitor developments in statutory guidance and will recommend timely updates to these Terms of Reference and to related policies to ensure continuing compliance.
- 8.5 Consider any other matters when requested to do so by the Board.
- 8.6 Seek any information it requires from any employee of LPFA, or of a major shareholding entity or LPPI in order to perform its duties.

## 9. Change history and distribution list

ToR: LPFA Investment Committee Terms of Reference						
Version no.	Description of change	Owner	Date approved	Approved by	Date of issue	Next review date
1.0	Initial version	Funding & Risk Director	16.12.2021	LPFA Board	16.12.2021	08.12.2022
1.1	Second version	Funding & Risk Director	08.12.2022	LPFA Board	08.12.2022	2023
2.0	Reviewed	Interim Funding & Investment Director	13.07.2023	LPFA Board	13.07.2023	2024
3.0	Reviewed minor amendments	Governance Manager	06.06.2024 09.07.2024	IC & LPFA Board	09.07.2024	2025
4.0	Reviewed minor amendments	Governance Manager	30.09.2025	30.09.2025	30.09.2025	2026