

Subject: London Pensions Fund Authority

Report to: GLA Oversight Committee

Report of: Executive Director of Secretariat

Date: 22 October 2015

This report will be considered in public

1. Summary

- 1.1 This report provides background information to the GLA Oversight Committee in putting questions to Sir Merrick Cockell, Chairman of the London Pensions Fund Authority (LPFA), Susan Martin, Chief Executive Officer, LPFA, and Chris Rule, Chief Investment Officer, LPFA.

2. Recommendation

- 2.1 **That the report and the discussion with Sir Merrick Cockell, Chairman of the London Pensions Fund Authority (LPFA), Susan Martin, Chief Executive Officer, LPFA, and Chris Rule, Chief Investment Officer, LPFA, be noted.**

3. Background

- 3.1 The Mayor of London appointed Sir Merrick Cockell as the Chairman of the LPFA from 7 September 2015, following the resignation of former Chairman Edmund Truell. This appointment was subject to the Assembly's Confirmation Hearings Committee process. The minutes and the transcript of the Confirmation Hearings Committee can be found here on the GLA's website: <http://www.london.gov.uk/moderngov/ieListDocuments.aspx?CId=135&MId=5893&Ver=4>
- 3.2 In December 2013 and March 2014, the GLA Oversight Committee heard from Mr Truell to review the performance of the LPFA, its investment strategy, governance issues and its approach to shared services and merging funds.

4. Issues for Consideration

- 4.1 The Local Government Pension Scheme (LGPS) is the UK's largest public sector pension scheme by membership (approx. 4.6 million members). It is unusual because it is the only public sector scheme which is 'funded' (ie invested in financial assets). Other schemes, such as teachers' pensions operate on a 'pay as you go' basis and any shortfalls between liabilities and assets are funded by the Government.

- 4.2 The LGPS is also unusual because it is comprised, currently, of 89 separate funds in England and Wales which are controlled by trustees. The funds have limited discretion as national regulations set the governance procedures, the benefit structure and the employee contribution rates. Local funds do, however, have control over how they invest their funds. In its budget in July 2015, the Government announced that it would require LGPS funds to enter into 'pooling' arrangements with other funds in order to bring together assets and secure efficiencies in pension fund management. The Government is looking for pooled funds with assets of around £30 billion.
- 4.3 The GLA's pension fund is the LPFA which is one of the biggest funds in the LGPS. It has 77,000 members in 200 not-for-profit organisations and its assets are currently valued at around £4.6 billion. The member organisations range in size from 1 to 1,900 members and include, for example, the universities of East London and Greenwich and several housing associations and charities. Prior to the Government's announcement requiring all funds to consider setting up pooling arrangements, LPFA had already been exploring this option with Lancashire County Pension Fund (which manages £5.8 billion of assets on behalf of over 150,000 members and 300 employers). The aim is for the Lancashire and London Pension Partnership to be established by 1 April 2016 and it will comprise a new company covering pension administration, governance, investment and support roles.
- 4.4 At the same time as the LPFA has been exploring a pooled arrangement with Lancashire, London boroughs, via London Councils, has set up a Common Investment Vehicle, which brings all the boroughs' pensions funds together with the aim of reducing costs and improving investment returns. It is chaired by Lord Bob Kerslake.
- 4.5 A summary of the LPFA's recent performance and detailed proposals relating to the merger with Lancashire County Pension Fund is attached as **Appendix 1**.
- 4.6 Sir Merrick Cockell also wrote to the Chair of the GLA Oversight Committee, addressing issues raised during the Confirmation Hearings process, and this is attached as **Appendix 2**.

5. Legal Implications

- 5.1 The Assembly has the power to do what is recommended in this report.

6. Financial Implications

- 6.1 There are no financial implications to the GLA arising from this report.

List of appendices to this report:

Appendix 1 – Summary and Merger Proposals

Appendix 2 – Correspondence from LPFA Chairman

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| Local Government (Access to Information) Act 1985 |
| List of Background Papers: None |
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