



Len Duvall
Oversight Committee
Greater London Authority
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28th Sept. 2015

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Don Law,

I write in my capacity as the new Chair of the LPFA. I have received a letter from Valerie Shawcross, the Chair of the Confirmation Hearings Committee, dated 18th September 2015, following my attendance at the London Assembly Confirmation Hearing on Monday 7th September 2015. I understand that the Assembly is seeking more information in regards to some of the issues discussed at the meeting and my response to your questions is included below.

An update on the progress the LPFA has made in respect of administering pensions on an equal basis to members who are in civil partnerships and those who are married (for example, whether the LPFA has different beneficiary nomination requirements for its members who are in civil partnerships compared to its members who are married).

At the LPFA, we apply the same treatment to members in civil partnerships and those who are married. We also use the same forms in correspondence with all members. For example, application for a survivor's pension allows the individual to select between three options: spouse, civil partnership, co-habiting partnership.

The Pensions Administration team has been made aware of the Assembly Member Andrew Boff comment. We are always looking to make improvements and so the LPFA pension administrators would welcome an opportunity to discuss this matter in more detail. Mike Allen, our Director of Pensions, will be able to assist with this query and he can be contacted on 0207 369 6039.

The LPFA's future investment in carbon fossil fuels and renewables and clean technologies.

The LPFA's duty first and foremost is to make investments where we see the best return for our stakeholders. We aim to do so responsibly. Our key aim is to ensure we can continue to pay your pensions when they fall due.

Our assets are managed by internal and external fund managers, directly or in pooled funds. Both our internal and external investment managers follow the guidance set out in our statement of investment principles and we continue to meet regularly with them.

Our commitment to investing responsibly is integral to our investment decisions and as such we have a recently established Stewardship group, under the oversight of our Chief Investment Officer. It is this group's duty to review and detail regularly where we are investing, our voting intentions, and our communications with fund managers and members regarding these issues. We have also been members of the Local Authority Pension Fund Forum for several years and an early signatory of the UNPRI.

At present, we have less than 1% of the fund directly invested in fossil fuels. We have engaged with the Carbon Disclosure project to analyse our internal equity portfolio to give us a greater transparency of our full carbon footprint. The outcome of the analysis put the LPFA in line with other institutional investors on the market.

Our objective is to use our influence as a large institutional investor to encourage responsible long-term behaviour in the companies in which we invest directly and through the voting mandates we give to our fund managers. We believe that a fund management approach that incorporates good stewardship and strong governance, along with the evaluation of risks and opportunities is more likely to result in long term benefits for the Fund and society. We believe it is only by engaging with companies can we assure that they have a sound business plan and a long term future.

Future investments will depend on the funding gap and the risk adjusted returns of an investment opportunity. Fossil fuel companies are currently some of the largest developers of renewable energy and there is direct social and environmental benefit in supporting them to research, plan and implement solutions for producing clean and sustainable energy and ensuring its delivery to domestic and industrial consumers globally via an infrastructure that "prevents the lights from going out".

The future role of the LPFA in investing in housing infrastructure both in the public and private sectors in London.

LPFA appraises all investment opportunities with a consistent focus on meeting the objectives of the fund with respect to investment return relative to our liabilities. This includes assessing the potential for delivering capital growth sufficient to reduce the funding deficit, income generation to meet our cash flow requirements and the risk of capital loss and/or underperforming our expectations. We are actively invested across a variety of different asset classes as we believe accessing a broadly diversified range of return drivers is the best way to meet our objectives.

Investment into property is an area we have identified of strategic importance for our future asset allocation. Property can provide a compelling combination of return, diversification and inflation linkage. The best example of recent activity specifically related to London is our proposal to invest in the Pontoon Dock development which seeks to provide over 200 new homes in London. Future investments of a similar nature will be actively considered as part of an anticipated wider expansion of our investments into property which may also include purchase of built properties as well as investment into wider infrastructure projects.

LPFA would welcome further discussions on opportunities as they arise.

The ongoing issue of ensuring that the composition of the LPFA Board is balanced in terms of the gender and ethnicity of its members.

The LPFA Board appointments are made on merit against objective criteria with due regard for the benefits of diversity, including gender.

The LPFA recognises that boards perform better when they include the best people who come from a range of perspectives and backgrounds, as identified by Lord Davies in an independent review into Women on Boards. We also voluntarily adopt the principles outlined in the UK Corporate Governance Code. It is on the basis of these beliefs that the Remuneration Committee (the Committee) remit was extended to include to nomination and succession planning matters. Expanding Committee's responsibility to include Board member nomination activities mitigated the risk of having an unbalanced Board. It also gives the LPFA Board assurance that Board composition is being driven by a Committee within the LPFA.

The Greater London Authority ("GLA") is responsible for LPFA Board appointments and runs the recruitment process. The Committee reviews and evaluates the structure, size and composition (balance of knowledge and skills) on the Board and other Committees and makes appropriate recommendation for appointments or re-appointments to the GLA. Gender equality is one criteria which has previously been fed into the process and we will encourage that to continue.

There have been no new appointments to the LPFA Board since December 2013 when the last recruitment process took place following Sarah Smart's departure. At present, the LPFA Board composition is eight members: seven men and one female (87.5%:12.5%).

The LPFA has recently entered into a partnership with the Lancashire County Pension Fund. The best governance practices and objective criteria, such as diversity, will be applied across the newly created structure and reflected in the appointment process for the non-executive directors.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'M. Cockell', with a stylized flourish at the end.

Sir Merrick Cockell

CC: Valerie Shawcross, Chair of the Confirmation Hearings Committee