



Emma Best AM
Chair of the GLA Oversight Committee

Sadiq Khan
Mayor of London
(Sent by email)

CC: John Preston, Chair of the London Pensions Fund Authority (LPFA)

12 March 2024

Dear Mr Mayor,

Re: London Pensions Fund Authority (LPFA)

I am writing to you as Chair of the London Assembly GLA Oversight Committee regarding its investigation into understanding the performance of the London Pensions Fund Authority (LPFA). This follows a meeting held by the Committee on 17 January 2024, which was attended by John Preston, Chair of the LPFA.

The Committee's investigation sought to understand the performance of the LPFA under John Preston's leadership as Chair, such as the progress the LPFA has made over the last four years, the Chair's priorities for his second term, major challenges facing the LPFA over the next four years, and how the LPFA is responding to the recommendations set out in the GLA Oversight's Pensions Review report, published in April 2023.¹

The Committee recognises that while the LPFA had been impacted by the COVID-19 pandemic over the last four years, it has recorded a good performance of the pension fund that has resulted in a reduction in contribution rates for employers, including the GLA. This has put the LPFA in a financially secure position with the potential to directly invest in London for the benefits of Londoners.²

¹ GLA Oversight Committee, [GLA Group Pensions Report](#), April 2023

² GLA Oversight Committee, [Transcript of Agenda Item 7 – The London Pensions Fund Authority](#), 17 January 2024

The Committee's conclusions from the meeting are that there may be opportunities to do more for London with the London Fund, that there is a need for greater transparency of the LPFA's divestment from fossil fuels, and that there are further questions for the LPFA to answer about how the Local Pensions Partnership Administration (LPPA) administrative issues have been addressed.

The growth of the London Fund

London is forecast to be the largest-growing region in the UK, with a population of 9.34 million by 2028.³ The London Fund was established in 2020, and is an investment partnership between the LPFA, LPPA and London Collective Investment Vehicle (LCIV) aimed at addressing expected pressure on housing and infrastructure in the Greater London area from this projected population growth.⁴

The launch of the fund was also particularly well timed in the context of a need for investment in London to support an economic and green recovery post-pandemic.⁵ The fund's portfolio focuses on investment in the City of London, the 32 London boroughs and immediate surrounding areas in assets such as build-to-rent, affordable housing, community regeneration projects and infrastructure, including digital infrastructure and clean energy.⁶

At the October 2022 meeting of the Committee, Robert Branagh, the CEO of the LPFA, was asked if the LPFA had asked TfL to invest in the London Fund. He responded:

*"We have not specifically spoken to TfL because at the minute the strategy is to grow the London Fund via the London boroughs. We are investing a lot of time and energy with LPPI and LCIV, the other pool that is involved, in speaking to the 31 boroughs and trying to get them to invest. We have one of them in it and hopefully we will have two or three more in the short term. Once we grow to a certain size, then we will look at other investors coming on board as well, which may include TfL."*⁷

The Committee understands that prior to the meeting on 17 January 2024, two more boroughs joined the London Fund.⁸ In the January 2024 meeting the Chair informed the Committee of the progress being made to try and encourage other London boroughs to invest in this specific fund:

*"...it is primarily the role of LCIV to try to encourage their members to do that [join the London Fund]. Whenever we talk to boroughs it is something that we bring up and try to encourage them to do these things, but it is primarily LCIV. I know they have been working very hard on this. It is a question for each borough to determine whether this fits within their priorities and whether that is something they would like to do. It is something that, as with so many things, we hope that what we are building is a coalition of the willing..."*⁹

While the Committee welcomes the addition of two boroughs to the fund, supports the fund's ambitions for London, and acknowledges its potential, it believes the London Fund is not fully utilising its potential since its inception 4 years ago and is concerned about the limited take up by the London Boroughs.

In light of this, the Committee recommends the LPFA conducts an evaluation into the attractiveness of the fund, how to better support and promote the fund and whether additional organisations, such as Transport for London (TfL) should be involved.

³ Office of National Statistics, [Subnational population projections for England: 2018 based](#), 24 March 2020

⁴ London Pensions Fund Authority, [LPFA Annual Report 2022-23](#), page 41

⁵ Local Pensions Partnership, [The London Fund completes £100 million first close to stimulate development and enterprise in the Capital](#)

⁶ Local Pensions Partnership, [The London Fund](#)

⁷ GLA Oversight Committee, [Transcript of Agenda Item 8- GLA Group Pensions - Panel One](#), 13 October 2022, page 8

⁸ [The London Fund welcomes Kingston and Sutton as a new investor and closes at £250 million | Local Pensions Partnership \(LPP\) - pension investment services](#)

⁹ GLA Oversight Committee, [Transcript of Agenda Item 7 – The London Pensions Fund Authority](#), page 7

LPFA's divestment of fossil fuels

In your 2021 manifesto you committed to working with the LPFA and the trustees of the TfL Pension Fund to ensure investments are ethical, including divestment from fossil fuels and maximising the good they can do for Londoners'.¹⁰

The Committee is supportive of the LPFA's policies and commitments focused on the environment. In September 2021, the LPFA set a commitment to achieve net zero carbon emissions in its investments by 2050, and suggested an interim target would be set for 2030.¹¹ In 2022, the LPFA adopted an Investor Climate Action Plan (ICAP), which sets targets for its equity assets, which amount to around half of the Fund's assets.¹² The LPFA Annual Report 2022-2023 states:

"We are committed to managing the risks posed by climate change. It's part of our duty to protect our Fund in the interests of our members and employers. We will ensure that the greenhouse gas emissions from all assets in the Fund will be net zero by 2050. This means that, on average, the organisations we invest in will be responsible for GHG emissions that are as close to zero as possible and will have arrangements in place for any remaining emissions to be re-absorbed from the atmosphere. We made a net zero commitment in September 2021 because the impacts of climate change pose a risk to individuals, society and business and a financial risk to all pension funds."¹³

The Climate Investor Action Plan sets six 'net zero goals'¹⁴ The LPFA has also stated on its website that it is "focusing initially on equities (shares in companies that are publicly traded), because this is largest part of our portfolio and also because listed companies generally publish more comprehensive data. We're working to set targets for our other asset classes as quickly as possible."¹⁵ The document stated that "we [LPFA] will review progress against this Climate Action Plan annually. The first such review is expected to take place before end of 2023."¹⁶ As of February 2024, there is no information published on the LPFA net zero hub website pages or social media channels about progress made against these goals.

The Committee heard that the LPFA is on track to achieve these six net-zero goals as set out in the ICAP and heard that the Portfolio Emissions Goal has already been achieved, with the others still in progress. The Chair explained that there are two remaining goals that are yet to be met: the Climate Solutions Goal, and Operational Emissions Reduction Goal.

The Committee recognises the progress and achievements of these net-zero goals thus far, and the significance of the fact that the LPFA has divested fully from extractive fossil fuel investments in listed equities.¹⁷ However, the Committee has not been able to establish whether the LPFA holds any extractive fossil fuel investments in any other part of the Fund and considers that this is a key detail that should be in the public domain.

The Committee therefore recommends that the LPFA publishes its position on divesting from extracting fossil fuels across the whole fund.

LPPA Performance

Established in 2016, the LPPA operates as an administrative body for the LPFA. Since its formation, the LPPA has taken over the administration for other pension schemes, and now administers

¹⁰ Sadiq Khan's 2021 election manifesto, [Sadiq-for-London-Manifesto-.pdf, April 2021](#)

¹¹ London Pensions Fund Authority, News, [LPFA commits to net zero and adopts IIGCC's Net Zero Investment Framework](#), 21 September 2021

¹² London Pensions Fund Authority, [Pension Fund Annual Report 2022-2023](#), November 2022, page 40

¹³ London Pensions Fund Authority, [Pension Fund Annual Report 2022-2023](#), November 2022 page 42

¹⁴ London Pensions Fund Authority, [Pension Fund Annual Report 2022-2023](#), November 2022, page 11

¹⁵ London Pensions Fund Authority, [Net Zero – Our Goals](#)

¹⁶ London Pensions Fund Authority, [LPFA Investor Climate Action Plan 2022](#), page 14

¹⁷ GLA Oversight Committee, [Transcript of Agenda Item 7 – The London Pensions Fund Authority](#), page 11

pensions of over 660,000 members from 2,100 different employers.¹⁸ The Committee heard in the meeting that the LPFA “...wants to continue to use our influence to encourage LPPA to continue to improve its services to members and other stakeholders, to make sure that we are providing both a high quality and a cost-effective service to all of our members and stakeholders.”¹⁹

In January 2022, LPPA initiated the Project Pension Administration Core Evolution (PACE) to introduce the new pensions administration system known as the Universal Pensions Management (UPM). According to the LPPA website, UPM is designed to improve the pension administration experience for employers by simplifying processes and streamlining information. However, the Committee raised the following concerns with the new system during the meeting on 17 January 2024:

- Members can no longer view the history of their pension accrual, such as how much pension has been built up in previous years. This information helps explain how members have reached their current pension projection.
- Members can no longer view transferred in pensions, including the date and value of the transfer.
- Members can no longer access documents/records relating to their individual correspondence with LPPA that took place prior to the move to the new portal. It is not clear whether such records have been lost.
- There is a less interactive user experience, with multiple pages required to click through to access pension projections, and repeated error messages when attempting to use the pension system.

The Committee is grateful for John Preston’s commitment to look into these issues in more detail.

According to the Local Pension Board’s (LPB) meeting minutes on 15 February 2023, one of the key factors identified in the LPPA’s ongoing issues was the recruitment and retention of staff, with the organisation’s vacancy rate at the time at approximately 32 per cent, against a usual rate of around 8 per cent. It was anticipated that the implementation of Project PACE would continue to adversely affect client service level agreements (SLAs) in Q4 2022-23 and into Q1 2023-24.²⁰

The Committee understands that concerns regarding members’ experiences have been acknowledged by the LPPA at a later LPB meeting in September 2023, with the following actions agreed:

- Develop a revised service level agreement to be rolled out in April 2024
- A member satisfaction survey function to be planned to draw an improvement plan to ensure quicker lump sum payments are made
- Revised recruitment approach including developing quicker training models with a focus on upskilling existing staff
- Improvements to increase system automation capacity
- Automatic record integrity checks to reduce administrators’ time
- A new system that will be process driven with notifications to trigger administrators to ensure the correct processes are followed and completed.²¹

¹⁸ Local Pensions Partnership Administration, [About Us](#)

¹⁹ GLA Oversight Committee, [Transcript of Agenda Item 7 – The London Pensions Fund Authority](#), page 5

²⁰ London Pensions Fund Authority, [Local Pension Board Meeting Minutes](#), 15 February 2023, page 3

²¹ London Pensions Fund Authority, [Local Pension Board Meeting Minutes](#), 19 September 2023, page 3

In light of these steps, the Committee recommends the LPFA provides an update to the Committee in response to this letter on how such improvements, and other related actions to the LPPA's new system will be implemented to benefit members over the next 12 months.

In the context of the issues identified in this investigation, the Committee makes three recommendations:

Recommendation 1

The Committee recommends that the LPFA commissions an evaluation of the London Fund to understand if it can be better supported and whether membership could be widened to include other public sector bodies such as Transport for London (TfL).

Recommendation 2

The Committee recommends the LPFA's position on divesting from extracting fossil fuels across the entire fund is published.

Recommendation 3

The LPFA to share details with the Committee in response to this letter on how improvements to the LPPA's new system will be implemented to benefit members over the next 12 months.

The Committee would welcome a response to this letter by 10 May 2024. Please send your response by email to the Committee's Clerk, Nikoleta Kemp (Nikoleta.kemp@london.gov.uk).

Yours sincerely,



Emma Best AM
Chair of the GLA Oversight Committee