Appendix 1

LPFA

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Corporate Development Team
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Len Duvall AM
Chair of Oversight Committee
City Hall
The Queen's Walk
London SE1 2AA

12th February 2014

Dear Len,

Many thanks for the opportunity to attend the GLA Oversight Committee on 11th December and for your follow up requests for information. I have outlined each of the requests below and included my associated response. You will also notice that where appropriate I have referred to the attached annexes.

- Details of your public correspondence with the Chancellor of the Exchequer and the Minister of State for Business and Enterprise concerning the LPFA's suggestion that public sector pension funds could be amalgamated into a number of 'super pools';

  Various conversations were held with Ministers concerning the super pools concept. There is however no public record of these discussions. Below I have included more details of our proposal.

- A copy of the LPFA's submission in response to the Department for Communities and Local Government Call for Evidence on the future structure of the Local Government Pension Scheme; **(LPFA's public submission is attached and available on our website – Annex 1)**

- A copy of the LPFA's current conflict of interest policy guidance document for private co-investments made by Board Members; **(Conflicts Policy is attached at Annex 2)**

- A comparison and list of benefits and disbenefits associated with both the LPFA's 'super-pools' proposal and London Council's proposed collective investment vehicle (CIV) and details of the anticipated impact resulting from the proposed CIV;

  Please see **Annex 3** which outlines the main benefits associated with LPFA's Super pools proposal. A key difference between a super pool and a CIV is that a super pool involves an amalgamation of both assets and management of liabilities, whereas a CIV is merely an amalgamation of some assets. LPFA is pleased to see the CIV develop as a first step but feels that it does not go far enough. However LPFA has offered our skills to the London CIV and we are happy to assist as required.

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- A list of the LPFA's investments below the £25 million threshold with details about any investments also made by individual LPFA board or staff members;

  A list of fund investments below £25m and their dates of inception have been provided at **Annex 4**. I am aware that the Mayor has written to you providing more details on LPFA's Conflicts Policy but I would like to reiterate that there are no co-investments where staff or individual LPFA Board Members have a direct pecuniary interest.

- Further details of the outcomes achieved by merging the active sub fund and the pensioner sub fund.

  The decision was taken in January 2013 to review the notional division between the active and (ASF) pensioner sub-fund (PSF) and to return this to being invested as a single fund. The following benefits either have been or are expected to be achieved:

  1 A fully integrated fund allows us to allocate assets holistically

  2 Combining the mature profile of the PSF with the maturing profile of the ASF allows us to pursue a more growth oriented strategy

  3 A more growth oriented strategy permits the Actuary to assume a higher expected return for the total fund which in turn leads to a better funding ratio

  4 Whilst the total cash flow payments remain the same, they have been reduced as a percentage of the Fund. This improves the Fund's overall liquidity profile.

  5 An improved liquidity profile also allows the Fund to invest more in assets which provide higher returns (an illiquid premium) such as Private Equity

  6 Contributions from active members and employers reduce the Fund's need to dispose of assets to meet day to day pension payments. This means that more assets are being invested to generate returns to reduce the funding deficit.

  7 A single LPFA fund facilitates the development of an asset/liability model which will enhance the management of the Fund's assets and liabilities intelligently

  8 The adoption of more innovative asset management techniques such as greater synthesizing of assets is partly due to the investment flexibility achieved as a result of the merge.

  9 The main tangible benefit of the merger was the decision to take off the interest rate hedge from the PSF and realised a net profit of £178m in Q1 2013. This was made on long term interest rate view

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- Details of how you are prioritising for more shared services contracts over the next 12 months;

  Over the last 12 months LPFA has embarked on the following shared service arrangements within the GLA family;

  1. Treasury management (see below),
  2. s151 Officer role,
  3. Pensions administration with London Fire Brigade
  4. Sub-letting some excess office space to London Travelwatch

  In addition to the above we fully investigated, but ultimately preferred other options at this point, proposals for an internal audit function provided by MOPAC, committee services, and the finance system provided by TfL.

  Over the next 12 months we will be developing closer relations with the GLA family to enable the fund to invest in housing projects and our own accommodation strategy will link into that of the Mayor (see below). Our likely move to sharing an office with London Fire Brigade will ultimately mean we will be able to explore further opportunities for shared services.

- Details of how the treasury management function fits in with your management duties on pensions, and how separate you believe those two monies should be;

  The LPFA holds 3 different bank accounts to separate payments and receipts linked to the pension fund, management of residual GLC liabilities and operational activities respectively. This creates a clear audit trail, supported by rigorous accounting controls. There is no loss of this essential separation by subsequently investing the funds with the same counterparties.

  As a local authority, we must set a treasury management strategy, which, in line with best practice, considers the investment of all cash held by the LPFA. Our current policy is to place our cash within the GLA Group Investment Syndicate, which is a jointly controlled operation. The GLA pools our monies with its own and the rest of the GLA group (bar TfL) and makes investments according to our collective cash flow needs, however, the GLA's systems ensure each body's individual holding is continuously identifiable, much as with any pooled investment arrangement. This allows us to benefit from economies of scale, improved liquidity and returns, not to mention administrative efficiency. As part of our commitment to shared services, we second our Director of Finance to help manage the shared treasury service, and through our Investment Committee's expert scrutiny of the shared treasury investment strategy, are able to add value and assurance to the rest of the group.

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- Confirmation on whether you have any intention to review the accommodation for the London Pensions Fund Authority.

  I am pleased to report that we are finalising Heads of Terms with London Fire Brigade with a view to share part of their Union Street headquarters. We feel that this provides a cost effective option for the LPFA and contributes to the Mayor's accommodation strategy.

I trust that the above satisfies your requests but if you have any follow up questions please do not hesitate to contact me again.

Edmund Truell,
Chair, London Pensions Fund Authority

London Pensions Fund Authority

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DCLG call for evidence on the future structure of the LGPS

LPFA's response

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Introduction to the London Pensions Fund Authority (LPFA)

The LPFA is a leader in the provision of pension administration for the Local Government Pension Scheme (LGPS). LPFA has its own pension fund with assets of over £4.6bn and also assists other local authorities and public sector organisations with all aspects of LGPS administration. Dedicated teams deliver the Fire Pension Scheme.

LPFA carries out third party pension administration and other LGPS services. Currently LPFA provides administration for Bexley Council, London Fire and Emergency Planning Authority (LFEPA), London Borough of Newham and Westminster City Council, Ealing Council, Hertfordshire County Council and Hertfordshire Fire Scheme. LPFA recently achieved re-accreditation in Information Security (ISO 27001) and Environmental Management (ISO 14001) and we have been honoured for our efforts in the governance field, winning a Best Trustee Training Initiative award from Engaged Investor.

Question 1 – How can the Local Government Pension Scheme best achieve a high level of accountability to local taxpayers and other interested parties – including through the availability of transparent and comparable data on costs and income - while adapting to become more efficient and to promote stronger investment performance.

The purpose of the LGPS is to deliver good quality sustainable pensions to scheme members in accordance with the legislation and regulations and to have regard to overall efficiency and best value for money. Local accountability to taxpayers for historic scheme deficits can be achieved by linking deficits to employers through the triennial valuation process, as is currently the case with many multi-employer LGPS funds. There are a wide variety of employers involved with LGPS funds, not all whom are tax raising bodies. These include admission bodies, academies, higher and further education corporations and probation trusts, all of whom would remain responsible for any historic deficits associated with them under new arrangements. Many of these employers are funded directly or indirectly by central government who could ultimately be liable for any unrecovered deficit in the longer term. Smaller employers such as charities and those who are members of the scheme for historic reasons could also benefit from improved governance and expertise in all aspects of administering the scheme.

There is great merit in professional specialists directing scheme governance. In particular, a Board of representative interests is not the best model for pension fund governance. The LPFA believes the wider interests of the taxpayer are served by ensuring that investment decisions are made by appropriately qualified individuals in accordance with Myners Principle 1 "Effective Decision Making" as follows:

"Administering authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation; and

Those persons or organisations should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest."

Such an approach would ensure that the participants in any pooled arrangement would be fully trained, fully qualified professionals. The Dutch central bank and many others have made this transition, and seen commensurate improvement in their net performance. This change would also offer the government and public demonstrable and understandable evidence of an improved governance opportunity within a super Pool, as long as there was also the highest level of transparency and accountability in the new arrangements

Our view, endorsed by a wide body of academic research, is that the most effective way to manage liabilities and generate superior investment returns is through consolidation of schemes into bigger entities. Our solution is to create Super Pools for the LGPS on a buy-in model, where local employers are responsible both for historic deficits and for holding the Super Pool manager to account, and the Super Pool is responsible for asset allocation, fund management (through internal talent/systems or appointment of external managers), liability management and administration.

The size of pooled funds will enable the highest levels of specialist expertise and advice to be available to all concerned. It will also ensure there will be full optimised expertise in all relevant areas which need to be taken into account to enable the most effective allocation of appropriate assets and investment strategy for the long term sustainability and affordability of the fund. Super Pools in the LGPS could, for example, be grouped by region into 5 such authorities with assets in the region of £30billion each, Alternatively if individual funds wished to group together on any other basis to enjoy the benefits associated with Super Pools they should be encouraged to do so. There is increasing evidence of funds already moving towards closer co-operation in all aspects of the Scheme, including full mergers, and legislation should be introduced to encourage and enable such a trend to continue.

Super Pools would allow for investment in best practice reporting and modelling. The introduction of regular Asset Liability Modelling (ALM) for all funds would allow for frequent and consistent reporting on deficits at any given point in time. Currently the liabilities of any LGPS fund are only valued once every three years at the valuation and decisions based on these figures.

Regular reporting and analysis of data will help ensure that a detailed and up to date understanding of liabilities and how these impact on the future investment strategy to be adopted will be available for those making key decisions. ALM will also help ensure that the highest standards of data quality are maintained on an on-going basis.

Data accuracy should be subject to regular review and analysis as part of any future governance arrangements. Super Pools should therefore be required to report on the quality of their fund data, in line with a defined and consistent basis to the National Scheme Advisory Board and internally to the new pensions boards and scheme employers, given its importance in helping to ensure the right investment decisions are made at the right time.

Any authority tasked with managing Super Pools will of course need to take account of the needs and concerns of the current administering authorities and other employers who participate in the fund, given they will continue in their role as guarantors of the funds and who would remain responsible for meeting historic deficits. Governance partners in the new arrangements must be able to influence the selection of those charged with governance, and have reserve powers to remove such appointees. This is to ensure that sufficient assurance is given to all authorities in a Super Pool and that they have a stake in the success of the new arrangements and that their interests should not be overridden. These authorities will also have a key role to play in ensuring a smooth and effective transition to Super Pools. What LPFA believe are the strong arguments for such an approach need to be clearly demonstrated and understood as part of any such process. Super Pools would have to continue to work closely with their partners to ensure full understanding of any investment decisions and changes to funding strategy and to provide clarity around how their own position is taken account of. There would also need to be a robust and transparent appointment process in place to ensure the appropriate body tasked with administering pooled funds would have access to the highest levels of expertise, coupled with an understanding of the needs of those on whose behalf they are working, and to whom they would ultimately be accountable to for overall performance. It would even be possible that authorities could consider removing themselves from any voluntary pooling arrangements if there were compelling reasons for doing so. Although the LPFA believes moving to Super Pool arrangements is ultimately the optimal position, it recognises the need for an evolutionary approach to this goal. The ultimate goal would be best delivered by the assent of willing partners and the demonstration of success to those more sceptical. The LPFA wishes to foster and participate in joint consensual arrangements as a means of evolving to a Super Pool. The LPFA would be happy to offers its services to Collective Investment Vehicles that are being developed.

Production and publication of high quality data on costs and income should be the statutory responsibility of the Scheme Board at national level and individual pools, to standards laid down and maintained by the appropriate professional bodies (CIPFA, etc.). At the present time, as commented on by Lord Hutton in his report on the Public Service Pensions Schemes, data on the LGPS are inconsistent and poorly maintained. There are significant and obvious disparities in the way such data are currently measured and reported, whether it is investment management charges, investment returns, administration costs or funding levels. The need for a common set of consistently measured data should be a key outcome of any review.

The SF3 figures are often quoted and used for comparison purposes when comparing investment or administration costs. However given there is no independent verification of the figures, and the evident disparities in the results, there is an urgent need for more consistent and accurate reporting. If the current figures are to be believed there are some Authorities who appear to be significantly more efficient in administering the scheme and whose examples should possibly be adopted by all, through closer co-operation or pooling of expertise. Alternatively, and more likely, the costs being reported are not on a like for like basis and a more meaningful and independent analysis of these costs will help highlight inconsistencies and define a more transparent basis for achieving proper comparison.

Comparison of investment management fees, as shown in the Communities and Local Government Department Local Government Pension Scheme SF3 data website are also fraught with difficulty and again there is no standard or commonly used definition of what should be incorporated in this number.

For investment management charges the only true comparison is the fund's investment performance net of fees against the fund's own benchmark. Each LGPS fund is likely to have a different benchmark, based on the different liabilities and age profiles of membership within the funds and therefore a straight comparison can be misleading.

Additionally the current definition of the fund management costs within the CLG data would mean that funds only return the total amount they are billed by fund managers. This hides fees that may not be disclosed directly but are netted off the valuation of pooled funds or funds in partnership structure. This might include investments in property pooled funds, bond funds, hedge funds, equity pooled funds and private equity and infrastructure limited partnership funds.

What is clear though and there are many examples in both the private and public pensions sector is that significant reductions in administrations costs can be achieved through consolidation and by making optimum use of available resources.

Question 2 – Are the high level objectives listed above those we should be focussing on and why? If not, what objectives should be the focus of reform and why? How should success against these objectives be measured?

High level objectives

1. Dealing with deficits

2. Improving investment returns

LPFA believes that these are the correct high level objectives of the review having proposed and spoken in favour of them at the roundtable with the Minister and at other seminars and discussions taking place.

LPFA believe that deficits should be assessed on both the "risk free" methodology (using current market assumptions on inflation and interest rates) as well as the actuarial basis (using assumptions on likely market returns from the fund's asset allocation to set contribution rates). Schemes which are below a threshold, say 40% on risk free assumptions or 70% on actuarial return assumptions, should immediately be put into special measures with decision taking on liability and investment management transferred to a suitable peer authority or new "public protection fund(PPF)". A formal review of funding levels on a consistent basis could take place immediately after receipt of the 2013 valuation results to take effect from 1 April 2014. Funds will currently be in the process of finalising their valuation results as at 31st March 2013 and will be available for an overall review in due course.

It is important, that as part of the on-going discussions around the sustainability and affordability of the LGPS that such an exercise is undertaken on a regular basis. There is otherwise a danger that there remain a number of funds where funding levels when measured on a consistent basis will fall below the thresholds detailed above and where urgent action and assistance may be required. There is a strong case for considering that any funds deemed to be below a specific funding level are placed in a PPF or responsibilities transferred to a similar body at the earliest opportunity.

In the medium term, following the creation of consolidated Super Pools, the pools should be responsible for producing recovery plans for each employer based upon, inter alia, the covenant of the employer in terms of its financial standing, tax raising powers etc.

LPFA believe that improving investment returns together with better liability management are the key reasons for structural change in the LGPS. Success against these objectives will be the achievement of the flight plan for investment returns measured on a quarterly basis. There is a wealth of academic evidence (e.g. from the Rotman Institute, Toronto) that demonstrates larger funds outperform smaller funds by up to 0.43%-0.50% per year. If this is translated to the LGPS, this is equivalent to increased investment returns of £750 million per annum. Given the current size of individual LGPS funds it would be hard to achieve such results for individual funds and nor would it be possible to justify the duplication of effort or associated costs of having the necessary staff and expertise in place at each authority, whereas a larger pooled fund would clearly benefit from the economies of scale associated with such an approach.

There is though some evidence available (e.g. the PwC report for the London LGPS funds) which indicates that some smaller funds have had relatively high investment returns over a number of years when compared to larger funds as a consequence of their specific investment strategy. However there is of course no guarantee that such returns will continue in the future and nor indeed that the right investment strategy has been adopted in respect of accrued liabilities. There is equally compelling evidence that the larger funds tend to outperform their smaller counterparts in all areas in the longer term, benefitting in addition from the lower management fees and increased in-house expertise larger funds enjoy. The recent report by JP Morgan on Australian fund consolidation also highlights many of the cost and operational advantages associated with larger funds.

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Question 3 – What options for reform would best meet the high level objectives and why?

There is a spectrum of reform options which LPFA believes set out the available range of options for moving forward and this is described below. As detailed above, our strong preference at this stage is that there should be a move towards Super Pools, thus ensuring

- the highest levels of specialist expertise will be available,
- that there is a larger investment pot to enable a diverse range of appropriate investment options to be considered
- That future strategy takes full and proper account of actual liabilities.

We also note that a range of options are currently being considered by other local authorities, such as framework agreements and Common Investment Vehicles, however, LPFA strongly believe that some of the real benefits which are needed will not be realised if such an approach is adopted in the longer term.

The real savings in management fees, the availability to access bespoke investment opportunities bringing higher returns and better liability management needs the backing of sufficiently large funds and associated expertise to succeed and therefore Super Pools are the only sustainable, longer term option.

We believe that in the longer term all those involved in the Scheme will benefit from such an approach, albeit there would be some loss of local control in terms of asset allocation and associated issues.

As mentioned previously however, local authorities will have a key monitoring role to play in ensuring the new arrangements are implemented and maintained effectively. Robust governance arrangements to provide assurance to all parties and the highest levels of transparency and accountability will be essential for the success of these new arrangements.

Spectrum of Reform Options for LGPS Pension Funds

Key Features and Responsibilities	**Status Quo**	**Procurement Collaboration**	**CIVs**	**Super Pools (Buy-in)**	**Super Funds (Buy out)**
Local pensions committee	Yes	Yes	Yes	Yes	No
Historic deficits	Local	Local	Local	Local	Central
Asset allocation	Local	Local	Local	Central	Central
Appointment of Fund Managers	Local	Local	Central	Central	Central
Liability management	Local	Local	Local	Central	Central
Administration	Local	Local	Local	Central	Central

Local means decisions taken at current administering authority or employer level`

Central means decisions taken at a new consolidated administering authority level

In summary the LPFA believe that the optimum structure should balance the objectives of local accountability (for historic deficits) and centralised administration, consolidated investment and liability management functions for efficiencies and economies of scale. The model described as Super Pools, with the attributes set out in the chart above would in the LPFA's view ultimately best meet the overarching objectives, as long as there were also robust governance arrangements in place. In the short term the best means of reaching this goal would be by building consensual arrangements amongst willing partners.

Going forward it may be possible to move to the Super Fund model, but considerable improvements in the area of deficit reduction would need to be achieved to make many LGPS schemes comfortable with this.

Super Pools could be grouped by region into funds of around £30 billion, although where there was a willingness by authorities to work closely together on achieving the benefits of Super Pools at the earliest opportunity there need not be any such geographical restrictions. It should be noted that three authorities in the South East have recently announced their intention to investigate a merger of their funds in order to increase their cost effectiveness by reducing costs, including fund managers' fees, and improving investment performance. Legislation that enables and encourages such movement by Authorities towards closer co-operation should therefore be introduced at the earliest opportunity.

Legal advice indicates that the Secretary of State would not need primary legislation to achieve Super Pools or LGPS fund mergers. Section 7 of the Superannuation Act 1972 (and Schedule 3(2) to that Act) contain wide powers for the Secretary of State to make regulations governing pensions for local government employees, and specifically a power to amalgamate funds. The process to be used is fairly similar to the process that has been followed on other local government reorganisations.

Regulation would though need to specify that going forward a particular authority would be the administering authority for the relevant pension funds and would then specify that they should be amalgamated or pooled into a single fund.

In order to achieve maximum efficiencies and impact any statutory instrument might therefore include:

- Power to pool LGPS funds

- Additional powers for authorities such as the LPFA to enter into shared service arrangements with other Authorities to expand the level of service provision and expertise available

- A specific set of circumstances to deal with failing LGPS funds – akin to the Pension Protection Fund

- A review of the LGPS Investment Regulations – with an opportunity to:
  a) deal with some of the issues that already exist under the 2009 Regulations (for example clarifying the extent to which LGPS funds may make use of derivatives);
  b) revisit the pooled fund's power of investment more generally (for example to allow a wider use of derivatives and for a wider use of discretionary investments);
  c) introduce the possibility to buy-out or otherwise discharge LGPS liabilities (for example with insurance companies) where opportunities arise.

Question 4 – To what extent would the options you have proposed under question 3 meet any or all of the secondary objectives? Are there any other secondary objectives that should be included and why?

Secondary objectives

1. To reduce investment fees

2. To improve the flexibility of investment strategies

3. To provide for greater investment in infrastructure

4. To improve the cost effectiveness of administration

5. To provide access to higher quality staffing resources

6. To provide more in-house investment resource

The creation of Super Pools with centralised asset allocation, appointment of fund managers, liability management and administration would achieve all these objectives.

Investment Fees

The potential size of the Super Pools would give greater purchasing power over investment fees for which the industry model tends to be a lower fee percentage the higher the assets under management. Super Pools would also be able to afford in-house investment teams where evidence points to significant cost savings. The Rotman Institute research claims that half of the improved investment returns of larger funds come from the lower costs of in-house management.

Flexibility of Investment Strategies

The greater size of Super Pools will permit the recruitment of higher calibre investment professionals than smaller funds and a higher overall standard of governance. This will enable the use of complex hedging strategies to manage risk which are beyond the expertise of small schemes managed by lay people and enable flexibility in the implementation and management of investment strategies.

Greater Investment in Infrastructure

Super Pools will provide scale in terms of assets under management which enables direct or co-investments in infrastructure projects. These have the opportunity to generate superior returns over investment in funds or fund of funds with scale permitting the creation of diverse portfolios without the high fee leakages from funds or fund of funds. Infrastructure would prove to be a good match for the LGPS given that it provides not just a tangible asset for the fund but and can also support sustainable and socially responsible investment. Infrastructure has the potential to provide low-risk, long term investment opportunities with returns that are inflation-linked and match liabilities longer term on an optimised basis. Much interest is already being shown within the LGPS in such investments such as through the Pensions Infrastructure Plan, and the creation of Super Pools should help ensure the very best opportunities can be accessed and managed directly by individual funds in the future.

Cost effectiveness of administration

Good quality administration is required to ensure:

- High levels of customer satisfaction for fund members
- Good quality data from which to assess future liabilities
- Value for money for employers and taxpayers

Academic research shows that economies of scale flow from consolidating scheme administration. LPFA's experience as a third party provider to LGPS funds and Fire Authorities has delivered savings to Administering Authorities and has generated further surpluses to the LPFA as a provider to invest in further service improvement. Centralised administration has also ensured that high levels of technical expertise, specialist resources and the best systems are available, leading to improved data quality and efficiencies in processes and procedures. The marginal cost of administering the scheme in a Super Pool could be significantly reduced as duplication and inefficiencies are reduced. LPFA has also successfully worked with a number of authorities in improving data quality which has led to increased efficiency and a more accurate measurement of liabilities, allowing real savings to be achieved.

Evidence also suggests that a full local presence is not necessary to provide high standards of service to scheme members. For the LPFA the vast majority of contacts are by telephone and email coupled with comprehensive assistance and advice available through our bespoke websites for employers and scheme members. LPFA is approaching a level of 100% for notifications from its 200+ active employers being provided on-line, with the advantages in efficiency and accuracy this brings. We are also seeing a significant increase in the number of scheme members who are signing up to access our on-line member facilities to contact the LPFA, update personal details or review their records and calculate benefits payable.

Access to higher quality staffing resources

For the last 7 years, LPFA has employed in-house investment professionals to run the pension fund rather than rely purely upon external advisers, consultants or pension fund accountants as is the case with many smaller LGPS funds. At LPFA the Chief Investment Officer operates as a "manager of managers" responsible for developing investment strategy, liability management, selecting and appointing fund managers and monitoring their performance. Many smaller funds claim that they are unable to afford the costs of a dedicated CIO role with appropriate levels of professional support. It follows therefore that aggregation of funds into even larger Super Pools would facilitate access to higher quality staffing resources.

Academic research shows that when investing in alternative asset classes such as infrastructure, property or private equity, scale is critical to achieving super normal returns. Scale enables funds to invest directly or co-invest rather than only have the option of investing through funds or fund of funds with their associated high fee charges.

More in-house investment resource

Academic research shows that nearly half the additional returns generated by large funds over small funds come from the ability to utilise in-house managers rather than rely purely upon external fund managers. Research by the Boston Consulting Group on the Canadian public pension plans, where 80% of assets are managed internally, shows that fund management costs average 0.30% compared to 1.50%-2.50% for many other funds.

Again the ability to attract and retain in-house investment teams requires scale and hence would be an attractive option for Super Pools. It would not be possible to make such resources available to all 89 funds and in any event the costs of doing so on a much smaller scale would be prohibitive.

Recent research from Oxford University's Said Business School has highlighted the importance of ensuring Scheme managers make educated and informed choices around their fund manager's, rather than relying solely on a particular manager's recommendation. This report again demonstrates the need for strong, well trained and informed investment resources being available in-house to the funds themselves to ensure the correct choices are made.

Question 5 – What data is required in order to better assess the current position of the Local Government Pension Scheme, the individual Scheme fund authorities and the options proposed under this call for evidence? How could such data be best produced, collated and analysed?

In order to gauge the potential impact of a radical restructuring of LGPS funds, it is necessary to look beyond the UK to the success stories of pension arrangements in areas such as Canada and compare the results to the LGPS in England and Wales. There is a wealth of data from Northern Europe, North America, South America and Australia which support the underlying principle that the size of a fund coupled with significant levels of in-house specialist advice and expertise lead to higher investment returns and a better understanding of overall funding and liability issues. Please see the case studies attached that support this analysis.

For the LGPS in England and Wales there is a dearth of good quality data. LPFA's suggestions for improving the collection and interpretation of data are set out below:

- Administration and fund management costs:

  Existing SF3 data is not prepared to any agreed standards so comparison is fraught with difficulties and simplistic conclusions prevail. Administration costs need to be standardised by a suitably qualified independent body such as CIPFA, in agreement with the NSAB so that there are common practices on items charged to Administration, the Fund or Councils' general funds. Such reporting will help identify those areas of genuine best practice and efficiency and ensure they can be enjoyed by all involved in the scheme.

  Fund management costs need to include costs which are charged against the Net Asset Value of pooled funds and are generally lost in the SF3 returns. Fund management costs also need to differentiate between base fees and performance fees so that comparisons recognise that higher fees can generate higher returns if managers are suitably incentivised. Again CIPFA could play a key role in ensuring common definitions and appropriate comparisons.

  The significant discrepancies between the highest and lowest cost per member figures from SF3 returns in both administration and investment terms are so large as to make any comparison on this basis meaningless. However an independent and consistent analysis to identify where there are real differences and the ability to clarify and share genuine areas of best practice and efficiency as a result, would benefit all involved in the scheme.

- Investment performance

  Many LGPS funds have tailored benchmarks reflecting their maturity profiles and appetite for risk. Not all funds are the same and a simplistic comparison of one fund's performance against another, or a peer group benchmark, is comparing apples with pears. Therefore performance comparisons need to be more sophisticated and again this should be a task for CIPFA in association with the NSAB, to take on working with the financial services industry and existing performance management service providers.

Take a simple example. If fund A had £100 million and was invested solely in a passive UK equity index tracker, it might attract a fee of say 0.1%, or £100,000.

Suppose fund B of the same size was invested in an actively managed UK equity fund and targeted a return of 2% above the UK index benchmark. It might pay a fee of 0.2% or £200,000. If the manager was successful in meeting the target, the fund would achieve a net return of £1.8 million over the index benchmark (£2m investment return less £200,000 fees). Although fund B had paid twice the fees, its return overall is significantly better.

Suppose fund C of the same size was invested in an actively managed UK equity fund and targeted a return of 2% above the UK index benchmark, but was prepared to incentivise the manager to outperform the target. It might pay a base fee of 0.15 % or £150,000 plus 10% of any excess return over 2%. If the manager was successful in achieving a return of 2% over the target (4% over the index), the fund would achieve a net return of £3.65 million (£4m investment return less £150,000 base fees, less £200,000 performance fees). Although fund C had paid far more in fees than either fund A or fund B, its return overall is significantly better.

These examples are indicative, but they provide a general picture of the difficulties in measuring costs and performance on a consistent basis. The only true comparison therefore is the fund's investment performance net of fees against the fund's own benchmark. To make it even more difficult to compare performance, each LGPS fund is likely to have a different benchmark, given the different liabilities and age profiles of membership within the funds.

Call for Evidence

Case Studies

1. Does larger scale investment produce better returns?

There is strong evidence to suggest that large pension funds outperform smaller and medium-sized funds, with lower investment costs, better overall returns and improved diversification across asset classes. While there is no single threshold defining a large plan, there is sufficient empirical evidence to support the thesis that smaller funds cannot realise the same level of advantage that are typically enjoyed by much larger funds.

Source: Facilitating pooled asset management for Ontario's public sector institutions, October 2012, Report from the Pension Investment Advisor to the Deputy Premier and Minister of Finance

To explain this finding, we hypothesize and find that plans react to changes in size by exploiting their freedom of action by using more internal management (exploiting their "make versus buy" option) and by shifting resources to where larger plans have a comparative advantage (alternatives, particularly private equity and real estate). A third to a half of the benefits of size come through cost savings realised by larger plans, primarily via internal management. Up to two thirds of the economies come from substantial gains in both gross and net returns on alternatives. For example, the movement from 1st to 5th size quintile improves net abnormal returns in real estate and private equity by as much as 6% per year. We interpret this as being driven both by cost savings and by superior monitoring/screening of managers. We also find that the ability to take advantage of scale is conditioned by plan governance, with better governed plans having higher scale economies.

Perhaps larger pension plans simply have been investing for a longer period of time in the asset class, have greater experience, and have established connections with the persistently strong private equity performers identified in previous papers (e.g. Kaplan and Schoar (2005)) that have closed their funds to new investors. In such a case the positive relationship between allocations to alternatives and net abnormal returns is more of a historical accident than a robust relationship between size and performance.

Source: Is Bigger Better? Size and Performance in Pension Plan Management, Alexander Dyck, Lukasz Pomorski, July 2011

They [Canada's Top Ten Pension Funds] have sufficient scale on account of their large member base and the fact that members, once enrolled, make regular and automatic contributions to the plan. This scale allows them to participate in alternative asset classes, including capital-intensive assets such as infrastructure. It allows them to manage their investments internally, thereby lowering their cost structure significantly, and puts them in a stronger negotiating position when setting external investment management fees.

Source: The Top 10: Investing for Canada on the world stage, The Boston Consulting Group (BCG)

This paper finds that fund size has a positive impact on the performance of not-for-profit superannuation funds, which is evident both in gross returns and in expenses. Larger not-for-profit funds have higher allocations to investments, such as private equity and real estate, where they are likely to have a size-related advantage. Lower investment expense ratios of larger not-for-profit funds suggest that they negotiate more favourable fee schedules with external managers. Larger funds (whether retail or not-for-profit) realise substantial operational cost savings. However, fund size does not have an overall positive impact on the performance of retail superannuation funds.

Source: Working Paper: Effect of fund size on the performance of Australian superannuation funds, Dr James Richard Cummings, March 2012, APRA

In looking at the cost base of the Australian industry over the period 2005 – 2012 and comparing costs in this market to other advanced economies, we found that: 1. Significant consolidation has occurred in the industry, 2 The bigger funds had lower costs – funds over A$20bn (approx. £11bn) had lower costs (between 13 to 22bps lower as percentage of average assets over the period 2008 – 2012).

Source: APRA 2012 Superannuation Fund Level Profiles and Performance.

Summary

All four papers, Is bigger better? Size and performance in Pension Plan Management (Alexander Dyck and Lukasz Pomorski), The top 10: Investing for Canada on the world stage (The Boston Consulting Group) and Effect of fund size on the performance of Australian superannuation funds (Dr. James Richard Cummings)and the 2012 APRA Superannuation Fund Level Profiles and Performance, suggest that large scale investment produces better returns. This is in part because larger funds, with longer term investment horizons can take advantage of exposure to Real Estate, Private Equity and Infrastructure asset classes. Additionally, larger funds benefit from lower investment expenses ratios due to their enhanced bargaining power and can used skilled in-house investment management expertise.

2. What elements of larger scale investment produce better returns (asset allocation, investment timing, stock selection, in-house versus external management, fees)?

This paper finds that larger funds, both in the not-for-profit and retail sectors, have significantly lower operational expense ratios to net assets. This finding suggests that larger funds are able to spread fixed costs associated with administration and IT infrastructure over a larger asset base.

Source: Working Paper: Effect of fund size on the performance of Australian superannuation funds, Dr James Richard Cummings, March 2012, APRA

Over the course of my consultation process, there was some dispute over the scale necessary to fully realise economies of scale and related benefits. Based on available research, I conclude that assets under management should be in excess of $50 billion to ensure access to positive economies of scale across a broad range of asset classes including alternatives.

Source: Facilitating pooled asset management for Ontario's public sector institutions, October 2012, Report from the Pension Investment Advisor to the Deputy Premier and Minister of Finance

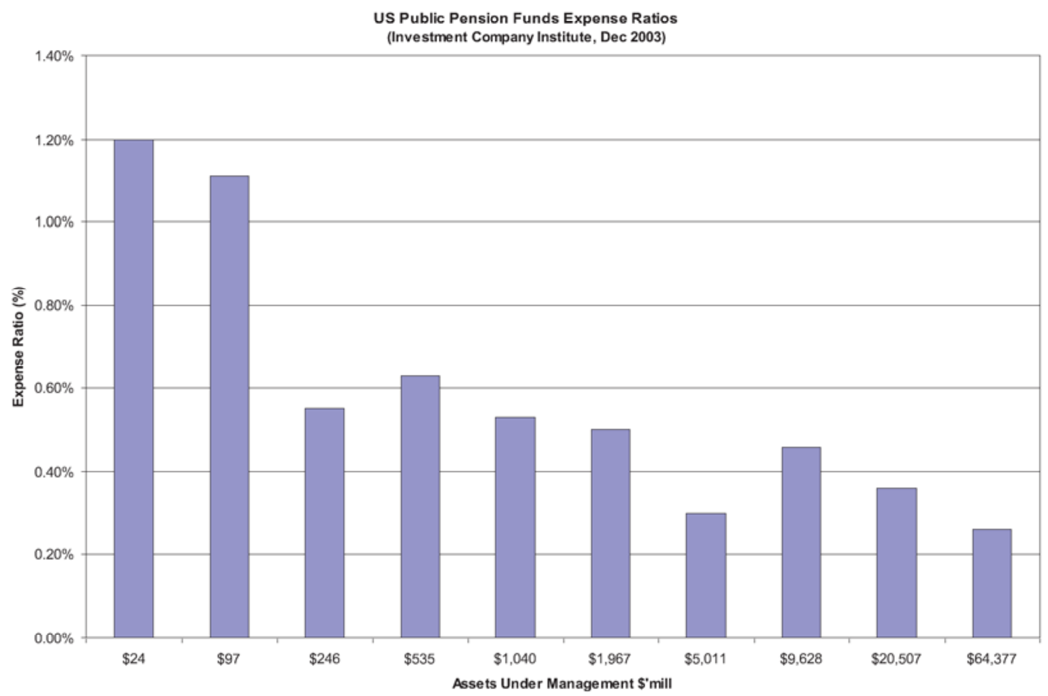
Combined with illiquid investments in private equity and venture partnerships, including five multi-asset partnerships in Faster Growing Markets, 60% of the portfolio is now invested in long-term assets, designed to be held for many years or even decades. Over the past five years, the main illiquid investments have delivered returns about 25% higher than those from public equities.

Source: Annual Report and Financial Statements 2012, Wellcome Trust

We document that cost levels for pension funds are considerably lower than those of mutual funds. This may be primarily due to pension funds' larger sizes, which may result in higher bargaining power and / or more efficient operations. Specifically, large pension funds have much lower costs than smaller funds. For example, the largest 30% of DB funds have costs of about 15 basis points a year, versus an average cost of 40 basis points a year for the smallest 30% of DB funds.

Source: Pension Fund performance and costs: small is beautiful, Rob M.M.J Baeur, K.J Martijn Cremers, Rik G.P Frehen, April 29, 2010

US Public Pension Funds: Expenses



Source: FEAL National Conference: Scale & Mergers, John Evans, UNSW

Potential savings

Looking at investment performance improvements and investment fee reductions together (for London), we anticipate that either structure could generate total annual savings of up to £120 million. This is based on performance and fee improvements combined of 0.5% per annum, applied to a £24 billion asset base. For Collective Investment Funds to deliver a saving of this magnitude there would need to be close to full participation by the individual Boroughs.

Both structures could involve centralisation of administration to whatever extent was agreed. Our experience of rationalising administration for other public sector entities suggests significant savings, but smaller than from investment. Based on "SF3" returns data collated by the Department for Communities and Local Government (DCLG), and comparing with the large metropolitan LGPSs, we anticipate total annual savings from centralising administration operations of approximately £10 million. Decisions on administration are substantially independent from those on investment.

Source: PwC Reconfiguring the London LGPS funds: Evaluation of options, October 2012

The main draw of the Canadian model is cost savings. Running operations directly helps plug "the incredible leakage that goes out through fees" to pricey external managers, says Gordon Fyfe, the boss of PSP Investments, a large fund. In private equity, for example, many managers charge a fee equal to 2% of assets and 20% of profits. Hiring staff and building up internal capabilities costs far less. Keith Ambachtsheer of KPA Advisory Services, a pensions consultancy, says running assets internally costs a tenth of what it would if they were outsourced.

There are other advantages. Public pension funds have a longer investment horizon than private-equity firms, so the Canadian behemoths can choose to sell when the time is right, mitigating some of the risks of investing in illiquid assets. In December, for example, Ontario Teachers announced it would sell its majority stake in Maple Leaf Sports and Entertainment, a large Canadian sports business, for around C$1.3 billion. They had been invested in Maple Leaf since 1994, far longer than a private-equity firm's typical five-year horizon, and are expected to get a return of five times their money.

Because they are saving so much on fees and only need to meet the liabilities of scheme-members' pensions, moreover, the Canadian funds feel less pressure to chase the high returns that leading buy-out firms do. They can pursue investments with less risk and leverage. "Because returns don't have to be as good, they can bid more for companies," says one buy-out boss. It sounds like a loser's lament.

So far the funds' strategy has paid off. Over the past ten years Ontario Teachers has had the highest total returns of the biggest 330 public and private pension funds in the world. Some of this outperformance stems from the relative strength of Canadian stock markets and property, to which Canadian pension funds have higher allocations than others. But not all of it. In 2010 OMERS returned $25 on every dollar spent on internal management, for instance, compared to only $10 for every dollar spent on external managers' fees.

Source: Maple Revolutionaries, the Economist, March 3 2012

Summary

The paper "Effect of fund size on the performance of Australian superannuation funds (Rd. James Richard Cummings) finds that larger funds are able to spread their fixed costs associated with administration and IT infrastructure over a larger asset base, thus reducing overall costs. Additionally the Wellcome Trust annual Report and Financial Statements 2012 states that "Over the past five years, the main illiquid investments [which are managed internally] have delivered returns about 25% higher than those from public equities" , indeed two elements of the Wellcome Trust investment philosophy state "Sufficient liquidity must be maintained to avoid the forced sale of assets at distressed prices. However, real assets offer the best long-term growth prospects and provide protection against inflationary pressures" and "The best returns will be driven by combining aligned partnership with the strongest external managers and building in-house resource to own selected assets directly". The PwC report "Reconfiguring the London LGPS funds" stated that reductions in investment fees (in London) could generate annual savings in the region of £120 million. This was also highlighted by Keith Ambachtsheer, Rotman International Centre for Pension Management (ICPM), who said that "running assets internally costs a tenth of what it would if they were outsourced"

3. Are funds under management infinitely scalable, or are there limits beyond which there are diseconomies of scale? At what level of funds under management does in-house management become practical? What asset classes benefit most from scale?

We observed that the risk premia indices for the factors Value, Momentum, Low Size2, and Low Volatility exhibited significant excess returns relative to the market capitalisation-weighted MSCI World Index over the period November 1992 to August 2012. Broadly speaking, the level of risk (as measured either by annualised volatility, market beta or maximum drawdown) for the risk premia indices was similar to the market capitalisation-weighted World Index. In this period, the risk premia indices demonstrated higher Sharpe Ratios. We emphasize that all calculations in this report are based on historical figures and do not predict or attempt to predict future expected returns.

Investability is an important focus of our study. Investability is a key determinant of transaction costs (including market impact). Factor investing may entail high costs and significantly reduce net return on the portfolio, in particular when the portfolio is large. We considered a range of measures of investability that may be closely related to transaction costs, including measures of tradability, liquidity, turnover, cost of replication, and capacity. Our results indicate that several risk premia indices had strong investability for portfolios of considerable size (USD

100 billion). The more scalable risk premia indices were Value, Low Size, and Low Volatility. At the same time, we stress that transaction costs are not explicitly analysed here and the actual costs of implementing risk premia strategies are not easy to estimate. Trading costs and other implementation-related issues, including most importantly the potential market impact, remain outside the scope of this study and a topic for future analysis. On the other hand, techniques such as liquidity-oriented constraints and multi-period rebalancing could potentially improve the investability of risk premia indices, possibly reducing implementation costs.

While Exhibit 1 summarises metrics for the entire time period, time variation of risk premia indices is equally important. The performance of risk premia indices have varied significantly over time and the indices undergo periods of weak performance across all factors. The factors Value and Low Size have underperformed the market capitalisation-weighted benchmark over multi-year consecutive periods. For the factors Value, Momentum, and Low Volatility, most of the excess return was captured in the first half of the period of 1992 to 2012, while the opposite was the case for the factor Low Size. Factor investing thus requires strong governance structures (e.g., clear investment beliefs, strong board support) to withstand the periods of underperformance while aiming to benefit from the potential premia over a full cycle.

We observed that combining exposure to several risk factors may at times provide substantial diversification benefits. In addition, combining multiple risk factors also at times provided cost benefits as crossing of trades between different factors reduced turnover in the portfolio.

This exploration into risk premia indices could be used as a starting point for tackling factor strategies in large funds like the Government Pension Fund Global. There are few examples of equity portfolios of the size of that of the Government Pension Fund Global which have actually implemented such strategies on a considerable scale. Therefore, evidence from actual experience is limited. It is clear that for equity portfolios of USD 100 billion and greater, investability is a key constraint that may be equally important as return and risk in the design of risk factor strategies.

Source: "Harvesting Risk Premia for Large Scale Portfolios," MSCI report, produced for the Ministry of Finance in Norway

We document substantial positive scale economies in asset management using a defined benefit pension plan database. The largest plans outperform smaller ones by 43-50 basis points per year. Between a third and one half of these gains arise from cost savings related to internal management, where costs are at least three times lower than under external management. Most of the superior returns come from large plans' increased allocation to alternative investments and realising greater returns in this asset class.

A third to a half of the benefits of size come through cost savings realised by larger plans, primarily via internal management. Up to two thirds of the economies come from substantial gains in both gross and net returns on alternatives. For example, the movement from 1st to 5th size quintile improves net abnormal returns in real estate and private equity by as much as 6% per year. We interpret this as being driven both by cost savings and by superior monitoring/screening of managers. We also find that the ability to take advantage of scale is conditioned by plan governance, with better governed plans having higher scale economies.

More interesting is that large plans manage 13 times more of their active assets internally (2.7% in the 1st quintile versus 35.4% in the 5th quintile). This leads to substantial cost savings. While delivering similar gross returns, external active management is at least 3 times more expensive than internal active management, and in alternatives it is 5 times more expensive**.** Accounting for greater use of internal management and the performance benefits this brings still leaves more than half of the positive economies of scale to be explained by other factors.

Source: Is Bigger Better? Size and Performance in Pension Plan Management, Alexander Dyck, Lukasz Pomorski, July 2011

The Top Ten's [Canada's Top Ten Pension Funds] low cost structure is a significant benefit for plan members. Their average cost of managing assets (i.e. their expense/asset ratio) is about 0.3% of assets. This level is comparable to passive index exchange-traded funds (ETFs), much lower than the 1.5% - 2.5% (or higher) charged by many other managed mutual funds, and lower than the 0.3% to 1.0% average for many other Canadian pension funds.

The Top Ten are able to achieve these cost savings because they typically manage about 80% of their assets internally compared with less 20% for many pension funds. Internal management is generally much more cost-effective than external management.

Source: The Top 10: Investing for Canada on the world stage, The Boston Consulting Group (BCG)

3. Role of size, costs and investment style

- The relation between asset size and performance is not uniform;
  - economies of scale in private asset classes (real estate, private equity)
  - but illiquidity constraints for larger size for equities and fixed income;
- Higher costs reduce returns
- Greater internal management improves performance.

Source: Can large pension funds beat the market? Aleksander Andonov, Rob Bauer, Martijn Cremers, ICPM May 2011 Discussion Forum

He [Keith Ambachtsheer – director of the Rotman International Centre for Pension Management] believes it is cheaper to do things internally than to outsource, but only for big funds who can afford to hire the talent. He thinks the scale sweet spot where a fund starts to see these benefits is very large in comparison with the size of DC pension schemes in the UK.

Source: DC from Down Under, Investment Conference 2012, Investing for Success, 7-9 March, EICC, Edinburgh.

The Top Ten [Canada's Top Ten Pension Funds] have about 35% of their assets invested in alternative asset classes such as infrastructure, private equity and real estate. This compares with about 10% in alternative classes for most other pension funds and typically none for retail investors. Holding alternative asset classes has important advantages including greater diversification across the portfolio, better alignment between the assets and the payout profile of liabilities, and the ability to achieve higher returns for the same amount of risk.

Source: The Top 10: Investing for Canada on the world stage, The Boston Consulting Group (BCG)

We analyse the asset allocation policy and performance of U.S. and Canadian defined benefit pension funds. We provide a detailed overview of the time trends in pension fund allocations to multiple asset classes and the investment costs of pension funds. There is a substantial home bias in pension fund allocations to equity and fixed income that goes down over time. Real estate is the most important alternative asset class for pension funds and accounts for 3-4% of their total holdings, whereas private equity is by far the most expensive asset category with mean annual expenses of 280 basis points

We decompose differences among pension fund returns to differences in asset allocation policy, market timing or security selection. We find that pension funds manage approximately 80% of their total assets in an active way, which creates substantial differences in their returns. Even though pension funds have the opportunity to invest in multiple asset classes, the majority of them follow a standard asset allocation policy. This "herding" in asset allocation together with high levels of active management explains why security selection accounts for more than 50% of the variation in excess returns of both U.S. and Canadian pension funds.

Pension funds are able to beat their benchmarks before and after risk-adjusting. Market timing delivers a positive alpha of 21 basis points per year. This abnormal return is larger among smaller funds, funds with greater internal management and funds with higher investment costs. All these relations point towards market timing returns depending on the flexibility to rebalance and liquidity constraints.

Lastly, we show that the relation between size and performance is not uniform and depends on the asset class and investment style. Larger pension funds experience diseconomies of scale in equity and fixed income (mainly due to liquidity limitations), but they realise their economies of scale in alternative asset classes, especially in real estate. Larger funds can assert more negotiation power in alternative asset classes, which enables them to access better investment opportunities at lower costs. Our results also show that funds that manage most of their assets internally improve their performance compared to peers with mostly external mandates due to reduces agency conflicts and lower investment costs.

Source: Can large pension funds beat the market? Aleksander Andonov, Rob M. M Bauer, K.J Martijn Cremers, May 2011.

Summary

Research into the Dutch Pension funds APG €330bn, 4.5m participants and the PGGM €133bn 2.5m participants indicates that there is no evidence that the in-house management of investments of large scale funds has had a negative effect on performance. Additionally, The MSCI report "Harvesting Risk Premia for Large Scale Portfolios" produced for the Ministry of Finance in Norway stated that indices on Value, Low Size and Low Volatility were scalable up to a value of USD$ 100billion (£65bn), they also observed that combining multiple risk factors also at times provided cost benefits as crossing of trades between different factors reduced turnover in the portfolio

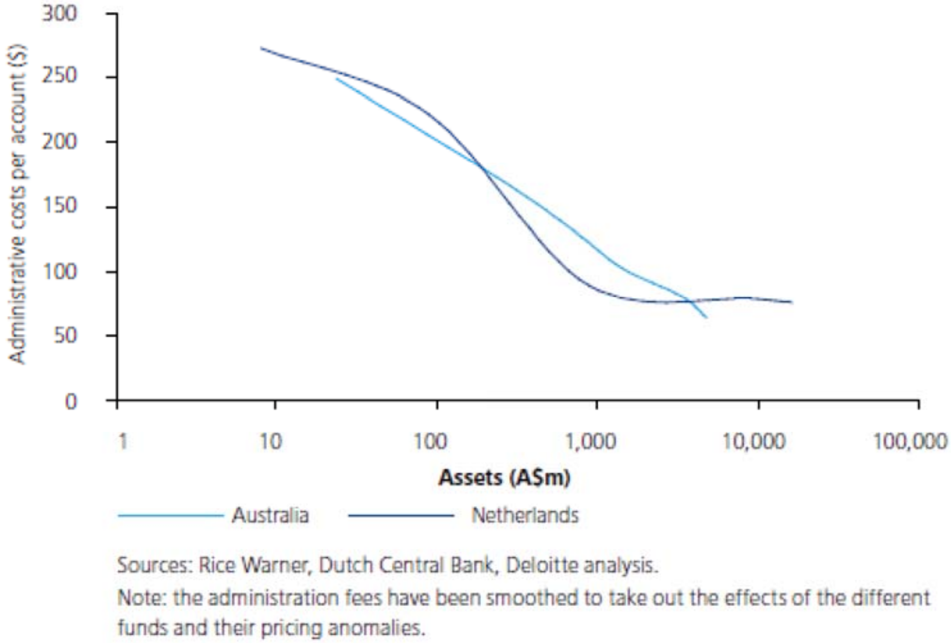
According to Dyke and Pomorski, in their report, "Is Bigger Better? Size and Performance in Pension Plan Management "the largest amount of savings that can be made by bigger pension funds is through internal management rather than outsourcing. This leads to substantial cost savings and avoiding high external fees. This also contributes to an improvement on investment returns as on a larger scale, firms can invest in alternative investments which gives better returns in their asset class. The larger plans outperform smaller plans by 43-50 basis points per year. One of the best success stories are the Top Ten Pensions Funds in Canada, from "The Top 10: Investing for Canada on the world stage, The Boston Consulting Group (BCG)" who manage 80% of their assets internally. This combined with a low cost structure keeps their expense/asset ratio low at 0.3% of assets.

The report also shows that, "The largest plans outperform smaller ones by 43-50 basis points per year. Between a third and one half of these gains arise from cost savings related to internal management." These high returns come from the increased ability to allocate to alternative investments, which lead to greater returns in this asset class. Also, large funds have more bargaining power and can achieve higher performance in these asset classes. Larger funds invest more in alternative asset classes such as infrastructure, private equity and real estate. (The Top 10: Investing for Canada on the world stage, The Boston Consulting Group)

4. Do larger funds have economies of scale on administration? Is administration infinitely scalable, or are there limits beyond which there are diseconomies of scale?

Industry funds

Large Australian industry funds' administration fees appear to be competitive with the lowest cost funds in the world when the comparison is based on actual costs per member rather than as a percentage of assets. Clear scale benefits exist in this sector in each country. The chart below compares the absolute costs per member for administration for Dutch and Australian industry funds. Even allowing for the fact that the data relates to different years, the chart clearly demonstrates the scale benefits in both countries together with the competitiveness at all size levels of the Australian industry funds.

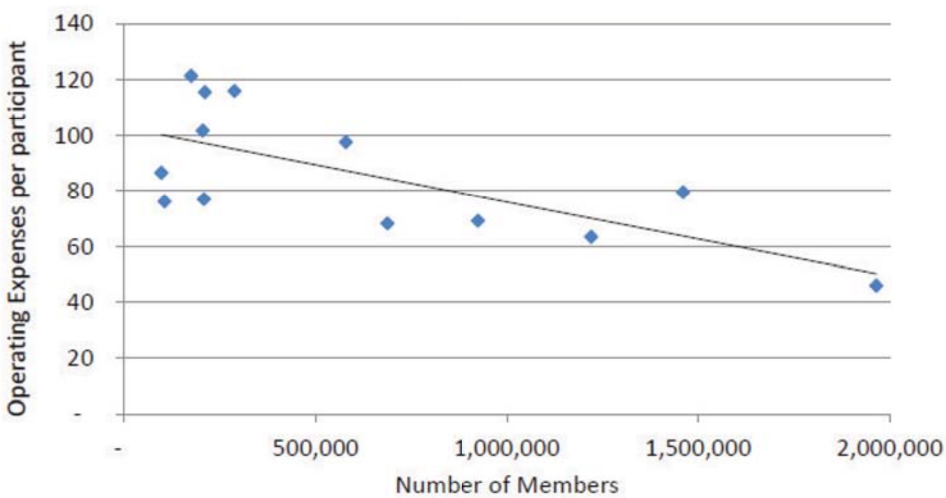


Source: IFSA 2009, International superannuation and pension fund fees, 21 September 2009, Deloitte.

In addition, Australia's licensing regime for superannuation funds is not mirrored in other countries, so we would expect to see increased costs (and possibly fees) relative to other markets.

Source: IFSA 2009, International superannuation and pension fund fees, 21 September 2009, Deloitte.

Australian Industry Fund Experience 2009



Evidence of economies of scale on number of members in Australia

Source: ICPM Discussion Forum, May 18, 2011, Tony Lally, SunSuper (Australia)

Table 1: Administrative costs by size classes (2004)

Size classes based on:	Administrative costs per participant (euro)	Administrative costs / total assets (%)	Total assets per participant (1,000 euro)	Pension funds reporting zero wage costs (%)[a]	Total number of participants (1,000)	Number of pension funds
number of participants						
<100	927	0.59	157	88	2	56
100 - 1,000	302	0.46	66	82	104	225
1,000-10,000	156	0.23	68	55	809	264
10,000-100,000	86	0.17	50	18	2,774	87
100,000-1 million	28	0.24	12	30	7,146	20
>1 million	33	0.07	46	0	5,611	3
Average / total	*48*	*0.15*	*33*	*61*	*16,446*	*655*
total assets (million euro)						
0-10	159	1.23	13	85	37	105
10-100	129	0.55	23	71	508	289
100-1,000	51	0.27	18	45	3,532	209
1,000-10,000	45	0.17	27	23	4,929	44
>10,000	43	0.10	45	25	7,439	8

[a] Note that only company funds underreport wage cost.

Source: Pension Fund efficiency: the impact of scale, governance and plan design, August 2006, Jacob Bikker and Jan de Dreu (DNB Working Paper)

Administrative costs include all costs to operate the pension fund except investment costs, that is, personnel costs, costs charged by third parties, rent, depreciation, and so on. The administration of pension funds includes record keeping, communication with participants, policy development, and compliance with reporting and supervisory requirements. Research on pension funds' administrative costs has focused on a few countries, in particular Australia

(Bateman and Valdés-Prieto, 1999; Malhotra *et al.*, 2001; Bateman and Mitchell, 2004; Sy, 2007), the US (Caswell, 1976; Mitchell and Andrews, 1981), Chile (James *et al.*, 2001) and the Netherlands (Bikker and de Dreu, 2009). In all these countries, significant economies of scale were found for private pension funds with respect to both membership size and asset management. The main explanation is that overhead and other fixed costs (*e.g.*, data management and compliance) can be spread over a larger pool of participants as membership size or financial wealth increases. Ambachtsheer (2010) stresses the role of operational efficiency in optimal pension provision and Indicates that more research is necessary on institutional implementation.

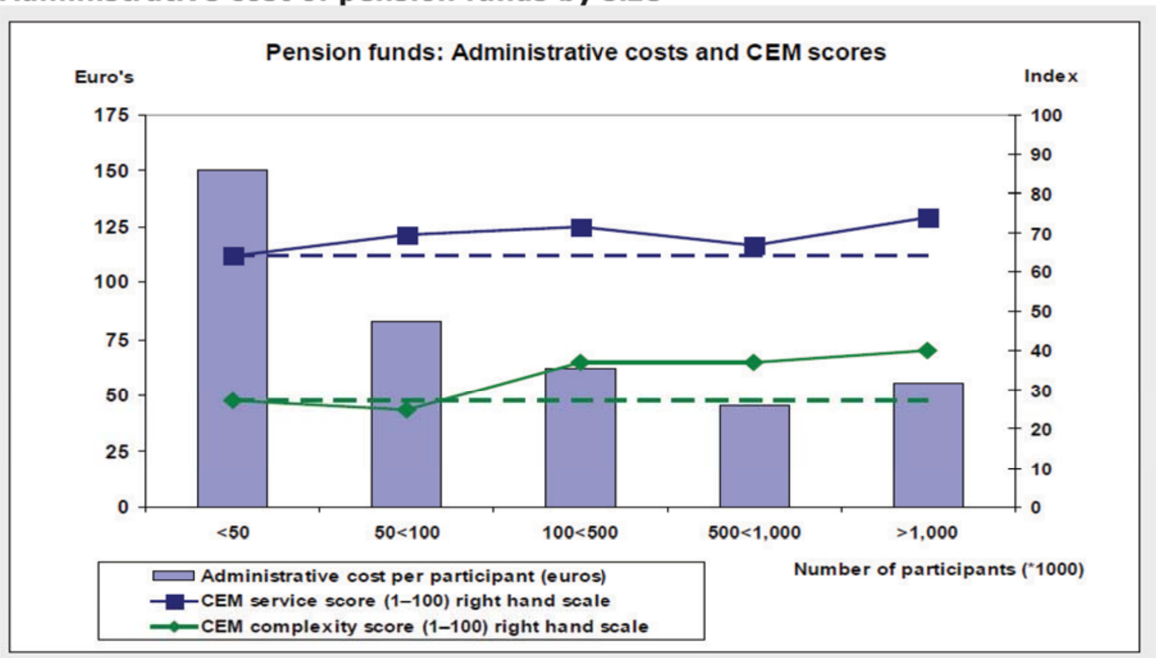
As expected, we find strong evidence of economies of scale, similar to those found in earlier studies, such as James *et al.* (2001), Tapia and Yermo (2008), and Bikker and de Dreu (2009). Overall, a 1% increase in the number of participants would increase costs by 0.76%. In the case where total assets are included in the model as a second output measure, costs would rise by 0.86% for a size increase of 1% for both the number of participants and the amount of total assets. When we allow for country specific scale effects, that is: different production processes across countries, we observe strong evidence of economies of scale for three out of four countries—Australia, the

Netherlands, and the US—while constant returns to scale cannot be rejected for Canada. The scope for exploiting

economies of scale is greatest for pension funds in the Netherlands and the US, even though these countries' pension funds already tend to be the largest and cheapest in the sample and their average administration costs are small relative to country-wide numbers (see, *e.g.*, OECD, 2009a). Particularly for the Netherlands and the US, this outcome is confirmed when our model is applied on disaggregated administrative activities. Average costs per participants, both for our aggregated and disaggregated administrative activities, indicate a U-shape pattern, suggesting the existence of an optimal scale. However, when our model is based on the aggregated data, we do not find a statistically significant nonlinear effect. The results of this study support actions aimed at improving the efficiency of pension funds by consolidation, but not necessarily for very large pension funds. Note that all conclusions in this paper are under the reservation that our sample may not be fully representative of the countries' entire pension sectors.

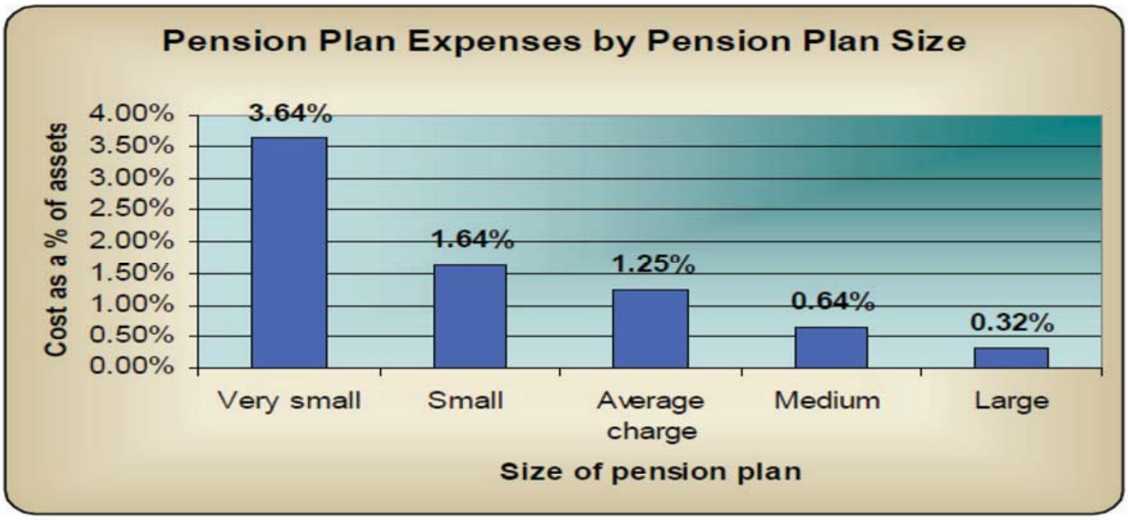
Source: The impact of scale, complexity, and service quality on the administrative costs of pension funds: A cross-country comparison, August 2010, Jacob Bikker, Omno Steenbeck and Federico Torracchi (DNB Working Paper)

Administrative cost of pension funds by size



Source: The impact of scale, complexity and service quality on pension fund admistration costs, ICPM Discussion Forum, May 15-18, 2011, Toronto, Jacob Bikker, DNB and Utrecht University. Onno Steenbeek, APG and Erasmus University.

Economies of Scale



Source: Irish Occupational Pensions: An Overview and Analysis of Scale Economics, April 2006, Aidan Mahon

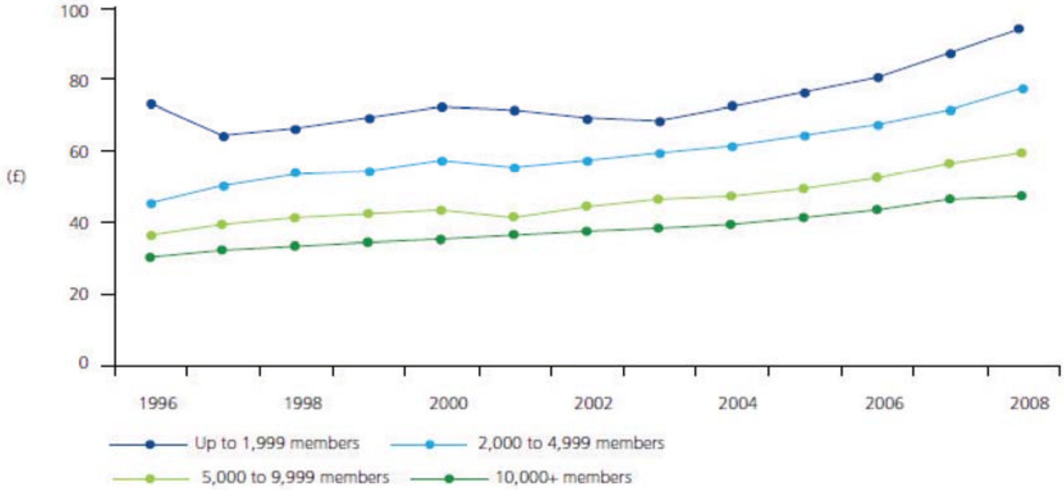
The survey also found 33% of employers offer a stakeholder scheme, although these will be replaced by Personal Accounts in most cases from 2012. Scale benefits exist in the UK, with administration costs for schemes with more than 50,000 members between £10 and £25 per member per annum, up to more than £500 in some cases with less than 250 members.

Table 3.1: UK corporate funds – fees as % of assets

	Administration	Investment	Advice	Total
Small (under £25m)	0.6	0.3	0.5	1.5
Large (above £1bn)	0.3	0.1	0.1	0.5
Average	0.4	0.2	0.2	0.8

Source: IFSA 2009, International superannuation and pension fund fees, 21 September 2009, Deloitte.

Chart 3.3: Annual cost of administration per head



Source: Capita Hartshead Fifteenth Annual Pension Scheme Administration Survey, May 2008.

This chart shows administration costs in the UK for stand alone funds over the last 13 years.

Source: IFSA 2009, International superannuation and pension fund fees, 21 September 2009, Deloitte

Table 3.5: Administrative costs by size classes (2004)

Size classes based on:	Administrative costs per participant (euros)	Administrative costs/total assets (%)	Total assets per participant (euros)	Pension funds reporting zero wage costs (%)	Total number of participants (1,000)	Number of pension funds
Number of participants						
<100	927	0.59%	157	88	2	56
100 – 1,000	302	0.46%	66	82	104	225
1,000 – 10,000	156	0.23%	68	55	809	264
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>1 million	33	0.07%	46	0	5,611	3
Average/total	**48**	**0.15%**	**33**	**61**	**16,446**	**655**
Total assets (million €)						
0 – 10	159	1.23%	13	85	37	105
10 – 100	129	0.55%	23	71	508	289
100 – 1,000	51	0.28%	18	45	3,532	209
1,000 – 10,000	45	0.17%	27	23	4,929	44
>10,000	43	0.10%	45	25	7,439	8

Source: Bikker (2006)

Table 3.5 above gives an indication of the administration fees by number of fund members as well as by size of assets. The line for <100 members corresponds to the small corporate type master trust arrangements in Australia, with relatively high fees per member at €927 (about A$1570).

The corporate funds are probably represented in the first three or four lines of the table. Rather than just look at costs as a % of assets it is useful to compare the absolute amounts of fees by size. We have produced a table in A$ to enable this.

Source: IFSA 2009, International superannuation and pension fund fees, 21 September 2009, Deloitte.

Immense Size
With $207 billion in assets and 3.7 million participants at year-end 2006, the TSP is easily the largest single defined contribution plan in the United States. The largest private-sector defined contribution plan sponsor is IBM, which has total defined contribution plan assets of $28.8 billion, about one-seventh the size of the TSP. The TSP is able to achieve tremendous economies of scale because it offers a limited range of investments, aggregated and executed centrally, to millions of participants of the same employer (i.e., the federal government), all of whose contributions are made through similar or identical computerised payroll systems.

Source: The Federal Thrift Savings Plan: A Model for the Private Sector, ICI, Investment Company Institute.

First, notice that as the fund size increases the average administrative expenses per member decreases sharply. When the fund size is captured by the number of members, the average administrative expenses per member goes from R3,065 for funds with fewer than 100 members, to R76 for funds with more than 100,000 members. When using total assets to measure the fund size, the average administrative costs per member was R3,049 for funds with less than 100 million Rand of total assets compared to R428 for retirement funds with more than 100 billion Rand worth of assets. Secondly, on average the administrative expenses per rand of asset decreases significantly across total asset categories, from 2.10% for the smallest retirement funds to 0.08% for the largest ones. The negative relationship between average administrative costs over total assets and fund size is confirmed across categories of total members. The only exception is the largest category, which displays the highest percentage at 2.24%; but it cannot be dissociated from the fact that the level of total assets per member appears to be extremely low for this category of retirement funds. The analysis of these descriptive statistics suggests the presence of important economies of scale in the pension fund industry.

Source: Economies of Scale and Pension Fund Plans: Evidence from South Africa, Albert Touna Mama, Neryvia Pillay and Johannes W. Fedderke, Working paper 214, April 2011.

Australian Industry Fund Experience 2009

Assets ($ Aus Billions)	No of Obs	Admin costs %	Admin Costs per Part $Aus	Admin Costs per part $Euro	Admin Costs per part $Euro
<10	8	0.67%	89	67	81
10-20	4	0.52%	61	46	52
20-50	1	0.42%	80	60	75
50-100	0	n/a	n/a	n/a	51
>100	0	n/a	n/a	n/a	77

- Some evidence of economies scale on assets in Australia
- More random results as costs linked to members not assets

Source: ICPM Discussion Forum, May 18, 2011, Tony Lally, SunSuper (Australia)

First, there is evidence of economies of scale (assuming the composition of outputs remains unchanged) up to at least 300% of current mean output in both investments and operations. After this point, there is some evidence that diseconomies of scale in operations may arise and so there is little incentive for universities to expand output far beyond that level. However, the economies of scale in investment costs increase at an increasing rate up to 300% of the current level of output and this suggests that diseconomies in investment costs (if they do exist) will only apply at much higher levels of output than currently found in the Australian superannuation fund industry. Second, in contrast the evidence for economies for scope is very weak, with global economies of scope only found in operations and then only slowly at very high levels of output. This suggests that only the largest funds will benefit in cost terms from full in-house production of administrative services and that for the typical superannuation fund there are substantial cost savings in contracting-out many administrative tasks and nearly all investment activities (or at least, no cost savings in in-house production).

Source: Economies of Scale and Scope in Australian Superannuation Funds, Helen Higgs, Andrew C. Worthington, Griffith Business School, Discussion Papers Finance.

While most of the recent commentary on costs in the industry has focused on the potential benefits which large funds can reap through insourcing some investment management costs, the scale advantage is most prominent in the area of administrative/operational costs – the largest component of the cost base (40% of the total costs). The administration costs of funds over A$20bn in assets in the Australian market as a percentage of assets was 46 basis points or 8 basis points behind the industry average of 54 basis points. If efficiencies can be generated by fund mergers and automation to reduce overall industry administration costs to the level which the larger funds already enjoy then it would yield an annual expenses reduction of A$650m.

Source: The bigger, the better? The cost benefits of scale in the Australian and international pension landscape. J.P.Morgan

Summary

All the evidence above shows that the larger the fund size, the greater the level of economies of scale on administration costs. The "IFSA 2009, International superannuation and pension fund fees" Deloitte report shows that there is a direct correlation between administrative costs and assets under management in both Australia and the Netherlands. There are benefits up to a million members; however, admin costs seem to increase beyond this number. All the evidence from the Netherlands, Canada, U.S and Ireland indicates that the larger the pool of assets, the lower the administrative charges.

In "Economies of Scale and Scope in Australian Superannuation Funds" suggests that only the largest funds will benefit from cost savings, if administrative services are brought in-house. However, in the Australian example, diseconomies of scale only appear at very high levels of output. Conversely, smaller funds would save by contracting out the above and investment activities.

5. What evidence is there of a governance dividend from having more expert advisers or trustees?

Specifically, Deloitte showed that a member with an account balance of only A$25,000 would be unlikely to pay more than A$200 a year, and in many cases less than half that, in total costs (including for limited advice from the scheme itself). I note with interest that the NAPF's modelling for Super Trusts suggests a 40 basis point cost level.

Larger funds are generally able to get better monitoring and governance outcomes at the portfolio level, although collaboration with other funds can achieve similar results. An example of this is the Canadian Coalition for Good Governance4 or the Australian Council of Superannuation Investors.

Governance premium

Bigger funds can also get better governance through increasing the level of focus, skill and expertise around the board table. Common themes are smaller boards, professional management, more relevant and aligned remuneration structures, expert sub-committees, peer review and so on. Some experts say this creates a demonstrable performance premium. That is, better governance leads to better investment returns.

Source: DC from Down Under, Investment Conference 2012, Investing for Success, 7-9 March, EICC, Edinburgh.

We also find that the ability to take advantage of scale is conditioned by plan governance, with better governed plans having higher scale economies.

Source: Is Bigger Better? Size and Performance in Pension Plan Management, Alexander Dyck, Lukasz Pomorski, July 2011

We find first that, while consultants' recommendations of fund products are partly a function of the past performance of those products, it is mainly the fund managers' non-performance attributes which drive recommendations. Consultants are thus not merely 'return-chasing' when they form their recommendations. Second, we find that investment consultants' recommendations have a large and significant effect on institutional asset allocation. This finding shows that the widespread use by plan sponsors of investment consultants, which has been documented by academic studies and surveys (see Goyal and Wahal 2008, Pensions and Investments 2011), is translated into action, with plan sponsors' asset allocation decisions following consultants' recommendations. Third, we find no evidence that consultants' recommendations add value to plan sponsors. On an equal-weighted basis, the performance of recommended funds is significantly worse than that of non-recommended funds, while on a value-weighted basis the performance is mixed, and the recommended and non-recommended products do not perform significantly differently from each other. The underperformance of recommended products on an equal-weighted basis can be explained by the tendency of consultants to recommend large products which perform worse. When we adjust for the different sizes of recommended and non-recommended products, we find that recommended products still fail consistently to outperform non-recommended products. The same result holds when we adjust for possible backfill bias.

Source: Picking winners? Investment consultants' recommendations of fund managers, Tim Jenkinson, Howard Jones and Vincente Martinez

Summary

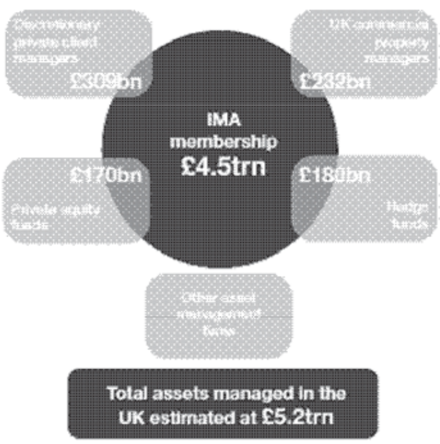
In the report "DC from Down Under, Investment Conference 2012, Investing for Success, " larger funds achieve better governance as they can invest more on a corporate level. By hiring better professionals and having a more organised structure with a clear focus, this results in better investment returns. Picking winners? Investment consultants' recommendations of fund managers, Tim Jenkinson, Howard Jones and Vincente Martinez highlights the savings that can be made by investing in in house investment expertise rather than relying on investment consultants

6. What impact will consolidation of funds have on the UK fund management industry?

What is the likely level of transition costs to consolidate funds?

NAPF polling suggests that, over the next 3-5 years, LA funds are expecting a continuation of the trend away from equities towards 'other' assets such as property and infrastructure. Assuming this trend applied uniformly across all LGPS participating funds, we could expect an additional move away from equities in the region of £5.7 billion and an extra £7.7 billion being invested in 'other' assets – a 25% increase on current allocations over this period. These shifts are small within the overall context of the £150 billion total assets in the LGPS. However, as an indication of a long-term trend these movements will have potential implications for the current investment regulations that may hinder the new investments LA funds may increasingly want to make.

Figure 2: Wider UK asset management industry



Source: BVCA, ComPeer, HedgeFund Intelligence/EuroHedge, IMA, IPD

£4.5trn
[£4.2trn in 2011]
Total assets managed in the UK by IMA member firms as at December 2012

£660bn
[£577bn in 2011]
Managed in UK authorised funds (OEICs and unit trusts)

£1.8trn
[£1.6trn in 2011]
Assets managed in the UK on behalf of overseas clients

£721bn
[£703bn in 2011]
UK-managed funds domiciled overseas

£2.5trn
[£2.4trn in 2011]
Assets managed worldwide on behalf of UK institutional clients

£13bn
[£12bn in 2011]
Revenue earned by UK-based asset management firms

Industry size

- As at December 2012, IMA members managed a total of £4.5trn assets in the UK; an increase of around £300bn on a headline and 7.9% on a matched basis.
- This represents an estimated 85% of the £5.2trn in total assets managed by the wider UK asset management industry. The remainder is accounted for by niche players and a minority of traditional long-only firms outside IMA membership.

Management location

- As in previous years, asset management activity continued to be concentrated in London. However, 11% or nearly £500bn of total assets was managed in Scotland.

Client type

- There was little change year-on-year in the composition of client types, with institutional clients accounting for 81% of total UK assets under management. Retail and private clients represented 17% and 1.6%, respectively.
- Pension funds, as the largest client type (38%), continued their long-term increase relative to other client types. Insurance companies (22%) are the second largest client group.

Asset allocation

- Of the £4.5trn in assets managed in the UK, the largest proportion was invested in equities (42%), followed by fixed income (37%), cash/money market funds (7.0%) and property (2.7%). The 'Other' category continued to grow (11%), and included primarily a range of alternative asset classes and structured solutions.
- UK equity holdings decreased to their lowest proportion seen in the survey, accounting for 33% of total equities managed in the UK (30% of total domestic market capitalisation). European and emerging market equities represented 22% and 14% of the total, respectively. The remaining 31% consisted of a number of smaller geographic locations.
- The largest fixed income category was '£ Sterling Corporate' (26%). Together with gilts (18%), index-linked gilts (16%) and other UK bonds (3%) it accounted for 63% of total fixed income holdings.

Type of management

- Segregated mandates decreased to 52% of total assets; only marginally bigger than pooled assets with 48%.
- Passively managed assets remained at 22% of the total.

your pension our world

Source: All tables above from Asset management in the UK 2012-13, The IMA Annual Survey

Summary

The UK fund management industry is responsible for investing £4.5trillion. Taking the full value of LGPS schemes at £150billion or 0.003% of UK total it is not enough to materially affect the market.

London Pension Fund Authority

Conflicts of Interest

Policy

Contents

Conflicts of interest policy to govern investment

1. Introduction

1.1 Conflicts of interest need to be identified and managed as a matter of transparency and good governance of the LPFA. This policy is concerned with the management of conflicts of interest arising as a result of the LPFA's investment activity.

1.2 Individuals subject to this policy will take all reasonable steps to disclose interests and manage conflicts as they arise and at all times to act in accordance with the seven principles of public life which are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

1.3 It is recognised that the way in which conflicts may arise may evolve over time. Individuals are expected to adhere to both the spirit and content of this policy to ensure that conflicts of interest are identified and disclosed in a timely fashion and managed appropriately.

1.4 Paragraph 11 below explains the way in which this policy sits with other parts of the LPFA's constitutional and policy framework.

2. Interpretation

In this policy:

co-investment	a situation in which LPFA has invested in (or is considering investing in) an investment which is also held by (or which is under consideration as an investment for) an individual who is subject to this policy pursuant to paragraph 3.1;
conflict of interest	is any interest or relationship that an individual or a Related Party (as defined below) has that a member of the public with knowledge of the relevant facts would reasonably regard as giving rise to a conflict of interest between that interest or relationship and the interests of the LPFA;

material conflict exists where an individual has an interest in relation to an investment which is being proposed to; is under consideration by or has been made by the LPFA which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is might prejudice that individual's judgment so far as his role within or connection to LPFA is concerned

professional advisers in paragraph 9 means any legal advisers, accountants, investment managers or others providing advice to the LPFA in connection with the management, monitoring or selection of the LPFA's investments;

proper advice is the advice of a person:

(a) who is reasonably believed by the LPFA Board to be qualified by their ability in and practical experience of investment matters; and

(b) who has no financial interest in relation to the investment with which the advice is given;

and such advice may constitute proper advice for these purposes even though the person giving the advice is a employee, consultant or contractor of LPFA; and

Related Party means:

(a) a family member of or any person or entity with whom an individual to whom this policy applies has a close association; The Board Secretary should be consulted if there is doubt as to the nature of a close association. This may include business partners, companies and limited liability partnerships, fellow trustees and may extend to divorced partners with continuing joint financial interests; and

(b) any relationship an individual has that may be relevant in the context of an investment that is under consideration by LPFA or has been made by LPFA.

3. Application of the policy

3.1 This policy applies to:

(a) all Board Members;

(b) all Principal Officers of the LPFA;

(c) members of the Investment Team and anyone who directly reports to the Chief Investment Officer; and

(d) any other person performing a role within LPFA (whether as a committee member or employee) who has a significant role in managing, monitoring or selecting the LPFA's investments.

3.2 Each individual to whom this policy applies is responsible for complying with the terms of this policy and making all necessary disclosures and the intention is for training on conflicts of interest to be provided when an individual first becomes subject to this policy and at 3 yearly intervals thereafter.

3.3 Professional Advisers to the LPFA who have a significant role in managing, monitoring or selecting the LPFA's investments are subject to this policy, but only to the extent specified in paragraph 9 (Professional Advisers).

4. Identifying conflicts of interest

Individuals should consider at every stage of their involvement in the investment process whether they have a direct or indirect interest that conflicts, or possibly may conflict or be perceived to conflict with the interests of the LPFA. Examples of where a potential conflict of interest may arise in the investment context are set out at Appendix 1.

5. Disclosure of interests: General requirements

5.1 A Disclosure of Interests Statement should be completed on an annual basis by individuals subject to this policy, except for Board Members who register their interests with the LPFA in accordance with paragraph 12 of the Code of Conduct for Board Members (see **Annex 1** 'Code of Conduct for Board Members').

5.2 The Disclosure of Interests Statement will require disclose of interests an individual has including:

(a) executive and non-executive directorships;

(b) paid or unpaid employment or self-employment (including partnerships);

(c) consultancies, advisory posts and other positions of responsibility (whether remunerated or not);

(d) public or voluntary sector appointments;

(e) holdings in land;

(f) substantial shareholdings and beneficial interests (where the shareholding or beneficial interest has an interest of at least 1% of the issued share capital in the company or other entity) held by the individual and/or a Related Party in a company or other entity

(g) any other interest that he or she considers should be disclosed because of the potential for that interest to conflict or be perceived to conflict with the interests of the LPFA having considered the examples of conflicts of interest in Appendix 1.

5.3 Within 28 days of an individual becoming aware of any new interest or any change to any interest registered in accordance with paragraph 5.2, the details of the new interest or change should be provided by written notification to the LPFA's Board Secretary.

5.4 Immediately upon an individual becoming aware of a conflict of interest in relation to a specific investment that arise as a result of an individual's relationship with a Related Party, a disclosure of interests statement shall be completed by the individual in relation to that Related Party.

5.5 Should this policy require an individual to disclose a market sensitive matter then the advice of the Chair of Audit Committee should be sought.

5.6 The Board Secretary will make available on the website public declarations of interests. However the Board Secretary will not publish any market sensitive declarations or any "sensitive information" in line with Part 3 of the Code of Conduct for Board Members.

6. Managing conflicts of interest: General requirements

6.1 Whenever an individual becomes aware of an actual or a potential conflict of interest (or an interest that might be perceived as a conflict of interest) that he or she has in a proposed or current investment of LPFA that individual should inform the Board Secretary of the interest, the nature of the interest and any other relevant information at the earliest opportunity. Such disclosure should also be made in the event of any doubt as to whether it is required. Individuals may also seek the advice of the Chair of Audit or his nominated deputy as appropriate.

6.2 Where a material conflict arises the individual with the material conflict must not participate (in any capacity) in the decision-making process regarding the investment that is the subject of the material conflict and in particular that individual:

(a) should not be involved in preparing any papers to review the proposed investment or proposed dealing in an investment held by the LPFA;

(b) should not be provided with any internal papers or documents relating to the proposed investment or dealing in the investment;

(c) should not be involved in any capacity in the selection of professional advisers appointed in relation to advising on that investment;

(d) must follow the procedure in paragraph 6.3 in any meeting at which the proposed investment is considered and where any decision is taken as to whether the investment is made by the LPFA;

(e) must follow the procedure in paragraph 6.3 at any meeting at which the performance of an investment is reviewed or evaluated and where any decision is taken as to whether to sell the investment.

6.3 Board Members and other individuals participating (in whatever capacity) in any meeting must declare at the beginning of the relevant item of business any matter in which he or she has a conflict of interest (or in which a Related Party has a conflict of interest), and in the event that he or she (or a Related Party) has a material conflict of interest, the individual shall:

(a) withdraw from the meeting for that item (including any voting on the matter); and

(b) not be counted in the quorum for that part of the meeting.

6.4 All conflicts of interest declared will be recorded in the minutes of the meeting.

6.5 Independent advice will be sought where conflicts cannot be resolved through the usual procedures. In the case of grave or repeated conflicts of interest between an individual who is subject to this policy and the LPFA, that individual shall consider whether it may be that, in the best interests of the LPFA, he or she should stand down from his or her position in relation to investment at the LPFA.

7. Managing conflicts of interest: Co-investment

7.1 Co-investment can only be undertaken in accordance with the co-investment policy set by the Board as part of the Investment policy and strategy.

7.2 An individual subject to this policy who is a prospective co-investor with the LPFA must:

(a) adhere to the conflict management provisions in paragraph 6; and

(b) make an enhanced disclosure in accordance with paragraph 7.3.

7.3 The enhanced disclosure required from an individual subject to this policy who is a prospective co-investor with LPFA is a disclosure of their interest or potential interest in the co-investment opportunity that provides details of the following:

(a) what is the nature of the current or prospective interest in the investment to include details of any percentage shareholding or other details about the nature and extent of the interest, the financial value of the proposed investment and any options to acquire further shares or be issued new shares;

(b) any benefits available to the individual in consequence of the LPFA co-investing whether arising before, during or after the co-investment and whether or not the benefit is financial; and

(c) whether the individual would invest if the LPFA did not co-invest.

7.4 Proper advice should be obtained on every co-investment opportunity in which an individual has a material conflict of interest before a final decision is taken by the LPFA as to whether to proceed with the co-investment that considers:

(a) whether the terms of the investment are reasonable in the circumstances; and

(b) the key representations made in relation to the proposed investment.

7.5 All co-investment in which an individual has a material conflict of interest should be approved by the LPFA Board (after having considered the proper advice). The number of un-conflicted Board Members participating in approving the investment must be at least 4.

8. Managing conflicts of interest: Introducing investment opportunities

8.1 Any investment opportunity introduced by a person to whom this policy applies must fit within the investment policy and strategy set by the Board

8.2 An individual who introduces an investment opportunity to the LPFA must adhere to the conflict management provisions in paragraph 6 as if he or she has a conflict of interest in the investment opportunity that he or she introduces.

8.3 An individual introducing an investment opportunity must make an enhanced disclosure that provides details of the following:

(a) any direct or indirect interest that (i) he or she or (ii) a Related Party, has in the subject matter of the investment opportunity and any entities that are related to that investment opportunity; and

(b) any additional benefits available to the individual if the LPFA invests in that investment opportunity whether arising before or after the investment is made and whether or not the benefit is financial.

8.4 Investment opportunities introduced by individuals who are subject to this policy should be approved at Board level.

8.5 Proper advice should be obtained on an investment opportunity introduced to the LPFA where the Board or the Investment Committee consider this to be appropriate in the circumstances before a decision is taken as to whether to proceed with the investment and the advice shall include:

(a) whether the terms of the investment are reasonable in the circumstances;

(b) the key representations made in relation to the proposed investment; and

9. Professional advisers

9.1 Individuals selecting or appointing professional advisers in relation to investments for the LPFA should require prospective professional advisers to disclose any conflicts of interest at the outset of the selection/appointment process.

9.2 Where a professional adviser has a conflict of interest it should be considered whether that professional adviser can manage conflicts of interest through the use of internal procedures (such as information barriers and the use of different teams to provide the advice) or whether in the circumstances alternative professional advisers should be appointed.

9.3 Where professional advice is sought on a conflicted co-investment opportunity the professional adviser appointed to review the opportunity must not be the same adviser that is advising the person co-investing with the LPFA.

10. Evaluating conflicts of interest

10.1 Compliance with this policy will be reviewed periodically and reported to the Audit Committee annually. A report on compliance will be provided to the Board, which shall detail any incidences of non-compliance identified.

10.2 The procedures set out in this policy must be monitored and may be amended from time to time. Notice of any changes will be provided promptly to all persons who are subject to this policy.

11. Other relevant policies and guidance

11.1 In the event of any conflict between this policy and the LPFA Constitution, the provisions of the LPFA Constitution take precedence.

11.2 This policy is solely concerned with investment. The LPFA Constitution and the other LPFA policies listed below may apply in relation to an individual's interests outside LPFA:

- Code of Conduct for Board Members
- The Authority's Code of Best Practice
- Conflict Policy (applicable to staff only).

Appendix 1

Examples of conflicts of interest

Examples of where a conflict of interest may arise in the investment context includes where an individual or a Related Party has:

(a) a direct or indirect interest in or relationship (whether as an employee, consultant or otherwise) with an entity that LPFA proposes to invest in by any means;

(b) a direct or indirect interest in a fund manager overseeing LPFA's investments;

(c) a direct or indirect interest or relationship (whether as an employee, consultant or client) with a professional adviser to the LPFA;

(d) or may co-invest with the LPFA and other third parties; or

(e) introduced (directly or indirectly) to the LPFA an investment opportunity by any means.

This list of examples is non-exhaustive and there are likely to be other scenarios where a conflict of interest may arise.

Document Title: Conflicts of Interest Policy						
Policy Name: Conflicts of Interest Policy						
Version No	**Description of change**	**Owner**	**Applicable to**	**Date of Issue**	**Approved by Board**	**Review Date**
V8	New policy and Annex 1 extract from Constitutional Document "Code of Conduct for Board Members"	CDT	Investment Team, CMT, Board members	12/12/2013	12/12/2013	12/12/2014

ANNEX 1 – extract from the Constitutional Document

F. CODE OF CONDUCT FOR BOARD MEMBERS

The Board has resolved to adopt the Code of Conduct which is for the time being prescribed for members of local authorities, subject to such amendment as is necessary to apply its provisions to the Authority.

The Authority is not covered by Part 3 of the Local Government Act 2000 and so does not have to establish a Standards Committee, and does not have the statutory powers of enforcement available to local authorities. However, the Code of Conduct will be enforced by the Board under the Authority's power of self-regulation and by recommendation to the Mayor of London where the Board is of the opinion that a member of the Board is no longer suitable to continue as a Board member.

The authority is under a duty to disclose "related party transactions" (transaction between the authority and a party in respect of whom a member of the Authority has a significant interest) in its Annual Report and Accounts, to comply with Financial Reporting Standard 8 (FRS 8). The registration by members of the Authority of interests under the Code of Conduct provides the basis for identifying all such "related party transactions" and accordingly the complete and prompt registration of interests by members of the Authority is important not just in terms of member's own responsibilities, but also to enable the Authority to comply with its obligations under FRS 8.

Disclosures of personal and prejudicial interests by members at meetings of the Authority are recorded in the minutes of such meetings. The Register of Members Interests is made available for public inspection by the Chief Executive, with the exception of any "sensitive information."

1st April 2008

THE CODE OF CONDUCT FOR BOARD MEMBERS

PART 1 General Provisions

Introduction and interpretation

1. (1) This Code applies to you as a Board member.

(2) You should read this Code together with the general principles prescribed by the Secretary of State (appended hereto, below).

(3) It is your responsibility to comply with the provisions of this Code.

(4) In this Code

"meeting" means—

(a) any meeting of the authority;

(b) any meeting of any of the authority's committees

(c) any informal meeting between Board members of the Authority or one or more Board members of the Authority and officers of the Authority in connection with the discharge of the functions of the Authority

Scope

2. (1) Subject to sub-paragraphs (2) to (5), you must comply with this Code whenever you—

(a) conduct the business of the Authority (which, in this Code, includes the business of the office to which you are elected or appointed); or

(b) act, claim to act or give the impression you are acting as a representative of the Authority,

and references to your official capacity are construed accordingly.

(2) Subject to sub-paragraphs (3) and (4), this Code does not have effect in relation to your conduct other than where it is in your official capacity.

(3) In addition to having effect in relation to conduct in your official capacity, paragraphs 3(2)(c), 5 and 6(a) also have effect, at any other time, where that conduct constitutes a criminal offence for which you have been convicted.

(4) Conduct to which this Code applies (whether that is conduct in your official capacity or conduct mentioned in sub-paragraph (3)) includes a criminal offence for which you are convicted (including an offence you committed before the date you took office, but for which you are convicted after that date).

(5) Where you act as a representative of the Authority on any other body, you must, when acting for that other body, comply with this Authority's code of conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

General obligations

3. (1) You must treat others with respect.

(2) You must not—

(a) do anything which may cause the Authority to breach any of the equality enactments (as defined in section 33 of the Equality Act 2006);

(b) bully any person;

(c) intimidate or attempt to intimidate any person who is or is likely to be—

(i) a complainant,

(ii) a witness, or

(iii) involved in the administration of any investigation or proceedings,

in relation to an allegation that a member (including yourself) has failed to comply with his or her authority's code of conduct; or

(d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, the Authority.

4. You must not—

(a) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where—

(i) you have the consent of a person authorised to give it;

(ii) you are required by law to do so;

(iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or

(iv) the disclosure is—

(aa) reasonable and in the public interest; and (bb) made in good faith and in compliance with the reasonable requirements of the Authority; or

(b) prevent another person from gaining access to information to which that person is entitled by law.

5. You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.

6. You—

(a) must not use or attempt to use your position as a member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage; and

(b) must, when using or authorising the use by others of the resources of the Authority—

(i) act in accordance with the Authority's reasonable requirements;

(ii) ensure that such resources are not used improperly for political purposes (including party political purposes);

(c) must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

7. (1) When reaching decisions on any matter you must have regard to any relevant advice provided to you by officers of the Authority, and particularly the Chief Executive, the Authority's Chief Financial Officer, and the Authority's Monitoring Officer.

(2) You must give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by the Authority.

PART 2

Interests

Personal interests

8. (1) You have a personal interest in any business of the Authority where either—

(a) it relates to or is likely to affect—

(i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the Authority;

(ii) any body—

(aa) exercising functions of a public nature;

(bb) directed to charitable purposes; or

(cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or in a position of general control or management;

(iii) any employment or business carried on by you;

(iv) any person or body who employs or has appointed you;

(v) any person or body, other than a relevant authority, who has made a payment to you in respect of your election or any expenses incurred by you in carrying out your duties;

(vi) any person or body who has a place of business or land in the area of Greater London, and in whom you have a beneficial interest in a class of securities of that person or body that exceeds one hundredth (1%) of the total issued share capital (whichever is the lower) in a company or other entity;

(vii) any contract for goods, services or works made between the Authority and you or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi);

(viii) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £75;

Note: Hospitality received in the normal course of investment or other Authority business should be recorded but need not be disclosed as a personal or prejudicial interest.

(ix) any land in the area of Greater London in which you have a beneficial interest;

(x) any land where the landlord is the Authority and you are, or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi) is, the tenant;

(xi) any land in the area of Greater London for which you have a licence (alone or jointly with others) to occupy for 28 days or longer; or

(b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the are of Greater London.

(2) In sub-paragraph (1)(b), a relevant person is:

(a) a member of your family or any person with whom you have a close association; or

(b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;

(c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding 1% of the total issued share capital in a company or other entity; or

(d) any body of a type described in sub-paragraph (1)(a)(i) or (ii).

Disclosure of personal interests

9. (1) Subject to sub-paragraphs (2) to (7), where you have a personal interest in any business of the Authority and you attend a meeting of the Authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

(2) Where you have a personal interest in any business of the Authority which relates to or is likely to affect a person described in paragraph 8(1)(a)(i) or 8(1)(a)(ii)(aa), you need only disclose to the meeting the existence and nature of that interest when you address the meeting on that business.

(3) Where you have a personal interest in any business of the authority of the type mentioned in paragraph 8(1)(a)(viii), you need not disclose the nature or existence of that interest to the meeting if the interest was registered more than three years before the date of the meeting.

(4) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

(5) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in the Authority's register of members' interests, you must indicate to the meeting that you have a personal interest, but need not disclose the sensitive information to the meeting.

(6) Subject to paragraph 12(1)(b), where you have a personal interest in any business of the Authority and you have made an executive decision in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.

(7) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the LG Act 2000.

Prejudicial interest generally

10. (1) Subject to sub-paragraph (2), where you have a personal interest in any business of the Authority you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

(2) You do not have a prejudicial interest in any business of the authority where that business—

(a) does not affect your financial position or the financial position of a person or body described in paragraph 8;

(b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or

(c) relates to the functions of the Authority in respect of—

(i) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;

(ii) an allowance, payment or indemnity given to members;

(iii) setting a levy upon a local authority

Effect of prejudicial interests on participation

11. (1) Subject to sub-paragraph (2), where you have a prejudicial interest in any business of the Authority—

(a) you must withdraw from the room or chamber where a meeting considering the business is being held—

(i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;

(ii) in any other case, whenever it becomes apparent that the business is being considered at that meeting;

unless you have obtained a dispensation from the Authority;

(b) you must not exercise executive functions in relation to that business; and

(c) you must not seek improperly to influence a decision about that business.

(2) Where you have a prejudicial interest in any business of the Authority, you may attend a meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

PART 3

Registration of Members' Interests

Registration of members' interests

12. (1) Subject to paragraph 13, you must, within 28 days of—

(a) this Code being adopted by the Authority; or

(b) your election or appointment to office (where that is later),

register in the Authority's register of members' interests (maintained under section 81(1) of the Local Government Act 2000) details of your personal interests where they fall within a category mentioned in paragraph 8(1)(a), by providing written notification to the Authority's monitoring officer.

(2) Subject to paragraph 13, you must, within 28 days of becoming aware of any new personal interest or change to any personal interest registered under paragraph (1), register details of that new personal interest or change by providing written notification to the Authority's monitoring officer.

Sensitive information

13. (1) Where you consider that the information relating to any of your personal interests is sensitive information, and the Authority's monitoring officer agrees, you need not include that information when registering that interest, or, as the case may be, a change to that interest under paragraph 12.

(2) You must, within 28 days of becoming aware of any change of circumstances which means that information excluded under paragraph (1) is no longer sensitive information, notify the Authority's monitoring officer asking that the information be included in the Authority's register of members' interests.

(3) In this Code, "sensitive information" means information whose availability for inspection by the public creates, or is likely to create, a serious risk that you or a person who lives with you may be subjected to violence or intimidation.

Standards of Conduct for Members

The General Principles

Selflessness — members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.

Honesty and integrity — members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.

Objectivity — members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

Accountability — members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

Openness — members should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.

Personal judgement — members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

Respect for others — members should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.

Duty to uphold the law — members should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them

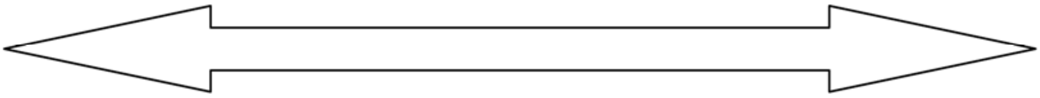
Stewardship — members should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

Leadership — members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.

Extracted from the Relevant Authorities (General Principles) Order 2001 and which specifies the principles which govern the conduct of members and co-opted members of relevant authorities in England in accordance with section 49(1) of the Local Government Act 2000.

LGPS Structure Options – Annex 3 Super pools vs CIV

The spectrum



Key Features and Responsibilities	**Status Quo**	**Procurement Collaboration**	**CIVs**	**Super Pools**	**Super Funds**
Local pensions committee	Yes	Yes	Yes	Yes	No
Historic deficits	Local	Local	Local	Local	Central
Asset allocation	Local	Local	Local	Central	Central
Appointment of Fund Managers	Local	Local	Central	Central	Central
Liability management	Local	Local	Local	Central	Central
Administration	Local	Local	Local	Central	Central

Local means decisions taken at current administering authority or employer level

Central means decisions taken at a new consolidated administering authority level

Benefits of Super pools – Assumes an amalgamation of assets and liabilities
Asset and Liability Management techniques administered centrally by a small highly skills team. Each fund will know exactly what its liabilities are at any given time, rather than once every 3 years.
All pensions administration will be done centrally allowing for economies of scale both in people and locations. Additionally, consistent online administration can be introduced (for members and employers), reducing costs further.
A super pool will use existing in-house investment expertise to manage external fund managers as well as developing greater direct investment opportunities.

Will open up the range of investments available to the fund, (particularly in the illiquid space) and allows for a wider choice of ways to access these investments. This could include direct investments, co-investments. These are generally harder to achieve for smaller funds and typically allows access to illiquid premia.
Agility. Super pools will have the freedom to take advantage of market opportunities without having to refer back to the individual funds. But there will still be a reporting line back to the fund trustees.

Benefits of CIV– Assumes an amalgamation of assets only
Will reduce some dealing costs as there will be fewer external fund managers and costs will be spread over a larger fund.
Retains status quo at local councils
Administration, liability management and asset allocation will remain totally local.

Annex 4

Year of investment approved	Fund	Deal Currency	Total Commitment translated to GBP
Fund of Funds			
2003	HarbourVest Partners VII Buyout	USD	20,990,381.00
2003	HarbourVest Partners VII Mezzanine	USD	6,941,218.00
2003	HarbourVest Partners VII Venture	USD	7,069,709.00
2003	LGT Crown European Buyout Opportunities I A	EUR	22,645,524.00
2003	LGT Crown European Buyout Opportunities I D	EUR	4,529,208.00
2004	HarbourVest HIPEP IV	EUR	12,624,935.00
2004	HarbourVest HIPEP V	EUR	14,174,644.00
2004	Pantheon Europe Fund IV	EUR	17,994,460.00
2004	Pantheon USA Fund VI	USD	23,931,623.00
2006	HarbourVest Partners VIII Buyout	USD	20,813,691.00
2006	HarbourVest Partners VIII Mezzanine	USD	6,000,261.00
2006	HarbourVest Partners VIII Venture	USD	8,920,287.00
2006	LGT Crown European Buyout Opportunites II	EUR	18,293,376.00
2006	Pantheon USA Fund VII	USD	10,456,149.00
2008	Pantheon Europe Fund VI	EUR	20,891,904.00
2008	Pantheon USA Fund VIII	USD	24,404,169.00
2010	Zouk Cleantech Europe II	EUR	9,289,011.00
2010	HarbourVest Partners Cayman Cleantech Fund I	USD	10,258,910.00
Infrastructure Funds			
2013	3i infrastructure	GBP	10,474,936.04
2004	Investors In The Community	GBP	20,000,000.00
2005	Henderson PFI Secondary Fund	GBP	10,000,000.00
2005	Impax New Energy Investor I	EUR	12,507,416.00
2008	Standard Chartered IL&FS Asia Infrastructre I	USD	18,278,648.00
2008	Zouk Solar Opportunities	EUR	10,433,062.00
2009	InfraRed Environmental Infrastructure II	EUR	12,779,786.00
2010	Glennmont Clean Energy Fund Europe I	EUR	16,894,846.00
2010	Impax New Energy Investors II	EUR	16,744,726.00
2011	Foresight Environmental Fund	GBP	10,000,000.00
Commodity Funds			
2006	Phaunos Timber Fund (quoted stock)	USD	6,037,736.00
2010	Brookfield Brazil Agriland	USD	18,699,371.00
Secondary Funds			
2005	LGT Crown Global Secondaries	USD	4,873,127.00
2006	Pantheon Global Secondaries III	USD	10,387,337.00
2010	LGT Crown Global Secondaries II	USD	15,762,124.00
2010	Pantheon Global Secondaries IV	USD	15,542,979.00

Venture Capital Funds			
2006	Zouk CleanTech Europe I	EUR	11,634,619.00
2006	Robeco Feeder Clean Tech Private Equity II	EUR	24,733,604.00
2007	New Energy Solutions II	EUR	12,643,304.00
2002	YFM Capital Fund No. 1 LP	GBP	3,190,000.00
Other Private Equity Funds			
2013	Bridges Ventures III	GBP	10,000,000.00

MAYOR OF LONDON

Len Duvall AM OBE
City Hall
The Queen's Walk
More London
London SE1 2AA

Date: 20 JAN 2014

Dear Len

LPFA

Further to your oral question to me at Mayor's Question Time on 18 December, I set out a detailed reply to the concerns you raised.

LPFA has robust policies in place for managing potential Conflicts of Interest. They are integral to their constitution and have been given positive endorsement by both their Internal Auditors and Legal Counsel during 2013.

All of LPFA's Board Members sign up to the Board Member Code of Conduct on appointment. This specifically requests that all LPFA Board Members complete and maintain a Declaration of Interests form which is publicly available on their website and updated in real time. This is based on the requirements under the Local Government Act 2000 and mirrors best practice from within local government. It asks for details of paid employments, sponsorships, non-executive positions and interests. I have enclosed a pdf outlining all current declarations and this is monitored by the LPFA's secretariat.

LPFA found that the traditional declaration of interest route was not wide enough in scope following the appointment of the new Chairman and the increased focus on illiquid assets. Given this LPFA sought legal input and subsequently Counsel's opinion to put in place a conflicts policy and process that would better cover the investment activities of the LPFA. This has been in place since April 2013. It sets out a process for managing potential conflicts which could range from a simple declaration and removal from a particular decision to Board approval being required for any conflicted co-investment opportunities.

In practice, LPFA's Board Secretary (also the Monitoring Officer), Director of Finance, Chief Investment Officer, Chairman, one other Board Member with investment experience and Chief Executive sit on LPFA's Investment Sub-Committee which has delegated parameters to invest up to 2 per cent of the fund.

This is usually the route whereby investment opportunities (especially those in the illiquid field) are initially discussed and conflicts declared. The Board Secretary maintains a register of confidential interests and records any action required or whether Board approval is required.

I would like to clarify a misconception that the Chairman of the LPFA may have inadvertently given at your Oversight Committee on 11 December. There are currently no co-investments between the LPFA and Board Members. The Board have considered on one occasion a co-investment opportunity but agreed not to pursue it. This was an example of the Conflicts Policy in practice. I believe at the Oversight Committee LPFA's Chairman was trying to explain that as some of their Board are active in the investment markets in other capacities (i.e as chair of other pension funds, or via executive roles elsewhere) that there would inevitably be some professional cross over. This might be the use of a common fund manager for example but is not a personal conflict which would lead to any personal gain or perceived personal gain.

LPFA's investment decision making process is set out below. It should be noted that the Investment Strategy is set by the Board, with the implementation delegated to the Investment Committee and the Investment Sub-Committee:

- The Investment Team consider an opportunity and whether it should be progressed and how it fits within LPFA's strategy and risk budgets;

- If the investment is under 2 per cent of the fund for high risk assets or under 5% for low risk assets then it will first be considered by the Investment Sub-Committee (ISC). There is a two stage process of assessment, with the first stage outlining the basic details of the investment and seeking due diligence around conflicts for example. The second stage involves a more detailed due diligence assessment plus a ISC meeting to go through a devil's advocate process. This usually takes around one month to action;

- Once the investment is approved ISC will implement the decision but will also provide minutes of the ISC meeting to all Board Members. This is another opportunity for Board members not directly involved in the decision making process to declare any new interests;

- If the investment is over the delegated limit to ISC then it will require Investment Committee approval. This Committee meets quarterly and is responsible for the implementation of the strategy and monitoring the performance of the investments against the targets set. Decisions are reported to Board quarterly;

- A Risk Committee was established during 2013 with the aim of ensuring that LPFA's investment performance is achieved within appropriate risk boundaries; and

- The output and activities from the Investment Committee is contained in LPFA's Pension Fund Annual Report which is fully compliant with LGPS Regulations. In addition LPFA discloses performance of the fund and details of asset allocation under the "How we invest" section of the LPFA website. LPFA is regularly subject to Freedom of Information requests on the performance of LPFA's illiquid portfolio and these are responded to in full.

I have outlined above the delegated limits around the various Committees. Generally speaking LPFA would not be interested in making stand-alone investments of less than c£25m. This has been discussed by Investment Committee as an acceptable lower level. The rationale behind this limit is that the input required from the team is not dependent on size of the investment – and therefore the Investment Team should be focusing their efforts on larger investments. This level also reduces the co-investment opportunities that could potentially flow from any Board Member.

However, there are occasions where the Investment Team will make investments below this threshold. This is usually when the fund manager is innovative and LPFA would like to test the water rather than making a £25m investment in one go. If the investments are under £25m the Board have asked that they are part of a wider plan of investments with the fund manager and clearly they need to fit with LPFA's strategy.

These issues have been discussed with the Chairman of the LPFA and I would re-iterate that LPFA has robust and appropriate policies to manage conflicts of interests which have operated successfully. There have been no co-investments by LPFA Board Members, and no Board Members have made any personal gains from LPFA's investments.

Nevertheless, to uphold the highest standards in public office and to avoid any question of public misperception of LPFA Board Members roles, I have asked the Chairman of the LPFA to look at further strengthening the LPFA's procedures to ensure that no Board Member introduces co-investments to the LPFA where there could be a perceived direct pecuniary interest of that Board Member in the co-investment.

Yours ever,

Boris Johnson
Mayor of London

Enc.

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Annual Declaration of Conflicts of Interests[1]

It is important for you to keep up-to-date with actual and potential investment opportunities via Investment Committee minutes or Investment Sub Committee minutes, and to alert the Board Secretary of any changes or potential conflicts.

I hereby give notice of the following interests, which may give a rise to a conflict in my relationship[2] with the London Pensions Fund Authority:

Employment Enter details of any paid or unpaid employment or self-employment, and partnerships (include 'relevant person').	(see below for a list of personal investment vehicles for Edmund Truell)
Membership of a local authority or voluntary sector Enter details if you or 'relevant person' are an elected or co-opted member of any other local authority. Enter details of your appointments within the voluntary sector.	None
Directorships / Trusteeships Enter details of your executive and non-executive directorships.	Trustee of The Truell Charitable Foundation
Sponsorship Enter name of any person or body who has made a payment to you in respect of expenses incurred by you in carrying out your duties.	None
Other positions of responsibility (whether remunerated or not) Enter details of Consultancies, advisory posts, etc.	
Land Enter details of any land which is owned or occupied by you (or 'relevant person') or in which you have a beneficial interest, ownership of which could give rise to conflict of interests.	Residential property within London
Contracts Describe any contracts for goods, services or works made between the Authority and you or a firm in which you are a partner, director or have a beneficial interest.	None
Securities and beneficial interests The name of any corporate body who has a place of business or land and in whom you have a beneficial interest in a class of securities that exceed the nominal value of the lower of £25,000 or one hundredth of the total issued shared capital.	The main investment vehicle of Edmund Truell and his immediate family is the Rockhopper Cell of Barclays Wealth PCC (No.1) Limited. The principal operating subsidiaries of the Cell are Rockhopper Investments Limited a

[1] This document constitutes Annex 1 to the Conflicts of Interest Policy to Govern Investment (the "Conflicts Policy").
[2] As defined in Section 2.1, in connection with Section 3.4 of the Conflicts Policy.

	Guernsey registered company, and Flexible Securities Limited, an English registered company. RIL owns the following stakes in quoted companies which are over 1%:- IFG Group plc (UK and Ireland) – 7% RIL owns the following stakes in unquoted companies which are over 1%:- REG (UK) Limited- 100% owner of the Class "C" Shares First Utility - 2% Gentoo Fund Services Limited - 60% Imagine Publishing Group Limited - 63% Tungsten Corporation Plc – 15% Tantalum Corporation Ltd - a company seeking financial services investments - equity share capital owned 100% Certus LP - 13% limited partnership interest in this investment in an organics certification business Quadriga - 6% limited partnership interest in this investment in an in hotel entertainment business – Edmund sits on the IC and so has investment decision making abilities on the overall investment Pension Investment Corporation - total interest depends on performance of the investment. Atlantic Supergrid Corporation LLP - RIL is the sole capital provider to this partnership and owns over 70% of the total profits on this venture after return of capital. In addition Edmund invests in and acts as chairman of the investment committee of the Sustainable Technology Partnership LP, a £25m Enterprise Capital Fund. RIL is a 16% investor in this Fund. RIL has made co investments into two of the investments in this Fund, Lysanda Limited, a telematics company and Pyropure Limited a manufacturer of small on site organic waste treatment processers. By the combination of co investment, membership of the investment committee and Fund investor, RIL effectively has control of these investments. In addition Edmund has direct interests in the following in his own name:- Sidmouth Flexible Forestry Limited - family vehicle for investing in land in Hampshire and Devon The Truell Charitable Foundation, has a controlling interest in the FCA regulated Disruptive Capital Finance LLP, the manager of the Sustainable Technology Fund. The Truell Charitable Foundation also owns Truell International Permit Systems Limited.

Other Enter details of any other interests that you consider should be disclosed as they may give rise to conflict with that of LPFA.[3]	Conservative Party Donor

Declaration:	
I confirm that I have read, understood and complied with the Conflicts Policy. ☐ I am a member of the Investment Team and I confirm that I have also read, understood and complied with the In-house Investment Rules. I declare that the information provided above is true, accurate and complete. I understand that, if in doubt whether to include an interest, I shall seek the advice of the Board Secretary. I agree to immediately notify the Board Secretary in writing of any changes to my declared interests and new arising interests.	
Name: Edmund Truell	**Signed:**
Capacity: Chairman	**Date: 15/01/2014**

Document Title: Annual Declaration of Conflicts of Interests						
Policy Name: Conflicts of Interest Policy						
Version No'	**Description of change**	**Owner**	**Applicable to**	**Date of Issue**	**Approved by Board**	**Review Date**
1.0	New form	CDT	Investment Team, CMT, Board members	19/04/2013	29/04/2013	30/11/2013

[3] As listed in Section 3.2 and 3.3 of the Conflicts Policy.

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Annual Declaration of Conflicts of Interests[1]

It is important for you to keep up-to-date with actual and potential investment opportunities via Investment Committee minutes or Investment Sub Committee minutes, and to alert the Board Secretary of any changes or potential conflicts.

I hereby give notice of the following interests which may give a rise to a conflict in my relationship[2] with the London Pensions Fund Authority:

Employment Enter details of any paid or unpaid employment or self-employment, and partnerships (include 'relevant person').	
Membership of a local authority or voluntary sector Enter details if you or 'relevant person' are an elected or co-opted member of any other local authority. Enter details of your appointments within the voluntary sector.	None
Directorships / Trusteeships Enter details of your executive and non-executive directorships.	Directorships: BCPB Ltd Stephen Brooker Consulting Ltd Trustees unlimited LLP Yellow Car Trading Ltd BCPB Management Ltd Trusteeships: All Saints' Educational Trust (which owns the freehold of a building in the City of London) British Council for the Prevention of Blindness Glovers' Charitable Trust Board The Glove Collection Trust The Honorary Treasurers Forum Yellow Car Charitable Trust Fitzwilliam Museum Development Trust
Sponsorship Enter name of any person or body who has made a payment to you in respect of expenses incurred by you in carrying out your duties.	
Other positions of responsibility (whether remunerated or not) Enter details of Consultancies, advisory posts, etc.	Independent Member, House of Commons Audit Committee Hospital Manager under the Mental Health Act,

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[2] As defined in Section 2.1, in connection with Section 3.4 of the Conflicts Policy.

	Kneesworth Hospital Member of the Audit and Governance Committee of the Board of the Woodard Foundation, and Chair of the Audit Committee, Woodard Academies Trust Member of the Court of City University
Land Enter details of any land which is owned or occupied by you (or 'relevant person') or in which you have a beneficial interest, ownership of which could give rise to conflict of interests.	None
Contracts Describe any contracts for goods, services or works made between the Authority and you or a firm in which you are a partner, director or have a beneficial interest.	None
Securities and beneficial interests The name of any corporate body who has a place of business or land and in whom you have a beneficial interest in a class of securities that exceed the nominal value of the lower of £25,000 or one hundredth of the total issued shared capital.	none
Other Enter details of any other interests that you consider should be disclosed as they may give rise to conflict with that of LPFA.[3]	

Declaration:	
I confirm that I have read, understood and complied with the Conflicts Policy. I declare that the information provided above is true, accurate and complete. I understand that, if in doubt whether to include an interest, I shall seek the advice of the Board Secretary. I agree to immediately notify the Board Secretary in writing of any changes to my declared interests and new arising interests.	
Name: Stephen Brooker	**Signed:**
Capacity: Board Member	**Date: 02.12.2013**

[3] As listed in Section 3.2 and 3.3 of the Conflicts Policy.

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Annual Declaration of Conflicts of Interests[1]

It is important for you to keep up-to-date with actual and potential investment opportunities via Investment Committee minutes or Investment Sub Committee minutes, and to alert the Board Secretary of any changes or potential conflicts.

I hereby give notice of the following interests which may give a rise to a conflict in my relationship[2] with the London Pensions Fund Authority:

Employment Enter details of any paid or unpaid employment or self-employment, and partnerships (include 'relevant person').	GalaxoSmithKline (GSK)
Membership of a local authority or voluntary sector Enter details if you or 'relevant person' are an elected or co-opted member of any other local authority. Enter details of your appointments within the voluntary sector.	GSK USA Pension Fund GSK Canada Pension Fund Honorary Special Advisor to the Governors at Walcot Foundation
Directorships / Trusteeships Enter details of your executive and non-executive directorships.	
Sponsorship Enter name of any person or body who has made a payment to you in respect of expenses incurred by you in carrying out your LPFA duties.	n/a
Other positions of responsibility (whether remunerated or not) Enter details of Consultancies, advisory posts, etc.	n/a
Land Enter details of any land which is owned or occupied by you (or 'relevant person') or in which you have a beneficial interest, ownership of which could give rise to conflict of interests.	Flat in Borough High Street in Southwark
Contracts Describe any contracts for goods, services or works made between the Authority and you or a firm in which you are a partner, director or have a beneficial interest.	n/a
Securities and beneficial interests The name of any corporate body who has a	

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[2] As defined in Section 2.1, in connection with Section 3.4 of the Conflicts Policy.

place of business or land and in whom you have a beneficial interest in a class of securities that exceed the nominal value of the lower of £25,000 or one hundredth of the total issued shared capital.	GalaxoSmithKline
Other Enter details of any other interests that you consider should be disclosed as they may give rise to conflict with that of LPFA.[3]	My wife is a Director at KPMG

Declaration:	
I confirm that I have read, understood and complied with the Conflicts Policy. ☐ I am a member of the Investment Team and I confirm that I have also read, understood and complied with the In-house Investment Rules. I declare that the information provided above is true, accurate and complete. I understand that, if in doubt whether to include an interest, I shall seek the advice of the Board Secretary. I agree to immediately notify the Board Secretary in writing of any changes to my declared interests and new arising interests.	
Name: Robert Vandersluis	**Signed:**
Capacity: Board Member	**Date: 15/11/2013**

Document Title: Annual Declaration of Conflicts of Interests						
Policy Name: Conflicts of Interest Policy						
Version No	**Description of change**	**Owner**	**Applicable to**	**Date of Issue**	**Approved by Board**	**Review Date**
1.0	New form	CDT	Investment Team, CMT, Board members	19/04/2013	29/04/2013	30/11/2013 Next review 31/10/2014

[3] As listed in Section 3.2 and 3.3 of the Conflicts Policy.

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Annual Declaration of Conflicts of Interests[1]

It is important for you to keep up-to-date with actual and potential investment opportunities via Investment Committee minutes or Investment Sub Committee minutes, and to alert the Board Secretary of any changes or potential conflicts.

I hereby give notice of the following interests which may give a rise to a conflict in my relationship[2] with the London Pensions Fund Authority:

Employment Enter details of any paid or unpaid employment or self-employment, and partnerships (include 'relevant person').	London Borough of Merton
Membership of a local authority or voluntary sector Enter details if you or 'relevant person' are an elected or co-opted member of any other local authority..Enter details of your appointments within the voluntary sector.	London Borough of Merton
Directorships / Trusteeships Enter details of your executive and non-executive directorships.	Smart Meter Central Delivery Body Ltd
Sponsorship Enter name of any person or body who has made a payment to you in respect of expenses incurred by you in carrying out your duties.	None
Other positions of responsibility (whether remunerated or not) Enter details of Consultancies, advisory posts, etc.	Adam Smith International The Royal Marsden Hospital NHS Foundation Trust
Land Enter details of any land which is owned or occupied by you (or 'relevant person') or in which you have a beneficial interest, ownership of which could give rise to conflict of interests.	Residential address in Morden
Contracts Describe any contracts for goods, services or works made between the Authority and you or a firm in which you are a partner, director or have a beneficial interest.	None
Securities and beneficial interests The name of any corporate body who has a	

[1] This document constitutes Annex 1 to the Conflicts of Interest Policy to Govern Investment (the "Conflicts Policy").

[2] As defined in Section 2.1, in connection with Section 3.4 of the Conflicts Policy.

place of business or land and in whom you have a beneficial interest in a class of securities that exceed the nominal value of the lower of £25,000 or one hundredth of the total issued shared capital. **Other** Enter details of any other interests that you consider should be disclosed as they may give rise to conflict with that of LPFA.[3]	None

Declaration:	
I confirm that I have read, understood and complied with the Conflicts Policy. ☐ I am a member of the Investment Team and I confirm that I have also read, understood and complied with the In-house Investment Rules. I declare that the information provided above is true, accurate and complete. I understand that, if in doubt whether to include an interest, I shall seek the advice of the Board Secretary. I agree to immediately notify the Board Secretary in writing of any changes to my declared interests and new arising interests.	
Name: Stephen Alambritis	**Signed:**
Capacity: Board Member	**Date: 15.10.13**

Document Title: Annual Declaration of Conflicts of Interests						
Policy Name: Conflicts of Interest Policy						
Version No	**Description of change**	**Owner**	**Applicable to**	**Date of Issue**	**Approved by Board**	**Review Date**
1.0	New form	CDT	Investment Team, CMT, Board members	19/04/2013	29/04/2013	30/11/2013

[3] As listed in Section 3.2 and 3.3 of the Conflicts Policy.

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Annual Declaration of Conflicts of Interests[1]

It is important for you to keep up-to-date with actual and potential investment opportunities via Investment Committee minutes or Investment Sub Committee minutes, and to alert the Board Secretary of any changes or potential conflicts.

I hereby give notice of the following interests which may give a rise to a conflict in my relationship[2] with the London Pensions Fund Authority:

Employment Enter details of any paid or unpaid employment or self-employment, and partnerships (include 'relevant person').	
Membership of a local authority or voluntary sector Enter details if you or 'relevant person' are an elected or co-opted member of any other local authority. Enter details of your appointments within the voluntary sector.	n/a
Directorships / Trusteeships Enter details of your executive and non-executive directorships.	CPPIB Roads Pty Ltd & CPPIB Sub Pty Ltd (Infrastructure subsidiary of Canadian Pension Plan Investment board)
Sponsorship Enter name of any person or body who has made a payment to you in respect of expenses incurred by you in carrying out your duties.	none
Other positions of responsibility (whether remunerated or not) Enter details of Consultancies, advisory posts, etc.	None
Land Enter details of any land which is owned or occupied by you (or 'relevant person') or in which you have a beneficial interest, ownership of which could give rise to conflict of interests.	Nil
Contracts Describe any contracts for goods, services or works made between the Authority and you or a firm in which you are a partner, director or have a beneficial interest.	None
Securities and beneficial interests The name of any corporate body who has a	

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place of business or land and in whom you have a beneficial interest in a class of securities that exceed the nominal value of the lower of £25,000 or one hundredth of the total issued shared capital. **Other** Enter details of any other interests that you consider should be disclosed as they may give rise to conflict with that of LPFA.[3]	

Declaration:	
I confirm that I have read, understood and complied with the Conflicts Policy. ☐ I am a member of the Investment Team and I confirm that I have also read, understood and complied with the In-house Investment Rules. I declare that the information provided above is true, accurate and complete. I understand that, if in doubt whether to include an interest, I shall seek the advice of the Board Secretary. I agree to immediately notify the Board Secretary in writing of any changes to my declared interests and new arising interests.	
Name: Kerry Adby	**Signed:**
Capacity: Board Member	**Date: 12.12.13**

Document Title: Annual Declaration of Conflicts of Interests						
Policy Name: Conflicts of Interest Policy						
Version No	**Description of change**	**Owner**	**Applicable to**	**Date of Issue**	**Approved by Board**	**Review Date**
1.0	New form	CDT	Investment Team, CMT, Board members	19/04/2013	29/04/2013	30/11/2013

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Annual Declaration of Conflicts of Interests[1]

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I hereby give notice of the following interests which may give a rise to a conflict in my relationship[2] with the London Pensions Fund Authority:

Employment Enter details of any paid or unpaid employment or self-employment, and partnerships (include 'relevant person').	
Membership of a local authority or voluntary sector Enter details if you or 'relevant person' are an elected or co-opted member of any other local authority. Enter details of your appointments within the voluntary sector.	none
Directorships / Trusteeships Enter details of your executive and non-executive directorships.	Directorships: HCH Solutions Limited Merrill Lynch (UK) Pension Plan Trustees Limited Trusteeships: Bank of America (UK) Pension Plan SSVC Pension Scheme Friends of St Thomas of Canterbury, East Clandon
Sponsorship Enter name of any person or body who has made a payment to you in respect of expenses incurred by you in carrying out your duties.	None
Other positions of responsibility (whether remunerated or not) Enter details of Consultancies, advisory posts, etc.	None
Land Enter details of any land which is owned or occupied by you (or 'relevant person') or in which you have a beneficial interest, ownership of which could give rise to conflict of interests.	None

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[2] As defined in Section 2.1, in connection with Section 3.4 of the Conflicts Policy.

Contracts Describe any contracts for goods, services or works made between the Authority and you or a firm in which you are a partner, director or have a beneficial interest.	None
Securities and beneficial interests The name of any corporate body who has a place of business or land and in whom you have a beneficial interest in a class of securities that exceed the nominal value of the lower of £25,000 or one hundredth of the total issued shared capital.	Bank of America Corporation (BAC)
Other Enter details of any other interests that you consider should be disclosed as they may give rise to conflict with that of LPFA.[3]	

Declaration:	
I confirm that I have read, understood and complied with the Conflicts Policy. ☐ I am a member of the Investment Team and I confirm that I have also read, understood and complied with the In-house Investment Rules. I declare that the information provided above is true, accurate and complete. I understand that, if in doubt whether to include an interest, I shall seek the advice of the Board Secretary. I agree to immediately notify the Board Secretary in writing of any changes to my declared interests and new arising interests.	
Name: Dermot J McMullan	**Signed:**
Capacity: Board member	**Date: 15.10.13**

Document Title: Annual Declaration of Conflicts of Interests						
Policy Name: Conflicts of Interest Policy						
Version No	**Description of change**	**Owner**	**Applicable to**	**Date of Issue**	**Approved by Board**	**Review Date**
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[3] As listed in Section 3.2 and 3.3 of the Conflicts Policy.

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Annual Declaration of Conflicts of Interests[1]

It is important for you to keep up-to-date with actual and potential investment opportunities via Investment Committee minutes or Investment Sub Committee minutes, and to alert the Board Secretary of any changes or potential conflicts.

I hereby give notice of the following interests which may give a rise to a conflict in my relationship[2] with the London Pensions Fund Authority:

Employment Enter details of any paid or unpaid employment or self-employment, and partnerships (include 'relevant person').	Finance Director, LB Camden
Membership of a local authority or voluntary sector Enter details if you or 'relevant person' are an elected or co-opted member of any other local authority. Enter details of your appointments within the voluntary sector.	Chairman of London Financial Advisory Committee
Directorships / Trusteeships Enter details of your executive and non-executive directorships.	
Sponsorship Enter name of any person or body who has made a payment to you in respect of expenses incurred by you in carrying out your duties.	
Other positions of responsibility (whether remunerated or not) Enter details of Consultancies, advisory posts, etc.	
Land Enter details of any land which is owned or occupied by you (or 'relevant person') or in which you have a beneficial interest, ownership of which could give rise to conflict of interests.	Residential address W2
Contracts Describe any contracts for goods, services or works made between the Authority and you or a firm in which you are a partner, director or have a beneficial interest.	Statutory arrangement with LB Camden for former ILEA workers
Securities and beneficial interests The name of any corporate body who has a	

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place of business or land and in whom you have a beneficial interest in a class of securities that exceed the nominal value of the lower of £25,000 or one hundredth of the total issued shared capital. **Other** Enter details of any other interests that you consider should be disclosed as they may give rise to conflict with that of LPFA.[3]	

Declaration:	
I confirm that I have read, understood and complied with the Conflicts Policy. ☐ I am a member of the Investment Team and I confirm that I have also read, understood and complied with the In-house Investment Rules. I declare that the information provided above is true, accurate and complete. I understand that, if in doubt whether to include an interest, I shall seek the advice of the Board Secretary. I agree to immediately notify the Board Secretary in writing of any changes to my declared interests and new arising interests.	
Name: Mike O'Donnell	**Signed:**
Capacity: Board Member	**Date: 12.12.13**

Document Title: Annual Declaration of Conflicts of Interests						
Policy Name: Conflicts of Interest Policy						
Version No	**Description of change**	**Owner**	**Applicable to**	**Date of Issue**	**Approved by Board**	**Review Date**
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[3] As listed in Section 3.2 and 3.3 of the Conflicts Policy.

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Annual Declaration of Conflicts of Interests[1]

It is important for you to keep up-to-date with actual and potential investment opportunities via Investment Committee minutes or Investment Sub Committee minutes, and to alert the Board Secretary of any changes or potential conflicts.

I hereby give notice of the following interests which may give a rise to a conflict in my relationship[2] with the London Pensions Fund Authority:

Employment Enter details of any paid or unpaid employment or self-employment, and partnerships (include 'relevant person').	Chairman Localis Research Ltd Chairman, Local Gov Association, Advisory Board – De Poel
Membership of a local authority or voluntary sector Enter details if you or 'relevant person' are an elected or co-opted member of any other local authority. Enter details of your appointments within the voluntary sector.	Royal Borough of Kensington & Chelsea
Directorships / Trusteeships Enter details of your executive and non-executive directorships.	
Sponsorship Enter name of any person or body who has made a payment to you in respect of expenses incurred by you in carrying out your duties.	The Conservative Party
Other positions of responsibility (whether remunerated or not) Enter details of Consultancies, advisory posts, etc.	
Land Enter details of any land which is owned or occupied by you (or 'relevant person') or in which you have a beneficial interest, ownership of which could give rise to conflict of interests.	Residential address
Contracts Describe any contracts for goods, services or works made between the Authority and you or a firm in which you are a partner, director or have a beneficial interest.	none
Securities and beneficial interests	

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[2] As defined in Section 2.1, in connection with Section 3.4 of the Conflicts Policy.

The name of any corporate body who has a place of business or land and in whom you have a beneficial interest in a class of securities that exceed the nominal value of the lower of £25,000 or one hundredth of the total issued shared capital. **Other** Enter details of any other interests that you consider should be disclosed as they may give rise to conflict with that of LPFA.[3]	

Declaration:	
I confirm that I have read, understood and complied with the Conflicts Policy. ☐ I am a member of the Investment Team and I confirm that I have also read, understood and complied with the In-house Investment Rules. I declare that the information provided above is true, accurate and complete. I understand that, if in doubt whether to include an interest, I shall seek the advice of the Board Secretary. I agree to immediately notify the Board Secretary in writing of any changes to my declared interests and new arising interests.	
Name: **Sir Merrick Cockell**	**Signed:**
Capacity: **Deputy Chairman**	**Date:** **17/10/2013**

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Version No	**Description of change**	**Owner**	**Applicable to**	**Date of Issue**	**Approved by Board**	**Review Date**
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[3] As listed in Section 3.2 and 3.3 of the Conflicts Policy.

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Annual Declaration of Conflicts of Interests[1]

It is important for you to keep up-to-date with actual and potential investment opportunities via Investment Committee minutes or Investment Sub Committee minutes, and to alert the Board Secretary of any changes or potential conflicts.

I hereby give notice of the following interests which may give a rise to a conflict in my relationship[2] with the London Pensions Fund Authority:

Employment Enter details of any paid or unpaid employment or self-employment, and partnerships (include 'relevant person').	Downing Active Management, Downing Corporate Managing Director Branton Capital
Membership of a local authority or voluntary sector Enter details if you or 'relevant person' are an elected or co-opted member of any other local authority. Enter details of your appointments within the voluntary sector.	Board Member of St Albans School Chair of Investment Committee, Downing Active Management Downing Corporate President Old Albanian Cricket Club Investment Committee Member – St Edmunds College, Cambridge Uni Board Member of Reds Investments Ltd
Directorships / Trusteeships Enter details of your executive and non-executive directorships.	Non-Executive Director Renewable energy Investments (expected Dec 2013)
Sponsorship Enter name of any person or body who has made a payment to you in respect of expenses incurred by you in carrying out your duties.	
Other positions of responsibility (whether remunerated or not) Enter details of Consultancies, advisory posts, etc.	Branton Capital – various advisory and consultancies
Land Enter details of any land which is owned or occupied by you (or 'relevant person') or in which you have a beneficial interest, ownership of which could give rise to conflict of interests.	Owner of property within Greater London Area

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Contracts Describe any contracts for goods, services or works made between the Authority and you or a firm in which you are a partner, director or have a beneficial interest. **Securities and beneficial interests** The name of any corporate body who has a place of business or land and in whom you have a beneficial interest in a class of securities that exceed the nominal value of the lower of £25,000 or one hundredth of the total issued shared capital. **Other** Enter details of any other interests that you consider should be disclosed as they may give rise to conflict with that of LPFA.[3]	Various listed securities provided in confidence to the Board Secretary

Declaration:	
I confirm that I have read, understood and complied with the Conflicts Policy. ☐ I am a member of the Investment Team and I confirm that I have also read, understood and complied with the In-house Investment Rules. I declare that the information provided above is true, accurate and complete. I understand that, if in doubt whether to include an interest, I shall seek the advice of the Board Secretary. I agree to immediately notify the Board Secretary in writing of any changes to my declared interests and new arising interests.	
Name: Anthony Dalwood	**Signed:**
Capacity: Board Member	**Date: 02.01.2014**

Document Title: Annual Declaration of Conflicts of Interests						
Policy Name: Conflicts of Interest Policy						
Version No	**Description of change**	**Owner**	**Applicable to**	**Date of Issue**	**Approved by Board**	**Review Date**
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[3] As listed in Section 3.2 and 3.3 of the Conflicts Policy.