MDA No.: 1469

Title: GLA Group Pensions

1. Executive Summary

1.1 At the GLA Oversight Committee meeting on 9 November 2022 the Committee resolved that:

That authority be delegated to the Chair in consultation with the Deputy Chairman, and party Group Leaders to agree any output arising from the discussion.

1.2 Following consultation with the Deputy Chairman and party Group Lead Members, the Chair agreed the Committee's report *GLA Group Pensions*, as attached at **Appendix 1**.

2. Decision

3.1 **That the Chair agrees the Committee's report *GLA Group Pensions*, as attached at Appendix 1.**

Assembly Member

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:

Printed Name: **Léonie Cooper AM, Chair of the GLA Oversight Committee**

Date: **6/4/2023**

3. Decision by an Assembly Member under Delegated Authority

Background and proposed next steps:

3.1 The terms of reference for this investigation were agreed by the Chair, in consultation with relevant party Lead Group Members and Deputy Chairman, on date 22 September 2022 under the standing authority granted to Chairs of Committees and Sub-Committees. Officers confirm that the report and its recommendations fall within these terms of reference.

3.2 The exercise of delegated authority approving the report will be formally noted at the GLA Oversight Committee's next appropriate meeting.

Confirmation that appropriate delegated authority exists for this decision:

Signature (Committee Services): D. Toyinbo

Printed Name: Davena Toyinbo

Date: 20 February 2023

Telephone Number: 07521 266519

Financial Implications: NOT REQUIRED

Note: Finance comments and signature are required only where there are financial implications arising or the potential for financial implications.

Signature (Finance): Not Required

Printed Name:

Date:

Telephone Number:

Legal Implications:

The Chair of The GLA Oversight Committee has the power to make the decision set out in this report.

Signature (Legal): E Strain

Printed Name: Emma Strain, Monitoring Officer

Date: 21 February 2023

Telephone Number: 020 7983 6550

Supporting Detail / List of Consultees:

- Susan Hall AM
- Caroline Russell AM
- Caroline Pidgeon MBE AM

4. Public Access to Information

4.1 Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website, usually within one working day of approval.

4.2 If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

4.3 **Note**: this form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If yes, until what date:

Part 2 – Sensitive Information:

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form? NO

Lead Officer / Author

Signature: Luke Rigg

Printed Name: L.Rigg

Job Title: Policy Adviser

Date: 20 February 2023

Telephone Number: 07511 782731

Countersigned by Executive Director:

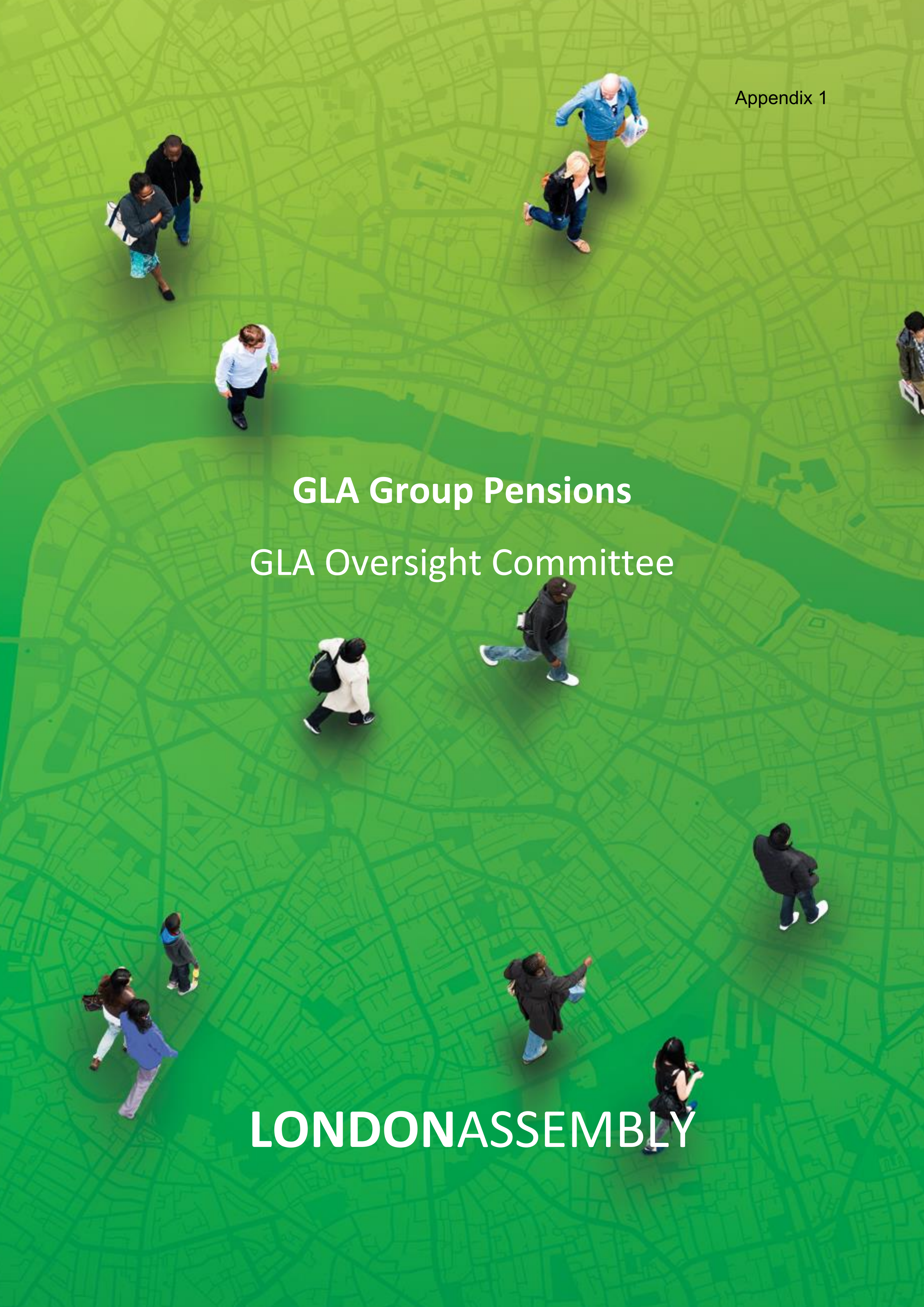
Signature:

Printed Name: Helen Ewen

Date: 04/04/23

Telephone Number: 07729 10898

Appendix 1



GLA Group Pensions

GLA Oversight Committee

LONDONASSEMBLY

GLA Oversight Committee

Leonie Cooper AM
(Chair)
Labour

Susan Hall AM
(Deputy Chairman)
Conservatives

Marina Ahmad AM
Labour

Emma Best AM
Conservatives

Len Duvall OBE AM
Labour

Peter Fortune AM
Conservatives

Joanne McCartney AM
Labour

Caroline Pidgeon MBE AM
Liberal Democrats

Keith Prince AM
Conservatives

Caroline Russell AM
Greens

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Contents

Foreword

Pensions are a crucial part of the terms and conditions for staff and can make all the difference to our standard of living in retirement. In addition, the combined sums contained in pension funds add up to substantial investments – in the case of the Greater London Authority (GLA) Group a total of approximately £22 billion.

Throughout 2022, the GLA Oversight Committee has looked in detail at the various GLA Group Pension schemes, in terms of their employee and employer contributions, their service to pension fund members and their investments.

We were fortunate to have a number of expert guests contribute to the detail of our investigation, as well as receive evidence from a wide range of trade unions.

As a result of our investigation, I am pleased that our cross-Party Committee has made a series of detailed recommendations, which are contained in the following report.

Léonie Cooper AM
Chair of the GLA Oversight Committee

Executive summary

The GLA Oversight Committee conducted an investigation into GLA Group pensions as part of its 2022-23 work programme. The Committee's objective was to examine the investments, costs, affordability and administration relating to the pension schemes, and how the pension funds approach transparency and accountability. The Committee scrutinised the role of the pension funds in determining the direction of travel for their investments, and the role of the Mayor in influencing this direction. The Committee also examined the ongoing Independent Review of the TfL Pension Scheme, led by Sir Brendan Barber, which took place in parallel to the investigation.

As part of the investigation, the Committee held a meeting in City Hall, with invited guests, on 13 October 2022. The Committee also obtained written evidence from a range of stakeholders relevant to the investigation, including GLA Group functional bodies and trade unions.

The Committee's findings focus on the following themes:

- investment consistency and collaboration between pension funds within the GLA Group
- pension fund investments to support London
- environmental, social and governance (ESG) considerations and returns for members when making pension fund investment decisions
- pension fund contributions in the GLA Group Climate Budgeting process
- GLA Group pension fund cost and affordability rules
- GLA Group pension fund approaches to transparency and accountability
- GLA Group pension fund administration performance
- impact assessments of pension reform.

The Committee's report identifies 18 recommendations for the Mayor, the GLA Group functional bodies and their pension funds, all of which seek to enhance the role of GLA Group pensions for the benefit of London and Londoners.

Recommendations

Recommendation 1

The Mayor should convene the London Pensions Fund Authority (LPFA) and the TfL Pension Fund to explore the opportunity and feasibility of the TfL Pension Fund joining and contributing to the London Fund.

Recommendation 2

The Mayor should support the LPFA to promote the London Fund to London boroughs.

Recommendation 3

Whilst recognising the importance of a diverse investment portfolio to ensure best returns for members, the Mayor should encourage the LPFA and the TfL Pension Fund to explore ways of growing the scale of their investments in London-based companies, including increasing the reporting and monitoring of such investments to assess the impact of their investments in the capital.

Recommendation 4

The TfL Pension Fund should publish detailed information showing the extent to which its assets are invested in London.

Recommendation 5

The Mayor should work with the LPFA and the TfL Pension Fund to ensure their net zero targets align with his targets, specifically by ensuring they are sufficiently ambitious.

Recommendation 6

The Mayor should encourage the TfL Pension Fund to report on and publish annual performance against its net zero targets.

Recommendation 7

The GLA should conduct a comprehensive analysis of the impact and contribution of the GLA Group pension funds on the GLA Group's Climate Budget, and ensure such impacts and contributions are embedded in the development of the final Budget.

Recommendation 8

In order to address the climate emergency, the Mayor should ensure the LPFA and the TfL Pension Fund take a more consistent approach to extractive fossil fuel investments. Specifically, this should include pressing the TfL Pension Fund to develop urgent action plans and take action to divest completely from extractive fossil fuels.

Recommendation 9

The Mayor should encourage the LPFA to clarify how and when it would use its power to request that Local Pensions Partnership Investments (LPPI) considers non-financial factors in individual investment decisions.

Recommendation 10

Through the GLA Group Collaboration Board, the Mayor should consider ways of aligning the GLA Group pension schemes over time to ensure that, wherever possible, there is less variation in employer contribution rates and retirement age criteria.

Recommendation 11

The LPFA (through its administrator, Local Pensions Partnership Administration (LPPA)), London Fire Brigade (LFB) (through its administrator, LPPA) and the Metropolitan Police Service (MPS) (through its administrator, Equiniti) should publish timelines of their plans to quantify the scale of the financial impact of the McCloud Remedy. The LPFA, LFB and the MPS should commit to publishing quarterly updates to its members on progress to deliver the Remedy, prioritising existing retired members who may be due additional pension benefits.

Recommendation 12

The LPFA should publish an action plan detailing how it is responding to PricewaterhouseCoopers' (PwC's) 2021-22 audit findings and what improvements (if any) have taken place since the report was published.

Recommendation 13

The LPFA should urgently review its information security arrangements – in particular its redaction processes – to ensure genuinely sensitive information is protected on its website.

Recommendation 14

The LPFA should publish, as a default, full meeting agenda packs and minutes for all its governance meetings, and it should broadcast its meetings so members can watch online. This will align with best practice seen in other Local Government Pension Scheme (LGPS) funds across London and the country.

Recommendation 15

The LPFA should request that LPPA develops an urgent action plan to identify how it will address and improve areas of concern identified in its performance reports.

Recommendation 16

The LPFA should publish routinely the full, unredacted LPPA quarterly performance reports alongside its Local Pensions Board (LPB) meeting agenda packs on its website.

Recommendation 17

The TfL Pension Fund should conduct and publish Equality Impact Assessments of its final reform proposal.

Recommendation 18

The Mayor and TfL should keep the London Assembly updated on their work to develop pension reform options, including sharing any submissions they make to the government, including as a requirement of TfL's funding deal.

Introduction

In 2022, the GLA Oversight Committee launched an investigation into GLA Group pensions. The GLA Group, which comprises the GLA and five functional bodies under the Mayor of London, provides differently funded pension schemes collectively worth approximately £22 billion.[1] In this context the Committee felt it important to examine GLA pension arrangements. The Committee's report follows the structure of its investigation, which is split into five chapters.

The first chapter explores **pension investments**. Some of the GLA Group's 'funded' pension funds have considerable assets invested in the global market. These assets finance the payment of the fund's liabilities – the pensions paid to current pensioners. Therefore, investment decisions impact the future balance of the funds. While financial considerations will always be a key part of pension fund investment, there are other factors to consider – such as how the decisions taken can support London's economy and contribute to the city's environmental objectives. GLA Group-funded pension funds could use their investments to support London, net zero and wider ESG objectives.

The second chapter examines the **cost and affordability** of GLA Group pensions. The GLA Group offers relatively generous pensions to its members. All GLA Group organisations operate defined benefit (DB) pension schemes, which base entitlement to pension benefits on factors such as a member's salary and number of years' service. Given the Mayor's desire to increase collaboration across the GLA Group, the Committee has examined the consistency of pension scheme rules, benefits and costs within the GLA Group.

The third chapter focuses on **governance, transparency and accountability**. The Committee has explored the approaches that GLA Group pension funds take to publishing information, in particular key agendas, reports and minutes, and key meetings (which are broadcast). These pension funds are responsible for assets worth billions of pounds and, wherever possible, transparency should be part of the fund management approach.

The fourth chapter examines **pension administration** for members at the GLA, LFB, the Old Oak and Park Royal Development Corporation (OPDC) and the London Legacy Development Corporation (LLDC). The Mayor has the most direct influence over these schemes, so the Committee has scrutinised performance and the action being taken to address areas of poor performance.

The fifth and final chapter focuses on the ongoing **Review of the TfL Pension Scheme**. The Review is significant in resource requirements and scale. It could have implications for members' future pension benefits and for the overall cost to the TfL Pension Fund. The Committee will continue to follow the development of the Review.

[1] The five functional bodies are: Transport for London (TfL), the Mayor's Office for Policing and Crime (MOPAC) /the Metropolitan Police Service (MPS), the London Fire Commissioner (LFC) / the London Fire Brigade (LFB), the London Legacy Development Corporation (LLDC), and the Old Oak and Park Royal Development Corporation (OPDC).

The Committee believes the 18 recommendations identified in its report provide a framework through which the Mayor and the GLA Group can improve transparency, strengthen the governance of its pension provision, and maximise their impact for the benefit of Londoners and London.

Background

Six different pension schemes operate across the GLA Group, with some functional bodies operating more than one pension scheme. The pension schemes vary in relation to their rules, accrual bases and benefits to members; this reflects the different histories of the schemes and their evolution over the last 50 years.

The table below summarises the nature of the six pension schemes that operate across the GLA Group.

Table 1: GLA Group pension schemes[2][3]

GLA Group employer	Pension scheme	Type	Funding status[4]
GLA	Local Government Pension Scheme (LGPS) Aviva	Defined Benefit (DB)Defined Contribution	Funded Funded
London Legacy Development Corporation (LLDC)	LGPS	DB	Funded
Old Oak and Park Royal Development Corporation (OPDC)	LGPS	DB	Funded
Transport for London (TfL)[5]	TfL Pension Scheme LGPS	DB DB	Funded Funded
Mayor's Office for Policing and Crime (MOPAC) / Metropolitan Police Service (MPS)	Civil Service Pension Scheme (CSPS) Police Pension Scheme (PPS)	DB DB	Unfunded Unfunded
London Fire Commissioner (LFC) / London Fire Brigade (LFB)	Firefighters' Pension Scheme (FPS) LGPS	DB DB	Unfunded Funded

[2] GLA, GLA Group Pensions, 26 January 2021
[3] GLA, Annual accounts and governance statement
[4] In funded pension schemes, the scheme's assets (money usually held in investments) pay for its liabilities (the pensions it pays each year to its pensioners). Unfunded schemes operate on a pay-as-you-go basis, which requires contributions from those presently paying into the scheme, and contributions from the taxpayer.
[5] Some TfL employees are members of the LGPS but, for the purposes of this investigation and report, the Committee has focused on TfL's own pension scheme, the TfL Pension Scheme, and has referred to this scheme when mentioning TfL's pension arrangements.

GLA Group Pension Scheme governance

The majority of GLA Group employers operate the LGPS, which is one of the largest public-sector pension schemes in the UK. The LGPS is a funded pension scheme operated locally by administering authorities. The administering authority for the LGPS across the GLA Group is the London Pensions Fund Authority (LFPA).

The LPFA is responsible for current pension schemes for the GLA, the LLDC, the OPDC, and some members of TfL and the LFC. The LPFA is also responsible for schemes for hundreds of other employers, including universities, charities, schools and housing associations, as well as the schemes for legacy employers, such as the Greater London Council.

MOPAC/MPS and the LFC/LFB operate unfunded pension schemes.

TfL operates its own pension scheme, which has private-sector status.

Chapter One: Investment

Background

Of the pension schemes operating across the GLA Group, the LGPS and the TfL Pension Scheme have 'funded' status and therefore have their own assets invested in the global market. Both schemes have investment funds worth billions of pounds (as at 2022, approximately £7.6 billion in the LPFA and £14.4 billion in the TfL Pension Fund), which are managed by investment teams and governed by investment committees.[6][7]

Local Government Pension Scheme

The LGPS – which is the main pension scheme for staff in the GLA, the LLDC and the OPDC, and a scheme for some staff in TfL and the LFC – is governed by the LPFA and its investments are managed by LPPI, an investment arm.

TfL Pension Scheme

The TfL Pension Scheme is operated by the TfL Pension Fund, which employs investment managers to implement its investment strategy and manage its assets. The TfL Pension Scheme Trustee Board, through its Investment Committee, has the ultimate power and responsibility for deciding investment policy.[8]

Delivering environmental, social and governance objectives

Background

Pension funds are required actively to consider ESG factors when they make investment decisions, and they often have strategies and policies in place to deliver against them.

The Pension Funds for the GLA Group's two 'funded' pension schemes (the LGPS and the TfL Pension Scheme) have strategies to deliver ESG objectives through their investments. In the case of the LGPS, the LPFA has adopted a Responsible Investment Policy, which sets out the Fund's commitments to integrate ESG factors in investment decisions.[9] This includes ensuring ESG issues and factors are relevant at every stage of the investment cycle, from the

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[6] LPPI, Developing exceptional Investment Services
[7] TfL Pension Fund, Annual Review 2022
[8] The TfL Pension Scheme Trustee Board comprises nine trustees nominated by the principal employer (TfL) (of which at least five must be members of the scheme); five trustees nominated by the trade unions; and four trustees nominated by members via the TfL Pension Consultative Council (of which two are pensioners or deferred pensioners).
[9] LPPI, Responsible Investment Policy, March 2022

selection of assets to the divestment of assets. The Committee welcomes the LPFA's decision to appoint a Responsible Investment Manager and to commit to improving its approach to responsible investment, as set out in its 2023-26 Strategic Policy Statement.[10] In respect of the TfL Pension Scheme, the TfL Pension Fund has adopted an ESG Policy, which sets out how ESG issues and impacts are integrated in the Fund's overall investment strategy and beliefs.

Over recent years, there has been an increased level of interest in the potential for pension funds – through their investments – to make positive social and environmental impacts in local areas. This is, in part, why the government introduced a Levelling Up White Paper in 2022, with the stated aim of using resources and assets to improve outcomes for deprived areas of the country.[11] The White Paper includes a request and target for LGPSs to invest 5 per cent of their assets in 'projects which support local areas'. 'Local' in this context means the UK.[12]

The London Fund

The London Fund, which aims to tackle housing and infrastructure problems in the capital, is a strong example of pension funds creating positive social impacts whilst generating investment returns for members. The London Fund comprises the LPFA, LPPI (the LPFA's investment arm) and London LGPS CIV (representing investments on behalf of London boroughs), and it aims to hold £300 million in its combined assets.[13] To date, the London Fund has committed £140 million to four investments, of which three are in real estate and one is in infrastructure.[14]

As of October 2022, only one London borough had invested in the London Fund. During our investigation, the Committee heard that, through the London Fund, the LPFA is currently targeting only London boroughs as potential future investors in the London Fund. In oral evidence to the Committee, the LPFA's Chief Executive Officer stated: "Once we grow to a certain size, then we will look at other investors coming on board as well, which may include TfL."[15] The TfL Pension Fund's Chief Investment Officer added that the Fund's Trustees were open to discussing such proposals.

The Committee believes there are opportunities for the LPFA and the TfL Pension Fund to work more closely together to promote social benefits through investments, where there are shared objectives and interests. The London Fund provides an obvious opportunity for greater collaboration within the GLA Group, and the Mayor has an important role to play in convening both Funds around this topic.

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[10] LFPA, Strategic Policy Statement 2023-26, December 2022
[11] UK government, Policy Paper, Levelling Up the United Kingdom, 2 February 2022
[12] Local Government Chronicle, Government sets 5% local investment target for LGPS to help levelling up, 2 February 2022
[13] LFPA, The London Fund
[14] Letter from the LPFA to the GLA Oversight Committee, 10 January 2023
[15] London Assembly, GLA Oversight Committee, Transcript of Agenda Item 8 – GLA Group Pensions – Panel 1, 13 October 2022

Recommendation 1: The Mayor should convene the London Pensions Fund Authority (LPFA) and the TfL Pension Fund to explore the opportunity and feasibility of the TfL Pension Fund joining and contributing to the London Fund.

Recommendation 2: The Mayor should support the LPFA to promote the London Fund to London boroughs.

Investing in London

In the GLA Group's context, delivering ESG objectives means investing in ways that support London, and investing in companies based in London. However, through our investigation, the Committee has identified that both the LPFA and the TfL Pension Fund have relatively small proportions of their investment portfolios invested in London-based companies. During the Committee's meeting on the topic in October 2022, the LPFA stated that approximately 50 per cent of its investment portfolio is allocated to global equity funds, of which approximately 6 per cent is invested in the UK, most of which will be companies listed in London.[16] In addition, the LPFA wrote to the Committee to state it had calculated that approximately 6 per cent of its assets were invested in areas that achieved the government's levelling-up ambitions, and that it did not have a place-based target for such investments.[17]

During the same Committee meeting, representatives from the TfL Pension Fund stated that they did not know what proportion of its assets is invested in London-based companies, and they did not hold a target for the investments; but confirmed that approximately 15 per cent is invested in companies in the UK. The Fund's Chief Investment Officer added that the Fund did not want to redirect all its assets to London because of the need to minimise risks by diversifying its portfolio.

The Committee welcomes that these investments already exceed the government's 5 per cent target set out in the White Paper. Nevertheless, the Committee believes there are opportunities for both funds to go further in growing their investments in London. Given both funds have relatively low or unknown levels of investment in London, the Committee believes the funds can demonstrate stronger commitments to invest in London without compromising the objective of achieving diversified investment portfolios.

Recommendation 3: Whilst recognising the importance of a diverse investment portfolio to ensure best returns for members, the Mayor should encourage the LPFA and the TfL Pension Fund to explore ways of growing the scale of their investments in London-based companies, including increasing the reporting and monitoring of such investments to assess the impact of their investments in the capital.

[16] London Assembly, GLA Oversight Committee, Transcript of Agenda Item 8 – GLA Group Pensions – Panel 1, 13 October 2022
[17] Letter from the LPFA to the GLA Oversight Committee, 10 January 2023

Recommendation 4: The TfL Pension Fund should publish detailed information showing the extent to which its assets are invested in London.

Achieving net zero

One of the main areas of focus for the Committee's investigation has been the impact pension funds can play in combating the climate emergency. This issue has become an increasing area of focus for funds and their investors who recognise their role and actively consider climate impacts in their investment decisions. The Committee's environmental deliberations have focused on three aspects: net zero, climate budgeting and balancing investment returns.

Both 'funded' pension funds within the GLA Group have committed to achieving net zero carbon emissions ('net zero'). In 2021, the LPFA committed to achieving net zero by 2050, and, in November 2022, published its Investor Climate Action Plan, which made several interim commitments relating to its equity investments, financed emissions and portfolios.[18] In 2021, the TfL Pension Fund set a target of achieving net zero by 2045 (vs. the 2016 baseline), with an interim target to reduce carbon emissions by 55 per cent by 2030 at the latest.[19]

To date, both funds have made progress to reduce carbon emissions. During our investigation, the Committee heard that, as of March 2021, the LPFA had achieved a 70 per cent reduction in carbon emissions compared with its baseline in 2019. The Committee also heard that the TfL Pension Fund has achieved roughly a 35 per cent reduction in carbon emissions compared with its baseline in 2016. However, both funds expressed concern at the scale of the challenge of eliminating the remaining carbon emissions.

> *"The position that we find ourselves in is that, following a period of engagement, we now have an exclusion for extractive fossil fuels within our listed equities portfolio. That is the area that we are initially focusing on because it is the largest part of our portfolio. What it means is that, yes, over that period of time, there is a large reduction, but it means that the remaining 30 per cent of emissions are slightly more challenging. It will be a shallower curve towards 2030 and 2050."*
> **Peter Ballard, Funding and Risk Director**
> **LFPA**

Both funds' targets are significantly less ambitious than the Mayor's plan for London to achieve net zero by 2030.[20] The funds have the potential to make major contributions to London's net zero commitment within the GLA Group, but they are currently aiming to achieve only partial carbon reductions by the Mayor's target year of 2030.

[18] LFPA, LPFA Investor Climate Action Plan 2022, November 2022
[19] TfL Pension Fund, Net Zero by 2045: TfL Pension Fund is on track
[20] GLA, Pathways to Net Zero Carbon by 2030

Recommendation 5: The Mayor should work with the LPFA and the TfL Pension Fund to ensure their net zero targets align with his targets, specifically by ensuring they are sufficiently ambitious.

The LPFA's recently published Investor Climate Action Plan sets out how the fund will achieve its net zero targets, with a commitment to report on and publish its annual performance against the targets.[21] Currently, it is not clear whether the TfL Pension Fund will report its performance against its net zero target annually. Currently, the fund's net zero action plan is not published online.

Recommendation 6: The Mayor should encourage the TfL Pension Fund to report on and publish annual performance against its net zero targets.

GLA Group Climate Budget

In 2023-24, for the first time, the Mayor published a Climate Budget, with the stated aim of measuring the collective contributions across the GLA Group to achieve net zero.[22] Developing this budget was complex, and required significant resources to ensure the final budget accurately reflected the GLA Group's impact on the climate.

The GLA Group's 'funded' pension funds can have a significant impact on the climate, and therefore should play a key part in the GLA Group's contribution to develop a Climate Budget. In this context, the Mayor will need to undertake a detailed analysis of the impact of the GLA Group pension funds' climate-related impacts. During our investigation, the GLA's Chief Investment Officer told the Committee that the GLA has already started to engage with the LPFA and TfL Pension Fund on this work. However, to date, the Mayor has not published a plan setting out how the GLA Group will develop a collective understanding of pension fund contributions to the Climate Budget.

Recommendation 7: The GLA should conduct a comprehensive analysis of the impact and contribution of the GLA Group pension funds on the GLA Group's Climate Budget, and ensure such impacts and contributions are embedded in the development of the final Budget.

Extractive fossil fuel investments

The Mayor committed, in his 2021 manifesto, to 'working with the LPFA and the trustees of the TfL Pension Fund to ensure investments are ethical, including divestment from fossil fuels and maximising the good they can do for Londoners'.[23] Since this commitment was made, there has been more progress in some parts of the GLA Group than others in divesting from extractive fossil fuels. The LPFA has taken a strong view that it should not

[21] LFPA, LPFA Investor Climate Action Plan 2022, November 2022
[22] GLA, 2023-24 Budget, 2023
[23] Sadiq for London 2021, 2021 Manifesto, April 2021

invest in any extractive fossil fuels and has recently divested from all remaining fuels.[24] At the time of this announcement, the LPFA's Chief Executive Officer stated:

> *"We are proud to be making progress on tackling climate change risk and are also pleased that LPPI continue to recognise climate change as being a priority theme for their engagement and stewardship of our assets. Engagement remains the primary approach to driving change, but we will and do disinvest where necessary. While these recent actions are taken to mitigate the financial risk that climate change poses to the Fund, we know that they will be welcomed by our members who are increasingly keen on seeing the LPFA play a leading role in tackling climate change."*[25]

In contrast, the TfL Pension Fund still invests in extractive fossil fuels, and the fund has not published ambitions to eliminate all remaining fuels from its investment portfolio. In defending its position on extractive fossil fuel investments, the fund's Chief Investment Officer told the Committee:

"The view trustees have taken on this oil and gas holding is twofold. One: we are trying to hold a diversified portfolio and, clearly, one may think oil and gas is bad, but there is a role for these stocks in the short term. We are still reliant on energy. It is part of the diversified portfolio in the short term.

"Secondly, it is very easy for us to hit the targets just by divesting from anything we hold in oil and gas. The question is, once you leave the table, how do you then engage with any company? Engagement is a big part of what our Trustees are trying to do. They talked about our membership of organisations like Climate Action 100, the Carbon Disclosure Project and so on and so forth. You can only go and push companies to do something, whether it is Shell or BP, if you are actually owning those companies. Once you leave the table, what is there? On the margin, it is better for responsible shareholders to be owning these companies and to make the right changes because, if we all divest, it is not making any real life impact because less responsible owners will hold the shares and probably they do not care about climate change."

Padmesh Shukla, Chief Investment Officer
TfL Pension Fund

The funds' positions on extractive fossil fuel investment are materially different and illustrate inconsistency within the GLA Group.

The Mayor has been clear that divesting from fossil fuels is required if the GLA Group is to achieve its net zero ambitions, and has stated he has encouraged other organisations, such

[24] LFPA, Last extractive fossil fuel company removed from LPFA's equity portfolio, 9 February 2022
[25] LFPA, Last extractive fossil fuel company removed from LPFA's equity portfolio, 9 February 2022

as the London boroughs, to follow the LPFA in divesting.[26] In this context, the Committee is concerned that the same approach is not being taken in the TfL Pension Fund, which represents some of the most significant pension fund assets within the GLA Group.

Recommendation 8: In order to address the climate emergency, the Mayor should ensure the LPFA and the TfL Pension Fund take a more consistent approach to extractive fossil fuel investments. Specifically, this should include pressing the TfL Pension Fund to develop urgent action plans and take action to divest completely from extractive fossil fuels.

Balancing investment returns and ESG

The Pensions Regulator requires pension funds to take a fiduciary duty to their work, which, in relation to investment decisions, requires the funds to choose investments that are in the best financial interests of the fund members.[27] The Pensions Regulator explicitly disallows funds from allowing ethical or political convictions to obstruct achieving the best returns for the fund.[28] However, the Local Government Association, which represents LGPS funds, took legal advice on this point in 2014. In this advice, it was stated that 'the precise choice of investment may be influenced by wider social, ethical or environmental considerations, so long as that does not risk material financial detriment to the fund.'[29]

The LPFA's Investment Strategy Statement states that it has the power to request that LPPI takes 'purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the Fund and where there is good reason to think that Fund members would support this decision'.[30]

However, during our investigation, the LPFA's Chief Executive Officer, and Funding and Risk Director, confirmed to the Committee that the LPFA had never used this power. More generally, they stated that they were not aware of any specific investment decisions where the LPFA had 'deviated' from its 'fiduciary duty'; and that they did not want to confuse this decision with 'not caring about ESG'.[31]

Recommendation 9: The Mayor should encourage the LPFA to clarify how and when it would use its power to request that Local Pensions Partnership Investments (LPPI) considers non-financial factors in individual investment decisions.

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[26] GLA, Divestment and green investment
[27] The Pensions Regulator, Trustee guidance, December 2007
[28] The Pensions Regulator, Trustee guidance, December 2007
[29] UK Parliament, House of Commons, Local Government Pension Scheme investments, 23 February 2022
[30] LFPA, Investment Strategy Statement, July 2022
[31] London Assembly, GLA Oversight Committee, Transcript of Agenda Item 8 – GLA Group Pensions – Panel 1, 13 October 2022

Chapter Two: Cost and affordability

Background

All the pension schemes operating within the GLA Group are funded through a combination of employer and employee contributions, plus returns on investments (in the case of the 'funded' pension schemes) or general taxation (in the case of the 'unfunded' pension schemes).

Given the complex and differing nature of each pension scheme within the GLA Group, it is challenging to conduct a comprehensive comparative analysis of costs and affordability. However, in 2021, the GLA published a summary comparison of the schemes based on key criteria, such as pension accrual rate, employer contribution rate and Normal Retirement Age (NRA).[32]

GLA Group pension: costs and rules

The data included in the GLA's 2021 summary comparison shows that pension scheme costs and rules vary widely across the GLA Group, with very different benefits and restrictions for members employed in different organisations. For example, the employer contribution rate as at March 2021 varies from 12 per cent (for the LGPS at the GLA, the LLDC and the OPDC) to 33 and 36 per cent (for the TfL Pension Scheme and LGPS at TfL, respectively).[33] Similarly, the employee contribution rate varies from a flat rate of 5 per cent in TfL (the TfL Pension Scheme) to a tiered employee contribution rate of 5.5 to 12.5 per cent in the GLA, the LLDC and the OPDC (the LGPS).[34][35] This means that employees across the GLA Group see considerably different pension deductions from their payslips depending on the organisation in which they are employed within the Group. Table 2 summarises the employee and employer contribution rates for pension schemes across the GLA Group.

[32] GLA, Mayor's Question Time, GLA Group Pensions, 21 January 2021
[33] These statistics relate to the most comparable percentages, TfL's annual report notes that for 2022, this figure is now 27.3 per cent.
[34] GLA, Mayor's Question Time, GLA Group Pensions, 21 January 2021
[35] GLA, 2022 Pay Grades and Spinal Points

Table 2: Comparison of GLA Group pension scheme employee and employer contribution rates March 2021[36]

Employer	Median pensionable pay of staff currently contributing to the scheme	Employee contribution	Employer contribution[37]
TfL (LGPS)	52,184	8.5%	36%
TfL (TfL main scheme)	46,070	5%	33%[38]
MPS (Police Officer)	43,698	13.4%	31%
LFC (Firefighters FPS 2015)	37,773	12.9%	29%
MOPAC (Police staff)	29,693	5.5%	27%
LFC (Staff)	37,032	6.5%	26%
GLA (LGPS)	40,197	6.8%	12%
LLDC (LGPS)	50,694	8.5%	12%
OPDC (LGPS)	44,664	6.8%	12%

With regards to benefits, the NRA for LGPS members is linked to the State Pension Age (SPA), which, for most members is projected to be State Pension Age (68 for most members), compared with the NRA of 65 for TfL Pension Fund members, and 60 for MOPAC (Police Officer) and LFC (Firefighters FPS 2015, under the current scheme).[39][40] In addition, the scheme rules set different levels of penalties for members accessing their pensions before their NRA. For example, LGPS members in the GLA, the LLDC and the OPDC with an NRA of 68 would face an actuarial reduction on their annual pension of 46.3 per cent if they chose to access their pension at age 55.[41] In contrast, TfL Pension Fund members who chose to access their pension at age 55 would face an actuarial reduction of 18 per cent.[42] Table 3, below, summarises the different actuarial reductions for the LGPS and TfL Pension Scheme.

[36] GLA, Mayor's Question Time, GLA Group Pensions, 21 January 2021. This is the most recent collated information produced by the GLA.
[37] This includes past service cost and is expressed as a percentage of total pensionable pay.
[38] TfL have since updated the Committee to advise that the employer contribution is now 27.3 per cent.
[39] GLA, Mayor's Question Time, GLA Group Pensions, 21 January 2021
[40] TfL Pension Fund, Retiring early (the TfL Pension Fund refers to a different NRA than the GLA's Mayoral Question answer. The Committee has referred to the NRA of 65 mentioned on the TfL Pension Fund website.
[41] LGPS, Taking your pension
[42] TfL, TfL Independent Pensions Review – Final Report, 28 March 2022

Table 3: LGPS and TfL pension scheme actuarial reduction rates[43,44,45]

LGPS		TfL Pension Scheme	
Voluntary retirement age	**Actuarial reduction on annual pension**	**Voluntary retirement age**	**Actuarial reduction on annual pension**
65	14.3%	65	0%
60	32.1%	60	0%
58	37.7%	58	8%
55	46.3%	55	18%
50	N/A	50	33%

This may be, in part, why a high proportion of TfL Pension Fund members retire and access their pension benefits before their NRA. Table 4 shows the proportion of active (current employees) and deferred (past employees) members retiring and accessing their TfL pension benefits before ages 55, 60 and 65.

The table shows the following:

- Over four in five TfL Pension Fund members retired before their NRA in every year since 2018. Of active members (current employees), approximately three in four retired before their NRA in every year since 2018.
- During 2021, the last year for which there is full data, just under two in five TfL Pension Fund members retired before reaching the age of 60, and just over one in 10 retired before reaching the age of 55.
- The proportion of TfL Pension Fund members retiring (accessing their pension benefits) under 55, 60 and 65 has broadly fallen since 2018.

Table 4: Proportion of TfL Pension Fund active and deferred members accessing their TfL pension benefits early, 2018 to 2022[46]

Calendar year	% retirements under 55			% retirements under 60			% retirements under 65		
	Active	**Deferred**	**Total**	**Active**	**Deferred**	**Total**	**Active**	**Deferred**	**Total**
2018	12%	20%	**16%**	43%	43%	**43%**	79%	95%	**87%**
2019	7%	19%	**14%**	39%	48%	**44%**	76%	95%	**87%**
2020	7%	16%	**12%**	35%	39%	**37%**	73%	93%	**84%**
2021	6%	17%	**12%**	33%	42%	**38%**	72%	92%	**82%**
2022[47]	5%	10%	**7%**	36%	39%	**37%**	74%	90%	**82%**

43 LGPS, Taking your pension
44 TfL, TfL Independent Pensions Review – Final Report, 28 March 2022
45 TfL Pension Fund, Retiring early
46 Assembly analysis of TfL written evidence to questions asked in the Committee's meeting. A table summarising the raw data provided by TfL can be found in Appendix 2.
47 Data provided was as at September 2022, so it does not represent a full calendar year.

As the Mayor brings the GLA Group closer together through its Collaboration Board, the Committee believes there is an opportunity for the Mayor to think carefully about the strategic approach to the cost and affordability of GLA Group pension schemes, taking a holistic approach to the rules overseeing the benefits available to members across all GLA Group organisations.

However, the Committee acknowledges three important contextual factors in this area. The first is that there are some constraints on the ability of the Mayor to shape the future funding of GLA Group pension schemes. Firstly, pension funds base their employer and employee contribution rates on actuarial valuations, which assess their overall current and future funding requirements. Additionally, the rules for many pension schemes in the GLA Group are determined nationally by the government.

Secondly, the GLA Group represents very different organisations with very different requirements of its employees. The requirements on an MPS officer will be very different to that of an employee in City Hall. In this context, the Committee considers it understandable that, for example, there is a lower NRA for MPS officers and LFB firefighters, as well as a soon-to-be lower normal minimum pension age (NMPA) for both when the NMPA is raised from 55 to 57 in 2028 for all other public-service pension members.[48] Such considerations were given by the government during the time of its public-service pension reforms.[49]

Thirdly, any consideration of the strategic approach to the cost and affordability of GLA Group pension schemes would need to include engagement with the relevant trade unions, as there may be impacts on members.

Recommendation 10: Through the GLA Group Collaboration Board, the Mayor should consider ways of aligning the GLA Group pension schemes over time to ensure that, wherever possible, there is less variation in employer contribution rates and retirement age criteria.

McCloud Remedy

The McCloud Remedy, announced by the government in 2021, will create significant additional costs now and in the future for several pension schemes within the GLA Group: the LGPS, the PPS, the CSPS and the FPS. The McCloud judgment ruled that the government's implementation of public-sector pension reform was unlawful as it discriminated based on age. As a result of the judgment, members of the affected scheme who have retired, or will retire in the future, can choose to base their accrued pension benefits on either the current or legacy pension scheme rules, whichever is most financial beneficial for the member.

[48] The NMPA is defined as the earliest age at which a member can access their pension benefits. The government has recently confirmed that the NMPA will rise from 55 to 57 from 1 April 2028. It is not clear how this will affect existing members of GLA Group pension schemes, as public-sector schemes are set to meet HM Treasury to discuss how protection for existing members will operate in practice.
[49] UK Government, Police pension reform, 26 March 2013

The Assembly has previously asked senior officers across the GLA Group about their work to implement the Remedy and to provide financial certainty to their members.[50] During this investigation, the LPFA told the Committee:

> *"In terms of the proportion of members that might be affected, again, we have around 20 per cent of our active membership that could be eligible … but the individuals that might see an uplift to their pension all depends on their salary projection over time, their salary experience and what they have been paid over time. Those are the calculations that we need to do and we are just at the very beginning of that process of collecting data now. It will be some time before we are able to put a number on individuals who are receiving additional pension or are entitled to additional pension as a result of the McCloud judgment."*
> **Peter Ballard, Funding and Risk Director**
> **LFPA[51]**

Following the Committee's meeting, the LPFA wrote to the Committee to confirm that its fund actuary had estimated around 2,300 members might be entitled to an increase in pension following the McCloud Remedy, subject to changes as the calculations progress in due course. The fund actuary also estimated that this increase in pension awarded could total £19 million in additional liabilities, representing an increase of 0.3 per cent.[52]

To date, the MPS and LFB have been unable to provide estimated additional costs of the Remedy. It is not clear when these pension schemes will be in a position to share such figures; this creates high levels of financial uncertainty for the funds and their members.

Recommendation 11: The LPFA (through its administrator, Local Pensions Partnership Administration (LPPA)), London Fire Brigade (LFB) (through its administrator, LPPA) and the Metropolitan Police Service (MPS) (through its administrator, Equiniti) should publish timelines of their plans to quantify the scale of the financial impact of the McCloud Remedy. The LPFA, LFB and the MPS should commit to publishing quarterly updates to its members on progress to deliver the Remedy, prioritising existing retired members who may be due additional pension benefits.

[50] London Assembly, Budget and Performance Committee, Agenda and minutes, 8 December 2022
[51] London Assembly, GLA Oversight Committee, Transcript of Agenda Item 8 – GLA Group Pensions – Panel 1, 13 October 2022
[52] Letter from the LPFA to the GLA Oversight Committee, 10 January 2023

Chapter Three: Governance, transparency and accountability

Background

To inform its investigation, the Committee has relied on the information published on the websites of the GLA Group pension funds. This includes the agenda, reports and minutes for key governance meetings.

As pension funds for organisations that are funded by Londoners, it is important that GLA Group pension funds promote transparency and accountability by publishing routine information that is relevant to decisions affecting the pension funds.

Governance

As part of the investigation, the Committee has examined the approach taken to governance and managing risks within the GLA Group pension funds, including interactions with auditors to comply with best practice.

The management of the LPFA's risks has been audited internally by PwC for several years. In its 2020-21 internal audit report, PwC found that the LPFA's governance, risk management and control framework were 'generally satisfactory with improvements required'. At the time, the LPFA concluded that there were some areas of weakness or non-compliance 'being addressed by the new management team' as the LPFA 'seeks to build on internal capacity'.[53]

However, the report of PwC's 2021-22 internal audit downrated the LPFA from 'generally satisfactory with improvements required' to 'major improvements required'. The report stated that the rating is mainly attributable to seven critical high-risk ratings.[54]

> *"The five internal audit reviews identified 9 high risk, 8 medium risk, 7 low risk and 1 advisory risk findings to improve weaknesses in the design of controls and /or operating effectiveness. PWC's audit opinion is downgraded from "generally satisfactory with some improvements required" to "major improvements required". This is mainly attributable to the 7 critical risk ratings in the benefit calculation and cyber reviews. It was also noted that during 2021/22, LPFA brought several key functions in-house and as a consequence there was a need to update the organisation's internal control framework to reflect the new arrangements."*[55]

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[53] LFPA, [Annual Governance Statement 2020/21](), 21 July 2021
[54] LFPA, [LPFA Board Meeting Minutes](), 19 July 2022
[55] LPFA, Audit and Risk Committee, [Annual Report from Audit and Risk Committee to Board 2021-22]()

When questioned on this issue during the Committee's investigation, the LPFA's Chief Executive told the Committee: "it is a relatively new relationship…and those relationships take some time to bed down in terms of their understanding of who we are what we do and how we operate".[56]

The Committee is concerned about this issue on several levels. Firstly, it is concerning that internal auditors have heavily criticised the LPFA's governance and risk-management processes.

Secondly, the internal auditors' concerns have worsened over time, suggesting that the LPFA has not addressed the issues highlighted by PwC's 2020-21 report.

Thirdly, the LPFA has said that 'some of that relationship and understanding about how [it] operate[s] has been less clear for internal auditors'.[57] As the Committee noted in its meeting with the LPFA on 13 October 2022, if PwC does not understand the LPFA's structures and functions, it is the LPFA's responsibility to explain the governance and operational nuances within the organisation.

Finally, the Committee is concerned that the LPFA is redacting information that should be in the public domain. This information is important and pertinent to the performance of the organisation. Following the Committee meeting, the LPFA wrote to the Committee to explain that it had redacted the critical findings of PwC's internal audit because they were 'provided in draft by the Internal Auditor and were not yet final'.[58] The LPFA added that the 'purpose of the redaction was to avoid inadvertently publishing draft audit findings that were subject to change'. The Committee does not believe that this is a satisfactory justification for the decision to redact the findings. It is routine for organisations to publish draft audit reports – including their findings – as part of meeting agenda packs. Clear references to the 'draft' nature of the audit are sufficient context for any reader of the audit findings. The Committee believes the LPFA has a responsibility to uphold principles of transparency and accountability with regard to its publication of internal audit reports, whether draft or final.[59]

Recommendation 12: The LPFA should publish an action plan detailing how it is responding to PricewaterhouseCoopers' (PwC's) 2021-22 audit findings and what improvements (if any) have taken place since the report was published.

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[56] London Assembly, GLA Oversight Committee, Transcript of Agenda Item 8 – GLA Group Pensions – Panel 1, 13 October 2022
[57] London Assembly, GLA Oversight Committee, Transcript of Agenda Item 8 – GLA Group Pensions – Panel 1, 13 October 2022
[58] Letter from the LPFA to the GLA Oversight Committee, 10 January 2023
[59] LPFA has informed the Committee that all audit findings from that period have been resolved except for two, including one action that is not yet due.

Recommendation 13: The LPFA should urgently review its information security arrangements – in particular its redaction processes – to ensure genuinely sensitive information is protected on its website.

Transparency and accountability

It is common practice for LGPS pension funds to publish detailed information about their governance, investments and administration in their governance meeting papers, agenda report packs and minutes. Most London boroughs, which facilitate the LGPS, publish such information.

In contrast, the LPFA publishes limited information on its website, including heavily redacted governance meeting agenda report packs and minutes. Appendices to report packs are typically not published at all. This makes it harder for pension fund members, Londoners and the Assembly to understand the organisation, its activities and its challenges. It also makes it harder to scrutinise the LPFA's performance.

During its investigation the Committee raised, as an example of this lack of transparency, the LPFA's decision to redact sections of its LPB meetings that discussed the performance of LPPA. The LPFA has subsequently written to the Committee to explain that its decision to redact the information was influenced by a perception that it could be disparaging of LPPA's delivery of a key administration project.[60]

The Committee is aware that the LPFA, like other pension funds, must strike a balance between the need to be transparent in its publication of information and the need to manage commercial sensitivities. However, the Committee believes the LPFA is not striking the right balance. There is currently too much emphasis on the importance of withholding information that is uncomfortable for the reputation of the LPFA and/or LPPA at the expense of publishing information that is important to members.

Since COVID-19, many London borough pension funds have increased transparency by broadcasting the public sections of their governance meetings online. The LPFA does not broadcast any of its meetings online, and therefore members of the public can only attend in person.

Recommendation 14: The LPFA should publish, as a default, full meeting agenda packs and minutes for all its governance meetings, and it should broadcast its meetings so members can watch online. This will align with best practice seen in other Local Government Pension Scheme (LGPS) funds across London and the country.

[60] Letter from the LPFA to the GLA Oversight Committee, 10 January 2023

Chapter Four: Administration

Background

The administration of pensions for the GLA, the LLDC, the OPDC and LFB is contracted to LPPA. Other GLA staff pensions are administered by private companies, such as MyCSP, which serves MOPAC staff, and Equiniti, which serves MPS officers. The Committee's investigation has focused on the pension administration of the GLA, the LLDC, the OPDC and LFB.

LPFA and LPPA governance

In 2016, the LPFA and Lancashire County Council pooled their investments (and thus created LPPI, the investment arm of the LPFA) and administration arrangements, creating LPPA. LPPA is based in Preston, Lancashire. The LPFA is both a client of LPPA and a 50 per cent shareholder in LPPA's parent company, Local Pensions Partnership (LPP).

Since its formation, LPPA has taken over the administration for other pension schemes, and now administers pensions of over 600,000 members from 2,100 different employers.[61]

The LPFA principally holds LPPA to account through its LPB, which comprises member and employer representatives. The purpose of the LPB is to contribute to the governance of the LPFA, including its administration arrangements. The LPB meets quarterly.

LPFA and LPPA performance

The Committee has examined the performance of LPPA through its performance reports, which are sent to the LPFA on a quarterly basis. The reports cover customer satisfaction, casework and engagement performance among other areas. The reports show varying levels of performance in LPPA in these areas, with areas of concern in casework and customer satisfaction. The Committee believes the LPFA, in its oversight role of LPPA, should be seeking urgent action to address the areas of concern.

The Committee has also examined the performance of LPPA through the written evidence of its clients in the GLA Group, and the minutes of the LPFA's LPB meetings. More recently, LPPA's transition to a new pension administration system, Project Pension Administration Core Evolution (PACE), has been a main topic of discussion at LPB meetings. However, sections of the LPB minutes have been redacted by the LPFA. When the Committee asked

[61] LPPA, About Us

the LPFA about its decision to redact this information, the LPFA stated that some of the points raised 'could be perceived as disparaging of LPPA's delivery of Project PACE'.[62]

In providing written evidence to the Committee, the GLA described LPPA's administration service as at an 'acceptable level' though it highlighted issues 'regarding communication from LPPA and the time taken to respond to requests from the GLA, including responding to requests for estimates of benefits'.[63] Similarly, LFB described LPPA's performance as 'good' but identified that performance had decreased 'below expected standards' over the last year, and highlighted issues caused by delays to Project PACE.[64]

Recommendation 15: The LPFA should request that LPPA develops an urgent action plan to identify how it will address and improve areas of concern identified in its performance reports.

Transparency and accountability

The arrangements for, and performance of, pension administration are key areas of interest for the Committee's investigation. In this context, the Committee made several attempts to obtain information, and seek representatives' views, relating to LPPA pension administration. At the beginning of its investigation, the Committee wrote to LPPA's Managing Director to invite them or an alternative representative of LPPA to attend and give evidence to the Committee's meeting on 13 October 2022. In parallel, the Committee wrote to LPPA's Managing Director to request performance information.

Despite following up on this correspondence, LPPA did not respond to or acknowledge any of the Committee's requests. The Committee is disappointed LPPA chose not to respond to its correspondence or participate in its investigation given it serves GLA Group staff and is funded indirectly by the GLA.[65]

Following its meeting in October 2022, the Committee wrote to the LPFA on 15 November to request:

- copies of LPPA's quarterly performance reports dating back to quarter one, 2019-20
- that the LPFA follow up with the Local Pension Board (LPB) and LPFA Board as to whether they would commit to routinely publishing the Local Pensions Partnership Administration's (LPPA) quarterly performance reports alongside the LPB agendas

The LPFA responded to the Committee's points through two letters in January 2023. In response to the Committee's first point, the LPFA shared LPPA quarterly performance reports but requested that the Committee does not publish them to prevent 'inadvertently publishing sensitive information about individual employers or other LPPA clients'.[66]

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[62] Letter from the LPFA to the GLA Oversight Committee, 10 January 2023
[63] Letter from the GLA to the GLA Oversight Committee, September 2022
[64] Letter from LFB to the GLA Oversight Committee, 28 September 2022
[65] GLA, Annual accounts and governance statement
[66] Letter from the LPFA to the GLA Oversight Committee, 18 January 2023

According to the LPFA, this is because LPPA's performance reports sometimes include information that 'relates to LPPA's wider delivery to other clients.'

The Committee notes that several other LGPS funds that are clients of LPPA routinely publish the full quarterly performance reports with their meeting agenda packs – for example, the London Borough of Ealing, Hertfordshire County Council and Cumbria County Council.[67,68,69] These funds cover multiple employers and the risk of inadvertently publishing information about them has, so far, not deterred the funds from publishing the full reports.

The Committee believes transparency and accountability are important principles that should drive the LPFA's approach to the sharing and publication of its pension administration performance information. This would help increase awareness of performance amongst its members and improve the opportunities for scrutiny.

In its response to the Committee's second point, the LPFA confirmed the LPFA Board had met on 8 December 2022 to discuss the request to routinely publish LPPA quarterly performance reports.[70] According to the LPFA, the LPFA Board resolved to delegate to the LPFA's Chief Executive Officer 'the final decision on which sections of these reports are suitable for publication'. The LPFA added that it would 'look to start publishing appropriate content later in 2023'. The Committee is concerned that this decision leaves open the ability for the LPFA to choose which performance information to withhold from publication without any transparent scrutiny. The Committee is also concerned that, through its desire to manage commercial sensitivities, the LPFA could prevent the publication of important information relating to the performance of LPPA. Having read LPPA's most recent quarterly performance reports, and having seen the approach taken by other clients of LPPA, the Committee sees no reason the LPFA could not publish routinely the full, unredacted LPPA quarterly performance reports[71].

Recommendation 16: The LPFA should publish routinely the full, unredacted LPPA quarterly performance reports alongside its Local Pensions Board (LPB) meeting agenda packs on its website.

[67] LPPA, Ealing Pension Fund Quarterly Administration Report: 1 April – 30 June 2022
[68] LPPA, Hertfordshire County Council Pension Fund Quarterly Administration Report: 1 April – 30 June 2022
[69] LPPA, Cumbria Pension Fund Quarterly Administration Report: 1 April – 30 June 2022
[70] Letter from the LPFA to the GLA Oversight Committee, 10 January 2023
[71] LPFA has informed the Committee that, as of March 2023, it has started to publish performance reports on pension administration on its website. The performance report for October to December 2022 can be found at https://www.lpfa.org.uk/story/lpfa-publishes-administration-report.

Chapter Five: TfL Pensions Review

Background

The TfL Pension Scheme is one of the largest private-sector, DB pension schemes in the country, with over 84,000 members, 31 investment managers and assets worth over £14 billion.[72] It is also one of the last final salary schemes that remains open in the country. Based on several indicators, the TfL Pension Scheme is more generous than other GLA Group pension schemes, such as the LGPS and the CSPS.[73] For example, its normal retirement age (NRA) for all members remains 65, compared with 68 for qualifying members of the LGPS and the CSPS, where the NRA is linked to the member's State Pension Age (SPA). In addition, the actuarial reductions for retiring early are less punitive, though the Committee acknowledges in chapter two of the report that many of the schemes' rules are based on their actuarial valuations.

As a result of the pandemic and associated loss of fare income at TfL, the government provided a series of short-term grants to TfL to enable it to continue operating in the intervening months and years. The grants, which were delivered as part of funding deals between both parties (the government and TfL) contained conditions that required TfL to commit to a range of savings initiatives and policy changes.[74]

In July 2020, the Mayor and the TfL Board commissioned an Independent Review of its finances. In December 2020, the Independent Review published its report, which concluded that the TfL Pension Scheme was 'expensive and unreformed' and 'outdated'.[75] The report stated:

> *"The pension model is outdated and must be reformed. A commission should be established to look in greater detail at the options for modernising the scheme and reducing TfL's costs. A Crown guarantee of historic liabilities could go with a reformed scheme. This could reduce the funding gap by £100 million pa [per annum] as well as limit future liabilities for the public sector."*[76]

Following the 2020 review of TfL's finances, a condition of the government's funding deal reached on 1 June 2021 was that TfL would review its pension scheme again and consider various reform options, with the explicit aim of moving its pension arrangements into a

[72] TfL Pension Fund, Annual Review 2022
[73] GLA, Mayor's Question Time, TfL Pensions Review (1), 19 May 2022
[74] UK government, Transport for London Settlement Letters
[75] TfL, TfL Independent Review – Final Report, December 2020
[76] Ibid

financially sustainable position.[77]

In July 2021, Sir Brendan Barber, former General Secretary of the Trades Union Congress, was appointed as the Independent Lead and Facilitator of the Review. Joanne Segars OBE, was appointed as an expert adviser to Sir Brendan. She is the former Chief Executive of the Pensions and Lifetime Savings Association, and current Chair of an LGPS investment fund pool.

Sir Brendan Barber conducted an independent review of the TfL Pension Scheme. The report set out various options to reform the scheme, including a 'do nothing' option.[78] Of all the options explored, the report identified that a modified final salary scheme would generate the highest level of savings of up to £182.4 million per year.

In setting out its findings, the Independent Review noted the importance of the TfL Pension Scheme as an employee benefit in TfL. The Independent Review stated:

> *"The Scheme is the only significant benefit beyond pay available to the majority of staff. Any changes to the Scheme will have knock-on consequences for benefits and remuneration elsewhere. This is important in the context of TfL's ability to recruit and retain staff."*[79]

TfL pensions must be viewed in the context of the need to retain workers who kept the city moving during the pandemic, in many cases at risk to themselves, and who continue to operate our world-beating transport network, while recognising the need to achieve value for the taxpayer.

In October 2022, TfL published its two options to reform its pension scheme:

- a modified final salary scheme
- and a Career Average Revalued Earnings scheme, such as the scheme that operates in the LGPS.

TfL responded to the Review, stating that keeping its existing pension scheme remained its preferred option. TfL also drew attention to the potential impact of any reform proposals on its objectives to attract and retain employees, stating:

"Aiming to achieve the Government's £100 million cost saving target creates a disproportionate focus on affordability (cost savings) at the expense of fairness (member impacts)."[80]

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77 TfL, TfL Independent Review – Interim Report, 28 October 2021
78 TfL, Independent Pensions Review, March 2022
79 TfL, Independent Pensions Review, March 2022
80 TfL, Pensions Options Paper, 14 October 2022

The Committee understands that, based on the timeline agreed with the government, TfL will develop detailed analysis of the implications of the two reform options, following its publication in October 2022.

The government was due to review these options and agree a final detailed proposal and implementation plan with TfL by 31 January 2023. However, the government has since requested and agreed an extension to 28 February 2023 'given the complexities of the options and the potential implications for wider Government'.[81]

The Committee's investigation

To assist the investigation, the Committee wrote to the TfL Commissioner, the TfL Pension Fund Chair, the Secretary of State for Transport, and the eight recognised trade unions at TfL to seek their views on the Review. TfL and the Secretary of State for Transport declined to comment on the substance of the Review, including its findings, and all the trade unions that responded indicated a desire to remain with the existing pension scheme.

When questioned on the Review at the Committee's meeting, TfL representatives did not provide any more information beyond what was contained in TfL's response to the Review.

TfL's exploration of pension reform is controversial and has evoked a strong reaction from stakeholders. All the reform options explored have some impact on existing and future members of the fund, but TfL needs to conduct further analysis – including through Equality Impact Assessments – of the potential impact on members before any proposals are taken to the next stage of development.

The Committee is keen for TfL to ensure it conducts and publishes thorough Equality Impact Assessments as part of this process.

Recommendation 17: The TfL Pension Fund should conduct and publish Equality Impact Assessments of its final reform proposal.

Recommendation 18: The Mayor and TfL should keep the London Assembly updated on their work to develop pension reform options, including sharing any submissions they make to the government, including as a requirement of TfL's funding deal.

[81] UK government, Department for Transport, Letter to TfL re: TfL Pension Reform – 31 January 2023 Deliverable, 20 January 2023

Appendix 1: List of evidence received by the Committee

London Assembly GLA Oversight Committee – Thursday 13 October 2022 meeting – list of guests[82]

- Peter Ballard, Funding and Risk Director, London Pensions Fund Authority
- Robert Branagh, Chief Executive Officer, London Pensions Fund Authority
- Patrick Doig, Statutory Group Finance Director, Transport for London
- Tim Handley, Head of Pensions, Transport for London
- Padmesh Shukla, Chief Investment Officer, Transport for London Pension Fund
- Luke Webster, Assistant Director, Group Treasury and Chief Investment Officer, Greater London Authority
- Tricia Wright, Chief People Officer, Transport for London

Written evidence received – responses to call for evidence

- London Pensions Fund Authority (LPFA)
- London Fire Brigade (LFB)
- Transport for London
- Transport for London Pension Fund Trustee
- Greater London Authority
- Unite the Union
- ASLEF

[82] Meeting information, including transcript, can be found here.

Appendix 2: TfL Pension Fund retirement data

TfL Pension Fund: summary of retirement data (excluding ill-health retirements)

Table 5: Active members (in TfL employment at retirement):

Calendar Year	Number of retirements under 55	Under 55 average age	Number of retirements 55 to 59	55 to 59 average age	Number of retirements 60 to 64	60 to 64 average age	Number of retirements 65 plus	65 plus average age	Total Retirements	Average age
2018	71	52.67	184	57.46	217	62.10	127	67.39	599	60.68
2019	32	52.35	154	57.63	182	62.01	115	67.48	483	61.27
2020	34	52.52	127	57.49	178	61.97	123	66.87	462	61.35
2021	42	52.28	174	57.72	251	62.06	186	67.40	653	61.80
2022*	23	53.03	143	57.54	175	62.00	118	67.75	460	61.65

Table 6: Deferred members (former TfL employees):

Calendar Year	Number of retirements under 55	Under 55 average age	Number of retirements 55 to 59	55 to 59 average age	Number of retirements 60 to 64	60 to 64 average age	Number of retirements 65 plus	65 plus average age	Total Retirements	Average age
2018	138	51.27	160	56.38	353	60.76	36	66.51	687	58.14
2019	122	51.93	182	56.57	289	60.73	34	65.83	627	58.09
2020	92	51.86	127	56.60	306	60.63	38	66.88	563	58.71
2021	106	52.24	158	56.73	313	60.78	49	66.61	626	58.77
2022*	41	52.35	121	56.38	213	60.67	41	66.43	416	59.17

*2022 covers year to 30 September 2022

Other formats and languages

If you, or someone you know needs this report in large print or braille, or a copy of the summary and main findings in another language, then please call us on: 020 7983 4100 or email assembly.translations@london.gov.uk.

Chinese

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Email 与我们联系。

Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں
درکار ہو تو، براہ کرم نمبر پر فون کریں
یا مذکورہ بالا ڈاک کے پتے یا ای میل
پتے پر ہم سے رابطہ کریں۔

Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

Arabic

الحصول على ملخص لهذا المستند بلغتك،
فرجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي العادي أو عنوان البريد
الإلكتروني أعلاه.

Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઈલ સરનામા પર અમારો સંપર્ક કરો.

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