

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 25 June 2025

**Subject:** LCIV Regulatory Capital

**Report author:** Siân Cogley, Pension Fund Manager

**Responsible Director:** Phil Triggs, Director of Treasury and Pensions

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### SUMMARY

This item seeks Pension Fund Committee approval for the payment of £70,312 in respect of a pro rata subscription for 70,312 B Shares in London LGPS CIV Limited ("London CIV"), as required to support the company's regulatory capital requirements.

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### RECOMMENDATIONS

The committee is asked to approve the payment of £70,312 for the subscription of 70,312 B Shares in London CIV to fulfil LBHF regulatory capital obligations as a shareholder and ensure continued support for London CIV's growth and stability.

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**Wards Affected:** None.

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council taxpayer.

### Financial Impact

None.

### Legal Implications

There will be an increase to the Fund's shareholder capital within the London Collective Investment Vehicle.

## **LONDON BOROUGH OF HAMMERSMITH & FULHAM**

### **BACKGROUND**

- 1.1 As part of the original establishment of LCIV, each London Borough administering authority was required to invest £150,000 of share capital (B shares) which would be employed by LCIV for regulatory capital. The LBHF Pension Fund shows this investment in its accounts as equity.
- 1.2 London CIV, as an FCA regulated entity, is required to maintain a sufficient level of regulatory capital to ensure its financial resilience. Since inception, the company has operated efficiently, managing over £15 billion in pooled assets with an initial capital investment of £4.95 million from shareholders.
- 1.3 At the LCIV's General Meeting held in January 2025, shareholders were informed that the company's regulatory capital surplus had fallen below the targeted 150%, driven by the continued growth in Assets under Management (AuM). This pressure on regulatory capital is expected to increase further due to accelerated AuM migration, resulting from the Government's LGPS pension review outcomes.
- 1.4 While a retained profits model has been agreed for longer term capital sustainability, a near-term capital injection is now required to maintain compliance, ensuring that London CIV remains financially stable during the remaining asset transition process.

### **SUBSCRIPTION PROPOSAL**

- 2.1 Following shareholder approval, London CIV is issuing 2,249,984 B Shares in order to raise £2,249,984 of additional regulatory capital. The subscription is allocated proportionally, based on existing shareholdings. LBHF is required to subscribe for 70,312 B Shares at a cost of £70,312.
- 2.2 Following approval at this committee, the subscription letter will be signed and the monies paid over to the LCIV.

### **List of Appendices**

None. .