



LGPS: Pensions Investment Review & Pension Schemes Bill

Implications for H&F Pension
Fund

Committee Member Update

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Pensions Investment Review – LGPS Focus

- Reinforces asset pooling for LGPS funds
- Focus on delivering Value for Money (VfM)
- Encourages greater investment in productive finance (infrastructure, private markets)
- Seeks improved governance and professional management

Pensions Investment Review – LGPS Focus

(Detail)

- **Reinforces asset pooling for LGPS funds**

The Review strengthens the Government's long-standing policy that LGPS funds must pool their investment assets. By working collectively through authorised investment pools such as the London CIV, funds can achieve economies of scale, access a wider range of asset classes, and reduce management costs. Pooling also supports greater transparency and consistency in governance. For individual funds like H&F, this means continuing to invest the majority of their assets through the pool, while retaining responsibility for liabilities and strategic decision-making.

- **Focus on delivering Value for Money (VfM)**

The Review places strong emphasis on ensuring that LGPS assets are managed efficiently and deliver tangible value for members and employers. VfM is not just about lower fees, but about net investment returns, risk management, and alignment with scheme objectives. For Committees, this means enhanced reporting, benchmarking, and scrutiny of pooled vehicles such as the London CIV to demonstrate that member and employer interests are being safeguarded.


- **Encourages greater investment in productive finance (infrastructure, private markets)**

The Review highlights the role of pension funds in supporting the UK economy through “productive finance” investments. For the LGPS, this translates into expectations to allocate more to infrastructure, housing, and private equity, which can deliver long-term returns while supporting economic growth. Through pooling, funds like H&F gain cost-effective access to such asset classes. The challenge is to balance these opportunities with fiduciary duty, ensuring investments remain consistent with prudent funding strategies.

- **Seeks improved governance and professional management**

Recognising the scale and complexity of the LGPS, the Review calls for stronger governance frameworks and more professional investment management. Pools like the London CIV are expected to demonstrate robust oversight, risk controls, and accountability. Locally, Committees must ensure their governance arrangements remain fit for purpose, with sufficient training, clear decision-making structures, and effective monitoring of both fund performance and pool activity. This professionalisation strengthens confidence that the scheme is being managed in members' best interests.

Pensions Investments Review → Pension Schemes Bill → LGPS Impact



Theme	Pensions Investment Review	Pension Schemes Bill	LGPS Impact (H&F)
Pooling & Consolidation	Reaffirms need for LGPS funds to use asset pools (e.g. London CIV).	Gives Ministers powers to legally enforce pooling compliance.	H&F must continue moving assets into London CIV; less flexibility outside pool.
Value for Money (VfM)	Introduces a consistent VfM framework for efficiency and governance.	Embeds VfM requirements into law with statutory reporting duties.	Committee must demonstrate VfM in reporting and scrutinise CIV performance.
Productive Finance	Encourages greater allocations to infrastructure and private equity.	Creates reserve powers for government to influence allocations.	H&F may need to increase CIV allocations to infrastructure, balancing risk and duty.
Governance & Professionalisation	Calls for stronger oversight, risk management and professional standards.	Supports consistent governance requirements and regulatory powers.	Committee must maintain robust training and oversight of CIV governance.

London CIV – Overview

- Pooled investment vehicle for 32 London LGPS funds
- Manages £51bn of assets*
- Governance: Shareholder Committee, Board, oversight committees
- H&F is both investor and shareholder; retains liability but shares scale benefits

London CIV – Responsible Investment (RI) Matrix Model (2025)

Context:

- London CIV submitted its Fit for the Future Strategic Plan to Government in February 2025.
- Government has approved the plan, allowing the pool to proceed.
- In response to consultation feedback, CIV committed to offering more investment options to reflect differing Partner Fund requirements while retaining the benefits of pooling.

RI Matrix Framework:

- Aims to create a consensus model for implementing Responsible Investment, balancing shared scale with Partner Funds' varied priorities.
- Designed to avoid 32 separate RI policies, instead delivering a flexible but coherent framework.
- Anticipated to include 2–3 central “streams”, with the possibility of an additional impact strategy if there is sufficient demand. This is expanded further on the next page

LCIV RI Streams – Indicative Model



Stream	Ethos	Exclusions / Features
Stream One – RI Incorporated	Integrates ESG into investment and stewardship; focus on financial risk/opportunity.	Few exclusions; for discussion: fossil fuel exploration, controversial weapons.
Stream Two – RI Progressive	As Stream One but with more exclusions; Partner Funds favour engagement over avoidance.	Exclusions may include: coal, unconventional oil/gas, tobacco, controversial weapons.
Stream Three – RI and Avoidance	Tailored for Funds seeking broader exclusions to manage reputational/investment risk.	Exclusions may include: defence/arms, fossil fuels, natural capital (palm oil/soy), human rights-based screens.

H&F Pension Fund – Current Position

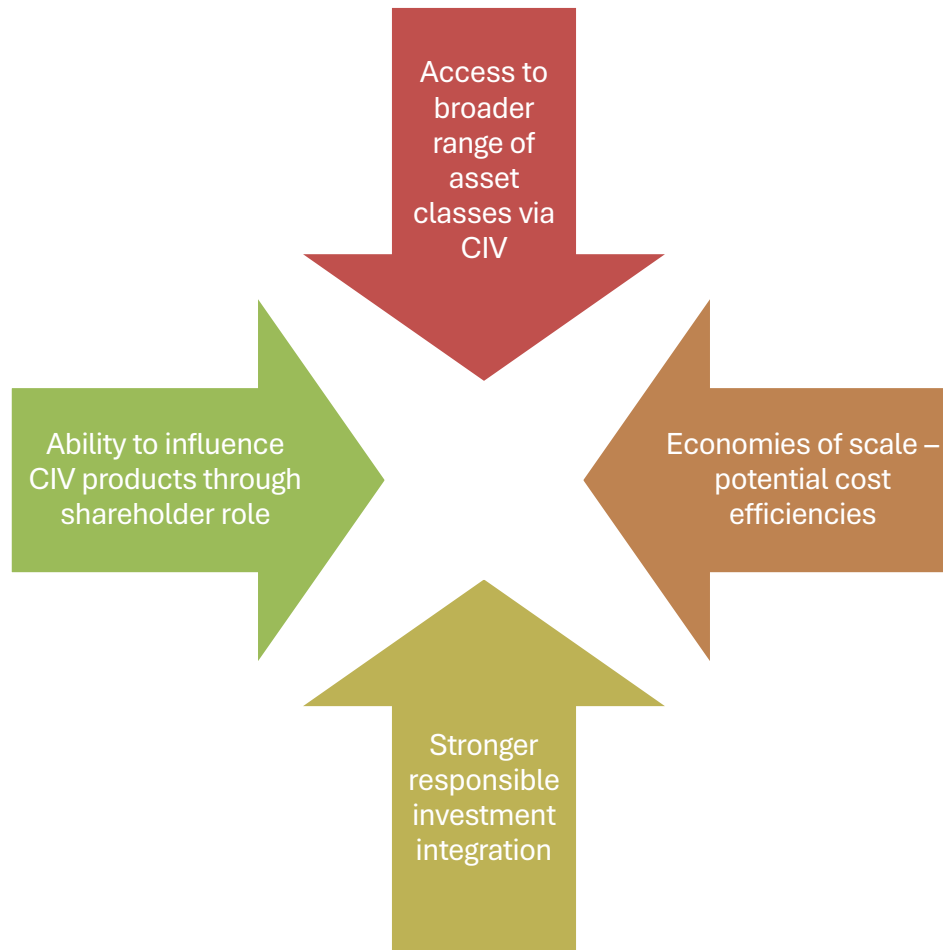
Active participant in London CIV pooling arrangements

Strategic allocations via CIV products (e.g. credit, equities, RI-focused funds)

Maintains strong local governance and oversight

Ongoing monitoring of cost savings and performance

Strategic Opportunities



Key Risks & Challenges



Potential loss of flexibility in investment choices



Government policy direction vs fiduciary duty



Ensuring CIV delivers value for money



Maintaining local accountability and transparency

Recommended Actions for Committee



1. Review Investment Strategy Statement (ISS) for alignment following the next triennial valuation result.



2. Strengthen oversight of CIV governance and performance



3. Engage with CIV on fund design, fees and RI policies



4. Monitor developments in Pension Schemes Bill



5. Provide member training on pooling and VfM obligations

Next Steps & Timeline



Short-term (0–6m):

1. Review ISS and governance policies
2. Briefing on Bill progress



Medium-term (6–18m):

1. Align reporting with VfM framework
2. Strengthen CIV engagement structures



Long-term (to 2030):

1. Track pooling compliance
2. Evaluate infrastructure/private market allocations