

REPORT FOR: Pension Fund Committee

Date of Meeting:

9 March 2016

Subject:

Information Report – Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

Responsible Officer:

Dawn Calvert, Director of Finance

Exempt:

No

Wards affected:

All

Enclosures:

Appendix 1 – Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
Appendix 2 – Response to consultation

Section 1 – Summary

The report sets out the Department for Communities and Local Government (DCLG) consultation document entitled “Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009” and the Council’s response.

FOR INFORMATION

Section 2 – Report

1. In late November 2015 the Council, along with many other consultees “with an interest in the Local Government Pension Scheme,” received a consultation document from DCLG entitled “Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.” Comments were invited by 19 February 2016. A copy of the document is attached as Appendix 1.
2. The consultation document discusses many important issues in connection with the future management of the Local Government Pension Scheme including:
 - Deregulation of investment decisions
 - Investment Strategy Statement to replace Statement of Investment Principles
 - Non-financial factors – inappropriate use of investment policies
 - Investment – appropriate use of certain investments
 - Secretary of State’s intervention powers of intervention
3. However, the consultation process was limited to eight questions to which answers were requested divided into two proposals as follows:

Proposal 1: Adopting a local approach to investment

Does the proposed deregulation achieve the intended policy aim of removing any unnecessary regulation while still ensuring that authorities’ investments are made prudently and having taken advice?

Are there any specific issues that should be reinstated? Please explain why.

Is six months the appropriate period for the transitional arrangements to remain in place?

Should the regulation be explicit that derivatives should only be used as a risk management tool? Are there any other circumstances in which the use of derivatives would be appropriate?

Proposal 2: Introducing a safeguard – Secretary of State power of intervention

Are there any other sources of evidence that the Secretary of State might draw on to establish whether an intervention is required?

Does the intervention allow authorities sufficient scope and time to present evidence in favour of their existing arrangements when either determining an intervention in the first place, or reviewing whether one should remain in place?

Does the proposed approach allow the Secretary of State sufficient flexibility to ensure that he is able to introduce a proportionate intervention?

Do the proposals meet the objectives of the policy, which are to allow the Secretary of State to make a proportionate intervention in the investment function of an administering authority if it has not had regard to best practice, guidance or regulation?

5. Members, advisers and officers were consulted on a response from the Council and the email attached as Appendix 2 was sent to DCLG by the closing date.

Financial Implications

6. Whilst significant changes in the Regulations can have a significant impact on the performance of the Fund there are no financial implications arising from this report.

Risk Management Implications

7. The risks arising from the management and investment of funds are included in the Pension Fund risk register.

Equalities implications

8. There are no direct equalities implications arising from this report.

Council Priorities

9. Investment performance has a direct impact on the financial health of the Pension Fund which directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name Dawn Calvert Director of Finance

Date: 25 February 2016

Ward Councillors notified: NO

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None