

SURREY COUNTY COUNCIL

PENSION FUND BOARD

DATE: 12 FEBRUARY 2016

LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE

SUBJECT: LGPS INVESTMENT REGULATIONS: CONSULTATION



SUMMARY OF ISSUE:

The Government is seeking consultation on planned reforms to the Investment Regulations governing the LGPS in England and Wales.

RECOMMENDATIONS:

It is recommended that:

- 1 The Pension Fund Committee approve and agree the attached response to government, shown in Annex 2.

REASON FOR RECOMMENDATIONS:

To assist the Department of Communities and Local Government in the drafting of an appropriate set of Investment Regulations.

DETAILS:

Background

- 1 The Government is seeking consultation on planned reforms to the Investment Regulation governing the LGPS in England and Wales by 19 February 2016.
- 2 The draft Regulations are shown as Annex 1.

Consultation Process

- 3 This consultation proposes to revoke and replace the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 with the reformed regulations as described in this paper. There are two main areas of reform:
 - A package of reforms that propose to remove some of the existing prescribed means of securing a diversified investment strategy and instead place the onus on authorities to determine the balance of their investments and approach to risk.

- The introduction of safeguards to ensure that the more flexible legislation proposed is used appropriately and that the guidance on pooling assets is adhered to. This includes a suggested power to allow the Secretary of State to intervene in the investment function of an administering authority when necessary.

4 Views are sought on:

- Whether the proposed revisions to the investment regulations will give authorities the flexibility to determine a suitable investment strategy that appropriately takes account of risk.
- Whether the proposals to introduce the power of intervention as a safeguard will enable the Secretary of State to intervene, when appropriate, to ensure that authorities take advantage of the benefits of scale offered by pooling and thus deliver investment strategies that adhere to regulation and guidance.

5 A draft response is attached at Annex 2 and with the deadline set by the Department for 19th February 2016.

CONSULTATION:

6 The Chairman of the Pension Fund Board has been consulted on the draft Regulations and the proposed response and has offered full support.

RISK MANAGEMENT AND IMPLICATIONS:

7 Risk related issues within the parameters of the proposed prudential approach to investment with no regulatory constraints, and the government holding too much power to intervene in local authority investment decisions are contained within the Council's official response in Annex 2.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

8 Financial implications within the parameters of possible cost to a local authority resulting directly from a government intervention are contained within the Council's draft response set out in Annex 2.

DIRECTOR OF FINANCE COMMENTARY

9 There are no material financial implications contained within the Government's draft Regulations.

LEGAL IMPLICATIONS – MONITORING OFFICER

10 There are no legal implications or legislative requirements associated with this report.

EQUALITIES AND DIVERSITY

11 The creation of a business plan will not require an equality analysis, as the initiative is not a major policy, project or function being created or changed.

OTHER IMPLICATIONS

12 There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT:

13 The following next steps are planned:

- Consultation response to be returned by 19 February 2016.

Contact Officer:

Phil Triggs, Strategic Finance Manager (Pension Fund and Treasury)

Consulted:

Pension Fund Board Chairman

Annexes:

Annex 1: Draft Regulations

Annex 2: Consultation response

Sources/background papers:

None

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