

**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 13 MAY 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 note the Surrey Pension Fund response sent to Government, shown in Annex 1.
- 2 The Pension Fund Committee agree to schedule an extraordinary meeting of the Committee on 11 July 2016.
- 3 The Pension Fund Committee agree to delegate responsibility to a sub group of four members of the Committee to work with fund officers on the national asset pooling submission.

**REASON FOR RECOMMENDATIONS:**

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

To assist officers in the formation of a full response to Government reference the national asset pooling solution.

**DETAILS:****Background**

- 1 The Government sought consultation on planned reforms to the Investment Regulation governing the LGPS in England and Wales by 19 February 2016.

**Proposed reform**

- 2 Two main areas of reform were proposed. The first removed the prescribed means of securing a diversified investment strategy and placed the onus on authorities to determine the balance of their investments and approach to risk. The second introduced safeguards to ensure that guidance on pooling assets is

adhered to, including a power to allow the Secretary of State to intervene in the investment function of an administering authority when necessary.

- 3 The final response is attached at Annex 1 and this was sent to Government by the deadline of 19th February 2016.
- 4 Officers will provide a verbal update of the national pooling process at the meeting on 13 May 2016.

### **Working Party**

- 5 On 15 July 2016, the Surrey Pension Fund will, alongside the Border to Coast Pensions Partnership, submit a final proposal document to the Government with regard to future investment asset pooling. The final submission will be prior to the next scheduled meeting of the Pension Fund Committee on 9 September 2016.
- 6 It is recommended that the Pension Fund Committee agree to schedule an extraordinary meeting of the Committee outside of normal scheduled quarterly meetings on 11 July 2016 to allow the final submission document to be approved by the committee.
- 7 It is recommended that the Pension Fund Committee agree to delegate responsibility to a sub group of four members of the committee to work with fund officers on the pooling submission in advance of the final proposal and Committee meeting on the 11 July.
- 8 This solution will provide assurance for the Pension Fund Committee that that final proposal for the Fund's involvement in the Border to Coast asset pool will be sufficient to achieve the Government's requirements.

### **CONSULTATION:**

- 9 The Chairman of the Pension Fund Committee has been consulted on the final response and has offered full support.

### **RISK MANAGEMENT AND IMPLICATIONS:**

- 10 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 were contained within the Council's final response to Government, shown in Annex 1.

### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

- 11 Financial implications within the parameters of possible cost to a local authority resulting directly from a government intervention are contained within the Council's final response set out in Annex 1.

### **DIRECTOR OF FINANCE COMMENTARY**

- 12 The Section 151 (Director of Finance) supports the final response to Government and the formation of a working group reference the final pooling submission for 15 July.

### **LEGAL IMPLICATIONS – MONITORING OFFICER**

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

### **EQUALITIES AND DIVERSITY**

- 14 An equality analysis will not be required as the response to Government is not a major policy, project or function being created or changed.

### **OTHER IMPLICATIONS**

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

### **WHAT HAPPENS NEXT:**

- 16 The following next steps are planned:
- Final approved Regulations from Government to be monitored.
  - Working Group to report to Pension Fund Committee on 11 July 2016.

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#### **Contact Officer:**

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

#### **Consulted:**

Pension Fund Committee Chairman

#### **Annexes:**

Annex 1: Final response to Government reference the LGPS Investment Regulations

#### **Sources/background papers:**

None

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