

## Transitional Pressures in the LGPS

### New Investment Regulations Transitioning to a Prudential Framework

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## The Unknown

As we know,  
there are known knowns.  
There are things we know we know.  
We also know  
there are known unknowns.  
That is to say,  
we know there are some things  
we do not know.  
But there are also unknown unknowns,  
the ones we don't know we don't know.

*Feb. 12, 2002, Department of Defence news briefing*

**Donald Rumsfeld**



## Policy Objectives

- Remove Schedule 1 – Prescription or Restriction?
  - Shift to a new prudential framework
  - Pave the way for new pooling arrangements
  - Greater local responsibility for policy/decision making
  - Ministerial safeguard
  - Simplification and consolidation
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## New Investment Regulations

### STATUTORY INSTRUMENTS

2016 No. 946

### PUBLIC SERVICE PENSIONS, ENGLAND AND WALES

#### The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

*Made - - - - - 21<sup>st</sup> September 2016*

*Laid before Parliament - - - - - 23<sup>rd</sup> September 2016*

*Coming into force - - - - - 1<sup>st</sup> November 2016*

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## New Investment Regulations

- What's in, what's out
  - Power of Direction ("the intervention power")
  - Investment Strategy Statement
  - The role of new statutory guidance
  - Who makes investment decisions?
  - Non financial factors in decision making
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## Investment Strategy Statements

- Published by 1<sup>st</sup> April 2017
  - Replaced Statement of Investment Principles
  - Must comply with DCLG statutory guidance
  - Reflects the new prudential framework
  - Evolution or revolution?
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## Investment Strategy Statements

- Invest in a wide range of investments
  - Suitability of investments
  - Approach to risk
  - Approach to pooling investments
  - Policy on ESG
  - Policy on exercise of voting rights
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## Localism v Central Intervention

- Prudential framework – fact or fiction?
  - Wide power of Direction
  - Intervention or Deterrent?
  - Main focus on achieving pooling agenda
  - But practical safeguard on investment function
  - LGPS has excellent track record
  - Removal of Schedule 1 reflects local approach
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## Conclusions

- Driven by the pooling agenda
  - Significant changes
  - Clear move away from central control
  - But not total freedom
  - With authority comes responsibility
  - No evidence that we should be concerned
  - Ministerial comfort blanket
  - Await referees decision – red card?
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## Questions?

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