

Mark Evans (Chartered MCIPD)
Pennaeth Gwasanaethau Busnes
Head of Business Services

Powys Pension Fund
County Hall
Llandrindod Wells
Powys.
LD1 5LG

LGPS Reform
DCLG
By Email

If calling please ask for / Os yn galw gofynnwch am

Joe Rollin

Tel / Ffôn: 01597 - 827641

Fax / Ffacs: 01597 - 826290

Website: www.powyspensionfund.org

Email /Ebost: joe.rollin@powys.gov.uk

Your ref / Eich cyf:

Our ref / Ein cyf: BS/PEN/JR

Date / Dyddiad: January 2016

Dear Sirs

LGPS REFORM CONSULTATION RESPONSE

I refer to the consultation documents issued on 25th November 2015 and hereby submit the formal response of the Powys Pension Fund.

The consultation specifically requested that consultees address a range of questions posed. In response, the Powys Pension Fund answers as follows:

Whilst the deregulation of investment matters is achievable through the proposed mechanism, there are concerns around the issue of prudence – particularly given that there is no freedom for administering authorities in reality, since failure to adhere to guidance will result in the intervention of the Secretary of State, even where the individual Fund liabilities may require a strategic investment approach that differs from that recommended by the guidance and therefore deemed unsuitable by the Secretary of State.

Given that the introduction of these changes are proposed to become effective from 1st April 2016, coinciding with a valuation year in England and Wales, it is considered that transitional arrangements lasting 12 months would aid Funds greatly.

There seems little need for the regulations to spell out that derivatives should only be used as a risk management tool when the guidance that is proposed to be issued with the regulations will have a statutory authority.

It is suggested that when the Secretary of State is determining whether or not an intervention is to be undertaken that he/she has due regard to and accepts evidence from, the specialist advisers used by the Fund concerned in making the decision that has given rise to the possible intervention.

In addition, I raise the following matters of concern / areas that require clarification:

- Is the Government clear about the role of elected members in the pooled fund structure? How can their responsibility be realistic when the continuity prevalent in current structures will be diluted and even broken?
- Will the Government provide assurances to cover infrastructure risk if LGPS assets are directed to fund national infrastructure projects?
- Given that LGPS assets have a specific role within the stewardship of the Scheme locally in matching liabilities, is the Government fully confident that the move to pooled structures will not undermine the Scheme's long-term viability?
- Is widespread LGPS investment in infrastructure projects in the best financial interests of pension beneficiaries – particularly now that national Scheme costs (investment return being a relevant factor) may dictate an increase in members' contribution rates or a reduction in accrual rates, via the cost-management mechanism?
- As the Secretary of State will agree/approve individual fund investment strategies; where a Fund is required by the Secretary of State to make changes and those changes result in a lesser return or a loss, will the Secretary of State be responsible for the financial consequences?
- What scope is there, if any, for a Wealth Fund of significantly less than £25bn in value, such as would result via the proposed Welsh CIV?
- Are there any plans for the devolution of LGPS matters to the Wales Assembly Government?

Finally, I can confirm that the Powys Pension Fund is content for this response to be published as part of the wider consultation process.

yours faithfully

County Councillor A G Thomas
Chair, Powys Pension Fund

