



Department for
Communities and
Local Government

Rt Hon George Howarth MP
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Our Ref:2198828

Dear George.

Thank you for your email of 10 March to the Rt Hon Greg Clark MP, about concerns raised by your constituents about investment decisions in the local government pension scheme. I am replying as the Minister responsible for the scheme in England and Wales.

You say that concerns have been expressed about the proposals we published in November for a new investment framework for the scheme, in particular, the power for the Secretary of State to intervene, is an attack on local democracy.

At present, asset allocation decisions made by the scheme's administering authorities are constrained by the scheme's investment regulations. Following recommendations made by a working group to examine the effectiveness of those regulations, the consultation we launched in November set out a model where administering authorities are significantly more responsible and accountable for decisions on the way that assets are allocated.

The proposed regulations would therefore strengthen local decision making and would no longer require administering authorities to have regard to central prescription on the way in which their assets are invested, provided that they act reasonably within the proposed framework. Where there is evidence to suggest that an authority is acting unreasonably, it may be appropriate for the Secretary of State to intervene, but only where this is justified and where all relevant parties have been fully consulted.

I can assure your constituents that this power of intervention is not intended to fetter the existing right of administering authorities to make investment decisions. They must, however, act lawfully and take decisions that are in the best long term interests of the fund and therefore of scheme members and taxpayers.

Yours sincerely,

MARCUS JONES MP