



**NEWSLETTER 84**

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## **Victory over LGPS ‘borrowing’ - LGPS Employer Borrowing from Pension Fund Account to End**

### **New LGPS (Management and Investment of Funds) Regulations 2009**

The new Regulations from the Department for Communities and Local Government realise that local authorities will no longer be able to borrow money from the local government pension scheme funds and will be forced to ring-fence assets in separate bank accounts.

The amended legislation will also ensure that pension fund assets are kept separate from general council funds, although this change will not be effective until April 2011 to allow authorities to bring their administration processes up to date.

The union has been campaigning to improve the governance of the LGPS and these changes would not have happened without UNISON’s intervention. Changes to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 will outlaw administering authorities from plundering pension funds for cash - something which has been illegal in the private sector since 2007.

While the changes are far from perfect, they are a step forward. From April 2010 the employers will not be able to borrow our money and pay us back with low interest rates, which is what they have been doing for years. According to our Capital Stewardship campaign which went through LGPS accounts, in the last financial year 63 councils borrowed a total of £2.75bn at interest rates equivalent to 0.33%. This returned a paltry £9m in return to the funds.

## **Purpose of investment**

The new Regulations now make it a legal obligation to invest fund money that is not immediately required to pay benefits. They also define what an investment is. The new Regulations also deal with new requirements for the appointment of fund managers, statements of investment principles, types and volumes of investment products.

## **The EU IORP Directive**

UNISON believes that the current governance and investment regulations of the LGPS still sit outside of European and UK law, particularly the requirements of Directive 2003/41/EC on the Activities and Supervision of Institutions for Occupational Retirement Provision (The IORP Directive).

No Government department has yet to concede that the LGPS is not an institution for occupation retirement provision, or that the Directive does not apply. There is just disagreement on what needs to be done.

UNISON is considering the next steps that need to be taken.

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