



*CCSG*

**DEPARTMENT OF HEALTH AND SOCIAL SECURITY**

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*From the Secretary of State for Social Services*

The Rt Hon Nicholas Ridley MP  
 Secretary of State for the Environment  
 Department of the Environment  
 2 Marsham Street  
 LONDON  
 SW1P 3EB

*NBRM*

*REC 6*

*3(1)*

*30* March 1988

*Dear Nicholas,*

**LOCAL GOVERNMENT SUPERANNUATION FUNDS: APPOINTMENT OF TRUSTEES AND INVESTMENT OF FUNDS**

*attached*

I have several comments to make on your memorandum E(A)(88)5, which is being cleared in correspondence following the cancellation of the meeting last month when we were to have discussed this item together with my memorandum on occupational pension schemes.

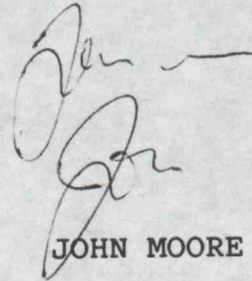
Firstly, I have some doubts about both the advisability and practicability of your proposal for external investment advisers to be appointed from a list approved by the Secretary of State. John Major has already pointed to some of the problems inherent in operating a list of approved investment advisers. I agree with his view, and I think there might be additional difficulties. For example, a local authority pension scheme's assets could be invested in accordance with the advice of an "approved" investment adviser, but the investment prove to be ill advised. As the local authority would be required to make good any resulting shortfall, it is not impossible that the authority might suggest that the Government should partly meet the deficit.

As an alternative, and addition, to your proposal for more frequent revaluations of the superannuation funds, you may like to consider the extension of some aspects of current pensions legislation to local government. Under DHSS legislation, pension schemes - other than public service schemes - have a statutory obligation to make triennial actuarial valuations and to produce annual audited accounts, which include the distribution of the scheme's investments. This information has to be made available to members and beneficiaries. The exclusion of public service schemes was agreed when the 1985 Social Security Bill was being drawn up, but it may be worth looking at the question again to consider whether local government superannuation funds should be made subject to the disclosures requirements.

**E.R.**

Finally, I am progressing in the light of comments from colleagues the formal remit to the Occupational Pensions Board to study the whole area of the balance between employers' interests and the protection of members rights, and in particular whether scheme trustees should be independent. The recommendations emerging from the OPB study may be of relevance to your interests as well as more generally.

I am copying this letter to the members of E(A) and to Sir Robin Butler.



JOHN MOORE