



Spatial Economics Research Centre

Friday, 13 April 2012

Local government pension schemes

Reporting of the (disputed) figures from the Tax Payer's Alliance on the [health of local government pensions](#) schemes reminded me of another issue debated at Wednesday's [Work Foundation event](#) on Local Economic Development: Should we be encouraging local government pension schemes to invest in local authority economic development projects? I can't be alone in wondering whether this is a 'very bad idea'.

The argument seems to go 'there's tons of money in these schemes, so why don't they invest some of it locally?' There are, unfortunately, two problems with that. While there may be 'tons' of money, they also have 'tons' of liabilities and at the moment the latter outweigh the former. To be fair, Local Authorities are trying to do something about this, with the LGA pointing to a reduction in the nominal deficit of £37bn as a signal that the "ticking time bomb is already being defused". Even so, arguably not a good moment to reinforce the problems by handing over money to LA leaders to spend on local schemes which could, if history is any guide, deliver some spectacularly risky projects with low returns?

If you think otherwise, try reading [Robert Peston](#) on how error, neglect, government tax raids and rule changes did for the vast majority of final salary schemes. I am not sure we want to add further to that sorry list.

Posted by [Prof Henry G. Overman](#) on [Friday, April 13, 2012](#)

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