STATUTORY INSTRUMENTS

1990 No. 2480

PENSIONS

The Local Government Superannuation (Investments) Regulations 1990

Made - - - -	*7th December 1990*
Laid before Parliament	*10th December 1990*
Coming into force -	*31st December 1990*

The Secretary of State, in exercise of the powers conferred on him by section 7 of the Superannuation Act 1972(a) and of all other powers enabling him in that behalf, after consultation with such associations of local authorities as appeared to him to be concerned, the local authorities with whom consultation appeared to him to be desirable and such representatives of other persons likely to be affected by the Regulations as appeared to him to be appropriate, hereby makes the following Regulations:–

Citation and commencement

1. These Regulations may be cited as the Local Government Superannuation (Investments) Regulations 1990 and shall come into force on 31st December 1990.

2.—(1) Regulation P3 of the Local Government Superannuation Regulations 1986(b) (use and investment of superannuation fund's moneys) shall be amended as follows.

(2) In paragraph (4), at the end of sub-paragraph (b), there shall be inserted the words "so as to result in more than 20% of that value being represented by investments in units or other shares of the investments subject to the trusts of unit trust schemes managed by any one body, or".

(3) For paragraph (6) there shall be substituted the following paragraphs–

"(5A) Subject to paragraph (5B), an administering authority may appoint one or more investment managers to manage and invest fund moneys on their behalf.

(5B) An administering authority shall not make an appointment under paragraph (5A) unless–

(a) they have considered the value of the fund moneys to be managed by the investment manager or, as the case may be, by each of the investment managers to be appointed, and are satisfied that it will not be excessive, having regard to proper advice, to the desirability of securing diversification of the management of the fund, and to the value of the assets of the fund; and

(b) the terms of the appointment–

(i) provide for the appointment to be terminable by not more than 1 month's notice given by the administering authority,

(a) 1972 c.11.
(b) S.I. 1986/24; regulation P3(4) was amended by S.I. 1989/371, regulation 18.

(ii) require the investment manager to provide the administering authority at least once every 3 months with a report setting out the action he has taken under the appointment;

(iii) require the investment manager to comply with such instructions as the administering authority may give;

(iv) require the investment manager to have regard to the need for diversification of investments of fund moneys, and to the suitability of investments of any description of investment which he proposes to make and of any investment proposed as an investment of that description;

(v) prohibit the investment manager from making investments which would contravene paragraph (4).

(5C) Where an administering authority have made an appointment under paragraph (5A) they shall, at least once every 3 months, review the investments made by the investment manager and from time to time consider the desirability of continuing or terminating the appointment.

(6) In the discharge of their functions under paragraph (1) an administering authority shall have regard–

(a) to the need for diversification of investments of fund moneys, and

(b) to the suitability of investments of any description of investment which they propose to make and of any investment proposed as an investment of that description, and

(c) to proper advice, obtained at reasonable intervals.

(6A) Where an administering authority appoint an investment manager under paragraph (5A) they shall have regard–

(a) in determining the terms of the appointment, to proper advice, and

(b) in exercising their functions under paragraph (5C)–

(i) to the need for diversification of investments of fund moneys,

(ii) to the suitability of investments of any description of investment which the investment manager has made and of any investment made as an investment of that description, and

(iii) to proper advice.".

(4) In paragraph (10)–

(a) after the definition of "companies", there shall be inserted the following–

""investment manager" means a person–

(a) who is authorised under the Financial Services Act 1986(a) and entitled by virtue of that authorisation to manage the assets of occupational pension schemes; or

(b) who–

(i) does not transact investment business (within the meaning of that Act) from a permanent place of business maintained by him in the United Kingdom and whose head office is situated in a member State other than the United Kingdom;

(ii) is recognised by the law of that member State as a national of that or another member State; and

(iii) is for the time being authorised under that law to engage in one or more of the activities falling within Part II of Schedule 1 to that Act, and is not precluded by that law from managing the assets of occupational pension schemes or assets belonging to another person,

and who is reasonably believed by the administering authority to be suitably qualified by his ability in and practical experience of financial

(a) 1986 c.60.

matters to make investment decisions on their behalf, but who is not an employee of that authority.";

(b) in the definition of "single holding", there shall be substituted for sub-paragraph (a) the following:

"(a) in securities of, or in loans to or deposits with, any one body, other than investments in unit trust schemes, or

(aa) in units or other shares of the investments subject to the trusts of any one unit trust scheme, or".

Signed by authority of the Secretary of State

Michael Portillo
Minister of State,
Department of the Environment

7th December 1990

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend regulation P3 of the Local Government Superannuation Regulations 1986, which regulates the manner in which superannuation funds may be invested.

The new paragraph (5A) expressly authorises administering authorities to appoint investment managers (as defined in the amended paragraph (10)) to manage and invest superannuation fund moneys on their behalf, provided that the appointment satisfies the conditions set out in paragraph (5B). Paragraphs (5C) and (6A) impose requirements for reviews of the appointment and investments made by the investment manager, and specify matters to be taken into account when determining the terms of appointment and conducting such reviews.

Paragraph (4) is amended to permit up to 20% of the value of a fund to be invested in unit trust schemes managed by any one person, but the existing 5% limit on any individual unit trust scheme is retained. The Regulations also make consequential amendments.