STATUTORY INSTRUMENTS

2005 No. 675

PENSIONS

The Pension Protection Fund (Statement of Investment Principles) Regulations 2005

Made - - - -	*10th March 2005*
Laid before Parliament	*16th March 2005*
Coming into force - -	*6th April 2005*

The Secretary of State for Work and Pensions, in exercise of the powers conferred upon him by sections 114(1)(b), (3) and (4), 315(2) and (5), and 318(1) of the Pensions Act 2004(**a**), and of all other powers enabling him in that behalf, by this instrument, which contains regulations made before the end of the period of six months beginning with the coming into force of the provisions of that Act by virtue of which they are made (**b**), hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Pension Protection Fund (Statement of Investment Principles) Regulations 2005 and shall come into force on 6th April 2005.

Review and revision of statement of investment principles

2.—(1) Subject to paragraph (2), the prescribed intervals for the purposes of section 114(1)(b) of the Pensions Act 2004 (investment principles) at which the Board must secure that the statement of investment principles is reviewed and if necessary revised are intervals not exceeding 12 months beginning with—

(a) in the case of the first review of that statement, the day that statement was prepared; or

(b) in the case of each subsequent review, the day that statement was last reviewed or, as the case may be, last revised, whichever is the later.

(2) The prescribed occasions on which the Board must secure that the statement of investment principles is reviewed and if necessary revised are when there has been a significant change in relation to any matter which —

(a) is contained in the statement of investment principles; and

(b) is included in that statement by virtue of regulation 4.

(**a**) 2004 c. 35. Section 318(1) is cited because of the meaning there given to "prescribed" and "regulations".

(**b**) *See* section 317 of the Pensions Act 2004 which provides that the Secretary of State must consult such persons as he considers appropriate before making regulations by virtue of the provisions of that Act (other than Part 8). This duty does not apply where regulations are made before the end of six months beginning with the coming into force of the provisions of that Act by virtue of which the regulations are made.

(3) For the purposes of paragraph (2) a "significant change" means a change which results in the statement of investment principles being materially inappropriate.

(4) For the purpose of paragraph (2) the review or revision must occur immediately after any such significant change.

Preparation or revision of statement of investment principles

3.—(1) The prescribed requirements that the Board must comply with for the purposes of section 114(3) of the Pensions Act 2004 before preparing or revising a statement of investment principles are that the Board shall obtain and consider the written advice of an individual or firm of a description specified in paragraph (2).

(2) An individual or firm shall be—

(a) an individual whom the Board is satisfied has the appropriate knowledge and experience for providing advice to the Board on the preparation or, as the case may be, revision of a statement of investment principles; or

(b) a firm that the Board is satisfied has arrangements in place to secure that any individual who will provide advice to the Board on the preparation or, as the case may be, revision of a statement of investment principles will, at the time he provides that advice, have the appropriate knowledge and experience for providing that advice.

Form and content of statement of investment principles

4.—(1) A statement of investment principles shall be in writing.

(2) The prescribed matters which a statement of investment principles shall cover for the purposes of ensuring the prudent management of the Board's financial affairs are—

(a) the impact of the nature of the Board's actual and potential liabilities on its investment strategy;

(b) the kinds of investments which are included in the Board's investment strategy;

(c) the balance between different kinds of investments;

(d) risk measurement and management including the Board's approach to diversification within its risk management strategy;

(e) the expected return on investments;

(f) the realisation of investments;

(g) the extent, if at all, to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;

(h) the Board's policy (if any) in relation to the exercise of the rights (including voting rights) attaching to investments; and

(i) the Board's policy for securing compliance with the requirements of section 113 of the Pensions Act 2004 (Investment of Funds).

Signed by authority of the Secretary of State for Work and Pensions

Malcolm Wicks
Minister of State,
Department for Work and Pensions

10th March 2005

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision relating to a statement of investment principles which the Board of the Pension Protection Fund is required to prepare, review and if necessary revise in accordance with section 114 of the Pensions Act 2004 (c. 35).

The Board of the Pension Protection Fund is established by section 107 of the Pensions Act 2004 to provide compensation for members of certain occupational pension schemes in the event of the insolvency of the scheme's sponsoring employer and where the pension scheme is underfunded at a certain level.

Regulation 2 prescribes the intervals at and the occasions on which the statement is to be reviewed and if necessary revised.

Regulation 3 prescribes the requirements with which the Board must comply before it prepares or revises a statement.

Regulation 4 makes provision as to the form and content of the statement.

As these Regulations are made before the expiry of the period of six months beginning with the coming into force of the provisions of the Pensions Act 2004 by virtue of which they are made, the requirement for the Secretary of State to consult such persons as he considers appropriate does not apply.

A full regulatory impact assessment has not been produced for this instrument as it has no impact on the costs of business.

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