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SCOTTISH STATUTORY INSTRUMENTS

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**2003 No. 138**

**PENSIONS**

**The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Amendment Regulations 2003**

<i>Made</i>	- - - -	<i>5th March 2003</i>
<i>Laid before the Scottish Parliament</i>	- - - -	<i>6th March 2003</i>
<i>Coming into force</i>	- -	<i>31st March 2003</i>

The Scottish Ministers, in exercise of the powers conferred by section 7 of the Superannuation Act 1972<sup>(1)</sup> and of all other powers enabling them in that behalf, after consultation with such associations of local authorities as appeared to them to be concerned and such representatives of other persons likely to be affected by the proposed regulations as appeared to them to be appropriate, and not having considered consultation with any individual local authority to be desirable, all in accordance with section 7(5) of that Act, hereby make the following Regulations:

**Citation, commencement and extent**

1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Amendment Regulations 2003.

(2) These Regulations shall come into force on 31st March 2003.

(3) These Regulations extend to Scotland only.

**Amendment of Regulations**

2. The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998 (“the principal Regulations”)<sup>(2)</sup> are amended in accordance with regulations 3 to 5 of these Regulations.

**Statement of investment principles**

3. In regulation 9A<sup>(3)</sup> of the principal Regulations—

(a) insert a new paragraph after paragraph (3) as follows:—

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(1) 1972 c. 11. The functions of the Secretary of State were transferred to the Scottish Ministers by virtue of the Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc.) Order 1999 (S.I. 1999/1750).  
(2) S.I. 1998/2888; amended by S.S.I.2000/74 and 2001/23, and by articles 256 to 259 of S.I. 2001/3649.  
(3) Regulation 9A was inserted into S.I. 1998/2888 by regulation 5 of S.S.I. 2000/74.

“(3A) A statement published after 30th June 2003 must also—

(a) state the extent to which the administering authority comply with the ten principles of investment practice set out in the document published in April 2002 by CIPFA, the Chartered Institute of Public Finance and Accountancy, and called “CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom (Guidance note issue No. 5)”<sup>(4)</sup>; and

(b) give the reasons for not complying where they do not do so.”; and

(b) in paragraph (4), for “paragraph (2)” substitute “paragraphs (2) and (3A)”.

### **Schedule 1 – Limits on investments**

4.—(1) In paragraph 10 of Part 1 of Schedule 1, for “All insurance contracts” substitute “Any single insurance contract”.

(2) In Part III of Schedule 1, for the definition of “open-ended investment company” substitute—  
““open-ended investment company” means an open-ended investment company as defined in section 236 of the Financial Services and Markets Act 2000<sup>(5)</sup> which is an undertaking for collective investment schemes to which the Council Directive No. 85/611/EEC<sup>(6)</sup> co-ordinating the laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended, applies;”.

### **Transitional provision**

5. Nothing in these Regulations requires an administering authority which has published a statement under regulation 9A of the principal Regulations (as in force immediately before the date on which these Regulations come into force) to prepare a new statement but they must revise the statement which they have published so as to include the matters referred to in regulation 9A(3A) of the principal Regulations and publish the revised statement by 30th June 2003.

St. Andrew’s House. Edinburgh  
5th March 2003

*ANDREW P KERR*  
A member of the Scottish Executive

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<sup>(4)</sup> Published by CIPFA, The Chartered Institute of Public Finance and Accountancy, 3 Robert Street, London WC2N 6RL.

<sup>(5)</sup> 2000 c. 8.

<sup>(6)</sup> O.J. No. L 375, 31.12.85, p.3-18, as amended.

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998 (“the principal Regulations”).

Regulation 3 inserts in the principal Regulations a new provision requiring each administering authority to publish a written statement of investment principles. The provision requires that such a statement must set out the extent to which the administering authority comply with the ten principles of investment practice contained in the document published in April 2002 by CIPFA, the Chartered Institute of Public Finance and Accountancy, and called “CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Scheme in the United Kingdom (Guidance note issue No. 5)”. Each administering authority must publish, by no later than 30th June 2003, their policy on the extent to which they comply with the ten principles and give their reasons where they do not comply.

The Guidance Note can be purchased from CIPFA, 3 Robert Street, London WC2N 6RL, tel 020 7543 5605. The publication costs £50 to members of the public, £25 to local authorities and £12.50 to an administering authority.

The ten investment principles were issued by the Government in October 2001 in response to proposals in the Myners Review of Institutional Investment in the United Kingdom, issued in March 2001. Further information about these can be obtained from HM Treasury Public Enquiry Unit, tel 020 7270 4558 or from HM Treasury’s web site [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

Regulation 4 amends the limit on investments in insurance contracts from 25% for all such contracts to 25% for any one such contract, the limit being calculated by reference to the total value of the fund at the date that the investment is made. It also inserts a new definition of “open-ended investment company” in the principal Regulations to correct amendments made in error by the Financial Services and Markets Act 2000 (Consequential Amendments and Repeals) Order 2001 (S.I.2001/3649).

Regulation 5 provides that where an administering authority have already published a statement under regulation 9A, they are not required to prepare and publish a new statement but they must amend their existing published statement by 30th June 2003.