
STATUTORY INSTRUMENTS

2003 No. 2719

PENSIONS, ENGLAND AND WALES

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

Made - - - - *21st October 2003*
Laid before Parliament *29th October 2003*
Coming into force - - *19th November 2003*

The Secretary of State, in exercise of the powers conferred on him by section 7 of the Superannuation Act 1972(1) 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, commencement and extent

- 1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2003.
- (2) These Regulations shall come into force on 19th November 2003.
- (3) The Regulations extend only to England and Wales(2).

Amendment of Regulations

2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998(3) shall be amended in accordance with regulation 3 of these Regulations.

Restrictions on investments

- 3.—(1) In regulation 11, for paragraph (2) substitute—

(1) 1972 c. 11.
(2) The Secretary of State's functions under section 7 of the Superannuation Act 1972 in so far as they were exercisable in relation to Scotland were devolved to Scottish Ministers by section 63 of the Scotland Act 1998 (1998 c. 46) and article 2 of, and Schedule 1 to, the Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc.) Order 1999 (S.I.1999/1750).
(3) S.I. 1998/1831; the relevant amending instruments are S.I. 1999/3259, 2000/2552, 2001/3649 and 2002/1852.

“(2) Subject to paragraph (2A), the percentages set out in Column 1 of Part I are the limits on the amount of each description of investment listed next to those percentages.

(2A) An administering authority may decide to increase those limits up to the limits set out in Column 2 of Part I (where a percentage is specified in that Column) in accordance with the requirements of regulation 11A.”.

(2) After regulation 11 insert—

“Requirements for increased limits

11A.—(1) An administering authority which decides to increase limits under regulation 11(2A) must comply with the requirements of this regulation.

(2) They must have taken proper advice.

(3) They must take account of the factors set out in regulation 9(3).

(4) The decision must specify—

(a) the description of investment to which it applies;

(b) the limit on the amount of the investment;

(c) the reason for that decision;

(d) the period for which the decision will apply;

(e) if the authority intend to review the decision before the end of the period in (d), the date when the decision will be reviewed; and

(f) that the decision complies with these Regulations.

(5) Where the period for which the decision will apply comes to an end, the limits will be those set out in Column 1 of Part I unless before the end of that period the administering authority reviews the decision in accordance with this regulation.

(6) A decision following a review to continue to use limits increased under regulation 11(2A), whether or not the increased limits have been altered, must—

(a) take account of the matters set out in paragraphs (2) and (3); and

(b) specify the matters set out in paragraph (4).

(7) Before a decision under regulation 11(2A) or paragraph (6) can take effect, the administering authority must revise and publish the written statement of investment principles which they are required to maintain under regulation 9A to include the matters specified in paragraph (4).”.

(3) For Part I of Schedule 1 substitute Part I as set out in the Schedule to these Regulations.

Signed by authority of the Secretary of State

21st October 2003

Phil Hope
Parliamentary Under Secretary of State,
Office of the Deputy Prime Minister

SCHEDULE

Regulation 3(3).

PART I

	<i>Column (1)</i> <i>Limits under regulation 11(2)</i>	<i>Column (2)</i> <i>Increased limits under regulation 11(2A)</i>
1. Any single sub-underwriting contract.	1%	5%
2. All contributions to any single partnership.	2%	5%
3. All contributions to partnerships.	5%	15%
4. All deposits with—	10%	—
(a) any local authority, or		
(b) any body with power to issue a precept or requisition to a local authority, or to the expenses of which a local authority can be required to contribute,		
which is an exempt person (within the meaning of the Financial Services and Markets Act 2000 ⁽⁴⁾) in respect of accepting deposits as a result of an order made under section 38(1) of that Act, and all loans (but see paragraph 12).		
5. All investments in unlisted securities of companies.	10%	15%
6. Any single holding (but see paragraphs 13 and 14).	10%	—
7. All deposits with any single bank, institution or person (other than the National Savings Bank).	10%	—
8. All sub-underwriting contracts.	15%	—

⁽⁴⁾ 2000 c. 8.

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	<i>Column (1)</i> <i>Limits under regulation 11(2)</i>	<i>Column (2)</i> <i>Increased limits under regulation 11(2A)</i>
9. All investments in units or other shares of the investments subject to the trusts of unit trust schemes managed by any one body (but see paragraph 14).	25%	35%
9A. All investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by any one body.	25%	35%
9B. All investments in units or other shares of the investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body (but see paragraph 14).	25%	35%
10. Any single insurance contract.	25%	35%
11. All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements.	25%	—

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend regulation 11 of, and Part I of Schedule 1 to, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (the “principal Regulations”), which set down the limits for the different types of pension fund investments. The amendments allow an administering authority to increase those limits up to the specified amounts. When deciding to increase limits, or reviewing previously increased limits, the administering authority must take account of proper advice and of the factors in regulation 9(3) of the principal Regulations (the advisability of investing fund money in a wide variety of investments and the

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suitability of particular investments and types of investments). A decision to increase limits, or to continue to use previously increased limits, must specify certain matters and those matters must be published in a revised statement of investment principles before the increased limits can take effect.