STATUTORY INSTRUMENTS

1998 No. 1831

The Local Government Pension Scheme(Management and Investment of Funds) Regulations 1998

Management of pension fund

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5.—(1) This regulation is about the sums which an administering authority must pay or credit to and may pay from the pension fund administered by them.

(2) They must pay or credit to their pension fund, in addition to any other sum the 1997 regulations specify must be paid or credited to the fund—

(a) the amounts payable by them or paid to them for the credit of the fund by any other authority under regulations 79 and 80 of the 1997 regulations (employers' contributions) or by virtue of the Transitional Regulations,

(b) all members' contributions except contributions payable under regulations 61 and 68 of the 1997 regulations (additional voluntary contributions),

(c) all income arising during the year from investment of the fund,

(d) all capital money deriving from such investment, and

(e) all additional payments received by the authority under the 1997 regulations or the Transitional Regulations.

(3) In the case of an administering authority which maintains more than one pension fund, as respects sums which relate to specific members the references in paragraph (2) to the authority's fund are to the fund which is the appropriate fund for the members in question in accordance with Schedule 5 to the 1997 regulations.

(4) Interest under regulation 82(1) of the 1997 regulations must be credited and paid to the fund to which the overdue payment is due.

(5) Interest paid under regulation 21 of the Transitional Regulations (early retirement of chief officers) must be paid to the fund from which the benefits in question are payable.

(6) Any costs, charges and expenses incurred administering a pension fund (except those incurred in connection with a FSAVC scheme) may be paid from it.

Choice of investment managers

6.—(1) Instead of managing and investing fund money for themselves, an administering authority may appoint one or more investment managers to manage and invest it for them.

(2) But they may only appoint an investment manager if they comply with paragraphs (3) to (6).

(3) They must reasonably believe that the investment manager is suitably qualified by his ability in and practical experience of financial matters to make investment decisions for them.

(4) The investment manager must not be their employee.

(5) They must be satisfied—

(a) that the fund is managed by an adequate number of investment managers; and

(b) that the value of the fund money to be managed by any one investment manager will not be excessive.

(6) They must have taken proper advice.

Terms of appointment of investment managers

7.—(1) Investment managers must, if appointed, be appointed on the terms set out in paragraphs (2) to (7).

(2) The administering authority must be able to terminate the appointment by not more than one month's notice.

(3) The investment manager must report to the administering authority at least once every three months on the action he has taken for them.

(4) The investment manager must comply with all the administering authority's instructions.

(5) In managing the fund the investment manager must take into account—

(a) that fund money must be invested in a wide variety of investments,

(b) the suitability of those types of investment for the fund, and

(c) the suitability of any particular investment of that type.

(6) But paragraph (5)(a) does not apply where the investment manager only manages part of the fund and the terms of his appointment provide that it does not apply.

(7) The investment manager must not make investments which would contravene regulation 11 or Schedule 1.

(8) In determining the investment manager's terms of appointment, the administering authority must take proper advice.

Review of investment manager's performance

8.—(1) Where an administering authority have appointed an investment manager they must keep his performance under review.

(2) At least once every three months they must review the investments he has made.

(3) Periodically they must consider whether or not to retain him.

(4) In reviewing an investment manager's decisions and appointment, an administering authority must take proper advice—

(a) if regulation 7(5)(a) applies, about the variety of the investments he has made, and

(b) about the suitability of those investments for the fund generally and as investments of their type.