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STATUTORY INSTRUMENTS

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**1998 No. 1831**

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

*Preliminary*

**Citation and commencement**

- 1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.
- (2) These Regulations shall come into force on 19th August 1998.

**General definitions**

2. In these Regulations—

- “the 1997 regulations” means the Local Government Pension Scheme Regulations 1997(1);
- “administering authority” means a body required to maintain a pension fund under the 1997 regulations;
- “European authorised institution” and “European institution” have the same meanings as in the Banking Co-ordination (Second Council Directive) Regulations 1992(2);
- “FSAVC scheme” is a scheme approved by virtue of section 591(2)(h) of the Taxes Act;
- “fund money” means money in the pension fund maintained by an administering authority;
- “home-regulated investment business” has the same meaning as in the Banking Co-ordination (Second Council Directive) Regulations 1992;
- “limited partner” means a person who is not liable for the debts or obligations of a partnership beyond the amount he contributed at the time he became a partner;
- “member” has the same meaning as in section 124(1) of the Pensions Act 1995(3);
- “proper advice”, in relation to an administering authority, means the advice of a person who is reasonably believed by them to be qualified by his ability in and practical experience of financial matters (including any suitable officer of theirs);
- “recognised stock exchange” has the same meaning as in section 84(1) of the Taxes Act;
- “relevant institution” means—
- (a) the Bank of England,
  - (b) an institution authorised under Part I of the Banking Act 1987(4) (regulation of deposit-taking business),

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(1) S.I.1997/1612, to which there are amendments not relevant to these Regulations.  
(2) S.I. 1992/3218.  
(3) 1995 c. 26.  
(4) 1987 c. 22.

- (c) a person to whom the restriction on acceptance of deposits in section 3 of that Act does not apply because he is specified in Schedule 2 to that Act (central banks etc.), or
- (d) a European authorised institution which has lawfully established a branch in the United Kingdom for the purpose of accepting deposits;

“securities” includes shares, stock and debentures;

“stock lending arrangement” means an arrangement such as is mentioned in section 263B of the Taxation of Chargeable Gains Act 1992<sup>(5)</sup>;

“sub-underwriting contract” means a contract with a person who is underwriting a share issue to acquire the shares from him if he requires it;

“Taxes Act” means the Income and Corporation Taxes Act 1988<sup>(6)</sup>;

“traded option” means an option quoted on a recognised stock exchange or on the London International Financial Futures Exchange;

“Transitional Regulations” means the Local Government Pension Scheme (Transitional Provisions) Regulations 1997<sup>(7)</sup>;

“unquoted securities investment partnership” means a partnership for investing in securities which are normally not quoted on a recognised stock exchange when the partnership buys them.

### **Definition of “investment”**

3.—(1) In these Regulations “investment” and similar expressions have their normal meaning.

(2) But the following provisions of this regulation specify things which count as investments for these Regulations, although they might not otherwise do so, and exclude things which might otherwise count.

(3) A contract entered into in the course of dealing in financial futures or traded options is an investment.

(4) If the administering authority use fund money for any purpose for which they may borrow money, that counts as an investment.

(5) An insurance contract is an investment if and only if the contract is made with a person within paragraph (6) for whom making the contract is business within class III or class VII in Schedule 1 to the Insurance Companies Act 1982<sup>(8)</sup> (linked long term and pension fund management business).

(6) The persons within this paragraph are—

- (a) a person whom that Act permits to carry on such business, and
- (b) an insurance company which, because it has its head office in a member State, is permitted under the law of such a State to carry on insurance business of a similar sort.

(7) A stock lending arrangement is an investment if and only if, in respect of it, the conditions in regulations 5.58 and 5.60 of Section L of the Financial Services (Regulated Schemes) Regulations 1991 are complied with, modified as specified in paragraph (8).

(8) Those modifications are—

- (a) for the references in regulation 5.58 to section 129 of the Income and Corporation Taxes Act 1988 substitute a reference to section 263B of the Taxation of Chargeable Gains Act 1992;

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(5) 1992 c. 12.  
(6) 1988 c. 1.  
(7) S.I. 1997/1613.  
(8) 1982 c. 50.

- (b) delete paragraphs 1a, 1c(ii) and 2b;
  - (c) for the references in both those regulations to the trustee, substitute a reference to the administering authority; and
  - (d) for the reference in paragraph 1c(iii) of regulation 5.58 to Guidance of the Board, substitute a reference to Guidance Release 4/91 issued by the Securities and Investments Board in June 1991.
- (9) It is an investment to contribute to a limited partnership in an unquoted securities investment partnership.
- (10) A sub-underwriting contract is an investment.

**Definition of “investment manager”**

4.—(1) This regulation describes those persons who count as an “investment manager” for these Regulations.

(2) A person is an investment manager if he is authorised under the Financial Services Act 1986(9) to manage the assets of occupational pension schemes.

(3) A person is also an investment manager if he—

- (a) does not transact investment business (within the meaning of that Act) from a permanent place of business maintained by him in the United Kingdom;
- (b) has a head office situated outside the United Kingdom in a member State;
- (c) is recognised by the law of that State as a national of a member State;
- (d) is authorised under that law to engage in one or more of the activities specified in Part II of Schedule 1 to the Financial Services Act 1986 (which lists different sorts of investment business); and
- (e) is not prevented by that law from managing the assets of occupational pension schemes or assets belonging to another person.

(4) A European institution carrying on home-regulated investment business in the United Kingdom is also an investment manager.

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(9) 1986 c. 60.