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STATUTORY INSTRUMENTS

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**1986 No. 24**

**The Local Government Superannuation Regulations 1986**

**PART P**

**SUPERANNUATION FUNDS AND PAYMENTS BY AUTHORITIES**

**Superannuation funds**

**P1.** The superannuation funds maintained immediately before 1st March 1986 under the Local Government Superannuation Regulations 1974 to 1984(1)—

- (a) by every county council,
- (b) by the Greater London Council,
- (c) by the Common Council,
- (d) by every London borough council, and
- (e) by the Severn-Trent Water Authority,

shall be maintained by those bodies for the purposes of these regulations.

**Management of superannuation fund**

**P2.** Every administering authority shall in each year carry and credit to their superannuation fund—

- (a) the amounts contributed during the year by pensionable employees entitled to participate in the benefits of the fund,
- (b) the amounts payable by scheduled bodies under regulation P7,
- (c) all dividends and interest arising during the year out of the investment or use of moneys forming part of the fund, and any capital moneys resulting from the realisation of investments or from the repayment of moneys used temporarily for other authorised purposes,
- (d) the amount of any additional contributory payments received by the administering authority under these regulations, and
- (e) any other sum which the administering authority may become liable to carry to the fund under these regulations.

**Use and investment of superannuation fund's moneys**

**P3.—**(1) Subject to paragraphs (3) to (7), an administering authority—

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(1) S.I. 1974/520, 1977/1121, 1845, 1978/266, 822, 1738, 1739, 1979/2, 592, 1534, 1980/216, 233, 234, 1981/1250, 1509, 1982/908, 1514, 1983/178, 1268, 1269, 1270, 1271, 1984/201.

- (a) shall invest any moneys forming part of the superannuation fund maintained by them (“fund moneys”) that are not for the time being required to meet payments to be made out of the fund under these regulations, and
  - (b) may vary the manner in which any fund moneys are for the time being invested.
- (2) For the purposes of this regulation and of regulation P2(c), investment includes—
- (a) any contract which by virtue of section 45 of the Finance Act 1984<sup>(2)</sup> (extension of pension schemes' tax exemptions to dealings in financial futures and traded options) is to be regarded as an investment for the purposes of the enactments referred to in that section, and
  - (b) use by the administering authority for any purpose for which they have a statutory borrowing power.
- (3) On the total from day to day of any fund moneys used by them and for the time being not repaid an administering authority shall pay interest to the fund at a rate no lower than the lowest rate at which that amount could have been borrowed by them at arms' length, otherwise than by way of overdraft from a bank, at 7 days' notice.
- (4) An administering authority shall not—
- (a) make any investment in securities of companies other than listed securities so as to cause the total value of such investments (except investments made in accordance with a scheme under section 11 of the Trustee Investments Act 1961<sup>(3)</sup>) to exceed 10% of the value at the time of all investments of fund moneys, or
  - (b) make any investment, other than—
    - (i) an investment made in accordance with a scheme under section 11 of the Trustee Investments Act 1961, or
    - (ii) an investment falling within paragraph 1 of Part I or paragraph 1 or 2 of Part II of the First Schedule to that Act, or
    - (iii) a deposit with a bank, institution or person falling within section 2 of the Banking Act 1979<sup>(4)</sup>,
 so as to result in more than 5% of the value at the time of all investments of fund moneys being represented by a single holding, or
  - (c) make any deposit falling within sub-paragraph (b)(iii) so as to bring the aggregate of fund moneys deposited with any one bank, institution or person other than the National Savings Bank to an amount which exceeds 10% of the value at the time of all investments of fund moneys, or
  - (d) lend to any person other than Her Majesty's Government in the United Kingdom or the Government of the Isle of Man, or use as mentioned in paragraph (2), or deposit with a person specified in paragraph 13 or 14 of Schedule 1 to the Banking Act 1979, any further fund moneys so as to bring the aggregate of all fund moneys so lent, used or deposited to an amount which exceeds 10% of the value at the time of all investments of fund moneys.
- (5) For the purposes of paragraph (4)(d) moneys are not lent if they are—
- (a) invested in registered securities to which section 1 of the Stock Transfer Act 1963<sup>(5)</sup> applies or in listed securities, or

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(2) 1984 c.43.

(3) 1961 c.62.

(4) 1979 c.37.

(5) 1963 c.18; section 1 was amended by virtue of the Interpretation Act 1889 (c.63), section 38(1), and by the Finance Act 1964 (c.49), section 26(7) and Schedule 9, and the Post Office Act 1969 (c.48), section 108(1)(f).

(b) deposited with a bank or institution falling within section 2(1)(a) to (c) of the Banking Act 1979, or a person specified in paragraphs 1 to 12 of Schedule 1 to that Act.

(6) In the discharge of their functions under this regulation an administering authority shall have regard—

- (a) to the need for diversification of investments of fund moneys,
- (b) to the suitability of investments of any description of investment proposed and of any investment proposed as an investment of that description, and
- (c) to proper advice, obtained at reasonable intervals.

(7) Paragraph (6)(c) does not apply where functions under this regulation are lawfully discharged, under arrangements made under section 101 of the Local Government Act or otherwise, by an officer who is competent to give proper advice.

(8) Where any fund moneys are used as mentioned in paragraph (2), sub-paragraphs (2) and (4) of paragraph 19 of Schedule 13 to the Local Government Act (repayment of money used, and deemed exercise of the statutory power to borrow) shall apply as they apply in the case of money so used under that paragraph; but except as aforesaid that paragraph shall not apply to a superannuation fund maintained under these regulations.

(9) An administering authority may pay out of fund moneys any costs, charges and expenses incurred by them in the discharge of their functions under this regulation.

(10) For the purposes of this regulation—

“companies” includes companies established under the law of any territory outside the United Kingdom;

“listed securities” means securities in respect of which a listing has been granted and not withdrawn—

- (a) on a stock exchange in the United Kingdom which is a recognised stock exchange within the meaning of the Prevention of Fraud (Investments) Act 1958(6), or
- (b) on a stock exchange outside the United Kingdom of international repute;

“proper advice” means the advice of a person, including an officer of theirs, who is reasonably believed by the administering authority to be qualified by his ability in and practical experience of financial matters;

“securities” includes shares, stock and debentures;

“single holding” means investments—

- (a) in securities of, or in units or other shares of the investments subject to the trusts of unit trust schemes managed by, or in loans to or deposits with, any one body, or
- (b) in the acquisition, development or management of, or in any advance of money upon the security of, any one piece of land, or
- (c) in the acquisition of any one chattel;

and the value at any time of all investments of fund moneys is to be taken to include the amount of any fund moneys used as mentioned in paragraph (2)(b) and for the time being not repaid.

#### **Accounts and audit**

**P4.** As soon as may be after any audit of their superannuation fund an administering authority shall send each body whose employees contribute to the fund copies of the revenue account and balance sheet of the fund and of any report by the auditor.

### **Periodical valuation of superannuation fund**

**P5.**—(1) Every administering authority shall obtain an actuarial valuation of the assets and liabilities of their superannuation fund as at 31st March in the year 1989 and in every fifth year thereafter, together with a report by the actuary, and shall for that purpose provide the actuary with the consolidated revenue account of the fund and such other information as he may require.

(2) Unless the Secretary of State allows an extended period, the valuation and report are to be obtained within 21 months from the date as at which the valuation is made.

- (3) Forthwith upon receiving any such valuation and report an administering authority shall—
- (a) send copies of them to the Secretary of State and to each body whose employees contribute to the fund,
  - (b) send the Secretary of State a copy of the consolidated revenue account with which the actuary was provided, and
  - (c) unless the report contains a summary of the assets of the fund at the date as at which the valuation was made, send the Secretary of State such a summary.

### **Actuary's certificates**

**P6.**—(1) Every administering authority shall as soon as is reasonably practicable after obtaining a valuation under regulation P5 obtain from the same actuary a certificate specifying—

- (a) the common rate of employer's contribution, and
- (b) any individual adjustments,

for each year of the period of 5 years beginning with 1st April third following the date as at which the valuation was made.

(2) The common rate of employer's contribution is the percentage of their pensionable employees' remuneration which should in the actuary's opinion be paid to the fund, so as to ensure its solvency, by all bodies whose employees contribute to it, having regard to—

- (a) the existing and prospective liabilities of the fund arising from circumstances common to all those bodies, and
- (b) the desirability of maintaining as nearly constant a rate as possible.

(3) An individual adjustment is any percentage or amount by which in the actuary's opinion contributions at the common rate should in the case of a particular body be increased or reduced having regard to existing or prospective—

- (a) liabilities of the fund, or
- (b) benefits accruing to the fund,

arising from circumstances peculiar to that body.

(4) Forthwith upon receiving a certificate under this regulation an administering authority shall send a copy of it to the Secretary of State and to each body whose employees contribute to the fund.

- (5) If—
- (a) the common rate of employers' contribution specified for the first year of the period to which a certificate under this regulation (“the new certificate”) relates (“the new rate”) is less than the common rate for the last year of the period (“the preceding period”) to which the preceding certificate under this regulation or regulation B8 of the 1974 regulations (“the old certificate”) relates (“the old rate”), and
  - (b) the new certificate has been obtained more than 6 months before the end of the preceding period,

the old certificate shall, if the actuary and the administering authority so agree, have effect for the last year of the preceding period with the substitution of the new rate for the old rate.

### **Employer's contributions**

**P7.—(1)** A scheduled body shall contribute to the appropriate superannuation fund in each year of any period of 5 years for which a certificate is required to be obtained under regulation P6 a sum equal to the remuneration on which contributions have during that year been paid to the fund under regulation C2 or C3 by their employees multiplied by the common rate of employer's contribution specified under regulation P6(1)(a) for that year, increased or, as the case may be, reduced in accordance with any individual adjustment specified for the year in respect of the body under regulation P6(1)(b).

(2) A scheduled body shall, during each year of every such period as is mentioned in paragraph (1), pay to the appropriate superannuation fund at the end of each of the intervals determined under regulation P10, on account of the sum required by paragraph (1) to be paid in that year, a sum equal to the remuneration on which contributions have during the interval been paid to the fund under regulation C2 or C3 by their employees multiplied by the common rate of employer's contribution specified under regulation P6(1)(a) for that year, increased or, as the case may be, reduced by—

(a) any percentage, or

(b) a part, proportionate to the length of the interval, of any amount expressed in money terms, that has been specified as an individual adjustment for the year in respect of the body under regulation P6(1)(b).

(3) If all or part of any sum due under paragraph (2) remains unpaid at the end of the period of one month after the date on which it becomes due, the administering authority may require the employing authority to pay interest, calculated at the standard rate on a day to day basis from the due date of payment to the date of payment, and compounded with 3-monthly rests, on the amount remaining unpaid.

(4) Interest paid under paragraph (3) shall be carried to the appropriate superannuation fund.

### **Employer's additional contributions**

**P8.** Where immediately before 1st March 1986 any payments remained to be made by an employee under regulation D10 (added years) or D11 (payments under former regulations for added years) of the 1974 regulations, his employing authority shall, so long as he remains in their employment, pay to the appropriate superannuation fund—

(a) contributions equal to the amounts payable by the employee under regulation C9(2), or

(b) where the amounts payable by the employee—

(i) were reduced under proviso (ii) to regulation 12(3) of the Benefits regulations or the proviso to paragraph 1 of Schedule 6 to the 1974 regulations, or

(ii) were or are reduced by virtue of the payment of a lump sum under Schedule 4 to the 1974 regulations or Schedule 7 to these regulations,

contributions equal to the amounts that would have been payable by the employee but for the reduction.

### **Employer's further payments**

**P9.** Any extra charge on the appropriate superannuation fund resulting from—

- (a) a determination under regulation D4 of the 1974 regulations (previous employment under an officer to be treated as non-contributing service); or
- (b) a resolution under regulation D9 of the 1974 regulations (non-contributing service to be treated as contributing service), or
- (c) a resolution under regulation D14 or GS of the 1974 regulations or regulation D7 of these regulations (increase of reckonable service), or
- (d) an additional benefit granted under regulation E13 of the 1974 regulations or regulation E13 of these regulations (additional benefits for female nursing staff),

shall be repaid to the fund by the scheduled body concerned.

### **Payments by employing authorities to administering authorities**

**P10.**—(1) Every scheduled body who are not an administering authority shall pay to the appropriate administering authority, at such intervals of not more than 12 months as that authority may determine—

- (a) all amounts from time to time deducted from the remuneration of their pensionable employees under these regulations,
- (b) any amount received by them under regulation C4, by deduction from remuneration or otherwise, during the interval,
- (c) any extra charge payable under regulation P9 the amount of which has been notified to them by the administering authority during the interval, and
- (d) a contribution towards the cost of the administration of the fund.

(2) The annual amount of the contributions payable under paragraph (1)(d) is to be agreed between the body concerned and the administering authority or, in default of agreement, determined by the Secretary of State.

(3) Payments made in pursuance of, and interest paid under paragraph (6) on sums due under, paragraph (1)(a) to (c) shall be carried to the appropriate superannuation fund.

(4) Subject to paragraph (5), every payment under paragraph (1)(a) is to be accompanied by a statement showing—

- (a) the name and remuneration of each of the pensionable employees in relation to whom the payment is made,
- (b) the amounts comprised in the payment which represent deductions from the remuneration of each of those employees and the periods in respect of which the deductions were made,
- (c) the amount of the remuneration of those employees from or in respect of whom deductions have not been made, and
- (d) the names of any pensionable employees from whose remuneration no deductions have been made.

(5) An administering authority may direct that, instead of complying with paragraph (4), the bodies making payments to them under paragraph (1)(a) are to provide them with the information mentioned in paragraph (4) in such form, and at such intervals of not more than 12 months, as may be specified in the direction.

(6) If all or part of any sum due under the provisions of this regulation remains unpaid at the end of the period of one month after the date on which it becomes due, the administering authority may require the body concerned to pay interest, calculated at the standard rate on a day to day basis from the due date of payment to the date of payment, and compounded with 3-monthly rests, on the amount remaining unpaid.

### **Extra charges resulting from early retirement of chief officers**

**P11.**—(1) Subject to paragraph (5), where a person has become entitled to benefits under regulation E2(1)(b)(iii) and (3)(c) of the 1974 regulations, the body who are in relation to him the new authority for the purposes of the Local Government (Retirement of Chief Officers) Regulations 1973(7) or the Water Authorities (Retirement of Chief Officers) Regulations 1974(8) (“the new authority”) shall in respect of any resulting extra charge on the superannuation fund out of which the benefits are payable (“the relevant fund”) make a payment in accordance with paragraph (2) to the authority administering the relevant fund, who shall carry the payment to that fund.

(2) The payment to be made under paragraph (1)—

(a) is a payment of an amount to be determined by the relevant fund's actuary as at the date on which the person—

- (i) attains pensionable age, or
- (ii) dies before attaining that age, and

(b) becomes due 3 months after the new authority have been notified of the amount determined by the actuary.

(3) If all or part of any sum due under this regulation remains unpaid at the end of the period of one month after the date on which it becomes due, the authority administering the relevant fund may require the new authority to pay interest, calculated at the standard rate on a day to day basis from the due date of payment to the date of payment, and compounded with 3-monthly rests, on the amount remaining unpaid.

(4) Interest paid under paragraph (3) shall be carried to the relevant fund.

(5) Paragraphs (1) to (4) do not apply—

- (a) while there is in force any agreement made before 6th January 1986 between the new authority and the authority administering the relevant fund as to the making of payments in respect of extra charges of the kind mentioned in paragraph (1), or
- (b) where all payments in respect of a person that were required by such an agreement have been made.

### **Liability for combined benefits**

**P12.**—(1) Where—

- (a) a benefit under regulation E16 or E18(1) (“the combined benefit”) becomes payable out of a superannuation fund (“the new fund”), and
- (b) a benefit (“the replaced benefit”) would otherwise have become or remained payable out of another fund,

the authority maintaining the new fund (“the new authority”) shall as soon as is reasonably practicable notify the authority maintaining the other fund (“the previous authority”) that the combined benefit has become payable.

(2) On being notified under paragraph (1), the previous authority shall, as from the date from which the combined benefit became payable and so long as it remains payable, make payments in accordance with paragraph (3) to the new authority, who shall carry them to the new fund.

(3) Subject to paragraph (4), the payments to be made under paragraph (2)—

- (a) are payments at an annual rate equal to that of the replaced benefit, and

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(7) [S.I. 1973/1260.](#)

(8) [S.I. 1974/73.](#)

(b) are to be made on 31st March, 30th June, 30th September and 31st December, unless longer intervals are agreed by the two authorities.

(4) Where after the combined benefit became payable the previous authority have made any payment in respect of the replaced benefit to a person appearing to them to be entitled to it, the amount of that payment shall be deducted—

(a) by the new authority from the combined benefit, and

(b) by the previous authority from the amount to be paid by them under paragraphs (2) and (3).

(5) If all or part of any sum due under this regulation remains unpaid at the end of the period of one month after the latest of—

(a) the date on which it becomes due, and

(b) the date of receipt of notification under paragraph (1),

the new authority may require the previous authority to pay interest, calculated at the standard rate on a day to day basis from the due date of payment to the date of payment, and compounded with 3-monthly rests, on the amount remaining unpaid.

(6) Interest paid under paragraph (5) shall be carried to the new fund.

#### **Provision as to protection of pensions**

**P13.** Any increase in a pension which is required by virtue of sections 41A to 41C (protection of pensions) of the Pensions Act(9) shall be paid out of the appropriate superannuation fund.

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(9) 1975 c.60; sections 41A to 41C were inserted by the [Health and Social Security Act 1984 \(c.48\)](#), Schedule 6, were modified by the [Contracting-out \(Protection of Pensions\) Regulations 1984 \(S.I. 1984/1921\)](#), and were further amended by the [Social Security Act 1985 \(c.53\)](#), section 6 and Schedule 3, paragraph 3.