
STATUTORY INSTRUMENTS

2009 No. 3093

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

Investment and use of fund money

Investment policy and investment of pension fund money

- 11.**—(1) An administering authority must formulate a policy for the investment of its fund money.
- (2) The authority's investment policy must be formulated with a view—
- (a) to the advisability of investing fund money in a wide variety of investments; and
 - (b) to the suitability of particular investments and types of investments.
- (3) The authority must invest, in accordance with its investment policy, any fund money that is not needed immediately to make payments from the fund.
- (4) The authority may vary its investments
- (5) The authority must obtain proper advice at reasonable intervals about its investments.
- (6) The authority must consider such advice in taking any steps in relation to its investments.

Statement of investment principles

- 12.**—(1) An administering authority must, after consultation with such persons as it considers appropriate, prepare, maintain (in accordance with paragraph (5)) and publish a written statement of the principles governing its decisions about the investment of fund money.
- (2) The statement must cover its policy on—
- (a) the types of investment to be held;
 - (b) the balance between different types of investments;
 - (c) risk, including the ways in which risks are to be measured and managed;
 - (d) the expected return on investments;
 - (e) the realisation of investments;
 - (f) the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
 - (g) the exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy; and
 - (h) stock lending.
- (3) The statement must also state the extent to which the administering authority complies with guidance given by the Secretary of State, and, to the extent the authority does not so comply, the reasons for not complying.
- (4) The first such statement must be published no later than 1st July 2010.

(5) The statement must be reviewed, and if necessary, revised, by the administering authority from time to time and, in the case of any material change in the authority's policy on the matters referred to in paragraphs (2) and (3), before the end of a period of six months beginning with the date of that change.

(6) A statement revised under paragraph (5) must be published.

Investments under section 11(1) of the Trustee Investments Act 1961

13. An administering authority may invest, without any restriction as to quantity, in any investment made in accordance with a scheme under section 11(1) of the Trustee Investments Act 1961(1) (which enables the Treasury to approve schemes for local authorities to invest in collectively).

Restrictions on investments

14.—(1) The table in Schedule 1 and the exceptions specified below that table (“the exceptions”) shall have effect for the purpose of limiting the making of investments of the types described in the table(2).

(2) Subject to paragraph (3), and, where relevant, the exceptions, a percentage listed in Column 1 of the table in relation to a type of investment so described is the limit on the proportion of fund money which may be invested in that type of investment.

(3) An administering authority may, in accordance with regulation 15, decide to increase the limit in relation to a particular type of investment so described, but only where a percentage is shown in relation to that type of investment in Column 2 of the table, and may not exceed that percentage.

(4) The percentages mentioned in paragraphs (2) and (3) are percentages of the total value of all existing investments of fund money immediately before the making of the investment concerned.

(5) Paragraph (2) and, if applicable, paragraph (3) apply only at the time the investment is made.

(6) The definitions set out below the exceptions shall have effect for interpreting the table.

Requirements for increased limits

15.—(1) An administering authority which decides to increase limits under regulation 14(3) must comply with the requirements of this regulation.

(2) The authority must have taken proper advice.

(3) The authority must take account of the matters set out in regulation 11(2).

(4) Where there is a decision to use the increased limits under regulation 14(3) in relation to item 13 of the table in Schedule 1, the additional risks of the increased limit must have been taken into account in addition to those matters set out in regulation 11(2).

(5) 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;

(1) 1961 c. 62.

(2) The Occupational Pension Schemes (Investment) Regulations 2005 (S.I. 2005/3378, amended by S.I. 2007/814 and S.I. 2009/615) which, in particular, prescribe certain investments as employer-related investments in addition to those specified in section 40(2) of the Pensions Act 1995, set out restrictions on employer-related investments and make provision as regards the application of the restrictions to schemes in relation to which there is more than one employer, may further restrict or limit investment of fund money.

(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.

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

(7) A decision following a review to continue to use limits increased under regulation 14(3), whether or not the increased limits have been altered, must—

(a) take account of the matters set out in paragraphs (2)-(4); and

(b) specify the matters set out in paragraph (5).

(8) Before a decision under regulation 14(3) or under paragraph (7) of this regulation can take effect, the administering authority must revise and publish the written statement of investment principles which it is required to maintain under regulation 12 so as to include the matters specified in paragraph (5).

Use of fund money by an administering authority

16.—(1) An administering authority must pay interest on the total from day to day of any fund money used under regulation 3(4) and not repaid.

(2) That interest may not be paid at a rate lower than the lowest rate at which the authority could have obtained a commercial loan of that amount at 7 days' notice (otherwise than by bank overdraft).