

**2007 No. 1561**

**PENSIONS, ENGLAND AND WALES**

**The Local Government Pension Scheme (Amendment) (No.3)  
Regulations 2007**

<i>Made</i> - - - -	<i>30th May 2007</i>
<i>Laid before Parliament</i>	<i>6th June 2007</i>
<i>Coming into force</i> - -	<i>30th June 2007</i>

The Secretary of State makes the following Regulations in exercise of the powers conferred by section 7 of the Superannuation Act 1972(a).

In accordance with section 7(5) of that Act the Secretary of State consulted such associations of local authorities as appeared to her to be concerned; the local authorities with whom consultation appeared to her to be desirable; and such representatives of other persons likely to be affected by the Regulations as appeared to her to be appropriate.

**Citation, commencement and extent**

1.—(1) These Regulations may be cited as the Local Government Pension Scheme (Amendment) (No.3) Regulations 2007 and shall come into force on 30th June 2007.

(2) These Regulations extend to England and Wales(b).

**Amendment of Regulations**

2. The Local Government Pension Scheme Regulations 1997(c) are amended in accordance with the following regulations.

**Governance compliance statement**

3. For regulation 73A (governance policy statement)(d) substitute—

**“Governance compliance statement**

**73A.—(1) An administering authority must prepare a written statement setting out—**

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(a) 1972 c.11.  
(b) 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 Scottish Ministers etc) Order 1999 (S.I. 1999/1750).  
(c) S.I. 1997/1612.  
(d) Regulation 73A was inserted by S.I. 2005/3199.

- (a) whether they delegate their function, or part of their function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;
  - (b) if they do so—
    - (i) the terms, structure and operational procedures of the delegation;
    - (ii) the frequency of any committee or sub-committee meetings;
    - (iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights;
  - (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
- (2) An administering authority must publish the first such statement on or before 1st March 2008.
- (3) An administering authority must—
- (a) revise their statement following a material change in respect of any of the matters mentioned in paragraph (1); and
  - (b) publish the statement as revised.
- (4) In preparing or revising their statement an administering authority must consult such persons as they consider appropriate.
- (5) When they publish their statement, or the statement as revised, an administering authority must send a copy of it to the Secretary of State.”.

## Reports and strategies

### 4. After regulation 76A (funding strategy statement)(a) insert—

#### “Pension fund annual report

**76B.**—(1) An administering authority must, in relation to each year beginning on 1st April 2007 and each subsequent year, prepare a document (“the pension fund annual report”) which contains—

- (a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
- (b) a report explaining the authority’s investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
- (c) a report of the arrangements made during the year for the administration of each of those funds;
- (d) for each of those funds, a statement, by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 77 (actuarial valuations and certificates), of the level of funding disclosed by that valuation;
- (e) the current version of the statement under regulation 73A (governance compliance statement);
- (f) for each of those funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices(b);
- (g) an annual report dealing with—

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(a) Regulation 76A was inserted by S.I. 2004/573.

(b) For “proper practices” see section 21 of the Local Government Act 2003 (c.26) and regulation 31 of S.I. 2003/3146.

- (i) the extent to which the authority and the employing authorities in relation to which they are the administering authority (“relevant employing authorities”) have achieved any levels of performance set out in the pension administration strategy in accordance with regulation 76C(2)(b); and
  - (ii) such other matters arising from their pension administration strategy as they consider appropriate;
- (h) the current version of the statement under regulation 76A (funding strategy statement);
- (i) the current version of the statement under regulation 9A of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (statement of investment principles)(a);
- (j) the current version of the statement under regulation 106B (statements of policy concerning communications with members and employing authorities (including non-Scheme employers))(b); and
- (k) any other material which the authority considers appropriate.
- (2) The authority must publish the pension fund annual report on or before the 1st December following the year end.
- (3) In preparing and publishing the pension fund annual report the authority must have regard to guidance given by the Secretary of State.

### **Pension administration strategy**

**76C.**—(1) An administering authority may prepare a document (“the pension administration strategy”) which contains such of the matters mentioned in paragraph (2) as they consider appropriate ; and, where they do so, paragraphs (3) to (8) apply.

(2) The matters are—

- (a) procedures for liaison and communication with their relevant employing authorities;
- (b) the establishment of levels of performance which the administering authority and the relevant employing authorities are expected to achieve in carrying out their functions under these Regulations by—
  - (i) the setting of performance targets;
  - (ii) the making of agreements about levels of performance and associated matters;
 or
  - (iii) such other means as the administering authority consider appropriate;
- (c) procedures which aim to secure that the administering authority and the relevant employing authorities comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- (d) procedures for improving the communication by the administering authority and the relevant employing authorities to each other of information relating to those functions;
- (e) the circumstances in which the administering authority may consider giving written notice to a relevant employing authority under regulation 81A(2) on account of that employer’s unsatisfactory performance in carrying out its functions under these Regulations when measured against levels of performance established under sub-paragraph (b);
- (f) such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

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(a) S.I. 1998/1831; regulation 9A was inserted by S.I. 1999/3259 and amended by S.I. 2002/1852.  
 (b) Regulation 106B was inserted by S.I. 2005/3199.

(3) When an administering authority first publish a pension administration strategy they must send a copy of it to each of their relevant employing authorities and to the Secretary of State.

(4) An administering authority must revise their pension administration strategy following a material change in their policies in relation to any of the matters contained in the strategy.

(5) In preparing or revising their pension administration strategy an administering authority must consult the relevant employing authorities and such other persons as they consider appropriate.

(6) Where an administering authority revise their pension administration strategy they must notify in writing to the relevant employing authorities and the Secretary of State—

- (a) the changes, and
- (b) where a copy of the revised strategy may be obtained.

(7) An administering authority and the relevant employing authorities must have regard to the current version of any pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation a reference to the functions of an administering authority includes, where applicable, their functions as an employing authority.”.

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

5. In regulation 81—

- (a) in paragraph (1)(d), at the end add “, which shall include any amount specified in a notice given in accordance with regulation 81A(2)”;
- (b) in paragraph (2), for “regulation L4(3) of the 1995 Regulations”(a) substitute “regulation 5(6) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998”; and
- (c) after paragraph (3) insert—

“(3A) If the disagreement is about an amount specified in a notice given in accordance with regulation 81A(2), the Secretary of State shall have regard to—

- (a) the provisions of the pension administration strategy prepared by the appropriate administering authority that are relevant to the case; and
- (b) the extent to which the appropriate administering authority and the employing authority have complied with those provisions in carrying out their functions under these Regulations.”.

#### **Additional costs**

6. After regulation 81 (payments by employing authorities to appropriate administering authorities) insert—

##### **“Additional costs incurred by employing authority’s level of performance**

**81A.—**(1) This regulation applies where, in the opinion of the appropriate administering authority, they have incurred additional costs which should be recovered from an employing authority because of that employing authority’s level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the employing authority stating—

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(a) Regulation L4 of the Local Government Pension Regulations (S.I. 1995/1019) was revoked by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (S.I. 1998/1831).

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the authority's opinion that the employing authority's contribution under regulation 81(1)(d) should include an amount specified in the notice in respect of the additional costs attributable to that authority's level of performance;
- (c) the basis on which the specified amount is calculated; and
- (d) where the administering authority have prepared a pension administration strategy, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraph (a), (b) or (c).

#### **Payments by administering authorities**

**81B.**—(1) An administering authority must pay to the fund of which they are the administering authority their fair share of any contribution towards the cost of the administration of the fund in circumstances where they have required a contribution towards such cost from employing authorities as referred to in regulation 81(1)(d).

(2) An administering authority must also pay any additional costs due to the fund which are incurred because of their level of performance in carrying out their functions under these Regulations.”.

#### **Interest**

7. In regulation 82—

- (a) after paragraph (1) insert—

“(1A) An administering authority must pay interest on any amount due to be paid by them as an employing authority payment of which is overdue by more than one month.”.

- (b) in paragraph (2) for “paragraph (1)” substitute “paragraphs (1) or (1A)”.

Signed by authority of the Secretary of State

30th May 2007

*Phil Woolas*  
Minister of State  
Department for Communities and Local Government

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Local Government Pension Scheme Regulations 1997 (“the 1997 Regulations”).

Regulation 3 substitutes a new regulation 73A which requires an administering authority to publish a statement of their policies on delegating their function of maintaining a pension fund and to include the extent to which the policies comply with guidance given by the Secretary of State. The first statement must be published not later than 1st March 2008.

Regulation 4 inserts new regulations 76B and 76C. New regulation 76B requires an administering authority to publish an annual report about each of their pension funds, dealing with matters such as the performance and management of the fund, the administration arrangements for the fund, the authority’s investment policies and their funding strategy. The first report, in respect of the year beginning 1st April 2007, must be published not later than 1st December 2008. New regulation 76C makes provision for the preparation and publication by an administering authority of a pension administration strategy to deal with matters relating to the performance by the authority and their employing authorities of their functions under the 1997 Regulations. The strategy may include provision about any of the matters in new regulation 76C(2). If an administering authority decide to prepare such a strategy, they must provide their employing authorities and the Secretary of State with a copy and notify those parties of any changes.

Regulation 5 makes some consequential amendments to regulation 81 and also inserts a new paragraph (3A). This provides that if there is a disagreement about the amount specified in a notice given in accordance with regulation 81A(2), then the matter is referred to the Secretary of State for determination. In making the determination, the Secretary of State must have regard to relevant provisions of any pension administration strategy prepared under new regulation 76C and the extent to which the authorities concerned have complied with them.

Regulation 6 inserts new regulations 81A and 81B which supplement provision in regulation 81 enabling an administering authority to recover administration costs from their employing authorities. New regulation 81A(1) and (2) enables the administering authority to serve notice on an employing authority that the amount payable by that authority should include an amount in respect of additional costs incurred because of that authority’s level of performance. New regulation 81B provides that the administering authority are also liable to contribute to administration costs.

Regulation 7 adds a new paragraph (1A) to regulation 82 (interest) to provide that an administering authority are also liable to pay interest on any overdue payments from them.

A full regulatory impact assessment has not been produced for this instrument as it has no impact on the costs of businesses, charities or voluntary bodies and does not have a significant financial impact on any public bodies.

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