

Trustee Investment Duties

Additional investment and disclosure duties for UK pension scheme trustees

Just when trustees are getting to grips with the new investment and disclosure duties announced in 2018 (the 2018 changes), the government has announced further requirements which will be introduced from October 2020 (the 2019 changes). Although this might appear some time away, trustees will need to start giving thought to them sooner than later.

A. Requirements applicable to all schemes

The following requirements apply to all schemes, irrespective of the type of benefits that they provide.

Statement of investment principles

The 2018 changes require trustees to update their statement of investment principles (SIP) to set out their policies on:

- Financially material considerations, including (but not limited to) environmental, social and governance considerations (so far as financially material), including how those considerations are taken into account in the selection, retention and realisation of investments.
- The extent to which (if at all) non-financial matters are taken into account in the selection, retention and realisation of investments. "Non-financial matters" means the views of members, including (but not limited to) their ethical views and their views in relation to social and environmental impact.
- The stewardship of scheme investments, including on voting and engagement activities in respect of those investments.

These requirements come into force on 1 October 2019.

Under the 2019 changes, trustees must also update their SIP to set out their policy in relation to their arrangements with any asset manager, including as regards incentives, remuneration, performance evaluation, portfolio turnover, and duration of the arrangement. The 2019 changes also expand the range of engagement activities that the trustees' policy on the stewardship of scheme investments must cover.

These requirements come into force on 1 October 2020.

Annual Report

The 2018 changes require trustees to include their policies on financially material considerations, non-financial matters, and stewardship of scheme investments in the investment report section of the scheme's annual report.

This requirement comes into force on 1 October 2019.



Under the 2019 changes, trustees must also include in the investment report section:

- Their policy on asset manager arrangements.
- A statement setting out how and the extent to which the trustees' policy on stewardship of scheme investments has been followed and providing certain information on the voting behaviour carried out by or on behalf of the trustees during the scheme year.

These requirements come into force on 1 October 2020.

B. Requirements applicable to DB schemes

In addition to the requirements outlined in (A) above, the following requirements apply to DB schemes. A DB scheme for these purposes means a scheme that does not provide any DC benefits other than additional voluntary contributions (AVCs).

Disclosure

No additional disclosure requirements apply to DB schemes under the 2018 changes.



The 2019 changes require trustees to "make publicly available free of charge on a website" their scheme's SIP and the statement from the most recent annual report on the trustees' compliance with their stewardship policy and their voting behaviour.

This requirement comes into force on 1 October 2020 for the SIP and 1 October 2021 for the statement on stewardship policy compliance and voting behaviour.

The documents must be made available to the general public as a whole, rather than just to scheme members. As such, the website on which the information is made available must be accessible free of charge and without the use of a user name and/or password.

C. Requirements applicable to DC schemes

In addition to the requirements outlined in (A) above, the following requirements apply to DC schemes. A DC scheme for these purposes means a scheme that provides DC benefits other than AVCs.

DC default arrangement SIP

The 2018 changes require trustees to update the SIP in relation to the scheme's DC default arrangement to set out their policies on financially material considerations and non-financial matters. If the scheme has 100 or more members, the 2018 changes also require the DC default arrangement SIP to set out the trustees' policy on the stewardship of investments, including on voting and engagement activities.

These requirements come into force on 1 October 2019.

Under the 2019 changes, if the scheme has 100 or more members, the DC default arrangement SIP must also set out the trustees' policy on their arrangements with any asset manager. The 2019 changes also expand the range of engagement activities that the trustees' policy on the stewardship of scheme investments must cover.

These requirements come into force on 1 October 2020.

Annual report

The 2018 changes require trustees to include an implementation statement in the investment report section of the scheme's annual report detailing:

- How, and the extent to which, the scheme's SIP has been followed in the scheme year.
- Any review of, and any changes to, the SIP in the scheme year.
- If no review has taken place, the date of the last review.

This requirement comes into force on 1 October 2020.

Under the 2019 changes, the implementation statement must also provide certain information on the voting behaviour carried out by, or on behalf of, the trustees during the scheme year.


This requirement comes into force on 1 October 2020.

Disclosure

The 2018 changes require trustees to:

- “Make publicly available free of charge on a website” their scheme’s SIP and the implementation statement from the most recent annual report.
- Inform members of this via their annual benefit statements.

This requirement comes into force on 1 October 2019 for the SIP and 1 October 2020 for the implementation statement.



The 2019 changes do not make any changes to these requirements or impose any additional requirements.

Summary tables

We have produced tables summarising the new requirements and when they come into force which are available to our clients on request. To request a copy, please speak to your usual Mayer Brown contact.

If you have any questions about the issues raised in this update, please get in touch with [Richard Evans](#) at +44 20 3130 3606 or [Katherine Carter](#) at +44 20 3130 3901.

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