

Legal Update

Pension scheme investment compliance and disclosure – deadlines approaching

Deadlines are approaching for new investment compliance and disclosure requirements. Pension trustees should check that they are on track to meet the deadlines.

The deadline for some of the requirements is **1 October 2020**.

In particular, there are requirements to include “implementation statements” in annual reports completed on or after 1 October 2020. Trustees who complete their annual report before that date will not need to produce them until next year.

ALL SCHEMES

The following requirements apply to both DB and DC schemes¹.

What is affected?	What's changing?	What's the deadline?
Statement of Investment Principles (SIP) – content	<p>The SIP needs to set out the trustees' policy in relation to the arrangement they have with their asset managers.</p> <p>“Arrangement” is not defined but could include contractual agreements and less formal monitoring procedures which the trustees follow.</p> <p>More specifically, the SIP needs to address (or explain why it does not address) the following areas:</p> <ul style="list-style-type: none"> • how the arrangement incentivises the asset manager to align its investment strategy and decisions with the trustees' other investment policies, including policies on “financially material considerations” such as environmental, social and governance issues. • how the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term. • how the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' other investment policies. • how the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range; and • the duration of the arrangement with the asset manager. 	1 October 2020

¹ Some exemptions apply to schemes with less than 100 members

What is affected?	What's changing?	What's the deadline?
SIP - content	The range of engagement activities that the trustees' policy on the stewardship of scheme investments must cover is expanded.	1 October 2020
Annual report - content	The annual report must include trustees' policy in relation to the arrangement they have with their asset managers.	Annual reports completed after the date you include this policy in your SIP. This policy must be in the SIP by 1 October 2020
Annual report - content	The annual report must include an implementation statement. This sets out how and the extent to which the trustees' policy on stewardship of scheme investments has been followed and provides information on the voting behaviour of the trustees during the scheme year.	Annual reports completed after 1 October 2020
Reports to the Competition and Markets Authority (CMA)	Trustees need to report to the CMA on whether they have complied with the CMA's order requiring tenders for fiduciary management services and the setting of strategic objectives for investment consultants.	7 January 2021

DB SCHEMES

In addition to the requirements for all schemes outlined above, the following requirements apply to DB schemes². A DB scheme for these purposes means a scheme that does not provide any DC benefits other than additional voluntary contributions.

What is affected?	What's changing?	What's the deadline?
SIP – website publication	Trustees need to make their SIP publicly available free of charge on a website.	1 October 2020
Implementation statement – website publication	Trustees need to make the implementation statement referred to in the section above publicly available free of charge on a website.	1 October 2021

DC SCHEMES

In addition to the requirements for all schemes outlined above, the following requirements apply to DC schemes³.

What is affected?	What's changing?	What's the deadline?
Default arrangement SIP – content	If the scheme has 100 or more members, the SIP for its default arrangement must set out the trustees' policy in relation to the arrangement they have with their asset managers.	1 October 2020

² Exemptions apply to schemes with less than 100 members.

³ Some executive pension schemes and some schemes with less than 12 members are exempt.

What is affected?	What's changing?	What's the deadline?
Default arrangement SIP – content	If the scheme has 100 or more members, the range of engagement activities that the trustees' policy on the stewardship of scheme investments must cover is expanded.	1 October 2020
Annual report – content	Trustees must include an implementation statement in the annual report detailing: <ul style="list-style-type: none"> • 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. • Information on voting behaviour. 	Annual reports completed after 1 October 2020
Implementation statement – website publication / disclosure	Trustees need to: <ul style="list-style-type: none"> • Make the implementation statement referred to immediately above publicly available free of charge on a website. • Inform members of this via their annual benefit statements. 	Put on website immediately following completion of the first annual report after 1 October 2020

If you have any questions about the issues raised in this legal update, please get in touch with your usual Mayer Brown contact or:

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