

Pensions law team – June 2019

New obligations on trustees – disclosure and stewardship

Trustees will already be aware of additional disclosure obligations that will begin to apply to them from October this year, following the publication of Regulations in 2018 (the **2018 Regulations**). Building on these additional requirements, the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the **2019 Regulations**) published this month extend the obligations of trustees of occupational defined benefit (**DB**) and defined contribution (**DC**) schemes in the area of disclosure and stewardship.

Background

Trustees are just getting to grips with new disclosure requirements set out in the 2018 Regulations they will need to comply with by 1 October 2019. These obligations require, amongst other things, that the Statement of Investment Principles (**SIP**) includes:

- details of how financially material considerations are taken into account in the selection, retention and realisation of investments, including environmental, social and governance matters;
- details of the extent to which non-financial matters are taken into account in the selection, retention and realisation of investments; and
- the trustee's stewardship policy in respect of voting rights and monitoring and engagement with investments.

The 2019 Regulations build upon the obligations introduced by the 2018 Regulations and take these further. The 2019 Regulations have been introduced to fully implement certain provisions of the EU Shareholder Rights Directive II.

New Obligations

A summary of some of the key obligations introduced by the 2019 Regulations is set out below. For a full picture of the changes being introduced, please contact your usual Stephenson Harwood pensions law team contact.

Who is affected	What is the change	Timeline
Trustees of DB schemes	The 2018 Regulations require trustees of DC schemes to publish their SIP on a publicly available website from 1 October 2019. The 2019 Regulations extend this requirement to trustees of DB schemes.	To be published by 1 October 2020
Trustees of DB schemes	The annual report must include a statement setting out how the trustee's engagement policy has been followed. The statement must also describe the voting behaviour by or on behalf of the trustees (including stating whether any proxy voting has been used during the year). This statement must be published on a publicly available website.	To be published by 1 October 2021

Trustees of occupational DC schemes	<p>The requirements of the 2018 Regulations have been expanded so that the requirement for the annual report to include a statement discussing the implementation of the SIP must also now include a statement on the voting behaviour by and on behalf of trustee, including stating whether a proxy was used for voting during the year. This statement must be published on a publicly available website.</p>	<p>To be published by 1 October 2021</p>
Trustees of occupational DB and DC schemes	<p>The SIP must include the trustee’s policy in relation to its arrangement with its asset manager relating to:</p> <ul style="list-style-type: none"> • how the asset manager is incentivised to align its investment strategy with the trustee’s investment policies; • how the asset manager is incentivised to make a decision based on medium to long-term financial and non-financial performance of issuers of debt or equity and to engage with such issuers in order to improve their performance in the medium to long term; • how the method of the evaluation and remuneration of the asset manager’s performance is in line with the trustee’s investment policies; • how trustees monitor portfolio turnover costs; and • the duration of the agreement with the asset manager. 	<p>1 October 2020</p>
Trustees of occupational DB and DC schemes	<p>The requirements of the 2018 Regulations regarding the need to include a stewardship policy in the SIP have been expanded. The SIP stewardship policy must also now include a statement regarding how the trustee’s monitor their investment companies’ capital structures, how they manage actual or potential conflicts of interest and how they monitor and engage with other stakeholders.</p>	<p>1 October 2020 to be published on a website by 1 October 2021</p>

Comment

The changes introduced by the 2019 Regulations appear to have taken the industry somewhat by surprise. Trustees of both defined benefit and defined contribution occupational pension schemes should take time as soon as possible to familiarise themselves with these additional new duties. Consideration should be given as to whether the additional implications of the 2019 Regulations will impact the manner in which the changes required by the 2018 Regulations are implemented.

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