



Statement of Investment Principles and Implementation Statement

*The new requirements for
defined benefit pension schemes*

June 2020



New requirements

This document:

Provides details of the new requirements for 2020 and beyond for defined benefit pension schemes with 100 or more members

Focus on changes required by 1 October 2020 and beyond

SIP requirements (by 1 October 2020)

SIPs must be updated to address stewardship in more detail.

Trustees must explain the incentives they use to encourage their investment managers to align their investment strategy with the trustees' policies and to ensure that decisions are based on long-term performance.

Implementation Statements (from 1 October 2020)

An annual disclosure document will be required, covering certain engagement and voting practices.

Disclosure requirements

On a publicly-available website: The updated SIP (before 1 October 2020) and the Implementation Statement (before 1 October 2021)

Within the first annual report and accounts produced on or after 1 October 2020: The Implementation Statement

Timeline

SIP

New detail to be included



Implementation statement

Details on voting and engagement (for inclusion in report and accounts)



1/10/2020

1/10/2021



SIP

Website availability



Implementation statement

Website availability

SIP requirements

By 1 October 2020 trustees will be required to include the following detail within their SIPs:

- Additional information on their policy in relation to:
 - The exercise of rights (including voting rights) attaching to investments.
 - Undertaking engagement activities in respect of the investments (e.g. the approach to monitoring investment managers over how they take into account performance, strategy, capital structure, management of actual or potential conflicts of interest and ESG issues in relation to issuers of debt or equity).
- Their policy relating to arrangements with asset managers, including how the following matters are set out (or explain why they have not been included in the SIP):
 - Incentives for asset managers to align their investment strategy and decisions with the trustees' investment policies.
 - Incentives for asset managers to make decisions based on medium to long-term financial and non-financial performance assessments of an issuer of debt or equity and to engage with the issuer in order to improve performance over the medium to long-term.
 - How the method and time horizon of the evaluation of an asset manager's performance and the remuneration for their services are in line with the trustees' investment policies.
 - The monitoring of "portfolio turnover costs" incurred by the asset manager and how the trustees define and monitor targeted portfolio or turnover range.
 - The duration of the arrangement with the asset manager.

By 1 October 2020 trustees must also:

Publish their updated SIP on a website which is publicly available and free to access.

Implementation Statement requirements

Trustees must produce an Implementation Statement for inclusion in annual reports and accounts produced on or after 1 October 2020. The Statement must:

- Explain how, and the extent to which, the trustees have followed their policy on the exercise of rights (including voting rights) and engagement activities during the scheme year.
- Describe any review of the SIP during the year and explain any changes (or, if no review has taken place during the year, the date of the last review).
- Provide a description of the voting behaviour by or on behalf of trustees, including the most significant votes cast by trustees or on their behalf during the year and state any use of a proxy voter during that year.

By 1 October 2021 trustees must also:

Publish their Implementation Statement on a website which is publicly available and free to access.



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