

23 September 2019

Pensions: what's new this week

Welcome to your weekly update from the Allen & Overy Pensions team, bringing you up to speed on all the latest legal and regulatory developments in the world of occupational pensions.

TPR updates DB investment guidance | ESG, stewardship and transparency in investing | New Stewardship Code delayed again

TPR updates DB investment guidance

The Pensions Regulator (TPR) has published a new version of its [DB investment guidance](#).

The new guidance is not significantly longer than the previous version, but contains new content in a number of areas – the revisions are mainly to the 'Investment Governance' and 'Investing to Fund DB Schemes' sections. In particular, TPR has revised its guidance to provide further guidance on the new content requirements for statements of investment principles (SIPs). This is similar to the DC investment guidance previously published by TPR (with adjustments depending on the DB/DC context).

Points to note include:

- As with the recently updated DC guidance, TPR has provided more detailed guidance on considering environmental, social and governance (ESG) factors and non-financial factors, and how to assess whether a financial factor is material. The guidance largely reflects what was recently provided in the DC guidance (adjusted to the DB context) including an expanded section on sustainability, but makes the consideration of ESG factors more prominent in the discussion of financially material factors. The example on non-financial factors has been partially revised from the version included in the previous DB guidance.
- TPR has provided additional guidance on investment stewardship, which essentially reflects what was recently provided for DC schemes. TPR expects trustees to ensure, as far as they are able, that stewardship activities are done throughout the investment chain, and is encouraging trustees to sign up to the UK Stewardship Code (see below item for more information about a forthcoming, new version of the Code).
- TPR has not provided guidance on the upcoming obligation to produce an implementation statement – this was addressed in the DC guidance, but the obligation for DB schemes arises at a later date. TPR is expected to revise the guidance to cover this in due course.
- The guidance has also been updated to briefly refer to the new rules on tenders for fiduciary management services which will come into force on 10 December. However, the updated guidance does not expressly refer to the new obligation to set strategic objectives for investment consultants. For more information, see WNTW, [17 June 2019](#) and [5 August 2019](#).

- TPR's guidance continues to strike a cautious note about impact investing and patient capital.

The deadline for compliance with the DB SIP requirement is 1 October 2019; many trustee boards may have finalised their SIP content already but should review the new guidance. Where a statement has been drafted to comply with the new regulations and with the DC investment guidance in mind, we believe it is unlikely that the updated DB guidance would of itself trigger further changes.

ESG, stewardship and transparency in investing

Pension schemes are currently navigating multiple regulatory changes in the content requirements for statements of investment principles, the detail of scheme investment arrangements (for example, with investment consultants and asset managers) and the online disclosure of information.

To help you keep track of developments, we have updated our previous guide to SIP content requirements and have added a checklist to guide you through the various issues and deadlines. Our new briefing '[ESG, stewardship and transparency in investing](#)' provides an overview of the new investment-related requirements for trustees, as well as the new obligations on life insurers and asset managers which should increase transparency for trustees.

New Stewardship Code delayed again

The Financial Reporting Council (FRC) has [indicated](#) that there has been a further delay to publication of the new UK Stewardship Code. The FRC consulted on a draft version of the new Code earlier this year (see [WNTW](#), 4 February 2019) and is now undertaking targeted outreach to test changes to its proposals before publishing the revised Code later in 2019 (it had previously suggested that the Code would be published in October).

TPR encourages trustees to adhere to the Code.

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