
STATUTORY INSTRUMENTS

2005 No. 3378

**The Occupational Pension Schemes
(Investment) Regulations 2005**

Statement of investment principles

2.—(1) The trustees of a trust scheme must secure that the statement of investment principles prepared for the scheme under section 35 of the 1995 Act is reviewed—

- (a) at least every three years; and
- (b) without delay after any significant change in investment policy.

(2) Before preparing or revising a statement of investment principles, the trustees of a trust scheme must—

- (a) obtain and consider the written advice of a person who is reasonably believed by the trustees to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes; and
- (b) consult the employer.

(3) A statement of investment principles must be in writing and must cover at least the following matters—

- (a) the trustees' policy for securing compliance with the requirements of section 36 of the 1995 Act (choosing investments);
- (b) their policies in relation to—
 - (i) the kinds of investments to be held;
 - (ii) the balance between different kinds of investments;
 - (iii) risks, including the ways in which risks are to be measured and managed;
 - (iv) the expected return on investments;
 - (v) the realisation of investments; ^{F1}...

[^{F2}(vi) financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments; and]

[^{F3}(vii) the extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments; ^{F4}...]

[^{F5}(c) their policy in relation to—

- (i) the exercise of the rights (including voting rights) attaching to the investments; and
- (ii) undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters) [^{F6}and]]

- [^{F7}(d) their policy in relation to the trustees' arrangement with any asset manager, setting out the following matters or explaining the reasons why any of the following matters are not set out—
- (i) how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees' policies mentioned in sub-paragraph (b);
 - (ii) how that 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;
 - (iii) 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' policies mentioned in sub-paragraph (b);
 - (iv) 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
 - (v) the duration of the arrangement with the asset manager.]

[^{F8}(4) For the purposes of this regulation—

“appropriate time horizon” means the length of time that the trustees of a trust scheme consider is needed for the funding of future benefits by the investments of the scheme;

“beneficiaries” means a person, other than a member of the trust scheme, who is entitled to the payment of benefits under the scheme;

“financially material considerations” includes (but is not limited to) environmental, social and governance considerations (including but not limited to climate change), which the trustees of the trust scheme consider financially material;

“non-financial matters” means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the trust scheme;

[^{F9}“portfolio turnover costs” means the costs incurred as a result of the buying, selling, lending or borrowing of investments;]

“relevant matters” includes (but is not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, [^{F10}capital structure, management of actual or potential conflicts of interest,] risks, social and environmental impact and corporate governance; and

“relevant persons” includes (but is not limited to) an issuer of debt or equity, an investment manager, [^{F11}another stakeholder] or another holder of debt or equity.]

[^{F12}“stakeholder” means a person or a group of persons who has an interest in the issuer of debt or equity;

“targeted portfolio turnover” means the frequency within which the assets of the scheme are expected to be bought or sold;

“time horizon” means the time period over which the trustees evaluate the performance of the asset manager; and

“turnover range” means the minimum and maximum frequency within which the assets of the scheme are expected to be bought or sold.]

Textual Amendments

- F1** Word in reg. 2(3)(b)(v) omitted (1.10.2019) by virtue of [The Pension Protection Fund \(Pensionable Service\) and Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment and Modification\) Regulations 2018 \(S.I. 2018/988\)](#), regs. 1(1), **4(2)(a)(i)**
- F2** Reg. 2(3)(b)(vi) substituted (1.10.2019) by [The Pension Protection Fund \(Pensionable Service\) and Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment and Modification\) Regulations 2018 \(S.I. 2018/988\)](#), regs. 1(1), **4(2)(a)(ii)**
- F3** Reg. 2(3)(b)(vii) inserted (1.10.2019) by [The Pension Protection Fund \(Pensionable Service\) and Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment and Modification\) Regulations 2018 \(S.I. 2018/988\)](#), regs. 1(1), **4(2)(a)(iii)**
- F4** Word in reg. 2(3)(b)(vii) omitted by virtue of S.I. 2018/988, reg. 4(2)(a)(iii) (as amended) (1.10.2019) by virtue of [The Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment\) Regulations 2019 \(S.I. 2019/982\)](#), regs. 1(2), **4(2)(a)(i)(aa)** (with reg. 5)
- F5** Reg. 2(3)(c) substituted (1.10.2019) by [The Pension Protection Fund \(Pensionable Service\) and Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment and Modification\) Regulations 2018 \(S.I. 2018/988\)](#), regs. 1(1), **4(2)(a)(iv)**
- F6** Word in reg. 2(3)(c)(ii) inserted by S.I. 2018/988, reg. 4(2)(a)(iv) (as amended) (1.10.2019) by [The Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment\) Regulations 2019 \(S.I. 2019/982\)](#), regs. 1(2), **4(2)(a)(i)(bb)** (with reg. 5)
- F7** Reg. 2(3)(d) inserted (1.10.2019) by [The Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment\) Regulations 2019 \(S.I. 2019/982\)](#), regs. 1(3)(a), **2(2)(a)** (with reg. 5)
- F8** Reg. 2(4) inserted (1.10.2019) by [The Pension Protection Fund \(Pensionable Service\) and Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment and Modification\) Regulations 2018 \(S.I. 2018/988\)](#), regs. 1(1), **4(2)(b)**
- F9** Words in reg. 2(4) inserted (1.10.2019) by [The Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment\) Regulations 2019 \(S.I. 2019/982\)](#), regs. 1(3)(a), **2(2)(b)(i)** (with reg. 5)
- F10** Words in reg. 2(4) inserted by S.I. 2018/988, reg. 4(2)(b) (as amended) (1.10.2019) by [The Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment\) Regulations 2019 \(S.I. 2019/982\)](#), regs. 1(2), **4(2)(a)(ii)(aa)** (with reg. 5)
- F11** Words in reg. 2(4) inserted by S.I. 2018/988, reg. 4(2)(b) (as amended) (1.10.2019) by [The Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment\) Regulations 2019 \(S.I. 2019/982\)](#), regs. 1(2), **4(2)(a)(ii)(bb)** (with reg. 5)
- F12** Words in reg. 2(4) inserted (1.10.2019) by [The Occupational Pension Schemes \(Investment and Disclosure\) \(Amendment\) Regulations 2019 \(S.I. 2019/982\)](#), regs. 1(3)(a), **2(2)(b)(ii)** (with reg. 5)

Changes to legislation:

There are currently no known outstanding effects for the The Occupational Pension Schemes (Investment) Regulations 2005, Section 2.