

Advice on the annual Implementation Statement

Carillion Public Sector Pension Scheme

December 2024

This note has been prepared for the Trustee of the Carillion Public Sector Pension Scheme (the “Scheme”) in response to your request that we provide a draft Implementation Statement (“IS”) for the Scheme.

Background and introduction

There is a requirement for most trust-based defined benefit (“DB”) and defined contribution (“DC”) pension Schemes to produce an IS which covers the report and accounts period. The period for this Implementation Statement will be 1 January 2024 to 31 August 2024 as requested.

The Department for Work and Pensions (“DWP”) issued [Statutory Guidance](#) in June 2022 which applies to any IS that trustees are required to prepare in respect of pension scheme year ends on or after 1 October 2022. The guidance gives an overview of the items which Trustees “must”, “should”, are “encouraged”, “could” or “may” include in their IS.

“Must” items are requirements imposed by legislation. “Should” items are expected to be followed, and if not followed, trustees should describe concisely the reasons for deviating from the guidance approach. For “Could”, “May” and “Encouraged” items, it is hoped that trustees will address them where possible but they are not expected to explain reasons if not followed. We have included all “must” and “should” items.

The guidance states that the Pensions Regulator is the primary audience for the IS, but it should be written in plain English as far as possible so that members could reasonably interpret and understand the disclosures. Trustees are encouraged to consider producing member-facing summary versions of the IS (with signposting to the full IS). Please let us know if you would like us to prepare a “member friendly” summary version of the IS.

The DWP has stated that it is important that trustees understand and consider financially material Environmental, Social and Governance (“ESG”) factors and stewardship approaches in their investment decisions.

For DB Schemes without a DC section (such as your Scheme), the IS should set out how, and the extent to which, the Trustee has followed the **voting and engagement policies** in the Statement of Investment Principles (“SIP”) during the period. In addition, Trustees should seek to demonstrate they have had regard to the Statutory Guidance.

The IS is also required to include 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 period and state any use of the services of a proxy voter during that time.

The DWP’s guidance states: “*where Trustees use the voting policy of the asset manager, they should briefly summarise in the IS whether the asset manager’s voting behaviour was aligned with the Scheme’s stewardship priorities*”.

Given the Scheme’s current status of being in the PPF assessment, consideration of ESG integration (including setting stewardship priorities) will be considered alongside the PPF’s guidelines on investment strategy during the period.

Key points

We have produced the draft IS in this note based on our understanding of the regulatory requirements and the DWP’s stewardship guidance. Ultimately it is the Trustee’s responsibility to produce a compliant IS and the Pensions Regulator can impose fines for non-compliance. Therefore, you may wish to obtain legal advice to ensure that all requirements have been met.

None of the Scheme’s funds over the period held equities, and the corporate bond fund did not have any voting opportunities.

There is interest in the IS from the Pensions Regulator, policymakers, and the media; as such please ensure you are comfortable with the content being in the public domain.

Next steps

We propose that you review the IS and include it within your Report & Accounts ending 31 August 2024 to comply with the relevant regulations. The Report & Accounts need to be finalised within seven months of the end of the reporting period, ie by 31 March 2025.

You are required to publish your IS on a website for public access as soon as reasonably practicable after the Report & Accounts are signed off. We expect you will use the same location for the IS as last year. It remains very important that the website is readily and publicly available. A web address for the location of the published materials must be included in members' Annual Benefit Statements.

Please let us know if you have any questions.

Contact details

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Implementation Statement, covering the period from 1 January 2024 to 31 August 2024 (the “period”)

The Trustee of the Carillion Public Sector Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the period. This is provided in Section 2 below.

The Statement is also required to include a description of the voting behaviour during the period by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. None of the Scheme’s funds over the period held equities, and the corporate bond fund did not have any voting opportunities during the period.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the period.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the period.

2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustee takes ownership of the Scheme’s stewardship by monitoring and engaging with managers to the extent it considers appropriate based on the nature of the investment funds and the circumstances of the Scheme, with the help of its investment adviser, LCP.

As part of its advice on the selection and ongoing review of the investment managers, LCP incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

Given the Scheme’s current status of being in the PPF assessment, consideration of ESG integration (including setting stewardship priorities) will be considered alongside the PPF’s guidelines on investment strategy during the period.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve.

3. Description of voting behaviour during the period

None of the Trustee’s funds invest in equities, so there were no voting opportunities over the period.

LCP, on behalf of the Trustee, also contacted LGIM, the manager who held corporate bonds over the period to ask if any of the assets held by the Scheme had voting opportunities over the period. They confirmed that there were no voting opportunities over the period.