



RAILPEN

SDR and labels policy
Financial Conduct Authority
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Our ref BG/JMR
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Sent by email to: cp22-20@fca.org.uk

Dear SDR and labels policy team

Sustainability Disclosure Requirements (SDR) and Investment Labels (CP22/20) - USS & Railpen response

The Universities Superannuation Scheme (USS) and Railpen welcome the opportunity to respond to the FCA's consultation on Sustainability Disclosure Requirements (SDR) and Investment Labels.

About USS

Universities Superannuation Scheme (USS) was established in 1974 as the principal pension scheme for universities and higher education institutions in the UK. We work with around 330 employers to help build a secure financial future for more than 500,000 members and their families. We are one of the largest pension schemes in the UK, with total assets of around £90.8bn (at 31 March 2022).

The trustee of USS is Universities Superannuation Scheme Limited. It has overall responsibility for scheme management and administration, led by a non-executive board of directors and employs a team of pension professionals in Liverpool and London. The trustee is regulated by The Pensions Regulator and has a primary responsibility to ensure that benefits promised to members are paid in full on a timely basis.

The trustee delegates implementation of its investment strategy to a wholly-owned subsidiary – USS Investment Management Limited (USSIM) – which provides in-house investment management and advisory services to the trustee. USSIM manages between 60% and 70% of the investments in-house and appoints and oversees external investment managers to manage the rest. USSIM is authorised and regulated by the Financial Conduct Authority.

USS is a hybrid pension scheme, which means we have both a defined benefit (DB) part – the Retirement Income Builder – and a defined contribution (DC) part – the Investment Builder.

Universities Superannuation Scheme Ltd

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Registered in England & Wales No. 1167127 Registered Office: Royal Liver Building, Liverpool L3 1PY Regulated by The Pensions Regulator

About Railpen and the railways pension schemes

Railways Pension Trustee Company Limited (RPTCL) acts as the Trustee to the railways pension schemes. The Trustee oversees four schemes, of which the Railways Pension Scheme (RPS) is the largest by membership and assets under management. The RPS was created in 1994 after the privatisation of the railway industry and reorganisation of the British Rail Pension Scheme. It is one of the largest schemes in the UK. It provides pensions for over 150 companies operating within the privatised railway industry.

Railpen is the trading name of Railway Pension Investments Limited (RPIL), which is authorised and regulated by the Financial Conduct Authority. Railpen implements investment strategy and offers advisory and administrative services for the railways pension schemes. Railpen is responsible for c. £37 billion of assets on behalf of over 350,000 members. The Trustee is Railpen's only client, ensuring that our activities and decisions are aligned with the interests of the schemes' members. Railpen is a wholly-owned Trustee subsidiary.

We would like to make some overall comments with regard to the consultation's proposals, and these are set out below.

The nature of OPS firms

As you know, OPS firms are the in-house investment management arms of occupational pension schemes and have their own FCA-regulated firm category. Typically, an OPS firm will have one client only, this being the trustee of the relevant pension fund; and an OPS firm owes clear regulatory obligations to its sole client. As noted above, USSIM is the investment management subsidiary of USS Limited (as the trustee of the parent pension fund). Railpen (Railways Pension Investments Limited) is the investment management subsidiary of RPTCL as outlined above.

As we serve single clients or sectors (higher education and rail respectively), we are different to asset managers who provide pension services or products to multiple clients. However, it is not clear given the way the consultation is worded whether these proposals apply to OPS firms, as the document refers to *providers of pension products* rather than *pension schemes* themselves.

In September 2021, in our responses to *Enhancing climate-related disclosures by asset managers, life insurers, and FCA-regulated pension providers Consultation Paper (CP21/17)* we highlighted the danger of having two sets of rules already in place regarding the TCFD regulations and warned against creating further diversions down the road. We are grateful that the FCA took note of these concerns and decided not to include OPS's in the scope of the published regulations.

Need for a coherent regulatory regime

The regulatory push to avoid greenwashing is something we both welcome. With the above in mind, we note that our respective pension schemes will be subject to the DWP's regulations on ESG reporting and disclosures, but the activities of our respective investment subsidiaries (USSIM and Railpen) may be in-scope for the SDR requirements. Under these proposals, OPS firms like us could be subject to regulatory duplication, causing confusion and unnecessary complexity. We believe that there should be consistency between the regimes applied by the FCA and DWP towards the parts of the pensions market they regulate.

We would suggest that the FCA work with the DWP and The Pensions Regulator to create a coherent regime of regulated products.

If there are to be regulations around pension *fund* labelling, we would prefer that these regulations come from either the DWP or TPR, so that pension schemes are not required to incur excessive and unnecessary costs of compliance with different, and potentially duplicative, regulations imposed by multiple regulators.

This is particularly important with respect to the workplace DC pensions market, where the end investor is often unaware as to whether they are in a trust-based or contract-based product. Many people will have pension entitlements in both trust-based and contract-based schemes, further strengthening the need for consistency in the regime between the two types of scheme. This would help to ensure that retail customers receive the benefits of a consistent labelling and disclosure regime across all DC pension products.

We request that the FCA works with the DWP to ensure that, if there is a requirement for pension schemes to provide SDR-type data to their members, such requirements are delivered via pension fund regulation rather than fund manager regulation.

Sequencing of the SDR regime

Finally, we are supportive of the approach taken by the FCA with respect to the sequencing of the SDR regime, with the consultation on proposed requirements for asset managers to be carried out prior to the consultation on the proposed regime for pension schemes. We recommend that this sequencing is maintained when it comes to the implementation of any final rules. This should allow for a more realistic approach to disclosures by pension schemes in time, recognising that the quality of their SDR disclosures and labels is dependent on the availability of underlying data at fund or asset level. This is in contrast to our experience with TCFD reporting, where, as USS has previously discussed in its response to the FCA's consultation in that area, the fact that disclosure requirements were applied to pension schemes before any rules on asset managers were in force meant that the quality of disclosures were inevitably limited in the initial rounds of reporting by the challenges with data availability.

We hope that our response to your consultation will assist in your deliberations. Please let us know if we can provide any further information or assistance as you consider the next steps in this process.

Yours sincerely

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