

Guidance Statement on Composites for Fiduciary Management Providers to UK Pension Schemes

Adopting Release

The Exposure Draft of the Guidance Statement on Composites for Fiduciary Management Providers to UK Pension Schemes (Guidance Statement) was available for public comment from 20 July 2023 through 20 September 2023. We received six [comment letters](#). Every comment was evaluated and considered when drafting the Guidance Statement. The proposed changes were then reviewed with, and approved by, the Fiduciary Management Provider Technical Committee (FMP Technical Committee). This Adopting Release includes key topics and describes our rationale for the changes we made to the Guidance Statement.

1. Any information required to be included in GIPS Composite Reports for unconstrained composites that is calculated using scheme relative returns or composite relative returns must be presented relative to the hedge ratio–adjusted benchmark in addition to the liability benchmark.

In the Exposure Draft, we proposed that more schemes should be classified as unconstrained and included in unconstrained composites rather than in hedge-restricted composites. We provided broad guidance as well as numerous scenarios for when schemes should be classified as unconstrained and included in unconstrained composites. We received several comments that classifying more schemes as unconstrained would be acceptable as long as Fiduciary Managers were required to also include information that is calculated using scheme relative returns or composite relative returns relative to the hedge ratio–adjusted benchmark in GIPS Composite Reports for unconstrained composites. The FMP Technical Committee agreed with this change. As is required for hedge-restricted composites, any information required to be included in the GIPS Composite Report that is calculated using scheme relative returns or composite relative returns must be presented relative to both the liability benchmark and the hedge ratio–adjusted benchmark, with equal prominence.

2. Changes in composite assignment must be made retroactively.

To allow for comparability of information included in the GIPS Composite Report, the FMP Technical Committee determined that any changes in composite assignment as a result of applying this Guidance Statement must be made retroactively instead of on a prospective basis, as proposed in the Exposure Draft. If any changes to composite assignment are made as a result of applying this Guidance Statement, this fact must be disclosed in the GIPS Composite Report. As an example, such a disclosure could read: “In June 2024, the Liabilities + 0.5% < x ≤ 1.5% Unconstrained Composite was restated to include additional schemes due to the application of the Guidance Statement on Composites for Fiduciary Management Providers to UK Pension Schemes. Performance for all periods through December 2023 was restated.” This disclosure must be included for a minimum of one year and for as long as it is relevant to interpreting the track record.

3. Definition of materiality is left to the Fiduciary Manager.

The concept of materiality is used in multiple places within the GIPS standards for FMPs. As an example, Scenario 13 describes a situation where the FM acquired legacy private equity assets, whereby the FM should consider whether such legacy assets represent a material amount of assets. We received comments suggesting that the level of materiality should be defined. The FMP Technical Committee determined that each FM must define materiality for itself when considering whether acquired legacy assets would result in a scheme being classified as asset restricted. This approach is consistent with all topics that include the concept of materiality within the GIPS standards for FMPs. Materiality must be defined on an ex ante basis and should be documented in the FM's policies and procedures.

4. Effective date of the Guidance Statement is 1 January 2026.

The Exposure Draft proposed that FMs would have six months to implement any changes required by the Guidance Statement. However, because FMs will be required to make any changes in scheme composite assignment retroactively, the FMP Technical Committee determined that more time should be allowed. Therefore, FMs will have until 1 January 2026 to implement and reflect changes resulting from the application of the Guidance Statement. GIPS Composite Reports prepared on or after 1 January 2026 must reflect the application of this Guidance Statement. FMs may choose to early adopt this Guidance Statement. If adopted early, GIPS Composite Reports must reflect the application of this Guidance Statement.

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