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# Pensions Aspects

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## Responsible & sustainable

Investing for the greater good?




Pensions Management Institute
ACHIEVING PENSIONS EXCELLENCE

## Features



## Regulars



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# “Either you are sustainable *or* you’re not ”

*Greta Thunberg*

**Had you been holidaying in Narnia, then you might have had an excuse for not being aware of, and possibly inconvenienced by, the Extinction Rebellion movement, which besieged the capital in recent weeks. Greta Thunberg has been speaking as a voice of a generation with politicians of all persuasions about the devastating impact of climate change, if we don’t meet the 1.5 degrees global warming target. And, hardly a day goes by without another worrying report being issued. We’ve been warned about the cost of soil degradation and the loss of its carbon storing properties through deforestation, poor agricultural practice and erosion. The Government’s own independent Committee on Climate Change has recommended that the UK sets a legally-binding target to have net zero emissions of greenhouse gases by 2050. A landmark UN report – IPBES’ 2019 Global Assessment Report on Biodiversity and Ecosystem Services – alerts us to the possibility that one million species are facing extinction and the potentially devastating consequences for life on earth.**

It’s easy to feel overwhelmed by the enormity of the problem. I, on the other hand, am excited about the prospect of meaningful change that can start with us. Having been categorised over decades as dinosaurs (oh the irony), pension funds now have the chance to lead – to show those who rely on us for their future wellbeing and prosperity - that we can be trusted to drive forward the changes that will sustain our planet.

In my view, 2019 is a pivotal year for sustainability. Greta’s quote at the top of this article couldn’t be more direct. So, what are the priorities for trustees and governance committees when it comes to sustainability?

Firstly, all trustees boards will have to amend their Statement of Investment Principles to set out publicly how they have considered financially material environmental, social and governance (ESG) factors, including climate change - in investment decision making and their policy towards stewardship.

The effective date is 1st October 2019. But that’s only a start. Trustees will also be required to own and disclose their policy on voting rights and engagement – not the investment manager’s policy. DC schemes must make these disclosures in relation to the default investment strategy. In October 2020, these schemes will be required to set out in their annual reports just how they have implemented their policy.

It seems to me that many trustees and advisers haven't yet realised quite how a big a deal this is, particularly since the Stewardship Code is also being revamped. The UK was the first country to have a stewardship code in the wake of the last financial crisis. It applied only to listed equities and was deliberately light touch; virtually all asset managers signed up to it.

**The new draft Stewardship Code is a step change from where we have been. If introduced as envisaged, the Code will focus on how effective stewardship delivers sustainable value for beneficiaries, the economy and society.**

So to be clear, we are talking about outcomes and not policy statements. Trustees and others will have to clearly demonstrate and report on the alignment of purpose, strategy, values and culture with their investment managers. At its heart, the new Code identifies the care of the beneficiaries' assets as the primary purpose of stewardship.

That doesn't mean the investment consultants get off scot free. The new Code will oblige them to comply with specified Principles and Provisions. Which reminds me, over a year ago, 16 investment consultants signed up to an UKSIF/AMNT initiative to ensure that ESG issues were properly raised with trustees. They stated "We believe that ESG is a fundamental part of success in long-term investing, therefore we are drawing the guidance to the attention of UK pension fund clients through a variety of routes such as putting consideration of ESG on trustee meeting agendas, issuing briefings and/or holding training sessions. We also recognise the significant role that client-facing consultants can play in ensuring that our clients are well informed on the issues". What progress has been made? This may be a good time to review the performance of your investment consultant.

For the last four years I've had the privilege and pleasure of chairing the UK Sustainable Investment and Finance Association (UKSIF.org.uk). When I joined the Board in July 2014 I wrote that "The increasing recognition of global 'mega-risks' such as climate change and resource depletion mean that sustainable investment must move up the agenda of everyone involved in pensions; trustees, administrators and sponsors, offering both DB and DC schemes. I would encourage everyone involved to collaborate in developing environmental, social and governance (ESG) policies that influence investment strategy, fund manager behaviour and ultimately performance".

We've undoubtedly made progress, and while ESG factors are fully integrated into investment processes for some fund managers, it's taken legislation and codes to drag others to recognise the financial and non financial risks of not incorporating ESG into their thinking.

**Trustees must ask their fund managers about their own policies on ESG and climate change, and whether those policies extend to the funds they manage.**

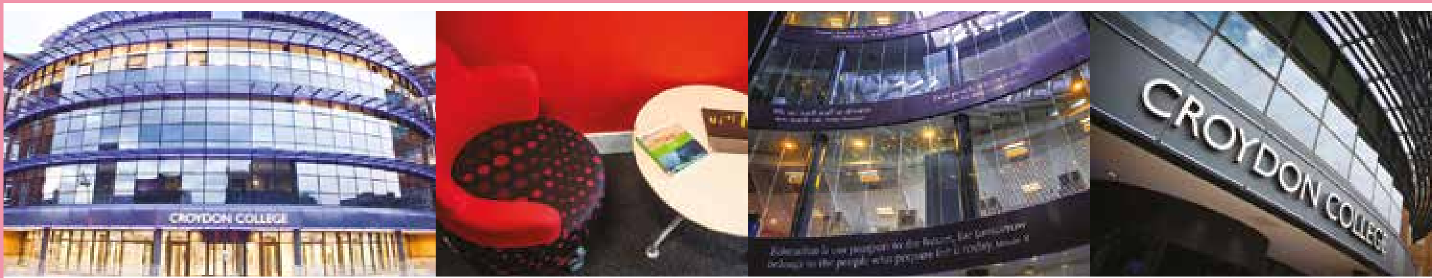
A recent survey by the Climate Change Collaboration would suggest there's still plenty to be done. David Cumming of Aviva Investors said recently on the Today programme, "Climate change is an issue. Companies have to be responsive to it. Companies that aren't seen as responsive to their environmental responsibilities are increasingly deselected by fund managers from their portfolios. Customers and consumers want to invest in companies with a positive climate change culture".

Outside trust-based schemes, the FCA has an open consultation on how climate change and ESG factors feature in the responsibilities of Independent Governance Committees (IGCs). The FCA proposes a new duty for IGCs to report on their firm's policies on ESG issues, consumer concerns and stewardship, to help protect consumers from investments that may be unsuitable.

We have a huge responsibility ahead of us. I'm not expecting you to glue yourselves to the Stock Exchange, or any other building for that matter, but I am expecting everyone to step up to the plate. For many, this represents an entirely new area of knowledge and understanding and a need to get up to speed very quickly indeed.

**Are you ready to adapt? The alternative is too terrible to contemplate.**

**By Lesley Alexander, PMI Vice president**




# PMI and Croydon College

## working together to support pensions professionals

**The PMI is thrilled to announce that it now offers its qualifications through Croydon College. The first client accessing PMI's qualifications through Croydon College will be the Pension Protection Fund.**

PMI qualifications have typically been offered by large pensions employers through long established in-company support and development programmes. Over the years, many thousands of pensions professionals have benefitted from this approach. Recently, The PMI has seen an increase in demand from employers who do not wish to become an independently recognised and approved PMI centre, either because of their size or because offering qualifications is not their main business focus. We needed to find a route to potential learners, members and future leaders of the pensions sector; one that would apply the same rigorous assessment, commitment to equality and inclusion, and passion for excellence that we see so often on our centre visits, and that could support our digital by default approach to examination delivery and assessment.

Gareth Tancred, Chief Executive, PMI commented:

**"We are delighted to be working with Croydon College to broaden the reach of our qualifications and learning support. We are increasingly seeing demand from smaller centres looking to access PMI qualifications and hope to continue to engage with other providers, like Croydon College, to improve the value and accessibility of our learning offering to pension professionals".**

John McClean, Head of Apprenticeships at Croydon College commented:

**"Croydon College, in conjunction with our client the Pension Protection Fund, are delighted to be working with the PMI, who we chose because of their inherent expertise in this field and came highly recommended by all we consulted with. Because of this, we are looking to expand our apprenticeship offering in pensions".**

Fadia Clarke, Vice Principal Training Skills and Higher Education at Croydon College added:

***"We believe in apprenticeships as a way of providing a highly skilled workforce that is able to contribute to the prosperity of our economy. This is why we work with small and large employers in addressing skills shortages within their companies. We also believe that at the heart of any successful apprenticeship scheme are employers who do great work in supporting apprentices by providing them with opportunities to nurture their skills and knowledge.***

***This year we are sponsoring the award of Apprentice Employer of the Year at the 2019 Croydon Business Awards as our way of recognising employers' contribution to making a difference to skills development".***

For more information or to be put in touch with Croydon College, contact **Anne Harper, Director of Lifelong Learning, on 0207 392 7436 / aharper@pensions-pmi.org.uk**

## Cheque Payments

**Please note that effective 1st June 2019 we will no longer be accepting cheques as payment for all membership subscriptions, renewals or qualifications.**

## Continuing Professional Development (CPD)

Fellows and Associates are reminded that meeting the PMI CPD requirement is compulsory (except where retired/non-working). Under our CPD scheme, PMI members are required to record at least 25 hours during the year. Please log on to the website and update your CPD record.

Fellow and Associate members with outstanding CPD have been notified to complete and submit their CPD to the PMI Membership Department. Failure to comply will result in the withdrawal of their designatory initials FPMI and APMI.

## APPT Renewal

APPT renewal notices have been emailed to members informing them to renew by 1st July 2019 at a cost of £200. APPT members are reminded to complete their 2018 CPD and submit it to the PMI Membership Department.

## Membership Record

Please ensure that your personal details are correctly updated on the PMI database to ensure that there is no interruption to your membership service. If you require a reminder of your username/password to log in and check your details, please contact the Membership Department.

## Letter of Good Standing Request

Effective 1st May 2019 the following charges will be applied:

> PMI Members (£50)
> Non members or previously lapsed members (£60)

Please be informed that the service level for required letters will be a minimum of two working days.

## Certificate Membership

Certificate membership is open to those who have completed one of our qualifications at the Certificate Level; for more information please see the PMI's website. We are pleased to announce that **Jonathan Dean, Annalise Etherington**, and **Malcolm MacDougall** have been elected to Certificate Membership and can now use the designatory initials '**CertPMI**'.

## Membership Renewal

Your 2019 - 2020 membership becomes due on the 1st September 2019; renewal notices will be sent out shortly. Please see membership fees below.

## PMI Membership Fees

| Membership Category | Fees 2019/20 |
|---|---|
| Student | £145 |
| Certificate | £185 |
| Diploma | £235 |
| Associate | £325 |
| Fellow | £415 |
| Retired/Non-Working | £75 |

## PMI Membership Upgrade Waiver

The Board has decided to allow all future qualifiers after each exam to upgrade their membership without the appropriate election fee. The invitation to upgrade letter will be posted together with your results indicating a three-month period in which to upgrade your membership.

Members wishing to upgrade after the end of the waiver period will be required to undertake the usual process which requires the upgrade fee plus the annual subscription at the appropriate rate. For further details contact the Membership Department at **membership@pensions-pmi.org.uk** or on **020 7392 7410**.

## Fellowship

Fellowship is open to Associates with five years membership and five years' logged CPD.

We are pleased to announce that the following people have been elected to Fellowship and can now use the designatory initials '**FPMI**':

**Nicola Beighton**
**William Cameron**
**Louise Campbell**
**John Dutton**
**Claire Fraser**
**Claire Gowing**
**Elaine Hanna**
**Robert Jones**
**Simon Knight**
**Alastair MacPherson**
**Paul O'Malley**
**David Spilsbury**
**Allan Whalley**
**Mark Whitby**

# Membership update

## PMI Fellowship Network (PMI Fellows only)

The pensions industry is going to have a very busy few years with the GMP rectification/equalisation/conversion. The launch of the pensions dashboard is only likely to create further work as consumers start to engage with their pensions savings (which is a good thing).

>> **What should the industry be doing now to get ready for this activity and recognising that increased activity tends to require increased resource and therefore likelihood for increased costs?**

>> **What could be done to mitigate these and at the end of the day, who pays?**

>> **In the next 3 to 4 years, what will success look like considering the position of the different stakeholders in pensions dashboard (e.g. consumers, trustees, employers, administrators)?**

**Edinburgh Session / Friday, 7th June 2019 at 9:00-11:00am**

**Venue:** Jardine Lloyd Thompson, 7 Lochside Avenue, Edinburgh, EH12 9DJ

**Chairs** Dominic Croft, FNA (Profund Solutions Limited), John Wilson, FNA (JLT Benefit Solutions)

**Registration** is at 9:00 – 9:30am.

**London Session / Thursday, 13th June 2019 at 4:00-6:00pm**

**Venue:** PMI Office, Floor 20, Tower 42, 25 Old Broad Street, London EC2N 1HQ

**Chairs** Geraldine Brassett, FNA (Capita Employee Benefits), Kim Gubler, FNA (KGC Associates)

**Registration** is at 4:00 – 4:30pm.

**Leeds Session / Monday, 17th June 2019 at 4:00-6:00pm**

**Venue:** Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR

**Chairs** Brian Smyth, FNA (Ascot Lloyd), Robert Wakefield, FNA (First Actuarial LLP)

**Registration** is at 4:00 – 4:30pm.

**Reading Session / Thursday, 20th June 2019 at 4:00-6:00pm**

**Venue:** Punter Southall Governance Services, Forbury Works, 37 – 43 Blagrave Street, Reading RG1 1PZ

**Chairs** Gillian Graham, FNA (Punter Southall Governance Services), Rosie Lacey, FNA (De La Rue)

**Registration** is at 4:00 – 4:30pm.

**Birmingham Session / Tuesday, 25th June 2019 at 4:00-6:00pm**

**Venue:** Punter Southall Offices, 1 Colmore Row, Birmingham B3 2BJ

**Chairs** Bob Compton, FNA (ARC Benefits Limited), Mandie Bird, FNA (Barnett Waddingham)

**Registration** is at 4:00 – 4:30pm.

**Bristol Session / Thursday, 27th June 2019 at 4:00-6:00pm**

**Venue:** XPS Administration, Queen's Quay, 33-35 Queen Square, Bristol, BS1 4LU

**Chairs** Robert Wakefield, FNA (First Actuarial LLP), Dominic Croft, FNA (Profund Solutions Limited)

**Registration** is at 4:00 – 4:30pm.

If you would like to participate in these group discussions, please contact the membership team today.

## Diploma Membership

Diploma membership is open to those who have completed one of our qualifications at the Diploma Level; for more information please see the PMI's website. We are pleased to announce that **Joseph Gregory** has been elected to Diploma Membership and can now use the designatory initials '**DipPMI**'.

## Associate Membership

Associate membership is open to those who have completed the Advanced Diploma in Retirement Provision qualification; for more information please see the PMI's website. We are pleased to announce that **Charlotte Cowell** and **Collette Graham** have been elected to Associate Membership and can now use the designatory initials '**APMI**'.

# PMI UPCOMING EVENTS

**11 SEPT**
**/ Introduction to Pensions**
11th September 2019, London

**25 SEPT**
**/ Introduction to Pensions**
25th September 2019, Leeds

**26 SEPT**
**/ Annual Lecture 2019**
26th September 2019, London

**10 OCT**
**/ DC Workplace Symposium**
Thursday 10th October 2019, London

**7 NOV**
**/ PensTech and Administration Summit**
Thursday 7th November 2019, London

If you would like receive further information on any of the above events, or if you are interested in sponsoring any of our events, please contact:

**TANNAZ RASTEGAR -** *Marketing and Business Development Manager*

**DD: 0207 392 7427 / E: trastegar@pensions-pmi.org.uk**

# News from the regions

## [ Midlands region: ]

We have now confirmed the line up for our early evening AGM Seminar on 12th June 2019 at Mills & Reeve's Cambridge office. This will be a panel discussion on the topic 'Consolidation: will it create a brighter and better future for members and sponsors?'. Our well known panellists will be Henry Tapper (First Actuarial), Robin Ellison (Pinsent Masons), and Harus Rai (Capital Cranfield). The panel will be chaired by Jonathan Hilliard QC.

The event will start at 5pm with a networking tea, followed by the short AGM at 5.45pm and then the panel discussion at around 6pm. Full details have been emailed to members.

If you wish to be added to our distribution list, please contact Susan Eldridge at **susan.eldridge@aviva.com**

## [ South West ]

The PMI South West Spring seminar took place on Friday 3rd May at the offices of TLT in Bristol. Thank you again to all our speakers who covered a varied range of topics. The presentations are available to download from **https://www.pensions-pmi.org.uk/membership/regional-groups/south-west/**

The PMI South West Annual Gala Dinner on Thursday 16th May 2019 at the Harbour Hotel, Bristol was a thoroughly enjoyable event which raised over £500 for Age Concern.

Our Autumn seminar will take place in November 2019; the date will be published in future editions of Pension Aspects.

## [ Scotland ]

The Scottish Group of the PMI are currently planning a half day seminar for June. Further details to follow but topics will include an update on GMP equalisation following industry meetings with HMRC.

## [ North East ]

Our 'legal update' event will take place at the offices of Eversheds Sutherland on 6th June with speakers to be confirmed via email closer to the event date.

If you would like to be included on the distribution list for future regional events, please contact Jane Briggs at **jane.briggs@squirepb.com**

## [ London ]

The PMI London Group's AGM will be held on 18th July from 18.00, kindly hosted by Mayer Brown at 201 Bishopsgate.

Our guest speaker is V**incent Franklin, Co-founder and Creative Partner, Quietroom**. He recently won the Pension Network's 'most entertaining speaker over the last 10 years' award, so we know we will be in for an exceptionally topical and thoroughly enjoyable evening!

Invitations will be sent out soon, so make sure you're a member of the PMI London Group to ensure you don't miss out. Keep an eye on our LinkedIn page and Twitter (@pensionslondon) for further details.

# Responsible & sustainable

## Investing for the greater good?

Continue reading on pages 12-17

# Climate change and pensions

**By Megan Clay, Climate Finance Lawyer, ClientEarth**

**There is a legal and financial imperative to align with the Paris Agreement. Trustees who ignore it risk legal action.**

## Climate change is happening now

The Intergovernmental Panel on Climate Change (IPCC) has reported that man-made warming has already exceeded 1ºC since pre-industrial times, and is increasing by 0.2ºC per decade. The impacts of this warming are being felt in devastating hurricanes, droughts, wildfires, sea level rise, and in catastrophic ecosystem and biodiversity losses.

The majority of the British public (63%) think the planet is in a 'climate emergency', with 76% saying they would vote differently to protect the planet and climate. And, importantly, the world's politicians have made commitments: the 2015 Paris Agreement binds the world's leaders to limit global warming to well below 2ºC.

**While this may all seem many miles from pension scheme portfolios, it is crucially important for one simple reason:**

> **Climate change is a material financial risk, and trustees and other fiduciaries could face legal action if they fail to consider, and effectively manage, the risk it poses.**

## Climate change is financially material

We are not talking about ethical considerations here. Bank of England governor Mark Carney has been spearheading regulatory action on climate change since 2010. Investment consultant Mercer has modelled its impacts since 2005. The Institute and Faculty of Actuaries has issued a Risk Alert. Ever more asset owners and managers – including NEST, HSBC Bank's UK Pension Scheme, LGIM and BNP Paribas Investment Management – are setting out their own approaches to dealing with the risks and opportunities associated with climate change.

Unsurprisingly, discussion around climate can focus on risks. But there are also enormous investment opportunities in the transition to a low carbon economy. There is no inverse relationship between sustainability and return. Evidence over the last five years for MSCI indexes, which exclude all companies with coal or fossil fuel reserves, outperformed the benchmark, while significantly reducing associated carbon emissions. Many investors now see such investments as a 'free hedge' against climate change transition risk.

## Attention from regulators and members is increasing

Trustees cannot afford to ignore climate risk. Their legal duties have been strengthened even in the past few months: schemes must update their Statement of Investment Principles (SIPs) by October 2019 to include their policies in relation to financially material considerations (defined to explicitly include climate change) and undertaking engagement activities. DC schemes must publish SIPs on a public website and, from October 2020, publish a report detailing their implementation of the policies in their SIP.

Governance must improve and schemes must be transparent. This may make those schemes that are yet to seriously consider the impacts of climate risk feel uneasy.

[redacted]

And for good reason; their action (or lack of it) will be published for all to see. This will be of interest to climate conscious members and regulators alike. The Pension Regulator's (TPR) investment guidance already signposts that climate change is a material financial risk and, along with the FCA, it has committed to reporting on the adaptation of their respective sectors to climate change under the third round of the Adaptation Reporting Power. This work is likely to result in increased scrutiny of climate risk management from regulators.

## The financial imperative to align portfolios with the Paris Agreement

Trustees are investing for their beneficiaries' retirement. Unmitigated climate change will result in losses throughout the economy, so beneficiaries' interests will clearly best be met (and therefore fiduciaries' duties best discharged), through efforts to ensure that warming is kept to a minimum. For well informed fiduciaries, this should be understood as effective risk management.

Indeed, a key conclusion from Mercer's Investing In A Time Of Climate Change: The Sequel report (released in April 2019) is that investing for a well below 2ºC scenario is an imperative as well as an opportunity: for nearly all asset classes, regions and timeframes, a 2ºC scenario leads to enhanced returns versus 3ºC or 4ºC, and is therefore better for investors.

The legal imperative is also clear: if it is in beneficiaries' best interests that catastrophic global warming is avoided, those beneficiaries will expect fiduciaries to exercise their investment duties to further that objective where there is a clear route to doing so. While market practice is developing remarkably quickly, there is a strong argument that forceful stewardship demanding action is already in that category.

## A blueprint for trustee action on climate risk: you can't leave it to your asset managers

Managing climate risk need not be difficult, though it will need appropriate resources. Think of it as a project, and resource it accordingly. Here are six steps to help get trustees on the road to becoming climate competent:

### 1/ Understand the risks associated with climate risk

Don't take my word for it, do your homework. Mercer's report (see above) is a good starting point. The Financial Stability Board's (FSB's) Taskforce on Climate-related Financial Disclosures (TCFD) offers a reading list. The Environment Agency Pension Fund (EAPF), whose trustees understand climate change more than most, provides an example of good practice. Once you have done some initial reading, consider whether you need additional advice.

### 2/ Establish investment beliefs

Consider articulating the core investment beliefs held by the trustee board which will shape the integration of climate risk into investment strategy, including practical decision making on asset allocation, performance objectives and selection and retention of asset managers.

Your investment beliefs around climate change could refer to trustees' investment duties, as the EAPF's do.

### 3/ Review your advisers' and investment managers' capabilities

Ensure new and existing mandates with professional advisers, including consultants, auditors, actuaries and accountants, require that appropriately qualified advice will be given on climate risk exposure.

### 4/ Assess your scheme's exposure and update strategies accordingly

Analyse the fund's exposure to physical and transitional risks in relation to the fund's assets and the sponsor's employer covenant. Enlist experts' help to conduct forward looking climate change scenario analysis consistent with the TCFD recommendations and consider political and regulatory developments. Findings should inform your investment strategy.

### 5/ Reallocate assets in line with investment beliefs

Instruct investment managers to reallocate capital and stop investing new capital into risky fossil fuel assets. Move the scheme's passive investments into products tracking low carbon indices and seek out investment opportunities in low carbon sectors, including in real assets, infrastructure and private equity. Monitor emerging climate benchmarks and plan to invest for a well below 2ºC scenario.

### 6/ Pursue active stewardship and engagement

Effective engagement with governments and regulators, as well as companies, is required to mitigate the systematic risks associated with climate change. Alongside company level engagement requesting well below 2ºC business plans and reporting in line with the TCFD recommendations, make a commitment to investor networks on climate change and support investor action on climate change.

### 7/ Report

Report in line with the TCFD recommendations.

PMI Insight Partner

# Not-so-fantastic plastic

**By Samantha Lamb, Head of Fixed Income ESG, Aberdeen Standard Investments**

**Mounting hostility towards single-use plastics will create clear winners and losers.**

Plastic is the environmental issue of the moment. Campaigners have long argued against the use of single-use plastics and sought to highlight the scourge they create for the natural world.

But it was a BBC documentary, Blue Planet II, that produced a literal sea change in how the US, Europe and the UK view plastics. The documentary graphically highlighted the extent to which plastics have infected food chains, and the immense suffering they inflict on sea creatures.

The response from consumers has been stark, with many people moving swiftly to reduce their usage of plastic.

Companies have been equally quick to put in place policies that cut down reliance on plastic. Governments too are reacting, with the UK and Europe both announcing strategies to regulate plastics.

By contrast, the investment community has been slow to react. Many investment managers have talked up the need for action. However, that rhetoric has not necessarily been reflected in portfolios. This is surprising. There are likely to be some clear winners and losers among plastics manufacturers. Simply put, companies with the capital to invest in the production of more sustainable forms of plastic, or that have limited exposure to single-use plastics, stand to prosper. Conversely, less well-capitalised companies dependent on single-use plastic will struggle to adapt.

> **Companies able to invest in the production of more sustainable forms of plastic, or that have limited exposure to single-use plastics, stand to prosper.**

The US high-yield debt universe includes many companies producing single-use plastics. For instance, almost all of the production of Sealed Air Corporation is single-use plastic, and a number of their products are market-leading. The company's bonds are supported by strong free cashflow, a solid balance sheet and healthy debt levels.

Most crucially, Sealed Air Corporation is investing to adapt to a world intent on

**As our love affair with plastic sours, the investment community must hasten to catch up with the shift of mood.**

using plastic more sustainably. The company has combined product innovation with its work on sustainability. It is also undertaking various initiatives aimed at increasing usage of recyclable materials. Additionally, it is developing bio-materials that are recyclable or that degrade much faster than petroleum-based products.

Not all companies are quite so forward thinking. Some firms in the US high-yield market are heavily indebted, with as much as two-thirds of production dedicated to single-use plastics. Their lack of financial resource leaves them in a precarious position. Such firms will face stark choices about the direction that they want – and are able – to take in the future.

What applies to the US high-yield market does not apply to all jurisdictions. Asian consumers have been almost silent on the issue of single-use plastics. Consequently, there is little impetus for change in companies in the region.

The very raw outrage of many western consumers about plastic might fade over time. But companies and governments are moving in a direction that means that some of the changes being sought are likely to prove durable. As our love affair with plastic sours, the investment community must hasten to catch up with the shift of mood.

A version of this article was first published by Barrons on 5th March 2019.

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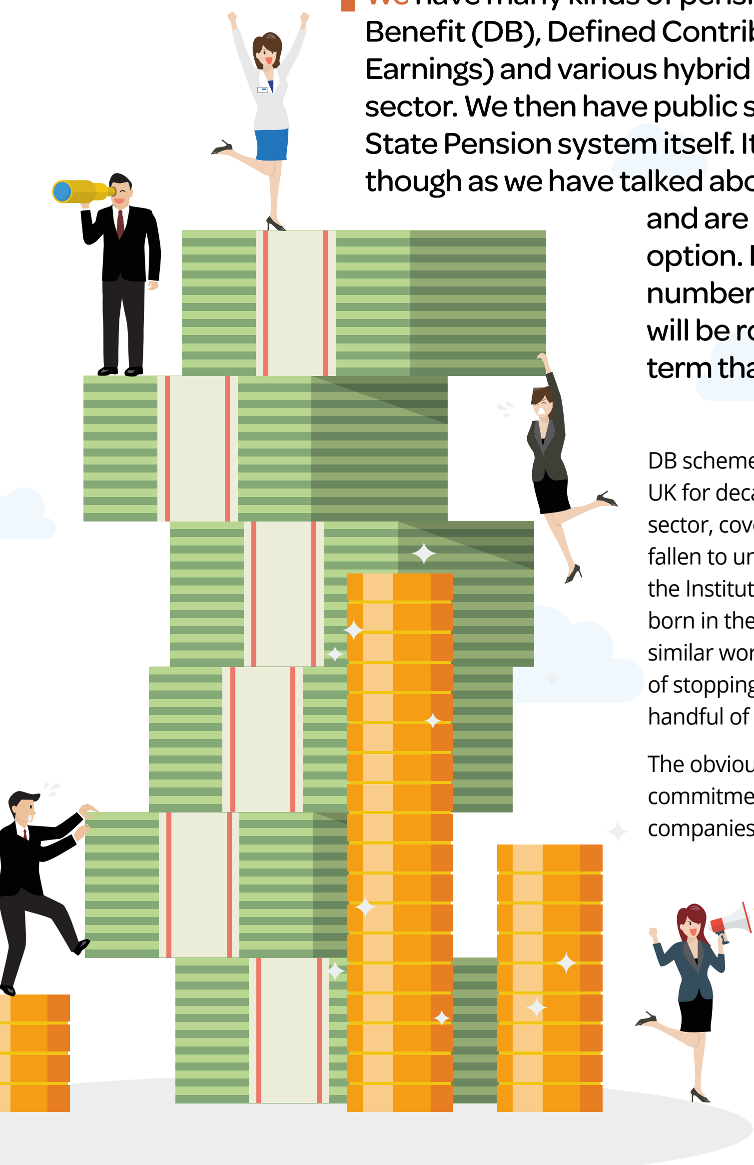
# How sustainable are UK pensions?

**By Hugh Nolan, Senior Trustee Representative, Dalriada Trustees Limited**



We have many kinds of pension schemes in the UK, covering Defined Benefit (DB), Defined Contributions (DC), CARE (Care Average Revalued Earnings) and various hybrid schemes too, and that is just in the private sector. We then have public sector schemes, often unfunded, and the State Pension system itself. It doesn't seem to be an adequate range though as we have talked about adding on Defined Ambition schemes and are currently introducing a Collective DC (CDC) option. It's clear that pension schemes face a number of challenges but surely one of these models will be robust enough to be sustainable over the long term that people need to save for retirement. *Won't it?*

DB schemes have been the cornerstone of private pension provision in the UK for decades. In 2006, there were 3,500 open DB schemes in the private sector, covering 3.6 million employees earning benefits. By 2016, this had fallen to under 700 schemes covering 1.3 million employees. Analysis from the Institute and Faculty of Actuaries suggests that a private sector worker born in the 1960s is four times more likely to have a DB pension than a similar worker born in the 1980s. That trend is continuing and shows no sign of stopping, though perhaps DB schemes might still be sustainable for a handful of employers in the future.

The obvious problem in DB schemes is the open ended financial commitment for the sponsoring employer. When times were good, companies were able to take contribution holidays but were also forced to accept higher benefit levels, with requirements to revalue and increase pensions that made schemes far more expensive than was ever intended at the outset. Those extra costs were exacerbated by people living longer, stubbornly low interest rates, legal rulings like the Barber judgement (and the more recent Lloyds case), and understandable pressure from The Pensions Regulator to improve funding levels. What employer in their right mind would leave their company's financial prospects such a hostage to Government meddling and market conditions by ever setting up a scheme like that again?

The public sector still has DB schemes so perhaps state backing makes these schemes more sustainable. Sadly, that doesn't seem to be the case. The Universities Superannuation Scheme (USS) employers have been paying contributions of 18% of salary to their scheme (alongside 8% from members), and are being asked to increase that substantially to a combined rate of 33.7%. I'm not an expert on university funding but I don't get the impression from the news I see that there is lots of money floating around to cover such an increase!

**The NHS Pension Scheme moved its Normal Retirement Age to 65 in 2008 and introduced CARE benefits in 2015 but members can still get a guaranteed pension of around 2% of Pensionable Salary for each year of service, and that is a very expensive benefit to provide, as is the 1/57ths of salary pension available from the Teachers Pension Scheme.**

Ultimately these public sector benefits have to be paid from tax revenue and there may well come a time when private sector workers chafe at providing gold plated benefits to the public sector that they can never hope to get themselves.

I mentioned the NHS move to CARE benefits, which seems particularly appropriate given the nature of their work. Sadly the punning opportunities are outweighed by the fact that this change is akin to Nero fiddling while Rome burned (or rearranging the deckchairs on the Titanic, whichever analogy you prefer). CARE schemes do partially mitigate the risks of a full blown DB scheme but it's only a marginal improvement by limiting the exposure to salary escalation, including particularly the accrued costs from promotional increases. Despite remembering the infamous Cedric Brown saga from the mid-90s, I simply can't see that removing one risk from DB schemes transforms CARE benefits to be sustainable in the long term.

Turning to the State Pension, we have a benefit that is not only Government backed but it's also practically universal so there is no real danger of squabbling between recipients. Does that give us a sustainable model? The statistics suggest not.

There were 9.1 million people in the UK over age 65 in 1991. That had risen to 11.8 million by 2016. The Office of National Statistics (ONS) say that 15.9% of the population was over 65 in 2007, rising to 18.2% in the decade to 2017 and projected to rise further to 20.7% in 2027. Longevity has also improved over that period so the burden on the decreasing number of working taxpayers is suffering a classic double whammy.

The good news is that successive Governments (of various kinds) have broadly recognised this demographic time bomb and have taken steps to reduce the strain, for example by increasing the State Pension Age. The bad news is that the Office of Budget Responsibility (OBR) has projected that the cost of State pensions will rise from 5.0% to 7.1% of GDP over the next 45 years, an increase of over 40%. That hardly seems sustainable, particularly when coupled with the additional budgets needed for more health and care costs for this ageing population. The House of Lords Intergenerational Fairness and Provision Committee has recently recommended the removal of the triple lock for pensioners (joining GAD and the DWP who have said the same previously), but this remains a toxic political issue, albeit that the Committee dampened down the negative public reaction by monopolising all the headlines with the even more controversial proposal to remove free TV licences for those over the age of 75.

**Finally, the shining light of current pension provision in the UK is auto-enrolment with 10 million savers benefitting from this. However, there are 5 million self-employed people (15% of our total workforce) who aren't covered by auto-enrolment and only an estimated 10% of those pay into a pension.**

ONS figures suggest that 45% of self-employed workers aged between 35 and 54 have no private pension provision at all. The minimum combined contribution to a DC scheme to satisfy the auto-enrolment rules is 8% of 'qualifying earnings' (some way below full salary), and the median employer contribution to DC schemes fell from 10% in 2012 to 4% in 2016.

**How sustainable will these DC schemes be when people retire after years of contributing only to discover that they still can't afford a decent retirement?**

By Sonya Fraser,
Senior Associate,
Sackers

Legal

# Key points from TPR's 2019 annual funding statement

**March saw the publication of the Pension Regulator's (TPR's) Annual DB Funding Statement (the AFS), which set out its expectations of schemes carrying out valuations, and what schemes, in turn, could expect from TPR. Whilst the AFS does not have legal force, TPR is clearly setting out its stall, and schemes should make sure they have an eye to this update in their negotiations.**

## Long-term funding targets (LTFT)

Paying the promised benefits is of course the key objective for schemes. TPR now states that it expects all DB scheme trustees and employers to agree a clear strategy for achieving a long-term funding goal, which recognises how the balance between investment risk, contributions and covenant support may alter over time. Schemes should adopt 'journey plans' working towards meeting this new target, which should now look beyond being fully funded on a technical provisions basis.

## Balancing risks

Consistent with existing guidance, TPR emphasises the need for an integrated risk management approach, with trustees evaluating covenant, investment risk and funding in the round. As in previous years, the AFS categorises schemes based on their risk profile. But this year a scheme's maturity is given as a significant factor. TPR explains that since most schemes are now closed to new members, scheme maturity issues should assume greater prominence when setting funding and investment strategies.

The statement contains a series of tables, setting out the key risks and actions which TPR believes trustees and employers should focus on, depending upon the category into which their scheme falls. It is essential that trustees and employers take advice to understand the specific implications for their scheme.

## Investment strategy expectations

Also, for the first time, TPR spells out its investment strategy expectations in the tables, including:

+ setting asset allocation consistent with LTFTs, and journey planning to get there
+ quantifying the impact of adverse investment performance on funding, and
+ testing and evidencing the ability of the covenant to support this without extending the recovery plan.

## Dividends and deficits

TPR expects schemes to be treated 'equitably' with other stakeholders. The AFS states that it remains concerned about the disparity between dividend growth and stable deficit reduction contributions (DRCs), and makes clear that TPR expects:

+ where dividends and other shareholder distributions exceed DRCs, that funding targets should be strong and recovery plans short
+ if the employer covenant is tending towards weak or weak, that DRCs should be larger than distributions, unless the recovery plan is short and the funding target strong, and
+ if the employer is weak, that shareholder distributions should have ceased.

## Late valuations

TPR expects trustees to plan ahead so that their valuation process leaves sufficient time for advice, analysis and negotiation. A missed deadline should be reported 'in good time'. But, while parties should work to finalise an appropriate valuation and recovery plan as soon as possible, trustees should not agree merely because of time pressure, and should contact TPR if pushed to do so.

## What now?

TPR confirms that it intends to review and update its DB funding code, consulting in summer 2019 'on various options for a revised funding framework', and 'shortly after' on the code itself. Until the updated code comes into force, trustees and employers should continue to refer to the current DB code and guidance.

Policy

# How trustees and government can stop the scammers

Pensions are among the biggest financial commitments we'll ever make, so naturally we want to feel assured our investment will be well looked after. We're essentially handing someone else the reins to our retirement, which is a bit like giving a stranger the keys to your house. This feels even more significant when we're all living longer, healthier lives.

**Fraudsters take advantage of this leap of faith, by cynically and ruthlessly deceiving people into believing that there are untapped riches on offer, before cruelly and callously dashing their dreams for later life.**

These scams are extremely damaging, desperately so for their victims, but also for the rest of the pensions industry, eroding confidence in saving. So, we need to tackle this criminality, and we're clear both trustees and government must play a part.

For their part, trustees are in a powerful position to warn people against making the wrong decision. They have an in-depth understanding of each saver's financial position, and their experience and nous enable them to spot the 'red flags' that give away when a would-be scammer is up to no good.

So, we're planning to legislate to help trustees ensure that transfers of pension savings are made to safe schemes, such as authorised master trusts, and not fraudulent schemes.

> **Trustees have a moral responsibility to act in the best interests of their members, and these laws will assist them in performing a vital screening role to stop scams at source.**

As we help trustees to combat these criminals with new powers, we are giving savers the tools to better understand their finances in one place. The newly announced Money and Pension Service (MAPS) is a joined up service for everything from help with debt to money and pensions guidance.

It will make it easy for people to get all the help they need to make better financial decisions throughout their lives. This is a big step towards providing high quality, free and impartial information and guidance on the big money questions. As more of today's younger generations are saving through automatic enrolment, we want to build a nation of savvy savers.

The new Money and Pensions Service (MAPS) will play a vital role in this process, informing people of their pension options with face-to-face and over the phone guidance and, in what will be a huge step in bringing pensions into the digital age, it will drive industry's development of pensions dashboards while delivering the first non-commercial dashboard.

The more information people have about their money, the better they will be at spotting these sophisticated frauds, and MAPS will make accessing this information quicker and easier.

Automatic enrolment has transformed pensions saving, bringing more than 10 million people across the UK into workplace schemes. That translates to billions of pounds put aside for later life.

The bigger the pot, the bigger the draw for the rip-off merchants. That's why I'm determined to arm trustees and savers with the tools to keep the scammers at bay, and retirement savings safe.

**By Guy Opperman, Minister for Pensions and Financial Inclusion**

Actuarial

# To convert or **not to convert?**

**By Angela Burns, Actuary, Spence & Partners**

*Angela Burns of Spence & Partners ponders on the question of GMP equalisation and conversion.*

On 18 April 2019 the DWP issued 'Guidance on the use of the Guaranteed Minimum Pensions (GMP) conversion legislation'. This follows the Lloyds judgement on 26 October 2018 which decided that GMPs should be equalised and offered various method for doing so. The DWP guidance (equalisation coupled with conversion) is method 'D2' (where each member is given the higher 'value' own sex or opposite sex benefit).

Conversion is where the GMP is converted to another type of benefit. Following conversion, the GMP rules will no longer apply to the benefit.

Trustees have a difficult choice. Which method should be used to equalise benefits and should GMPs be converted into another type of benefit? The DWP guidance is helpful in setting out the steps involved in a conversion process to aid trustees in these discussions.

The guidance sets out a 10 step process for GMP equalisation and conversion. Rather than comment on the guidance in full, I have noted some interesting points for consideration.

- **The guidance is in line with that issued previously by the DWP, in 2016. The legislation put in place at that time will be updated to clarify a number of points.**
- **The guidance states that conversion must apply to all of a member's GMP, not just the part of the GMP that requires equalisation.**
- **Benefits will need to be equalised in line with the Lloyds judgement even if there is not an opposite sex comparator.**
- **Method 'D2' only equalises future benefits and so trustees will have to agree a method for equalising past benefits. If 'past' and 'future' benefits are equalised separately the cost could be higher than necessary (as you are effectively equalising 'past' and 'future' separately, when they could be offset). Trustees may, therefore, want to consider offsetting any past underpayments against any future additional benefits.**

> **In deciding on a course of action, trustees should consider the advantages of conversion; a simplified benefit structure which may result in lower costs for administration and for insurance solutions. And, of course, a scheme that is easier to understand from the member's perspective.**

These advantages should then be weighed up against the costs of conversion. Consideration should also be given to the costs of other methodologies if the conversion route is not followed. Would the cost of a 'one off' exercise to equalise and convert GMP benefits be greater than the cost of having to maintain dual member records under method 'C2'? Unlikely.

Member communication throughout the process will be key. Trustees will have to rely on their advisers to ensure that both equalisation and conversion are carried out correctly and in line with the necessary legislation and guidance.

For me, this provides an opportunity to simplify a very complex benefit structure that is difficult for members to understand and difficult to administer. Following a well run project, the end result should be a much simplified scheme.

Administration

# Supporting better outcomes for members

**By Mark Barlow, Senior Consultant, XPS Pensions Group**

**We have just launched our second annual survey on member outcomes under freedom and choice. Building on last year's survey, where 6,000 transfers were followed with an average transfer value of £235,000, our 2019 survey tracked a further 1,800 transfers where the average transfer value has risen over 15% to c£275,000.**

With so many members leaving schemes (approximately 1.5% of eligible members or, if replicated across all schemes, 70,000* members could be leaving DB pensions each year), there is still disappointingly little variety of destination for transfers. The survey reveals 99% of members are moving to a self-invested personal pension (SIPP).

In our view, a one size fits all destination for transfers is unlikely to drive the best outcomes for all members.

Some members may be paying for SIPP features they don't need or use. Charges can have a devastating effect on member's retirement incomes. Lower cost, simpler SIPPs and master trusts can help, and members deserve better support to easily access these as charges can have a significant impact on the cash or income available.

Members that choose more expensive vehicles over lower cost alternatives could:

- Run out of money seven years earlier if 25% tax free cash is taken and they draw an annual income of £12,000; the same as in the 2018 survey
- Receive £3,200 less each year of retirement income over their expected lifetime; £2,600 each year in 2018 survey
- Leave £400,000 less of inheritance at the end of their expected lifetime; £340,000 in 2018 survey
- Receive £5,000 less a year in annuity income at age 75; £4,000 a year in 2018 survey.

Clearer more robust support is required to help members understand the consequences of their options. New FCA guidelines are driving better support from advisers but trustees and employers have a vital role to play in initial education. It is therefore encouraging to see that trustees and employers are beginning to take action to improve member outcomes.

We also looked at what employers and trustees are doing to help members with their choices at this critical point in their financial lifetime and the results are encouraging. In 2018's survey, we identified four key actions employers and trustees could take to achieve better outcomes and we are starting to see our clients take action. 2019's report showed that:

- 40% have implemented or are considering implementing a communications strategy
- 30% are actively investigating partial transfer options
- 25% are looking at introducing a low cost receiving vehicle for members
- 10% now have an IFA in place at retirement with a further 25% considering it.

For a copy of the full survey visit **www.xpsgroup.com**


XPS Pensions Group is the largest pure pensions consultancy in the UK, specialising in actuarial, investment consulting and administration. XPS undertake pensions administration for over 870,000 members and provide advisory services to schemes of all sizes including 25 with over £1bn of assets. www.xpsgroup.com

* Source: The Purple Book 2018 membership statistics combined with XPS' analysis

# The Pensions Regulator is given the tools to get **tough**

For companies who sponsor defined benefit (DB) pension schemes, or are connected or associated with an employer that does (in-scope companies), life is about to get more difficult. The noose has slowly been tightening around their necks and recent events with the BHS and the Carillion pension schemes have prompted the Government to take further action to strengthen the Pension Regulator's powers.

By Gabrielle Holgate, Partner, Stevens & Bolton

## The seeds of change

In March 2018, the Government published the White Paper 'Protecting Defined Benefit Pension Schemes' and stated that the existing pension system could be improved, opening up various areas of potential change for debate including making the Regulator more proactive. In June 2018, it then published its consultation paper 'Protecting Defined Benefit Pension Schemes – A Stronger Pensions Regulator', which further proposed improvements to the Regulator's powers. In February 2019, the Government published its response to the consultation, which set out further new offences and penalties for in-scope companies, directors and shareholders of those companies, and in some cases the scheme trustees.

## The new offences and penalties

Whilst these offences are not yet in force, the sector should be aware of key changes coming down the track.

Sponsoring employers, and those associated with them, could commit a criminal offence for:

- **Wilful or reckless behaviour in relation to a pension scheme, which could attract a custodial sentence of up to seven years' imprisonment and unlimited fines**
- **Failure to comply with a contribution notice issued by the Pension Regulator, potentially resulting in a fine of up to £1m**

They could also face a civil penalty fine of up to £1m for:

- **Failure to comply with the notifiable events framework**
- **Failure to comply with requirements for a declaration of intent**
- **Failure to comply with a financial support direction (but not for individuals, with the exception of controlling shareholders who are individuals).**

Any person who is required to provide information or is targeted by the Regulator could also face a fine for knowingly or recklessly providing false information to trustees or the Regulator, or for non-compliance with information requests or delays in providing information.

## Corporate Regulation

The Government's response also covers various other areas where it perceives the regulation of corporate activity relating to DB schemes could be improved. These include:

- Declarations of Intent; the Government intends to introduce a legal requirement on the transaction's 'corporate planners' to produce a statement, which explains the transaction, confirms the trustee board has been consulted and explains how any detriment to the scheme will be mitigated. These will apply when the sale of a company that participates in a DB scheme, or one of the following new notifiable events, is envisaged. Failure to notify the Regulator will carry a fine of up to £1m
- The new notifiable events are: (1) Sale of a material proportion of the business or assets of a scheme that has funding responsibility for at least 20% of the scheme's liabilities; and (2) Granting of security on a debt to give it priority over debt to the scheme
- Strengthening the Regulator's inspection and interview powers, and introducing robust fixed and escalating civil penalties for failure to comply with information requests
- Clarifying the existing legislation around Contribution Notices and Financial Support Directions (to be renamed Financial Support Notices), and including individuals who are controlling shareholders of the sponsoring employer as targets to Financial Support Directions.

> **The Government intends to "bring forward legislation as soon as Parliamentary time allows", which was widely expected to be this summer as part of a Pensions Bill.**

However, the extension of Brexit may mean that the Government's bandwidth for this remains limited.

This begs the question of what in-scope companies and their directors or shareholders should be doing in the meantime. Parties who are potential targets of a Contribution Notice may be particularly concerned where they are considering transactions that would, if the new notifiable events were in place, necessitate a notification to the Regulator. The requirement to notify could signify the Regulator's concern that such circumstances are materially detrimental to a scheme. Where such circumstances apply, and in the absence of any mitigating actions, it may be necessary to consider obtaining clearance from the Regulator that it will not use its Contribution Notice powers in the future. Likewise, further clarifying future amendments to be made to the anti-avoidance regime should be considered now, to the extent that they are known.

## Dividend payments

To date, there have been numerous comments about imposing greater control over the dividends that can be distributed by sponsoring employers in order to prevent employers from favouring shareholders over their scheme liabilities. The Government has stated that it does not propose to add to the notifiable events regime to make the payment of dividends notifiable. However, it noted that the Regulator would be considering whether the level of dividend payments made by a sponsoring employer or its parent company was appropriate in relation to the scheme's funding position. Indeed, in the Regulator's annual funding statement published in March 2019, it set out guidance on its position on dividend payments in the context of scheme variations.

The Regulator stated that, where dividends and other shareholder distributions exceed deficit reduction contributions made to the scheme, it expects a strong funding target and recovery plans to be relatively short. Where an employer is weak it expects deficit reduction contributions to be larger than shareholder distributions, unless the recovery plan is short and the funding target is strong. Where the employer is unable to support its scheme, it expects no shareholder distributions to be made.

**It is clear that the room to manoeuvre for sponsoring employers is becoming extremely narrow. Whilst there is a little more leeway if a company is simply connected or associated with the sponsoring employer, those companies will also have to contend with the strengthened powers of the Regulator.**

By Jamil Merali, Principal Consultant, Aon

# DB to DC transfers
## ensuring quality of advice

**Following the introduction of 'Freedom and Choice' for defined contribution (DC) pensions in April 2015, we have seen increasing numbers of members transfer out of defined benefit (DB) schemes to access these new freedoms. Alongside this came the requirement to take financial advice from an Independent Financial Advisor (IFA) to help members make an informed decision.**

However, the IFA market has attracted a lot of negativity in the pensions and even national press. In particular, the 2017 FCA review into advice provided by IFAs to members found less than 50% of this advice to be suitable. This is a damning statistic, but it is worth pointing out that there were firms included in this review whose advice was not condemned in this way.

The FCA review was followed by Caroline Rookes' review of the communication support given to members of the British Steel Pension Scheme. Rookes was commissioned by The Pensions Regulator (TPR) to undertake an independent review of communication and support given to British Steel Pension Scheme members (January 2019). This review highlighted the lack of support members were given to find an appropriate IFA and to make decisions. Rookes, former CEO of the Money Advice Service, was particularly critical of the tools available to help members to find an IFA and she made the following recommendations:

+ Trustees should consider different channels of communication when reaching out to members and should make full use of digital communications
+ TPR, the FCA and Single Financial Guidance Body (SFGB) (formerly TPAS) should improve their websites and guidance and support to members and trustees
+ Trustees should be expected, via TPR codes and guidance, to provide appropriate support to members who are considering a cash transfer. This might build on the industry code of practice for incentive exercises originally published in 2012.

At Aon we agree with these findings. In our view, reputable IFAs continue to give members high quality support with their retirement decisions, leading to better retirement outcomes. However, the difficulty lies in navigating the good and the bad IFAs. Surely, trustees are better placed to signpost members to a vetted IFA who has knowledge of their scheme, rather than leaving individual members to fend for themselves? Many of our clients consider appointing preferred IFAs, regardless of whether it is the member or the scheme that pays for the cost of the advice.

This IFA support should then go hand-in-hand with a clear communication strategy to help educate members on their options. The best communications strategies are often across a range of different media to help meet the needs of a wider audience. Increasingly, we are seeing members go online for their information, and this area is no different. Since its launch in 2016, we now have 50 schemes live or onboarding on Aon's online model (AROM), which has provided access to support for over 12,500 members. This can be used to help members compare their retirement options in the scheme with the options they would have if they were to transfer out of the scheme.

The overwhelming feedback is that these members are then having more informed and more productive conversations with their IFAs. But the responsibility for good quality advice remains with the IFA, and the importance of this has never been greater.

**Trustees have an important role to play to ensure members have access to this advice and the tools required to support their retirement planning.**

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# I work in Pensions

## not sure why but I have got the bug

**By Rosie Lacey, Group Pension Manager, Delarue**

I am not sure I have ever met someone who said 'I want a career in pensions'. I know I didn't. I was living in Bristol at the time. Having just finished a postgraduate course in management studies, and wandering round the milk round (yes, I am at that old) at Bristol University, I was approached by the Administration Manager from Noble Lowndes and landed a job as a pensions administrator. Roll on a few years and I got a job as Pensions Communications and Compliance Manager at the AA. Here is where my real passion for pensions started and I found that I could combine my skill of talking a lot with helping people understand their pension.

Pensions communications done well is the best way to grab people's attention; to help them understand how to save for their life after they finish work. People no longer retire, they just move on to the next phase of their life, and we need to help and encourage them plan for this. I am a simple soul; simple words and tools are the way to go. I don't believe in scaring people with the mantra 'you are not saving enough' there are many tools out there that do that. Just sit and talk to people and you may be surprised with the result. Hmm...this sounds like I am on my soap box. Not really; I am just that person who lives in hope that others will share my enthusiasm.

**What do I enjoy most about working in the pensions industry? The hope that of the thousands of people I have helped understand their pensions, at least one or two of them will have taken steps to improve their pension with some success.**

After many years as a Pensions Manager the challenge has always been the balancing act between the interest of the company, trustee and members, and having worked for an American company for several years, for the challenge of getting them to understand 'no'; no, you can't just close the scheme, and no you can't make retrospective changes. We might all moan about the constant changes in UK pension legislation, but we should all occasionally take a step back and be thankful for the level of protection that our laws give us to help safeguard our pension scheme members.

But a heartfelt plea would be that pensions should sit outside the political world and not be ruled by the fads and political whims of governments. We need stability in which to embed changes, and changes should be made for the right reasons. We have some really good legislation - the bringing in of auto-enrolment - but was this well thought through? I am not so sure: " I can only give you a pay rise or pay into your pension." Is that really what the government intended? The exact workforce they were targeting are still caught. ***Work in progress?***

# Trustee survey results: overcoming the risks at-retirement

Freedom and choice in pensions revolutionised the world of retirement income and gave individuals greater control over their retirement plans, but with this comes increased risk and responsibility for all.

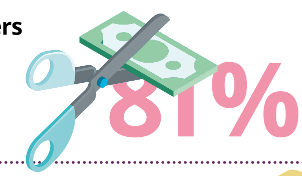
With this in mind, WEALTH at work conducted a survey with PMI to investigate what trustees are doing to support pension scheme members as they make decisions to access their retirement savings.

**By Jonathan Watts-Lay, Director, WEALTH at work**

### Key findings include:

> **Nearly nine out of ten trustees (88%) fear their members nearing retirement will face predatory attention from scammers.**

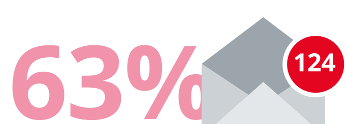

> **Eight out of ten trustees (81%) believe members are not equipped to deal with the taxation implications of accessing their pension.**




> **Almost nine out of ten trustees (85%) have concerns on risks their members face if they transfer out of their DB schemes.**


> **Nearly two thirds (60%) of trustees are concerned that their members' money will not last the duration of their retirement.**


> **Almost two thirds of trustees (63%) worry about a lack of engagement from their members.**



Pension scheme members nearing retirement face some unique challenges. The retirement income options open to each member can confuse and bewilder even the savviest person and leave them open to an array of risks.

**As the findings show, the vast majority of trustees fear their members nearing retirement will face predatory attention from scammers.**

After all, a lifetime's savings can be lost in a moment with highly plausible fraudsters persuading members to move their retirement savings into unregulated, high-risk or bogus investments that could result in them losing their entire pension. The amounts lost to pension scams can be significant with the FCA revealing that victims of pension fraud had lost, on average, £91,000 each, with some even losing more than £1 million to fraudsters.

Trustees also have taxation fears for their member's at-retirement. They are right to be concerned about this as there are a number of 'tax traps' that pension scheme members need to be aware of when accessing their retirement savings; all of which can have a material impact on income levels. These can include moving into a higher marginal income tax rate when cashing in DC pension pots, triggering the Money Purchase Annual Allowance, or failing to understand the inheritance tax benefits of pensions verses other savings and assets.

These risks also equally affect defined benefit members who are considering transferring their pension. Indeed, the majority of trustees in our survey have concerns over this. Assessing whether it is right to transfer is highly complex with multiple risks to consider around how to manage the money once transferred, including market volatility, inflation, taxation issues and running out of money too soon.

When we consider the risks that trustees are worried about, it's unsurprising that so many are concerned that their members' money will not last the duration of their retirement. But this may also be due to a number of other reasons including members not saving enough during their working life, or underestimating how long they will live in retirement.

## Lack of support despite fears for scheme members

The survey found that despite the fears that trustees have for members, just over one third (35%) provide financial education for their members. Nearly two thirds (61%) of trustees indicated that their schemes do not provide or facilitate one-to-one financial guidance for members at-retirement. Just one in five trustees (21%) are providing or facilitating regulated advice for their members at-retirement.

These findings indicate that pension scheme members coming up to retirement are likely to be ill-prepared and blissfully unaware of the potential problems ahead when accessing their pension, and perhaps suggest why the majority of trustees worry about a lack of engagement from their members. Unless more support is provided, it's likely that many members will make poor decisions at-retirement.

**Financial education and guidance is an excellent first line of defence to help members understand their options at-retirement and avoid many of the risks that trustees are concerned with such as scams and tax mistakes.**

As well as providing individuals with a plan tailored to their needs, regulated advice can also provide members with added consumer protection for the advice given and can prevent them from making costly mistakes.

Our report suggests that all these concerns and risks could be mitigated by providing more support for members at-retirement which includes offering financial education, guidance and access to regulated advice, as well as helping members to implement their chosen retirement income option(s). An increasing number of trustees are now turning to specialist retirement service providers to help their members navigate the maze of options at-retirement. This provides an efficient way for schemes to offer their members access to reputable providers who have undergone due diligence, rather than leaving them to go it alone. After all, providing support for members is vital if they are to optimise their income and achieve good outcomes at-retirement and beyond.

## About the survey

**The survey received 65 responses from a range of trustees which were completed online and via paper over 4 months from December 2018 until March 2019. Figures have been rounded to the nearest whole number or to one decimal place where appropriate.**

The Pensions Regulator

# Re-enrolment deadlines

**Over the coming months we will see the first waves of the small and micro employers reach their re-enrolment deadlines.**

Re-enrolment means staff who have left their workplace pension are put back in by their employer. As well as being a legal duty, it's an important task because it means these staff are given fresh encouragement to start saving for their retirement.

Automatic enrolment has changed the savings landscape with more than 10 million people newly saving or saving more. For the small minority of staff, around 9%, who opted out, re-enrolment means they have the opportunity to benefit from the pensions contributions they are entitled to.

So far, around 117,000 large and medium employers have completed re-enrolment. It's a straight forward task and employers will receive a letter from The Pensions Regulator reminding them about their re-enrolment responsibilities.

## Business as usual for employers

More than 1.4 million employers have now done the right thing for their staff and complied with their automatic enrolment duties. Automatic enrolment is business as usual and simply part and parcel of running a business; most employers spend just a couple of hours a month completing their ongoing duties.

Compliance with the law remains high, with the majority of employers successfully meeting their legal responsibilities. However, the Pensions Regulator (TPR) is warning employers to leave enough time to complete re-enrolment as failing to complete tasks correctly can lead to non-compliance and risks a fine.

## Completing re-enrolment

Re-enrolment must be carried out every three years. Employers must choose a re-enrolment date which falls in the three months either side of the first anniversary of their staging date, which is the date their workplace pensions duties started.

Being able to pick a re-enrolment date means employers can choose a time which is suitable for them and aligns with their business processes. Usually, the easiest date to choose is the third anniversary of their staging date.

On their chosen re-enrolment date, employers must assess staff who opted out or left the scheme since they were enrolled, to check if they are still eligible. If they are, they must be re- enrolled back into a pension scheme. Employers must inform these staff in writing that this has happened.

Employers must then complete and submit an online declaration of compliance form to confirm to TPR what they have done to meet their re-enrolment responsibilities. This must be done within five months of the anniversary of their staging date regardless of the date the employer chooses as their re-enrolment date. Failure to carry out this task on time means employers are at risk of a fine.

Low opt out rates mean the majority of employers will not have staff to re-enrol, however they must still complete their re-declaration to confirm they have checked whether they need to re-enrol any of their staff, even if none were re-enrolled.

Employers can seek help from a business adviser to help them with some or all of their re-enrolment tasks, although responsibility for complying with the law remains with them.

## Other ongoing duties

As well as completing re-enrolment, employers must keep up to date with their ongoing duties. These include keeping track of the age and earnings of staff, managing requests to leave or join a pension scheme, and ensuring staff receive the correct pensions contributions. Employers should also keep accurate records so they can demonstrate how they have met their legal duties if they are required to do so.

In April, minimum contributions increased from 5% total to 8% total, with staff contributing 5% and employers putting in at least 3%. Employers are warned that failing to make the correct contribution is non-compliant and risks a fine.

Employers can find information about re-enrolment by heading to **TPR's website https://www.thepensionsregulator.gov.uk/en/employers/re-enrolment**

# How NOT to exercise an investment power...

In the recent Pensions Ombudsman determination re: Mr L and others (Henry Davison Ltd Pension Scheme) PO-7292, it was found that trustees of a DC occupational pension scheme had committed multiple breaches of trust, breaches of statutory requirements and maladministration, resulting in joint and several personal liability for a range of losses to members. A read through of the 49 page determination is highly instructive for any trustee in doubt over the standards required when exercising an investment power.

## Background

The scheme was established in 2008 by Mr D, who considered himself to have extensive investment experience, with the intention that he would be the only member and would use the scheme to trade in contracts for differences and Forex. The scheme was established with the assistance of a Mr M, whose company was initially also a trustee (until it was suspended by TPR and Mr M was jailed for fraud). Subsequently, a number of associates of Mr D expressed interest in joining and by October 2012 the scheme had 58 members, though Mr D and his wife remained the only trustees.

## Investment activities

A key element of the claim related to the trustees' decision to invest scheme funds with a Swiss investment manager, Tivan, which claimed to offer returns of over 25% per annum. The trustees entered into an asset management agreement with Tivan in 2012, selecting investments in contracts for difference, and agreeing a contract under which performance and annual management fees were designated 'TBA'. The Ombudsman observed that this gave Tivan the right to charge whatever it liked, and also noted that Tivan had a right to terminate with immediate effect, without providing what would happen next.

Members struggled to obtain information on their investments from the trustees but did receive quarterly statements suggesting that their investment was growing at 1% per month. In 2015 the trustees announced that the £1.3m invested with Tivan was now worth £106,000. The losses included charges, fees and commission of approximately £1.1m. Tivan went into liquidation shortly afterwards.

The trustees had also made loans totalling almost £800,000 to a number of start-up companies, all of whom defaulted without repayment, and invested in preference shares in a company owned by Mr D which was then appointed as consultant to the trustees and paid from scheme funds.

**Having issued a preliminary determination that found that the trustees might be personally liable, the Ombudsman also took the rare step of deciding to hold an oral hearing to obtain further evidence.**

## Ombudsman's key findings

The Ombudsman found that the trustees had committed multiple breaches in relation to a number of aspects of each investment, including:

- a failure to obtain written independent advice on investments, and a failure to have regard to the need for diversification;
- a breach of their duties of care and skill in relation to the terms of the contract and also the type of investment (the Ombudsman said that exposing members' funds to the risks of contracts for difference essentially amounted to "placing a bet on a horse in the Grand National" and could not be regarded as reasonable behaviour). The Ombudsman also commented that Mr D should be held to a higher standard than an ordinary trustee in relation to investment because he had held himself out to scheme members as having had substantial investment experience;
- invalid delegation of their discretion to a fund manager (Tivan was not FCA-authorised), and a failure to take steps to satisfy themselves as to its knowledge or experience in relation to investment duties, resulting in personal liability for failures in investment duties;
- a failure to conduct adequate due diligence, or take independent written advice, before entering into loans with new companies that had no credit history, and failing to obtain security for funds loaned, amounting to a breach of trust;
- a failure to take appropriate steps to verify figures in statements of account sent to members in relation to the Tivan performance, amounting to a wilful breach of trust (with the effect that the scheme exoneration clause was not engaged);
- a wilful breach of their fiduciary duty of no conflict when engaging Mr D's company;
- a failure to follow TPR's DC Code of Practice requiring trustees to draw up clear and comprehensive contracts with service providers; even though the Code was issued after the Tivan contract had been signed, the trustees should have been aware of it and tried to negotiate an amendment to the contract.

As a result of these failures the trustees were prevented under section 33 of the Pensions Act 1995 from relying on the scheme's indemnity for relief from personal liability for investment losses. The Ombudsman also found that the trustees had not acted reasonably, and thus it would not be appropriate for him to excuse them from liability under section 61 of the Trustee Act 1925 (this gives power to the court to provide relief where trustees acted honestly, reasonably and ought fairly to be excused).

**Accordingly, the trustees were found personally liable, jointly and severally, to the scheme for investment loss, for fees, charges and commission paid, and for the loans which had not been repaid.**

The trustees were ordered to pay into the scheme within 28 days the full losses on the Tivan investment (up to £1.3m), the £800,000 lost in loans, the investment in Mr D's company, and payments made to Mr D's company in fees, together with interest at the judgment rate of 8%.

In addition, the trustees were found guilty of incompetence amounting to maladministration and ordered to pay £5,000 to each of the 14 complainants in recognition of the exceptional level of distress and inconvenience suffered. This is the highest distress figure yet awarded by the current Ombudsman.

## Conclusions?

The facts of this case are arguably extreme but there are a number of significant points to note in relation to breach of trustee investment duties. It is of particular interest to see the Ombudsman applying the principle that trustees who hold themselves out as having particular knowledge should be subject to a higher standard of care (here, in relation to investment duties), and it is noteworthy that the failure to follow TPR Codes of Practice (specifically here when entering into unsatisfactory contracts with service providers), amounted to maladministration and contributed to a finding that the trustees were in breach of their duty of care. We also see the Ombudsman awarding an 'exceptional' level of award of £5,000 for each of the complainants in recognition of numerous aggravating factors.

Well advised trustees should not be alarmed by the determination, but it is a salutary lesson for trustees not to cut corners when exercising their investment power and to take appropriate legal and investment advice.


**By Jennifer Bell, Partner, and Richard Gibson, Senior Associate, CMS**

Trustee

# Occupational Pension Scheme Governance: The next stage for internal controls

**By Sara Cook, Associate and Senior Pension Management Consultant, Barnett Waddingham LLP**

The European Pensions Directive IORP II ("the Directive") requires occupational pension schemes to have an internal audit function. The Directive came into effect in UK law in January 2019 with regulations requiring schemes to have an effective documented system of governance including a requirement to have internal controls proportionate to the size and complexity of the scheme, and to the nature of the risks to which it is exposed. This applies to schemes set up under trust and regulated by the Pensions Regulator (TPR).

The Directive identifies details for consideration under the heading of internal controls as including the custody and control of assets, internal audit and reporting lines.

Internal controls are not a new concept for trustees of UK occupational pension schemes; tPR's expectations are already enshrined in Code of Practice 9, which came into force in November 2006. TPR will review its Code of Practice and set out how trustees can meet the requirements of the new Directive; guidance is expected later in 2019. One of the key new aspects of governance on its way is internal audit.

So what does the Directive mean by 'internal audit'? Firstly, internal audit should not be confused with the statutory external audit, where a scheme's auditor provides an independent opinion on the statutory financial statements of the pension scheme. It is important for trustees to understand the extent and scope of the statutory audit, which does not automatically extend to include confirmation that benefits paid are correct. Auditors may offer to extend the scope of the statutory audit to provide some assurances on calculations.

An internal audit of the type envisaged by the Directive has a far wider scope and includes non-financial processes and controls such as member communication and trustee governance. Trustees will need to decide on the scope of their internal audit and identify a suitable audit provider taking into account conflicts of interest, independence, knowledge of pensions and professional and technical experience in undertaking audits. It is likely that areas of review will be tackled over more than one scheme year, the trustees having prioritised the risks to the scheme. The internal audit review could be provided by an 'in-house' function provided by the scheme sponsor or independently by an external third party giving assurance e.g. an audit firm.

The Institute of Chartered Accountants in England a Wales (ICAEW) suggests that trustees establish an internal audit charter with its internal audit function in order to describe what activities will be carried out and the value this adds to the scheme.

Whilst we all await guidance from TPR, trustees can begin to consider the steps they will take to comply:

- Annually review their providers' independent audit reports? For example, many third party administrators and investment managers produce AAF 01/06 reports, which include an independent assurance report from an audit firm; and
- Ensure their risk register covers key risks and mitigations. These should be reviewed frequently and given sufficient management time as risks can change. Actions flowing out of risk register reviews must be recorded, responsibility allocated, followed up and completed; and
- Identify the priority areas to be reviewed, consider budgets and investigate sources of independent audit assurance.

FOR PROFESSIONAL CLIENTS ONLY

# To buy-in or Not to buy-in?

By Jos Vermeulen, Head of Solutions Design, Insight Investment

## A broader de-risking assessment

Today, many private defined benefit (DB) pension schemes are targeting a buy-out as their endgame. However, most schemes cannot afford the cost of undertaking a full buy-out in the near term and consequently require an interim solution. Therefore, they may ask themselves whether they should conduct a partial buy-in for a portion of their liabilities or simply evolve their current de-risking strategies, taking a 'self-managed buy-in' (SMBI) approach.

To help schemes make an objective comparison of different de-risking options, we examine:

**1. Value for money**
**2. Impact on the overall portfolio**
**3. Flexibility to deal with the unpredictable**

## Value for money

A major driver of the increasing demand for buy-ins is the seemingly competitive pricing from insurers. Typically, buy-in contracts are priced on a 'gilts plus' basis, making them look attractive when compared to the cost of matching pension liabilities with government bonds. However, investors should not focus on price alone, but focus on what they receive for this price.

An SMBI approach is able to replicate many of the characteristics of an insurance buy-in, including longevity hedging, but at a lower cost due to the allowance in insurers' pricing for capital and profit margin considerations, and more stringent investment restrictions.

Historically, we estimate that the difference has been up to 15% when considering the whole scheme membership. In the case of a typical pensioner-only transaction, the difference has been 5-10%, equating to a saving of £25-50m, assuming a buy-in of £500m[1].

Because a buy-in is unlikely to cover non-pensioners, whilst the value of retained liabilities may fall, the risks (for example, the sensitivity to interest rates and inflation) will fall by less. Schemes may transfer disproportionally more assets than risks to the insurer.

## Impact on total portfolio

An insurance buy-in offers security and cashflow matching in respect of a portion of the liabilities, but schemes should consider the broader impact on the overall portfolio. In particular, how does a buy-in impact the expected return needed on the remaining assets and/or the scheme's ability to hedge its liabilities, and the expected time to reach the targeted buy-out?

### 1. Impact on the target return required from remaining assets

If a scheme is underfunded, the nominal level of deficit will vary following the buy-in depending on the valuation basis relative to the buy-in basis. The disclosed deficit may even fall. Crucially, however, a buy-in leaves fewer 'free' assets to make up any funding level deficit. This increases the target return needed from the remaining assets, everything else being equal.

**Conventional insurance buy-in:** A scheme transfers some of its assets to an insurance company, which in return covers the cost of the pension payments for some of the scheme membership, usually the pensioners.

**Self-managed buy-in:** A scheme aims to replicate the key characteristics of an insurance approach – such as hedging longevity risks and generating cashflows to match outgoing payments – directly and more broadly across the whole portfolio.

**2. Impact on the scheme's ability to hedge its liabilities**
In order to maintain a given hedge ratio, a proportion of the remaining assets must be allocated to collateral, further pushing up the required target return on the 'free' assets. This would incur additional costs and could result in potentially selling assets at an inopportune time. Alternatively, schemes could decide to accept a lower hedge ratio.

**3. Impact on the time to achieve a full buy-out**
The pursuit of higher target returns following a buy-in increases the chance of defaults, negative returns and forced selling risk, especially during times of market stress. Ultimately, it potentially reduces the chance of the scheme being able to afford a buy-out at the target date. The alternative, maintaining a lower hedge ratio, could lead to an increase in liability mismatch risk.

## Flexibility to deal with the unpredictable

Up to the point of a full buy-out, regardless of the adopted de-risking method, there will always be risks affecting the assets or the liabilities that cannot be predicted or hedged. Examples could be poor short-term returns, transfer values forcing payments earlier than expected, or changes in legislation causing changes to benefits.

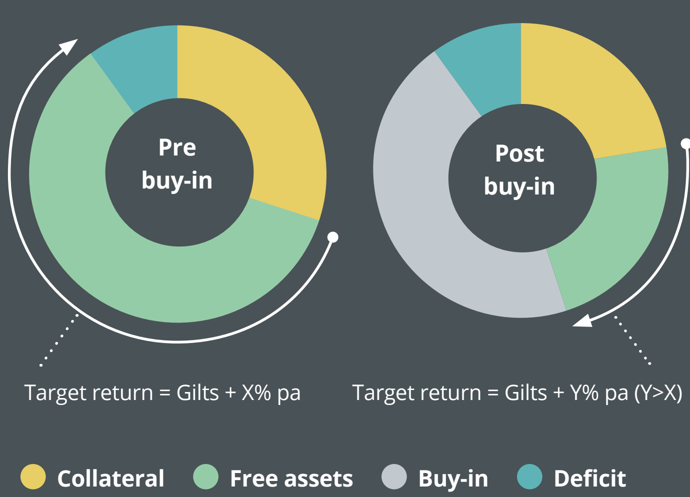
[1] Insight calculations, 2019. Given current Solvency II regulation, we estimate that a pension scheme could achieve a net asset yield of circa 100 basis points more than an equivalent insurer. Around two-thirds of this difference is due to the pension scheme's greater investment freedom, with the remainder reflecting the insurer's cost of capital. We assume that, on average, pensioner liabilities have a duration of 10-15 years.



## Conclusion

We suggest that schemes look beyond buy-in prices alone and assess the impact at the total scheme level, considering a wider range of factors, such as value for money, impact on the total portfolio and flexibility to deal with unpredictable events. We believe that this will help them reach their endgame with more certainty. When considering these wider criteria, we believe a self-managed buy-in offers a more efficient route to a buy-out for many schemes than an insurance buy-in.

**Figure 1: An insurance pensioner buy-in can increase the target return needed from your assets**

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## Risk disclosures

Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.

# Paperless pensions

## a sustainable future for pension administration

By Julie Walker, Associate, Barnett Waddingham

Paperless pensions is an appealingly simple idea covering a multitude of organisational, environmental, technological and security challenges. Drilling right down, we are essentially talking about a sustainability issue for the whole industry; how do we receive, integrate, manage, transmit, secure and future-proof information? Do we tinker at the edges or do we have an ambitious joined-up vision? Where do we want to be in 5 or 10 years? How are we going to get there? These are big, transformative questions that go far beyond just cutting down on 'snail mail'.

### The member angle; inbox or letterbox?

Discussions around paperless pensions tend to focus on the user end, looking at member online engagement strategies and technologies designed to maximise and monitor uptake and usage. This makes sense; the inbox has already replaced the letterbox in almost every aspect of our day-to-day interactions with the wider world. We work, bank, shop and socialise online, so it naturally follows that our pension schemes should be online with us.

None of this is news, but it's all fast-moving; as recently as 3 years ago, it was mainly DC schemes leading the charge on this, fuelled by the attractive immediacy of online valuations, switches and fund/benefit modelling.

**Today, we are also seeing a significant uplift in DB interest.**

This is partly fuelled by environmental sustainability concerns, but probably more influenced by the dawning realisation that DB pension schemes need to keep up with a changing world. Like town criers and telegraph poles (both innovative communications tools in their day), paper correspondence, the polite exchange of enquiries, 5 day waits for answers, and warehouses full of fading member files will inevitably disappear under the weight of their own built in obsolescence.

### Resistance: the 'little old lady factor'

There is a significant and unsurprising member appetite for online delivery. Demand across the industry is also from trustees and scheme sponsors eager for online solutions and information sharing. It may be surprising then that specific resistance to member online services in pension administration has often come from trustees themselves. Partly paternalistic, and partly protective instincts towards members, fears around cyber risk and a worry that the all-important 'personal touch' will somehow be eroded, have all traditionally played a role in the relatively slow adoption of online services.

This is completely understandable: pension terminology is loaded with assumptions and even the term 'pensioner' suggests a certain vulnerability, a quaint bafflement in the face of 'modern technology'. In reality though, this is a hugely oversimplified and condescending version of a pension scheme member. Outside the state sector, the pensions industry is almost unique in that we don't have a 'target demographic'. The world is our customer. The lifetime nature of pensions, and the associated inter-generational dependencies, mean that scheme members can be any age, from anywhere, of any background and at any stage in their work-life cycle.

### Member online access/servicing pros and cons: an overview

Information disclosure requirements mean that, even where online is the preference, members must always be offered an individual opt-out that maintains paper-based communications at member request. This is crucial as one size will never fit all.

| Advantages | Disadvantages |
|---|---|
| > **Improve data security and exposure, e.g. secure access to online platforms avoids unsolicited mail** | > **Potentially vulnerable to ID theft if online account is hacked – needs strict built-in security protocols** |
| > **Reduces paper, postage and printing costs and associated the environmental impact** | > **Electronic delivery can be less reliable, e.g. emails blocked by spam filters or lost in email inbox clutter** |
| > **Speed up communications – email instant and accessible from anywhere and online account facilitates member self-service** | > **Online accounts require careful password management, which can offset some of the time saving features of a paperless set-up** |
| > **Retain link to members, which can be lost if member fails to notify of address changes.** | > **Requirement to provide opt-out to paperless communications, so additional work in managing paper and paperless communication processes** |
| > **Maintaining link via online accounts can mitigate future member address chasing costs and data quality scores** | |
| > **Online library of scheme and member documents acts as a 'pensions bookshelf' – a benefit statement landing on the doormat today may be filed under 'B for Bin' but when circumstances change members will see the advantage of a permanent store of online documents** | |
| > **Member education – informed members make informed decisions, and online platforms can offer 24/7 access to online tools and learning materials** | |

The key things that jumps out at even a high-level analysis are, firstly, the advantages of an online approach to meeting pension scheme member needs far outstrip the disadvantages. Secondly, the advantages affect all aspects of the scheme and member experience, ticking a lot more boxes than just member engagement. The disadvantages are much more narrowly focused and tend to cluster around technology challenges, all of which are solvable.

When trustees are weighing up whether to move their membership online, they need to design a strategy that's equally fit for purpose for the members in their 30's as it is for those in their 80's, and can capture all individual preferences. Whether members are on a beach with a smartphone or receiving a birthday telegram from the Queen, ultimately, the one key thing that unites them, is the desire for instant access and immediate information.


## Promoting online services

Online services aren't a magic pill for member engagement; many members will never activate their online scheme accounts in the same way that many members will never open a paper benefit statement. However, our experience has shown that when trustees get behind online services, actively promoting usage to their members, the rate of uptake accelerates, reaching upwards of 50% of potential users in timescales that correlate very closely with delivery of employee workshops, newsletters etc. With member engagement as the ultimate challenge for many pension schemes, having concrete usage stats and feedback is massively more proactive than dropping a letter in a box and hoping for the best.

# LawDeb learner experiences

**By Saadia Ahmed, Pensions Executive, LawDeb**

## What made you choose to take PMI qualifications?

As I gained experience in the pensions industry, first as a scheme secretary in the Lloyds Banking Group in-house pensions team and then as a Pensions Executive at LawDeb, I quickly realised that there was a lot of pensions history (legislative, regulatory and previous best practice), that I needed to understand in order to do my job effectively and deliver a quality service to my clients. There's a wide range of topics covered by the PMI's qualifications regime which was really appealing to someone just starting out in the industry.

## How have PMI qualifications helped your career to date?

Passing the Award in Pension Trusteeship (APT) exam last year has really boosted my confidence in my own abilities and knowledge. It has also helped me to apply a lot of what I studied and learned in my day-to-day job which has enhanced my capabilities, service offering and profile.

It has also been welcomed by clients and prospects who recognise the value of the qualification.

## What was your first impression of pensions when you started? Has this changed?

Well, it has to be said, my first impression of the pensions industry in the UK was very PMS: pale, male and stale. But this was replaced, within a short space of time,by a more well rounded view as I was exposed to broader aspects of the industry including pensions actuaries, scheme administration, DC consultancy and professional trustee firms. I have found, in my short time in the industry, a concerted effort to include and support females in all aspects of the pensions industry, in particular on trustee boards.

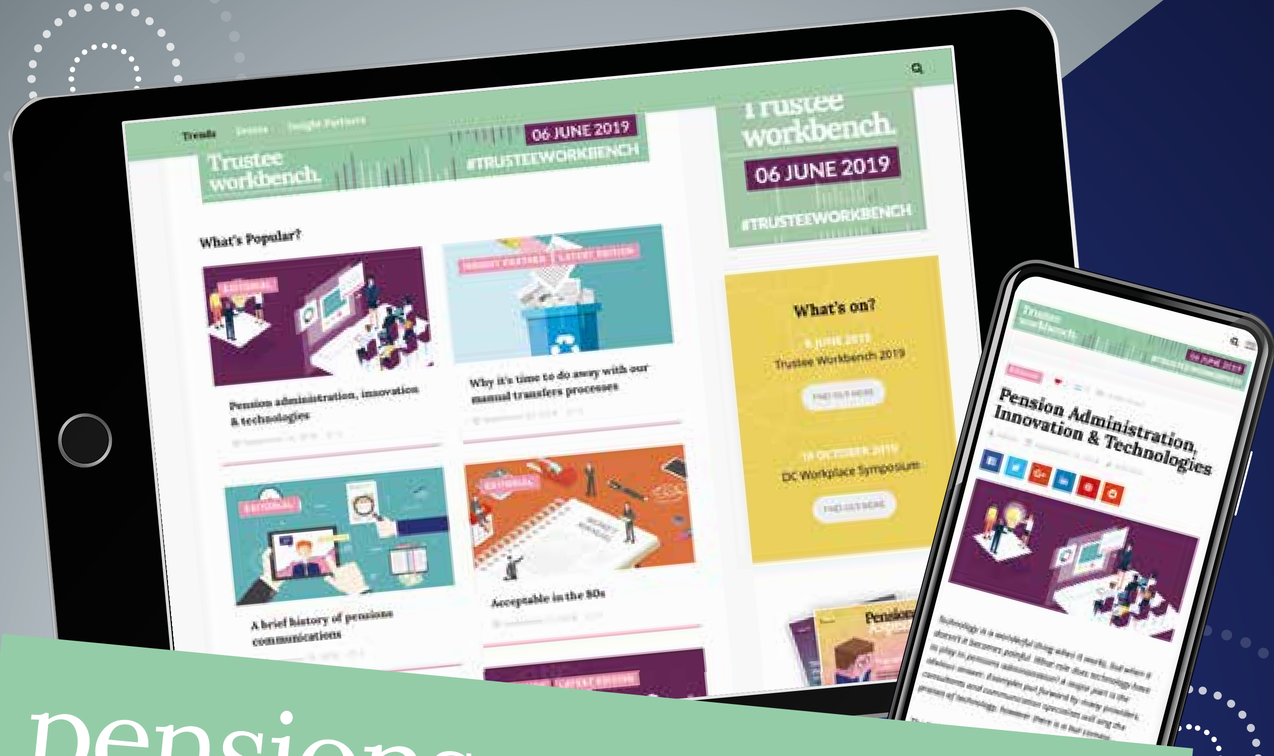
I'm now finding that the focus is shifting to including and supporting the younger generation in pensions careers, which is right as they will inherit the unavoidable complexity of delivering pensions in the future!

## Do you have any words of wisdom, tips or suggestions that might help current students to succeed?

There's a lot of reading involved so definitely start early. And don't seek to memorise everything but instead to really understand it as a lot of pensions concepts and law can be technical and nuanced. For this I was able to turn to a number of mentors and colleagues at LawDeb for assistance. Having conversations with them about the topics really cemented the details in my memory. Our trustee directors and pensions executives have experience in all aspects of the industry so it was really helpful to be able to tap into that experience and they were incredibly generous with their time. Don't be afraid to ask colleagues lots of questions!

## How should the PMI be engaging with younger members in future?

I think the PMI is already doing a fantastic job engaging with those new to the industry, in particular by supporting NextGen which is an industry wide committee focused on diversifying our thinking in the industry and encouraging inclusive debate. More events targeting those younger in the industry or just starting out would really raise the profile of the PMI qualifications programme, which I wish I'd learned about sooner!

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