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# Pensions Aspects

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## Positivity is a superpower

### Succeeding in a post pandemic world


LONG TERM FUNDING: START WITH THE END IN MIND

LESSONS TO LEARN FROM EXPERIENCE FOR PENSION SCHEMES

EVERYONE CRAVES A BIT OF NORMALITY

Pensions Management Institute
Moving pensions forward


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# The ‘new norm’

**Normally, at the beginning of the year, I would wish everyone a ‘Happy New Year’, but it feels somewhat unorthodox given the year we have just had. I don’t think anyone could have predicted what 2020 would be like.**

Without wishing to go over too much old ground, 2020 has probably been one of the most turbulent years for businesses and organisations all over the world. For a small not-for-profit organisation and-dare I say it, slightly old fashioned professional body like the PMI, the effect of COVID-19 has forced us to become more modern. In 2019, the Board of PMI signed off our 2020 Corporate Plan. Within it was a target for PMI to eventually become ‘digital by default’; a slightly daunting prospect at first given the amount of paper and archiving we had accumulated over the years. So far, I feel we have demonstrated that it can be done.

**By Gareth Tancred, Chief Executive, PMI**

As an organisation our main priorities during the pandemic were to ensure that our members continued to receive their benefits and be provided for; that our many students would still have the opportunity to sit the examinations that they had studied tirelessly for; and to continue working successfully with our partners.

Our members are paramount. Given that all of our face-to-face events had unfortunately been cancelled due to the pandemic, the team created a 13-week webinar programme for members to join online, along with amending our CPD requirements, as well as producing communication videos to ensure that all of our members were provided for. The Professional Associations Research Network (PARN) were in fact referring other professional bodies to us here at PMI to seek advice on how we handled the crisis.

Prior to the pandemic detailed plans were already in full flow to move our examinations onto a secure digital platform, but the team worked phenomenally hard to get this done in a much smaller period of time. There are undoubtedly matters that still need ironing out but the team, along with the assistance of the Lifelong Learning Committee, are continuing to ensure that all of our learners are provided with the best possible level of service to be able to continue their learning & development.

As well as produce our webinar programme to not only service our members but also our partners, a COVID-19 report was written with great success, generating hundreds of downloads. We are hugely appreciative to all of our partners involved. Our Commercial Development team has worked incredibly hard to continue providing the offerings to our partners, admittedly not in the usual way of providing award winning events, but in other online forums.

So, what is the new norm? I don't think anyone can answer this question just yet, but, if I could, I think I would answer in one word. Flexibility. We have all proven to ourselves that for those who can work from home, they can do so rather well. I have always encouraged my staff to work from home, whether one needs to attend a medical appointment, or be available to accept a delivery, I believe staff should have that flexibility. Before the pandemic I think people looked at 'working from home' as abnormal. Staff were expected to be seen working in an office 5 days a week; arrive on time and leave on time. Some might see this as a rather draconian approach. It goes without saying that staff's safety was our first priority at the beginning of the pandemic, but we also had to ensure that they all had the ability to work from home effectively, as without them, we could not have continued providing our services. All PMI staff adapted very quickly and have in fact been compared to superheroes by our outgoing President, Lesley Carline. I second that as Chief Executive and could not be more proud of how the staff of PMI have all coped so well with this level of change. Earlier this year a 'working from home' survey was conducted. 100% of staff answered that they wouldn't want to return to working in the office 5 days per week. I think now more and more people can argue that staff really can work from anywhere, and the 'old fashioned' way of working has changed.

What does 2021 hold for us, I hear you ask? There is no doubt that uncertainty will be with us for some time, however, I come back to that word: flexibility. Businesses, as well as the PMI, must continue to be flexible as forward planning has gone completely out of the window. However, the Board of PMI has just signed off our 2021 Corporate Plan. This includes some exciting initiatives for all of our members and stakeholders, for example the PMI Academy, Regional and International development and much more. Some of these initiatives were in our original 2020 Corporate Plan, but the pandemic forced us to be more flexible and to focus on key priorities. Our main goals are to continue providing the vital insight needed within the industry; to service our members and learners indefinitely; to introduce new avenues of the PMI but ultimately, we strive to be your partner of choice.

**I very much look forward to continuing our journey with you all. Let's make 2021 a year NOT to forget!**

# Spring 2021 Exam Dates

The Qualifications team have released the Spring 2021 exam dates which have been scheduled across March and April. All our exams are taking place online only.

For all upcoming exams and registration please go here: **www.pensions-pmi.org.uk/learning**

## Certificate in Pensions Calculations

Exams are taking place **9-12 March 2021**

Application deadline: **25 January 2021**

Please use this link for the study material - **www.cpc-learning-materials.com**

## Retirement Provision Certificate

The exam is taking place **24 March 2021**

Application deadline: **15 February 2021**

Please use this link for the study material - **www.pmi-rpc.com**

## Award in Pension Trusteeship

The exam is taking place **24 March 2021**

Application deadline: **15 February 2021**

Please use this link for the study material - **www.trusteetoolkit.thepensionsregulator.gov.uk**

## Revision Courses

The Qualifications team have also scheduled revision courses which are taking place online, via ZOOM, and cost £55 per session.

Please navigate to the Advanced Diploma in Retirement Provision learning page and you will find 'revision courses' under the FAQ section - **www.pensions-pmi.org.uk/learning/advanced-diploma-in-retirement-provision**

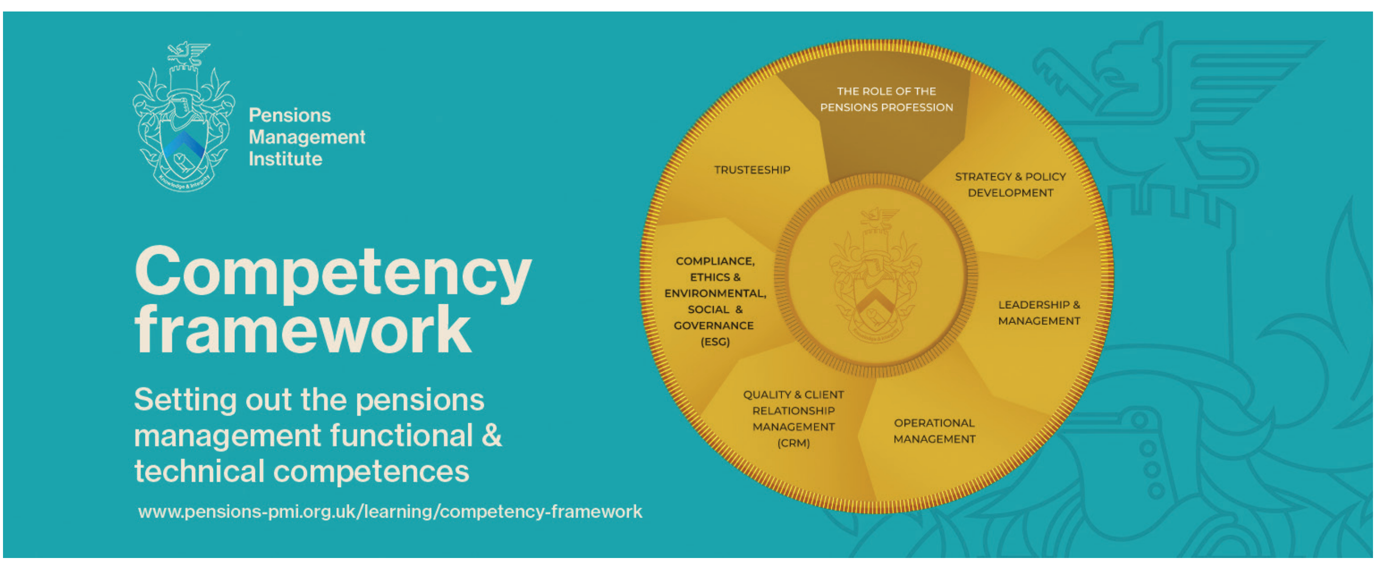
The Retirement Provision Revision Course can be found on our RPC learning page under 'study time' - **www.pensions-pmi.org.uk/learning/retirement-provision-certificate**

## Advanced Diploma in Retirement Provision

Exams are taking place **12-13 April 2021**

Application deadline: **22 February 2021**

Please use this link for the study material - **www.pmi-learner-support-materials.com**



Pensions Management Institute
Membership

## Membership Renewals

### Trustee Group Membership subscription for 2021

Trustee memberships were due for renewal on the **1 January 2021,** subscription renewal notices have been sent out to all Trustee Group individual members. If you have not received your renewal notice, a copy of this can be located in the My Transactions area of your membership portal, Alternatively, please contact the Membership team at membership@pensions-pmi.org.uk or on **0207 392 7410.**

**If you are an existing Trustee Group Board Scheme member, please contact the Secretary to the Trustees or the Responsible Person to ensure that your subscription is paid to renew your membership.**

Trustee Boards can also join the PMI Trustee Group (at a reduced rate of £95 per trustee). All trustees from the board must join to receive this discount. PMI Trustee Boards can receive additional benefits including the ability to sign up for collective training to be independently recognised by the PMI. For details of the full range of benefits as an individual or entire Trustee Board, see our website for further details.

### Affiliate subscription

Affiliate memberships were due for renewal on the **1 November 2020** and subscription renewal notices have been sent out to all Affiliate members. If you have not received your renewal notice, a copy of this can be found in the My Transactions area of your membership portal. All affiliate members with outstanding renewals will be lapsed on **Friday 29 January 2021.** Please renew now to avoid any disruption to your membership services.

## Upgrades

### Fellowship Upgrades

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

We are pleased to announce that the following eligible Associate have been elected to Fellowship and are now entitled to use the designatory initials “FPMI”;

Geoff Hall

Andrew Mills

Christopher Howard

### New Regional Group

I am pleased to announce the official formation of the Northern Ireland regional group. A big thank you to our PMI members who have volunteered to form the committee. If you live and/or work in Northern Ireland and would like to join this regional group, please select Northern Ireland in the communication preferences area of your membership portal. If you would like to get involved as part of the committee please contact the Membership team at membership@pensions-pmi.org.uk or on **0207 392 7410.**

## 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 15 hours during the year for 2020. Please log on to the website and update your CPD record if you have not yet done so. A digital copy of your CPD certificate is available upon request. For a copy please contact the Membership team at membership@pensions-pmi.org.uk

Fellows and Associates who do not complete their 2020 CPD by the end of January 2021 for the year 2020 will be required to make up any shortfall in 2021.

For 2021 members are required to record at least 25 hours.

Pensions Management Institute

South West

The South West Regional Group's autumn seminar took place on Thursday 5 November 2020 via Zoom. Thank you to our speakers who covered a wide range of topics. Planning for our spring 2021 seminar will shortly be underway, again to be delivered over Zoom if we cannot meet in person. More information will be provided regarding the re-booking of the Annual Dinner which was postponed due to lockdown restrictions. We hope all members had a relaxing festive season and wish you all a Happy New Year.

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North West

The North West Regional Group has switched to webinars for hosting our regular monthly seminars. Since resuming events in September we have had three successful webinars. Thanks is extended to our speakers. As an appreciation of their time and effort we made a donation to a charity of their choice. Andrew Cheseldine of Capital Cranfield presented in September with a review of topical and future pension events to watch out for. We had a joint presentation in October with Simon Daniel of Eversheds Sutherland and Stephen Purves of Aon on the topic of bulk annuity market update. November was the turn of Sarah Ballantyne of Dalriada Trustees, who led a discussion on covenant challenges and pensions restructuring. Our next seminar (normally February) will be communicated by email. Anyone interested in joining the committee or volunteering to speak at one of our events should contact nathan.robinson2010@gmail.com

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Midlands

Happy New Year! We hope you had a wonderful and safe Christmas. Our virtual AGM took place on 30 September 2020. The AGM saw Tow Cowley replace Ben Clacker as Chair of the committee and Mandie Bird stand down from the committee. We want to thank Ben for his valuable input as Chair and to Mandie for her help and support over a number of years. The programme for 2021 is being finalised and details will be available to members shortly. It is expected the sessions will be run via webinar.

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London

The London Regional Group hopes all our members had a very Merry Christmas and a Happy New Year!

We are going to be hosting our next Business meeting, ESG – easy as 1, 2, 3?, on 27 January at 5pm. It will look at recent and upcoming ESG developments and what they mean for pension schemes of all sizes. We are delighted to be joined for this discussion by our panelists Ida Levine (Policy/Regulation Lead on the Board of the Impact Investing Institute), Patrick Thomas (Head of ESG Investments, Canaccord) and Andy Lewis (Pensions Partner at Travers Smith). This event will be held virtually and registration details will be available on our LinkedIn group. Please join the PMI London Group LinkedIn group for up-to-date information about our events and please also look out for details of our other 2021 business meetings, which include:

- The future of Master Trusts (March 2021)
- GMP equalisation – where are we now? (May 2021)
- AGM (July 2021)

* All dates are subject to confirmation and speaker availability.

Pensions Management Institute

Southern

The final meeting of the year for the Southern Regional group was held as a BrightTalk webinar on 26 November. We had a record 70 people log on to watch and listen to Sir Steve Webb give an interesting update on DB transfers, with some current issues thrown in. A recording is available to view via the PMI website here: www.pensions-pmi.org.uk/knowledge/webinars/southern-regional-group-defined-benefit-transfers-update

Our business meetings for 2021 are likely to be in webinar format until COVID-19 restrictions are lifted sufficiently to allow in-person meetings. Details will be circulated to members. Any members who have not paid their annual subscription of only £10 are requested to contact Theresa Johnson for an application form: theresa.johnson@willistowerswatson.com

Pensions Management Institute
Events

Flagship events

## All events are subject to change; please visit pensions-pmi.org.uk/events for the latest updates.

**26 Jan** — **Trustee roundtable**
Online

**24 Feb** — **Diversity & Inclusion Summit**
Online

**20-22 April** — **Investment Forum**
Online

**11 May** — **Next Gen conference**
Online

**16 June** — **Trustee Workbench**
Online

**1 July** — **DC and Master Trust**
Online

**11 Nov** — **ESG & Climate Change Seminar**
Online

**24 Nov** — **PensTech and Admin Summit**
Online

**07 Dec** — **Pensions Aspects Live**
The Savoy, Strand, London, WC2R 0EU

**07 Dec** — **Annual Dinner**
The Savoy, Strand, London, WC2R 0EU


# Positivity is a superpower

## Succeeding in a post pandemic world

### This month's feature articles include:

Long term funding: start with the end in mind / Lessons to learn from experience for pension schemes /
Everyone craves a bit of normality

# Long term funding: start with the end in mind

**By Ajeet Manjrekar, Co-Head, River and Mercantile Solutions**

**As we emerge from a COVID world, setting long-term funding targets is a key 2021 focus for trustees. Galvanised by the Pensions Regulator (TPR)'s. new Defined Benefit (DB) funding code of practice, trustees and sponsors need to pay acute attention to the maturing status of their DB schemes. TPR expects trustees to determine a clear journey plan towards a lower risk position as they close in on their goal.**

**TPR's new DB funding code of practice succeeds a period of unprecedented turmoil, particularly as sponsoring employers across the country have seen their balance sheets come under strain, as free cashflow dries up. At the same time, schemes need additional funding to support their deficits. So where do trustees go from here? We see two key steps for trustees to guide scheme funding back on track, ensuring alignment to the sponsoring employer.**

## 1. Start with the end in mind

As Defined Benefit (DB) schemes mature, their time horizon is progressively shrinking. As a result, the historic step-by-step approach to DB funding from technical provisions to self-sufficiency and beyond, may no longer be useful.

We suggest an alternative approach, aligning trustees and sponsors around a common goal. Let's start by placing a 'stake in the sand', say ten years from today. Where will the scheme be then? What proportion of members will be pensioners? Will annual pension cashflows have peaked? Two aspects that will apply to most schemes at this point are:

1. The scheme's tolerance for risk will be much lower and should there be a significant market correction, asset returns alone may not be enough to eliminate the funding gap

2. The sponsor's capacity to support the scheme is unknown - trustees have the most visibility today on the sponsor's ability to contribute. There are also non-financial risks, e.g. how poor Environmental, Social and Governance (ESG) practices impact the long-term viability of the sponsor.

By placing a stake in the sand, the trustees and sponsor can determine an appropriate destination aligned to self-sufficiency or buyout, and an associated risk appetite. With a timeframe and clear destination, they can strike an appropriate balance between affordable contributions and achievable investment returns.

## 2. Don't get blown off course

By adopting this approach to setting long-term funding targets, all stakeholders have greater clarity on the task in hand. Importantly, for most Defined Benefit schemes, it is not without risk. TPR expects schemes to reduce the level of risk taken as they mature. However, this must be balanced against the long-term funding target. De-risking too soon can have profound implications, extending the timeframe to the ultimate destination and placing greater reliance on the sponsoring employer.

**Investment strategy is a hugely important factor in realising long-term funding targets; the difference between good and bad decisions can have a major impact on schemes.**

So, how can trustees avoid getting blown off course and avoid affecting the security of members' pensions? There are five key steps for trustees to gain control of their outcome, for a more predictable funding journey:

**Hedging liability risks:** this is the risk of adverse movements in interest rates and inflation resulting in a gap growing between the assets and the Scheme Actuary's value of the liabilities. Whilst many schemes use hedging already, it is often expressed as a percentage of the funded technical provisions liabilities. The long-term funding value of the liabilities (e.g. self-sufficiency) may be materially bigger and much more sensitive to movements in rates and inflation. Therefore, adopting a much higher level of hedging may be appropriate.

**Explicit cashflow matching:** now available for schemes of all sizes these solutions enable trustees to match payment streams to high-quality investments that distribute regular income directly into the trustee bank account. This avoids the challenges in periods like March 2020, when markets fell sharply. Some schemes were forced sellers crystallising losses and missing the significant bounce back in markets over the rest of 2020.

**Mitigating asset shocks:** trustee should utilise the full toolkit at their disposal today to deliver a more consistent investment journey. One increasingly common example is equity protection strategies. These enable schemes to be fully invested while explicitly protecting against market falls over a specific period. This can be invaluable in periods of market stress, reassuring trustees to keep more assets on risk.

**More investment return:** having addressed all the key risks mentioned above, this offers trustees confidence to push for more return today. This will get trustees to their destination quicker.

**Delegate where appropriate:** With trustee obligations piling up, time to focus on investment is increasingly constrained. Trustees can delegate some investment decisions, and fiduciary management is a powerful tool to access investment expertise.

**So, as we peer into 2021 and beyond, we advocate three key takeaways for trustees: 1) focus on your end-game, 2) target the right level of return today and 3) systematically tackle your key risks to give long-term certainty for all stakeholders.**

Long term funding: start with the end in mind / Lessons to learn from experience for pension schemes /
Everyone craves a bit of normality

# Lessons to learn from experience for pension schemes

By Peter Clarke APMI ACII, Senior Pension Management Consultant, Barnett Waddingham

**A recent survey carried out by Barnett Waddingham asked trustees to identify the risks they were most concerned about for their schemes. It also asked trustees to share their experience of the types of risk events that had crystallised for their schemes over the past three years.**

A number of key themes emerged from recent experience.

The most common risk events cited were predictably related to economic conditions and, more recently, the impact of COVID-19 and lockdowns. A number of respondents had experienced weakening employer covenant, with some employers becoming insolvent.

The next most common risk events experienced were actual asset returns being materially lower than assumed in funding plans, and market volatility. A number of trustees had changed administrator, discovered errors in their data, or experienced a cyber-attack. Trustees had also experienced difficulties over agreeing valuations and delays in receiving contributions.

What lessons can we learn from these experiences?

## Financial risks

Trustees are unable to change factors such as the financial position of their sponsoring employer or macro-economic conditions. For these types of risks, trustees can only aim for better understanding and mitigation. Other risks, however, are more directly under trustee control and can be directly or indirectly managed to some degree.

Although trustees should already have a framework for monitoring their employer covenant, they may wish to consider strengthening this. Could more regular covenant reporting be appropriate, including reporting on agreed key metrics to provide an early warning system? Other actions could include agreeing a data sharing protocol to ensure the trustees and their advisers have access to the most recent management accounts and information given to other key creditors, agreeing negative pledges and exploring the possibility of contingent assets.

Where trustees are concerned about potential insolvency, the appointment of a specialist insolvency practitioner may help, particularly where there may be re-financing or re-structuring. The appointment of an independent trustee experienced in dealing with distressed companies and their creditors could also assist. Trustees should familiarise themselves with the Pension Protection Fund's guidance on contingency planning for employer insolvency at www.ppf.co.uk/help-trustees-manage-risk

Trustees need to establish what to monitor, who is carrying out the monitoring and how this should be reported. This will very much depend on the support resources available. The scheme administrators and secretary to the trustees should, for example, monitor compliance with the schedule of contributions and ensure that advance reminders are issued to the employer when any payments are due to change or any one-off contributions fall due.

Funding arrangements and any contingent assets such as guarantees and renewal dates should be recorded within the scheme's business plan, and the controls in place set out in the trustees' risk management processes.

Although funding and investment risks are heavily influenced by macro-economic factors, trustees should, with their advisers, review whether they are on track to meet their long-term targets. They should adjust their path if they are not, and carry out scenario analysis to identify the key risks under their scheme's lifetime. Trustees can look at removing unrewarded risks through hedging, and identifying and managing any concentration of risk under their portfolios. Taking into account Environmental Social and Governance (ESG) factors, including climate change, in their investment strategy could also help improve the security of members' benefits in the long-term.

## Operational risks

Particularly in light of COVID-19, trustees should review their adviser and administrator's business continuity plans, data protection polices and cyber security policies. Reviewing data for presence and quality will also help with planning and possibly the pricing of the endgame. Good data will reduce benefit errors and member complaints as well as facilitate the completion of bulk member exercises like Guaranteed Minimum Pension (GMP) equalisation.

Trustees should consider whether some sort of independent data audit is required, especially if they have any confidence issues with the existing administrator. The data required for running the scheme on an ongoing basis may not necessarily be enough to deal with the sort of bulk member processing that a GMP equalisation project will bring.

Where administration performance is a recurring issue, trustees could consider carrying out a structured review to really understand the problems. They could then work with their administrator on an improvement plan or take the nuclear option of going to tender. Where trustees themselves don't have the experience or resource to do this, they could consider a secondment or appointment of an external secretary with the required skill set.

## Governance risks

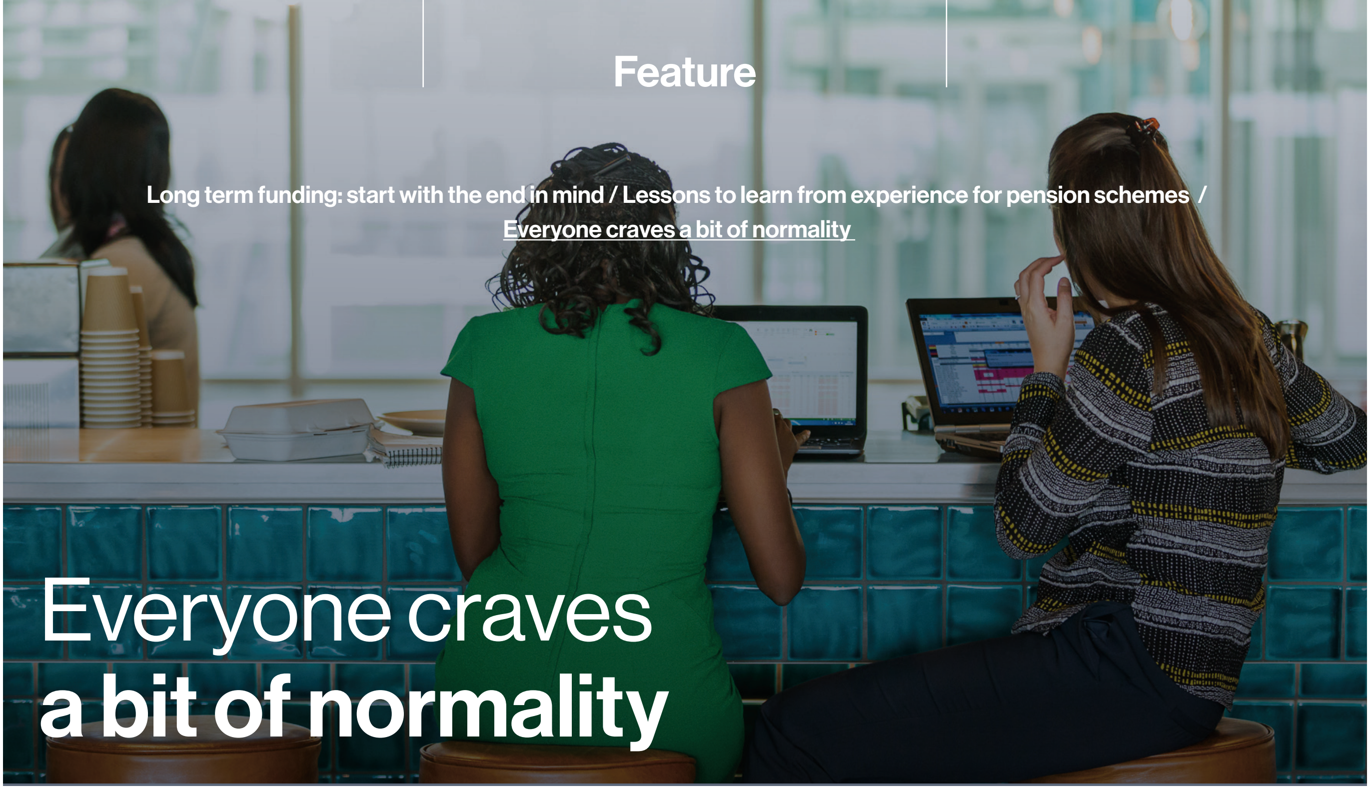
Trustees should periodically consider whether they are managing their scheme effectively. Sample questions for reflection include:

- Do they get the right information on time to make informed decisions?
- Are agendas focused on the things that will help them reach their strategic goals?
- Do they understand how they manage risk? Are the tools they use dynamic and easy to use?
- Do they have the right set of skills on the Trustee Board? Is the make-up of the Board diverse enough to bring fresh ideas and avoid group think?
- Are virtual meetings working well for the trustee and their advisers?
- Do they have an effective trustee training policy and programme?
- To what extent do they use external or internal audit? How do they know their processes are working or their data quality is good?
- Do they have an overall business continuity plan? What would they do, for example, if the Trustee Chair became ill for an extended period?

The trustee secretary can arrange for a trustee effectiveness or governance review to be conducted to assess how the group works together as a management body with their advisers. Following that there should be a clear action plan put in place and monitored.

If the trustees are struggling to find sufficient time to cover the key risks and priorities for their scheme, they could delegate day-to-day activities to the secretary or to the equivalent of an outsourced Chief Operating Officer or "COO". This still requires the trustees to have oversight, which can be achieved by effective reporting. The trustees should focus on the strategic issues that will ultimately determine whether the scheme meets its long-term objectives, even during COVID-19 and lockdown - and whatever follows next.

Barnett Waddingham's Pensions Management team offers a full range of pension scheme governance services to both existing ongoing clients and those who would like assistance with a particular project. This includes independent data audit, governance reviews, adviser reviews, trustee effectiveness, scheme secretariat and outsourced COO.



# Everyone craves **a bit of normality**

**By Vincent Franklin, Founder and Creative Director, Quietroom**

**When the Department of Work and Pensions announced plans to use the Simpler Annual Statement as an industry standard, some schemes insisted that their whizzy, innovative communication was better. But maybe a predictable vanilla flavour of communication is what members really need.**

We need normal. Predictability, patterns and repetition all help us make sense of the world. We like it that the clutch is always on the left. We hate it that the petrol cap is on the left in some cars and on the right in others. Consistency makes things easier. The omnipresence of the phrase 'the new normal' reminds us of how keen we are to establish what normal looks like, even if we liked the old normal better. We need to know the rules for the world we're living in.

So, if normals are helpful, it seems odd that the pensions industry hasn't established more of them when it comes to communication. In some ways it's understandable – companies want to stand out from the crowd and their communication can help them do that. But doing things differently isn't always what's best for our members. If we really want to help people understand what they have across all their different pension pots and make good choices about their future, then establishing a way of talking that's common to every pension scheme may be better than trying to do things differently – even if the things we do are a little bit better than the things our competitors do. After all, members never ask for whizzy communications. They just ask for it to be simple and short and helpful.

The first challenge was to make statements shorter - many schemes send out nearly twenty pages of impenetrable copy and intimidating charts. Even people in the industry confessed to being baffled and bored by the piles of paper that clutter up their doormat. So you can imagine what scheme members had to say about their statements. If you can't, have a look at the research Janette Weir from Ignition House carried out for the project – [1]SASIgnitionHouse. As a taster, one woman in her thirties said "it's like a book, full of legal jargon, so it's quite boring to read, so I just look at the first page with the basic information."

Ruston Smith, Chair of the Tesco Pension Fund, led the team that delivered the Simpler Annual Statement. I led the team at Quietroom that wrote and designed it. So, cards on the table here, I'm not pretending to be a neutral bystander. The challenge Ruston gave us was to turn these hefty tomes into something that would fit onto one piece of paper. He allowed us, somewhat reluctantly, to use both sides of it. And it had to be something that any scheme could use. So, practical and deliverable – not perfect but unattainable.

To make sure that every scheme could adopt and adapt it, and that it could evolve to changing circumstances and legislation, we developed a statement that was principle-based rather than prescriptive.  We established **structural, design and language principles** that schemes can use to produce their own versions of the statement – each one with the clutch and the petrol cap on the left.

**Structure principles include:**

- Presenting information in 3 member-focused sections:

  1. What you already have

  2. What you could have in the future, and

  3. What you could do to have more

- Ending every section by offering members actions they can take – like increasing the amount they save or finding out more about how their money is invested
- Showing money in and money out in two columns, like a bank statement does. So, if schemes need to add new items in the future – like charges – they can slip right in.

**Design principles include:**

- Presenting each of the 3 sections in its own box, so information is in small logical chunks
- Using a different colour for each of the 3 sections, so navigation is instinctive
- Helping people see the big picture at a glance, by showing them the most important numbers — the total amount in your plan and the income you might get — in big bold circles
- Eradicating small print – everything here is worth reading.

**Language principles include:**

- Using everyday words that resonate with people and removing jargon that might intimidate or confuse them – so they 'save', they don't 'contribute'
- Using positive language that makes saving for the future feel attractive and achievable – so we talk about 'what you already have', not just 'what you have'
- Talking about 'you' – what you already have, what you might have, what you can do
- Writing the big headlines and the tiny details in the same language and with the same tone
- Using short sentences and bullets.

Members said they liked what we produced. More importantly, after being given just two minutes to read it, people knew where to find all the important information. Most even said they would read it if it landed on their mat. It's free to download at www.annualstatement.co.uk and it's free to use – Pension Bee and Smart Pensions are among those who already do.

Schemes can add extra information around the statement if they have stories they want to share and messages they think are important. But the statement gives members an instantly recognisable two pages that matches what they get from every scheme they're a member of. It's a new normal. It means they can look at the big numbers in the big circles and see the big picture.

[1] SASIgnitionHouse: https://quietroom.co.uk/wp-content/uploads/Simpler-Annual-Statement-The-Member-Perspective_Ignition-House_FINAL.pdf

# That was then, **and this is now**

**By Manpreet Sohal, Trustee Director and Head of Scheme Secretarial Services, Ross Trustees, and Nigel Wildman, Trustee Manager, Ross Trustees**

**By the time this article goes to press it will be a new year filled with new resolutions, new promise, new diets, debts and new rules about who you can meet and where. It certainly has been a year like no other. Brexit and, most acutely, COVID-19 have dominated the headlines, the national political agenda and the UK pensions industry: the consequences of both events will set the scene for what will be the 'new normal' for the years ahead.**

As the dust settles on the events of 2020, trustees and sponsors will want to take stock of how scheme funding and investments have been impacted. Sponsoring employers may be struggling to steady their ships amid the storms of the global pandemic. The Pensions Regulator (TPR) has issued guidance on this point. In 'Protecting Schemes from Sponsoring Employer Distress' it discusses the adoption of a fully-documented Integrated Risk Management (IRM) approach, with workable contingency plans and suitable triggers, together with covenant monitoring and regular engagement with the scheme sponsor. We will once again see IRM at the top of trustees' and sponsors' agendas.

There also undoubtedly be an impact on the day-to-day operation of schemes. Trustees, pensions managers, scheme secretaries and administrators are going to have to deal with a myriad of issues, such as the impact of sharing data with companies based in the EU - as the UK has not yet been added to the EU's list of 'adequate' countries for data transfers. Trustees will also need to review and update data sharing contracts with service providers and third parties to ensure compliance with GDPR and UK Data Protection laws.

That's a sizeable to-do list, yet there is no mention of the other elephants in the boardroom that will need to be managed in the 'new normal'. Climate change is one, with big expectations for a global shift in the mindset of global leaders meaning the regulatory focus on this area will increase. The Department of Work and Pensions (DWP) has been consulting on new requirements for large schemes (over £5 billion) to assess, measure, manage and report on climate-related risks. Schemes will need to assess how they may be impacted and the actions they need to take, including whether to publish an annual statement. The collective invested assets of pension funds are big enough to drive fundamental changes to some of the biggest issues the planet faces, including climate change, through Environmental, Social and Governance (ESG) investing and better societies through responsibly-focused investments. The regulatory, fiduciary and moral pressure will push ESG further up the agenda for UK pension schemes in 2021 and beyond. We will see trustees trying to make sense of ESG and what really matters; the focus will be on how decisions taken will impact asset returns, employer covenant and scheme members.

The refocused approach that will be required in the new normal is not wasted on those who are tasked with looking after the nation's pensions savings. It is at times like this that a winning combination of collaboration and dynamism will help chart a path to safe passage through turbulent seas.

### Collaboration

Working together will help tackle many of the challenges of the 'new normal', for example a refocus on climate change and the creation of effective vaccines to manage global health risks. In the UK pensions landscape we have already seen both political parties working together collaboratively on the new Pension Schemes Bill, focusing on the outcome not the process. This is powerful stuff. Collaboration with scheme sponsors, working with the right advisers and using talent to tackle the strategic issues will ensure attention remains directed towards the bigger picture and end game planning. End game planning will be shaped by the revised funding Code of Practice for Defined Benefit (DB) schemes when it comes into effect. In the meantime, for the many schemes that have plans in place, they will need reviewing and stress-testing; for those without, this will be the right opportunity for all stakeholders to get around the table to discuss.

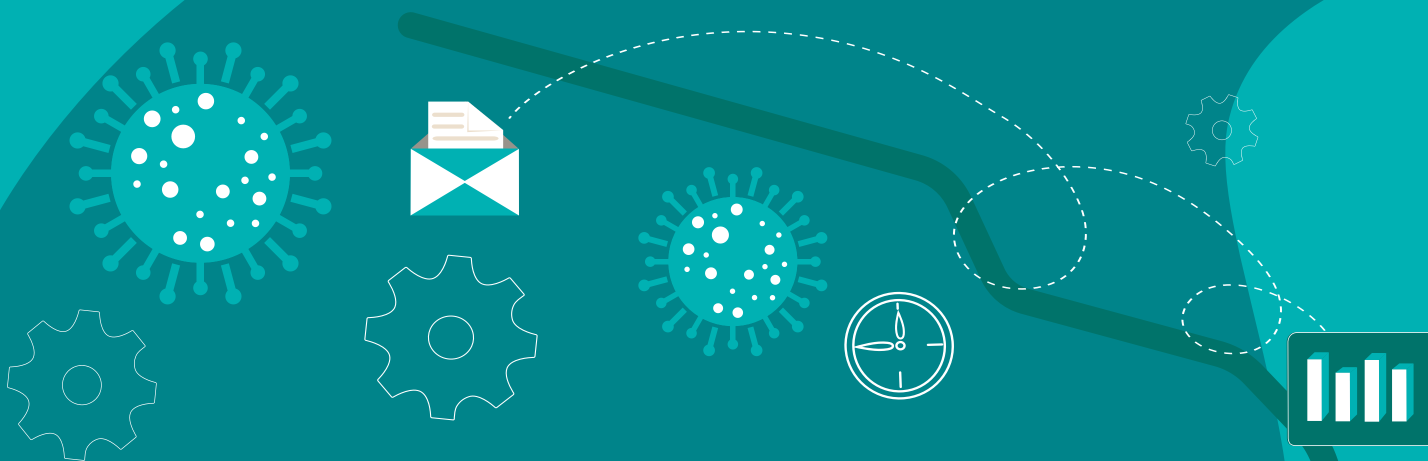
We also know that in the 'new normal' we will see more schemes consolidating into DC Master Trust-type arrangements or even taking the newly regulated superfund path to liability management. Schemes considering these options require collaboration to smooth their entry paths and ongoing collaboration between all parties to complete successful transactions whilst keeping member outcomes in the front of their minds.

### Dynanism

During the global pandemic, we have seen flexible working practices being widely adopted and this 'dynamic working' brings advantages to employers through productivity improvements and to employees in the form of improved job satisfaction and better work/ life balance.

In pensions, dynamism takes the form of a drive to 'continuous governance'. The future desired state is an efficient one whereby decisions are made by the right people, with the right skills, at the right time, to save time, money and resources. A process of outsourcing risk management to Accredited Professional Trustees that have attained the appropriate standards and operate to an agreed code of practice for professional corporate sole trustees is likely to be a growing trend; people whose specific role is to manage and mitigate future uncertain risks.

**Future challenges abound us all, but we face them with the knowledge that the pensions industry is at its best when it comes together to meet challenges collectively. When addressing the uncertain future world it is good to remember the mantra that 'we are all in this together' and through working together we will, in the future, be able to look back with confidence and say 'that was then, but it is much better now'.**



# Are you ready to manage your pension scheme **through a corporate crisis?**

**By Tina Rushworth, Senior Pensions Consultant, Pinsent Masons Pensions Services**

**The economic impact of the COVID-19 pandemic, the new Insolvency Act and the Pension Regulator's expectations make scheme management ever more challenging. High profile collapses have taught us the importance of robust contingency planning to help protect member outcomes. It is vital that practical steps are taken now to get trustees and schemes ready for every eventuality.**

Every pension scheme and sponsoring employer is different, meaning it is vital to appoint the right specialists and professional advisers to help manage and mitigate risks to the scheme. Having good practices in place makes it easier to implement contingency plans when the need arises.

Having been Scheme Secretary to the Carillion group of schemes during their high profile insolvency case I have reflected on the lessons I learnt from that time and how they can be applied now to prepare schemes as best as possible for potential challenges they may face as the impact of COVID-19 starts to bite.

Trustees should expect their Scheme Secretary to understand the scheme and the way the trustee board works; be diligent, methodical, organised and, as such, clearly record trustee considerations, decisions and actions. Bear in mind that regulators, and even the public, may read scheme minutes and records at a later date.

## The early stages of a crisis

It is important that the Chair of Trustees and Scheme Secretary think ahead to anticipate potential challenges and work in tandem to find solutions to any issues they may face. If you haven't already got plans in place, now is the time to ensure you implement them. Here are some pointers around what will be needed.

### The trustees

- ascertain if they have enough support and where to source any extra resource that can be made available, potentially at short notice
- evaluate whether they have the right skills to address the challenges of financial restructuring, and arrange any trustee training needed to cope with insolvency or restructuring issues. Put in confidentiality agreements if needed
- understand and identify any perceived or actual conflicts of interest, if necessary considering appointing a specialist independent trustee
- consider how trustee meetings can be convened at short notice and in line with social distancing requirements, including checking the trust deeds to ensure that electronic meetings and decision making are permissible.

**Key considerations**

- monitor closely the sponsor covenant together with covenant advisers, taking into account the Pension Regulator's (TPR) guidance and the integrated risk management framework
- implement a strategy for how the trustees should communicate with scheme members
- prepare for questions from TPR, maintaining full notes from any meetings and having equivalent representation for meetings with more than one TPR representative. Retain any correspondence between the sponsor, trustees and TPR;
- agree with the sponsor that they will fund all additional expenses the scheme will incur in connection with corporate events such as restructuring, and set up a cost monitoring system
- draw up an incident response plan and open up a dialogue with the Pension Protection Fund (PPF) and, if appropriate, get them involved with contingency planning for entry into PPF assessment
- monitor transfers out of the scheme and review benefit options – trustees will wish to protect the scheme's funding and remaining members, and ensure there isn't a 'run' on the scheme
- check the validity and enforceability of PPF guarantees and other guarantees, and keep these close to hand.

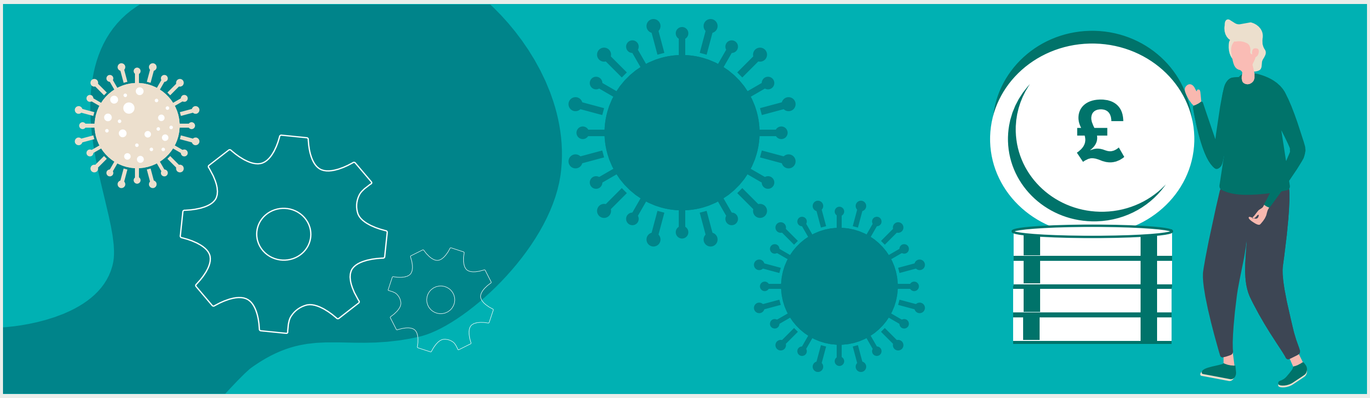
## When the crisis deepens

Whatever the cause of a crisis, this is the busiest time. Having preparations in place already will help in managing the increased intensity.

Implement your contingency plan for in-house functions such as pensioner payroll, member data and banking facilities - access could be curtailed in some corporate events. It is wise to ensure PPF levies and scheme invoices continue to be paid if paid by the employer. Don't forget that monitoring of scheme factors and producing an insufficiency report may be needed.

**Turning to governance:**

- continued monitoring of the covenant, including the corporate dividend policy and referencing your Integrated Risk Management (IRM) plan, should ensure that, as far as possible, the trustees are able to take actions to ensure the scheme deficit can be supported by the employer
- the trustees' agenda should focus on what is important and day-to-day work delegated as much as possible. The implications on scheme funding of different sponsor scenarios is likely to be high on the agenda
- consider a corporate events committee with powers to negotiate with the sponsor, instruct advisers, deal with TPR, whilst being free from conflilcts and with good knowledge of finance issues
- plan how continuity of decision making and authorised signatories can be maintained in the event of losing a number of trustees suddenly
- explore the provisions of trustee liability insurance and check whether insurers need to be notified at this point
- use a shared information portal to keep scheme information together in one place to save on costs and duplication of efforts
- awareness of what happens from day one in PPF assessments will help trustees to understand their obligations - training on this, the different types of insolvency and their impact on pension schemes is worth arranging. Of course, understanding the scheme and its sponsors is essential so that you can identify which entities have to have an insolvency event before PPF assessment kicks in.



## The crisis turns into insolvency

Having an insolvency event doesn't always trigger PPF assessment on day one, it can take time. The PPF will need to approve any scheme expenses from the assessment date onwards.

Here are some actions to help a smooth transition:

- review the scheme's cash retention policy to certify that pension payments can continue for at least six months to enable transition to the PPF's chosen administrator
- instruct the current pension administrators to cease all transfers out and administer benefits in accordance with PPF requirements
- ensure all records of employers joining and ceasing to participate in the scheme are up-to-date, to assist with the PPF's validation process
- prepare for the PPF to replace the trustees with its own panel trustees and make sure the secretary assists with a smooth handover – a scheme reference manual is useful.

## Communication is key

Throughout the process, it's important to communicate swiftly with scheme members, TPR and your advisers. Implementing a media strategy, central messaging and a policy for giving and receiving information for the trustees helps, particularly if the Chair is the only one in the thick of the negotiations. A pre-agreed communications strategy will help to manage this process.

Make sure correspondence with members ahead of PPF assessment clearly flags the risks and potential for scams on transferring assets out of the scheme. Your communications should help members understand the risks, the true value of giving up their pension and compensation that will be available from the PPF should they keep their funds invested in the scheme.

If the insolvency is high profile most information gets to members through media; engaging a PR consultant may be useful to make sure consistent information is released and help manage members' concerns. Having a pre-prepared statement ahead of any announcement, and a regularly updated Frequently Asked Questions document, is essential.

In summary, a crisis can occur for a number of reasons but good contingency planning is key in ensuring that protections are in place and that every stakeholder has been considered. If you've not thought about this yet, remember it is never too early to start the planning process and determining whether support is required. The steps above should act as a helpful guide as you embark on this process.

# Mending the holes of the pension pocket for the quantum workforce

**By Matt Jennings, Client Solutions Manager, My Digital**

**COVID-19 has accelerated the disruption to the UK's job market, catalysing an ongoing decline in permanent employment. Now, one in seven workers in the UK are on flexible contracts, up 25% over two decades. These workers are part of the growing quantum employment fleet, defined as a contractor working small, incremental jobs across a range of employers or end clients. Today, it is not uncommon for contractors to work just a morning or even a number of hours one day with one employer and then work double shifts later that week for a different client.**

The quantum employment era is highly beneficial to the UK economy, with workers able to spread their skills across multiple end clients to secure financial stability. Meanwhile, businesses are able to flex their staff and contractor capacity as required. Agility will be key for businesses as the UK approaches the end of furlough, triggering a significant change for the job market. However, as more people join the quantum workforce and more businesses look to new hires to keep operational, keeping up with pension contributions will become increasingly more difficult.

Pension contributions for the labour market as a whole have been impacted by COVID, with more than five million workers cutting or stopping their pension contributions altogether. However, this impact has been most strongly felt by those quantum workers who are self-employed, with recent research from the Institute of Fiscal Studies revealing only one in six contractors now contribute into a pension pot, which has fallen from around half in the late Nineties.

## Pensions' fall from grace

For employed workers, auto-enrolment has been a great success; a pension system designed for predictable 9-5 roles and jobs for life. Workers are assessed and enrolled in the scheme passively, not needing to think about or do anything to contribute. However, with the continual rise in the number of quantum workers; we need to think carefully about how this success can be carried over into this growing workforce.

For quantum workers employed through multiple employers it can be a little more difficult; their slice of earnings from each job can often be under the threshold for pension auto-enrolment, increasing the difficulty of contributing pensions passively. Intermediaries such as umbrella companies can help in this respect whereby earnings are consolidated under one employment and accurate contributions can be made.

The aforementioned fall in pension provisions for self-employed workers is driven by a complication of several factors, with a major one being the basic nature of pensions for self-employed workers, currently estimated to be 4.53 million. For self-employed workers, pension contributions are an active conscious decision. Pensions aren't the easiest to get your head around and the options available are numerous, so many people can either be over-awed by them, or see it as 'tomorrow's job'. Who hasn't thought they are young enough to put pension contributions off? So, with quantum employment increasing, how do we ensure that more of the self-employed are putting into a pension?

## Levelling the pension playing field

The goal has to be to see the uptake in pension contributions for the self-employed at the same level as employed workers and the only way to achieve this is to take the complexity and thought out of the process. It needs to be, like auto-enrolment, a passive process. Intermediaries such as agencies or umbrella companies who receive the funds before sending onto the self-employed are ideally placed to manage contributions for any auto-enrolment for the self-employed scheme.

> **These organisations could offer the ability for freelancers and contractors alike to collate their work and streamline their finances, assisting significantly with any pension contributions.**

Without legal reforms this is impossible, so the government needs to drive this change. Requiring the self-employed to have a nominal amount of their invoice (this could be a percentage of invoice between qualifying amounts to mirror the existing auto-enrolment for instance) siphoned into a pension, we'd certainly see a higher amount of pension contributions from the self-employed. We predict a system similar in structure to this could positively impact about one-third of those in quantum employment. After supporting a significant chunk of flexible workers with new legislation, the government would then be able to tackle other areas of complication, to close the gap between employees and their future savings.

The intermediaries handling the payments can be seen as the 'middle men' and have a fuller picture of quantum workers' earnings. With the ultimate overview of a contractor's work, these companies could offer self-employed pension auto-enrolment, alleviating the hassle of navigating the complicated pension landscape. Providing the element of passive contributions for pensions before an invoice is processed makes pensions easy and convenient for the quantum workforce. This is a great benefit for securing the temporary labour market's future, especially during such uncertain times.

However, this middle layer of business can still be encumbered by manual processes, which slow down and even prevent accurate pension deductions being taken. These businesses should look to advance their technology systems to be specifically designed for the temporary labour market.

Solutions designed for quantum employment remove the need for manual intervention for pension contribution uploads, eliminating the risk of incorrect submissions. These systems are also capable of looking across the pension submission history of an employee and reconciling this in real-time.

However, for the 'solopreneurs' who operate without the cover of an umbrella company or recruitment agency, managing pensions would still remain complicated, with added challenges for those who work 'cash in hand'. Without an intermediary assisting in the automatic deduction of contributions more innovative ideas such as invoicing and accounting solutions that automatically handle pension postings for the self-employed and their accountants would be needed. One thing is clear: legal changes are required to ensure this valuable section of the UK's workforce can save for their future without having to negotiate the pensions minefield alone.

As more workers move to quantum employment, it's vital their long term financial stability is secure. While often at the back of the mind for employees, pensions are an integral part of working life and shouldn't be subject to outdated systems and legislation that is unable to keep up with the pace of work. It's important that those who support the quantum workforce have automated and smart processes which break down the barriers to pensions. This is especially important in today's climate, where securing the financial future of workers will be essential to mitigate long term risk to the economy.

# The popularity of Professional Corporate Sole Trusteeship

By Akash Rooprai, Trustee Director, Independent Trustee Services Ltd

**Sole Trusteeship is growing and looks set to continue. There are drivers for this, but some are concerned about this development resulting in higher costs, more employer focus than member focus and the potential for trustees to go unchallenged. This article explains why these concerns are largely unfounded and ways to mitigate some concerns.**

## What is sole trusteeship and why is it becoming more popular?

A better term is Professional Corporate Sole Trusteeship (PCST), as that reflects most models of 'sole trusteeship'. This is where a professional trustee company becomes the sole trustee of a pension scheme. There will usually be a main trustee director who 'leads' the appointment who will be supported by others.[1]

PCST is becoming increasingly popular:

- There are practical considerations like difficulty filling vacancies for Member-Nominated Trustees (MNTs), time constraints of Employee-Nominated Trustees (ENTs) or the retirement of a key trutsee
- Schemes that are closed to accrual have no 'active' members
- Responsibilities on trustees are increasing
- Employers may drive the process as they find that some trustee boards move more slowly than their corporate timetable is used to
- PCSTs can be more commercial in their approach and timings
- PCSTs are more adept at choreographing a set of advisers and are able to give precise instructions for advice, talking in their language
- Employers with overseas parents who don't understand how and why UK pensions work and can be frustrated by some trustee positions who, acting with the best intentions, can cause progress to be slower than ideal
- Avoid conflict of interests
- Assist with specialist/complex projects, such as buy-out.

## Doesn't a PCST result in more cost and risk?

If there is no professional trustee to start with then a PCST will result in a new cost stream. However, in most cases there will be a saving:

- A PCST can manage the advisory process efficiently, saving fees
- Actions are invariably progressed quickly so there is less financial risk which can result in a saving e.g. if an action is taken to reduce risk in the asset portfolio before adverse market movements

Some believe there are risks:

1. The PCST, having been appointed by the employer, will be at their behest and less likely to consider member interests, and with the loss of MNTs there is no member representation in the decision process. However,

- PCSTs are professionals and have to act accordingly - as trustees they are duty-bound to focus on member interests
- Member input can come via a member forum that can provide member viewpoints to the PCST.

2. The PCST may make complex decisions without any challenge or review;

- Trustee firms have processes to ensure a diversity of input into decisions, taking account of the wide pensions experience of other trustees in the firm.

## What about oversight of PCSTs?

At present there is no requirement for a trustee to have a set of skills or pass an exam to start being a trustee.[2] However, the Pensions Regulator recently published guidance on sole trusteeship, including that best practice is to have wider input than a single individual. Moreover, the Association of Professional Pension Trustees (APPT) and the Pensions Management Institute (PMI) have each launched accreditation schemes, with exams and professional development requirements. Whilst it is not mandatory, most professional trustee firms are ensuring that their trustee directors are accredited.

## Should all schemes consider PCSTs?

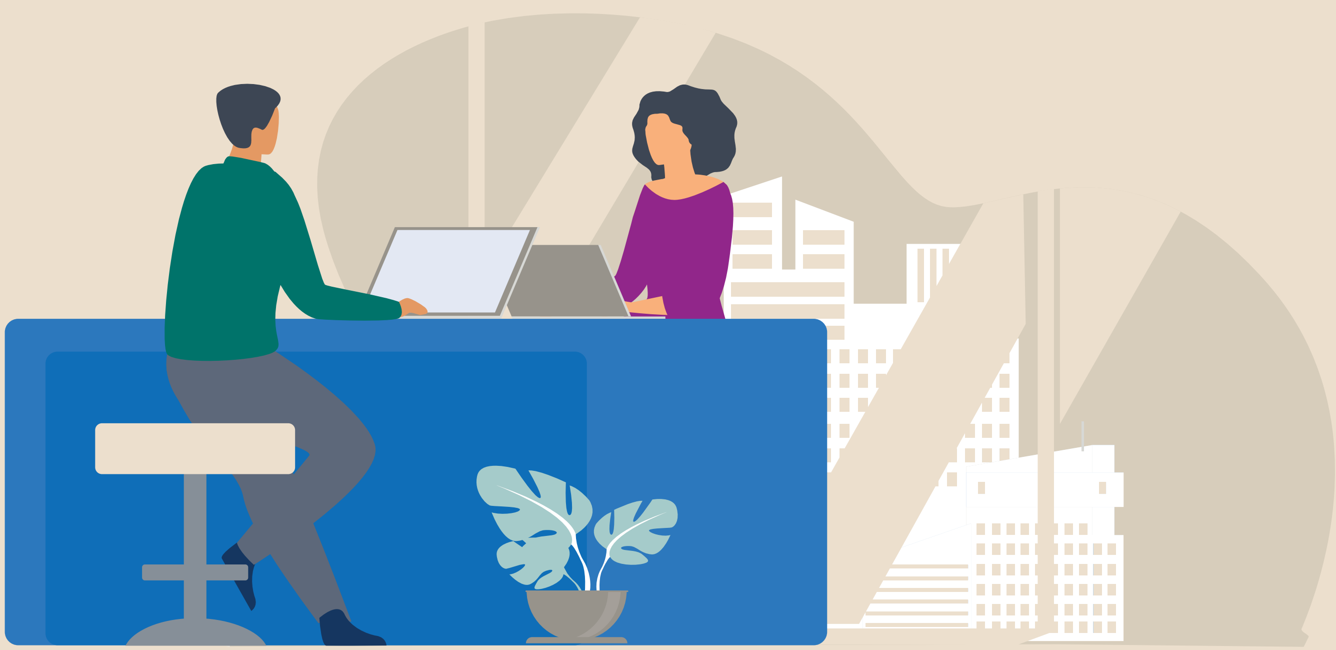
PCSTs, or professional trustees more widely, do not need to be involved in every scheme. Many schemes are well run by lay trustees, representing member and employer interests and engaging collaboratively with employers, progressing schemes to a common goal. The old saying of "if it ain't broke, don't fix it" applies in the pension world as well.

## Where will we go from here?

It is likely that with the decrease in active engagement by members in the running of pension schemes, increasing regulation and complexity in the pensions world (Guaranteed Minimum Pension (GMP) Equalisation, anyone?) and the desire to run pension schemes (some of which are hundreds of millions or multi-billion pound funds) more commercially, the prevalence of PCSTs will increase. It seems inevitable, therefore, that the regulatory oversight of PCSTs will rise in parallel, ensuring that the best standards and practices become increasingly commonplace.

[1] We have focussed on trustee firms not 'sole traders' in this article

[2] Once appointed as a trustee, there are requirements on knowledge and understanding, and keeping up-to-date.



# The New Normal for DB Pensions

**By Lok Ma, Solutions Specialist, Willis Towers Watson**

**It has, of course, become the new normal to talk about the new normal! But there have been so many changes affecting Defined Benefit (DB) pensions that grouping these by broad themes could be a worthwhile exercise.**

Whenever I feel overwhelmed, I find that writing down a list of what I need to tackle helps to clear my mind. I thought I would do the same for the many challenges that DB pension schemes are currently facing, which fall under three broad themes:

## 1) The world has changed

Remember May 2016, when Leicester City won the Premier League at the actuary-baiting odds of 5,000-to-1? That seemed to mark the time when the world stopped being nicely predictable. Shortly afterwards, the British people voted to leave the EU, and the American people voted for Donald Trump to be their president. From the perspective of pension schemes, Brexit was, and continues to be, a source of volatility for interest and exchange rates, whilst the prospect of a US-China trade war had a similar effect on global equity markets.

Four years on, a once-a-century pandemic has spread chaos across the world, leaving virtually no-one unaffected. COVID-19, having brought about the fastest fall and recovery in stock market history, has the potential for plunging schemes deep into the red again. And, looking further ahead, how should investment portfolios adapt to the prospect of climate change and the rise of China as a super power?

## 2) The pensions environment has changed

We counted over 20 existing and imminent regulatory actions falling upon DB schemes in relation to investment alone, before even mentioning the Regulator's fast track / bespoke funding regime and and Guaranteed Minimum Pension (GMP) equalisation. Besides these, we are witnessing the evolution of three 'end game' choices for maturing schemes:

- Run-off: many schemes have shifted to a Cashflow Driven Investment (CDI) approach to run off their liabilities. The COVID crisis has also highlighted the concentration risk inherent in some versions of this strategy.
- Consolidation: this new option, offering better affordability than buy-out at the expense of reduced security, may be a niche solution where the trade-off between sponsor covenant and additional capital backing is clear cut.
- Insurance: this remains the gold standard target for most schemes, with each year heralding new volume records and continued innovation.

Faced with the abundance of choices, the challenge for many will be to achieve clarity on what to aim for and how to get there.

## 3) The way we deal with changes has changed

At the risk of sounding a bit 'meta', one of the biggest changes is how we now have to work to deal with these changes. The consensus seems to be that working from home comes with advantages and disadvantages that mean we are  about as effective as before.

But there is also a wider recognition that many trustee boards lack the bandwidth for an increasingly daunting to-do list. This has driven the continuing trend for greater delegation to professional specialists, whether by appointing independent trustees (including sole trustees) or fiduciary managers, in order to make use of their resources, scale and expertise to meet the challenges that lie ahead.

And what's my take on where to start? For me, high on the list of priorities would be to improve the level of governance, and get in good shape for tackling the other challenges.

# Trustees: be ready to protect schemes from corporate distress

By Mike Birch, Director of Supervision, The Pensions Regulator

**The International Monetary Fund has warned that the world economy faces a long, slow recovery from COVID-19 and it seems likely that some UK employers will start to struggle.**

Employers in many sectors will also need to ensure that they are properly prepared to minimise any adverse impacts from the changes arising from Brexit.

We've published guidance on how trustees can protect schemes from corporate distress so they know what to look for and the options they have available. It empowers trustees to be aware of risks and tackle challenges themselves, allowing The Pensions Regulator (TPR) to concentrate resources where they are needed most.

## Early warning signs

Trustees should be vigilant of the early warning signs which include:

- **impending debt maturities**
- **debt covenant breaches or waivers**
- **high leverage**
- **requests for deficit repair contribution deferrals**
- **key management changes**
- **credit rating downgrades**

## Information gathering

Trustees also need robust financial information from an employer. If this is not forthcoming they must be clear in their expectations and about the employer's responsibilities to the scheme, as a major creditor. It may feel difficult or awkward to probe a struggling employer, but trustees' most important role is protecting members. They should not support an employer blindly.

Employers must understand trustees can't offer support without securing protections in return. This means they must have as complete a financial picture as possible.

In restructuring negotiations, other creditors will seek protections which are often detrimental to the employer's ability to support the scheme. Trustees must have a seat at the table during restructuring conversations. They must be treated on an equal footing as any other financial stakeholders.

## Good governance

Trustees should ensure good governance standards by sourcing quality financial information and boosting their skills. This will give schemes the best chance of being able to offer reasonable, justifiable support to an employer while still protecting their members.

Financial distress isn't unique to today's uncertain economic situation. Our supervision teams have long supported trustees grappling with such issues. It is usually those schemes with good governance that are best prepared to face the challenges caused by a distressed employer.

Now is the right time for trustees to ensure the right standards are followed so that they are confident they have the knowledge, skills and understanding to manage the challenges – even if that means paying for professional advice.

Conflicts of interest are a familiar area of concern for TPR's supervision teams. In a downturn, significant conflicts are more likely. Trustees may be unwilling to challenge an employer who pays their wages. Some may worry about being a 'problem' when redundancies are possible. Conflicts can stop trustees focusing on their chief role as members' first line of defence. Trustees should explore whether they need extra training and advice so that emerging conflicts can be dealt with effectively.

Restructuring and insolvency are complicated areas. Both may lead to a weakening of covenant. Trustees should explore whether they feel more training or advice in assessing covenant strength would be helpful.

## Clear expectations

TPR can't get involved with every scheme. Where we do get involved we'll be clear about our expectations, consistent in our risk-based approach and work to support the trustee in ensuring the scheme is treated equitably. Being ready now will mean trustees will be less likely to need help in the first place.

Trustees must understand that the sooner they act in the face of a distressed sponsor the more options they'll have to protect members and the more time they'll have to do it. They will also be able to ensure that employers can take account of their concerns before all other stakeholders have finalised their positions. Do not wait until the warning signs appear – use our guidance to get effective risk management processes in place now.

# What's that noise?
# Just another norm being shattered.

**By Nick Boyes, Director-Independent Trustee, Able Governance Ltd**

**Unless you've been living in the proverbial cave for the last twelve months, it's likely that your world has been turned upside down. The normal way of going about our business and private lives has had to change.**

Instead of zooming up and down motorways, we're Zooming with clients, networks, friends and families. Has this made us more productive, or left us with a feeling of isolation? How many businesses will return to the old ways, where 'I'm working from home today' was code for 'I've got a delivery due' or 'my childcare arrangements have gone haywire'? Will I ever wear a suit again?

But the pandemic isn't the only force bringing about a paradigm shift. Brexit almost seems like yesterday's news, but has barely started. Businesses are still unclear as to how they should prepare for the 'new normal' following the end of the transition period. Maybe the apparent reign of terror in No. 10 will come to an end with the departure of certain special advisors. Will this help normal relationships to resume between the Government, MPs and the Civil Service, and bring about a return to the norm of a (relatively) collaborative, consensual government?

One aspect that will take a considerable amount of time to return to normal is the state of public finances. The expenditure to tackle the crisis has been mind-boggling. It would be a shame, however, to waste a good crisis. Signs that the government won't return to their old habit of trying to balance the books by reducing welfare payments are encouraging. For pension schemes, the recently announced 'green gilt' could be attractive. Its purpose is to raise the funds to 'build back better' (and greener). For those pension schemes seeking to match liabilities and have something to report in their Implementation Statement, this could be a winner.

What has become normal is the environment of ultra-low interest rates. How many times have you heard the plaintive cry that, surely, they can't go any lower? Many trustees still have a tendency to focus on the asset side of the funding equation, blinkered to the disproportionate impact of a relatively small down tick in yields.

Trustees are grappling with new requirements in respect of matters to which they have hitherto given relatively little thought. The reporting requirements for Environmental, Social and Governance (ESG) aspects of their investments is causing some scratching of heads. The principle of 'what gets measured gets done' will result in more focus on these important matters, and they will become normal soon enough.

Anyone who has spent any time working in pensions will be unphased by these developments. Change is a constant. It's one of the reasons why it's so fascinating.

Meet the new normal: same as the old normal.

## Accreditation

I overcame my initial scepticism and applied for Professional Trustee Accreditation via the PMI. If I'm honest (one of the requirements), I was worried that my lingering imposter syndrome would turn out to be justified and I'd have to seek a new career after 28 years in the trustee industry. I needn't have worried. The process was relatively painless and I now bask in the glow that being accredited provides. My business card has never looked better!

# The new **workplace**

By Tim Middleton, Director of Policy and External Affairs, PMI

**The introduction of lockdown in March was a period of confusion and disruption in workplaces throughout the country. This was as true for us at PMI as it was for other organisations. There was a rushed period of collecting personal effects and hurried farewells before leaving our familiar and well-loved premises in Tower 42 for what we initially supposed would be a period of a few weeks. Apart from significantly underestimating the length of time that we were to be absent, we gave little thought to the extent to which a temporary emergency would result in permanent change.**

Whilst we as an organisation were able to prepare for the official announcement of lockdown (we left our office a week ahead of the Prime Minister's official statement), our preparations to vacate our office hampered efforts to continue our regular work. However, within a short period of time, PMI's permanent staff were equipped with recently-purchased laptops and were continuing their work from home. What was at first an unfamiliar and uncomfortable working environment has, over a period of months, evolved into a new workplace orthodoxy. It has proved typical of the experience of many organisations and for PMI – and others – has become the new normal.

Initially, working from home presents some difficulties. It is important to find somewhere to set up workplace equipment which is comfortable and free from interruption, and for many this has proved a challenge. Effective contact with workplace computer servers has meant that effective broadband is now essential rather than a luxury.

Workplace meetings have changed. Whereas in the past enormous effort would be made to ensure that people could travel significant distances to meet physically in a traditional meeting room, the demands of lockdown have made organisations look to virtual alternatives via services such as Teams or Zoom. Specifically within the context of pensions, this has seen the traditional trustee meeting undergo thorough transformation. Board packs are now distributed electronically and the need for wet signatures has been successfully challenged as electronic alternatives have emerged. However, what is particularly significant is the realisation that change imposed by circumstances has resulted in what is not a temporary fix but a permanent transformation. Adapting to the demands of the COVID emergency has led to the adoption of practices that are less costly, more secure and more efficient.

Another fundamental change will be organisations' reliance on office space. Together with its payroll, rent is one of the greatest costs to an employer, and the experience of lockdown has led many organisations to question its requirement for office space. PMI's own experience of lockdown may prove typical: our lease at Tower 42 expired shortly after staff left the building. The experience of having colleagues work effectively and productively from home has led to a significant re-evaluation of office space requirements. Post COVID, PMI's new office requirements are likely to be significantly smaller (and cheaper) than has been the case in the past. This is surely to be true of other organisations as well. At any given time, it seems likely that organisations will have many employees working remotely with maybe a handful of colleagues working in a traditional office environment, and only when circumstances require it.

Technology has also challenged the traditional concept of where work is based. Homeworkers are no longer tied rigidly to an office location as they have in the past, and can, in theory, be based anywhere in the world as long as they are able to interact effectively with colleagues. One of the current PMI team is based in Vienna, for example. As part of 2020's Pens Tech and Admin Summit, I chaired a discussion with Charles Cotton of CIPD and Geraldine Brassett of Capita. They made the point that employers are no longer constrained by geographical location when recruiting staff and that this is likely to have a significant impact on regional remuneration trends.

However, the new workplace environment is not without its drawbacks. Managers need to be wary of the impact that isolation can have on colleagues. It can be difficult to manage quality and consistency with a team based in diverse locations. It is also difficult to monitor the welfare of colleagues who rarely meet physically, and the recruitment and training of new employees can be difficult when staff never meet in person. Traditional workplace rituals, such as the office Christmas dinner, are impossible to maintain under current conditions, and this is likely to have a detrimental impact on staff morale. We should not lose sight of the fact that by nature humans are sociable beings, and that the intimacy of traditional office life is something that will be greatly missed.

**It is truly the case that necessity is the mother of invention, and that drastic steps taken to counter the impact of a serious pandemic have resulted in new workplace practices which will surely become permanent.**

The traditional workplace environment is gone, and has been replaced by a virtual workplace which could see colleagues based in diverse locations yet able to co-operate as effectively as ever. The massive reduction in commuting and reduced consumption of energy is likely to reduce the West's carbon footprint too. Whilst some may retain a sentimental attachment to the past, it is surely the case that the pandemic has brought about a revolution in workplace practices. We are already operating in the new normal.

# The new normal in education... 'hashtag online'

By Dr Keith Hoodless, Dr Director of Qualifications and Lifelong Learning, PMI

**With a year since the first official reporting of a COVID-19 case, we have almost arrived at a global paralysis of regular education and training provision. This unprecedented situation affected all learning at all levels. Basic and secondary education, initial and continuing training, and work-based learning all came to a stop as we knew them. It upturned course schedules and attendance, disrupted teaching and learning, frustrated examinations and assessments, delayed certification, and will affect the immediate and future careers of millions of learners.**

It has reinforced existing inequalities affecting workers and learners around the globe. The shift to online or distance learning during the pandemic should be seen first and foremost as an emergency response. Nevertheless, the crisis also provides an opportunity for the development of more flexible learning solutions that make better use of distance learning and digital solutions.

For this to happen, I suggest three important policy issues must be addressed to create long-term, positive impacts and develop greater resilience.

**First:** human and financial resources have to be mobilised to ensure universal access to digital infrastructure, tools and modern learning technologies.

**Second:** education managers, teachers, trainers and learners themselves need training and support to engage in distance and online learning.

**Third:** education and training providers have to revise teaching and learning models to make the best use of digital resources and tools.

It is now apparent that even after lockdowns are eased, everyone will need to adapt to a new normal, as a vaccine is still 6-12 months away for most of the population.

I previously suggested that we 'do not adjust our sets', and I still believe that, but we will start having to look more closely at the picture rather than changing channels. We will have to quickly understand when we look at education and the 'new norm' then, what is the picture are we actually looking at?

The pandemic quite clearly accelerated the digital revolution that was just around the corner waiting to come onto the scene, and has now driven right though our lives.

In a matter of weeks, coronavirus (COVID-19) changed how students were educated around the world. Education fundamentally stopped whilst we came to a solution on changes in how to deliver. Those changes gave us a glimpse at how education could change for the better – and the worse - in the long term. This solution was online, and we at the PMI are no different to this in our approach to the delivery of our autumn exams.

These changes have certainly caused a degree of inconvenience, but they have also prompted new examples of educational innovation. Although it is too early to judge how reactions to COVID-19 will affect education systems around the world, there are signs suggesting that it could have a lasting impact on the trajectory of learning innovation and digitisation.

Below, I suggest a further three trends that could hint at future transformations.

**1. Education - nudged and pushed to change - could lead to surprising innovations**

The slow pace of change in academia globally is lamentable, with centuries-old, lecture-based approaches to teaching, entrenched institutional biases, and outmoded classrooms. However, COVID-19 has become a catalyst for educational institutions worldwide to search for innovative solutions in a relatively short period of time.

**2. Public-private educational partnerships could grow in importance**

In just the past few weeks, we have seen learning consortiums and coalitions taking shape, with diverse stakeholders - including governments, publishers, education professionals, technology providers, and telecom network operators - coming together to utilise digital platforms as a temporary solution to the crisis, the upsurge in 'new' online 'schools and colleges'. Awarding bodies (similar to the PMI) are finding new methods of online functioning – the Pearson Global School for example. What is more significant is that the majority of new products in online learning environments are currently free of charge.

**3. We need to refocus on the skills we will need in the future**

The rapid spread of COVID-19 has demonstrated the importance of building resilience to face various threats, from pandemic disease to extremist violence to climate insecurity, and even, yes, rapid technological change. The pandemic is also an opportunity to remind ourselves of the resilience skills students need in this unpredictable world such as informed decision making, creative problem solving, and perhaps above all, adaptability. To ensure those skills remain a priority for all students, resilience must be built into our educational systems as well.


The situation we are experiencing now means we quite quickly have to adapt, become more flexible, and combine this with new ways of communication and collaboration. We will have to learn how much more open to 'remoteness' we can be once this is over; communication will become the new norm and agility the new way of working; education will become the major driver.

We have moved on from the Empty Raincoat (Charles Handy, 1995) and moved to the Empty Classroom. The principles, however, remain the same: how do we 'make sense of the future to provide for a of sense of continuity, connection and purposeful direction.

We are fortunate that we have just brought up the latest generation of 'tech savvy' millennials, whose ability to use and adapt software and technology is second nature to them, but the soft skills that are necessary to communicate these effectively are lacking.

Those looking for stability in the future need to think about how they can improve their soft skills, as some of the top traits employers are currently looking for are 'work ethic, integrity, attitude, communication, critical thinking and time management.'

Investing in 'self' in difficult times shows employers engagement, growth and development; upskilling or reskilling during this period is evidence of lifelong learning. Showing resilience shows commitment.

The point here is that resilience is a product of opportunity. This is the time to be educating and to become more educated. It displays an understanding of continuity, a connection with employers and the market, and a definite purpose and direction. Now more than ever we have to be agile, adaptable and need to constantly upskill our knowledge and skills to maintain our status.

In summary, short-term responses have been found to manipulate our way through the current climate; these are short term but they emphasise mobilisation and expansion of existing digital resources, particularly (for the PMI) with online examinations. The effects of the current crisis are profound and potentially long lasting; all forms of learning have been, and will continue to be, affected. If we want to ensure that the shift to distance and online learning both meets immediate learning needs and prepares us for more effective systems in the future then we need to increase distance and short course learning options, expand across the whole sector, and improve the social dialogue and coordination within the education and training component of individual organisations working within the sector.

A final word of caution though.Online education and assessment is not a silver bullet; it is a method of increased effectiveness and will provide the basis for more flexibility moving forward. Educational achievement will be affected for those learners who do not engage as well as their peers in online learning, even if as digitally skilled. As a result of the widespread restrictions on movement many potential learners are confined to their homes without access to a suitable space from where they can learn. Some lack access to digital equipment and sufficiently strong internet connections to enable their participation in online learning activities.

The outlook for online learning in the 'new norm' is good though and is improving daily, but it is not a substitute in any way for the need or capacity to engage, learn and revise the content before being examined, or the need to have adequate resource and capability/capacity to do so. The future may be bright, but it is not easy.

As always, the PMI looks to its learners and respects their desire to learn.

If anyone wishes to comment on the above, then please contact me at the PMI via email, khoodless@pensions-pmi.org.uk or by phone on **0207 247 1452.**

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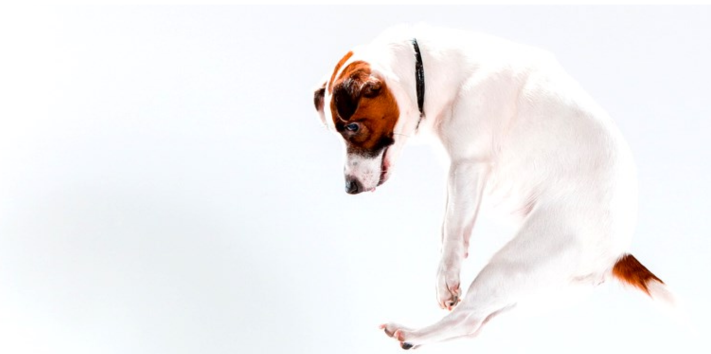

# 2021...

**Happy New Year!** Hello to new ways of working.
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