Edition 02
February 2018

Pensions Aspects

WWW.PENSIONS-PMI.ORG.UK

Sustainable pensions

Taming the four horsemen of DB pensions.

DC NOT DB - THAT IS THE TRANSFER QUESTION

AUTO ENROLMENT – DOES THE UK NEED TO GO FURTHER TO MAKE A REAL SUCCESS OF IT?

I WORK IN PENSIONS

HELP REQUIRED

WORKPLACE PENSIONS TRAILBLAZER APPRENTICESHIP

Designed to support two types of role:

1_One administrator focused

2_One consultant focused

The Workplace Pensions Trailblazer Apprenticeship and the new Workplace Pensions Apprenticeship standard are here.

As part of the apprenticeship process, the PMI has successfully applied to become the 'end point assessment' organisation. This means the PMI will sign off each apprentice as having completed the standard and met the requirements. As part of the end point assessment, candidates' achievements will be reviewed by the PMI and each candidate will have a reflective discussion with an end point assessor.

We anticipate that a range of employers and training providers delivering the apprenticeship may require assistance on an ad-hoc basis from individuals with relevant pensions experience, assessment and verification-type skills. We are also keen to help match opportunities and volunteers so we can support delivery of the apprenticeship.

For further details on how to become an end point advisor, or for more information on working with the PMI contact Neil Scott on 020 7392 7402 or email nscott@pensions-pmi.org.uk

Pensions Management Institute

ACHIEVING PENSIONS EXCELLENCE

Contents

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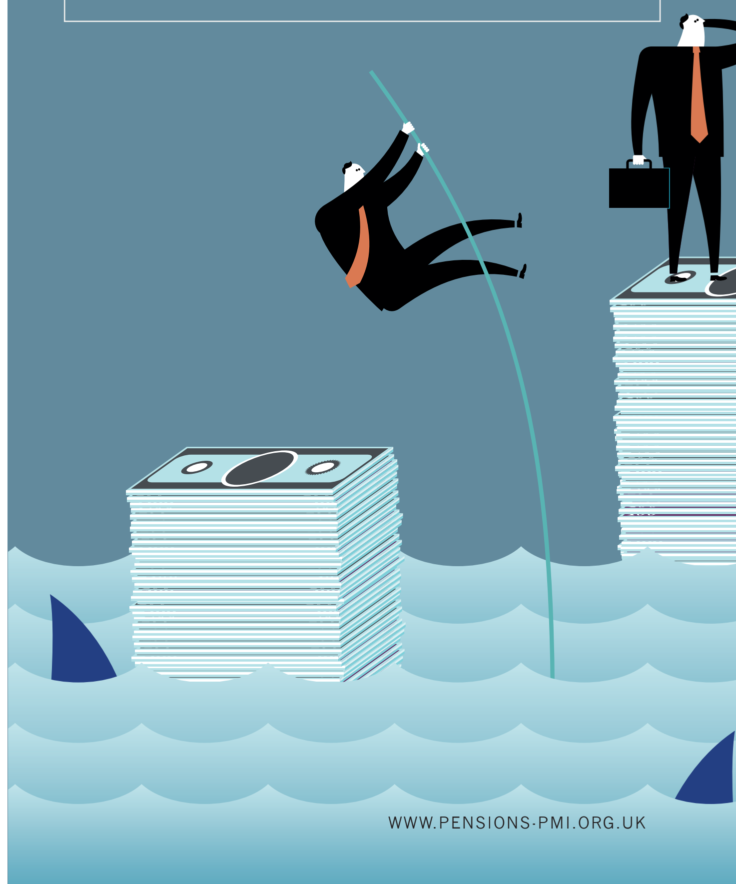
CDC Schemes
– are they the answer?

A long-standing problem for workplace pension schemes has been the burden of investment risk. In the case of traditional Defined Benefit (DB) schemes, investment risk is borne by the scheme sponsor, and in the case of Defined Contribution (DC) arrangements, it is borne entirely by scheme members. A 'holy grail' would be a system which shares investment risk more equitably, and this was one of the objectives pursued by Steve Webb's 'Defined Ambition' initiative.

There is, of course, a scheme design which achieves this objective and much else besides. Collective Defined Contribution (CDC) schemes have for some years been operated in the Netherlands, Denmark and Canada, and were examined in some detail as part of the Defined Ambition project.

CDC combines some of the characteristics of DB schemes with those of DC arrangements. The scheme design is ultimately DC as the benefit promise is a set rate of contribution paid by members and the employer. However, unlike conventional DC, contributions are pooled in a single fund in the manner of a DB scheme. Benefits are paid not through annuitisation but as scheme pensions. The ultimate benefit paid is calculated as a 'target' pension, and might be calculated in a manner similar to that of a CARE scheme, or a set amount of pension is awarded based on contributions paid. The key point is that benefits are not guaranteed and can be subject to retrospective adjustment, even after payment has commenced. Investment risk is shared equitably between members and the sponsor: benefits paid, whilst not formally guaranteed, can be predicted with a reasonable degree of accuracy, and the employer's commitment will only ever be a fixed rate of contributions in respect of active members. Crucially, retired members of Dutch CDC schemes receive higher incomes than their counterparts in the UK do from conventional DC schemes. The Melbourne Mercer Global Pensions Index regularly identifies the pension systems of Denmark and the Netherlands as the world's best.

The Melbourne Mercer Global Pensions Index regularly identifies the pension systems of Denmark and the Netherlands as the world's best.



However, CDC is not without its critics. Some compare the target pension structure with the system of bonuses provided by With Profits funds, and argue that a CDC scheme might ultimately suffer similar funding problems to those suffered by With Profits funds at the beginning of this century. Some are concerned that CDC schemes introduce inter-generation cross-subsidies, which benefit older members at the expense of their younger colleagues. Others believe that the increasingly libertarian ethos of the UK pensions system – as exemplified by the Freedom and Choice reforms of 2015 – is essentially incompatible with a collectivised system.

CDC may be controversial, but it is time for pensions professionals to debate the topic at length. There has been some discussion about implementing CDC in the UK for several years. Many will be familiar with David Pitt-Watson's paper for the Royal Society of Arts which presented a powerful case for CDC. Although the Defined Ambition programme – including CDC – was abandoned by the DWP, interest has never waned. Recently, the Labour Party has adopted the concept as part of its pensions policy. Shortly before Christmas, the Work & Pensions Committee issued a Call for Evidence on CDC. Fellows and Associates will recall being invited to participate in a survey whose results formed the basis of the PMI External Affairs formal response, which was submitted last month. A copy of this response can be found on the PMI website.

Whether or not it would be appropriate for CDC to be implemented in the UK is a topic for debate. I believe strongly that PMI's members should play a central role in that debate. Our members include those with strong feelings on both sides of the discussion. *Over to you!*

by Robert Branagh, PMI President

Share your thoughts with Robert by emailing president@pensions-pmi.org.uk or follow @PMIPresident

In reponse to: Developing existing employees and create the leaders of the future – Pensions Aspects Jan 2018

Ray King's article in the January edition contained a welcome reminder not to overlook the training and development of existing staff for leadership before looking outside. As a rule of thumb, an organisation that has to look outside to fill middle or senior roles more than 30% of the time, but does not do it more than 10% of the time, probably has a significant talent management (i.e. recruitment, career development, succession planning and engagement) problem. In other words, there has to be a balance of building the talent stock you have with refreshing it with ideas from the widest possible talent pool.

Nevertheless, one cannot underplay the compelling selection issue. The critical behaviours used to bring employees into professional roles will not be those needed either in management or executive roles, even if many could still be valid for more senior specialist roles. Existing employees may have some of these different attributes but one needs to look for them in a structured and consistent way: entry to graduate programmes tends to give more weight to these.

Therefore, other employees need to be 'reselected' into the appropriate career stream and then developed accordingly. For example: High Potential for executive leadership (Hi-Po); High Potential for professional management (Hi-Pro); future 'technical expert'; or else to stay as a 'vocational practitioner'. This does not remove the need for continuous professional development but the development mix will be different and more likely to add the value Ray has identified (thus wasting less time, effort and money.) This process should be repeated later in the career path of all to validate progress and perhaps change stream if the evidence supports it.

The work that Lombardo & Eichinger produced at the Centre for Creative Leadership in 1996 is really helpful in understanding the behaviours that differentiate between these streams; the scarcity of some of the key behaviours for executive leadership compared to others; and how difficult many of those scarce ones are to develop to the level needed. Many of these behaviours for more senior leadership roles fall into the clusters of 'change' behaviours known as 'Learning Agility,' and of 'soft' behaviours known as 'Emotional intelligence.' There is some overlap. That research produced the 10%:20%:70% model of 'successful leader' development relating to the balance between Education (e.g. executive programmes, e-learning); Exposure (e.g. coaching, mentoring, shadow boards); and Experience (i.e. the 'heat' of real work.) Their evidence also suggested that about 70% of executive performance is attributable to effective selection and the rest to subsequent training.

Care also needs to be taken with substituting terms such as 'attitude', 'culture-fit' and 'showing promise' for the desired 'behaviours' in selection. This is because these are much more open to misunderstanding and selective bias towards sustaining what may be an inappropriate status quo.

**Anthony Lyddon,
PMI Trustee Group member,
Chartered Fellow of the
Chartered Institute of
Personnel & Development**

Ray King's response:
At LMI, we believe that good leadership and management is about achieving the desired results, working with, and through, other people. The team is critical to the success of an organisation and the more a leader understands the ambitions and aspirations of each individual in their team, the more everyone will achieve, together.

The traditional one-on-one appraisal really helped leaders understand their people, but I feel this important discovery process has become diluted in recent years. It now appears organisations are more concerned about the process, with forms to fill and boxes to tick, than really working hard to understand what makes the individual tick.

Qualifications

CPC

Congratulations to the following candidates who have passed:

- Sharon Jones
- Daryl Morris
- Charlotte Aspinall
- Victoria Courtney
- Cara Stockton
- Julie Ann Coll
- Graham Bates
- Stephen Wolstenholme
- Hannah Lee
- Adam Stokes
- James Franklin

ADRP

The following candidates have completed the Advanced Diploma examinations of the Pensions Management Institute following the October 2017 examinations:

- David Blackford
- Faraaz Butt
- Anthony Davies
- Thomas Davies
- Alastair Dawson
- Joshua Ford
- Eilidh Glynn
- Mark Golley
- Nicholas Hilder
- Yassin Isman
- Mark Jenkins
- Anne Lynch
- Elizabeth Mawdsley
- Curtis Mitchell
- Michael Nicolaou
- Cassandra Pappas
- Jayne Pocock
- Simon Reynolds
- Deborah Schembri
- Louise Sivyer
- Julia Smith
- Robin Taha
- Gillian Turton
- Joy Wyatt

DRRA

The following people have completed the Diploma following the October 2017 examinations:

- Suneet Chavda

DPA

Congratulations to:

- John Orr
- Sonya Sangha
- Kate Foggo
- Daniel Everett
- Marie Woof

DRP

The following people have completed the Diploma following the October 2017 examinations:

- Claire Barnes
- Ian Batten
- Jack Blackmore
- Jill Brignall
- James Carrell
- Thomas Davies
- Alice Fletcher
- James Foster
- Nicholas Gough
- Amanda Harrington
- Paul Hennessy
- Graeme Houston
- Paul Josephs
- Derick Macleod
- Colin Minty
- Lynn Muckley
- Simon Mulima
- Cassandra Pappas
- Jake Peat
- Nicholas Rowland
- Laura St John
- Lisa Stiff
- Saara Vernalls
- Nicola White
- Gavin Wilkinson
- Christopher Wilson
- Lena Wyszynska

Follow us @ PMIPensions Discuss this month's articles using #PMINews

Examinations	Monday 16 April 2018	Tuesday 17 April 2018
Core Unit 1A - Understanding Retirement Provision	9.30am - 11.30am	
Core Unit 1B - Foundation in International Employee Benefits		2.00pm - 4.00pm
Core Unit 2 - Regulation of Retirement Provision	2.00pm - 4.00pm	
Core Unit 3 - Running a Workplace Pension Scheme		9.30am - 11.30am
Core Unit 4 - Financing and Investing for Retirement Provision		2.00pm - 4.00pm
Defined Benefit	9.30am - 12.30pm	
Defined Contribution		9.30am - 12.30pm
Reward and Retirement Provision	2.00pm - 5.00pm	
Retail Advice and Regulation		9.30am - 12.30pm
Taxation, Retail Investment and Pensions	2.00pm - 5.00pm	
International 2: Managing International Employee Benefits	9.30am - 12.30pm	
Professionalism and Governance		2.00pm - 5.00pm

CPC completers

_James Watson
_Amy Roarty
_Jennifer Soper
_Stefanie Holby
_Emma Howard
_Pooja Bhalekar
_Shweta Shirke
_Pratima Moghe
_Mohsin Shaikh
_Priyanka Gogri
_Manali Shirke
_John Williamson
_Marc Jowett

VQ exam dates

Monday 5 March	Retirement benefits without special circumstances **1.30pm - 4.30pm**
Tuesday 6 March	Retirements benefits with special circumstances **9.30am - 12.30pm** Death benefits without special circumstances **2.00pm - 4.30pm**
Wednesday 7 March	Death benefits with special circumstances **9.30am - 12.30pm** Leavers' benefits without special circumstances **2.00pm - 4.30pm**
Thursday 8 March	Leavers' benefits with special circumstances **9.30am - 12.30pm** Transfers in and out **1.30pm - 4.30pm**
Wednesday 14 March	Multi choice **from 2.30.**

If you have a qualification query, please contact the Qualifications team at: qualifications@pensions-pmi.org.uk

Qualification Withdrawal

Certificate in Pensions Automatic Enrolment (DC)

Under the Pensions Act 2008, the Automatic Enrolment requirements now apply to every employer in the UK and enrolment/re-enrolment procedures are business as usual. Following due consideration, the PMI has decided it is appropriate to withdraw the standalone Certificate in Pensions Automatic Enrolment as Automatic Enrolment is covered as appropriate within the PMI Advanced Diploma and related Diploma level qualifications. An overview is also included within the Retirement Provision Certificate and it is covered in the Certificate in DC Governance.

The examination sitting on Wednesday 14 March 2018 will be followed by an additional and final sitting on Wednesday 16 May 2018. Both of these will be based on the 2017/18 syllabus and study manual (and the study manual will not be updated further). We are planning to offer revision courses for both examinations (subject to demand) and details will be available on the website.

In addition, the entry closing date for the March examination will be extended from Friday 12 January 2018 to Wednesday 31 January 2018 and the entry closing date for the May examination will be Wednesday 18 April 2018.

PMI has decided it is appropriate to withdraw the standalone Certificate in Pensions Automatic Enrolment as Automatic Enrolment is covered as appropriate within the PMI Advanced Diploma and related Diploma level qualifications

Please Note

There will be no further opportunities to sit/re-sit after the May examination.

Membership update

PMI Trustee Group

If you have not received your notice, please contact the Membership Department on 020 7392 7410 or **membership@pensions-pmi.org.uk**. Your payment was due on 1 January 2018.

If you are a 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.

Don't forget, entire Trustee Boards can also join the PMI Trustee Group (at a reduced rate of £80 per trustee) and 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 of joining the PMI Trustee Group, see our website for further details.

Trustee Group Members also receive free attendance at our twice-yearly seminars which focus on trustee issues, and reduced rates at our other conferences and seminars. For further information please contact the Membership Department: **membership@pensions-pmi.org.uk**

PMI Trustee Group Board Certificate

Congratulations to the following Trustee Group Board Pension Schemes who receive their PMI CPD Certificates!

Babcock International Group Pension Scheme
Babcock Naval Services Pension Scheme
Devonport Royal Dockyard Pension Scheme
Rosyth Royal Dockyard Pension scheme
Johnson Matthey Pension Group: JMEPS Trustee Ltd

If your Board is a member of the PMI Trustee Group and each member has achieved 15 hours CPD, then you are eligible for PMI Certificate of Achievement. Please contact Denise at dhawkins@pensions-pmi.org.uk for more information.

PMI Fellowship Network Ambassador:

Applications for the position of PMI Fellowship Network Ambassador (FNA) are now closed. PMI's Membership Committee will meet on Friday, 26th January 2018 to go through the selection criteria and the successful ambassadors will be announced in the March edition of the Pension's Aspect. For further information please visit our website at www.pensions-pmi.org.uk/membership/pmi-fellowship-network/

Members have been notified that the withdrawal of the designatory initials FPMI and APMI is inevitable for those who do not comply with PMI CPD requirements and have not submitted any evidence of CPD for the years 2015 to 2017.

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 the following have been elected to Certificate Membership and are now entitled to use the designatory initials "CertPMI":

Ian Abel
Vivian Ajagbe
Charlotte Aspinall
Graham Bates
Peter Bryant
Michelle Chandler
Julie Coll
Victoria Courtney
Dawn Crusiaux
Paul Dermody
Lewis Drew
Stephen Ellul
James Franklin
Clara Johnson
Kerri Klieve
Kindness Kwashira
Karl Lidgley
Jessica Palmer
Abby Jane Pearman
Emma Pickering
Leonardo Robinson
Ashley Ryan
Tim Salisbury
Lindsey Slade
Cara Stockton
Paige Webber

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 the following have been elected to Diploma Membership and are now entitled to use the designatory initials "DipPMI":

David Blackford
Joanna Cross
Charlotte Hand
Sarah Scully
Debra Spencer
Joanne Thomas
Natalie Vowles

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 the following have been elected to Associate Membership and are now entitled to use the designatory initials "APMI":

Anthony Davies
Yassin Isman
Jayne Pocock
Louise Sivyer

Fellowship

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

We are pleased to announce that David Copeland and Stuart Donnachie have been elected to Fellowship and are now entitled to use the designatory initials FPMI.

If you have a membership query, please email: membership@pensions-pmi.org.uk

Kindly hosted by:

Sackers

20 Gresham Street, London, EC2V 7JE

Pensions Management Institute

ACHIEVING PENSIONS EXCELLENCE

PMI Introductory Workshop

Introduction to UK Pensions

Thursday 1 March 2018

SPEAKERS

Lesley Carline,
Director, KGC Associates and PMI Vice President

Julian Mainwood,
Partner, Barnett Waddingham

Karen Bolan,
Head of Engagement, AHC

Chirag Ghelani,
Senior Associate, Sackers

Paul Couchman,
Managing Director, Premier

Andy Nichols,
Consultant, Retirement and Investment, Aon Hewitt

DISCUSSION TOPICS

- Pensions law
- Design of trust based pension schemes
- Pension administration
- Member engagement
- Pension scheme funding

WHO SHOULD ATTEND

- Pensions scheme advisers
- Trustees
- Fund managers
- Retirement professionals
- Investment managers
- Portfolio managers
- Lawyers

FEES

Members	£109.00 + VAT
Non Members	£163.00 + VAT

CONTACT DETAILS

t: 0207 392 7427

e: events@pensions-pmi.org.uk

Thank you to our volunteers:

Board of Examiners

_Anne Salzedo (Chair)
_Jennifer Batty
_Lesley Buchanan (Moderator)
_John Burton
_Ian Goodwright
_Kim Gubler
_Colin Haines
_Nigel Hatt
_Martin Johnson
_Nyree Little
_Vikki Massarano
_Liz Pearce
_Sue Waites

The following individuals have acted as Senior Examiners in 2017

_Bhavna Baines
_Margaret Boate
_Nigel Bottom
_Kevin Burge
_Robert Burnett
_Giles Bywater
_Aino Castren
_Marina Clarke
_Rachika Cooray
_Leslie Davie
_Omaira Deen
_Craig Edmondson
_Uche Egenti
_Nicola Elder
_Patricia Gibson
_John Harrison
_Michael Jones
_Martin Lacey
_David Nuttall
_Tim Phillips
_Paul Rickman
_Shola Salako
_Andrea Shearer
_Georgina Warren
_Colin Wheeler
_Clare Wilson

The following individuals have acted as Examiners in 2017

_Marcus Almond
_Sarah Austin
_Stuart Barker
_Pat Bentley
_Louisa Calvert
_Samantha Coombes
_Darren Cuthbert
_Phil Farrell
_Ashleigh Field
_Jon Gundry
_Helen Ingleson
_Tanya Joyner
_Rosemary Lacey
_Annelie Mutch
_Andrew Parncutt
_Angela Stokes
_Ashley Thomson

The following individuals have acted as Examination Invigilators in 2017

_Pat Bentley
_Barry Boate
_Margaret Boate
_Beth Brown
_Richard Bryant
_Michael Burgess
_John Burton
_Chris Chadwick
_Willis Cramp
_Dominic Croft
_Chris Day
_Phil Farrell
_Pamela Gay
_Claire Gowing
_Elizabeth Hadgkiss
_Elizabeth Haggis
_Martin Johnson
_Ken Jones
_Kit Joseph
_Tanya Joyner
_Debbie Lamb
_Wallace Law
_Stephen Marks
_Bryan McDaniel
_Julie Moores
_Kimberley Moughtin
_Marita Nabarro
_Andrew Parncutt
_John Pollard
_Sarah Pollard
_Ryan Press
_William Scott
_David Sloan
_Paul Smith
_Finney Swift
_Faith Walsh
_Dan Weatherly
_James Webster
_Colin Wheeler
_Clive Wikenden
_Nicola Wilmott
_Sarah Wood

CPAE Committee 2017

_Mark Bondi (Chair)
_Caroline Ekins
_Mike Kelly
_Finney Swift

Certificate in DC Governance Committee 2017

_Sara Cook (Chair)
_Janine Bennett
_Beth Brown
_Caroline Ekins
_Colin Richardson

RPC Committee 2017

_Susan Eldridge (Chair)
_Pamela Gay
_Shona Goulds
_Stephen Hart
_Meryl Lyons
_Sharon Piert

APT Committee 2017

_Chris Chadwick (Chair)
_Beth Brown
_Matthew De Ferrars
_Andy Fern
_Chris Green
_Dan Weatherly

The following individuals have acted as revision course lecturers during the year

_Simon Brimblecombe
_Ian Fairweather
_Anne Jones
_Tim Middleton
_Gary Thomas

VQ Examiners

_Pat Bentley
_Carol Bradshaw
_Mark Briggs
_Tina Brown
_Jo Buchanan
_Kevin Burge
_Eleanor Elliott
_Lynsey Ellis
_Pamela Gay
_Liz Hadgkiss
_Claire Higgins
_Damon Lacey
_Richard Mackey
_Keith Marks
_Bryan McDaniel
_Russell Porter
_Ruth Radice
_Louise Robbins
_Ashley Thomson
_Douglas Welsh
_Ross Wilson
_Naomi Bates
_Andrew Mills
_Claire Gowing
_Chris North
_Andrew Currie
_Paul Cowley

ADRP tutors

_Nick Brain
_Nilam Gardiner
_Gemma Greatwood
_Clare Ingham
_Simon Knight
_Rachel Rigg
_Helen Redman
_Louise Grindley
_Michael Jones
_Stuart McLean
_Joanna Forrest
_Judith Geddes
_Warren Bushell
_Rachel Green
_Darren Brushneen
_Tanya Joyner
_Claire Gowing
_Elizabeth Hadgkiss
_Muhammad
_Kasumba
_John Burton
_Paul Frost
_John Pollard
_Vincent Penfold
_Melanie Arthur
_Nicola Plummer
_Marina Clarke
_Christina Press
_Lesley Buchanan
_Lesley Burns
_Lee Taylor

VQ Examiners' Committee

_Dominic Croft (Chair)
_Joanne Andelin
_Nicholas Brain
_Christopher Holly
_Paul Tabrett

VQ Online Learning

_Pat Bentley
_Elizabeth Hadgkiss
_Ruth Burrell
_Sue Evans
_Fraser Cruickshank
_Kim Bray
_Christopher Plant
_Dominic Croft

QEAC Committee

_Sally Clifford
_Geraldine Brassett
_Adrian Rees
_Carol Perry
_Tim Phillips
_Alison Cribbs
_Elizabeth Harvey
_Rachel Smith

Events

DIARY DATES

Thursday 1 March 2018
INTRO TO PENSIONS

Are you working in either a pensions role or an allied business area where pensions knowledge would be advantageous? This introductory workshop is designed for those with little or no previous pensions knowledge. Our expert panel will talk through the essentials of the pensions industry. From outlining pensions law and defining the role of the administrator to shedding light on the design of Trust based pension schemes. We will share our insights and update you on the core areas that professionals starting out in the pensions industry need to know, as well as answer any questions you have about the pensions industry.

Members	**£109.00**
Non-members	**£163.00**

All prices displayed exclude VAT

Thursday 19 April 2018
PMI ANNUAL DINNER: LISTEN TO JEREMY VINE

The PMI annual dinner has been a part of the PMI calendar for as long as can be remembered, and it still proves to be one of the most entertaining pensions events of the year. Although we have changed the venue this year to County Hall, our usual industry recognition awards and after-dinner guest speaker will remain. Attracting pensions professionals, it is the ideal occasion to relax and unwind with colleagues and peers.

We look forward to welcoming you to our annual dinner.

Drinks reception at 7pm.

Table of 5	**£1,500.00**
Table of 10	**£3,000.00**

Members	**£250.00**
Non-members	**£300.00**

All prices displayed exclude VAT

Thursday 19 April 2018
PENSIONS ASPECTS 2018

SAVE THE DATE

For over forty years, the Pensions Management Institute has provided its members and wider society with information and insight regarding pensions and employee benefits through its regular events, seminars, and our member magazine.

This one-day conference will discuss topical issues within the industry including:

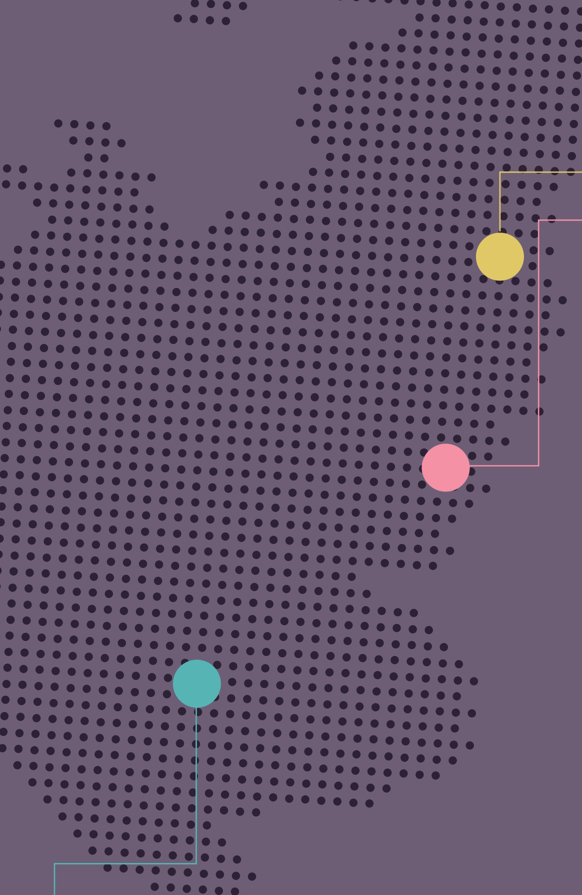
- **Regulatory change**
- **Economic/political uncertainty**
- **Financial advice**
- **Freedom and Choice**
- **Institutional investment trends**
- **Pension investment restrictions**
- **Partnership and co-investment**
- **Infrastructure options for pensions schemes**
- **Future of DB transfers**
- **Employer covenant risks**
- **Delegated consulting**
- **Risk and innovation**
- **Pension communication**
- **Technology developments**
- **Data protection**
- **Cybersecurity**

Contact us

Register your interest in any of our listed events by emailing events@pensions-pmi.org.uk

Full details of all our events can be found on our website, along with all our booking forms. If you would like to speak to one of our events team email **events@pensions-pmi.org.uk** or alternatively call **020 7392 7425**.

News from the regions



[Eastern regional news]

Our next afternoon seminar will be in Ipswich at Isaacs on the Quay on 14 March 2018 and we have secured one speaker, Tim Pike from the Bank of England, who covers our region. We also hope to have our usual legal update from Sackers at this meeting, a speaker on the employer covenant, and one other speaker. The Committee met by WebEx on 16 January and are earnestly trying to complete the line-up and secure a speaker for our AGM/ talk on 13 June 2018. This will take place in the early evening at Mills & Reeve in Cambridge. Full details will be emailed to members as soon as we can during February.

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

[North East regional news]

Our first event of 2018 was the seminar 'Diversity of the Workforce – Diversity of Benefits' which took place on 18 January at the offices of Barnett Waddingham. Thanks go to speaker Sam West (Barnett Waddingham).

Our next seminar 'GDPR' will take place on 22 February at the offices of Eversheds Sutherland.

Our first social event of the year is the annual Pub Quiz, which will take place on 7 March at Lambert's Yard in Leeds, starting at 6.00pm. Full details of this event will be circulated via email.

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

London regional news

GDPR - Ten things you need to have done by 25 May
Date: **Tuesday 20 February**
Time: **6.00pm**
Location: **The Hatton, 51-53 Hatton Garden, London, EC1N 8HN**

Sorting through everything that has been written about GDPR is a challenge in itself, never mind deciding what you need to do AND putting it into practice in a way that still allows you to actually run your pension scheme. PMI London Group is here to help cut through the chat, identify the "Ten things you need to have done by 25 May", and to help you find a logical way through the maze of good intentions.

Our speakers will be Catherine Sutcliffe, FPMI, Head of Risk and Assurance at PS Administration Limited, and Rosalind Connor, FPMI, Partner at ARC Pensions Law.

Invitations with a link to Eventbrite registration have been issued to members but if not yet a member then please contact **Rosalind.Connor@arcpensionslaw.com** for details to be sent to you.

Forthcoming events

Business meeting: May 2018
Our May 2018 Business Meeting will address the topical question of DB to DC transfers. With continuing low interest rates and some high profile cases (such as the alleged targeting of Tata Steel members) in the headlines, transfer values continue to be a hot topic. Date and venue will be confirmed nearer the time.

Cheque: For those members sending cheques, please note that the incorrect address was printed in the PMI January 2018 Edition.

The correct information is as follows: Send your annual subscription of £10.00 to Richard Pain at Grant Thornton, 30 Finsbury Square, London, EC2P 2YU. Cheques to be made payable to the "PMI London Group".

Membership renewal

Talking about membership, our subscription was due in January and you will now have received your email reminder. Please either use our online payment mechanism (our preferred method) or send a cheque to renew your membership or join the Group. The fee is nominal and subsidises students and social events. It also encourages greater engagement in the community.

For student, unwaged and retired members no charge is made, please just confirm your current status to Richard Pain.

Online: We use the Eventbrite payment gateway at **www.eventbrite.co.uk/e/pmi-london-group-2016-membership-subscription-tickets-20143505768** for online payments. This is straightforward to complete and the cost is the same as paying by cheque.

DC not DB
- that is the transfer question

The changes to the British Steel pension arrangements brought DB transfers back into the headlines in December. While a lot of the story focused on 'advisers' whose aim seems to be more about feathering their own retirement nests than helping the members themselves, it did highlight a number of material points which will resonate with many schemes.

Most schemes have faced an explosion in transfer requests over the last three years. This has been triggered by members and their advisers wishing to address the fundamental question of how members should use all their savings to fund their retirement and not just how to "spend" their DC funds under the new pension freedoms. In many cases, the transfers on offer in current market conditions for DB benefits can be very large compared with any DC benefits, and it is easy to lose sight of the fact that the transfer value reflects the inherent guarantees in a DB entitlement. Many members decide that staying in their DB scheme is the right decision for them to ensure security for what could be a significant part of their retirement income. But, in some cases a transfer (or, if permitted, a partial transfer) may be in their best interests because of the greater flexibility to tailor a DC benefit to their own circumstances. What is clear from the first three years' experience of pension freedoms is that the more choices members have, the more difficult it is for them to make the right decisions. Good financial advice is crucial in this process, but this is expensive and can be difficult for members to access.

The FCA is already looking at the adviser's role and is due to publish its conclusions this quarter. Various other bodies are looking at parts of the transfer process. However, there may be more that trustees can do themselves, as they will often be the natural first port of call for many members looking for help in navigating their retirement options. When the pension freedoms first came in, many trustee bodies took the view that they would be reactive to member transfer requests at retirement as there were risks of

> **What is clear from the first three years' experience of pension freedoms is that the more choices members have, the more difficult it is for them to make the right decisions.**

getting too involved. Some lawyers now suggest that, for trustees, not communicating all options is the more risky approach. As long as they are balanced and compliant, better communications and processes can only be to the benefit of all parties. Trustees should actively consider the stance they are taking and make a clear decision that is right for their members.

A starting point for many trustees has been to revamp their retirement communications, putting a transfer illustration alongside the pension quotation. By doing so, they can often reduce their own workload as this should reduce the number of ad hoc queries. Others have gone further and made financial advice available, or identified well-qualified advisers that members can contact and, in some cases, have negotiated competitive terms. In a hybrid scheme this advice might be part-funded from members' accounts through the new pensions advice allowance. While this all sounds expensive for the scheme, it isn't necessarily the case: a transfer removes the future cost of administering a member's pension for 20, 30 or more years (possibly more where dependants are involved), so if more members transfer, the future administration savings will often cover the up-front costs and possibly any advice provided. Evidence suggests that if members are properly advised on their retirement options, it is more likely they will make the right decision for them.

Richard Akroyd / Senior Consultant
Willis Towers Watson

Sustainable **pensions**

Taming the four horsemen of DB pensions.

Continue reading on page 18

Sustainable pensions

Thirty years ago, assuring that members of pension schemes would enjoy security in retirement seemed straightforward. Even small employers offered Defined Benefit (DB) schemes, and funding problems were all but unknown. Today, in contrast, the situation is far more complicated and for many the outlook is bleak.

The Four Horsemen of DB pensions – Economics, Improved Longevity, Over-Regulation and Tax Raids – have left the UK's network of funded DB arrangements with an uncertain future. Outside the Public Sector, few DB schemes remain open to future accrual. Employers and trustees aspire to buy-out, but this is a realistic objective for a precious few. For most DB trustees, the future represents a desperate struggle to make good deficits; for many, this represents an objective that will never be achieved. The threat of employer insolvency matched with an underfunded DB scheme is disturbingly common, with Palmer & Harvey becoming the latest in a growing list of examples.

Fortunately, the UK's safety net has proved to be brilliantly resilient. Since its inception in 2005, the Pension Protection Fund (PPF) has absorbed several hundred schemes, with the benefits of over 230,000 members having been transferred to the lifeboat scheme. However, Professor David Blake of the Cass Business School's Pensions Institute has suggested that achieving sustainability will require more than a well-resourced PPF to protect the benefits of all DB members. He has suggested that as many

> **Fortunately, the UK's safety net has proved to be brilliantly resilient.**

as a thousand underfunded DB schemes will never repair their deficits and that in such cases it should be permitted for trustees and members to agree to the payment of scaled-back benefits – provided that benefits are still above those provided via the PPF. This suggestion has proved controversial, with many arguing that unscrupulous employers will simply find excuses to abandon their responsibilities. However, Tata Steel's use of a Regulated Apportionment Arrangement (RAA) to separate it from the British Steel Pension Scheme (BSPS) could point the way for similar initiatives in future.

A recent Work & Pensions Committee inquiry asked if converting stressed DB arrangements to Collective Defined Contribution (CDC) schemes might also be a route to resolving DB funding problems. Whilst this is not an obviously viable option, it does demonstrate that alternatives continue to be considered.

> **Resolving funding problems for DB schemes continues to be a difficult challenge. There are likely to be a range of viable solutions, and the need for innovation is paramount. However, we should not abandon hope.**

by Tim Middleton, PMI Technical Consultant

Bright spark

Achieving a Certificate in Pensions Calculation

by Hannah Lee

I joined AON in January 2017 with no previous experience of pensions. I was immediately interested in completing the Certificate in Pensions Calculation. Unfortunately I missed the deadline for applying to sit some of the exams in March so thought I would take all 7 in September.

I didn't start studying for the exams until a couple of months before as I lead quite a busy life and work better under pressure. I started studying by briefly reading over the scheme booklets and highlighting many of the key points.

I took the week before the exams off work and spent most days in a café or study in the library, asking questions of my colleagues when needed. The exam week was slightly stressful but I rewarded myself with a weekend away at the end of it, which definitely helped with motivation.

I was delighted when I found out I had passed all 7 exams and hope that this qualification will help further my career in the pensions industry.

I am planning to look in to studying for the Retirement Provision Certificate next.

Most of my revision came from practicing past papers and using the study material on the PMI website (particularly the practice questions).

MAX FACTOR
- Smart Beta investing in DC

By Sophie Ballard, Senior DC Relationship Manager

Factor investing, or Smart Beta, is providing a new frontier for DC schemes to address a range of investing needs. Improved diversification and better risk-adjusted returns, together with the cost-efficiency and transparency characteristics of index investing, are key attractions.

Rather than simply weighting stocks by their market cap, as is done in index investing, Smart Beta is changing the investing landscape, and DC investors are catching on. Compared to market cap-weighted benchmarks, these factor-based strategies give schemes the opportunity to target higher returns over time, lower risk, or a combination of both, using cost-efficient implementation approaches.

Targeting factors in this way allows schemes to seek the underlying drivers of investment return that were once the sole preserve of active managers. Smart Beta effectively combines some of the benefits of both active and index management.

Predictable exposures and straightforward implementation can also help to reduce the governance burdens on DC scheme management.

Integrating Smart Beta into DC Schemes

There are a number of ways Smart Beta can be used in DC. Strategic implementations can introduce factors either alone or in combination. Looking at past performance, some factors are more pro-cyclical, i.e. they tend to do better in stronger, positive markets (Value, Small Cap), while others are more defensive (Low Volatility, High Quality). Smart Beta is often a complement to traditional index strategies — so an analysis of the wider portfolio can help to align the portfolio to the scheme's goals, existing holdings and constraints.

Regardless of the intended objective, it's crucial to remember that the best risk-adjusted returns are achieved from long-term exposures and that patience is necessary to get the best from factor investing.

Target Improved Risk-Adjusted Returns

We know from our research that DC members generally value a smoother investment journey. When Smart Beta strategies that target Quality or Low Volatility factors are introduced, they can help to lower overall volatility and limit the impact of market falls, at relatively low cost.

Multi-factor funds that combine a number of Smart Beta factors can help the scheme to diversify even further and take advantage of low or negative correlations between factors. Combining the Quality and Low Volatility factors, for example, can build a defensive allocation that complements value-based strategies. Such an approach might be adopted if the portfolio already has exposure to Value or if a more conservative investment approach is preferred.

Combining factors in this way can help dampen the cyclical effects of Smart Beta and offer schemes a potentially smoother risk/return profile compared to single-factor exposures.

Refining the Glide Path

Target Date Funds have the ability to continually evolve and utilise new investment ideas, such as Smart Beta. The growth phase of their glide path can, for example, invest in Value and Small Cap factors, then transition to Quality and Low Volatility strategies as the fund matures and looks to de-risk.

A larger allocation is made to Value or Small Cap factors early in the investment glide path in order to target improved risk-adjusted returns.

As retirement nears — and members' ability to sustain losses reduces — Low Volatility or Quality factors are progressively introduced to narrow the volatility profile further.

This approach helps optimise allocations throughout the lifetime of the scheme: more return-seeking assets earlier in the glide path, less volatility towards retirement.

CHOOSING FACTORS

Smart Beta strategies target a range of factors including:

VALUE

Value stocks are those that trade at a lower price than their fundamentals (earnings, sales etc.) would imply. Inexpensive stocks have been shown to outperform more expensive stocks.

SMALL CAP

Smaller-cap companies have tended to outperform larger-cap companies over the long-term.

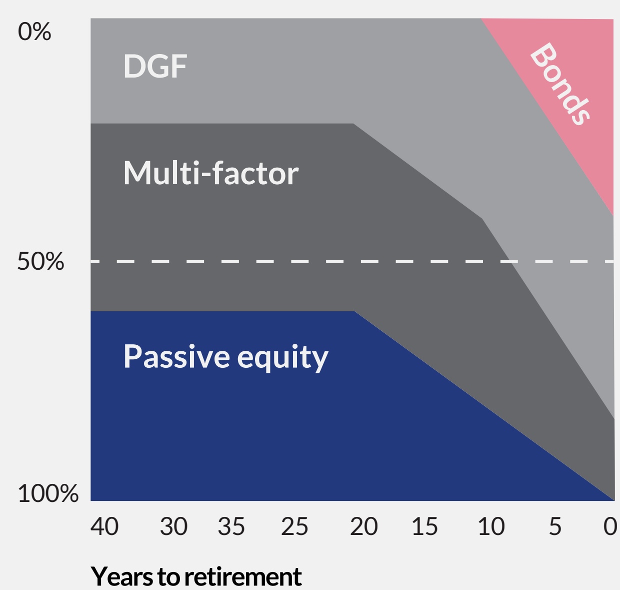
LOW VOLATILITY

Tilting towards lower risk stocks can generate improved risk-adjusted returns. Many Low Volatility indices attain a 20–30% reduction in volatility, compared to their cap-weighted indices.

QUALITY

Investing in higher-quality companies (high profitability, earnings stability, low leverage etc.) has been shown to deliver greater downside protection. In falling markets their stock price tends to be less impacted than the overall market.

GLIDE PATH ASSET ALLOCATION



Source: SSGA 2017 For illustrative purpose only

Auto Enrolment

— does the UK need to go further to make a real success of it?

Mark Sullivan,
Head of International Benefits Consulting,
Fidelity Benefits Consulting

Fidelity Benefits Consulting will expand on their recent work around auto enrolment and will take an in-depth look at whether what we have in the UK is sustainable for pensions schemes or if the parameters need to be different. This will draw on Fidelity's international expertise and consider the systems in place in other countries, and their effectiveness.

The rates of mandatory contributions, under the UK's auto enrolment regulations, are scheduled to increase in April to 5% of Qualifying Earnings, with a further increase to 8% scheduled for 2019. This change, paired with the recently announced extension of the provisions to all those over age 18 being introduced in 2020, raises the question: are these provisions likely to be enough to materially improve retirement outcomes?

The changes to date are certainly beginning to drive increases in the rates of retirement contribution being made by the working population. The question is whether this will be sufficient to enable retirees to have a comfortable standard of living.

What is a sustainable standard of living?

Typically, to maintain a standard of living in retirement, individuals would need to replicate a significant proportion of the income they were receiving prior to retirement. Whilst that may be understood, the amount of capital required to provide for a guaranteed retirement income is significantly higher than individuals appreciate.

For example, to replace an annual income of £26,520 (equivalent to National Average Earnings[1]) at age 67 would require a pension pot of close to £500,000, based on current annuity rates[2]. If we assumed the individual has a full State Pension at retirement of £8,297 per year this would imply the required pension pot would decrease to approximately £340,000.

These required pension balances contrast to an auto enrolment annual savings rate of £1,652 (assuming the full 8% contribution). Although individuals may have different income needs in retirement, it is clear that contributions made only at the mandatory rate are extremely unlikely to provide for a sustainable standard of living in retirement. So it would appear that the UK needs to do more.

Are there learnings from other countries with mandatory retirement plans?

Increasingly, countries across the globe are introducing mandatory retirement plans. Amongst the consistent design features, it is common to start contributions at a minimal rate increasing to more adequate rates over a number of years. This enables the population and companies to plan and budget for the required contributions.

[1] Based on estimates of weekly average earnings from the Office of National Statistics
[2] Based on indicative insurance quotes for a Single Life, non-smoker living in London with no pension increases
[3] From the DWP Official Statistics published on 15th June 2017

Typically, to maintain a standard of living in retirement, individuals would need to replicate a significant proportion of the income they were receiving prior to retirement.

The table below shows the key contribution features for a number of representative countries:

	Launch >	Start slow >	Build gradually >
UK	Started in Oct 2012	DC contributions broadly started at 1% for the employee and 1% for the employer	Employee contribution rises to 5% and the employer contribution to 3% by April 2019
AUSTRALIA	Started in 1992	Contributions started at 3% for the employer	Contributions expected to increase to 12% for the employer by 2025
DENMARK	Beginning in 2018	Contributions start at 0.25% for the employee	Contributions expected to increase to 2% for the employee by 2025
ISRAEL	Started in 2008	Contributions started at 0.833% for both the employee and employer	Contributions increased to 6% for the employee and 6.5% for the employer in 2017
THAILAND	Beginning in 2018	Contributions start at 3% for both the employee and employer	Contributions expected to increase to 10% for both employee and employer after 10 years
TURKEY	Started in 2017	Contributions start at 3% for the employee	No plans

From those countries which started plans more than 10 years ago (Australia and Israel), we have seen the contribution rates increase significantly - from rates which were similar to the initial rate in the UK, to combined contributions close to 12%. Although there is discussion in the UK about the need to increase rates of contributions (a view which would seem to be substantiated), the UK government has taken the first step to start meaningful contributions and has provided a platform for further increases.

There is one aspect of the UK design which does diverge from international practice and that is the option to opt-out. Although individuals can opt-out, since the introduction of auto enrolment in 2012 there has been an increase of 5.4million to 78% of eligible employees participating in a workplace pension in 2016[3]. This would indicate that the rate of opting-out is relatively low, but research shows this is more highly concentrated in:

- **certain industries such as agriculture and construction**
- **companies with smaller employee populations**
- **individuals earning at or below National Average Earnings**

So the issue of non-participation seems to be more prevalent amongst low paying industries or those on lower earnings levels. As an aside, it is interesting to note that there is no material difference in participation rates between males and females.

The role of the employer in retirement provision

There is growing momentum amongst multinationals, who are increasingly finding that employees are in need of support to understand and prepare for their retirement. The decision to invest in better financial education is one driven by good business needs:

- **Increasingly, individuals are staying longer in the workforce as they cannot afford to retire, which is slowing the rate of natural turnover and is impacting on workforce planning**
- **Financial stress is a leading contributor of workforce absenteeism and companies are discovering that investing in Financial Wellness for the workforce is reducing absenteeism and improving productivity**

So what initiatives are being used which have demonstrated improved retirement saving rates to better prepare people for retirement?

_1_

Personalisation of data and communications is enabling individuals to better understand their current savings, likely accumulations at retirement and the impact of different savings rates. This is increasingly supported by tools and information made available by pension providers and portals.

_2_

The government has laid down minimum rates of contribution, but most companies provide employees the option to have a higher level of retirement contribution. Design features such as automatic increases to contributions have demonstrated positive results in increasing saving rates - a US study showed 83% of participants who have an automatic increase to contribution rates do not opt-out.

The state has picked up on the importance of education by making advice available and is also driving the Pensions Dashboard initiative to increase awareness amongst individuals of their likely retirement income.

What action should be considered
to improve retirement readiness

Should minimum contributions increase?

The UK Government has, through auto enrolment, created a framework to drive better participation rates within workplace pensions. Whilst the minimum rates are unlikely to provide an “adequate” level of retirement income, they are a good foundation for further action.

With many corporate DC plans providing contributions in excess of the minimum, increases in contributions will only impact on a proportion of the corporate sector and, for those managing budgets in times of austerity, higher levels of opting out is likely. Increases should therefore be carefully considered in the context of the economy and with a view to not discouraging those who can least afford further increases.

Should the opt-out provision be removed?

Whilst removing the opt-out provision, as many other countries have, might improve participation levels, this is likely to lead to financial hardship on those with lower income levels who may already be struggling to manage their weekly finances. It is therefore clear that the government needs to be sensitive in any further changes. An alternative could be to pass the cost of additional contributions to the company - this may lead to pressures on margins which cannot always be recovered from consumers, particularly given the current economic slowdown.

Having set the bar with an ability to opt-out, it would be difficult to mandate 22% of the eligible population, many of whom are in low paying industries, to find 3% of pay to fund their retirement.

Encouraging rather than mandating

The learnings from the corporate sector around education and personalised data are already being adopted by the government. They are providing advisory services, modelling tools (such as State Pension projections) and are rolling out a Pension Dashboard. These are important elements in helping individuals understand their retirement readiness and should support better retirement planning.

The impact of the initiatives to improve financial education is still to be assessed, but they certainly provide a foundation to be built upon, as market innovation supports better financial awareness. In summary, government mandated arrangements can only do so much and while they will continue to evolve, any significant improvement in savings rates will require better engagement with the workforce and the support of employers.

[3] There can be some variation in mandated contributions depending on pension scheme type and design, employee contribution includes tax relief.

[4] From the DWP Official Statistics published on 15th June 2017

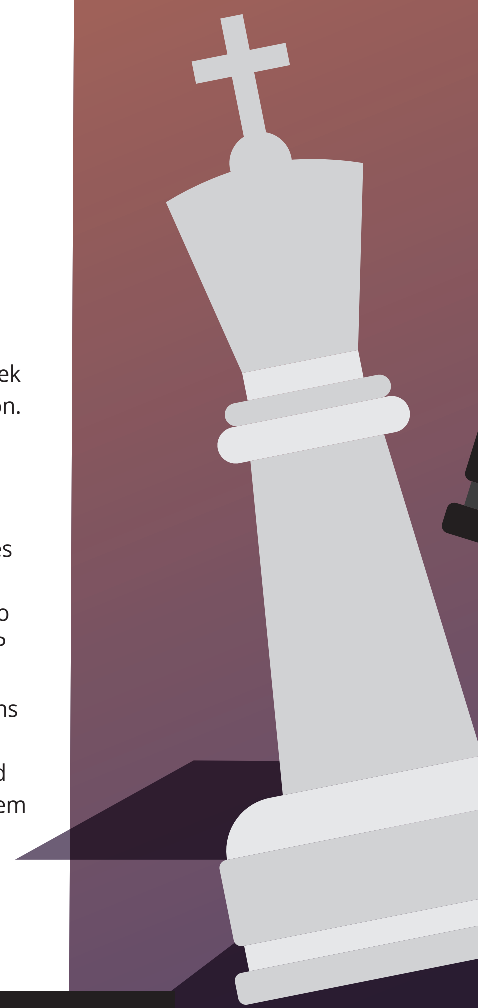
[5] A study by Fidelity Investments of 22,100 US Corporate DC plans with 14.5million participants as of Dec 31, 2016

DB trustees – much to ponder in 2018

2018 looks set to be another busy year for DB scheme trustees.

Ideally, trustees should aim to be ahead of the game. Most schemes aim to secure at least some of their liabilities in time, but relatively few are “buy-out ready”.

On top of the “business as usual” agenda items for DB schemes, trustees this year have until late May to put into place the necessary updates to their documentation and procedures to comply with the General Data Protection Regulation. More significant work could arise for DB trustees, however, depending on the particular circumstances of the scheme and its sponsor.



Scheme funding issues

For the majority of schemes, the impact of the financial crisis is still very much in evidence. Many trustees are faced with a significant deficit (often driven by continued low gilt yields) and a weak employer covenant. In these situations, the need for contributions to repair the deficit has to be balanced against the imperative not to jeopardise the long-term interests of the scheme by pushing the sponsor into insolvency.

In the current regulatory environment, schemes with a weak employer covenant are expected to de-risk their investments. This is intended to minimise the likelihood that the [funding position] will get worse, but it also increases the extent to which the scheme will have to rely on contributions from the sponsor if things are to improve.

De-risking schemes

De-risking the scheme’s investment strategy, if it hasn’t happened already, should be high on the agenda. Trustees of well-funded schemes may seek to lock in a favourable position.

Ideally, trustees should aim to be ahead of the game. Most schemes aim to secure at least some of their liabilities in time, but relatively few are “buy-out ready”. Trustees who can address matters like GMP reconciliation, data cleansing and even benefit specifications in advance are far better placed to transact quickly and effectively. This may allow them to take advantage of pricing opportunities which would otherwise be missed.

Liability management

Liability management exercises such as pension increase exchanges and enhanced transfer value exercises have been popular in recent years, and that trend looks set to continue. These are typically instigated by scheme sponsors but, as with insurance transactions, trustees who have anticipated the issues and started preparatory work will put themselves in a more comfortable position.

Most private sector DB schemes are now closed to new members, so although some will be around for decades to come, from the sponsor's perspective they are fundamentally a legacy issue which needs to be managed. 2018 will therefore continue the trend of sponsor-led proposals including changes to the basis of future accrual, closure to accrual or switching revaluation and/or pension increases from RPI to CPI.

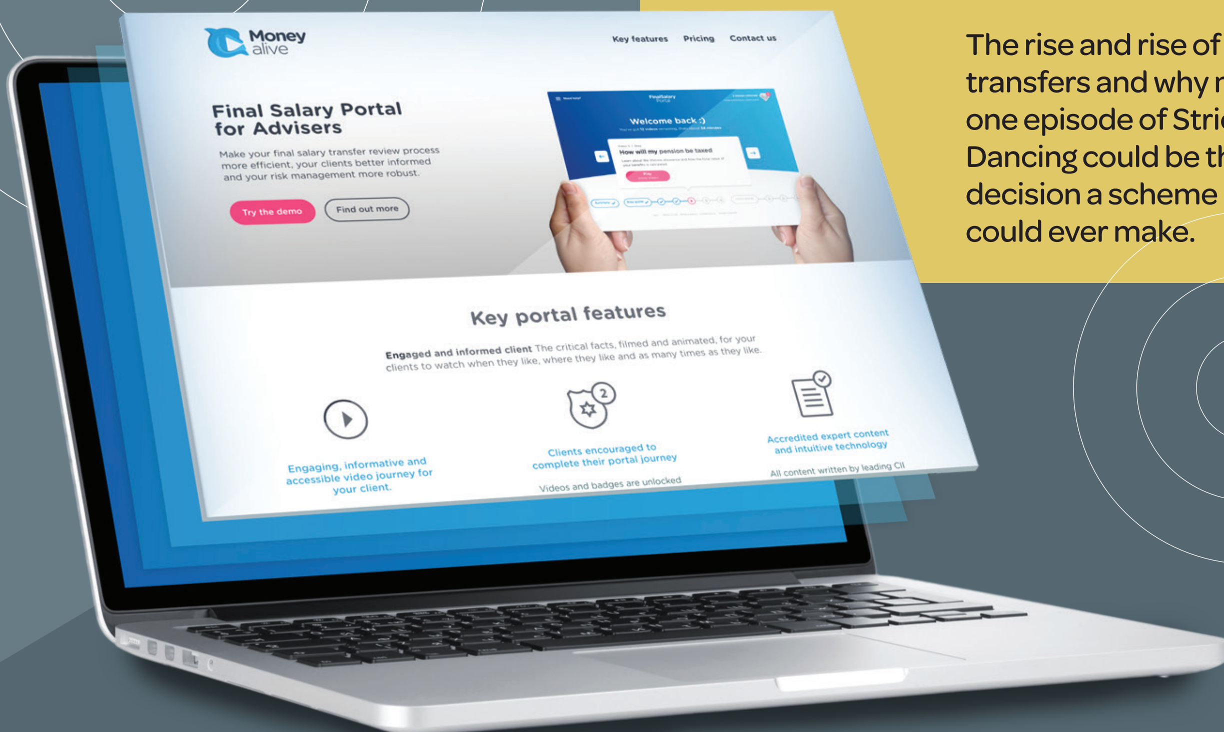
For the time being, the legislative framework which is designed to protect members means that there are very few options available to restructure pension liabilities in a material way, even if doing so is manifestly necessary for the survival of the sponsor. However, 2018 might mark the start of change on this front: having consulted on the security and sustainability of private sector DB pensions in its Green Paper back in February 2017, the follow-up White Paper is due this spring. Its spotlight is likely to fall on scheme consolidation, benefit simplification and TPR's powers. But while these could be big news for DB in the long term, the DWP has already suggested that legislative changes are unlikely to come into effect before 2020.

By Tom Jackman, Associate Director, Sackers

Final Salary Portal

by Ian Beestin, CMO, Money Alive

The rise and rise of final salary transfers and why missing one episode of Strictly Come Dancing could be the best decision a scheme member could ever make.



There are potentially tens of thousands of people in the near and distant future whose pension freedoms could turn into pension fiascos, leaving them sorely regretting their decisions to grab their CETVs and complaining (many with justification) that they wished they had been better informed before they had jumped.

Money Alive's founding objective was to engage, educate and empower people to make better financial decisions. We have recently been addressing this potential future transfer scandal with the development of our 'Final Salary Portal'.

Quite simply, the portal's combination of media and technology allows advisers and trustees to give scheme members impartial, engaging and accredited video education about critical stay in/transfer out facts before they make an irreversible decision.

> **The member accesses the videos through their own unique view of the portal which asks questions and records their answers as they navigate their video journey to becoming better informed.**

For example, at the end of each video users are asked to confirm if they have watched the whole video and whether they understood it. If they answer 'No' they can replay and they have the option to type a question which is shared, in real time, with the adviser's/trustee's dashboard.

The web-based combination of media and user audit trail becomes a very powerful (and scalable) educational tool, particularly valuable as volumes of enquiries regarding transfers are predicted to grow rapidly as CETVs gain prominence on annual benefit statements. It can help trustees to make sure their members are well informed; empowered by knowledge to make a better decision. It can also help advisers demonstrate the provision of professional, accredited client education as part of their final salary review and advice process (with potential PII advantages).

Like our pension freedoms site, The Final Salary Portal video scripts have been written by pension expert Mark Thewlis, (a CII accredited trainer who trains advisers to achieve chartered status). We have also had input from a PII insurer and a specialist financial services litigation lawyer. Furthermore, all the educational material within the portal is accredited by the Pensions Management Institute. We have endeavoured to use language and user experience to encourage viewing and have avoided jargon throughout. The journey starts with a pithy summary video, concludes with case studies and we use a variety of filming styles, video lengths and voices to help keep users engaged. Users can replay the videos as many times as they like and it is easy for them to pick up where they have left off, so they can take the journey comfortably and at their own pace.

Users can collect tokens as they progress that both incentivise and underscore where they are in the journey.

The portal has also been designed to be straightforward and intuitive to use - both for the adviser/trustee to set up and monitor and the member to use.

So, what has all this got to do with Strictly Come Dancing I hear you ask?

Well, watched back-to-back The Final Salary Portal's 17 videos come to just 1 hr and 12 mins – 18 minutes shorter than just one episode of Strictly. So, missing an episode, in order to better inform yourself ahead of an enormous financial decision, in our opinion, is an extremely worthwhile sacrifice. Of course, using technology, it would also be easy for a potential transferee to either record Strictly or use iPlayer's on demand facility – so they can still enjoy their rhumba as well as their retirement.

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I work in Pensions

By Matt Dodds

"Boring office job" – that's my standard answer when someone asks me what I do for work. The extent to which this is true depends on the audience, but certainly for most of my peer group, quite possibly the majority of my generation, it's a fair summary. I have settled into this non-descript response for a number of reasons, but the primary motive is to avoid the crestfallen, glazed-over look that I have to try and navigate my way past if I give a more comprehensive answer.

"I work in pensions" – that's what I used to say. I hated it. Because they hated it. **THAT** word. What is it about "pension" that causes people to disengage with haste? From marketing executives, PE teachers, tradesmen, catwalk models (once!), I've even encountered taxi drivers who decided even their conversational skills couldn't justify further interaction with the pensions consultant in the back.

It has occurred to me though, as my career in the pensions industry has continued (and perhaps, I have grown-up), that this issue has greater consequences than just ruining all my encounters with catwalk models. Bigger even than having an 'unfashionable job.' I accepted that some time ago, and the more I enjoy what I do, the less I care about wider perception.

The real problem is that the masses, huge swathes of both mine and generations either side of mine, have no interest, or real understanding of pensions.

It often takes only a couple of minutes, coupled with the latter response to the "what's your job" question mentioned earlier, for naivety, disengagement and often multiple untruths to surface during a conversation about pensions with someone my age. I'm not referring to confusion around decreasing accrual rates, reduced escalation, or the seemingly never-ending closure of DB Schemes. The 'issues' I have had conversations about recently are closer to "*what's the point*", "*I left it too late so I lost my pension from my last job*", and the rarely surpassed "*I'm in a Final Salary Scheme so at least I know that I'll retire on whatever my final salary is.*" One that will stay with me was the nurse who dealt with me when giving blood recently, who talked me through, with some frustration, how her entire NHS pension built-up to date had been "scrapped". Issues indeed.

Follow Matt on Twitter: @iworkinpensions

How did it come to this? Why isn't there more interest in providing for what could be a huge proportion of our own lives?

I think there are a few undeniable contributors.

As a nation, we lack financial knowledge – at no time in my education, which lasted far longer than it had to, was I taught anything resembling real-world finances – useful understanding of a mortgage, a pension or interest rates, how they worked, what was the value of each. The basics of income and expenditure could have been instilled in me far earlier, and the boom era of 'payday loan' companies in recent years suggests there remains an endemic, cultural problem.

As we embrace a more instant, accessible, interactive age, pensions have to get smart. To those who argue that lack of demand from members proves otherwise, I urge caution against a potentially fatal self-fulfilling prophecy. The longer people within the industry convince themselves of that, the more engagement decreases, technology and member-experience stagnates, and 'we', the industry, resemble scarecrows in a long-forgotten field of paper records, microfiche, 6 week turnaround times and payments by cheque. All of which will lead to even greater contrast between the long-term financial product of a pension, and shorter ones such as my current account, where I use my fingerprint to login, view and instantly transfer money as and when I please.

The word itself, pension, is a big part of the problem. It needs a re-brand. Mass-popularity is now measured weekly if not daily; what was hot last month is old news now.

The word pension is commonly associated with old people, getting old, being old.

As a word, a concept, and a lifestyle choice, it seems outdated, old-hat, barely worthy of registering on increasingly impulsive and short-term to-do lists. Something needs to change. Providing money for what could comfortably comprise the final forty years of your life isn't something that should be out of sight, out of mind, yet for many people who have yet to complete their first forty, that is the case.

So what's to be done? As an industry, it is often accepted that 'greater engagement' is required, but all too frequently this is driven by the desire of a specific scheme or organisation to increase the success of their latest targeted project. As a result, the communication is tailored, the desired engagement pre-defined, and success measured against criteria that won't include "*do our members actually understand the basics of a pension?*" or "*do our employees realise they don't 'lose' their investment if they change jobs?*".

Undoubtedly, as an industry, we are better than we were. Auto enrolment, pension freedoms and online member access are all raising the profile of pensions in the public consciousness. However, widespread scheme closures, and scandals at BHS, British Steel and most recently, Carillion are arguably taking more of the limelight, and testing Richard Branson's theory that "*there is no such thing as bad publicity*".

It is a long-term, complex problem that needs long-term, consistent solutions, but I personally have started small. I have realised that it only takes that 2-minute chat to dispel the myth that pensions 'are frozen', or that they disappear when you leave an employer. I know that the sum-total of all my interactions will do little, but as a big believer in marginal-gains, I encourage all of you who do know that little bit more, who could dispel a myth or open someone's eyes to the benefit of a pension during those 2-minute chats to go ahead, take the chance and start effecting change.

Tell people, "I *work in pensions*"...only then can we hope to improve their reactions.

First Maltese professional
Completing the advanced diploma in retirement provision

by Deborah Schembri

Deborah BA(Hons) Accty., Dip. Tax., FIA, CPA, APMI, MIM, MBA (Henley) has twenty years experience in the financial services, gaming and hospitality industries. For the past four years she has been holding the role of a Managing Director of a Maltese Company which is registered as a Retirement Scheme Administrator with the Malta Financial Services Authority.

She is managing a Company of over 40 employees and with 7,500 members, mainly focusing on international pensions. In her various C-level and board member roles she had formulated new strategic directions and implemented the necessary changes. She has been instrumental in setting up and growing various companies. She is a Certified Public Accountant, holds a Masters in Business Administration from Henley Management College and she holds an Advanced Diploma in Retirement Provision pursued with the UK Pensions Management Institute. She is the only Maltese resident holding such a qualification in pensions. She is a Fellow Member of the Malta Institute of Accountants, and a Member of the Malta Institute of Taxation, Malta Institute of Management, Institute of Financial Services Practitioners and an Associate Member of the Pension Management Institute UK. Deborah won Malta's Best Knowledge Entrepreneur of the Year Award 2015.

She has also been nominated and then voted as one of the four finalists for the Commonwealth Women Entrepreneur of the Year 2015.

Talking to the Pensions Management Institute UK Deborah shared with us her experience in completing the ADRP:

I started the ADRP qualification in October 2013 and my objective was to strengthen my pensions technical knowledge since in Malta the local pensions industry is still in its infancy, though our international pensions industry is growing. Also in Malta, to date, we do not offer any directly related pensions qualifications. Following the ADRP qualification was enjoyable though it is demanding and having a MD full-time role does not allow much time for studying. So, in reality, I had to dedicate weekends and holidays to studying the material, otherwise I would not have made it.

I am proud that I placed first in the October 2015 Module 205 – Investment Exam.

My methodology for my studies was first to read the study material and, as I go along, make my own handwritten notes but in the process ensuring that I am fully understanding the material. Once I have completed my notes, then I start reading my notes and making sure that I know the content without actually looking at my notes. Closer to the exam day I would once again read my notes but now formulating very short notes with the key points. By the exam day my main focus of studies would be the short notes summarising the key points.

I would like also take the opportunity to thank Mr David Preston for his support over these years and hope to visit you all when I come over to the UK.

I can say that I did achieve my objective in strengthening my pensions technical skills and I am proud that I am the only Maltese professional holding a pensions qualification!

FCA update

FCA publications which may be of relevance to members include:

12 January 2018 - FCA updates on its work on financial advice given to members of the British Steel Pension Scheme (BSPS)

13 December 2017 - FCA consults on how firms and individuals will transition to the Senior Managers and Certification Regime.

Earlier this year, the FCA consulted on extending the new regime to almost all regulated firms. However, given the differences in the size and nature of firms covered by the extension, the FCA is proposing proportionate approaches for different types of firms. For the majority of FCA regulated firms, the FCA is proposing to automatically convert individuals from the Approved Persons Regime to the new regime. This means the majority of firms will not need to submit applications to convert Approved Persons to Senior Managers. Firms can instead focus on embedding the cultural changes that the new regime introduces and making sure their staff know what they need to do.

CPD Workshop 20 February 2018

Spaces are still available for this workshop. As with the previous workshops we have run this workshop will include an update on several important developments with the PMI AAP and a round-up of the latest developments from the FCA.

Subject to any recent developments this workshop will include an update on the following:

1. **FCA's latest Business Plan and Risk Outlook**
2. **Pension transfers and updates to the appropriate examination standards**
3. **Training and Competence obligations on firms, supervisors and advisers**
4. **Regulatory focus on culture**
5. **Implications of the Senior Managers and Certification Regime**

The Workshop includes lunch. It will be relevant for CPD purposes (four hours in total). It is hoped the session will provide an opportunity for active participation from delegates to make the session as useful as possible.

If you are interested in attending the booking form can be found on the website. For further information or providing feedback on the above topics contact Neil Scott at **nscott@pensions-pmi.org.uk**

Pension Transfer Permissions: Help Sought

We have had a request for help from a PMI AAP member who wishes to apply to the FCA for a variation in permissions to be allowed to include Pension Transfer business.

In connection with the application the PMI AAP member would like to obtain recent experience of working under the supervision of a firm that currently operates in the area of pension transfers. Therefore, we are seeking PMI AAP members in the Manchester area who will be willing to provide supervisory/mentoring experience. Please contact Neil Scott at PMI if you think you might be able to help: **nscott@pensions-pmi.org.uk**

CPD Verification

We are currently verifying CPD declarations on a half yearly basis. The verifications will generally relate to an SPS renewal declaration submitted in the relevant half year. The verification period 1 July 2017 through to 31 December 2017 will include all SPS renewal declarations submitted in that period and will consider the CPD record relevant to those declarations. For example, an SPS renewal application for an SPS that begun on 1 September 2017 will include the CPD record for the relevant 12 month period and hence cover a 2016/17 period.

Each half year we have been selecting a sample for verification and advising the selected individuals. In order to facilitate this process do please ensure that you have suitable evidence in your records that can be submitted when required. It is not necessary to submit attendance evidence from PMI events. We have also added a template attendance form that can be used to obtain confirmation of attendance at events where no other certificate is produced. It can be downloaded from the PMI AAP website. Please see our CPD evidence guidelines for further details on all of these matters. From the verification work undertaken thus far we have noted the following:

(1) PMI AAP members are generally undertaking substantial amounts of CPD activity – often well above the minimum required.

(2) The CPD activity undertaken is of high quality and well documented.

(3) Due to the considerable amount of CPD activity undertaken by many PMI AAP members, well in excess of the required minimum, it was agreed in 2015 that PMI would only verify up to 40 hours of structured CPD activity. Therefore, PMI AAP members who have undertaken in excess of 40 hours of CPD activity need only submit evidence (if required for verification purposes), to meet this minimum.

We've learnt that members want to know three things when they contribute to a pension:

by Paul Todd, Director, NEST

is my money safe, what have you done with it and how much will I get back at the end?

In a traditional DC world, it's difficult to answer these questions satisfactorily and give members the predictability they crave. With pension freedoms, predicting income levels in retirement becomes even more problematic.

It's in this context that collective approaches to market and mortality risk sharing, such as the Dutch model of CDC, have come under the spotlight again. There are a few well-documented issues with these types of schemes, but we think the concepts behind them are worth exploring. We're learning more about member behaviour in the post-pension freedom landscape, yet market innovation has been slow to catch up. Innovation is sorely needed if we're to achieve better results for members and help them avoid many of the new risks they face in retirement.

Let's address some of the reported criticisms of end-to-end CDC approaches first. These models rely on those overseeing them to balance the rate paid out against future returns on possible contributions going in. The problem is that the pressure to avoid cutting benefits to existing pensioners is more real and present than the ability to predict with much certainty a 20-year old's contributions or returns on them. Trustees tend to show an understandable bias towards protecting those in or approaching retirement at the expense of younger savers. In countries such as the Netherlands this has led to criticisms of intergenerational unfairness and of complexity and opacity around how decisions are made.

However, risk sharing doesn't need to be intergenerational. It can operate between closer age groups, such as people retiring within a few years of each other. Having a clearer idea of the realised value of members' pots when they're near retirement means adjustments in investment strategies or pay-out levels can be fine-tuned. Also, when it comes to setting pay-out levels, more conservative 'soft promises' are less likely to need to be revised downwards. Realistic expectation setting is a big part of success.

In terms of benefits, some studies conclude that, because they can continue investing in growth seeking assets without lifestyling, pure CDC schemes can deliver greater investment returns for members. Looking more closely, however, some of these additional returns are attributed to the fact that there's no annuity purchase. Clearly in a post-pension freedoms world that's no longer necessary anyway. Other studies suggest CDC schemes can keep as much as 60 per cent of assets invested in equities. But we've observed that in practice Trustees of these schemes tend to opt for far more caution. This emphasises again the need to match return expectations to a realistic assessment of the investment approach.

Nonetheless, there are important lessons here about risk sharing, avoiding the conversion risk of buying an annuity and keeping 'market investment risk on' for longer. The pension freedoms allow us to think more creatively about how to bridge the crucial transition from saving to taking an income, when many of these risks and opportunities occur.

Retirees must make extremely complex decisions about what to do with their pension pots and how to make sure the money lasts for the rest of their lives.

For example, if a portion of members' assets were allocated to an investment market risk sharing fund in the run up to and into the early years of retirement, and a portion remained in members' individual pots, this could be a way of keeping 'risk on' for longer and potentially realising greater returns. Looking further along the journey, pooling longevity risk among members who've reached a certain age could then be another way to reap many of the benefits of CDC, without falling into the trap of intergenerational unfairness.

These bridges into retirement make sense for behavioural reasons too. Our research shows that firstly, most savers want an income from their pension at retirement: that's what they've saved it for. Secondly, most savers don't want to take all of the responsibility and risk of how to convert their savings into an income. And lastly, many simply either haven't thought about it or assume their pension provider will start paying them their money when they need it.

Currently, that's not how the market operates. Retirees must make extremely complex decisions about what to do with their pension pots and how to make sure the money lasts for the rest of their lives. To do this successfully, they'd need to either pay for tailored and ongoing advice, or simultaneously become investment experts, actuaries and fortune tellers. We know very few savers will have engaged much with their pension saving journey up to that point or will have the means or appetite to pay for ongoing advice. It's simply unrealistic to expect so much. It's also unfair to expose members to multiple risks at this crucial point in their lives, without providing simple and safe solutions for those who won't seek advice.

We want members of qualifying workplace pension schemes to be able to go straight through from saving up to receiving a sustainable life-long income without feeling they need to become actuarial or investment experts. Let's reimagine the pensions journey, borrow some of the best ideas from CDC models and avoid some of the traps. That way, members may start getting more satisfactory answers to their questions about their savings.

nest
NATIONAL EMPLOYMENT SAVINGS TRUST

We want members of qualifying workplace pension schemes to be able to go straight through from saving up to receiving a sustainable life-long income without feeling they need to become actuarial or investment experts.

Actuarial & Pension Consultants

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For help with your pensions audit, accounting or covenant assessment needs contact

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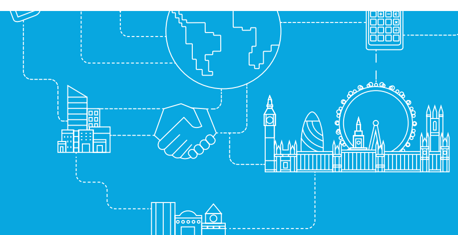

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'Get It Done Now'

Most Pensions Directors will be familiar with the syndrome of reviewing the key tasks for the coming year, only to find yet again some tasks are being transferred to the next year for more than the first time - that small scheme integration, the Trust Deed consolidation the overdue review of communications effectiveness and more depth on governance issues. Never quite competing with the urgent, critical and important (at least in the eyes of your boss) they are nevertheless items which one day will give you, your trustees or company problems. Do as one of our Pension Directors has, persuade your boss or yourself that using part of the 2018 budget to get these properly addressed not only makes sense and avoids future problems, it will leave you feeling more in control.

Improving Business As Usual

"I didn't need Consultants or Advisers to tell me how, I was aware of what was needed but did not have the resource". Familiar territory? No chance of getting extra headcount? Reluctant to blow the Adviser budget by getting one of their staff on secondment? Follow the example of one of our Pensions Manager clients who worked out carefully just what they needed doing by an interim over a short period to bring about the improvements - and the result benefited the service to Members and Trustees.

Key 2018 Projects

In addition to the vast amount of regular, cyclical and important work facing most Pensions functions in 2018, many Heads of Pensions have commented that they also face the challenge of planning and implementing significant projects. These are in diverse areas, often with quite challenging timescales and complexities which can stretch existing resources to the limit. Reviewing the success of a major project completed in 2017, the observation of one Pensions Director was insightful; "whilst I maintained control, accountability and was the driving force, we could not have managed this scale of project without utilising interim support".

Whilst there is no substitute for a properly resourced Pensions function, Interims are undoubtedly a valuable short term, affordable option and in the situations outlined above are a vital element of the pensions team. To discuss how our interims could support you during 2018, or if you have the calibre and commitment required to support our clients; Telephone 020 7489 2053. Email contact@gtfgroup.com

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Roles are initially fixed term until March 31st 2019 (possibility of extension).

Salary £22,000 - £30,000 (currently under review for 2018/19)

Closing date February 21st.