Edition 37
July / Aug 2021

Pensions Aspects

WWW.PENSIONS-PMI.ORG.UK

Judgement day

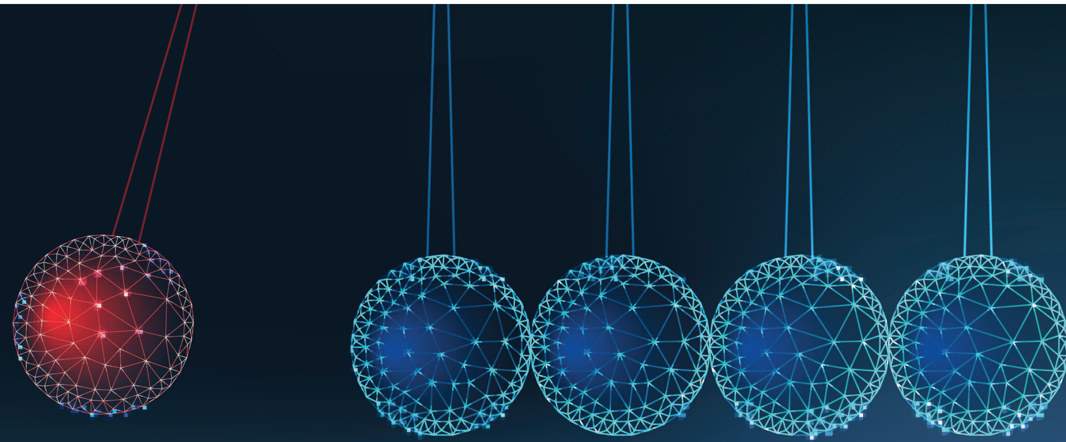
Well advised trustees should fear not!

PENSIONS POLICY: BRINGING TOMORROW'S CHALLENGES TO TODAY'S DEBATE

A STRONGER PENSIONS REGULATOR

CODIFICATION NOT JUST CONSOLIDATION

Pensions Management Institute
Moving pensions forward



A statutory right?

By Tim Middleton, Director of Policy, PMI

As the nation cautiously emerges from lockdown, there are chastening lessons to be learned about its impact on household budgets and plans for longer-term savings. There had been fears that the privations caused by extended periods away from the workplace would lead to large numbers of individuals falling victim to pension scams, and whilst this appears not to have been the case so far, we cannot afford to be complacent about what the future may hold.

The Pension Schemes Act (PSA) 2021 contained provisions which show a growing determination within government to contain scams. One of the most striking was a constraint on the statutory right to transfer. This was introduced by the Social Security Act (SSA) 1986, and was a part of a general strategy by Margaret Thatcher's Government to promote individualism within workplace pension savings. It was no coincidence that SSA 86 not only gave employees an absolute right to decide whether or not they wished to be members of their employer's pension scheme but also introduced personal pension schemes. This marked a clear departure from decades of established workplace pension culture with its emphasis on paternalism and restricted personal choice by ushering in a new era of options for members. Of course, history remembers that the immediate consequences of SSA 86 were little short of disastrous: millions of people were inappropriately persuaded to transfer out of employer-funded defined benefit (DB) schemes in favour of personal pensions, and rectifying the harm this caused proved a lengthy and expensive process. By 2002, the cost to personal pension providers for compensating and reinstating victims of the mis-selling scandal was £11.8 billion.

It could therefore be argued that the case for removing, or at least amending, the statutory right to transfer had been made over twenty years ago. However, Tony Blair's administration saw no need for change.

The next major concern over pension transfers arose in the wake of the financial crisis of 2008. Pension scams had first become a problem in the 1990s, but the issue reached a new crisis point as millions of newly redundant workers found themselves desperate for cash and were willing to take risks in order to 'liberate' money from pension savings. Trustees frequently found themselves under pressure to pay transfer values to arrangements of dubious legitimacy and all too often found themselves powerless to prevent such transfers taking place. The now infamous case of Hughes v Royal London saw an ombudsman's decision overruled by the courts in order to facilitate a transfer against the wishes of Royal London.

Largely in response to the Hughes case, PSA 21 introduced new restrictions to make fraudulent transfers more difficult to make. The receiving scheme is now required to demonstrate that the member has a 'genuine employment link' with the scheme sponsor before any transfer can be made. The Work and Pensions Committee has been conducting its own research, and further restrictions to the statutory right to transfer may follow.

After more than thirty years, it may be that the pendulum is starting to swing back towards a more paternalistic pensions culture. Whether this proves to be in members' best interests remains to be seen.

Contents
July / August 2021

Features Section

Articles

Regulars

Information

Contacts

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PMI Academy update

Pensions Management Institute
Academy

Spring 2021 results

Advanced Diploma in Retirement Provision results will be issued directly to learners via email **w/c 21 June.**

Autumn 2021 exam dates

Certificate in Pensions Calculations:
13 September - 17 September 2021

Retirement Provision Certificate and Award in Pension Trusteeship:
15 September 2021

Advanced Diploma in Retirement Provision:
4 October - 7 October 2021

Autumn 2021 revision courses

We offer revision courses to help learners prepare for their exams. Revision courses are in place to help learners refresh parts of their study, ask tutors any burning questions and to go over sections of the learning material. The revision courses are not in place for learners to cram in last minute study and should not be used as the only study preparation for the PMI exams.

To book your revision course please go to **www.pensions-pmi.org.uk/events/pmi-academy-revision-courses-autumn-2021**

Each session runs for 3 hours and costs £55. The revision session will take place via ZOOM.

Retirement Provision Certificate	16 Aug
Core Unit 1A	06 Sep
Core Unit 2	07 Sep
Core Unit 3	08 Sep
Core Unit 4	09 Sep
Defined Benefit Arrangements	13 Sep
Defined Contribution Arrangements	14 Sep
Professionalism and Governance	15 Sep

Private sittings

Due to popular demand, as of 2021, the qualifications team will be holding private sittings of the Award in Pension Trusteeship (CPT unit 1) and Certificate in Pension Trusteeship unit 2 (CPT unit 2) exams which will take place online only.

If you would like to hold a 'private sitting' please contact James Cumine at **JCumine@pensions-pmi.org.uk** or Vanessa Jackson at **VJackson@pensions-pmi.org.uk** to enquire about availability, or visit our website **www.pensions-pmi.org.uk/pmi-academy/qualifications/award-in-pension-trusteeship**

Private sittings can hold no less than 10 individuals and at least 4 weeks' notice must be given so that we can try and hold the exam on your chosen date.

Certificate in Pension Scheme Member Guidance

This qualification takes place all year round, with individuals able to apply at any point in the year.

Who is this course for?
Pensions staff who regularly liaise with members selecting options from a pension scheme.

Assessment method
This qualification consists of a multi-choice test which assesses modules 1 to 4. It is compulsory to pass this test. Modules 5 to 11 have case study-type assignments for each module. It is compulsory to pass this part of the online programme.

In order to attempt the oral assessment, it is necessary to have completed the core module assignment and the application module case study assignments.

Qualification package (non-member): **£820**

Please note, to sit this qualification you must be at least a student member.

If you are interested and would like to know more, or would like to book yourself on, please contact James Cumine at **JCumine@pensions-pmi.org.uk** or visit our website **www.pensions-pmi.org.uk/pmi-academy/qualifications/certificate-in-pension-scheme-member-guidance**

Pensions Management Institute
Membership

Membership renewal for students, CertPMI, DipPMI, APMI and FPMI members

Your 2021-2022 membership becomes due on 1 September 2021. Renewal notifications have been sent out by email and include a copy of your renewal invoice. Please see the 2021/22 annual membership fees below.

If you have not received your email, please ensure the email address we have on file for you is up-to-date in the 'My PMI' member portal. If you have any problems accessing the PMI member portal please contact us at **membership@pensions-pmi.org.uk**

Continuing Professional Development (CPD)

Fellow and Associate members with 2020's CPD outstanding have been notified to complete and submit their CPD using the PMI CPD recording tool on the 'My PMI' area of the member portal, or by providing a completed and signed self- declaration form by the **end of May 2021.**

Failure to comply may result in the withdrawal of their designatory initials FPMI and APMI, or members will be required to make up any shortfall in their CPD in 2021.

You will be notified if you need to make up any shortfall but if you have any questions around your CPD submission please contact us at **membership@pensions-pmi.org.uk**

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 people have been elected to Certificate Membership and can now use the designatory initials **CertPMI:**

Dominic Ramsay
Ellen Phillips
Sian Ford

Fellow membership

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

We are pleased to announce that the following eligible Associate has been elected to Fellowship and is now entitled to use the designatory initials **FPMI:**

Eve Keith

PMI Membership Fees

Membership Category	Fees 2021/22
Student	£160
Certificate	£205
Diploma	£255
Associate	£350
Fellow	£450
Retired/Non-working	£75

Corporate subscription

PMI Corporate membership is a great way to get involved with the PMI network. It offers you and all your employees and colleagues member access to research, events, networking and representation at key groups. You can also use your membership to share your knowledge with other member businesses and to promote a stronger sense of community cooperation. Find out more at **www.pensions-pmi.org.uk/membership/new-members/become-a-member/corporate**

Membership update

Sixth PMI Student Essay Competition sponsored by ITM

Thank you to all those who have registered for the student essay competition. Entrants will be notified of the results on **Friday 30 July.**

The winner's essay will be published in the September edition of Pensions Aspects magazine with the two runner-up essays also published on the PMI website. Good luck to all those who entered.

PMI Extra survey

As a PMI member you have access to the offers available through PMI Extra. To access your exclusive PMI member discounts please visit: **www.pmiextra.co.uk**

We are currently reviewing our subscription to PMI Extra and we would be grateful if you could please answer a couple of questions at **http://bit.ly/3rcN2Q9**. It will take no longer than 5 minutes to complete.

PMI Regional Groups – information preferences

If you would like to receive information from your PMI Regional Group, including webinar and event invitations, please ensure you have opted-in to receiving news through the My PMI membership portal using the 'My Communications Preferences' tab.

Virtual drop-in with the Membership Team

Do you have any ideas, feedback, or suggestions on how we can improve our membership offering? We would be happy to set up a call to hear your views. Get in touch with us, so we can organise an informal discussion.

Regional news

Pensions Management Institute

London

The London Regional Group hopes all of our members have been able to enjoy a well-earned summer break!

We'd like to thank all our members who attended our GMP Equalisation business meeting in May and our AGM in July. We'd also like to give special thanks to our GMP expert speakers Lee Colgate (Legal Director at BDB Pitmans), Glyn Bradley (Principal at Mercer) and Greg Hunt (Manager at Buck) for helping us to organise our GMP to-do lists, and to David Hosford (Partner at BDB Pitmans) for chairing the discussion.

Remember to keep an eye out for details of our upcoming social events and business meetings via the PMI London Group LinkedIn Group.

Pensions Management Institute

Events

Flagship events

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

21–24 Sep
Introduction to Pensions (Basics)
Online

27 Sep - 1 Oct
Secretary to the Trustee (Introduction)
Online

12–15 Oct
Introduction to Pensions (Advanced)
Online

19–22 Oct
Secretary to the Trustee (Advanced)
Online

10 Nov
ESG & Climate Change Seminar
Online

16 Nov
RetirementMatters Training Course: the Fundamentals of Retirement Savings
Online

24 Nov
PensTech & Admin Summit
Online

7 Dec
Pensions Aspects Live
Online

Judgement day

Well advised trustees should fear not!

This month's feature articles include:

Pensions policy: bringing tomorrow's challenges to today's debate

By Jonathan Reynolds MP, Shadow Secretary of State for Work and Pensions and Matt Rodda MP, Shadow Pensions Minister

Encouraging people to take a long-term view on pensions planning can be challenging. Labour's Shadow Work and Pensions Team discuss how a positive impact could be achieved for all generations saving for their retirement by accelerating policy initiatives in progress.

How to build a fair, resilient and sustainable pension system which gives people of all generations and communities a decent standard of living in retirement is one of the key public policy questions we face as a society.

The challenge is that it can often be difficult to carve out political airtime to have these pressing debates as short and medium-term priorities occupy the immediate space – a fact which has been reinforced by the pandemic.

Compounding this is the difficulty of encouraging the wider public to engage with a future which feels decades away and can be shrouded in complex language like life time allowances, charge caps and indexation; terms that naturally switch people off.

As politicians, it is our responsibility to find ways to both encourage people to engage with their future in retirement, while also providing solid default options so everyone has a minimum standard of living when they stop working in older age.

The Labour Government will design an ambitious agenda to deliver that long-term, but in the immediate term, there are some existing policy initiatives which could deliver strong results with the right momentum behind them. We will look at three of those in detail, below.

The first is the Pensions Dashboard which will help those with the capacity and will to take control of their own retirement planning like never before, bringing transparency and tangibility to something that can often seem like a piece of incomprehensible, distant administration. This is why it is so important that industry and government can cooperate to deliver an effective and usable product in a reasonable time frame.

At the most basic level, information on when an individual will qualify for their state pension is critical so we can prevent confusion and opacity over retirement ages from ever being repeated. But it can offer so much more than this. For example, by providing accessible and clear fee information, it could improve competition and transparency. Dashboards could be an important tool in the fight against scams by giving individuals access to their own data and information through channels they control.

But this will only be the case as long as the right safeguards are in place to protect consumers. The last outcome we want is for people to make bad choices, prompted, for example, by market disruptions or unscrupulous operators until they are more accustomed to this access. As the Government has resisted efforts to keep commercial transactions off the dashboard, we should think about the educational initiatives that could accompany its launch instead, and what role Pension Wise could play.

The dashboard also provides an option to tackle the problem of small pots. The Pensions and Lifetime Savings Association (PLSA) estimates that, without intervention, there could be as many as 27 million deferred pension pots in existence by 2035. This only contributes to complexity and confusion, hindering proper retirement planning and putting these small forgotten pots at risk of being eroded by charges. By showing people what pots they own in one place, it gives them the option to consolidate where it makes sense, and helps them to understand what assets they have and where they are invested.

One of the drivers behind this increasing accumulation of pots is down to the enormously positive contribution of auto-enrolment; the second policy which we believe has great potential to continue transforming retirement prospects.

Auto-enrolment has been a huge success in helping people to begin saving for their future by default. According to the House of Commons Library, it is thanks to auto-enrolment that there are 22.4 million people paying into defined contribution occupational schemes in Britain, as opposed to 2.1 million in 2011; a ten-fold increase. We can learn from international examples of how auto-enrolment can be made even better, such as step-up programmes and employer matching.

However, we must exercise caution in viewing auto-escalation as a panacea for meeting anticipated shortfalls in later life. Affordability of contributions is key, especially given the unprecedented pressure faced by the younger generation in the cost of living (particularly housing), wage stagnation and tuition fees. It is a important tool, but it does not exist in isolation of other pressures and that is a wider conversation policymakers need to have.

Now that auto-enrolment is maturing, we should consider how it can be adapted to reflect the nuances and realities of a diverse workforce. This includes making sure it can work for those in low-paid jobs or with fragmented employment which means they do not end up qualifying for contributions.

Record numbers of people are now turning to self-employment and we have to find new models that will accommodate different ways of working so they don't end up without any provision. The thousands of people contributing to the National Employment Savings Trust (NEST) in this category show the appetite is there. More widely, we should also be making the most of NEST, which has been highly effective at using economies of scale to keep costs lower and tackles the small pots problem by connecting the pot to the member, not the employer.

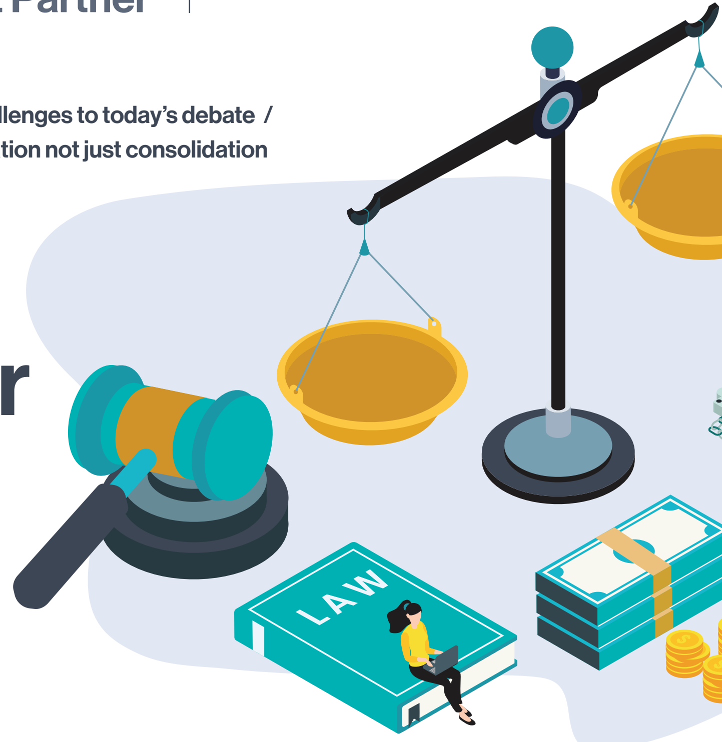
Thirdly, and finally, we see an important role for pension funds in transforming the environmental impact of our economy, particularly with the UN Climate Change Conference of the Parties (COP26) coming to the UK later this year.

Pension funds are responsible for trillions of pounds of investment in the UK every year and there are many asset managers who are ready and eager to step up and play their part in tackling climate change. The evidence shows scheme members themselves want their funds to start taking this seriously. Aviva's recent research showed that 59% of people think it's important that pension funds become net zero by 2050.

Beyond that, the investment case makes this the right thing to do by members. The Department of Work and Pensions (DWP) themselves acknowledge that considering the financial impacts of climate change is consistent with fiduciary duty. And leading pension schemes and investors are already taking action. It is important not to compromise trustee independence, but large schemes should have to set a strategy which is consistent with our climate objectives.

With the heft of the UK's pension funds behind us, we can make the UK a true world leader in this field. What's more, it will help further the goal of connecting scheme members to where their assets are invested, encouraging engagement with how that impacts society and the economy.

If momentum can be put behind these three policy objectives, there is real potential to deliver positive and immediate impact in improving people's retirement prospects today. Longer-term, we, as politicians, have a duty to carve out space to talk about the bigger challenges and help people of all ages engage with their future plans. Labour plans to work alongside the sector to do just that.



A stronger Pensions Regulator

- the new criminal sanctions

By Liam Goulding, Associate, Sackers

The Pension Schemes Act 2021 (the Act) brought with it a raft of new offences, both criminal and civil, as well as extended information-gathering and interviewing powers, to enable The Pensions Regulator (TPR) to fulfil its "clearer, quicker, and tougher" mantra.

Two of the new criminal sanctions attracted hot debate, as well as industry concern, during the Act's passage through Parliament: avoidance of employer debt (the 'Avoidance Offence'), and conduct risking accrued defined benefits (DB) (the 'conduct offence); together known as 'the offences'.

Avoidance offence

A person commits this offence if, without reasonable excuse, they:

- **intentionally** undertake an act or engage in a course of conduct (including a failure to act) that prevents the scheme from recovering all or part of a statutory employer debt, prevents that debt becoming due, or compromises, settles or reduces the amount of the debt which would otherwise become due.

Conduct offence

A person commits this offence if, without reasonable excuse, they:

- act or engage in a course of conduct (including a failure to act) that detrimentally affects in a material way the likelihood of accrued scheme benefits being received, and

- knew or ought to have known that what they were doing would have that effect.

There is no wonder the Offences caught attention: both are punishable by up to seven years in prison and/or an unlimited fine. Owing to the breadth of the drafting, they have the potential to capture ordinary business activity – despite the Government stating that this is not its intention. Finally, they capture a wide spectrum of people (including directors of sponsoring employers, trustees and even their advisers); only insolvency practitioners acting in their capacity as such are excluded from the scope.

Prosecution policy

In March, TPR published a draft policy and consultation on its proposed approach to investigating and prosecuting the Offences. The policy discusses in detail the similarities and differences with existing anti-avoidance powers and provides examples of the types of behaviour that could fall within the scope of the Offences.

TPR's approach is aimed at enabling it to "address the more serious intentional or reckless conduct" that is already within the scope of its contribution notice powers (or would be, if the person was connected with the employer). It intends that the Offences will help "to deter conduct that could put pension schemes at risk". When selecting cases for prosecution, TPR will be mindful of the policy intent – a scheme being unfairly treated or misled, for example, raises huge red flags.

Look-back period

While the Offences will not apply retrospectively, TPR notes that evidence pre-dating their commencement may be relevant to its investigation or prosecution if, for example, it indicates someone's intention. We await further clarity from TPR on this point, and some nervousness remains within the industry despite TPR's assurances.

Reasonable excuse

Those being investigated will need to show clear and contemporaneous evidence of their "reasonable excuse". It's a useful reminder of the importance of quality minutes, correspondence and written advice. What amounts to a reasonable excuse in any one case will be fact-specific, but TPR sets out three factors which it considers would be significant:

- where the detrimental impact on the scheme / reduced likelihood of full scheme benefits being received was an incidental consequence of the action
- the adequacy of any mitigation provided to offset the detrimental impact. Where the impact has been fully mitigated, there is more likely to be a reasonable excuse
- where no, or inadequate, mitigation was provided, if there was a viable alternative which would have avoided or reduced the detrimental impact, that would suggest an absence of reasonable excuse.

As well as examples for each of the above, TPR sets out additional factors which may have a bearing on whether it begins or continues a criminal investigation.

Keeping perspective

TPR has published blogs and speeches in acknowledgement of, and as an attempt to calm, fears, assuring us that it is "working with, not against the pensions industry". In its April blog post, "Time for some perspective on our criminal offences powers", David Fairs promises that, while TPR "won't hesitate to use [its] powers to protect savers through enforcement when it is the right thing to do", it does not intend to "overstretch the intent and purpose behind the powers [and] will always take an appropriate and proportionate approach". TPR's intent "is not to achieve a fundamental change in commercial norms or accepted standards of corporate behaviour". The powers "should not worry those who are doing the right thing and properly thinking through the actions and decisions they take".

While the examples of behaviour set out in the draft policy might help to allay some worries, uncertainty still remains. The examples currently lie at the more extreme ends of the spectrum of conduct, and it would be useful to have further and more nuanced examples, as well as more commentary around the potential grey areas, and more detailed context for the examples given.

It is also important to note that TPR is not the only one in the driving seat when it comes to the Offences. Both the Secretary of State and the Director of Public Prosecutions could initiate a prosecution, and TPR's approach will not tie their hands.

Given all of the above, the Offences may well result in more cautious corporate behaviour.

However, as TPR itself notes, the requirement for intent and the absence of a "reasonable excuse" are together a high bar. Complex expert evidence is likely to be required on both sides, with criminal prosecution a time-consuming, lengthy and expensive process. Bearing in mind the limitations on TPR's resources, the number of prosecutions may well be low; TPR has the less daunting civil route open to it as an alternative.

The idea seems to be to encourage good behaviour by the threat of serious consequence. In terms of changing behaviour, well advised and responsible trustees have little to fear. There should, however, be an increased focus on clear documentation of trustee decisions, and an increased appetite on the part of sponsors to engage early with trustees on matters which may impact on the covenant.

Pensions policy: bringing tomorrow's challenges to today's debate / A stronger Pensions Regulator / Codification not just consolidation

Codification not just consolidation

By John Wilson, Head of Technical, Research and Policy, Dalriada Trustees

The consultation on The Pension Regulator's (TPR's) new 'super code' ended on 26 May 2021. It is expected to come into force sometime later this year, but trustees and other governing bodies should start to get ready for it now. The new Code is much more than a copy and paste of extracts from the existing TPR Codes of Practice, and includes, in addition to revisions to existing requirements, brand new content around pension scheme governance and management.

TPR's 15 existing Codes of Practice are set to be transformed into a new online code. The transformation began on 17 March when TPR launched a consultation on the first phase of its work, bringing 10 of the current 15 codes together as one.[1]

While consolidating these 10 codes, TPR says it has reduced the number of pages by nearly half. That said, the full draft of the new Code of Practice (COP), with six substantive sections (governing body, funding, investment, administration, communication and reporting), and 51 separate modules, is still 149 pages. It will also be significantly longer when the missing content, on scheme funding, TPR powers, scheme modification and Master Trusts, is subsequently added.

The consultation also incorporates changes introduced by the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018. In turn, these emanate from the second EU Pension Fund Directive (IORP II) and relate to "Effective Systems of Governance" (ESOGs) and the "Own Risk Assessment" (ORAs). These are the latest additions to the pension industry's long list of acronyms.

- **Effective Systems of Governance:** Under new regulations, trustees must have an ESOG, proportionate to the size, nature, scale and complexity of their scheme.
- **Own Risk Assessment:** Private sector schemes with 100 or more members will now need to carry out an ORA. TPR expects governing bodies to use this to assess how well their policies and procedures address various risks, financial and operational, that their scheme faces.

The new 'super code'

Work on the new Code started in 2019 and, in terms of the new and revised guidance which will supplement it, is still ongoing. The now closed consultation essentially asked the same five or six questions for each of the 51 modules and, whilst we may see some changes of form in the final Code, material changes to the substance are not expected.

So, we largely know what is coming and there are lots for governing bodies to think about, not least:

- navigating around the new code, which is intended to be a web-based experience
- in the context of the ESOG, the assessment of what is proportionate to the size, nature, scale and complexity of the activities of their scheme
- for schemes in scope, undertaking the ORA – not just within 12 months of the Code coming into force but at regular intervals thereafter
- understanding the implications of prospective requirements to publish minutes of trustee meetings, and establishing and publishing remuneration policies
- getting familiar with content moving from TPR guidance into the super code, such as cyber risk, conflicts, pension scams, and investment and ESG
- ensuring that the governing body as a whole can, to quote the Code, "demonstrate they jointly possess the skills, knowledge and experience to run the scheme effectively", and
- keeping abreast with updates to the Code (the optimum frequency for updates was part of the consultation).

Codification not just consolidation

As alluded to in the introduction, when drafting the new Code, TPR has not simply taken key parts of ten existing Codes of Practice and used them to produce one consolidated document. There are several new initiatives.

In addition, governing bodies will need to familiarise themselves with the new format of the Code and the revised guidance that will accompany it. The intention is that, if viewed online, the Code and the guidance will be more accessible but, taken together, the content will be substantial.

In closing, the consultation on the new Code highlighted the "seismic changes" in the landscape of pension saving over the past decade, the massive increase in the number of pension savers and corresponding increase in the standards expected of those running the schemes.

The new Code is further evidence of the need for trustees and other governing bodies to, in the words of TPR, "have the right people, skills, structures and processes in place to facilitate scheme operations, enable effective and timely decisions, and to manage risks appropriately. Our COPs and guidance provide the support needed to be able to achieve this".

[1] A draft defined benefit (DB) funding code will be published as part of a consultation in the second half of 2021.The new DB funding code will be the same style as, and form part of, the new code. Future consultations will cover areas such as Master Trust authorisation and supervision, and collective defined contribution schemes.

A trustee effectiveness review: a tool to help trustees

By Kathryn Foster, Associate, Senior Pensions Management Consultant, Barnett Waddingham

We know that not everyone finds the idea of a trustee effectiveness review appealing. Many feel such a review will take up time that could be better spent dealing with scheme issues, and the prospect of a list of improvements for busy trustees is not attractive. However, a periodic review of how trustees are operating collectively will be time well-invested and is an essential requirement for a well-run scheme.

"Isn't the outcome just going to be a list of what's wrong with the trustees?"

It is understandable that trustees who are doing the best job they can in the short time available to them, and with limited resources, might shy away from such a review. Especially if they feel that it is as much as they can do to keep up with all the demands on their time. Surely a 'to do' list will only compound things?

I believe that a trustee effectiveness review should be seen as a tool to help trustees, not to punish them. It isn't a personal assessment, but is about how the group can operate optimally as a whole.

A significant part of the exercise should cover identifying how to make (sometimes small) improvements that enhance the quality and speed of decision-making and ensure actions are implemented. Trustees should also review their governance in the light of changing circumstances, bearing in mind that what has perhaps worked well in the past may not necessarily be appropriate now and in the future. Here's a small sample of the questions a review might try to answer:

- Are meeting papers produced on time and in a helpful format?
- Is there a framework for making decisions quickly between meetings?
- Do you know what to do if there is an emergency?
- Do you know who is responsible for delivering all the scheme activity, and who monitors all the risk metrics you have established?
- Is the structure of your board still appropriate as your scheme matures and heads to its end game?
- Do you capture learnings from previous work and projects, and embed them for the future?
- How are all points of view taken account of?
- Is your board sufficiently diverse in terms of skills, experience and societal demographics to ensure diversity of thought and avoid any blind spots?

A trustee effectiveness review should help to highlight any issues, thus giving the trustees the opportunity to determine how to address them and implement solutions. It can also serve as valuable time for the trustees to get to know each other better which can be very helpful, especially given many pension scheme trustees may only meet once a quarter so they are not necessarily used to working together.

I often recommend holding a separate session away from busy regular meetings to work through the review findings. A well-facilitated meeting can generate debate and discussion about where improvements can be made as well as providing reassurance where things are working well. It is also essential that the review process includes the production of a clear action list and identifies accountabilities and timescales. It should not, however, be seen as a 'once and done' exercise and it is important to periodically revisit the agreed actions to ensure continuing progress. It may also be helpful to elicit the views of the scheme's advisers since they can provide a useful perspective into how the board operates.

"It's not a good use of time"

If a trustee board is so busy dealing with the day-to-day issues that it struggles to find time for a trustee effectiveness review, then surely something is not right? Periodically taking a step back to reflect on how the board operates can be time well invested to ensure the trustees are suitably equipped for meeting the scheme's future challenges. It can also be beneficial to carry out a review ahead of a major project, such as a buy-out, to ensure the board performs optimally.

New legislative requirements

Under The Pension Regulator's new code, schemes will soon be required by law to have an effective system of governance in place. It is hard to see how trustees can be confident they have an effective system of governance without first checking they themselves are effective as a board. The ultimate responsibility of a pension scheme trustee is to provide members with the benefits to which they are entitled and I firmly believe that a more effective board of trustees will ultimately deliver better outcomes for members.

A roadmap to responsible investing

By Jihan Diolosa, Head of Responsible Investing, Russell Investments

In an ever-changing landscape for institutional investors, there is an industry-wide acknowledgement of the increasingly important role that responsible investing has to play in managing a well-diversified portfolio. More and more fiduciaries recognise that the incorporation of environmental, social and governance (ESG) risk factors can materially impact portfolio risk and return, as well as help bring the portfolio into closer alignment with an organisation's mission and broader goals. With that, investors want to ensure they are investing responsibly and integrating ESG factors into their portfolios appropriately. The difficulty for some that are at the start of this journey lies in knowing how and where to begin.

Establishing best practices

At Russell Investments, our experience has enabled us to provide recommendations on overarching best practices for establishing a responsible investing framework. We believe there are five key steps:

EDUCATE YOUR TEAM

The first critical step is educating yourself and your board or investment committee on the meaning of responsible investing. It's important to be aware of the latest topics and trends, and become familiar with the different definitions and variations. Climate-related risk and opportunities is one such area where there has been a steady flow of new industry jargon. One now needs to be familiar with the following concepts and terminology: Net Zero Investing, Paris Agreement, The Intergovernmental Panel on Climate Change (IPCC) report, and the Task Force on Climate-related Financial Disclosures (TCFD) reporting. There are also multiple ways of calculating a portfolio's carbon footprint, for example, weighted average carbon intensity, total carbon emissions and carbon intensity, just to name a few. Each of these methods has strengths and weaknesses that need to be carefully considered.

DEFINE YOUR BELIEFS

This critical step is to define - and align - your team's responsible investing beliefs and desired outcomes, as different organisations may define 'responsible investment' in different ways. Whether you are targeting responsible investment to align with stakeholder values, mitigate risk, or comply with regulation, you want to create a robust responsible investing framework with real integrity and impact. A simple and effective way to reach a consensus is to conduct a beliefs survey. Schemes may also want to consider collating underlying views from their members. We are observing an increasing number of schemes defining a responsible investing policy document to clearly articulate their beliefs, along with explicitly stating what these beliefs mean in practice. Furthermore, there are a growing number of investors looking to set net zero targets for their assets.

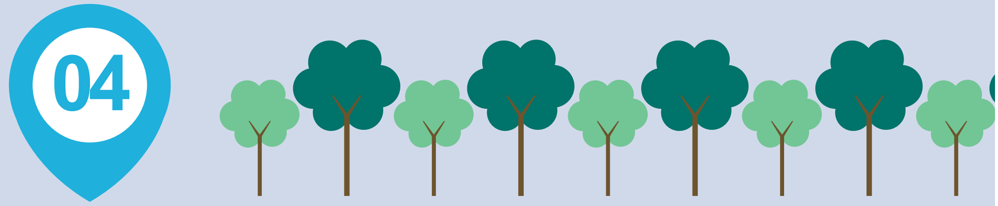
03

IMPLEMENT YOUR BELIEFS

Once your beliefs and goals have been defined and documented, you can begin to discuss implementation approaches. There are multiple approaches by which ESG considerations and beliefs can be integrated into the portfolio management process. These include (and are not limited to) exclusions or negative screening, positive selection, active ownership, impact investing, thematic investing, sustainable investing and ESG integration. Each approach has its own degree of effectiveness and impact in supporting ESG principles, and you may choose to utilise one or multiple approaches. There are a growing number of investment solutions to fit in with almost every flavour of belief so expect to spend a decent amount of time identifying the most suitable option. We also believe that with more quantitative data becoming widely available, ESG considerations should be considered as part of the strategic asset allocation process.

Finally, when implementing your beliefs there is also the choice between active and passive investing. We believe in a combination depending on the asset class as well as your fee budget and risk tolerance. While it is possible to access exclusions through passive investment strategies such as ESG index tracker funds, we believe that ESG integration fits well with an active management approach for the following reasons:

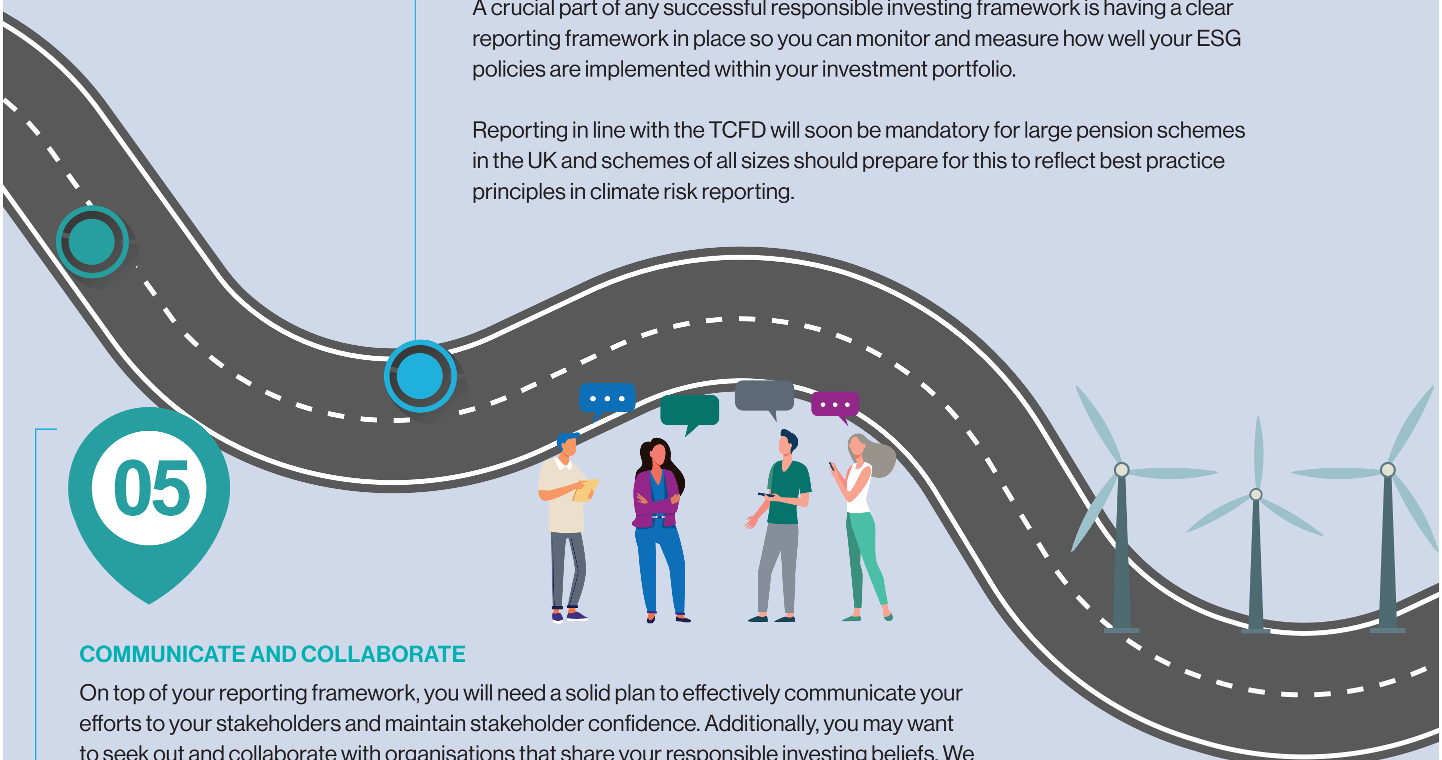
- ESG risks are not adequately priced into the market. With ESG risks priced inadequately, there are good opportunities for active managers to generate alpha in ESG equity strategies.
- More broadly speaking, robust ESG management by companies gives a good indication of overall quality and helps identify the companies most likely to have successful long-term business models. This helps managers pick stocks that deliver performance over the long term with lower levels of volatility.
- Active management also makes better use of the power of engagement and stewardship, and holds greater weight when voting. On the other hand, passive investing replaces this human element with a benchmark-driven approach, which cannot be matched entirely to a client's responsible investing beliefs.



SET UP A REPORTING FRAMEWORK

A crucial part of any successful responsible investing framework is having a clear reporting framework in place so you can monitor and measure how well your ESG policies are implemented within your investment portfolio.

Reporting in line with the TCFD will soon be mandatory for large pension schemes in the UK and schemes of all sizes should prepare for this to reflect best practice principles in climate risk reporting.



COMMUNICATE AND COLLABORATE

On top of your reporting framework, you will need a solid plan to effectively communicate your efforts to your stakeholders and maintain stakeholder confidence. Additionally, you may want to seek out and collaborate with organisations that share your responsible investing beliefs. We believe in playing an active role through our partnerships with external organisations promoting the inclusion of sustainability in investment processes, such as the Principles for Responsible Investment (PRI), Climate Action100, Institutional Investors Group on Climate Change (IIGCC), Carbon Disclosure Project (CDP) and the TCFD.

Will the new TPR super code improve scheme governance?

By Laura Andrikopoulos,
Head of Governance Consulting,
Hymans Robertson

The consultation on The Pensions Regulator's (TPR's) new Code of Practice closed on 26 May. Whilst we await the outcome of the consultation, given the aspiration to put the Code into practice by the end of 2021, it may be that changes are limited. Assuming they are, will the Code improve scheme governance?

There has been an uptick in focus on scheme governance in recent years with TPR's 21st Century Trusteeship campaign, the consultation on the Future of Governance and Trusteeship, and now the consolidated Code. But how many schemes have thoroughly engaged with all the issues and requirements?

There isn't a huge amount in the new Code that is genuinely new although significant work may be required to tackle the annual 'own risk assessment' (ORA) and to undertake a gap analysis of where schemes are in relation to all the Code of Practice requirements. The ORA itself is a welcome addition to scheme governance, going above and beyond existing requirements in relation to risk management, ensuring that Trustees evaluate the effectiveness of their overall risk management approach, and spend time considering and reviewing controls with a view to identifying improvements and those controls that make the critical difference. The current proposal for an annual ORA is also designed to ensure risk management is embedded firmly into the governance cycle of trustee business, rather than relegated to a triennial compliance exercise. This, again, is welcome. Risk management should drive a large part of meeting focus, with key risks examined regularly, and assumptions revisited and challenged on a regular basis to avoid the problems of 'groupthink' and 'status quo bias'.

The draft Code does, however, focus heavily on processes, policies and reports rather than the more 'living' aspects of governance. What I mean by that is the culture of the board, sponsor and advisers. Factors such as the quality of debate and discussion, the extent of motivation and engagement of the trustees, and whether all parties have a clear understanding of each other's roles and responsibilities, and moreover, respect for the boundaries that should exist between each group. Attaining that fine balance between collaboration and appropriate separation where necessary is often key to a well-run scheme.

Some of the most difficult governance issues that I encounter involve a lack of understanding between various parties on their roles with consequent misunderstandings arising. Often both parties want the same thing, a successful and healthy scheme that provides great value for members; they may, however, have different views on how this should be achieved, or who should take the final decisions!

The new Code of Practice has little to say on these 'softer' aspects of governance, albeit these interpersonal dynamics and cultivation of a good culture can be vital to really great governance, and make a key difference that an extra policy or process document simply won't.

I'm not saying the new Code won't improve governance, but it won't do it without attention to the people and culture elements of governance.

Why buy-ins make it harder to achieve a buy-out

By Jos Vermeulen, Head of Solution Design, Insight Investment

In the majority of cases, a buy-in will be detrimental to the trustees' ability to achieve a buy-out, requiring re-risking a pension scheme's portfolio of assets or pushing out the time frame.

A buy-in increases the uncertainty of achieving a buy-out

As private defined benefit (DB) pension schemes continue to mature, trustees are increasingly focused on their long-term objective, which for many is an insurance buy-out.

Unfortunately, most pension schemes cannot afford the cost of undertaking a full buy-out in the near term[1], nor can they rely 100% on their sponsor for additional contribution support.

Therefore, they may ask themselves whether they should conduct a partial buy-in – a bespoke matching asset in the form of an insurance contract – for a portion of their liabilities in the interim.

Considering the irreversible nature of a buy-in, it is critical to understand the impact it would have on the scheme's ability to achieve its final objective of full buy-out before execution. Our finding is that for the majority of schemes, a pensioner buy-in would increase the uncertainty of achieving a buy-out. This is driven by the reduced size of the residual asset portfolio left to cover longer-dated and more uncertain liabilities after the implementation of the buy-in.

In practice, a buy-in will likely translate into a:

1. Higher required return from the residual asset portfolio, or delay to the target date for buy-out
2. Higher proportion of assets allocated to support the rate/inflation hedging strategy in the residual portfolio
3. Reduced liquidity and flexibility to deal with future unpredictability.

A closer look at the implications for returns, risk and flexibility

1. Higher required return or delay to reaching buy-out

Unless the implied yield of the buy-in is greater than the required return on the total assets to meet the long-term funding objective (allowing for the longevity protection embedded in the buy-in), a buy-in transaction leaves fewer assets available to generate the returns required to achieve the buy-out funding level within the chosen timeframe. In order to meet their long-term objective, trustees would have to either take on more investment risk in the residual asset portfolio or postpone the target date for buy-out.

At the scheme level, the combined risk (measured as expected return volatility) of a lower risk buy-in asset and a higher risk residual portfolio can be similar to that of the single 'medium risk' portfolio prior to the buy-in. However, the portfolio can have a much wider distribution of returns, increasing the chance of a poor outcome. For example, a very large negative return from the residual assets may push the required returns in future years to uncomfortable, or even unattainable, levels to meet the desired funding target, especially if the residual portfolio is diminishing in size due to scheme maturity.

2. Increased risk due to hedging requirements

Typically, buy-ins cover pensioners, leaving the majority of deferred member liabilities uninsured. Deferred member liabilities are longer-dated and more uncertain by nature. This means that in a buy-in, schemes often end up transferring disproportionately more of their assets than risks to the insurer.

In order to maintain the pre buy-in level of interest rate and inflation hedge ratios, a higher proportion of the residual assets will have to be allocated as collateral to provide for the riskier nature of the liabilities in the residual portfolio. Collateral has to be held in cash or government bonds, reducing the total expected return of the residual asset portfolio.

To compensate for the higher allocation to the collateral pool, trustees will have to target a higher investment return from the non-collateral assets. This higher return can only be delivered by taking additional investment risk in the residual portfolio, exacerbating the challenge highlighted under item 1, above. Alternatively, trustees could decide to accept a lower hedge ratio or employ higher leverage, both of which would lead to increased funding-level volatility and increased uncertainty of achieving buy-out funding.

3. Reduced liquidity and flexibility to deal with future unpredictability

Up to the point of a full buy-out, there will always be risks affecting the assets and the liabilities that cannot be predicted or hedged. Examples include market volatility and liquidity constraints caused by the 2020 global pandemic, or inflation caps and floors in pension benefits which cannot be hedged easily. The illiquid nature of a buy-in asset leaves trustees with fewer resources to deal with any unexpected shocks impacting the economics of the scheme, which in turn increases the uncertainty to achieve full buy-out in the targeted time frame.

Conclusion

If the implied yield of the buy-in, adjusted for the cost of longevity protection, is greater than the required return on the total assets to meet the long-term funding objective, or if your sponsor is willing and secure enough to make up any deficit, a buy-in may be appropriate for you. However, the vast majority of schemes do not have these luxuries and a pensioner buy-in could increase the uncertainty of achieving a full buy-out in a given time frame.

[1] According to Hymans Robertson, Pension scheme funding: benchmarking analysis, October 2020, covering 1,730 valuations, the median funding level on a buy-out basis is 67%.

Engaging with the 'new normal'

I am sitting in the sun at my favourite café writing this piece. Finally, life's getting back to normal. Despite the changes wrought by COVID-19, there are some constants. For example, the Financial Conduct Authority (FCA) is still on a mission to ensure that the boundaries of advice and guidance are well defined. It recently joined forces with with The Pensions Regulator (TPR) to publish some dos and don'ts in this area. The aim is to give clarity to trustees on what they can and can't do in terms of providing guidance and support around financial decision making.

By Graeme Riddoch, Head of Product Development, Spence & Partners

One unexpected outcome is the recommendation that transfer values (TVs) should not be supplied unsolicited. Many schemes routinely add TVs to benefit statements or retirement packs.

Numbers game

The rationale is that showing a member a big number could have them running to a financial adviser. The recommendations go on to say that schemes can continue to show TVs, but only if they include information and context around the figures, and what they might achieve. For example, the context should help the pension saver understand how long they might live and, therefore, how long the TV would need to last.

This takes us neatly into how to support member financial decision-making. As a starting point, we need to consider a few important facts:

- The average UK reading age is 12
- People increasingly consume information online
- COVID-19 has driven people to online services and after the pandemic, many will stay there.

The pensions industry, and in particular the defined benefits model, has so far failed to deliver a modern retail experience that can both educate and inform pension savers.

Rock, paper, scissors

Let's jump back to the TV piece for a minute. There's a limit to what you can do on paper in terms of educational content. The process of paper statements is not interactive, not intuitive, not agile and not really fit for purpose. Perhaps it's time to use the scissors?

Pension savers can get to that content online much more easily than you might think. QR codes are now a part of daily life. So, put a code beside the TV and take the saver to an educational site with animations and information. Maybe even include a link to the Government's life expectancy calculator so people can see for themselves how long they might live.

Even so, where advice is a legal requirement for TVs larger than £30,000, there are limits to what can be achieved through information and guidance. Finding specialist financial advice which can be trusted and is affordable can be a problem.

The transfer advice market has contracted dramatically over the last few years, but there are specialist firms out there offering full advice for a reasonable fixed fee. The FCA recently banned something called contingent charging. Put simply, you would only be charged if the adviser recommended a transfer. What could possibly go wrong with that?

In its place, they have introduced a new form of advice called abridged. It's still full advice, but potentially more affordable.

If paper put pension savers between the rock and the hard place, digital solutions can help them better understand their options, provide easy to access, well signposted guidance, and point them in the direction of any advice they might need. It's the 'new normal'!

Association of Member Nominated Trustees

The AMNT

The AMNT provides support, guidance and a collective voice to member nominated trustees, directors and representatives of private and public pension schemes.

Together, the AMNT enables you to make a greater and more active contribution to scheme governance. The Association is free to join and in return you will benefit from access to exclusive resources, events, training materials and the opportunity to network with like-minded members, who understand and share your unique perspective on the pension's landscape.

Our membership represents 450 schemes and assets of £6.8b. We have become a persuasive voice for trustees and are listened to by Government, The Pensions Regulator, the Pensions Industry and the industry's media.

We offer

- CPD accredited training on many aspects of pension trusteeship
- Regular open meetings in which you are encouraged to network with fellow members from other pension schemes and discuss issues of common concern
- Opportunities to publish material in the pensions press
- Special offers from sponsors and friends
- Free attendance at our annual conference and quarterly members' meetings
- Access to our comprehensive calendar of events, including industry seminars, forums and round-tables
- Access to live and archived webinars
- Receipt of our quarterly publication 'Trusted'

Becoming a member

You can join the AMNT within a matter of minutes. Simply visit our website at: **amnt.org/join-us**

Membership benefits

There are many ways member nominated trustees can benefit from joining up: Access to specific information and advice to help you in your role as a member nominated trustee. Being part of an organisation dedicated to giving MNTs a voice, which is listened to by Government, the Industry and the Regulator. Encouragement to sit (and pass) the Pensions Management Institute examination, to obtain the Award in Pensions Trusteeship – a recognised qualification. Free subscription to several leading pension publications.

Lightening the governance load **in volatile times**

By Alex Pollak, Head of Clients, BlackRock

For professional clients only

In our latest blog, learn how fiduciary management can provide respite for hard-pressed trustees in uncertain times.

Everyone is yearning for a return to normality after the past 12 months. The rollout of vaccinations against COVID-19 gives us hope. It has helped financial markets recover some poise after their rollercoaster ride in 2020.

But keeping on top of the implications for the performance of a pension fund remains time-consuming for trustees. It is hard for them to move at the speed it takes to respond to difficult markets, or to keep up with the changing fortunes of different sectors. A meeting needs to be convened and decisions taken. By then, the market may have changed direction again.

Add to that the complexity and breadth of investments to consider and evaluate for a pension scheme. Once upon a time, asset allocation conversations were about the balance of equities and bonds. But today there is so much choice, from infrastructure to private equity to real estate and derivative instruments. There's also the different types of investment strategies and different approaches to managing investment risk to weigh up. It can be hard for trustees to keep up with all the latest thinking, especially as they have to manage these responsibilities alongside their day job.

It's not surprising that trustees are increasingly turning to fiduciary managers to delegate a scheme's day-to-day investment management and reduce some of their workload.[1]

What fiduciary management brings

Hiring a fiduciary manager allows a pension fund scheme to tap skills and knowledge that some trustees may not have and are hard to acquire. They can bring specialist knowledge on different investment products and financial markets in other parts of the world. Fiduciary managers can also potentially save money on performance fees by aggregating fund purchases.

Outsourcing the day-to-day investment decisions enables a pension fund scheme to be more agile in volatile markets. Fiduciary managers can act quickly to protect the pension scheme's funding level when markets are tumbling, or capitalise on market opportunities when they are rising. They are watching and discussing the change in financial markets every day.

Fiduciary management also brings a more objective approach to managing investments. Trustees often have emotions attached to previous investment decisions and so might find it harder to make a change or to cut ties with poorly performing investment managers. It can take time to agree changes, with meetings between trustees often being months apart.

Easing the regulatory headaches

There is a constant stream of new legislation affecting how pension fund schemes are run. It can be a daunting task for a trustee to implement and comply with each wave of new rules. A fiduciary manager can help trustees to navigate this. They can spot key legislative and regulatory changes that will affect the pension market. We work with trustees to help them think through and comply with the latest regulations.

Trustees can focus on what really matters

Delegating the day-to-day implementation of an investment strategy to a fiduciary manager frees up trustees' time, eases the stress and allows them to focus on the bigger picture. It provides both the fiduciary manager and trustee with clearly defined roles. Trustees can concentrate on the pension scheme's funding goals and how to reach them, while the fiduciary manager focuses on how to adjust the portfolio as financial markets rise and fall.

Looking forward, there is uncertainty over how the economy will recover from the pandemic and new government requirements loom over how pension schemes report on climate risk. From October, trustees of plans with more than £5 billion in assets will be required to report on the financial risks of climate change within their portfolio. This will be extended to schemes with more than £1 billion in assets from October 2022.[2] With no signs of the demands on trustees easing, I expect more to turn to a fiduciary manager to ease the governance burden.

[1] https://www.isio.com/media/1269/fm-survey-2020-results-report.pdf

[2] FT January 27, 2021

Risk Warnings

Capital at risk.

The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

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The 'silver squeeze': tackling decumulation dilemmas for retirees -to-be

By Stuart Murphy, Co-Head, DC, Legal & General Investment Management

Five years on from Freedom and Choice, the New Romantic generation is dancing towards a decidedly unromantic retirement. Legal and General Investment Management (LGIM) and NMG Consulting examine how you could boost the outlook for non-advised prospective retirees.

The Freedom and Choice reforms of 2015 opened up a swathe of new options for savers at retirement. They opened the door to staying invested, and bolstered the seemingly universal allure of tax-free cash.

Among the first to benefit from these changes would be Generation X. The older section of this group, who grew up with cassette players, neon jeans and Thatcherism, are now in their early-to-mid 50s. Neither fully 'generation DB' nor 'generation DC', many do not seek financial advice. And many will need extra help with their savings and planning.

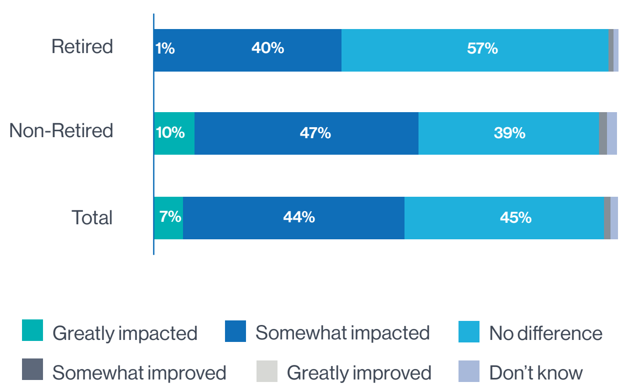
But, over five years on from the changes, how has prospective retirees' decision-making evolved? To find out, we conducted 40 in-depth interviews alongside quantitative research with 1,150 defined contribution (DC) pension scheme members aged 50+. All were in the run-up to retirement or had already entered it, and none had received formal financial advice.

Stuck in the middle

Sandwiched between Baby Boomers and Millennials, Generation X truly are the 'squeezed middle' – in more ways than one. Many in this cohort lack earlier generations' property and investment assets, as well as higher value defined benefit (DB) or personal pensions. Nor is this generation supported by early access to the state pension.

Along with relatively precarious finances, Xers face myriad financial pressures. Care costs for children and parents, a reduction in state benefits and unemployment uncertainty have all been compounded by COVID-19 and asset volatility. The pandemic is the single biggest trigger of anxiety for all age groups about retirement finances. 57% of the pre-retired group told us that COVID-19 has impacted on their confidence in their retirement finances, compared to 41% of the already-retired group.

The impact of COVID-19 looms large for both groups but especially for those who have not yet retired



All in all, we discovered a widespread lack of proper retirement income planning. 17% of retirees have accessed their pots without any planning at all and 41% haven't made any concrete plans. Savers were risk and change-averse: 56% of those who had used a default fund during the accumulation journey wanted to stay in the same product during decumulation.

Education, education, education

As most savers do not access advice, it's especially important that providers get communication right, at least until savers' attitudes towards advice change. Developing strong educational tools to engage members is particularly important earlier on in the savings journey.

Better education may just mean a nudge in the right direction. For example, the 25% tax-free cash lump sum accessible from aged 55 is one of the most widely known and appealing elements of today's DC pensions. But with so many members expressing concerns about their projected retirement income, or moderating their aspirations, we believe policymakers and providers could encourage retirees to think flexibly for their individual needs. That may mean taking their cash as phased income, rather than as a retirement windfall which leaves them with less invested later on. Providers could model the impact on savers' portfolios of taking the cash all at once, versus incrementally, so that members have an easy and tangible comparison of the real effects on their retirement income.

And there were other myths to bust and knowledge gaps to fill – some of which have sprung up since the Freedom and Choice reforms:

- The idea that buying an annuity is always a poor choice
- The challenges of consolidation
- Explaining the tax liability of drawdown, including thresholds and lifetime limits
- The effects of inflation
- The potential pitfalls of withdrawing too much in one go

Doing extra for Gen Xers

Five years on, we are still only partway towards ensuring the Freedom and Choice reforms fulfil their promise for this generation of retirees-to-be. It's certainly welcome that members have more flexibility, and tax-free cash is a well-known and well-used feature. The key will be helping savers capitalise on these benefits as they enter drawdown, rather than leaving them mired in a consumer's dilemma where more freedom to choose actually leads to more confusion. To read the full article please go here: **www.lgim.com/landg-assets/lgim/_document-library/capabilities/defined-contribution/the-silver-squeeze.pdf**

Important information

Dashboard: demystifying Government Pension Strategy and Policy

By Michael Nicolaou, formerly Interim Treasury and Pension Fund Manager, Warwickshire County Council

A cross section of practitioners recently described the pensions industry in mainly downbeat adjectives[1]. Two of the more common ones were confused and complicated[1]. Clearly, not all is well. In the context of the Pensions Dashboard, Michael Nicolaou outlines some issues and highlights the key challenge facing the industry.

Rumour has it the consumer will be at the heart of the Pensions Dashboard. Espoused benefits such as fewer unclaimed pensions have reinforced the notion leading to a consensus that the dashboard is desirable, even needed.

But there is cause for concern. This is because in underpinning development of the dashboard, Government expectations and guidelines suggest it is about strategy and policy.

One of the drivers for the dashboard is that it will allow users to readily see key information about their pensions in one place, such as their pot values. The belief is this will support better retirement planning. However, among other things, the dashboard will support the likelihood of commutation, whether in part or in full, for short-term need or want.

The commutation of pensions for short-term utility risks hindering workforce management and financial wellbeing in retirement, both already a concern following the introduction of the pension freedoms.

While doing its research, the National Employment Savings Trust (NEST) found that its younger members may stop saving if they see falls in the value of their pots. The dashboard will show pot values, so may give effect to similar parallels in other schemes. Moreover, to encourage continued saving, other schemes may follow NESTs example and upend investment convention by shortening the asset duration in their younger members' default fund.

More generally, the dashboard will be in keeping with a Government pension strategy and policy that is inconsistent with economic stability. Rationale and empirical evidence from the US discerns that a shift towards financial-market-based pension arrangements exacerbates the effects of recession and increases economic volatility.

In essence, the current pension regime creates risk for businesses and consumers. This includes risk to workers' financial wellbeing and the certainty, security and, in many cases, the protection of their pension savings. It also implies a higher incidence of small pot and active member churn, thus increasing pension complexity, administration and cost.

In the same vein, there is a greater need for workers to monitor their pension savings. It also follows that as a medium for monitoring pension savings the dashboard may support an increase in the volatility of the economic cycle.

Engagement is also unlikely to be immune. The parallel with NEST is a case in point. Multiple dashboards will facilitate and broaden that further.

Therefore, as things stand, the dashboard will be an anachronism. Although sagacious design may help, fundamentally the consumer will not be at the heart of the dashboard until he/she is at the heart of Government pension strategy and policy. In this regard, the Pension Schemes Act 2021 will not be helpful.

[1] The Pensions Industry in One Word, Professional Pensions, May 2021.

Trusteeship: raising the bar

By Tim Middleton, Director of Policy, PMI

The success of PMI's APTitude programme has sent ripples across trusteeship as a whole. As a consequence, PMI has now provided an accreditation regime for lay trustees.

PMI began providing accreditation for professional trustees last year. This represented the culmination of work it began in 2017 with the formation of the Professional Trustee Standards Working Group, and was designed to promote professionalism through giving formal recognition to those within the professional trustee sector who demonstrated an ongoing commitment to the highest standards. However, the success of this initiative stimulated a requirement from leading lay trustees, who were keen to demonstrate that they take their responsibilities every bit as seriously. In response, PMI has now developed an accreditation service for lay trustees.

The accreditation regime for lay trustees is directly comparable to that created for professionals. Although there is no formal 'fit and proper' test or references (these are not applicable to the appointment of a lay trustee), the academic requirements are identical. Applicants must have completed the Regulator's Trustee Toolkit and have passed both papers of PMI's Certificate in Pension Trusteeship (CPT). Additionally, there is a formal Continuing Professional Development (CPD) requirement. This has been developed from the voluntary CPD arrangement for members of the PMI Trustee Group Board programme. There is to be a dedicated CPD recording tool on the PMI website to allow accredited trustees to record at least 15 hours of structured and unstructured CPD.

The initial cost of accreditation is £300. The annual cost of renewal is £150 for PMI members and £300 for non-members. Accredited trustees are awarded a certificate.

By becoming accredited, trustees will be able to demonstrate a commitment to the high standards first demanded by TPR in its 21st Century Trusteeship campaign.

Members and the Regulator will see clear evidence of a trustee's commitment to providing high standards of governance.

The accredited lay trustee will enjoy an enhanced degree of credibility through having his or her credentials verified by PMI. PMI's heritage in providing services to trustees is unique within the industry, and the prestige associated with accreditation will be of great value. In an era where the demands placed on trustees are greater than ever, accreditation will demonstrate determination to meet the challenge

How to advance your career
(and increase your enjoyment of pensions!)

By Ella Purkiss, Consultant, Lane Clark & Peacock

I am a consultant in LCP's Pensions Administration department. I spend a large chunk of my time developing and maintaining our member communications, but I also get involved in various projects across the department with a focus on improving member experience.

I took the decision to pursue the Advanced Diploma in Retirement Provision (ADRP) quite quickly after joining the department, and I'm very glad I did. My route into pensions administration was not a traditional one – I started as a secretary in LCP's actuarial practice and spent some time in marketing before joining the pensions administration department six years ago. So, while I had some pensions knowledge before starting it, the ADRP really helped to formalise that basic knowledge and put it into context. The course is structured so that knowledge of various areas is built over time, which mirrored how I was gaining experience at work, enhanced my understanding, and – dare I say it – increased my enjoyment of pensions!

Having biannual sittings was useful and allowed me to study flexibly. When I started studying I had enough free time to take two exams each sitting - that changed once I had my son, at which point taking one exam every six months was plenty.

I felt like I could study at my own pace, and the study package at LCP really helped support my progress.

And, of course, there was plenty of encouragement from others who had previously studied for the qualification. My weekly mentoring sessions were invaluable – my colleagues very generously helped prepare me for each sitting by explaining how they had approached the study material, kept my study on track and tested me rigorously as exam day got closer.

The syllabus is sufficiently broad to touch on all the main areas of pensions and benefit provision, and after completion of the core units there is the option to take those modules that most relate to your work or interests. It is, therefore, very much up to you how you want to shape your qualification in order to get the most out of it.

Now that I have completed the course I feel much more confident in terms of my technical knowledge, and proud to be an Associate member of the PMI. I believe it will help with my career progression, as it's given me a good grounding in a broad area of pensions topics and a level of understanding that has already been useful in my role. It has allowed me to view industry developments 'in the round' and assess their impact on our work more thoroughly and strategically than before.

It's a meaty qualification that involves a substantial time commitment, but the structure of the course makes it a manageable challenge. So, if you are looking for a way to really engage with your work in pensions and progress your career, then I would recommend considering the ADRP.

Pension dashboards – some key questions for you

By Simon Lightman, Partner, Pension contracts, Eversheds Sutherland, and Jeremy Goodwin, Partner, Head of London pensions, Eversheds Sutherland

The steady march towards pension dashboards continues in earnest, with some significant milestones over the past six months. These include the Pension Schemes Act 2021[1] receiving Royal Assent, the Pension Dashboard Programme (PDP) publishing its data standards guide[2] in December and, more recently, its architecture brief for suppliers[3] and call for input[4] on the proposed 'staging' of a gradual rollout.

The PDP recommends that staging occurs in three waves, with the first wave in April 2023 (larger Master Trusts along with Financial Conduct Authority (FCA) regulated providers of personal pensions and occupational schemes with more than 1000 members).

Although still at consultation stage, industry participants should now have a good understanding of how the dashboards are likely to operate, including the technical steps that pension providers will need to take to work with the dashboard ecosystem.

Many schemes will rely on technical integrations developed in-house by third party administrators (TPAs), or those developed by integrated service providers (ISPs). As a result, it will be important to consider if existing administration contracts are fit for purpose from a dashboards perspective. Key considerations include:

- **Technology solution:** is the TPA planning to develop its own in-house solution or will it use an ISP solution? If the latter, will the scheme be required to contract directly with the ISP or will the TPA engage the ISP as a subcontractor? If the administrator is developing its own solution, will there be any technical impacts on performance of existing IT systems (for example, resulting from additional automated requests made via dashboards)?
- **Data cleansing:** the PDP's proposed stages are based on the fact that Master Trusts and FCA-regulated providers are already under significant data reporting requirements and are therefore expected to be in a stronger position in terms of data availability and quality. However, most schemes will need to undertake a data mapping and cleansing exercise. Schemes should discuss this with their TPA and plan for any project activities. How can they be weaved into any existing data exercises (for example relating to GMP equalisation) and could dashboard requirements be incorporated into wider data management plans?
- **Cost:** does the TPA intend to charge for dashboard integration either on an up-front project basis or through ongoing additional fees?
- **Risk allocation:** pension providers will retain ultimate responsibility for meeting timing and technical integration requirements. Will the TPA take contractual responsibility for achieving these and what remedies will the scheme have, if any, in the event of a delay or failure to integrate?

As previous compliance exercises such as pensions freedoms and GMP equalisation have demonstrated, early engagement with TPAs (including as part of any upcoming renewals and procurement processes) will be key to ensuring a smooth path to compliance with minimal disruption to members.

[1] www.eversheds-sutherland.com/global/en/what/articles/index.page?ArticleID=en/Pensions/psa-2021-guide

[2] www.pensionsdashboardsprogramme.org.uk/2020/12/15/data-standards-guide/

[3] www.pensionsdashboardsprogramme.org.uk/wp-content/uploads/2021/05/PDP-architecture-brief-for-suppliers-mar-21.pdf

[4] www.pensionsdashboardsprogramme.org.uk/2021/05/27/call-for-input-staging/

What's happening in the **bulk annuity market?**

By Roisin O'Shea, Business Development, Rothesay

Despite the unprecedented times we have seen over the last 18 months the bulk annuity market continues to be a hub of activity. In actual fact, 2020 was the second largest year on record for the bulk annuity market and the pipeline for 2021 suggests we will see similar volumes this year.

As well as a busy pipeline of schemes coming to market there are a few other things going on that are worth noting:

Solvency II reform

The future direction of the prudential regulatory regime for UK insurers post-Brexit is currently a hot topic of discussion, particularly in light of HMT's review of Solvency II (SII). There has been much speculation that the end result of this will be materially lower capital requirements for annuity writers and that this will lead to cheaper pricing for pension schemes. However, this may be slightly wishful thinking as the mood music from regulators suggests that they consider the level of capital currently held by insurers to be broadly at the right level.

ESG

There has been a clear change in the last 12 months in the amount of conversation around environment, social and governance (ESG) factors. Many pension schemes, asset managers and insurers are working on formulating clear policies, clear disclosures and clear commitments. As an insurer we have to make specific disclosures to the PRA to evidence that we have considered these risks, and our first public report detailing our policies will be released in the coming months. We are also beginning to see pension schemes take more of an interest in insurer ESG policies and taking them into consideration when deciding the long term home for their members.

Novating swaps

As of September 2021, the way swaps are collateralised will change for a large number of long-term investors, including insurers like Rothesay, and the very largest of pension funds. Certain swaps that are put in place after this date will be subject to a requirement for Initial Margin. Initial Margin is additional collateral that both parties will need to exchange with the other party with the aim of reducing counterparty default risks further. Trustees that are planning to complete a bulk annuity should therefore explore whether swaps are likely to be transferred as part of the premium payment and investigate whether additional costs will be incurred.

Deferred capacity

It's fair to say the level of deferred liabilities in the market has increased. This is being driven by pension schemes, who have previously carried out pensioner buy-ins, now wanting to secure the remainder of their liabilities as well as those schemes who have found themselves able to afford buy-out in one transaction. The good news is that deferred capacity in the bulk annuity market also increased and deferred heavy transactions are seeing attractive pricing. Reinsurers have also increased the level of deferred liabilities they are willing to take on which is one of the drivers for the increased capacity.

Change is needed now

if adequacy outcomes are to be improved for future generations of retirees

By Lauren Wilkinson, Senior Policy Researcher, PPI

Over the last decade the pensions landscape has gone through a great deal of change, with the introduction of Automatic Enrolment, Pension Freedoms and the continued shift from defined benefit (DB) to defined contribution (DC) provision in the private sector. However, the nature of pension saving is inherently long-term and, as a result, policies aimed at increasing pension saving take time to embed and impact later life outcomes.

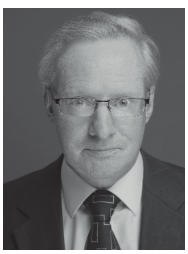
While Automatic Enrolment has brought more than 10 million additional savers into pension saving, it will be some time before the positive effects of being automatically enrolled throughout working life can be seen. The impact of Pension Freedoms may be more varied as we observe how it develops in years to come. While giving savers greater flexibility when they come to access their savings in retirement, savers are exposed to higher risk when it comes to making decisions about how to access savings. The continued shift from DB to DC has also increased the risk borne by individual savers, as under DB schemes risk was predominantly borne by employers. There are concerns that increased risks, along with low contribution levels, mean that fewer people will be able to achieve adequacy in later life compared to previous generations of retirees.

The question of how to achieve adequacy is not one which has an easy answer, as there are several different measures of adequacy and it can mean different things to different people. However, the UK is currently on course for a quarter of people approaching retirement (those aged between 50 and State Pension age) being unlikely to receive an income that will provide a minimally acceptable standard of living in retirement and nearly half failing to achieve a personally acceptable standard of living. Fewer than 1 in 10 can expect to achieve a comfortable living standard (as described in the Pensions and Lifetime Savings Association's (PLSA's) Retirement Living Standards). The risk of not achieving retirement adequacy is even greater for members of certain 'underpensioned' groups including women, black, Asian and minority ethnic groups, those who are disabled, carers and the self-employed.

While the pensions landscape has gone through significant evolution already, there will still be many who struggle to achieve adequacy. Joined up approaches are likely to be needed across a broad range of policy areas, including work, housing and health, in order to improve adequacy in retirement across the board, and especially for those in underpensioned groups who are at greater risk of experiencing poor later-life outcomes. Because of the long-term nature of pensions, these changes will need to be implemented as soon as possible in order to improve adequacy for those who are currently some distance from retirement.

Aptitude Accredited
Professional Trustee column

The challenges from uncertainty and risk, and the role of insurance



By Martin Kellaway, Executive Director, The Occupational Pensions Defence Union & Independent Trustee

Pension Trustee Liability insurance (PTL) was, for many years, regarded as a dull but necessary part of running a scheme. But seemingly overnight, this has changed dramatically. Trustees and their advisors now recognise the vital role that PTL can play in managing risks in today's fast-moving pensions environment, as trustees manage compliance and residual risks when schemes move into winding-up.

Risks arise from pensions policy in a number of different scenarios:

1. When matters emerge in the future which were not dealt with in compliance with the applicable law / guidance or scheme deeds and rules in the past, or

2. When the law changes in the future thereby putting a retrospective duty on schemes to comply, or

3. When a scheme member or other interested party alleges either of the two matters above and makes a complaint that the trustees have failed in some way to comply.

The last point is an important risk since the trustees may have a very good record of their actions, the advice they took and, therefore, a solid defence of their actions and to the allegation. It is vital that PTL needs to be there to support trustees to prove that their defence is valid and effective and, if needs be, to respond robustly, backed with legal and other advice as the case requires.

The Pensions Regulator (TPR) has stated its intention to increase regulatory activity via its formal powers to hold an investigation. TPR already has extensive powers to force disclosure of advice and other evidence to them.

It is vital that PTL supports trustees through this process which can be very demanding and can require additional advice and support. It can also be expensive to be involved in an investigation. Importantly, it may well be that TPR ends its investigation with a decision to take no further action.

Many schemes are now approaching their end game and are preparing either partial or full winding up which may include residual risks buy-outs. Here PTL provides an essential role in supporting and protecting trustees since after winding-up there will be no scheme assets to defend them and either a non-existent or uninterested sponsor to indemnify them.

In a residual risk buy-out, the buy-out insurer will take on some of the risks trustees face, namely: data risk, benefit risk, Guaranteed Minimum Pension (GMP) equalisation, methodology risk, and some will accept missing beneficiaries. This still leaves the trustees exposed to other areas of risk and it is important that a good PTL policy is put in place to compliment the residual risk buy-out to support the trustees.

The current market for PTL (and other forms of insurance such as Directors' and Officers' Liability, and Professional Indemnity) is a very hard one after many years of soft pricing. This has been driven by some large claims for investigations and by insurers' assessment of potential future claims arising from regulator action and policy changes, such as to environmental, governance and social (ESG) factors. ESG is a risk because there are various ways to comply and the data is not always that reliable. It is vital that PTL is there to support and help trustees when things go awry in the future.

The greater the allyship, the greater the Pride

By Matt Cameron, Global Managing Director, LGBT Great

Pride is about celebrating difference, standing in solidarity and practising allyship towards others.

What is Pride?

Pride month is a global movement and has gained considerable traction across the world since getting started. A key reason for its success has been the passion and resilience of the LGBT+ community but also the support it has received from visible and vocal allies.

> **It is very important to recognise that Pride celebrates all identities and brings the community together. This means not just sexual orientations but gender identities too.**

It is clear that the investment and pensions industry has a long way to go with regards to diversity, equity and inclusion. Only approximately 3% of our workforce identifies as LGBT+, with a heavy skew towards the 'G'. Over 30% choose not to be out to senior colleagues because they fear a risk to their career progression, and 49% said that they didn't feel fully supported by colleagues or leadership when they came out at work. These numbers have to improve and supporting Pride and encouraging allyship regularly are key ways organisations can start to get ahead.

Why are allies important?

Our research indicates that 92% of LGBT+ employees working in the industry say that visible support from senior level executives. Impactful allies are essential as they help us to dismantle stereotypes and provide valuable support to under-represented diversities who may not have the power, status or opportunity to influence institutional and systemic change. At LGBT Great, we refer consistently to 'The Five Traits of Impactful Allyship'. These are: self-discovery, empathy, courage, responsibility and persistence as key tools to help influence greater visible and authentic support for our community.

This support has never been more vital than it is today. The coronavirus pandemic has prevented many Pride events taking place at all. The issue of gender identity is increasingly contentious for many governments and societies including the western world. Transgender and non-binary people are barely recognised at all and are facing unprecedented levels of discrimination and persecution. Despite these adversities, there are specific things organisations can do to ensure LGBT+ talent doesn't feel isolated or alone.

What can you do?

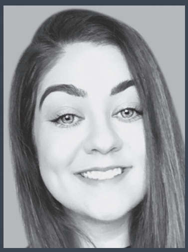
1. Create a plan: building a practical LGBT+ diversity and inclusion plan means creating clear roles and accountabilities for executive leaders to sponsor and to drive. Visible allies play a critical role in helping to create psychological safety for employees, and are a key way to develop the corporate allyship that really matters to the community. Using a framework is a good way to focus hearts and minds on the tasks at hand.

2. Encourage authentic visibility: LGBT Great is proud to work with executive leaders across our industry and this year we are recognising one hundred influential allies for their leadership on the diversity, inclusion and equity agenda in our Top 100. This year we will also recognise ten leaders who are excelling in their allyship to others and demonstrating clear support to the LGBT+ community within their organisations in our inaugural Allies Awards. The Top 100 is one of our positive action initiatives to achieve our mission of one thousand visible role models and allies at all levels within five years. It's a tall order but, together, I am confident that we can achieve it.

About LGBT Great

LGBT Great is a global diversity and inclusion membership organisation that are specialists in supporting businesses to develop corporate allyship, visibility and outreach. To join our push to achieve our mission and become a visible supporter of LGBT+ diversity and inclusion within your firm please sign up at: **www.lgbtgreat.com/project-1000-sign-up**

Why have a pension scheme diversity & inclusion policy?



By Amy Bloomfield, Associate Consultant, Aon and Lynda Whitney, Partner, Aon

In an ideal world, all of our differences would be equally celebrated and we would not need specific laws to protect an identified group, or awards based on sex, age or colour. Before we get to this utopian ideal, how can having a Diversity & Inclusion policy for your pension scheme help improve fairness?

Introducing a Diversity and Inclusion (D&I) policy provides an opportunity to assess current practices and to identify what could be improved in order to achieve your scheme's D&I vision. The process of agreeing the vision and goals are an important part of the process. You consider which goals can be made SMART (specific, measurable, achievable, realistic and time-bound) and which are better as broad visions. Noting a SMART objective often narrows the goal, so you may prefer the visionary version for some or all aspects. We recommend you consider the trustee policy alongside any corporate policy, as the sponsor may be keen for the trustee board to be managing D&I issues consistently.

Example vision goal	Example SMART goal
Encourage and maintain a diverse and inclusive trustee Board, removing any barriers to becoming a trustee	Aim for a trustee board with 30% female directors by [date]
Provide an open environment for free discussion between the trustees without negative judgement, and encourage contribution to the discussion regardless of expertise level	Measure the objective of maintaining an open environment through annual anonymous survey
Remove any barriers from practices or scheme rules, where possible, that prevent inclusivity	Undertake a review of scheme rules and considering who has the power to make changes identified. By [date] the trustee will have written to the company with any areas they would like considered for change
Encourage member engagement through the development of inclusive communications	Undertake a review of member communications considering inclusivity of physical, mental and digital accessibility
Consider Environmental, Social and Governance aspects of investment decisions	Include a clear D&I objective in your Responsible Investment policy

Some actions were highlighted in the SMART goals but there are also other actions which can support the D&I policy.

A few examples include:

- **Unconscious bias**

  Unconscious biases exist and it is important that these are recognised, and trustees are not thoughtlessly led by them when making decisions.

  This issue can be tackled by asking questions and considering counterfactual views, e.g. when considering an ill-health retirement for a mental health condition; challenge with a counter-factual example like what if it was a bad back.

- **Diversity in trustee appointment**

  By advertising vacancies with an emphasis on a willingness to learn and outlining the development support available for trustees, this will help to encourage a wider pool of candidates. This can assist in creating a board that encompasses cognitive, characteristic and experience diversity.

  Ensuring that the individuals who apply are aware that the board receives regular training and development support, as well as being encouraged to be a part of all discussions, should create an inclusive environment.

If we put the work in, we can strive towards an ideal world.

To read more on D&I in investment strategy read the March Pensions Aspects article here: www.pensions-pmi.org.uk/knowledge/pensions-aspects-magazine/incorporating-diversity-inclusion-in-investment-decisions/

If passion drives you, let reason hold the reins

By Dr Chris Sier, CEO, ClearGlass

'Work isn't work if it's fun' is an adage that has led me to make what many consider to be some terrible decisions in my career and academic life. It started in 1989 when after studying marine and environmental biology, I went on to do a PhD on the impact of climate change related extreme weather events on the reef ecology of the Indian Ocean. During the next four years, I was attacked by sharks, caught by a waterspout and suffered dengue fever. But throughout, I did have a real sense of purpose, and studying reefs had some fringe benefits too!

On leaving the Maldives, I chose to become a Police Officer in the UK. Not an obvious choice after my PhD, but I wanted to challenge myself, work with people and have the opportunity to make a direct and immediate impact on those I worked with. There were downsides, as you would expect; I was shot at, stabbed and run over, but during my seven years as an officer, I worked with some of the most cannily intelligent, quirky and kind people it is possible to imagine. To this day, I have immense respect and gratitude for what the police contend with on a day-to-day basis, and I live with the memories of the cruelty I witnessed and the kindness of strangers. The old lady who had barely anything who would always find the time and money to bring a cake to the front desk for the duty sergeant will forever remain in my heart.

Spending seven years seeing first-hand the challenges that so many people face led me to start thinking about how I could make a bigger impact. At the time, there was approximately £1 trillion cash in bank accounts, £1 trillion in mortgages, but £5 trillion in long-term savings, of which £2 - £3 trillion was in pensions. I could see that small changes in the long-term savings industry could possibly have a large-scale impact and directly benefit many people. So the savings industry was my next step.

Nowadays, I'm known for an alleged obsession with costs. This is not entirely true; what I have is an obsession with value-for-money (of which 'costs' are the 'money' part) and fairness. I felt that restricting information on the true value for money of investing was unfair. I love a challenge, so to cut a long story short, after working with the World Bank and Financial Conduct Authority (FCA), my co-founder Ritesh and I decided to set up a new business, ClearGlass, to try and solve the value for money problem. We are now collecting and analysing detailed cost and performance data using the Cost Transparency Initiative (CTI) standard and the potential for change in the future is excellent.

My advice to those starting out in the industry is threefold:

- Develop your sense of purpose; it will sustain and motivate you when things are no longer overtly fun (to qualify my opening statement)
- Do the hard things; tackle them head-on and don't avoid them; what others avoid, you should seek out as such things are never as hard as they seem and often high impact
- Never forget that your work will help people who either have little, deserve better, or both.

Putting savers at the **heart of all we do**

By David Fairs, Executive Director for Regulatory, The Pensions Regulator

Here David Fairs gives an update on recent activity from The Pensions Regulator (TPR) and highlights how TPR has responded clearly, quickly and decisively to change so that workplace pensions work for all savers.

Despite emerging slowly from pandemic restrictions, we continue to face uncertainty and change in our day-to-day lives and expectations, so it is reassuring to know that some things have remained constant. What hasn't changed is TPR's commitment to putting savers first.

Keeping savers at the heart of all we do has meant TPR itself has had to respond clearly, quickly and decisively to change; striving to ensure workplace savings continue to work for all.

Delivering on the Pension Schemes Act, fighting to keep savers safe from scams and helping trustees to respond to the climate change risk – all examples of how we are working to ensure people who manage pension schemes have the guidance and information they need to govern effectively and make good decisions.

We want to ensure that those in the pensions industry have the opportunities they need to engage with us so their priorities and concerns are reflected. With so much new policy in the pipeline, that inevitably means we are reaching out on a larger scale to the industry for its view - but engaging is the right thing to do so we can all get behind our ability to better protect savers.

Code of Practice 12 consultation

We recently consulted on changes to our Code of Practice 12 following the introduction, by the Pensions Schemes Act 2021 of two of new tests in relation to our Contribution Notice (CN) power. The new legislation amends our CN power to introduce two new ways in which we can assess the impact of an act: the employer insolvency test, and the employer resources test. The new tests are in addition to the existing main purpose and material detriment tests.

We are updating our Code to explain the circumstances in which we will consider issuing a CN on the basis of the new tests.

We know from our casework that there are certain acts that affect an employer's ability to deliver the retirement outcomes savers expect. The existing tests for the use of our CN power do not focus solely on the effect of a specific act on the employer.

The new employer insolvency and employer resources tests build on the current legislation to capture situations in which an act affects an employer covenant in a sufficiently material way. They look at the impact of the act on the employer at the time the act takes place, like a snapshot.

A CN will not be automatically issued if one of these tests is met. The legislation sets out a number of tests which must be met, including that it is reasonable to issue a CN.

While we don't expect the new tests to significantly shift our current approach for assessing potential Contribution Notice cases, it's important that we consult with the industry and give some examples of the circumstances in which the new tests could apply.

Our new powers are expected to take effect from this autumn and, as already confirmed by the Government, will not be applicable to acts taking place before then.

Trustees: be alert and act quickly

We also recently published our Annual Funding Statement (AFS)[1] which calls on pension schemes to remain alert to the risk of weakening employer covenants and act quickly where needed to protect savers.

We know many employers and trustees have worked together to maintain their funding commitments however there is still uncertainty in the market due to pressures including the COVID-19 pandemic and Brexit. This means trustees should remain vigilant and take swift action where necessary.

When carrying out actuarial valuations, trustees should review how their covenant may have changed in the past year and then continue to monitor it. We expect trustees to remain engaged with employers who, in many cases, are emerging from a difficult business period.

The AFS, which is particularly useful for schemes with valuation dates between September 2020 to September 2021, shows that this tranche has remained buoyant despite difficult market conditions for sponsoring employers.

Many businesses will have benefited from extended government support and while it is too early to tell if we will see a rise in company insolvencies, uncertainty remains. If there is a prospect of insolvency or a restructure of scheme employers, we want trustees to probe the covenant even further, taking professional advice if needed to gain a fresh view on covenant strength to ensure their scheme is being treated fairly.

TPR's Corporate Plan

To support trustees, employers and savers navigate the economic uncertainty caused by the pandemic, we also recently published our Corporate Plan[2] which sets out our key priorities for the year ahead.

The priorities, which are grounded in putting the saver at the heart of what we do, include implementing the Pension Schemes Act, combatting scams and developing a framework for measuring value for money.

The plan shows how we will deliver against all five strategic priorities, as outlined in our long-term Corporate Strategy[3] which sets out our blueprint for the future of pension regulation, and build on the work we have done in recent years to be a clear, quick and tough regulator.

The landscape ahead is both exciting and challenging and we are determined to embrace the changes to come. These include the ongoing shift to defined contribution (DC) saving and market consolidation, the emergence of new technologies, and the impact of climate change on trustee and employer decision making.

The plan also sets out how our work will be measured. For the year ahead, we have set ourselves 15 key performance indicators that are a mixture of quantitative, milestone and progress-based measures.

I have provided a snap shot of the work TPR has been doing: from signaling the direction of travel over the years to come, to alerting trustees to risks ahead and what they should to do, to asking the industry to feed into our detailed codes. All of our work seeks to ensure workplace saving works for all savers, so that savers can look forward to the retirement they are planning for.

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[1] www.thepensionsregulator.gov.uk/en/document-library/statements/annual-funding-statement-2021

[2] www.thepensionsregulator.gov.uk/500?aspxerrorpath=/en/media-hub/press-releases/2021-press-releases/regulators-launch-call-for-input-on-improving-the-consumer-pensions-journeyhttps:/www.thepensionsregulator.gov.uk/en/document-library/corporate-information/corporate-plans/corporate-plan-2021-24

[3] www.thepensionsregulator.gov.uk/en/document-library/corporate-information/corporate-plans/tpr-strategy-pensions-of-the-future

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DC Pens. Investment Consultant — £DOE
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Pensions Trustee Director — £DOE
London/North West/Home — CE14835

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Pensions Officer — Up to £27k
West Midlands/Home — TD15084

A super opportunity for an experienced Pensions Administrator. You will have a thorough understanding of pension benefits calculations & UK pension regulations. DB knowledge essential, experience of LGPS would be beneficial.

Pension Governance Consultants — £DOE
London/North West/Home — CE14955

Working for this well-respected independent pension's management firm, you will provide governance services to a portfolio of clients, as well as work with your colleagues on project-related pension scheme events.

Risk and Compliance Officer — £45-£60k
Home-based — CE15028

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Pensions Administrators — £DOE
West Yorkshire — TD14991

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Medical & Group Risk Administrator — £DOE
West Yorkshire — TD15086

We are looking for an enthusiastic, highly motivated Employee Benefits Administrator to join this successful firm during an exciting period of fantastic growth. You will have Private Medical & Group Risk Administration experience, a knowledge of other benefits would be useful but not essential.

Team Leader — Projects — £DOE
Surrey — TD15039

As Projects Team Leader you will be working on client projects within the Master Trust. You will plan and control all client-based projects and report progress to the client and Operations Management. DC pensions knowledge is essential.

Contact Tasha Davidson (TD)
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0208 274 2842 / 07958 958 626

Contact Craig English (CE)
Craig@abenefit2u.com
07884 493 361

Contact Dianne Beer (DB)
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