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Pensions Aspects

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The art of professionalism

Furthering understanding through education and training

GUIDING THE WAY AT RETIREMENT

IS PATIENCE A VIRTUE IN DC INVESTMENTS?

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Pensions Management Institute
ACHIEVING PENSIONS EXCELLENCE

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It's exam time!

By Lesley Carline
PMI President

We are now entering the examination period for our students and hopefully all their hard work will pay off.

Education and qualifications are the cornerstones of the PMI's reason for being. You could be an industry entrant starting out with the Award in Pensions Essentials, a new trustee taking the Award in Pension Trusteeship, someone continuing on their path towards the Advanced Diploma in Retirement Provision, or even a seasoned pension veteran getting up to speed with other areas such as the Certificate in DC Governance; you and everyone else will be nervous but we have all been there, although for some of us it was a long time ago.

Hopefully all students will have taken advantage of the PMI's offerings in terms of revision courses (either centrally or via a regional group), materials produced by our study partners and correspondence courses manned by our army of volunteers.

The PMI is very grateful to our study partners for providing their expertise to our students, but also to the volunteers who create the exams, monitor the materials and most importantly mark them. Your ongoing support is invaluable and I want to thank you all.

I wouldn't have passed my exams all those years ago without people like you. I have also volunteered in the past, writing study materials, running revision courses and, my personal favourite, setting exam questions.

However, the times are a changing as the saying goes. The PMI is making significant investments into how we carry out the operational side of things i.e. invoicing, entry forms etc, with a new CRM (customer relationship management) system being developed as we speak. This opens up lots of opportunities for our student and qualified members, which we hope to update you on shortly.

Another exciting investment has been in the development and piloting of online exams in October 2018, resulting in the roll out of this capability to many more exam types, notably the multiple choice ones and the ADRP (Advanced Diploma in Retirement Provision). In time we will look to expand our capability to making exams more accessible in terms of location and timing.

We are excited about the positive responses from the students that took part in the pilot last year.

In the coming months you will see more information about our fab five qualifications, all of which will be online, and include:

- **Award in Pension Trusteeship**
- **Certificate in DC Governance**
- **Certificate in Pension Scheme Member Guidance**
- **Retirement Provision Certificate**
- **Diploma in International Employee Benefits**

Our continued commitment to lifelong learning and ensuring our members have the right pathways to develop professionally and in their careers, is at the heart of what we do.

Correction and clarification for Pensions Aspects Nov/Dec edition:

The article on page 14 of the November/December Pensions Aspects, titled The Pensions Regulator: the road ahead, was incorrectly attributed to the TPR instead of DLA Piper. We extend our apologies for this error and for any confusion caused.

Lifelong learning

The FAB 5 qualifications are the focus for the next few months. Pensions Aspects previously published information on International Employee Benefits. Now we can turn our attention to the Award in Pension Trusteeship and the Certificate in DC Governance.

Award in Pension Trusteeship (APT)

The APT qualification is for trustees, or those interested in trusteeship, based on the Pensions Regulator's indicative syllabus. It provides formal recognition of a Trustee's Knowledge and Understanding (TKU) in line with the requirements of the Pensions Act 2004.

The Defined Contribution (DC) and Defined Benefit (DB) APT examination is examined by a 90 minute, multiple choice examination made up of 60 questions.

What does the syllabus cover?

This qualification comprises one mandatory unit covering three syllabus areas:

Area 1: Law and Pensions Overview

- Understand the law relating to trusts
- Understand the law and regulatory guidance relating to pensions

Area 2: Investment and Funding Issues for Defined Contribution and Defined Benefit Pensions

- Understand investment and funding issues for DC and DB pensions

Area 3: Scheme Management Issues for Defined Contribution and Defined Benefit Pensions

- Understand a scheme's trust deed and scheme rules
- Understand a scheme's Statement of Investment Principles (SIP)
- Understand a scheme's Statutory Funding Objective (SFO) and Statement of Funding Principles (SFP) (DB only)
- Understand other relevant scheme documents

Where and when are examinations held?

Public Examination Sittings

There are two public examinations per year; March and September. Public examinations will be at exam venues in the following locations:

Bristol	Jersey
Belfast	Leeds
Birmingham	London
Edinburgh (September only)	Manchester
Glasgow (March only)	Newcastle
Guernsey	Reading
Ipswich	Southampton

Before taking the qualification

Those planning to enter for the examinations are recommended to work through the e-learning programme at **The Trustee toolkit**, which has been developed by The Pensions Regulator to meet their Trustee Knowledge and Understanding (TKU) requirements.

PMI Trustee Group Membership

Any person undertaking the APT examinations receives **free Trustee Group membership** until the end of the calendar year in which they apply.

This means that you will qualify to receive Pensions Aspects, Pensions Age and PMI Technical News. As a member of the PMI Trustee Group you will be able to attend some specific PMI Trustee events free of charge.

The Certificate in DC Governance

This certificate is designed for those running, advising on, or governing workplace pension schemes including:

- **Members of Governance Committees**
- **Trustees and Scheme Secretaries**
- **Associates or Fellows of the PMI who qualified when the examinations were focused on the requirements for Defined Benefit Schemes**
- **Individuals working in allied professions such as legal, investment and actuarial**
- **Consultants advising on pure DC schemes (Trust & Contract), and those whose Defined Benefit schemes include, for example, AVC arrangements**
- **Independent Financial Advisers**
- **Administrators (including providers and Master Trusts) of pure DC schemes (Trust & Contract), and those whose Defined Benefit schemes include, for example, AVC arrangements**
- **Those who have completed the PMI's Certificate in Pensions Automatic Enrolment, Retirement Provision Certificate or Certificate in Pensions Essential**s.

Assessment is in the form of a 90 minute examination made up of 60 multiple choice questions.

Syllabus

The syllabus areas are grouped under fourteen main headings:

1. **Distinguish between the different methods of providing and delivering DC pensions and the different benefits and options**
2. **Evaluate why an employer might choose either a trust, master trust or contract based arrangement**
3. **Understand the roles and functions of the bodies that regulate workplace DC pension schemes and provide assistance or protection to members and employers**
4. **Outline recent developments in legislation and forthcoming changes that will impact on DC pension provision**
5. **Demonstrate an understanding of the automatic enrolment requirements**
6. **Demonstrate an understanding of the importance of the governance structure in DC arrangements**
7. **Demonstrate an understanding of the importance of risk management**
8. **Demonstrate an understanding of the nature of decision making and the role of professional advice**
9. **Understand the Pensions Regulator's and DWP's approach to DC governance and quality standards**
10. **Understand the Financial Conduct Authority's regulatory approach to DC Quality Standards**
11. **Understand the administration requirements for DC arrangements**
12. **Demonstrate an understanding of the importance of effective member communications and engagement**
13. **Demonstrate an understanding of the National Association of Pension Funds Pensions Quality Mark (PQM)**
14. **Demonstrate an understanding of the role of trustees and employer and provider governance committees in choosing and monitoring investments**

Studying for the examinations

We are delighted to be working with Willis Towers Watson and Mayer Brown as Study Support Partners to produce comprehensive study manuals and online tutorial support.

The study manuals and online tutorial support are designed for self study. It is recommended that enough time (40-60 hours) should be spent on study before sitting either of these exams.

Revision courses are available (subject to demand), one month before the examination sitting.

PMI Membership

It is a compulsory requirement to be a member of the PMI to sit the examination. Candidates who are not already PMI Members) will become Affiliate Members of the PMI. Candidates who successfully complete the qualification will be entitled to apply to become Certificate Members of the PMI and use the designation CertPMI after their name.

Please visit **https://www.pensions-pmi.org.uk/membership/** for more information about PMI membership.

Membership update

Obituaries

We are saddened to hear that **Allan Harragan** APMI and **Ian McKeever** have recently passed away.

PMI Trustee Group

Your payment was due on **1st January 2019**. PMI Trustee Group members should have received their **2019** subscription renewal notice. Please contact the Membership team on **020 7392 7410/7414** or email membership@pensions-pmi.org.uk to renew your membership.

Please ensure your payment to renew your membership reaches the PMI by 20th March 2019 to prevent your membership being lapsed.

If you are a Trustee Group Board Scheme member, please contact the Secretary to the Trustees or the responsible person to ensure that your subscription is paid to renew your membership.

Don't forget, entire Trustee Boards can also join the PMI Trustee Group (at a reduced rate of £84 per trustee), and receive additional benefits including the ability to sign up for collective training to be independently recognised by the PMI. Trustee Group Members also receive free attendance at our annual Trustee Workbench conference which focuses on trustee issues and reduced rates at our other conferences and seminars.

Continuing Professional Development (CPD)

Congratulations to all Associate and Fellow members who have already completed and submitted their 2018 CPD reports. Completed CPD reports should have been submitted to the PMI by 31st January 2019. **Please complete and submit your CPD reports to the Membership Department today!**

The PMI CPD requirement is compulsory for Fellows and Associates (except where retired/non-working). Under our CPD Scheme, PMI members are required to record at least 25 hours during the year.

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

PMI Trustee Group Board Certificate

If your Board is a member of the PMI Trustee Group and each member has achieved 15 hours CPD, then you are eligible for PMI Certificate of Achievement.

PMI Fellowship Network (PMI Fellows only)

The first round of PMI Fellowship Network sessions will be held in March to discuss the topic:

1. How viable is DB consolidation?

1a. Why choose this instead of going straight to buy out?

1b. How would the funding work?

The sessions will take place in Birmingham, Bristol, Edinburgh, Leeds and London, chaired by the PMI Fellowship Network Ambassadors and representatives from The Pension SuperFund. Full details will be provided shortly followed by briefing notes.

Fellow members can still access the summary discussion notes from previous Fellowship Network sessions by joining the PMI **Fellowship Network LinkedIn group**. The PMI Fellowship Network is a voluntary initiative which offers Fellows opportunities to expand their professional contacts, including giving feedback to policy makers, providing a forum to discuss achievements in their fields and discover new ways of thinking and collaboration.

Fellowship

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

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

Gavin Fairhurst **Stephen Purves**

PMI Membership Upgrade Waiver

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

Members wishing to upgrade after the end of the waiver period will be required to undertake the usual process which requires the upgrade fee plus the annual subscription at the appropriate rate.

Membership Record

Please ensure that your personal details are correctly updated on the PMI database to ensure that there is no interruption to your membership service.

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**':

Kathryn Allen
Ian Burnett
Oliver Fillingham
Charlotte Hedley
Daniel Reynolds
Christopher Davies
Divya Dayanidhi
Sukjit Dhillon
Oliver Weston
Michael Balam
Emma Craig
James HayHurst
Kirk McClean
Martin Schofield
Catherine Smith
Carol Stirling
Garon Watkins
Lucy Young

For further information or queries regarding membership, please contact 020 7392 7410 / 020 7392 7414 or membership@pensions-pmi.org.uk

Diploma Membership

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

Jonathan Brown
Laura Chesson
Matthew Riley
Hannah Hillier
Emma Colombini

Associate Membership

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

Lauren Cochrane
Katherine Lloyd
Matthew Witherwick
Hazel Holland
Saara Vernalls

Student Network

We are pleased to announce the launch of the PMI Student Network, a group open to those taking PMI qualifications as well as other PMI Student and Affiliate Student members.

The PMI Student Network will provide a forum for PMI students to:

- **Exchange information, knowledge and insights with other student members**
- **Expand their network**
- **Improve their pensions knowledge and understanding**
- **Improve career prospects**
- **Take part in PMI initiatives for students**

You will be receiving further details about joining the PMI Student Network, as well as details on the first exciting initiative for members of the Student Network, in due course.

PMI Membership Benefits

Designatory Letters

PMI qualified members can use the designatory initials CertPMI, DipPMI, AMPI and FPMI after their names.

News & Publications

We regularly release news and provide a range of publications, all of which offer valuable information to keep both our members and those affiliated with the PMI up to date with current pensions issues.

// PMI Technical News

PMI Technical News is our quarterly newsletter which is sent to all of our professional pensions and trustee members. It addresses, in depth, one particular topic which is of current interest.

// Pensions Aspects

Pensions Aspects (formerly PMI News) is our monthly magazine which is sent to members.

It features technical and expert insight columns, and updates from professionals in the industry.

Discussion Forums

// PMI LinkedIn Group

The PMI LinkedIn group provides a forum for members and others involved in pensions and employee benefits to network and share information and views.

// PMI Fellowship Network LinkedIn Group: Fellow members only

Fellows of the PMI can book to attend sessions through membership@pensions-pmi.org.uk. The network provides Fellows with access to discussion material from the Fellowship Network meetings and the ability to network.

Regional Group

PMI has a network of 8 Regional Groups throughout the UK. Each Regional Group organises local seminars, talks and social events. In addition, they provide study support and advice to students who are preparing themselves for PMI examinations.

PMI Qualifications

The PMI is the UK's leading professional body for those working in the field of employee benefits and retirement savings.

ILM & PMI

NEW BENEFIT

We are delighted to be working in collaboration with The Institute of Leadership & Management to build further leadership capability across the sector. The Institute delivers FREE 30 minute Webinars every Wednesday, exploring topical leadership challenges, which you might find interesting.

Get started and book your FREE webinar today at: https://www.institutelm.com/for-you/event-listing.html

PMI Extra

PMI Extra contains cost saving discounts and offers on a portfolio of everyday products and services such as home insurance, hotel stays, gyms and health clubs, Apple products, cinema tickets and office supplies and stationery.

There is no sign-up process, nor any extra charge to access these benefits; you are automatically eligible to access these benefits by virtue of your membership.

PMI Continuing Professional Development (CPD) Scheme

Although the recording of CPD is compulsory for only PMI Associate and Fellow members, the scheme and recording system are open to all.

Participation in our events also helps our qualified members fulfil their CPD requirement.

PMI Annual Lecture

The PMI Annual lecture is an initiative to help members and the wider pensions industry engage with topics that could have an impact on the pensions landscape. **This is a free event to all PMI members.**

Our recent speakers have included Baroness Greenfield, Neuroscientist, and Tim Harford, the Undercover Economist.

PMI Pension Conferences

Our events are designed to support members, and the wider industry, with stimulating content, top quality speakers, vigorous debate, knowledge and excellent networking opportunities.

Trustee Workbench: free for all PMI Trustee Group members

PMI Trustee Group members enjoy free attendance at our annual trustee seminar, 'Trustee Workbench' whilst other members pay a discounted price to attend.

Additional benefits are available for the entire trustee boards that join the PMI Trustee Group. This includes the ability to sign up for collective training to be recognised by the PMI, and for trustee boards to be issued with a PMI Trustee Group CPD Certificate as an independent verification.

Roundtables

Trustees also attend the roundtable sessions for free. Our roundtables are panel discussions covering a specific theme and run for up to two hours.

News from the regions

[Eastern News]

By the time you read this, our afternoon seminar in Ipswich in late February should have taken place. We now take a break until our AGM Seminar which will be held on 12th June 2019 at Mills & Reeve's Cambridge office. We are intending to have a panel discussion on the topical subject of consolidation of pension schemes, with well known panellists, and will hopefully provide more details next month.

We are still seeking a further committee member or two. We meet immediately before each of our three annual seminars plus have two or three conference calls a year. If you would like to become a member of our committee, or you wish to be added to our distribution list, please contact Susan Eldridge at susan.eldridge@aviva.com

[North East news]

The first event of 2019 was the 'Managing Climate Risk: Key issues for trustees and investment professionals' seminar which was held on 23rd January at the offices of Pinsent Masons. Thanks go to speaker Carolyn Saunders of Pinsent Masons.

Our first social event of 2019 will be the annual Pub Quiz, which will be held at Lambert's Yard on Thursday 14th March. Further details will be circulated via email, or you can contact Jane Briggs for a booking form.

Our next seminar will be 'Exploring Fiduciary Management', which will take place at the offices of Squire Patton Boggs on 28th March with speakers Richard Lunt (First Actuarial) and Alistair Jones (SEI).

Details of our other 2019 events are currently being confirmed and you can find out more by going to: **www.pensions-pmi.org.uk/membership/regional-groups/north-east/**

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

[Southern]

Our first business meeting for 2019 took place on 6th February. A report will be included next month.

The next date for members' diaries is Thursday 21st March when we will be meeting at the offices of JLT in Leatherhead where the topic will be 'Pensions and Divorce' with Peter Scott from Equiniti speaking. Full details will be circulated to Southern Group subscribers in due course.

[South West]

The Spring seminar will take place in the morning of Friday 3rd May 2019 at TLT Solicitors in central Bristol. The cost of attendance is £40 except for PMI students who can attend for free. The seminar counts towards the CPD requirement and a buffet lunch will be provided. If you wish to attend please book online via: https://pmi-south-west-region-spring-seminar-2019.eventbrite.co.uk

If you wish to be added to our distribution list to receive the booking information for seminars and other forthcoming events please contact David Saunders - david.saunders@willistowerswatson.com. If you have an idea for a topic you would like to suggest for a future seminar or would like to speak at one of our seminars, we would be delighted to hear from you. Please contact Lizzie Stone - lizzie.stone@TLTsolicitors.com

The region's 2019 Gala Dinner will take place on Thursday 16th May 2019 at the Harbour Hotel, Corn Street, Bristol. Full details and booking information are available via the following link: https://pmi-sw-gala-dinner-2019.eventbrite.co.uk. Tickets are available either as a full table of 10 places, half table of 5 places or individual places. The ticket price includes a drinks reception and three course dinner with wine, plus £5 from each ticket sold will be donated to Age UK Bristol, the region's nominated charity.

The art of professionalism

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Guiding the way at-retirement

By Jonathan Watts-Lay, Director, WEALTH at work

Latest insights are a worrying sign that there is a continued lack of understanding around the pension freedoms. Research shows that the over 55s spend more time buying a car than deciding how to use their pension, and that 23% of individuals are unclear about what represents 'good value' regarding income from their pension. The FCA also found in the last report of its Retirement Outcome Review series that 62% of individuals in drawdown were unsure, or had only a broad idea, where they were invested.

> **Our own research found that 61% of employers believe that their employees are unaware of the risks they face when accessing their retirement savings.**

So, with this in mind, let's take a look at some of these risks and consider their impact.

Paying too much tax

Over a quarter (27%) of individuals over the age of 55 didn't realise that they have to pay tax on their pensions if they take the whole fund as a cash lump sum. This lack of awareness perhaps suggests why The Office for Budget Responsibility reported that the revenues raised from the pension freedoms in 2018 will be 50% more than forecast, and indicates that individuals are often paying tax when it could have been avoided with careful planning.

Scams are rife

The FCA reported a five-fold rise in pension scam enquiries over a 55 day period last summer with 173,000 individuals visiting the ScamSmart website. It also revealed last year that victims of pension fraud lose £91,000 on average each, with latest reports indicating that some victims have even lost more than £1 million to fraudsters. So whatever members are planning to do with their retirement savings, it's really important that they understand the risk of scams and how to protect themselves.

Many are hoping that the pension cold calling ban introduced in January 2019 will help the situation. However, members will still need to be alert as it's not going to stop all fraudsters including those who are calling from overseas. Members need to understand that taking regulated advice and getting the additional consumer protection it offers should not be underestimated.

Defaults at retirement

Some in the pensions industry believe that default retirement pathways protect individuals from making poor decumulation choices and the FCA has recently announced a consultation on how to implement default investment pathways for non-advised individuals entering drawdown. However, I don't believe that anyone should be defaulted at-retirement without receiving financial guidance and making a proactive decision first.

This view is supported by a recent poll by WEALTH at work which found that 86% of respondents believe that employees should not be defaulted into a decumulation pathway at-retirement without financial guidance.

Defaulting individuals into something without a positive choice being made raises questions over whether it's within the pension providers' or the member's best interest, and the effects could be costly. After all, it discourages shopping around and risks destroying freedom and choice in pensions. Additionally, if those with more than one pension default based on individual pots rather than the collective value the likely outcome will be suboptimal.

DB pension transfers

Freedom and choice in pensions has also seen increasing numbers of defined benefit (DB) members transferring their scheme into something more accessible.

However, the FCA has been concerned about the quality of pension transfer advice given to members and carried out a review into it. It revealed in December that of the cases it reviewed, less than half (48%) of the advice given was suitable, meaning that most of these pension transfers shouldn't have gone ahead.

But this isn't the only concern.

Even though regulated advice must be sought to transfer a DB pension if its value is £30,000 or above, there is no requirement to take ongoing advice once the transfer has been made and no guarantees that future income needs will be met unless the transferred money is managed well.

The numbers who suffer these risks are likely to be exacerbated by members with transfer values of less than £30,000, as they don't need to take advice on the initial transfer or on how to manage the money going forward.

Offering partial transfers can be an efficient way for schemes to manage liabilities and can also help members avoid the cliff edge of total transfer or no transfer. At the moment only about 15% of schemes offer it but there is certainly an appetite for this.

> **In fact, we carried out a poll during a recent Trustee and employer event which found that 85% of respondents thought that all DB schemes should allow partial transfers.**

Guiding the way

Before any decisions are made at-retirement, individuals really need to understand what their options are and the generic advantages and disadvantages of these, as well as considering any associated risks such as tax inefficiency, longevity or losing money to scams.

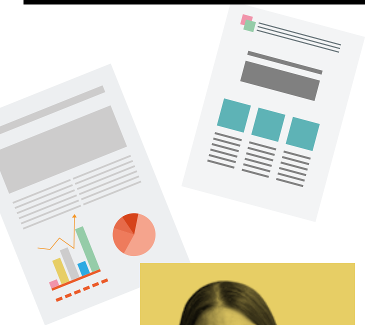
Financial education and guidance at-retirement can help with this and will enable members to make informed choices, including being able to decide if they need further support such as regulated advice.

Although there are concerns over the take up of Pension Wise, 92% of customers who have received guidance are satisfied with their experience of the service overall.

Our experience is that following financial education and guidance, individuals emerge more confident, knowledgeable and more able to make informed decisions; it has been no surprise to see significant numbers changing their retirement plans, increasing pension contributions, and seeking out regulated advice as a result.

Trustees have buying power and access to professional advice from consultants and so are perfectly placed to facilitate access to a breadth of services to help members fully understand their options. This would ensure that any support provided is by a firm who has been subject to thorough due diligence including ensuring robust compliance processes, as well as agreeing consistent and fair pricing.

Whilst there are schemes doing this now, there are still big gaps in the support available for members. Therefore, we are calling for Trustees to take note and make financial education, guidance and regulated advice the norm.



In-house professionalism can assist with new and innovative investment in DC schemes

By Daniela Silcock, Head of Policy Research, Pensions Policy Institute

Future pensioners will receive the majority of private pension income from Defined Contribution (DC) savings and this has led to an increased focus on DC scheme investment.

From the introduction of the first Defined Benefit (DB) scheme in the 1600s (the Chatham Chest which provided pensions for injured naval seamen), DB schemes have been the main source of private pension income in the UK. It is only during the last couple of decades that there has been a dramatic decline in the provision of DB schemes in the private sector and the growth in DC provision.

Automatic Enrolment was introduced in 2012 into a market in which DC schemes were the most common form of workplace pension on offer. As a result, the number of active savers in DC schemes grew from £4.3 million in 2011 to £13.1 million in 2018. In 2018 there were around 7 million active savers in DB schemes, including those in the public sector (PPI aggregate model).

This increase in DC savers, and reduction in DB savers, means that future pensioners will receive the majority of private pension income from DC savings. The DWP estimates that by 2060, DC pensions will provide around 28% of average income from state and private pensions and DB will provide around 13%, with the remainder from the State (DWP, income projections).

As a result of the growing importance of DC savings there has been increasing focus on the transparency, charging structures and value for money of DC schemes. There have also been innovations in thinking regarding the way that DC scheme assets should be invested and, in particular, discussion about whether they are currently being invested in a way which will lead to future pensioners experiencing the best possible retirement outcomes. The three main investment focusses at the moment are:

- **What the most appropriate default investment strategy for those saving in DC schemes is**
- **Whether greater use of illiquids should be encouraged and how to do so**
- **How to ensure that the financial implications of economic, social and governance factors are taken into account when making investment decisions.**

There is no widely recognised 'appropriate default strategy' for DC members

One investment practice which has been called into question is the use of traditional 'lifestyle' funds for DC pensions. From April 2015, people are no longer required to purchase a secure retirement income product in order to access their DC savings. A lifestyle strategy, which de-risks assets in the approach to retirement on the assumption that members will use their savings to purchase an annuity, may be unsuitable for people who wish to continue investing their savings. However, many DC schemes continue to employ lifestyling for their default strategies. This is partly because there is no widely recognised 'appropriate default strategy' for DC members, as lifestyling used to be.

DC schemes could potentially achieve greater long-term returns through increased investment in illiquid and alternative assets

There are a range of assets available for DC pension schemes to invest in. However, 76% of DC assets are currently invested in bonds and equities. Greater DC scheme investment in illiquids and alternative assets could potentially yield benefits to pension scheme members. Illiquid and alternative assets have the potential to deliver a higher return, net of charges, over time than liquid assets; are not generally subject to the same market forces as public equities; may deliver inflation-linked returns over the long term, better suited to pension investments; widen the range of potential investments; and could increase the value of assets that the UK puts into positive social impact investment.

However, illiquid and alternative assets are complex to research, evaluate, monitor and manage and, as a result, cost more and require more resources to manage than bond and equity investments.

There is growing pressure on pension schemes to consider the financial implications of environmental, social and governance factors when making investment decisions

The potential economic consequences of global trends such as climate change, social movements, and increased regulation are becoming clearer to many investors. The Government has laid regulations which strengthen the obligation on trust-based pension scheme trustees to consider environmental, social and governance (ESG) factors in investment decisions. The FCA currently plan to consult on corresponding requirements for contract-based pension schemes in the first quarter of 2019. Pension schemes which do not start to integrate ESG consideration into their investment strategy could face legal difficulties as a result of not complying with regulations, higher admin and legal costs, and potentially reduced returns in the future as a result of not taking financially material risks into account.

However, as with illiquid and alternative assets, assessing the ESG credentials of companies and determining how to integrate ESG assessments into an investment strategy is complex and resource intensive.

Smaller schemes may struggle to make complex decisions about their investment strategies

Smaller DC schemes tend not to have the resources to bring their investment team in-house and as a result, lack the professional knowledge and ability to design detailed investment strategies. Smaller schemes tend to base investment decision on the advice of third party investment consultants and advisers. Most small schemes use investment platforms to access funds for their scheme investments and therefore have their investment options limited to the funds that are offered on platforms.

This outsourcing of finance professionalism means that smaller schemes are struggling to redesign their default investment strategies and have less access to illiquid assets or funds that include ESG consideration. Complex funds which contain illiquids and/or consideration of ESG factors are absent from the majority of investment platforms and many consultants do not advise trustees and providers to consider more complex options because of the costs and resources involved.

Meanwhile, many larger schemes are making headway in designing default strategies better suited to people who may choose from a variety of options for accessing DC savings, and in integrating the use of illiquids and ESG factor consideration into their investment strategies. Very large schemes have the resources to bring professional investment management in-house and negotiate more competitive deals with external managers.

Some smaller schemes could increase access to in-house professionalism through consolidation or fund pooling

There are many small DC schemes: in 2017 there were around 35,000 DC schemes in the UK, of which around 90% were 'micro schemes' with fewer than 12 members. Only 130 schemes had memberships of more than 5,000. This means that the vast majority of schemes are unlikely to be able to bring professional investment management in-house and their members may not benefit from advancement in thinking around the best ways to invest DC members' contributions to achieve optimal retirement outcomes.

There are some potential ways around the 'small scheme' conundrum. The Government is moving to make DC scheme consolidation easier and to introduce more pooled funds which DC schemes can access. Consolidated schemes could join resources to bring investment expertise in-house and schemes in pooled funds will have more collective buying power to buy in resources and expertise. However, not all small schemes will pursue these options.

Though some small schemes may eventually close down, there is likely to continue to be a dichotomy between the in-house professionalism of large schemes and the dependence on external advisers and managers by small schemes. Members of small schemes may not benefit from advances in investment thinking, therefore, until these practices become standard among larger schemes and start to affect the behaviour of the external professionals used by small schemes.

A month in pensions

The rise of professionalism in pension scheme trusteeship

By Sarah Henderson, Senior Associate, Sackers

Are we on the brink of having not only an accreditation process in place for professional trustees, but also a requirement for all trustee boards to include a professional trustee in their number?

The journey towards increased professionalism in pension scheme trusteeship was accelerated in July 2016 by the publication of The Pensions Regulator's (TPR) discussion paper on 21st century trusteeship and governance. As TPR explained, "effective trusteeship and governance are key underpinning factors in achieving good member outcomes", making it "essential that those who are responsible for running pension schemes and are entrusted with members' savings are the right people with the appropriate knowledge and skills, and have the right scheme management processes in place".

Then, during 2017 there were three important developments:

1. The Professional Trustee Standards Working Group (PTSWG) was established by trustee bodies across the pensions industry including the Association of Professional Pension Trustees, the Pensions and Lifetime Savings Association, the Pension Management Institute, and various high-profile professional trustee companies. In December 2017, it consulted on, and received support for, standards for professional trustees.

2. TPR published a policy setting out its **professional trustee description** in August 2017. The policy clarified who TPR considers to be a 'professional' trustee and set out clearly that higher standards would be expected of such trustees (which was underpinned by a monetary penalties policy imposing higher regulatory fines on professional trustees when things go wrong).

3. In September 2017, TPR launched its **21st century trusteeship** campaign. The central objective was "to raise the standards of governance across all pension schemes".

Throughout 2018, TPR (by now a 'clearer, quicker and tougher' regulator) made clear that it was supportive of the PTSWG's continued work on its standards, and it was keen on professionals being appointed to trustee boards to improve governance levels.

So, in terms of professionalism in pension scheme trusteeship, what might we see in 2019? At the time of writing, there are two things to expect:

1. The finalised "Professional Trustee Standards" (the PTSWG's response to its 2017 consultation), and formal accreditation requirements for professional trustees are due to be published on 26th February 2019.

2. TPR has said it will look to consult on how it can use the accreditation framework developed by the PTSWG, including whether it would be appropriate for all trustee boards to have a professional trustee in their number, in 'Spring' 2019.

No doubt there will be a range of views expressed in response to these developments. One thing that seems certain, however, is that there is a clear direction of travel towards increasing professionalism on trustee boards. And that is even before you take into account the new DC master trust authorisation regime, or the rise of DB superfunds.

It will be interesting to see how TPR and other industry bodies test whether an increase in the number of professional trustees on boards generally has the desired impact on standards of governance and member outcomes.

There are also other questions that come to mind. What would the accreditation and/or professional trustee requirements do for diversity on trustee boards? What would they do for the perceived value of member nominated or lay trustees?

We will watch with interest.

DIARY DATES

Pensions Aspects Live 2019

Wednesday 3rd April 2019

Last chance to book for this leading conference at the IET, Savoy Place, sponsored by TPT and Pension Insurance Corporation. See top speakers, Hector Sants, Adrian Cooper, Mark Baker and more, discussing:

>> DB consolidation
>> Legislative changes
>> GMP equalisation and conversion
>> De-risking: buy-in and buyouts, and longevity swaps
>> CDC
>> Financial wellbeing
>> ESG implementation
>> Scams

Limited places left, contact the events team today **events@pensions-pmi.org.uk** for more information.

Members: £350 + VAT
Non-members: £450 + VAT

Trustee Workbench

6th June 2019
Grange City Hotel, 8-14 Cooper's Row, London, EC3N 2BQ

We are delighted to announce our summer trustee workbench. Join us for an exclusive discussion with some of the most influential leaders in the pension industry.

Trustee Group Members: FREE
Members: £250 + Vat
Non-members: £300 + Vat

Introduction to Pensions

15th May 2019
Barnett Waddingham, 2 London Wall Place, London, EC2Y 5AU

11th September 2019
Sacker & Partners LLP, 20 Gresham St, London EC2V 7JE

25th September 2019
Barnett Waddingham, 67 Albion Street, Leeds LS1 5AA

Are you working in either a pensions role or an allied business area where pensions knowledge would be advantageous?

This introductory workshop is designed for those with little or no previous pensions knowledge. Our expert panel will talk through the essentials of the pensions industry, from outlining the pensions law and defining the role of the administrator, to shedding light on the design of trust based pension schemes. We'll share our insights and update you on the core areas that professionals starting out in the pensions industry need to know, as well as answer any questions you have about the pensions industry.

Member: £110 + VAT
Non-member: £165 + VAT

Event Calendar

// **Pensions Aspects Live 2019 | 3rd April**
// **PMI Annual Dinner | 3rd April**
// **Introduction to Pensions | 15th May**
// **Secretary to Trustee | 16th May**
// **Trustee Workbench | 6th June**
// **Introduction to Pensions**
11 September | 25th September
// **DC Workplace Symposium | 10th October**
// **PensTech and Administration Summit | 7th November**

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

PMI Trustee Group

Frequently Asked Questions

Q: I'm a lay trustee, why should I join the Trustee Group?

The Trustee Group was formed to meet the needs of lay trustees who are not pension specialists. As well as the benefits that all PMI members enjoy, the Trustee Group members are given free access to specialist seminars created with their needs in mind. These support Continued Professional Development (CPD) along with networking in a non-sales driven environment.

Q: I'm already a member of PMI, why should I join the Trustee Group?

The Trustee Group is currently the only membership category which provides free access to structured CPD through bi-annual seminars. It does not confer the right to use designatory initials or voting rights which your other membership may entitle you to.

Q: How long does the Trustee Group CPD Certificate last for?

Each CPD Certificate runs from 1st January to 31st December. As soon as the 'Responsible Person' for the board is satisfied that its CPD requirements have been achieved, he/she can apply for a PMI CPD Certificate.

Q: For our Trustee Board who should be the Responsible Person?

This is essentially for the trustee board to decide but is most likely he/she will be the Trustee Chair, Pensions Manager or Secretary to the Trustees, though there could be others managing the trustee board. In the context of the PMI trustee CPD scheme, the responsible person is the individual responsible for declaring CPD activity to PMI and it is to this person that the CPD Certificate will be issued. They may also be the person who decides upon the training and development requirements for the trustee board and for ensuring that these objectives are met. He/she is responsible for declarations to the PMI that:

- all members of the trustee board have signed up (thus qualifying for the special rate of £84 per board member instead of the usual £135 charge)
- a trustee board member has resigned/a new trustee board member has joined
- the CPD requirements have been met by all trustee board members and the notification form duly signed.

Q: I need to analyse what training my trustees need, do you have a tool that can help me?

If you are the Responsible Person for a trustee board, we can provide you with a questionnaire tool to enable discussions with each of your trustees to establish the gaps in their current knowledge and understanding. This will enable you to recognise whole board and individual trustee training needs.

Q: When is my Trustee Group subscription due? How much does it cost?

Subscriptions are due by 1st January for the following calendar year. Part years of membership are charged at the full rate. The current cost is £135 per calendar year for individual trustees and £84 per trustee if the whole board joins.

Q: What happens if the members of my Trustee Board change and we have joined the Trustee Group as a whole Board?

Due to the exceptional value provided by the Trustee Group subscription rate we will ask the new trustee to be signed up for membership at the full Trustee Group member rate.

Q: How many CPD hours do I need to log as a Trustee?

As the scheme is not compulsory, PMI provide a recommendation of 15 hours per annum of CPD.

Q: What constitutes appropriate CPD?

The PMI website has listed several examples which should be used as general guidelines only. It is down to each trustee board to decide what its overall training and development requirements are. Some trustee boards may need a special focus for those who work on sub-committees dedicated to particular aspects such as investment, administration and communication. Some trustee boards will conduct a training diagnostic exercise for each trustee to assess where he/she is strongest/ weakest and decide their training requirements accordingly. CPD can include a wide range of activities, for example:

- Undertaking e-learning programmes
- Attending seminars, conferences and forums
- Participating in training sessions and workshops
- Scheme specific training sessions
- Members of PMI's Trustee Group can access various CPD activities provided by PMI at special rates.

Q: I need to comply with the Regulators guidance on Trustee Knowledge and Understanding, how can membership of the Trustee Group help me?

The topics covered in the trustee seminars, along with Pensions Aspects articles and thought leadership pieces from our Insight Partners will provide trustees will ample CPD opportunities in order to keep their knowledge and understanding current and relevant.

Q: Is Continuing Professional Development (CPD) compulsory for members of the Trustee Group?

No, CPD is not a compulsory part of Trustee Group membership as no designatory initials are conferred by this category of membership. However, the requirements placed on trustees by the Pensions Regulator are such that we believe CPD is an essential part of the role of a trustee.

Q: How should our CPD be recorded?

It should be recorded in the most appropriate and relevant way for the trustee board. It can be logged on the PMI online recording system or any other system which enables individual activity to be identified. Alternatively, it may be stored in paper format. However and wherever it is recorded, it will still be subject to verification and details may need to be passed to the PMI if requested.

Q: What is the Trustee Group CPD Certificate?

It is formal recognition that each member of the trustee board has met the minimum CPD requirements, as identified by the trustee board's 'Responsible Person', for the relevant CPD year.

How can Trustees meet growing challenges in 2019?

By Chris Parrott, Head of Pension, Heathrow Airport Holdings Limited

With what seems like the blink of an eye, January has been and gone. February looks like being even busier, as does the rest of the year if my discussion on setting my 2019 objectives is anything to go by. No one can write a column reflecting on current issues without referring to Brexit, but the reality is that for both trustees and sponsors alike there are many other things to face up to.

Those going through, or shortly to start, their next Actuarial Valuation process will have to keep an eye on the upcoming Pensions Regulator consultation in advance of a new Code of Practice. Many anticipate this to be the most significant change in Defined Benefit funding since the Regulator was formed in 2005. We don't know the full details yet, but the direction of travel is clear and sponsors and trustees should be considering the potential rules when setting funding and investment strategy. The centrepiece is expected to be a 'comply or explain' framework with a more formulaic approach for valuations encompassing funding, covenant and investment risk. To meet the comply leg of the framework many schemes will likely need to have a higher funding target than today. Companies and trustees who adopt an alternative approach ('explain') will need to think carefully about how they deal with covenant and investment risk and have contingency mechanisms in place.

But there's many things also happening elsewhere. The increase in minimum contributions for auto-enrolment purposes effective on 6th April 2019 is the biggest step up we have seen to date.

Will that see the increase in opt outs that many thought might materialise from last year's increase?

And like many others, I've just received notification of Heathrow's three year re-enrolment requirements. There will continue to be an increased discussion on ESG investment matters and the rise of the consolidators will need to be kept an eye on; both the new offerings for Defined Benefit schemes and whether the master trust authorisation process is the trigger for a move away from the more traditional single trust or contract arrangements.

The Pensions Regulator has also recently stressed the continued requirement for good practice by trustees, not just amongst the new superfunds or master trusts, but that traditional schemes must also meet those high standards. They intend to continue to ask those responsible for running schemes if they are acting in the best interests of members, see better value for members and fewer poorly run schemes.

The Pensions Management Institute is ideally placed to help trustees meet these challenges, both through a recognised qualification and a series of events and publications to help increase the knowledge and the understanding of requirements.

A particularly important 'save the date' for you: 6th June 2019 for the Trustee Workbench.

We are pulling together an exceptional group of speakers to give you the most up to date and thought provoking presentations on issues that impact on trustees. More details to follow!

Early TPR engagement

encourages more trustees to do the right thing sooner

The Pensions Regulator

TPR's Compliance and Enforcement quarterly bulletin published recently demonstrates how discussions and interventions from TPR's case teams led to trustees tightening up their procedures, to the benefit of their members.

This more proactive approach led to 91% of Defined Contribution (DC) schemes submitting their scheme returns on time in 2017, an increase from 81% a year earlier. Overall, more than 99% of the total membership of DC schemes is in schemes that submitted returns on time.

The bulletin also showed that the decision to move to swifter enforcement action against trustees that submit late recovery plans, and to make them aware of the penalties they could receive, has led to a cut in these delays.

This report showed how our clearer, quicker and tougher approach is having a positive impact. We're being clearer with trustees about what they have to do, and moving quickly to take action if they don't do it.

In the autumn we launched one-to-one supervision for, initially, 70 pension schemes. This is enabling us to build ongoing contact and develop a deeper relationship. We'll be regularly interacting, outlining our expectations clearly, and, if it becomes necessary, intervening more quickly.

In the initial phase of supervision, we'll be testing different regulatory approaches. Schemes will experience different levels of scrutiny depending upon the risks we have identified in the particular scheme or segment of the pensions landscape. A group of DB, DC and Public Service Pension Schemes have been selected for this phase, based on a range of criteria including size, risk and intelligence.

We've worked hard to simplify content and guidance for the regulated community. However, there remains a significant number of trustees, mostly among small and micro DB and DC schemes, who do not engage and do not understand what is expected of them.

Findings from our research show, for example, that some trustees thought expectations set out in our 21st century trustee campaign didn't apply to them, when they did. Other research has shown some trustees are failing to access information we send to them, believing it is not aimed at them. These trustees show high levels of disengagement with regulatory requirements.

Some trustees, mostly of small and micro DB and DC schemes, are failing to successfully carry out basic governance, for example completing value for member assessments. This is a concern for us as failing to complete these tasks can indicate significant, underlying governance failings. Overall, these trends indicate that, in some cases, there's only so much an educational communications programme can achieve in improving scheme governance amongst very disengaged trustees and we are looking at ways to tackle that.

Trustees are important and we value their diligence and expertise. Driving up standards of governance is a priority for us and we want to see those running pension schemes being a knowledgeable, empowered first line of defence for scheme members. We will be continuing to focus on making our expectations clearer, taking action against poor governance and encouraging consolidation where appropriate.

Demand for staff remains robust,
but shrinking staff supply drives pay rates higher

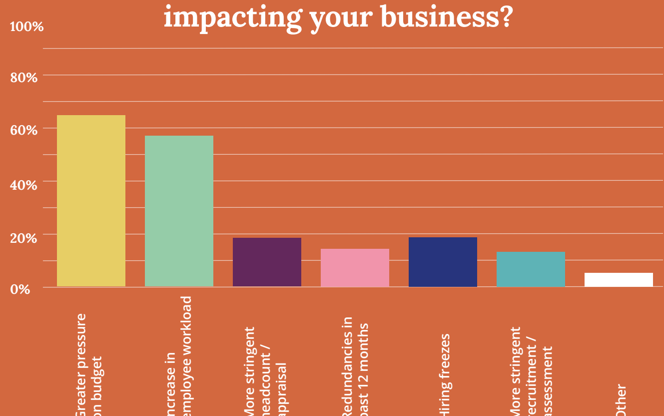
Our 2018 Annual Salary Survey, 17th edition, provides detailed insight into market trends, with invaluable contribution from employers and employees providing specific data and views. As a niche pensions recruiter, we draw on this data, coupled with our industry knowledge, to provide bespoke benchmarking, market insight and recruitment advice.

By Joanne Whittington, Director, Sammons Pensions Recruitment

Market Overview: The Recruitment & Employment Confederation (REC) JobsOutlook employers' survey reported positive increases for short and medium term outlook for hiring permanent and temporary staff. 61% of employers anticipate more challenging economic conditions in 2019. Despite this, 91% expect business to perform as well as, if not better this year. Additional immigration restrictions will reduce the number of candidates available, driving increasing starting salaries. 2019 and 2020 will bring legislative challenges such as the next wave of off-payroll reforms. Wage growth is firmly on the ascendency, driven by mandatory increases (National Minimum Wages). Neil Carberry, REC CEO, stated "businesses can help, by opening up career paths through more inclusive hiring practices and focus on improved workplace training and links with education".

Latest official data from ONS revealed the employment rate was estimated at 75.8%, higher than the previous year (75.3%), the highest since comparable estimates began in 1971. Regular pay in real terms increased by 1.1%.

How are market conditions impacting your business?



Hiring is one of the most important decisions any organisation makes, stretching out the process could lose the best candidates. According to online surveys, 46% lose interest if there's no status update from one to two weeks post-interview. Faced with a lengthy hiring process, 39% lose interest and pursue other roles and 18% decide to stay put in their current job. The hiring process provides a window into the overall corporate culture. Will their career potential be stifled by a slow moving organisation?

Is your salary in line with the market?

39% responded 'yes', increase of 5% compared to last year's survey; 28% responded 'no', increase of 2% from last year; 33% 'not sure'. 2-2.9% remains the average payrise for the last 5 years. Comments included "difficult to benchmark what I do/ knowledge with similar roles"; "hard to compare as role unique"; "yes for experience, no in terms of value I add to business"; "skills required are greater than previous job holder who earnt more"; "little salary movement last 3 years".

PayScale's 2018 Compensation Best Practices Report found that whilst 67% of managers polled believe employees are paid fairly, only 21% of employees agree. When employees feel good about their deal, it has a positive impact on the bottom line, delivering an opportunity for employers to build trusting relationships and show employees how valued they are. Communications must be uncomplicated and honest, and backed up by action.

"Do you feel your employer could be more transparent with salary information internally/externally?" 54% said yes. The benefits of a greater level of transparency include increased trust between employer and employee, more accurate benchmarking when reviewing salaries and a reduction in gender pay gap. The Minster for Women and Equalities, Penny Mordaunt, said "We need to take action to ensure businesses know how they can make use of their best talent and make their gender pay gaps a thing of the past".

In-house	London	South-East	Midlands & South West	North & Scotland
Junior Pensions Administrator	£18-22k	£18-22k	£18-22k	£18-22k
Pensions Administrator	£20-41k	£20-45k	£20-35k	£18-30k
Senior Pensions Administrator	£30-47k	£25-45k	£25-40k	£20-40k
Team Leader	£40-45k	£30-48k	£30-45k	£30-42k
Administration/Operations Manager/Director	£40-110k	£40-110k	£35-90k	£35-100k
Assistant Pensions Manager	£40-70k	£38-65k	£35-60k	£35-60k
Pensions Manager	£30-130k	£49-90k	£36-105k	£45-110k
Group Pensions Manager	£55-140k	£50-170k	£55-160k	£66-145k
Pensions Director (UK wide)	£120-400k			

Consultancy / Third party	London	South-East	Midlands & South West	North & Scotland
Junior Pensions Administrator	£18-22k	£17-22k	£16-22k	£16-19k
Pensions Administrator	£22-30k	£20-30k	£18-27k	£17-26k
Senior Pensions Administrator	£28-40k	£26-40k	£24-35k	£24-35k
Team Leader	£35-45k	£34-45k	£32-40k	£30-46k
Administration/Operations Manager/Director	£45-90k	£44-110k	£45-85k	£40-120k
Trainee/Assistant Consultant	£30-40k	£30-40k	£22-40k	£28-40k
Consultant	£42-60k	£40-60k	£40-60k	£35-55k
Senior/Lead Consultant/Partner	£55-190k	£55-160k	£50-135k	£45-141k
Client Manager/Director	£40-100k	35-90k	£40-80k	£35-80k
New Business Consultant	£40-100k OTE £100k+	£35-85k OTE £100k+	£30-95k OTE £80k+	£30-80k OTE £80k+

**note salaries range due, in part, to industry sector, benefits package, bonus structure and wide-ranging responsibilities typically categorised by relatively few job titles*

What factors do you value most highly in your current employment?

	2014	2015	2016	2017	2018
Most valued	Salary	Salary	Salary	Salary	Salary
Highly valued	Working environment	Bonus	Working environment	Bonus	Bonus
Valued	Colleagues	Colleagues	Colleagues	Onsite facilities	Onsite facilities

How could your benefits package be improved

51% feel their benefits are competitive. The most popular benefit sought is flexibility. **Flexible working should be viewed as a workplace necessity rather than a perk**. In a recent online survey 37% of employees say they'd leave a current job for an equivalent role with a better remuneration package. Nearly 50% of millennials have itchy feet about their current role. Research from totaljobs found that 69% of employees don't see themselves in their current role next Christmas, a 3% increase on December 2017. Those feeling disenfranchised with their current package will find it increasingly difficult to motivate themselves to carry out their role. This can pose a real challenge for employers.

Why change role?

28% of participants are less engaged (27% in 2017). 22.34% have changed roles (20.13% in 2017) reflecting continuing confidence/market buoyancy. Motivations for changing role: salary, career progression, and new challenges. A key challenge faced by job seekers is 'lack of flexibility'. **The Flexible Working Task Force has launched a campaign to increase flexible working, highlighting numerous business benefits, creating an inclusive economy and diverse workforce.** Aon's Benefits and Trends Survey 2019 highlights that employees' workplace expectations are changing rapidly; top priorities include flexible working hours, agile working, mental health, diversity and inclusion, and parental leave. The Job Exodus 2019 report clearly outlines that if employers wish to attract and retain staff, they must not only offer pay at a competitive level, but also ensure good quality, enjoyable work.

What are the most popular qualifications to hold?

Pensions continually increase in complexity; pensions professionals need to demonstrate the knowledge and expertise to deal with these demands, whether new to pensions, or experienced pensions professionals. This year, Trustee Toolkit was the most popular qualification to hold, followed by APMI, FPMI or FIA, DipPFS, CPC and IMC, demonstrating the high regard in which professional qualifications are held in this industry.

Study supported?

Over 50% confirmed their employers support study, incentives £50-5000 per exam. "It has never been more vital for individuals to focus on their own personal development. Whether it's the development of knowledge, skills or the achievement of qualifications, those who grow their capability will be successful in our industry in the future." (John Hutton, National UK Sales Learning & Development Manager at Friends Life, Inside Careers).

Conclusion

"Working life is shifting and we need to adapt education, career paths, roles and earnings to meet these challenges."

Respondent, 2018 Sammons Pensions Salary Survey.

We had a fantastic response to our annual survey and would like to thank everyone who participated. For further findings or specific benchmarking please contact the Sammons Pensions Recruitment team.

Don't fear the 'T' word

By Karla Bradstock, Client Relationship Manager, Trafalgar House

At the start of 2018, it looked like the upward trend in Defined Benefit (DB) transfer activity was set to continue. Despite sound predictions, activity started to tail off towards the end of the year, which raises the question of whether the DB transfer bubble has finally burst?

If tangible proof is needed, then you need only look at recent results for AJ Bell, who reported DB inflows of £300m in the quarter to 31st December 2018, compared to £600m in the same period a year earlier.

The signs are that a longer term cooling off is now inevitable. A market investigation by the Financial Conduct Authority (FCA), combined with increasing professional indemnity insurance costs for financial advisers, is suffocating adviser-side appetite for this type of transaction. The vice-like pressures of risk and regulation are slowly squeezing out commercial enthusiasm, especially in a saturated market where the largest commissions and fees are already taken. Last year, in response to concerns raised by advice given to members of the British Steel Pension Scheme (BSPS), the FCA started its probe into practices across the entire market by sending out questionnaires to all firms regulated to advise on DB transfers.

> **It found that less than 50% of the advice it reviewed was suitable.**

Equally, saturation on the demand side seems to have been reached with those sponsors and trustees that are willing and able to actively promote transfer options with their memberships having already done so. However, total coverage for transfer value promotion, incentive or communication exercises is still a long way off. Across Trafalgar House's membership portfolio, only 30% of schemes have undertaken this type of activity; despite such an exercise potentially offering mutually beneficial advantages to sponsors and members alike.

Increasing regulatory scrutiny, and some very well publicised transfer process failures, have created such a culture of fear that trustees and sponsors can now feel that doing nothing is the best, safest and least risky option. Judicious caution has become fear induced paralysis.

DB transfers can, and do, represent a good deal for some members. For those who do not have dependants, who may want a flexible income, who are in ill health, have significant guaranteed benefits elsewhere, who want to work beyond state pension age or who need a lump sum for social care, a transfer is still an important option that should be considered. Shying away from highlighting the relevant merits, as well as the appropriateness of a transfer, could result in retirement planning suffering a fatal flaw.

Put yourself in the shoes of a member where a DB transfer is a good option:

- Firstly, you are warned by regulators that transfers are the primary target of scam artists
- You are then warned by your administrator that transfers are extremely high risk and require a bewildering list of forms and documents to go ahead
- Your financial adviser then tells you that the default assumption is that all DB pension transfers are unsuitable
- Finally, you are then taken through a lengthy set of validation checks, additional warnings and scrutiny to ensure the security of the transaction. It takes a very brave person to go through with it.

Getting a balance
with your transfer messaging

The delicate equilibrium between prudence and opportunity has shifted too far in favour of restraint.

Trustee attitudes to transfers have broadly fallen into two categories. Champions; those that see transfers as a legitimate option, the pros and cons of which should be highlighted and explained to members, and observers; those that prefer a more passive approach, seeing transfers as just one of many options that members can access and should not, therefore, be subject to any special signposting.

Champions believe that liability and risk for the decision to transfer sits with the member and their financial adviser.

The scheme can be absolved of any accountability should recourse be sought on the appropriateness of the transaction, and the members interests have been best served by making sure they have reviewed and been advised on its possible merits. A liability has been removed from the scheme, potentially removing some risk. What's not to love?

Champions go on to argue that most scheme literature, guidance and processes are bent towards the de facto default option of scheme pension, which may not be the best solution for all. Further, they believe that it is a necessary part of a trustee's duty to act in the best interests of beneficiaries by providing more illustrations on the relevant merits of a transfer and breaking the default assumption of scheme pension.

Observers, on the other hand, believe that asymmetrically promoting one option can lead to an inherent bias, or worse, endorsement. By promoting, advising or highlighting transfer options, trustees can become complicit in the decision making process and are open to judgment if it all goes wrong. Simply leaving the option buried in the slew of scheme literature for members to illicit themselves is the safest option and meets the burden of impartiality.

As with all things in life, balance is the key and no more so than with transfers.

The last two years have quite rightly seen the balance for administrators lean towards warning and protecting members, this having been matched by a range of very good regulatory campaigns doing the same. Both have culminated in one of the most systematic and detailed reviews of best practice and guidance on transfers; we've never had such a robust and closely managed transfer process. Balance is easily lost, and when it's gone, members lose out. Now is the time to take stock. To reconsider the additional controls and measures put in place to protect members. But also, to consider the risk of doing nothing; that burying the transfer option in the complex mix of other options could seriously harm a small number of members who would benefit from taking it. It is still possible for sponsors, trustees and members to all benefit from a DB pension transfer and we need to maintain a balanced view that isn't shaped only by the fear of transfer process failures.

PPF certifications

The deadline for certification of Type A contingent assets (a guarantee provided by an associate of an employer) as part of the 2018/19 Pension Protection Fund (PPF) levy is fast approaching; employers and trustees looking to certify must act quickly to meet the deadline. Trustees need to certify in their own right that they are comfortable that the value of the contingent asset is at least equal to the amount being certified. It is therefore very important that even if trustees have advisers that they understand the advice ahead of making a submission.

Six key questions

We have significant experience advising on PPF certifications and based on this experience we have produced a set of **six key questions** that may be useful to keep in mind during the certification process:

//Q1 DO WE UNDERSTAND THE EXAM QUESTION?

PPF guidance requires trustees to certify that the Guarantor 'could meet in full the Realisable Recovery certified ... having taken account of the likely impact of the "***immediate insolvency of all of the relevant employers.***"

The **'Realisable Recovery'** is defined as the fixed amount certified under the application. It is important to stress that the PPF expects Trustees to take a rounded view of whether it is reasonable to believe the Realisable Recovery could be met by the Guarantor(s) without having to obtain absolute certainty as to the Guarantor's ability to do so. The application should set out the scenario in which all relevant employers are immediately insolvent in a specific event (e.g. a loss of key customer, downturn in local market). Helping the PPF to understand the business and the nature of any hypothetical insolvency is likely to enable better understanding and reduce the risk of the application not being accepted.

//Q2 What claims might crystallise on the employers ...

and the wider group in an insolvency scenario, assuming all relevant employers are immediately insolvent (including for instance: s75 claims, intercompany claims, secured lending)?

//Q3 In an insolvency scenario, what would be the likely impact on the Guarantor, if any?

Are the employers' operations material to the Guarantor? Could it also be weakened in any way by the insolvency claims? Or possibly even become insolvent as a result?

//Q4 In this scenario, is the Guarantor still 'good for the money'?

How might the Guarantor raise the funds, and in what timescale?

//Q5 Can the Guarantor still meet the realisable recovery amount if insolvent?

It could still well do, but we note the insolvency scenario needs consideration.

//Q6 If the Guarantor is also an employer in a 'last man standing' scheme arrangement,

does the guarantee add any further value?

Seeking timely advice can help to reduce the risk of a certification application being rejected or set aside for further review, but advice should always be proportionate relative to the potential benefit.

The PPF expects employers with an anticipated levy saving over £100,000 to obtain a Guarantor Strength Report from a professional, independent covenant advisor to supplement any application. If a scheme identifies any estimated levy saving is likely to be close to the £100,000 threshold, the PPF recommends that a Guarantor Strength Report is obtained to avoid potential risk of the guarantee not being accepted for levy reduction purposes.

By Mike Holford, Assistant Director, Pensions Covenant Advisory, EY

Reminder of key dates:

All applications need to be received by the PPF by midnight on 31st March 2019 (a Sunday!), with hard copies being with the PPF by 5pm on 1st April 2019.

Takeaway points:

- Understand the exam question!
- Think through and set out the scenario that could result in the insolvency of all relevant employers, the claims that could arise and the impact on the Guarantor
- Could the Guarantor still support the guarantee value if insolvent itself?
- If the Guarantor is also an employer in a 'last man standing' scheme arrangement, does the guarantee add any value?
- Seek advice. Guidance can be difficult to interpret and applications will not be approved if they do not meet the specific set of conditions outlined by the PPF
- If the expected PPF levy saving is over £100,000 or there is a chance that it might be above the threshold, obtain an independent Guarantor Strength Report from a covenant advisor.

A SMARTER FUTURE:

embracing technological innovations

Imagine a world in which large parts of a customer's verbal interaction with companies could be essentially conversations with machines. A world in which human interaction is minimised to only very complicated or sensitive matters.

That world is already here within Financial Services, including our industry. Although it isn't working. Our interaction with these machines is focused on pushing numbers on our phone to try and get through to the right department and constantly resetting passwords to tired looking websites.

But it doesn't have to be like that. In fact, it is possible that greater levels of machine automation would actually lead to a much more 'personal' customer experience.

THERE'S AN APP FOR THAT...ISN'T THERE?

An obvious starting point should be for members to have access to an app. Providers currently struggle to build this out from their legacy platform architecture, but those who do will empower their members to interact with their pension savings in a much more contemporary and relevant way. The successes of digital banks such as Monzo, Revolut and Starling have shown that there is significant market appetite for financial products in which the primary engagement method is via an app. There is no longer an excuse for pension providers. This is what a large number of members want and it's time that more providers started to deliver this. One advantage of true 'native' apps (as opposed to device-responsive websites), is the ability to integrate with the phone's biometric security features.

> Fingerprint ID, facial recognition and 'two-factor authentication' are all secure ways to access apps and mean you don't need to remember a username or password.

I have an old GPP (Group Personal Pension) with one of the large insurance companies. Earlier this year I wanted to check how much was in it. I couldn't remember my password, so had to phone a help centre. After 15 minutes on hold I was told that a new temporary password would be sent out to me in the post. A separate letter would also be sent out to me in the post with a temporary unique PIN. I would need both to set a new password for myself: all in the name of security, of course.

This is not an optimal model. In my current workplace pension I can see my fund value whenever I like by securely logging into an app using just my fingerprint. It's not right that these two models can simultaneously coexist like this in a grown up, contemporary industry.

"ALEXA: HOW MUCH IS MY PENSION WORTH?"

An extension of this engagement model is voice activated technology. This is already commonly used outside of our industry, and is especially popular amongst younger demographics. It is also very prevalent for visually impaired people, who benefit considerably where this method is available.

Despite this popularity, there are currently only two providers in the UK that have an Amazon Alexa or Google Home skill for their members. I sometimes hear trustees or providers say that they don't believe this will become the primary way in which people engage with their pension savings and therefore it isn't something that they want to consider. But we shouldn't have to believe that this is an absolute channel shift for schemes to start supporting this medium. Different people want to engage in different ways. Schemes should feel

> **Schemes should feel a duty to start offering true choice of how members can interact with their savings ...**

a duty to start offering true choice of how members can interact with their savings, and that goes beyond the standard phone / letter / email combination.

NATURAL LANGUAGE PROCESSING: THE FUTURE OF CUSTOMER SERVICE CENTRES?

There is a huge amount of potential for this general concept to be extended further, into the realms of Customer Service Centres.

Natural Language Processing (NLP) is a way in which systems can understand language spoken to it and trigger an appropriate response. It isn't a new concept; for example, cinemas started using this several years ago as a means of making bookings over the phone. However, the technology has recently developed considerably and is unrecognisable from those early iterations. If you haven't yet seen Google's short preview of the 'Google Assistant' that they demonstrated last year then I urge you to watch it online. The technology has been built to understand the nuances of language and carry out conversational tasks in a very 'human' way.

When you look at the types of queries that come into our contact centres then there is actually a large amount of commonality between the majority of them. Automated NLP systems could allow these queries to be answered in an efficient way, 24/7, outside a 'standard opening hours' model. Take something like password resets or members who have forgotten their username for an online system. There are still some companies that have trained pensions professionals handling those contact points.

If this all sounds like a horribly impersonal and cold experience to you, consider how major customer services centres tend to operate this today. Any large customer service centre is likely to have a an automated call decision tree in place before getting through to a human call handler. For the caller, these can feel like a labyrinthine series of number based choices. Accidentally categorise your query incorrectly at any point, and you're sent to the dreaded FAQs on the website. You have to phone back again and start from the beginning. Answered all the questions? There then follows an indeterminate amount of time listening to holding music whilst you wait for an operative to become available. This is not a good caller experience. Automated NLP systems would be a way of putting the caller directly into a conversation. The more basic queries can be dealt with this way, with more complicated or sensitive cases triaged directly to a human operative.

> **The automated system would be available all the time and would have a consistent way of dealing with queries leading to fewer errors.**

If executed correctly, we would end up with a model which is perhaps not 'human' but is significantly more personal than we have today.

We don't have to wait for these technological innovations to happen; they are already here. It's now up to providers and trustees to embrace this and lead the way.

By Tim Phillips,
Head of Pension Markets,
Smart Pension

A positive pensions outlook to **better protect savers**

It can be daunting to start the year knowing that the months ahead are going to be extremely busy. But, notwithstanding the challenges which may be thrown in our direction, we think there is a lot to look forward to for pensions.

2019 looks set to see positive progress in several areas including the final automatic enrolment contribution increase and the development of the dashboard to help savers keep track of their pensions. I am going to talk about the changes in three areas: the future of Defined Benefit (DB) pensions, auto-enrolment and consolidated schemes and master trusts.

DB Pensions

Last year we welcomed the government's proposals for clearer DB funding standards and for more effective powers for us to take tough action where expectations are not met.

We have started work on a new DB funding code which will introduce standards to help trustees and employers to agree good funding outcomes for their schemes and which should, alongside any expansion of our powers, better equip us to take enforcement action.

We will be engaging actively with industry to ensure the revised code is based on expert input, has industry consensus and provides practical guidance on long-term funding. We want the revised code to be clearer about ambiguous terms such as 'prudent' and 'appropriate' whilst preserving the flexibility of the current approach to recognise different scheme situations. It will seek to take into account the different kinds of covenant standing behind schemes, including charities reliant on grants and donations. We will initially consult on options for a clearer framework early this year, with a consultation on the new draft code expected later in 2019.

Where standards in the funding code are not being met, the government's proposed changes to powers, including the section 231 funding power and new fines and information gathering powers, are designed to strengthen our ability to take regulatory action, which could include imposing an appropriate recovery plan. We are working with the DWP on developing these new powers.

Auto-enrolment

Around 10 million employees are now saving for retirement, saving into a workplace pension is now the norm and it's business as usual for employers. However, the task of making sure people have enough money for retirement continues; as of April contribution rates rise to 8%. Together with the DWP and the pensions industry we will be keeping a close eye on the impact of the increase, but the previous contributions increase to 5% in April last year did not have a major impact on opt out rates. We will continue, including through our advertising campaign, to encourage staff to recognise the benefits of their pension and continue to save. We remain alert to those trying to avoid their duties.

In 2018 we revealed that, year on year, the number of fines we issued increased 144%.

Our role continues to move from supporting businesses to enrol their staff, to ensuring that employers are continuing to comply with their duties.

This includes enforcing against those who deliberately avoid their duties. Recent cases have seen accountants given a criminal record for lying to us to avoid enrolling staff into a pension, and employers fined for illegally opting staff out to avoid paying contributions.

Consolidators and master trusts

Commercial consolidators, schemes which exist purely to look after pension entitlements, look set to play an increasing role in both the DB and DC pensions landscape. Master trust schemes which provide DC pensions for multiple unconnected employers are currently applying to us for authorisation or winding up and exiting the market.

We're overseeing those exits to ensure trustees are acting in the best interests of members and they're being protected.

We expect to announce the first batch of authorised schemes in the spring. By the end of the year we will have a market of authorised master trusts meeting new and tougher standards, and better protecting the millions of members in these schemes.

In new DB superfunds, members' security will come from a capital buffer rather than ongoing employer contributions. An authorisation framework planned by the government is under consultation and development which will mean these DB consolidation vehicles will have to prove to us that they meet standards in certain areas, putting safeguards around the market.

In the meantime we have set out our expectations for these schemes about how they should operate, and also provided guidance for employers seeking to enter the schemes.

DB master trusts which do not sever the link with the employer already operate in the DB landscape, and some of the biggest almost exclusively serve charities and the voluntary sector. The DWP has considered whether these sorts of schemes should require authorisation and have decided on an industry led accreditation scheme, setting standards which would raise awareness and promote the use of DB master trusts, and which DB master trusts would be able to sign up to on a voluntary basis.

> **It's important to stress that we don't just expect good practice amongst superfunds or master trusts.**

Following on from our 21st Century Trusteeship work to drive up the standards of governance amongst trustees, we will be continuing to ask those responsible for running schemes if they are acting in the best interests of members.

> **We want to see better value for members and fewer poorly run schemes.**

This is particularly pertinent for small schemes; trustees need to fully consider if operating at this scale represents good value for members, especially if their small scale is accompanied by a poor compliance record. TPR will be working to remove barriers to consolidation and to challenge trustees, as well as their sponsors, to ensure their scheme meets the standards set out in the law and in our codes and guidance, or consider winding up.

So a whistle stop tour through some significant change ahead. 2019 will see the industry pushing ahead with new and effective policies and solutions to the challenges we face, whilst we at TPR will be developing our new approach to better protect savers in the future.

By Fiona Frobisher, Head of Policy
The Pensions Regulator

GMP equalisation

pity the poor trustees…

By Julie Walker, Associate, Barnett Waddingham

A couple of months post-Lloyds and we're taking the finer points of the ruling as read; lots to do, or not do, legal advice to take, or not take, transfer values to suspend, or not suspend; a catalogue of unknowns that are raising trustee frustration levels up and down the country.

Equalisation in context

On a scale of one to 'a lot', there was already A LOT of work to do around GMP. The entire administration industry is currently working flat out to wrap up GMP reconciliation before HMRC shuts up shop on GMP support. With the equally challenging GMP rectification piece now kicking in, slowing down already wasn't an option.

Reconciliation vs rectification vs equalisation

Reconciliation, the detailed forensic comparison of almost four decades worth of scheme and HMRC records to establish precise GMP entitlements at a given point in time, is the theory side of contracting out. Rectification, the next and final step in the process, is the practical. Trying to put this in a more relatable context, imagine you upgrade your bank account…

// Reconciliation

Your new bank charges £10 for making the switch, gathers up all your direct debit and standing order details, makes sure your mortgage and car payments all still get processed on time, income and outgoings all add up and overdraft charges are reasonable. Let's call that reconciliation.

// Rectification

Now imagine you tell your new bank you want them to review every payment through your current account for the last forty years or so, and you also want them to check the details on all those direct debits and standing orders, and also just confirm whether you could have been getting a better deal elsewhere on utilities and insurance etc. Then tell them to put you and every other party you ever transacted with (or should have) in exactly the position you would have been in if you and they had done exactly the right/best thing at exactly the right time, every time. Let's call that reconciliation.

// Equalisation

Now imagine that a few weeks before you were about to get moving on rectification, having spent three years getting all your records in order, a legal judgement comes down that says there was something very slightly not right with some obscure little aspect of how your interest or charges were calculated. Something may need to be done about it; most likely, the numbers involved are going to be marginal, but you won't know until the work is done, and you don't know if it's even going to happen until the appeals are in. That's GMP equalisation.

Can we do it? Well, yes we can.

Ultimately, as the industry has tried hard to reassure schemes, GMP equalisation is completely 'doable', but the timing could certainly be better and the 'GMP fatigue' factor is real. Trying to engage schemes now in a conversation around the super-niche subject of GMP equalisation is going to be a really tough sell.

Is patience a virtue in DC investments?

By Maria Nazarova-Doyle, Head of DC Investment Consulting, JLT Employee Benefits

Defined Contribution (DC) pension schemes have been on a remarkable journey over the decades to emerge now as a dominant type of a long-term savings structure in the UK. According to the Government, DC assets will overtake overtake Defined Benefits (DB) assets as soon as 2025 and by then there will be over £1tn in DC money, with billions being invested annually. Almost 10 million people have now been successfully auto-enrolled into pension schemes, with an overwhelming majority of them going into DC.

The meteoric rise of DC over the last few years is undeniable. But the worry is that these schemes haven't kept up with the change in their status and may not be fully fit for their purpose, which is to be the primary source of later life income for millions of hard working people. There is a dangerous dichotomy in DC; a contradiction of means and goals that is not helping these schemes to achieve their purpose.

Money is locked in for decades without people being able to access their investments until they are 55.

However, by investing overwhelmingly in daily dealt public markets, these schemes forgo a wide variety of investment opportunities in illiquid alternative asset classes that could serve to markedly improve the risk and return profile of pension scheme members' investments.

Alternative assets can cover a very broad range of asset classes, with illiquid alternatives, commonly known as private market assets, comprising investments such as real estate, infrastructure, private equity, and private debt. DC pension scheme members are currently missing out on these illiquid investment opportunities which could provide an additional return in the form of an illiquidity premium and which could help narrow the range of outcomes in investment pots. It is very encouraging that this issue is finally now in focus and we have the Government's commitment to break down barriers to longer-term investments for DC savers. The FCA are consulting on permitted links rules to ease the current stringent liquidity requirements for funds that pension platforms can connect to. We also have the DWP's consultation on illiquid investments and the charge cap and how it can accommodate performance fees which are normally levied in private market investments.

Whilst these developments are very much welcomed, it remains to be seen how far the industry will be allowed to go.

The current activities have been fuelled by the Government's drive to source 'patient capital' funding, which is currently rather narrowly defined as "capital provided to support the UK's innovative start up companies with high growth potential", or, in other words, domestic venture capital.

Venture capital is one of the riskiest sub-strategies of private equity investments. An allocation to venture capital may have a place in a well diversified alternatives portfolio but, given the high failure rate of UK startups, presents a risk profile which would generally not be suitable as the sole allocation to alternatives in a default portfolio.

Having said this, it is certainly a very strong start. With the door now open for DC schemes to more easily access illiquid investments, over time we should be able to utilise a variety of illiquid asset classes to build the default portfolios that can drive positive improvements in people's financial outcomes and quality of life in later years.

Expectations of 21st century trustees

The year is 2019: we don't have replicants, flying cars or hover boards, and any expectation of an international political unity are looking further away than ever. Whilst our movie expectations in the 1980s for the first quarter of the 21st century were fantastical, the expectations for the pensions industry were somewhat mundane. Few would have predicted the level of public interest, governance and regulations that are common place today.

By Greig McGuinness, Trustee Representative, Dalriada Trustees

In the 21st century the role of the trustee is far different from that of the late 20th century, the complexity of regulations protecting members' benefits, ensuring proper governance, the ever evolving scams, the geo-political and international financial back drop, the complex products and solutions to all these problems… how can a trustee keep on top of this? It's difficult enough to understand the whole pensions universe when it is your full time, every day professional career; what hope is there for the part timer or layman with a day job?

Since the 2004 Pensions Act there has been a legal requirement for trustees to have knowledge and understanding of the law relating to pensions and trusts, the principles of occupational schemes, and the investment of scheme assets as well as being conversant with their own scheme's policy documents. Whilst the Pensions Regulator has issued scope guidance of what this should include, and provides the Trustees Toolkit as a basic syllabus of learning, there is no mandatory basis for a trustee to comply with the Knowledge and Understanding requirements, or to maintain knowledge through continuous development; nor is there currently any additional requirements for a person to tout themselves as a professional trustee.

Many of the requirements introduced in the Pensions Act 2004 came from the EU Directive for Institutions for Occupational Retirement Provision, know as the IORP Directive. The IORP Directive has a sequel, IORP II, which came into force in all EU states on 13th January 2019. In early drafts of IORP II there was a requirement for all trustees to be 'fit and proper' by having suitable qualifications, knowledge, and experience, to enable them to carry out their role. However, the final directive watered this down somewhat to require the trustee board as a whole to meet the 'fit and proper' test. It is yet to be defined exactly what this means and how it differs from the existing Trustee Knowledge and Understanding requirements but, it has clearly been in the forefront of the Pensions Regulator's 21st century trustee campaign.

The Regulator has sought to understand the current position with regards to the quality of trusteeship and governance across the whole range of trust based pension schemes. It has undertaken various campaigns of education and codifying best practice (e.g. the DC Governance and DB Funding Codes of Practice) to ensure that all trustees understand what is required of them to properly manage a pension scheme.

To date, regulations have stopped short of any mandatory qualifications or training but there are noises that this could be changing.

The 21st Century Trustee campaign has also seen a review of what it means to be a professional trustee. In August 2017 the Regulator issued its policy on what it considered a professional trustee to be:

"We would not normally consider a remunerated trustee to be acting as a trustee of the scheme in the course of the business of being a trustee if:

a) they are or have been:

- a member of the pension scheme or a related pension scheme (i.e. a scheme with a sponsoring employer in the same corporate group); or
- employed by, or a director of, of a participating employer in the pension scheme (or an employer in the same corporate group), or

b) they do not act, or offer to act, as a trustee in relation to any unrelated scheme".

At the same time, the Regulator confirmed that it expects higher standards from, and will impose higher penalties on, professional trustees. The Regulator has also been supportive of the work done by the Association of Professional Pension Trustees in developing an accreditation framework and setting out minimum standards that must be met by professional trustees. The APPT is seeking to release details in the spring of 2019 as to what that will look like and for the first time trusteeship will be a properly regulated profession which can only be good for the governance of member's benefits.

It is expected that the standards will include minimum levels for all Professional Trustees plus additional standards for Trustee Chairs and Sole Trustees. For example, Sole Trustees will have to be part of a firm that can evidence having proper processes and procedures, and at least two accredited Professional Trustees with the appropriate balance of skills.

The Pensions Regulator has welcomed this development and has been reported to be considering how best to utilise the accreditation of Professional Trustees. Consultation is expected in the spring including the consideration of whether a trustee board having an accredited professional trustee should be mandatory; a comply or explain regime is definitely within the realms of possibility. Whilst having accredited Professional Trustees on trustee boards can only be a good thing, and should automatically ensure that the board complies with the IORP 'fit and proper' test, it does not reduce the obligation of other trustees to maintain their knowledge and understanding under the Pensions Act 2004, or their general fiduciary duties. The demise of the lay trustee has long been heralded, and as regulations become ever more complex, stand alone trust-based pension schemes become increasingly a legacy issue, and people properly understand their fiduciary responsibilities and potential personal liability, candidates have become harder to find.

Any existing or new trustees must understand what they have taken/are taking on, and it is the industry's job to facilitate this.

As a bare minimum it is essential that all trustees do the Regulator's Trustee Toolkit and that they maintain their knowledge through regular training and keep a record of their training.

Best practice would see all trustees obtain the PMI's Award in Pension Trusteeship, and comply with the PMI Trustee Group CPD Scheme requirements.

Since the early 1990s, pensions regulations having, only gone in one direction, and despite promises of simplification there are no signs of the complexity and strains on trustees calming down anytime soon. Whilst the job of the pensions trustee in the 21st century is essentially unchanged, the expectations of being able to lead the agenda and challenge advisers has never been greater.

It is essential that all trustee boards and individual trustees have the requisite skills to meet those expectations.

Using communication to focus on long-term savings

By Karen Bolan, Head of Engagement, AHC

A little while ago, we got a group of children together and talked to them about money.

The children were aged between two and ten years old. As you might imagine, the two year old wasn't particularly forthcoming, but what the others told us was really quite telling.

We asked them where they thought money came from and how their parents and grandparents got it. A lot of the responses were fairly predictable; the bank, from working etc., but it was their response to one particular question that really piqued our interest.

> "If I gave you £20 now, what would you do with it? Would you spend it, or save it?"

Only one child wanted to spend it. All of the others said that they would save the money. When we asked them to tell us why, there was one single explanation; they had something they wanted to save up for. Be it an expensive toy, a Manchester United football kit, the latest video game, the children all had a **longer term goal**.

There is much evidence to suggest that we are a society of spenders not savers. We are simply not saving enough to fund our retirement. We have lost the habit of saving.

What the children said got us thinking. Why does the mindset of a group so focussed on saving when they were young change just a few years later? And what can we do to rekindle this habit and get people thinking about their financial future? And more importantly, whilst there is still time to save enough to have a meaningful amount to live on when they stop working.

This will be about more than getting people to focus on a longer-term goal. We need to get people to take action, and to understand what they need to do to achieve that goal.

> **Communication plays a vital role here: effective communication drives people to take action.**

But, we have a problem. How do you help people understand what's in their own best interest, when they are inherently disinterested?

Pensions are complex and difficult to understand: a subject that is often assigned to the 'I'll think about it later' or 'that's just too hard' box. For many people they are in an arrangement they don't necessarily understand or want to be part of. Retirement is also, for many, too far away to even think about. It has no relevance to their lives today.

The reality is most people need to be led; led by someone who cares, someone who can understand their needs as an individual and help them think about their financial future.

People need help. They need us to:

- Understand their needs
- Understand that making decisions about a subject they find daunting is hard
- Help them to see and understand possible futures
- Help them set a goal
- Show them what action can and needs to be taken to achieve their goal
- Make it easy for them to take the right action
- Remind them again and again and again if they don't act.

When communicating we have to:

- Get their attention
- Be interesting
- Be relevant to their lives

A recent survey of 1,000 UK employees between the ages of 25 and 64, found that saving for retirement was the top priority for financial wellbeing for those over the age of 34[1]. It is therefore clearly something that people are concerned about.

A typical response from people when you talk about saving for retirement is that they can't afford to. There are just too many other pressures on their finances. Using tools that help people to see where they could make small changes to what they are spending today and have a real impact on their future finances produces some pretty thought provoking results. Sacrificing that premium coffee on the way to work each day and paying the equivalent into their pension pot could have an impact of over £67,000 for someone who is 30 today. *Makes you think, doesn't it?*

People also have an inherent fear of missing out. Demonstrating that the money they are missing out on from their employer by not contributing at a level to get the maximum company contribution is one of our most powerful tools to encourage saving.

Add in a demonstration of the impact of tax relief by showing them the actual contribution they would be paying compared to the amount that would be invested for them, and we have a pretty convincing message.

[1] *https://www.blackrock.com/investing/financial-professionals/defined-contribution/news-insight-analysis/from-confident-to-prepared*

A picture paints a thousand words so visual communications are often much more engaging than words can ever be. Short animations can be particularly useful in explaining complex subjects in a way that is simple to understand.

People need to see long-term saving as relevant for them to think about today. Stories and case studies can be used to demonstrate what has worked well for others like them, or help people see their pension in a more relatable way, and as such are an effective way of influencing people to start saving for their own retirement.

For example, take John, who is retiring because he did the right things when it mattered. He started contributing early and continued throughout his career. John gave himself the gift of 'Future Freedom': freedom to retire when it suits him; freedom to do the things he always wanted to do in later life. John set himself a goal and completed all the steps he needed to get there.

People relate to stories. *Don't we all want to have Future Freedom and be more like John?*

Communication drives the relationship any pension scheme has with their members. It should be used to make things happen. Getting people back to focussing on a long-term savings goal means getting a combination of the following things right:

Get members' attention, get the message right, get the media right, get the timing right.

Then, crucially, make it as easy as possible for people to take the action they need to take.

Learner Experiences

In October 2018, PMI Advanced Diploma exams became available to take online. Michael Mumford, CofE Pensions Board, who took Core Unit 4 on 9th October shares his experiences.

Why did you elect to take the online qualification?

For me this was a no brainer. My handwriting is terrible (even more so after writing a couple of hundred words), and I type a heck of a lot quicker than I can write. Plus, if I write something that doesn't make sense, I have to cross it out, re-write it and sometimes try and squeeze extra words above where I have written; there are arrows all over the place and it just becomes a jumbled mess. So, to type it means I can just delete and retype and it is clear and easy to read.

How did your experience differ from written qualifications previously undertaken?

The multiple choice side of things was so much easier online. I am always trying to make sure I marry up the question number with the answer number on the sheet when doing a written exam. It reminds me of filling out football accumulators. Oh, and no aching hand from writing. So, to have a question and choice of answer on the same screen and just to click on the answer made things easier.

If you were to write a postcard for a new learner with tips for taking online qualifications, what would they include?

I was a cub/scout/venture scout so follow the motto 'Be Prepared'. If you put the time and effort into your studying, then you will reap the rewards.

Do not get stressed about the exam and try not to overdo it with the studying; try and find a good balance. Make learning fun: just reading and answering can be boring so spice it up with some games; be creative with your learning.

Describe your overall experience and whether your expectations of this learning experience were met?

My expectations were a little low but these exams really worked well online. Usually, when there is a switch from paper to online form, there are teething problems and things never go as well as they should. It all seemed to go smoothly and I had no complaints at all.

What are your learning resolutions for 2019?

To continue to crack on with the exams and have a good study/work/social life balance.

What do you propose should be on the list for PMI for 2019?

To continue to help people in pensions expand their knowledge in an industry that gets more complex every day. And to make learning fun but also relevant.

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We're currently a team of 7 (having grown from 2 in 2017) providing a combination of governance and project support, outsourced pensions management and secretarial services to 30+ schemes.

Variety of backgrounds and experience considered. We value the breadth of experience and skills this brings to our growing team. Our team's previous roles include in-house pensions executives, consultancy and pensions administration/project roles.

Our key requirement is that you can demonstrate enthusiasm and a track record for improving standards of pensions governance and driving forward business plans.

You'll ideally have experience of all types of occupational pensions gained from a minimum 10-15 years' experience in pension roles, maintain up to date pensions technical and market and knowledge and be APMI or similarly qualified.

As well as planning, organising and follow-up of meetings, you will be involved in the design and delivery of a range of governance support activities such as service provider performance monitoring, adviser review and selection, budgeting and cost control, trustee effectiveness reviews and complex member cases. You will also represent trustees' interests, for example, on data and benefit rectification, de-risking and end-game projects.

LawDeb has a reputation for trustworthiness, high quality services and independence. The business has an impressive list of blue chip, high profile clients as well as a growing number of sole trustee appointments where the Pensions Executive's role is to provide governance support in line with our sole trustee framework.

To apply, send your CV and a covering email, in strictest confidence, explaining why you would be a good fit for this role, to: Kathy.Turpin@lawdeb.com or Jayne.Pocock@lawdeb.com.

www.lawdeb.com

Pension Specialists

Providing guidance, options and choice for people in various locations across the country.

Pension wise
Get to know your options

Salary: £24k-£30k
Contract: Fixed term until March 31st 2021 (possibility of extension)

Pension Wise is a free and impartial government service that offers people guidance on their defined contribution pension options. Citizens Advice offers the face-to-face Pension Wise appointments in over 300 locations. As of Summer 2018, the service has helped over 250,000 people understand their pension options and has a 98% satisfaction rating.

You'll be expected to supply accurate and relevant information and guidance on pensions options and choices. You'll need to have a good foundation knowledge of pensions law and practice, gained in a pensions technical role, as well as a thorough understanding of a broad range of pension arrangements, both occupational and personal. You also should have an understanding and appreciation of wider retirement issues.

Successful candidates must be able to attend a 3-week induction programme, 6 days of which will be held in central London or Birmingham in May 2019 - exact dates TBC.

Pensions Aspects LIVE/19

3RD APRIL 2019
IET

2019
SAVE THE DATES

After a successful launch of our newly branded **Pensions Aspects Live in 2018**, we are pleased to announce that we will be holding the 2019 conference on 3rd April at The IET (Institution of Engineering and Technology) – followed by the annual dinner on the same evening.

Contact us at
events@pensions-pmi.org.uk
to find out more.

PMI
ANNUAL DINNER /19

3RD APRIL 2019
THE SAVOY

WE ARE EXCITED TO BE LAUNCHING **A SERIES OF NEWLY BRANDED EVENTS** INCLUDING:

Trustee workbench.
2019

6TH JUNE
GRANGE CITY HOTEL

DC WORKPLACE SYMPOSIUM19

10TH OCTOBER
GRANGE CITY HOTEL

PENS TECH
ADMIN SUMMIT

7TH NOVEMBER 2019
THE GRANGE CITY HOTEL