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Pensions Aspects

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DC child's play

The perceived simplicity of managing DC pension schemes

DC, NOT AS EASY AS ABC

NEW VISIONS OF RETIREMENT

DC GOVERNANCE IN THE SPOTLIGHT

Pensions Management Institute
ACHIEVING PENSIONS EXCELLENCE

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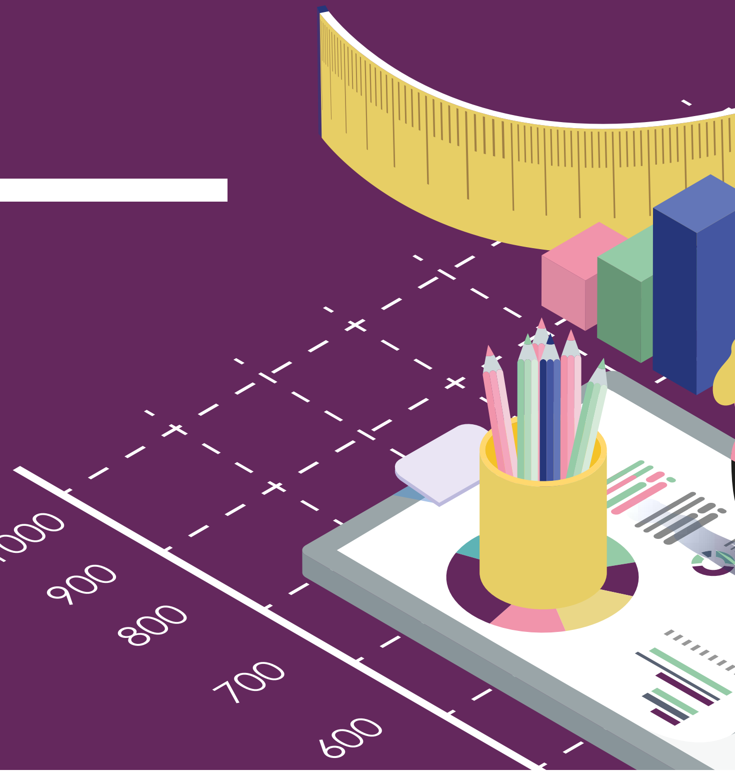


Why is size an issue for DC?

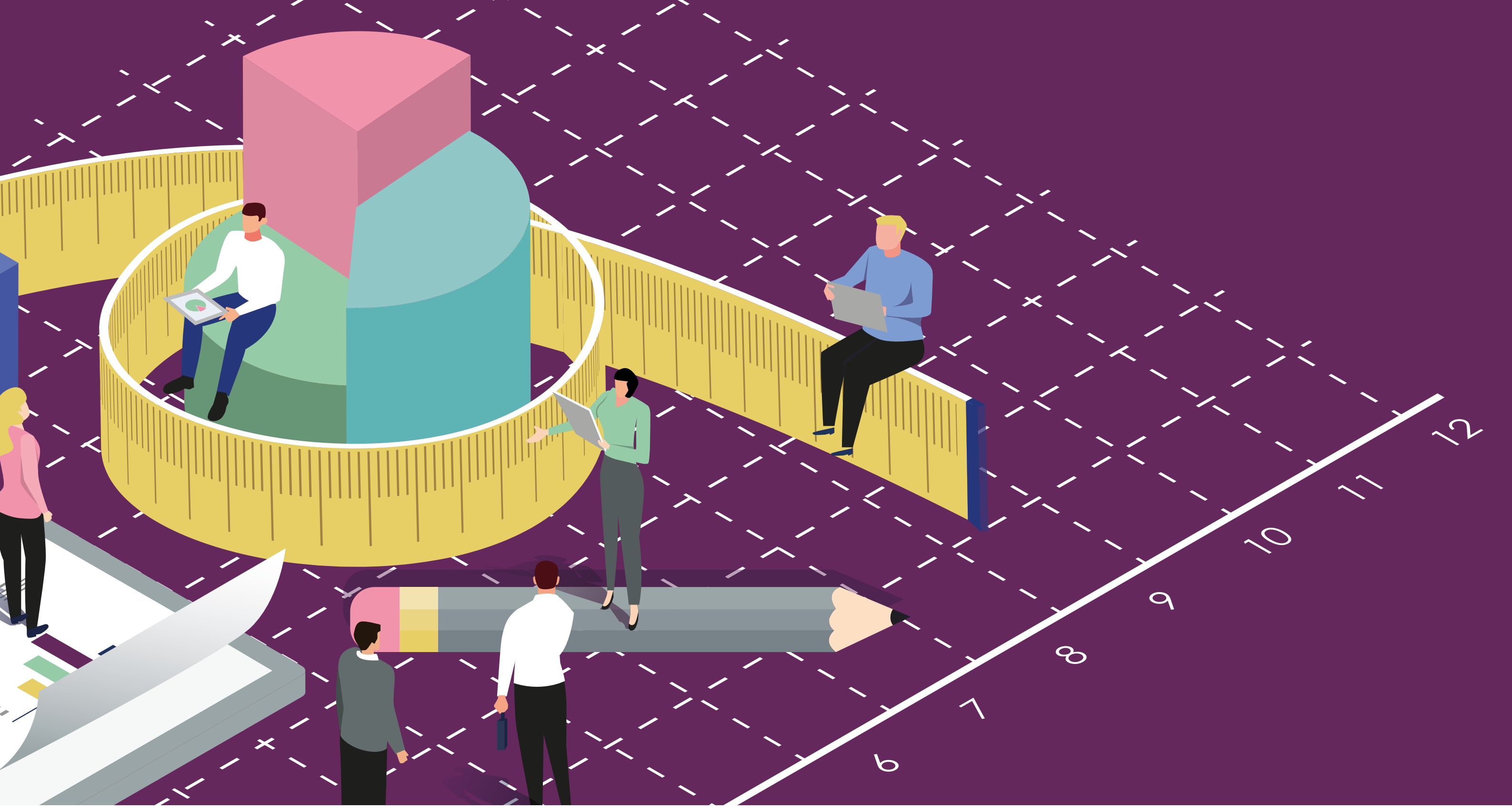
There has been a significant drive within the pensions industry to ensure Defined Contribution (DC) schemes are maintained to the same degree of excellence in terms of governance and due diligence as their Defined Benefit (DB) counterparts. Long gone are the days when trustees spent five minutes on DC at the end of a very long day discussing DB issues.

DC has been through various phases, from being the saviour of UK pensions with the introduction of Stakeholder pensions, to the stalled saviour following the lack of real interest in Stakeholder, back to being the saviour once more with the advent of Auto-enrolment (AE).

The size of DC contribution flows and membership have overtaken DB arrangements and this interested the Pensions Regulator (TPR). The sheer volume of DC has brought governance requirements sharply into focus, but with a drive for greater security and higher standards comes increased costs.

The Pensions Regulator introduced the DC principles, followed by the first then the second (revised) DC code. DC schemes must prove they are run effectively for the membership. The Chair of Trustees Statement began as a communication to members, informing them that the trustees, on their behalf, have met the requirements of the DC code. However, it has since become a compliance statement, with TPR expecting trustees to have documentation and evidence to back up any statements made.

> AE has driven the surge in membership of DC and it has also seen the proliferation of Master Trusts.



Whilst there are a significant number of them, the vast majority of those members going into Master Trusts, is concentrated in a few.

The attraction of Master Trusts is spreading the cost of governance and maintenance.

Yes, Master Trusts have to prove an even higher level of governance with the Master Trust Assurance Framework and the new authorisation process currently being undertaken, but that cost is spread over a larger pool of members and employers.

A recent TPR survey shows size does matter and Master Trusts, larger employers, and over half of medium sized DC arrangements were expected to meet the requirement to demonstrate value for members. Unfortunately only 14% of small DC schemes were expected to meet these higher governance standards.

Can smaller schemes meet governance standards? There are several different sources of assistance for DC schemes, irrespective of size, notably TPR's website with guidance on governance and the DC code. It also provides a quick guide to the Chair's statement, all free of charge. The Pensions Administration Standards Authority (PASA), recently published its DC governance guide and is looking to develop it further, specifically for schemes of varying sizes.

Advisors offer seminars, free events, and updates which are useful.

Will we see the demise of small schemes? Probably. Because it is not just the cost of governance that is the issue. General running costs are significantly higher for administration, advice, and investment. Despite providers being able to downscale their products, there will always be a delimitus, but governance costs may finally have pushed that to a level which is no longer acceptable. And, unlike small DB schemes with deficit issue preventing offloading of them, winding up a single small DC scheme and flipping it into a Master Trust has to be an attractive option.

By Lesley Carline
PMI President

Qualifications prize winners

Core Unit 4 / Jennifer May

Having previously achieved awards for both Core Unit 1A and Core Unit 2 and I am delighted to receive the Core Unit 4 prize as a fitting end to my qualification journey.

The modules I have completed as part of the Advanced Diploma in Retirement Provision have equipped me with practical information relevant to my role, a broader perspective on the environment in which we work, and an appreciation of current issues in pensions. I have enjoyed learning about the work of the Pensions Management Institute and how the PMI's Code of Professional Conduct can guide us in acting with the highest standards of professionalism and integrity, providing a high standard of service, and acting in the best interests of each client.

I began my career with Willis Towers Watson in administration and I have recently joined the Calculation Automation (CalcDev) team. The CalcDev team is responsible for building automated calculations across Willis Towers Watson's administration client base which covers around 2.5 million DB, DC and hybrid scheme members, and also new clients. The PMI exams provided me with a clear structure and pathway for learning and development. I believe that the qualifications I have gained have opened up my career options and have been instrumental in helping me to secure my current role. I am very lucky to work with a group of knowledgeable, experienced, and talented individuals. The biggest challenge has been to fit studying for the exams around the demands of working for a successful, growing company. I am grateful that Willis Towers Watson encourages professional study, with a range of learning and development initiatives in place.

Whilst I am happy to announce my own retirement from professional exam taking, I am looking forward to using my prize-winning study skills to help other students through PMI mentoring within my own organisation, and hope to get involved with qualifications and study with the PMI as part of my continuing professional development. Studying for the ADRP has been rigorous, demanding, and ultimately rewarding. In the words of one of my idols; "I have no idols. I admire work, dedication and competence." I am glad that the PMI also recognises these qualities.

Core Unit 4 / Abbie Elliott

I have worked in the pensions industry for just over 3 years now, completing my Certificate in Pension Calculations and my first two PMI exams. I feel the PMI exams have broadened my knowledge and helped me with my day to day job, by providing a challenging but achievable syllabus.

Core Unit 2
Marcin Balawender

I have worked for Dalriada since February this year, and studied for the Advanced Diploma between April 2016 and April 2018. I had previously received 4 prizes from the Institute, so this was a pleasant outcome for the last examination, and my qualification as an Associate (APMI). This module was challenging but well worth studying for, with very practical and applicable knowledge.

The ADRP exams have been great at building up my knowledge of the pensions industry, giving background detail to how it operates, especially from the regulatory, funding and investment perspectives, which is essential in my day to day role as a Trustee Representative. Dalriada has a very supportive learning and development environment which was helpful in pursuing this professional qualification.

Core Unit 3
Oliver Coe

I initially joined Buck as a pensions administrator and I have now been working in the pensions industry for almost 3 years.

Buck encourage learning, growth, and career progression through a comprehensive study package. This enabled me to complete the CPC qualification before I began studying towards the Advanced Diploma in Retirement Provision (ADRP). The ADRP qualification has played a key role in expanding my technical and practical knowledge which I apply to my daily work. Additionally, it has given me increased confidence in communicating effectively with clients, trustees, and members. Having been awarded the Core Unit 1A prize for my first exam, I was thrilled to be informed that I had now been awarded the Core Unit 3 prize. I currently work as a Senior Pensions Administrator specialising in the day to day administration of occupational defined benefit (DB) schemes for several clients.

DB Arrangements
Hazel Holland

I have worked at Aon for almost four years in the pension consultancy field, initially as an apprentice after I completed my A levels. I have now completed seven out of the eight modules required for the Advanced Diploma in Retirement Provision and have progressed in my role with my various clients. My knowledge has developed significantly since I started studying for these exams, and I am now familiar with most pension terms and concepts which therefore helps in my everyday role. I have previously received awards for four exams and was very pleased to have also received the Defined Contribution Arrangements award too.

Reward and Retirement Provision
Saara Vernalls

I am currently an Associate Consultant at JLT Benefit Solutions Ltd in our Exeter office, where I have worked for over 7 years. I started as a pensions administrator and progressed to my current role after gaining experience in defined benefit, defined contribution, and master trust environments. I currently work with occupational defined benefit schemes for a number of clients. I started working towards the Advanced Diploma two and a half years ago and I am now one module away from completion, having also gained the Diploma in Retirement Provision along the way.

Naturally I was very excited to receive the recognition for the Reward and Retirement Provision module which I found particularly interesting as it expanded my understanding of areas I do not deal with on a daily basis. The module increased my technical and practical knowledge. It is really helpful that PMI extend beyond just pensions as there are many linked areas we need to understand.

Professionalism & Governance
Jane La Pla

I am an Associate Consultant for Lane Clark & Peacock and started PMI 3 years ago when I joined the company. I am extremely pleased to not only have completed my Advanced Diploma within that time but to have also won a prize for this module. LCP has encouraged and guided my through each examination, ensuring I had the support and assistance needed. It is quite challenging to study for the ADRP whilst working and juggling children/home, but the past exam papers and examiner's reports were really helpful. The Advanced Diploma examinations have been invaluable in increasing my technical knowledge and have really helped with my day to day work. I would recommend to anyone to take these exams: I wish I had taken this up earlier on in my career!

Taxation, Retail Investment & Pensions
Nick Anderson

I have 8 years' experience of working in the pensions industry, working initially in a third party administration environment. I then moved to Barnett Waddingham LLP in 2017 to join the DC consulting team. I have now started studying for the Diploma in Regulated Retirement Advice as part of my goal to improve my technical knowledge and understanding, and progress towards being signed off as a regulated adviser. Once I have achieved this, I intend to continue working towards the Advanced Diploma in Retirement Provision (ADRP). Barnett Waddingham LLP have been very supportive of my personal development which has allowed me to focus sufficiently on the study requirements alongside fulfilling client needs in the day job.

The Taxation, Retail Investment and Pensions module of the ADRP was a very useful insight into the wider world of benefits provision, comprising of interesting (honestly!) chapters on taxation, investments, and group risk benefits alongside the more familiar material on pension benefits. The varied subject matter was particularly challenging but was a valuable learning experience which should make me a more rounded consultant in the future. In light of this, I was delighted to not only pass the module, but to be awarded the prize as well.

Retail Advice & Regulation prize
Natasha Markanday

I am a DC pensions consultant at Willis Towers Watson and have been in the pensions industry for circa eight years. The Retail Advice and Regulation exam was the last exam I had to take in order to obtain the Diploma in Regulated Retail Advice, which is a qualification recognised by the FCA and required in order to become a recognised FCA regulated financial adviser. I found the course material testing at times, with some areas being very technical. However, there was lots of support in place and lots of examples to work through which really helped make sure I understood the different topics. I also found it useful that I could relate to some of the material through my role here at Willis Towers Watson.

Although I found this exam to be one of the harder exams in the PMI range, there's nothing that a little studying and perseverance can't beat!

Membership update

Obituaries

We are saddened to hear that **Alison Fletcher** DipPMI and **Sara Tesfaye** have recently passed away.

2018 – 19 Membership Renewal Subscriptions

Your membership renewal was due on **1st September 2018** and subscription renewal notices have been sent out to all members.

A late payment fee of £35 has been applied to all outstanding membership subscriptions.

To avoid any disruption to your membership services please make your payment now by visiting **www.pensions-pmi.org.uk** and logging in to the **'MY PMI'** section to make your card payment. Alternatively, payment can be made by contacting the Membership Department on 020 7392 7410/020 7392 7414.

Continuing Professional Development (CPD)

Congratulations to all Associates and Fellows who have started to complete their 2018 CPD. Approximately 440 have already accumulated 25 CPD hours!

Fellows and Associates are reminded that meeting the PMI CPD requirement is compulsory (except where retired/non-working). Members are required to record at least 25 hours.

Please log on to the website and update your CPD record.

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.

2018 – 19 Affiliate Renewal Subscriptions

Affiliate memberships are due for renewal on the **1st November 2018**. Subscription renewal notices have been sent out to all Affiliate members. If you have not received your renewal notice please contact the Membership Department at **membership@pensions-pmi.org.uk** or on 0207 392 7410/020 7392 7414.

Next Gen launch party

We were delighted to host the Next Gen launch party at our offices on 25th September. PMI is an ongoing supporter of Next Gen, a new initiative from a group of young professionals, designed to promote and encourage the next generation within the pensions industry.

The evening was a success, with over 30 pensions professionals in attendance to hear more about how Next Gen is looking to support young pensions professionals.

You can find out more about the Next Gen initiative at **https://nextgennow.co.uk/**

PMI Fellowship Network 4th Anniversary Party (PMI Fellows only)

The PMI Fellowship Network will be celebrating its 4th anniversary on Thursday, 22nd November 2018 from 17:00 – 19:30 at Sackers, London. This year we will be welcoming two guests: Debra Soper, Director of civil service and Royal Mail pensions from the Cabinet Office, and Chris Turner, British comedian and freestyle rapper!

All Fellows will have received an invitation to the event. As spaces are limited, please RSVP as soon as possible to avoid disappointment.

PMI Membership Upgrade Waiver

The Board has decided to allow all future qualifiers after each exam to upgrade their membership without the appropriate election fee. The invitation to upgrade letter will be posted together with your results indicating a three-month 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. For further details contact the Membership Department at membership@pensions-pmi.org.uk or on 020 7392 7410/ 020 7392 7414.

PMI Trustee Group Scheme

The PMI extends a warm welcome to:

Deutsche Telekom (UK) Ltd T-Mobile International UK Pension Scheme
Luxfer Group Pension Plan
First UK Bus Pension Scheme Trustees
AIB Group UK Pension Scheme
Mitel Networks Pension Trustee Company
ITV DC Trustee Ltd: DC Plan (ITV)
Southern Electric Group Pension Scheme
UTV Pension and Assurance Scheme

who all joined the PMI Trustee Group Scheme recently.

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 members have been elected to Associate Membership and can now use the designatory initials "APMI":

Marcin Balawender
Sarah Booth
Christopher Hughes
Malina Miller
Colin Minty
Vadims Kapkajevs
Elizabeth Lathbridge
Colin Sharpe
Nicola Park
Thattiya Siriphongpanich

Membership Record

Please ensure that your personal details are correctly updated on the PMI database to ensure that there is no interruption to your membership service. If you require a reminder of your username/password to log in and check your details, please contact the membership department at membership@pensions-pmi.org.uk or on 020 7392 7410/020 7392 7414.

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":

Papiya Das
Jack Firkin
Christopher Flanagan
James Gill
Natalie Tate
Matthew Robert
Stephen Wolstenholme

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":

Richard Ingram
Michael Lee
Sally Maddocks
Emma Marley
Michael Peters
David Revell

Events

DIARY DATES

Wednesday 24th October 2018
ESG ROUNDTABLE

The PMI will be holding a roundtable discussion on the morning of the 24th October at the offices of Redington. Topics to include:

+ Investment solutions
+ Sustainable investment policy
+ Regulatory/legal framework
+ Researching & implementing an ESG portfolio

This roundtable is free to attend but seats are limited. For more information, please contact the Events team

Wednesday 31st October
INTRODUCTION TO UK PENSIONS - LEEDS

The next "Introduction to UK Pensions" seminar will be held at the offices of Barnett Waddingham in Leeds on the 31st October.

This introductory workshop is designed for those with little or no previous pensions knowledge. Our panel will go through the essentials of the pensions industry, touching on core areas that those started out in the industry need to know, as well as answer any questions that you may have.

Members £109.00 **Non-members £163.00**
All prices displayed exclude VAT.

Wednesday 7th November
PMI ADMIN SUMMIT –
THE FUTURE OF PENSIONS ADMINISTRATION

The Future of Pension Administration is a must attend event for in-house pension schemes, pension trustees, and finance directors who want to keep up to date with the latest best practices and trends, meet industry influencers, advance their careers, and find solutions to some of industry's most challenging concerns. The conference will also provide a greater networking opportunity for trustees, administrators and pensions scheme managers.

Members £300 **Non-members £350**

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

Thursday 29th November
PMI TRUSTEE SEMINAR

The PMI is delighted to announce our Winter Trustee seminar will be held on the 29th November in London. Join us for a day with some of the top influencers in the pensions industry. Topics to include:

+ ESG vs ethical investment
+ How does fiduciary management work?
+ PMI Trustee Group
+ Risk transfer
+ Role of the professional trustee
+ Trustee soft skills
+ Valuation methodology
+ What should trustees be asking about costs?
+ White paper summary

This event is free for PMI Trustee group members to attend

Wednesday 5th December 2018
DC SYMPOSIUM

Come and join the PMI for a comprehensive look at all things DC-related. Topics of discussion to include:

+ FCA Retirement outcome: what's coming?
+ From defaults to pathways
+ Overcoming barriers to good service delivery
+ DC Governance in practice
+ DC issues and resolutions
+ Communication: getting the message across
+ The impact of member outcomes

Members £100.00 **Non-members £150.00**
All prices displayed exclude VAT.

2019 EVENT CALENDAR:

3rd April 2019
PENSIONS ASPECTS LIVE 2019
Venue: IET

3rd April 2019
PMI ANNUAL DINNER
Venue: The Savoy

6th June 2019
TRUSTEE SEMINAR
Venue: Grange City Hotel

10th October 2019
DC WORKPLACE PENSIONS SYMPOSIUM
Venue: Grange City Hotel

7th November 2019
PENSION ADMINISTRATION SUMMIT
Venue: Grange City Hotel

PPF compensation

every individual member should receive at least 50% of their scheme benefits

By Sharon Piert
Senior Associate, CMS

The Court of Justice of the European Union (CJEU) has ruled that the Pension Protection Fund (PPF) regime does not satisfy European law requirements. The judgment is likely to have a significant impact on the PPF, and could have wider knock-on effects for many occupational pension schemes.

The PPF legislation generally protects 90% or (for members over normal retirement age), 100% of the 'core' pension benefits on an employer's insolvency. However, there are situations in which far smaller proportions of a member's overall scheme benefits are protected. For example, members below normal retirement age may be caught by the PPF compensation cap (which currently equates to a maximum PPF pension of £35,106 per year), and members could also lose out because the PPF provides lower pension increases or ancillary benefits than those set out in the rules of the employer's pension scheme.

The applicant, Mr Hampshire, was 58 when his employer became insolvent. He was below normal pension age so the compensation cap applied and this meant that his entitlement to PPF compensation was less than half of his scheme entitlement, even before lower future pension increases were taken into account.

The member argued that this was a breach of the EU Insolvency Directive, which requires Member States to ensure that "necessary measures" are taken to protect the interests of employees and former employees in respect of accrued pension rights. In particular, he cited previous European cases which had suggested that members should receive at least 50% of their accrued benefits.

The UK Government argued that Member States had some latitude under EU case law, and that the question should be looked at on a broader basis: there was no member-by-member test.

The CJEU agreed with the earlier Opinion of Advocate General Kokott, and held that EU law requires Member States to guarantee 50% pension compensation on insolvency for each individual employee, "without exception", with protection lasting for the entire pension period, in order to prevent the percentage falling as a result of the passage of time.

The Court also agreed with the Advocate General that the Directive could be relied on directly by individuals against the PPF.

The Court's approach will not just affect those members whose PPF compensation initially falls below 50%. Over time it could affect other members who had a right under their scheme's rules to more generous pension increases or ancillary benefits. Schemes whose statutory priority order on wind-up links directly to applicable PPF compensation levels could also be affected even where the scheme has a PPF surplus.

The PPF has issued a statement saying that it will work to implement the judgment as quickly as possible, and consider what action it can take "prior to legislative change and/or the conclusion of UK court proceedings," as the CJEU's ruling will now be remitted to the Court of Appeal.

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

DC child's play

The perceived simplicity of managing DC pension schemes

Continue reading on pages 14 -15...

DC, not as easy as ABC

Administration of defined contribution schemes (DC) is often quoted as being easy or simple when compared to their more mature defined benefit (DB) counterparts. "It's just like running a bank account" and "all you have to do is multiply one number by another," are two of the most common remarks associated with administering this type of arrangement.

The misconception about the perceived simplicity of administering DC schemes is borne out of three beliefs. The first is the comparative conceptual simplicity of DC; it's easier to explain to members, at least in accumulation phases, than DB. And, because it's easy to explain, it must be easy to administer. The second is that technology has performed much of the heavy lifting from an early start, removing the possibility of error or risk from the process. And thirdly, that most of the cost and attention of trustee boards has gone into focussing on DB issues so, therefore, DC must always run like clockwork.

Like many things that appear simple or straightforward, scratch the surface with DC and you will find an intricate and complex web of processes, systems, and data. If we know one thing about pensions administration, it's that data has been a persistent issue.

> **Be in no doubt that a huge amount of data is needed for DC scheme administration.**

Over a forty year membership, a defined benefit member will have a minimum of 135 data points. Assuming the member doesn't move to a new house, change marital status or amend any of their contact details, then this is the base number of data items held on their record. It's just enough to calculate their benefit and write to them to tell them what it is. For a DC member, the number of data items you need to do the same job is 3,615.

Each one of those 3,615 points represents a potential risk. Miscalculated salaries, an incorrect unit price, process delays, or system failures all have the potential to derail the closely choreographed orchestra of administrator, investment manager, sponsor, and member. When you overlay this with the time criticality of investment cycles, you start to build a picture of the true complexity of achieving a well-managed DC administration operation.

Even with the best run systems, processes, and skilled people at the helm, things can still go wrong; nothing and nobody is infallible. But, when things go wrong in DC the path taken to resolve the issue is always longer, more complex, and inevitably costlier than when compared to DB schemes.

> **When a DB benefit has been miscalculated, even if it is a historic case, then the assessment and correction can usually be actioned within a few hours.**

If the data you need is at hand, then all you need to do is to recast the calculation; a pen, paper and calculator will be the extent of the tools you'll call on.

If something goes wrong with a historic DC transaction then forget a quick fix as you'll need to look at every single transaction that occurred after the mistake took place; remember that figure of 3,615 data items. Considering the impact the mistake had on investment allocations, pricing, and

switches then a very long standing issue could take weeks to fix. Once the problem has been diagnosed and a fix established, then implementing it will mean you will also need to call on a range of specialists covering systems, investments, and accounting.

In all the cases of DC error correction I've seen, the overall cost of the mistake on the liability has always been dwarfed by the cost of time spent on implementing the fix.

With the cost of rectification often being significantly higher than the impact of the error itself, you might be tempted into inventing a pragmatic, more financially beneficial solution for the affected members. The Regulator, however, takes a very dim view of this practice and expects trustees to take whatever steps are necessary to reinstate the correct level of benefits, even if it costs much more to correct than compensate.

Some of the most common errors associated with DC administration are:

- Misquoted salaries and contributions from the sponsor
- Delayed investment cycles due to mismatched or missing contributions and supporting schedules
- Mispriced or repriced unit allocations

Thankfully, years of platform and process development have been invested in making end to end DC administration processes more robust and accurate. Those that have been most successful have looked to the points of data exchange between agents and invested in putting in place automated, technology-led solutions. One of the biggest innovations that has had the most positive effect on data quality and efficiency has been the interface between administrator and employer. Auto-enrolment has pushed contribution submissions and live data validation online, meaning that sponsors are forced to submit and validate contributions before they enter the process flow.

The importance and significance of reconciliations in this environment cannot be overstated.

Regular and frequent reconciliation is absolutely essential in assuring the robustness and security of processes. Reconciliations will quickly identify whether everything is running as expected and if any part of the network of interactions is failing.

Nobody should be under the misconception that DC is simple or that it can be entirely reduced to a push button exercise. While it does rely more on technology than any other type of administration process, it can still be subject to data input or process failures. Ensuring that processes are robust, well managed, regularly audited and reconciled is fundamental to achieving longterm success. If you are dismissive of the skills and expertise needed to administer DC then you may just fall victim to a very long, complex, and expensive rectification programme.

By Greg Rice
Member Services Manager,
Trafalgar House

Greg is responsible for leading the administration team, ensuring a high quality service is provided to our clients and members, whilst continuously striving to improve processes and procedures. Greg has over 20 years of experience in the pensions industry, working in both in house and third party environments across a variety of DB, DC, hybrid, and CARE schemes.

New visions of retirement

By Steven Leigh, Senior DC Consultant, Aon

Retirement was once a big bang date at which you stopped work completely, but Aon's latest research shows that the majority of individuals no longer expect this to be the case. What challenges does this present for employers and pension schemes, and how should they respond?

We have been hearing about phased retirement since the removal of the default retirement age back in October 2011, but many employers and pension schemes are yet to see this borne out in practice.

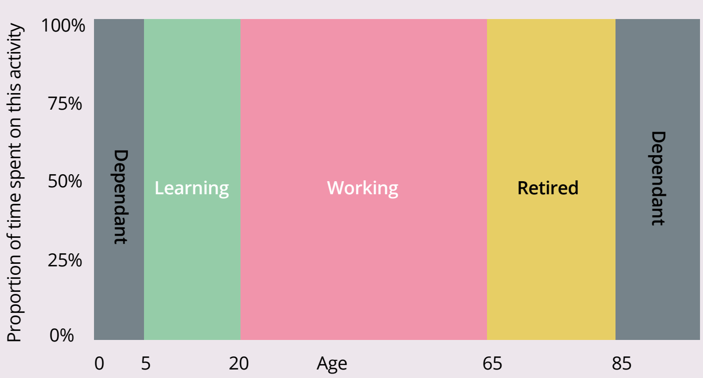
So what reasons are there for this apparent disconnect? Many individuals retiring from larger employers may have a significant amount of pension income payable from defined benefit (DB) pension schemes that they have to take at one date.

However, many are now seeing:

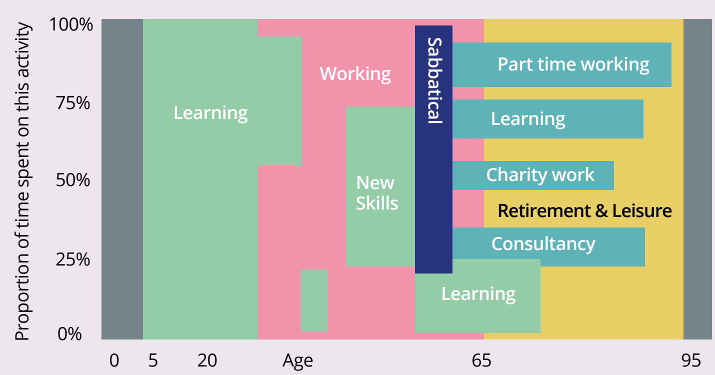
+ **State pension ages rise**
+ **Reliance on defined contribution (DC) pension arrangements increase**
+ **Longer and healthier later lives**

All of these are driving the change from the fixed traditional life stages model to a more complex version.

Historical life stages



Future life stages view



> **We are seeing that those individuals who do intend to fully retire are generally planning on doing this at an older age.**

Around half of the 1,000+ individuals included in Aon's current DC member research (to be published shortly), plan to transition to part time working before they 'fully retire' from paid work. This is true across all ages; over 40% of workers currently aged 50 or more expect to work part time before retiring fully. This means that the new paradigm illustrated here is something that is starting right now.

Surprisingly, 14% of individuals report that they intend to never stop working, expecting to carry on in paid employment either part time or full time for the rest of their lives!

It is clear that the traditional retirement income model of an initial cash lump sum, followed by a fixed level of income, is not going to meet the changing needs of the majority of individuals going forwards.

So, are pensions freedoms the answer?

Access to income drawdown and unrestricted cash lump sums from DC funds following the introduction of pension freedoms allows people to shape the income from their DC pensions to suit their lifestyle. Annuities still offer the ability for individuals to secure a guaranteed income if that best meets their needs at any point in time.

Pension freedoms may enable individuals to match their pension income with their lifestyle, but the changing approach to retirement presents a number of challenges for pension schemes and sponsors. One of the toughest challenges for pension schemes can be deciding what should be done to support the 'decumulation' phase.

Offering individuals a default guided pathway for income withdrawal recognises and addresses the fact that many will not pay for, or cannot access, financial advice and are therefore likely to be ill equipped to navigate the post-retirement income market.

Test what your members receive compared to a guided decumulation pathway that ideally delivers:

+ **Sustainable income**
+ **Flexibility**
+ **Longevity protection**
+ **Robust decision support framework**
+ **The same value for money (including institutional pricing and quality). that employees experience pre-retirement**

In addition to the challenge of decumulation from the pension, there are other areas that should be considered by pensions, benefits, and HR teams in response to changes in traditional retirement patterns, such as:

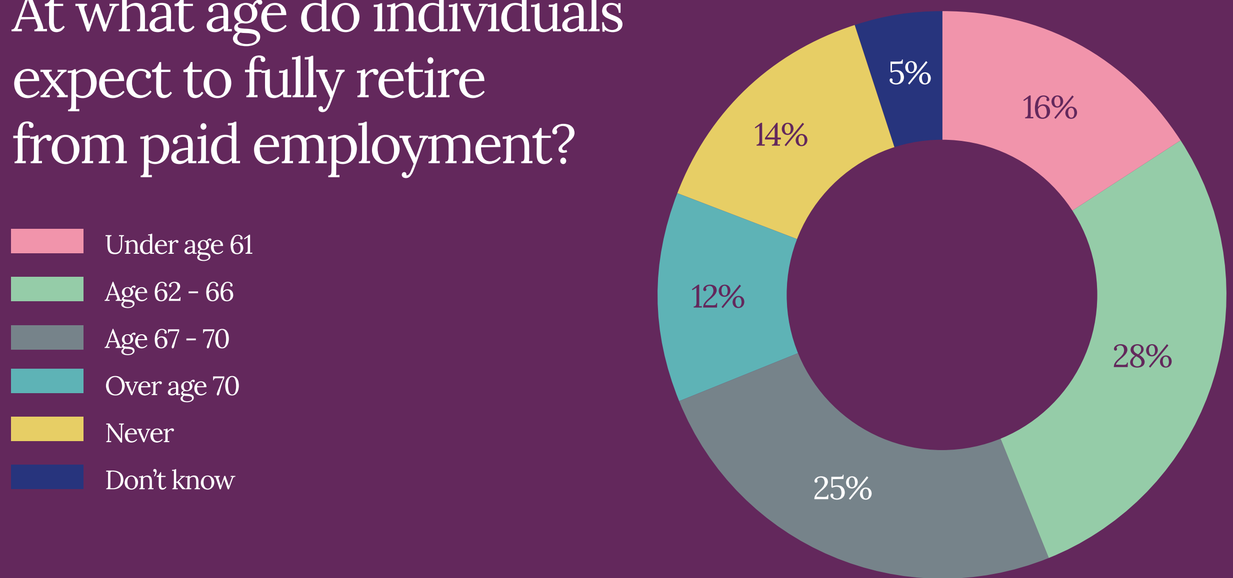
+ **Will suitable part time jobs exist for these employees?**
+ **Are life cover or health benefits suitable for those working to older ages?**
+ **Can you help employees set a target for an appropriate retirement income where they are planning to transition to part time work?**

So, when will people fully retire, if ever?

As well as helping individuals plan for, and facilitate a flexible income stream in, retirement, employers also need to consider how succession planning and job roles may be impacted by larger numbers of older workers remaining in employment.

We are seeing that those individuals who do intend to fully retire are generally planning on doing this at older ages. Less than half of employees now expect to retire fully from work by age 66 and around 25% of employees expect to be still working after age 70.

At what age do individuals expect to fully retire from paid employment?



Source: Aon 2018 DC pensions and financial wellbeing research

It is important to ask yourself how well you know your workforce. Is there more that could be done to understand their intentions around retirement? Knowledge is power and this understanding could empower you to assess how well your pension, benefits, and even job roles meet the employee needs as well as the future needs of your business.

To pre-register to receive Aon's DC and Financial Wellbeing research, go to: aon.com/dcpensionsuk

Aon Consulting Limited is authorised and regulated by the Financial Conduct Authority.

DC transfers from hybrid schemes: Have you considered protected tax free cash?

Protected tax free cash is an area that employers and trustees need to be aware of at the outset of any proposal to transfer the DC section of a hybrid scheme.

Increasingly, sponsoring employers of hybrid pension schemes, concerned about the ongoing costs and governance responsibilities associated with DC sections, and mindful of employees wanting greater flexibility when accessing their DC benefits, are looking to transfer their DC sections into master trust arrangements.

Typically, the legal issues surrounding such transfers are straightforward: do the trustees have the power under the scheme's governing documentation to make the transfer and, assuming the transfer involves a bulk transfer of members' benefits without consent (which is the common approach given the impracticalities of seeking individual member consent), are the requirements of the preservation legislation satisfied.

Where issues do arise is when the trustees are considering whether they should agree to the transfer, paying regard to their legal duties to the scheme's beneficiaries. This will usually involve consideration of a number of wide ranging issues, such as fund charges, out of market risk, range of investment funds etc. Whilst these issues can typically be resolved through discussions with the employer and/or receiving scheme provider, one area that trustees, employers (and advisers!) are not always aware of, and which has the potential to be a "show-stopper", relates to those members with protected tax free cash entitlements.

We expand on this further below.

The technical bit...

Readers may recall that prior to April 2006 the maximum tax free cash a member could take from his pension was calculated by reference to his length of service and remuneration. This was replaced by a formula which (broadly) allows a member to take 25% of the value of his benefit as tax free cash.

For the majority of members 25% is likely to be an increase from the maximum under the old formula. However, for some members, the old formula would have resulted in a tax free cash entitlement, based on benefits as of 5th April 2006, in excess of 25%. To address this, the Finance Act 2004 (the Finance Act), included provisions to protect existing cash entitlements in excess of 25%.

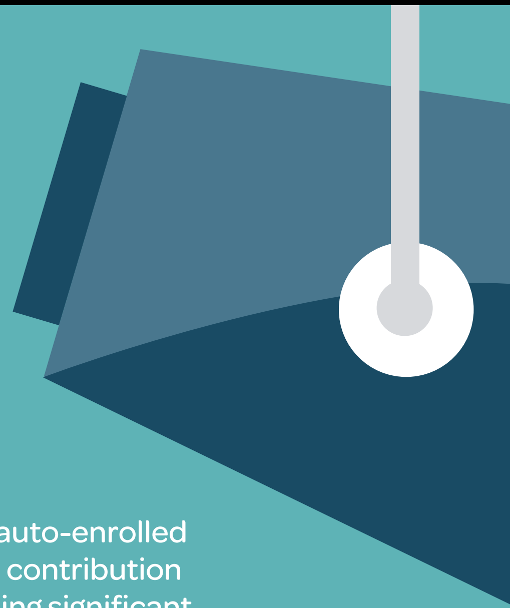
What does this mean for DC transfers from a hybrid scheme?

In the context of pension scheme transfers, this protection is only maintained where the transfer meets the requirements under the Finance Act for a "block transfer". A block transfer must relate to the whole of the member's benefits under the scheme, and at least two members must transfer their benefits in a single transaction.

Where the transfer does not constitute a block transfer the member will lose the protection in respect of the benefits transferred (although will retain it in respect of the benefits that remain in the scheme).

Therefore, for any members with benefits in both a DB and DC section, and who were, based upon their benefits as of 5th April 2006, entitled to a maximum tax free lump sum in excess of 25%, a transfer of just their DC entitlement will reduce the level of tax free cash they can take on retirement (N.B. our interpretation of the legislation is that this would be the case even where the transfer relates exclusively to DC rights accrued after 6th April 2006). For trustees looking to ensure the transfer will not materially prejudice beneficiaries' interests, this can be a major sticking point.

By Paul Wild
Solicitor, Gateley PLC



DC governance in the spotlight

By Tamara Calvert (Partner, DLA Piper) and
Megan Sumpster (Professional Support Lawyer, DLA Piper)

Since its introduction in 2012, over nine million employees have been auto-enrolled into a workplace pension scheme. Most of these schemes are defined contribution (DC) schemes. At the same time, the DC landscape has been undergoing significant change. DC governance, in particular, has been in the spotlight, with new regulations and new guidance from the Regulator this year. In this article, we look at recent developments in DC governance, in particular, in relation to the chair's statement, and future Statement of Investment Principles (SIP) requirements.

Chair's statement

The requirement to produce an annual "chair's statement" was first introduced in April 2015. Generally speaking, trustees of DC schemes are required to produce an annual statement providing information about: (i) the SIP for the scheme's default investment fund; (ii) the requirement to ensure that core financial transactions are processed promptly and accurately; (iii) charges and transaction costs, and the trustees' assessment of the extent to which they represent good value for members; and (iv) how the statutory requirements in relation to trustee knowledge and understanding (TKU) have been met during the scheme year.

New Regulations

Regulations came into force in April this year which expanded the information that must be included in the chair's statement about costs and charges, and mean that parts of the statement must be published online. The new Regulations require that the chair's statement includes the level of charges and transaction costs for each investment fund, and an illustration of the cumulative effect over time of the application of those charges and costs on the value of a member's rights. As the chair's statement has to be prepared within seven months of the end of the scheme year, the first schemes to have to provide this information will be those with a scheme year ending on 6th April 2018, and they will have to do so by 6th November 2018.

> **The Regulations also introduce a duty from 6th April 2019 for trustees to provide members with a statement, on request, about the pooled funds in which their pension pot is invested.**

New Guidance

In June the Regulator published an updated version of its quick guide to the chair's statement setting out the legal requirements and the Regulator's expectations as to how trustees should meet them.

> **The guide includes a checklist for trustees to use so they can be confident that they have addressed all areas sufficiently.**

It also provides some examples of common mistakes that the Regulator has seen in statements submitted so far, and states that if there is a reason why the trustees have not been able to comply with a particular requirement, they should state where they have missed out information and why. The Regulator also published a "technical appendix" to be read alongside the quick guide, which provides

a summary of the statutory requirements in relation to the chair's statement.

TKU

The chair's statement must explain how trustees have met the TKU requirements during the scheme year. With the Regulator's 21st Century trusteeship campaign focussing on driving up standards of governance across all schemes, trustees should ensure that their TKU is sufficient and up to date.

A good chair's statement will inform scheme members how the scheme has been managed over the past year. The Regulator has warned that there "really is no excuse" for a non-compliant chair's statement. However, trustees should be aware that, where statements are non-compliant, they will be personally liable to pay a fine of between £500 and £2,000.

In addition, schemes that do not meet the requirements will be named on the Regulator's website.

Therefore, trustees should treat their statements with due consideration and should start to consider what steps they need to take to ensure compliance with the new requirements within the relevant timescales.

SIP requirements

In response to recommendations made by the Law Commission in its June 2017 report on pension funds and social investment, the DWP recently consulted on proposals to amend legislation to clarify and strengthen trustees' investment duties which will require action by trustees. Regulations have now been made and propose the following changes for all schemes that are required to produce a SIP.

- By 1st October 2019 trustees will be required to update or prepare their SIP to set out how they take account of financially material considerations including, but not limited to, those arising from environmental, social, and governance considerations, including climate change. This change will apply in relation to the SIP for the default arrangement, which certain schemes providing DC benefits have to produce.

It is also proposed that some additional requirements will apply in the case of "relevant schemes, broadly, DC and including hybrid schemes.

- By 1st October 2019 trustees will be required to publish their SIP on a website and inform members of its availability via the annual benefit statement.
- From 1st October 2020 trustees will be required to produce an implementation report setting out how they acted on the principles set out in the SIP, publish the report online, and inform members of its availability via the annual benefit statement.

Trustees should bear these proposals in mind when reviewing their SIP as part of their investment discussions over the coming months.

Key messages

DC governance standards are becoming more stringent, and compliance is high on the Regulator's agenda. Trustees of DC and hybrid schemes should ensure they understand the requirements that apply to their scheme, and review and update governance processes to ensure compliance. Trustees also need to keep an eye on developments in relation to the new investment reporting requirements, not only for regulatory compliance but also because it is a focus for some members and climate change action groups. Knowledge of the scope of these requirements will be important in responding to any member queries.

When did pensions become taxing?

Tax doesn't have to be taxing says HMRC. Perhaps they weren't considering pensions when making that statement.

Things were confusing enough when a pensioner with a DB pot, AVCs and a state pension had to figure out if they owed any tax. Most pensions are taxed at source though, so pensioners can sit back, relax and rely on pension administrators to get this right. Or so they might think.

A typical pension today is paid through PAYE to ensure pensioners don't have to complete tax returns. Most administrators use an off the shelf third party payroll or administration system to manage tax records and outgoing payments. In the past, this generally worked well.

Then came pension freedoms and flexi-access drawdown. Administrators are no longer dealing with one or two pensions paying out on a monthly basis. They would have to deal with many individual pension pots, multiple drawdown arrangements and payment on a regular or irregular basis, as well as one off payments and UFPLS.

> **Payroll systems in use originally intended for employee payroll, have often not been updated to understand these new pension freedoms.**

In fact in most cases they do not have the concept of making pension payments at all. Most still only support weekly or monthly payroll and cannot cope with irregular or ad-hoc payments. They don't cater well for multiple accounts or drawdown arrangements making payments to the same pensioner, and don't have the means to apply correct tax codes. Similarly, legacy systems, particularly in the annuity sector are hard to update and often can't keep up with the recent changes to regulations.

Add to all this the fact that HMRC guidance is confusing at best and often seemingly contradictory, and pension administrators are left with a difficult task indeed.

The result of this is that payments can often be under or over taxed and regularly misreported to HMRC. This leaves pensioners exposed to tax bills they're not expecting, or not receiving the benefits they're entitled to and having to reclaim overpaid tax.

For example, if a pensioner decides to take some of their pension into drawdown and takes a quarterly payment, a traditional payroll system would likely manage their tax record on a monthly payment basis. If they were paid in the first month of each quarter in the tax year, they could miss out on two months of tax relief on each payment they receive. On a quarterly payment of £3,000 they could lose tax relief on roughly £2,000. A higher rate tax payer could be underpaid by around £800. Unlike a normal monthly PAYE payment, a pensioner could end the year nearly £800 down in overpaid tax and have to reclaim it, or wait for the following year's tax code to get it back. But they would also be overtaxed the following year.

> **Worryingly, HMRC is aware of the problem, but is doing nothing about it. So the onus is on the pension administrators to secure a system that can deal with it.**

Altus
Business Systems

By Nick Meredith, Altus Business Systems Chief Architect

CMA Investment Consultants Market Investigation

By Shola Salako, Trustee Representative, Dalriada

The Competition & Markets Authority investigation into Investment Consultancy and Fiduciary Management services in the UK is long overdue and is welcomed. When we consider Trustees of pension funds have a responsibility to make investment decisions that deliver sufficient returns, it is clear that one of the most challenging parts of the role is dealing with the investments.

Legislation requires guidance to be sought from investment specialists which means the investment adviser is integral to the process. With the vast sums under management, how does the Trust board work out they are receiving value for money?

This is even more of an issue with Fiduciary Management where the products are complex and the fees are often less than transparent. The proposed changes including better information on fees with reference to Fiduciary Management should go some way to assisting Trustees with gaining transparency on what exactly they are being charged.

Standardised performance reporting is relevant for both Investment Advisors and Fiduciary Managers. It is much easier to read and understand reports where one can count on some common features and where the end user had been considered in the creation.

The requirement by Trustees to set their investment consultant strategic objectives upon which they must report should be helpful. This will, however, require Trustees to spend more time and increasing parts of their governance budget on meeting this. Regulation of Investment Consulting and Fiduciary Management by the FCA is another welcome development. It seems surprising that this is not the case already. We look forward to the form of regulation this will take. The mandatory tendering for switching into Fiduciary Management and warnings when its been sold, should assist the Trustees in asking the relevant questions as they consider making these important, costly decisions.

The intention that the Pensions Regulator provides new and increased guidance when tendering for both services should mean Trustees will now have access to more guidance.

It is important to note that when Trustees delegate to a Fiduciary Manager, they remain ultimately responsible.

Fiduciary Management has a place in the investment landscape, the challenge for those making the offering is how it is done. Investment Advisors and Fiduciary Managers were expecting a real shake up of the industry, instead they received a gentle rap on the knuckles. Let's hope they take this as a signal and elevate serving their clients as the first priority. The expectation is that all of the above proposed changes should assist the Trustees to carry out their duties to work in the best interests of scheme members. With greater transparency, the possible increased governance budget may be more than made up from the savings accruing once these changes are embedded.

As Trustees we welcome this investigation and anticipate the CMA's final decisions.

ESG, really?

By Mark Baker, Partner, Pinsent Masons.

Resentment, anger, frustration? Some trustees have taken quite a negative view of the DWP's proposals on ESG (environmental, social and governance) investment factors. Or perhaps a sense that the new laws create a lot of extra work for trustees, but won't achieve what the headlines suggest. Or that schemes have lots of important priorities and it's hard to elevate ESG up the list.

I think the right approach is to be open minded, which means giving the law changes careful thought. There's a lot of noise in the industry about ESG and responsible investing, which can make it hard for trustees to judge whether they need to react. But it's easier to assess things if you can step back from needing to take immediate action and allow yourself time to consider the issues.

The reason ESG is getting attention is the build up of reports and policy proposals over the last 18 months. Statements from the Law Commission led to proposals from the DWP, implemented with notable efficiency and speed. The House of Commons Environmental Audit Committee has pitched in with its views on climate risk.

This swirl of publicity might lead some trustees to see ESG as this year's topic; a training session, some discussion, and then move on. The DWP's law changes will need to be followed, but most of the compliance can be organised by the scheme's advisers. So trustees might think that, after all, there are a lot of other priorities.

I'm not sure that's right, though. Trustees can easily see the headlines in the pensions press or in their meeting packs. But behind those is a much more profound policy making movement on ESG and responsible investing. That movement goes far beyond pensions and the UK, with senior policymakers talking about this country playing a lead role in a worldwide shift. The Task Force on Climate-related Financial Disclosures is moving towards implementation, its aims supported by a growing network of central banking authorities. My sense is that this national and worldwide movement will keep building its policymaking force for the next two or three years at least. As a result the political pressure on UK pension schemes, and the reputational force, will be sustained throughout that time.

So, if you're a trustee of a scheme that's not sure what to do with ESG, or is negative about it, you shouldn't assume that its current high profile will fade away. If anything, it's likely that pressure from the policymakers will increase, bearing in mind that some larger schemes that are looking to step up their ESG engagement are complaining that the regulatory framework doesn't do enough to facilitate that.

What it means is that you should not just be squeezing ESG into your next one or two trustee meetings.

> **It makes more sense to find the right time to discuss it fully, and explore in depth your trustees' views, whatever they are.**

How trustees can form a view on ESG

Treat DB and DC separately
A discussion about ESG doesn't make sense unless you distinguish between DB and DC schemes. This is a key point for schemes that include both. In a DB scheme, investment decisions can be underwritten by the employer's covenant although, fairly obviously, this has to be balanced against assessing whether the employer itself is exposed to any of these risks. In a DC scheme the discussion is complex because of the element of member decision making, at least in principle. This has a long time to play out but I would argue that as the workplace DC market shifts towards fewer, larger schemes, those schemes should allow time to consider ESG really carefully as part of their 3 year plan.

...it's easier to assess things if you can step back from needing to take immediate action and allow time to consider the issues.

Be clear about the terminology
This is commonplace within the ESG community but it's important. The focus of the upcoming law changes is on "financially material considerations", seen as including ESG and climate risk among others. This is designed to match squarely with trustees' existing fiduciary duties. Whether to consider non-financial factors (e.g. ethical concerns), is a separate question, and for most schemes a secondary one.

Use your investment consultants
Investment consultants are central to complying with the new laws on ESG. The requirements to include wording in your SIP (financially material considerations, stewardship, and non-financial factors), and the extra requirements for DC default funds, will be led by most schemes' consultants. They will also play a key role in chasing managers for the necessary information.

Demand thought leadership from fund managers
Schemes that engage closely with ESG should look to their fund managers for thought leadership. Some have a longer history in this area than others. As is well known, many will emphasise wider governance factors alongside the environmental aspects. The managers who lead on ESG and responsible investing will have a central role in the discussion if engagement among schemes increases over the coming years.

...you should not just be squeezing ESG into your next one or two trustee meetings.

Measure your manager's performance
For really engaged schemes, an essential point, with new metrics and indices being developed. All schemes should make sure that their investment management agreements accurately reflect what the manager is committing to do, and in some cases this wording will need careful thought.

Keep a wider perspective
For many schemes, particularly larger ones, I'd suggest that ESG is better considered in a strategy day or beliefs session than a regular trustee meeting. That makes it easier to explore whether there's something under the surface that needs discussion, and to consider properly the issues highlighted under the 'DB and DC' heading. It's also easier to focus on the reputational angle which is becoming an important part of risk management for many schemes, given MPs' activities.

Don't be afraid of taking time
Some schemes are closely engaged on ESG but others will decide to do no more than the law requires. The DWP has been careful to strike a balance in its law changes; there are still some tricky points, but the decision to roll back on asking for members' views, for example, is welcome because it seemed like jumping the gun. So schemes that just comply with the new disclosure requirements and their trust law duties are well protected. Financially material risks are at the heart of trustees' fiduciary duties, which is a helpfully clear steer, but it means you can't do nothing.

FOR PROFESSIONAL INVESTORS ONLY

The development of ESG in smart beta strategies

Only a minority of asset owners currently fully integrate Environment, Social and Governance (ESG) in its broadest sense. Where they do integrate ESG, this tends to be by socially responsible investment (SRI) screens. ESG integration will take time to evolve, but a lot of research is being conducted behind the scenes. The vast majority of asset owners already examine ESG credentials when awarding mandates and for those who are signatories to the UN Principles of Responsible Investment, our expectation is that there will be an increasing appetite to make sure investments reflect that commitment. There is still a way to go, and even further in terms of the development of ESG in investment strategies such as smart beta.

Industry leading research

Given our desire to be at the forefront of the industry, ASI embarked on a study to explore investor attitudes to both smart beta and ESG investing.

In doing so, we identified a need in the market for these strategies, and also a lack of providers. Our view is that smart beta, with ESG embedded, can form part of a core investment allocation, fulfilling investment needs for both return and ESG governance requirements.

The study, which we undertook in partnership with Sustainalytics, (a leading global provider of ESG research and ratings), and the University of Oxford Smith School of Enterprise and the Environment, has shown the growing prominence of smart beta and ESG amongst investors, but outlined that the integration of ESG factors within those strategies is still relatively underdeveloped.

The survey of 85 ASI and Sustainalytics clients found that a majority (54%) of organisations use smart beta strategies, and that over three quarters (76%) of asset owners consider ESG integration capabilities when awarding mandates. However, only 24% of surveyed investors said that they are currently using a smart beta ESG strategy.

Investors are utilising three main techniques to combine smart beta and ESG, according to the study.

The first is by extending negative screens, such as those that exclude companies involved in tobacco or controversial weapons, to smart beta strategies. Negative screens account for roughly two thirds (62%) of the smart beta ESG examples uncovered in the study.

Secondly, investors are combining financially material ESG metrics, including environmental, carbon, and corporate governance indicators, with traditional factor strategies. This approach accounts for just under one-third (31%) of surveyed smart beta ESG strategies.

Finally, a small number (8%) of investors said that they blend ESG information and smart beta strategies through the use of climate tilts.

There are a wide number of investment objectives that smart beta can fulfil, ranging from growth or income to controlling volatility in a pre- and post-retirement investment journey.

By Boyan Filev, Co-Head, Quantitative Equities, Aberdeen Standard Investments

Beyond assessing how investors are employing smart beta techniques, the study also reflects on investors' motivations for using smart beta. Nearly two thirds (62%) of smart beta investors said that smart investors said that smart beta offers attractive risk/return benefits, compared to active management and conventional passive. Just over half (52%), cited smart beta's low cost structure.

Conclusion

There are a wide number of investment objectives that smart beta can fulfil, ranging from growth or income to controlling volatility in a pre- and post-retirement investment journey. With both ESG and smart beta evolving so rapidly, the challenge remains for asset owners to ensure their solutions continue to be relevant for their objectives.

Notes on the research

The 85 participating investors have collective assets under management of GBP 5.8 trillion and are drawn from 21 countries, with the largest proportion being private and public pension funds, followed by asset managers. Interviews were carried out, and surveys completed, between December 2017 and March 2018.

The full report can be accessed at **www.smarter-beta.com/en/smarterbeta/smart-beta-insights**

Pension fund investments

Are you getting what you pay for?

By Simon Bushell and Daniel Spendlove, Partners, Signature Litigation

What exactly does your asset manager do? For pension scheme trustees, this question may seem rhetorical: they handle client investments, looking after them while making appropriate recommendations. But everything is not necessarily as it seems; there is growing concern that some trustees may have been misled by their asset managers, who many suspect are overcharging them for investment services.

The UK's asset management industry is believed to be second only to its US counterpart in size, with approximately £6.9 trillion under management. Nearly half that sum, approximately £3 trillion, is managed on behalf of UK pension funds and other institutional investors. UK asset managers hold many of these assets either in tracker funds or in actively managed funds.

Tracker funds do as the name suggests: they are largely automated, tracking the performance of indices such as the FTSE 100 or the FTSE 250, which has consistently outperformed its blue chip rival over the last 20 years. As a consequence of the automated investment process, asset managers charge less for this category of fund.

Conversely, actively managed funds have a distinctly human element. They are run by professional fund managers or investment research teams who make investment decisions. Their aim is to outperform the market as a whole and therefore generate a return over and above a tracker fund. The time and skill involved in actively managing a fund means that a correspondingly higher fee is charged.

> **But there has been growing disquiet over how asset managers execute their responsibilities and the efficacy of the regulatory framework governing them.**

In response to these concerns, and with a view to implementing reform, the Financial Conduct Authority (FCA) began a wide ranging review and published its findings in June 2017.

Despite a large number of firms operating in the market, the FCA found that price competition is often weak in the industry whilst asset managers have enjoyed sustained, high profits over a number of years. This has

Pension scheme trustees are being encouraged to sit up and take note of this.

Their funds may be sitting on sizeable claims.

triggered widespread concern that overcharging within the industry is systemic.

The FCA also found that there was no clear or direct correlation between the charges levied by an individual asset manager and the level of performance achieved by the funds that they managed. This would suggest that the well worn adage 'you get what you pay for' does not seem to apply to much of the UK asset management industry.

In particular, according to the FCA, around £109 billion is invested in funds which claim to be actively managed, but which nevertheless closely mirror the performance of the aforementioned indices: in essence, they appear to perform more like a tracker fund would. Such funds are known as 'closet trackers' or 'index hugging'. The FCA is not alone in its concerns and the problem does not appear to be limited to the UK.

The European Securities and Markets Authority estimates that between 5% and 15% of all European regulated funds could also be closet trackers. If these estimates are correct, the asset management industry faces a scandal to rival those relating to LIBOR and FX rigging which have rocked the banking industry. The potential scale of the issue is startling, particularly when considered alongside the vast amount under management. The extent of overcharging could be eye watering.

Pension scheme trustees are being encouraged to sit up and take note of this. Their funds may be sitting on sizeable claims. Trustees need no reminder that they have a fiduciary duty to act in the best interests of the beneficiaries of the scheme, a duty which extends to investigating and pursuing potentially meritorious legal claims for the benefit of the fund. Trustees should therefore ask themselves whether their schemes might have invested in so called closet tracker funds.

So what sort of recompense might there be? At the very least, investors should be entitled to full reimbursement of the overcharged fees stretching back over a potential six year period. If it can be demonstrated that active management would, or could, have led to a higher return for the investor compared to a tracker fund, then the potential damages for investors who were misled could be enormous.

> The scandal is likely to be the subject of further regulatory scrutiny, including by the FCA. This could lead to huge fines and other sanctions for asset managers.

Many of the UK's largest pension funds may be sitting on valuable claims. Any recoveries that are subsequently made from such legal claims would be a welcome development for the pensions industry, particularly when so many schemes are operating in deficit.

Inevitably, pension scheme trustees tend to approach litigation with some caution, and justifiably so; it is notoriously expensive and inherently risky.

> There are, however, ways and means of resolving claims without the need for full blown proceedings, so as to maintain confidentiality and longterm commercial relationships.

There is also an array of options available to parties holding meritorious legal claims to finance the legal costs of pursuing them, and insuring the downside risk, such that the advantages of pursuing a valuable claim far outweigh the perceived disadvantages. In short, this is not an issue that pension scheme trustees should ignore.

Simon Bushell and Daniel Spendlove are Partners at Signature Litigation, a specialist disputes law firm based in the City of London, specialising in high value commercial litigation and arbitration.

Short term Cashflow Driven Investing:

Fad or Trend?

All too recently, pension schemes were plagued by apparently insurmountable funding deficits, with any notion of achieving a funding level surplus being firmly categorised in the realm of 'fantasy' or even 'delusion'. Yet fast forward to today and we see many pension schemes having enjoyed sustained investment success, resulting in material funding level improvements, despite persistently low Gilt yields. Surely this heralds the end of almost a decade of pension trustee woes and angst? After all, what new problems could this improved position present when compared with the difficulties of the recent past?

Unfortunately, pension scheme trustees and advisers alike have had to learn the hard way that 'with the rise of tomorrow, comes tomorrow's problems'. For many pension schemes, the key issue has become managing a negative cash flow position, whilst seeking sufficient return in order to make good any remaining funding deficit. This issue has given rise to the prominence of Cashflow Driven Investing (CDI).

So, what is CDI?

Definitions of CDI differ hugely, but it can broadly be viewed as a strategy that seeks to match pension scheme cash outflows with predictable and secure income. The way in which income is achieved can vary substantially, but shorter term strategies typically utilise fixed term, amortising debt.

CDI strategies typically share three common features:

1. They can offer a yield in excess of gilts;

2. They can offer greater certainty of return versus a 'traditional portfolio'; and

3. They represent a low governance solution.

> **CDI is certainly not a new concept, in fact the pension and insurance universe has been utilising this strategy for decades.**

However, with the maturing of pension scheme liabilities (which has been exacerbated by many pension schemes closing to new entrants), and reductions in pension scheme income (through reduced deficit recovery and ongoing contributions), many pension schemes have found themselves in an increasingly negative cashflow position. As such, an investment strategy designed to manage cash flow has naturally received increasing interest.

How might a short term CDI solution help manage negative cash flow?

Negative cashflow introduces the very real risk of a pension scheme's funding level being materially impacted as a result of having to sell assets in order to meet cash outflows at an inopportune time, such as when asset prices are depressed. Pension schemes have historically adopted three strategies, excluding CDI, to manage their negative cash flow position, including:

Cash

This strategy introduces two potential difficulties: (i) there is a potential opportunity cost; and (ii) the cash reserve will need to be replenished at some point, potentially before asset prices have recovered.

Holding a diversified portfolio of uncorrelated, liquid assets

The key drawback to this strategy is that during times of market stress, asset prices tend to be highly correlated. Therefore, pension schemes may still be forced to sell assets at depressed prices. Pension schemes may also find themselves exposed to greater downside risk than is necessary.

A combination of the two strategies detailed above

A suitable alternative cash flow strategy might focus on investing a portion of scheme funds in a portfolio of tailored corporate debt, the coupon and principal payments from which can be used to meet cash outflows. Such a portfolio can be structured to target a degree of outperformance in excess of gilts, subject to appropriately managing default risk. Remaining pension scheme assets can then potentially be invested in a combination of return seeking assets and Liability Driven Investment solutions to erode any remaining deficit and stabilise funding levels.

> **For many underfunded schemes, the ability to match all pension outflows is unrealistic despite a marginal pick up in return versus holding gilts.**

However, a strategy that seeks to match the first. five years of outflows may not be unrealistic.

But what can this approach mean in practice?

There are a number of factors to consider when proposing this approach, and how it could work in practice. Whilst this short term approach to CDI is certainly not the golden goose, it can help to target a degree of outperformance above gilts, whilst satisfying immediate cash outflows, irrespective of the performance of the return seeking assets (the income from which is often not secure and can be unpredictable). Remaining pension scheme assets can then be put to work to help reduce any funding gap.

The time period to be covered is also another area that needs to be considered, though it is usually largely dependent upon affordability. Covering the first five years of outflows seeks to strike a balance between needing to provide sufficient protection in the event of a fall in the value of risk assets, whilst not unduly compromising the ability of the pension scheme to make good any remaining deficit.

Contributions are of course a crucial aspect that should be reviewed, but as they are known in advance they can easily be factored into a short term CDI strategy, subject to the Sponsor remaining solvent and active membership remaining broadly constant. The level of income required from the CDI portfolio to meet cash outflows is typically reduced by the level of deficit recovery contributions and other known, predictable income. However, there is always the risk of unexpected cash outflows. Such cash flows, by their very definition, are unpredictable and difficult to incorporate into a short term CDI strategy. Pension trustees may wish to undertake a liability management exercise in advance of introducing a short term CDI solution in order to 'tidy-up' their benefit payments and increase their predictability. Certain reasonable assumptions will then need to be made in order to allow for a degree of unexpected cash outflows. The scheme's experience here is key in determining whether a pattern of behaviour can be established, for example the percentage of members now selecting a transfer out at retirement in favour of a lump sum and pension. Whilst a short term CDI solution is not the panacea for all that ails pension schemes, it could certainly offer an attractive means of managing the risks associated with negative cash flow, whilst still allowing an appropriate level of return to be targeted to make good any remaining funding deficit. Such a strategy can also be viewed as a first step. For those schemes managing the path to Buy Out (or those with a reduced return requirement), targeting longer term CDI strategies may be appropriate. Such strategies focus on assets that may offer long term predictable and secure cash flows, such as infrastructure debt and ground rents, but that is a story for another day.

By Scott Edmunds, Senior Investment Consultant, Quantum Advisory

CMA investigation

Provisional Decision Report

Caroline Escott, Policy Lead: Investment and Stewardship, at the Pensions & Lifetime Savings Association, brings us up to date on the flagship report which will bring important changes for the investment consultancy and fiduciary management market.

By Caroline Escott, Policy Lead, Pensions & Lifetime Savings Association

In September 2017, the Competition and Markets Authority (CMA), set out to investigate how well the market for investment consultancy and fiduciary management services works, and whether it works in the best interests of pension schemes and savers. Now, nine months, eight Working Papers, one (hefty) trustee survey, and many hundreds of data requests later, the CMA has published its Provisional Decision Report (PDR). This sets out its full analysis of the sector and proposes a series of remedies to ensure both the supply and the demand sides of the market work efficiently.

The findings

The CMA undertook an extensive information, gathering exercise, getting data from investment consultants and fiduciary managers as well as engaging widely with industry representatives such as the Pensions and Lifetime Savings Association (including through speaking at our 2018 Investment Conference as well as coming in to discuss key issues with our member governance committees), trustees, scheme investment practitioners, and asset managers.

Along the way, the CMA outlined its emerging thinking and analysis to date in a series of Working Papers which provided further opportunities for comment and gave the industry a good idea of what might be coming further down the track. To anyone who was keeping track of the CMA's publications (like yours truly), the conclusions outlined in its July PDR were therefore, mostly, unsurprising.

The CMA determined that the investment consultancy market was not highly concentrated, but that some trustees "do not have the time or skills to scrutinise their consultants"; and that there are schemes "including small and DC schemes", which have low levels of market engagement. These findings on scheme governance echo concerns expressed by The Pensions Regulator (TPR), and others that there is a variation of skills, knowledge, and understanding across trustee boards.

The CMA stated that it had "more serious concerns" regarding the still relatively new and evolving market for fiduciary management services. Key findings included that it was hard for trustees to get the information necessary to help them make a good choice in picking or assessing a fiduciary management provider; that firms offering both investment consultancy and fiduciary management services (IC-FM firms), had an incumbency advantage; and that trustees were often not shopping around when moving into a fiduciary management arrangement.

One particular aspect of the institutional investment advice market, as highlighted by the CMA at the beginning of its investigation, was the potential for conflicts of interest surrounding the sale of an in-house master trust pension by investment consultants that provide employee benefit consultancy (EBC) services. The Working Papers had been noticeably quiet on this issue and the PDR explained the reason why: the CMA found that the "potential conflict [is] unlikely to [lead to] a competition problem... [as the] master trusts of investment consultants which also act as EBCs currently [have] only limited take up."

The remedies

The CMA's powers and scope on competition issues goes beyond that of the FCA, including the ability to recommend far reaching remedies such as structural reform of a given sector. For the investment consultancy/ fiduciary management markets

"It is important that trustees are able to compare apples with apples when making a decision, and we therefore strongly welcomed the CMA's proposal to require better information on fees and quality"

specifically, this could have included a proposal to break up the vertically integrated IC-FM firms. However, the PDR did not go down this route, instead proposing a series of other (less radical) remedies for both investment advice service providers and their pension scheme clients.

The PLSA has called for provision of clearer and more standardised information by service providers along the investment chain to their pension scheme clients for some time, not only through our responses to the CMA investigation but also our work as part of the FCA's Institutional Disclosure Working Group (IDWG). It is important that trustees are able to compare apples with apples when making a decision, and we therefore strongly welcomed the CMA's proposal to require better information on fees and quality from consultants. This includes a suggested requirement that fiduciary managers break down the fees for their services, and the introduction of industry performance standards.

We have also long noted the discrepancy between the level of regulation of institutional investment advice and retail investment advice. Given the fact that poor advice by consultants can have a negative impact on the retirement income of thousands of scheme members (as opposed to the relatively limited impact of poor retail investment advice), it seems anomalous that regulation of the financial advice given to individuals is so much tighter. We are therefore hopeful that the CMA proposal that the Financial Conduct Authority (FCA) has greater oversight of the consultant industry will be a positive step in correcting this anomaly.

It won't just be investment consultants and fiduciary managers who have to comply with new requirements, but trustee boards as well.

The PLSA had been concerned that measures such as mandatory switching of (which we believed would have reduced the choice for trustees), or mandatory retendering for investment advice might have been suggested, and we welcomed the more proportionate suggestion in the PDR that trustees undertake mandatory tendering for the first move to fiduciary management, or within five years for those who had already moved to such an arrangement but did not tender.

Other demand-side remedies included new guidance from TPR on the tender process, and a requirement placed upon trustees to set their consultants strategic objectives and review performance against these objectives every few years. Most of these steps seem sensible, yet the devil is – as always – in the detail: any new requirements will impact the market and must be designed intelligently so that their implementation does not have unintended adverse consequences whilst also achieving its intended purpose.

Next steps

By the time you read this, the deadline for formal responses to the Provisional Decision (24th August) will have passed. However, attendees at our Annual Conference in Liverpool in October will also have the opportunity to hear from the CMA and feed in their views directly. The CMA will also undertake a number of evidence sessions before considering all the feedback received and publishing its Final Decision by March 2019.

It is vital that pension scheme trustees and their investment teams continue to feed in views to the investigation at what is a critical juncture. Creating a well functioning investment consultancy market is a vital step in supporting pension schemes to invest wisely and in a way which protects the value of individuals' retirement savings.

"It is vital that pension scheme trustees and their investment teams continue to feed in views to the investigation at what is a critical juncture."

Top tips for preparing your annual chair's statement

By Emma Martin, Associate Director, Sackers.

Over the last year, the Pensions Regulator (TPR) has issued numerous fines for chairs' statements that have not been completed or that fail to meet the legal requirements. Here are some top tips on how to avoid some of the more common errors:

1. Plan ahead

Do not leave it to the last minute!

Be clear on when your scheme year end is, and when the deadline falls for publishing the chair's statement in the annual report and accounts (seven months after the scheme year end). From this, you can then work backwards to determine at which trustee meeting the chair's statement needs to be signed off.

Determine who is responsible for drafting the statement, and updating the default statement of investment principles, if necessary each year, and what input is needed from advisers, in particular the scheme's lawyers, investment advisers and auditors.

It is also important to keep up to date with changes in the relevant areas, for example the additional requirements for reporting costs and charges which apply to chair's statements for scheme years ending on or after 6th April 2018, so that this can be factored into the planning.

2. The bigger picture

The chair's statement should be the end result of a scheme's annual governance journey. Work should have been undertaken throughout the year, including trustee training, monitoring core financial transactions, calculating member-borne costs and charges, and carrying out a value for members assessment, to ensure all underlying legal requirements have been met.. If the right steps have been taken and appropriate records have been kept throughout the year, the statement will then be much easier to prepare.

3. Demonstrating compliance

TPR's guidance (updated in June 2018), makes clear what it expects trustees to cover in the chair's statement, and how. In particular, trustees need to describe and explain what they have done to manage the scheme over the year.

For example:

- it's not sufficient to simply state that the administrators have confirmed that core financial transactions have been processed promptly and accurately. There must be sufficient detail for TPR to understand any action the trustees have taken to ensure this. For example, is there a service level agreement in place with the administrator, and how did the trustees monitor performance against it?

- for the value for members assessment, the trustees' conclusion as to whether the scheme is offering value must be supported by an explanation of how this conclusion was reached

- trustees must explain how compliance with the legal requirements for trustee knowledge and understanding has been achieved, and how this has been assessed, for example, through a trustee effectiveness review.

4. The truth and nothing but the truth

It sounds obvious, but schemes should only include information that can be verified. This means ensuring that the statement is adapted each time to reflect the action the trustees took in that scheme year. Detailed records to evidence compliance should be kept, and would be useful in the event TPR asks for further information.

5. Remember your members

Finally, bear in mind that the intended audience for the chair's statement is the scheme members. There is a balance to be struck between including sufficient information to meet the requirements and keeping the statement easy for members to understand. Given the requirement to publish certain sections of the statement, for scheme years ending on or after 6th April 2018, on a publicly available website, this will become increasingly important.

Automatic Enrolment duties

This summer, we launched a series of short notice inspections on employers across the UK suspected of providing false or misleading information about how they are meeting their automatic enrolment duties.

This latest round of spot checks, which will continue into the autumn, will also target employers who remain non compliant despite penalty action.

It is an offence for employers to provide us with false information on their declaration of compliance, but there are tell tale signs indicating an employer might not be telling the truth.

We can also detect where an employer is still non compliant despite being issued with a penalty notice and we will take action.

The compliance drive follows an initial series of spot checks carried out over the past 12 months, targeting employers across different regions.

How to avoid non compliance

We will take action if an employer is deliberately non compliant, but we know most want to do the right thing for their staff and we are here to help by providing the information and tools they need. As soon as a new business takes on staff, they will have automatic enrolment duties.

> **Employers must tell all their staff in writing about automatic enrolment and put eligible staff into a pension scheme.**

After employing staff, employers have five months to complete their online declaration of compliance. This tells us what they have done to meet their responsibilities and employers should leave plenty of time to do this. Employers should ensure the information they provide is up to date and accurate, including contact details, so that they can receive important information from us about their duties.

We have easy to use online information and tools which have been designed for people who do not have pensions experience and employers should make our website their first port of call.

http://www.thepensionsregulator.gov.uk/en/employers/setting-up-a-business-what-to-do-for-automatic-enrolment.aspx

Some employers use a business adviser to help them with some or all of their responsibilities. It's important that both the employer and their adviser are clear about who is doing what so that important tasks are not missed. Whilst business advisers offer a range of services, complying with the law is the employer's responsibility.

Ongoing responsibilities

Automatic enrolment is an ongoing responsibility. Once employers have enrolled their staff, they will need to maintain the correct pension contributions. In April, the minimum pension contribution increased from a 2% to 5% total contribution and next April it will increase again to 8%.

Increasing contributions should be fairly straightforward for employers. Most payroll software will automatically deduct the correct contribution at the correct time, and most pension scheme providers will alert members to the increase. However, employers should check the correct contributions are being made to avoid the risk of non compliance.

Every three years, employers must complete re-enrolment which means putting staff who opted out originally, back into a pension and re-declaring their compliance with TPR. Employers can choose their re-enrolment date but it must fall three months either side of when they first became an employer.

Nearly 10 million people are now saving into a workplace pension thanks to nearly 1.3 million employers who have complied with the law. TPR is here to help to ensure employers meet their duties and staff receive the pensions they are entitled to. Employers and their advisers should head to www.TPR.gov.uk to ensure they are meeting their responsibilities correctly.

The Pensions Regulator

Planning for Retirement:

why it's so much more than pensions

Retirement planning is so much more than asking as to when clients want to retire and how much income they require. When I speak to clients about retirement planning, most have only considered the financial elements of retirement i.e. their pensions. Surprisingly, very few have given much thought to what retirement looks like for them. How are they going to fill the 168 hours a week of new found freedom?

By Kieran McDonnell, FPFS, Seven Investment Management

Given their financial requirements will be driven by their plans for retirement, this seems to me to be the wrong way around.

So, when I discuss retirement planning, I split it into two parts. Firstly, what does retirement mean for them? Secondly, how do we ensure that they have adequate 'cash flow' to meet their plans? (Note that I use the word 'cash flow' and not income; income is taxable and tax can be mitigated!)

What are your retirement plans?

The priority is to get the client to start thinking about retirement, even though it is decades away. To get the best view, there's a series of questions that need to be asked, many of which should involve their spouse.

On the timeline: When do they plan to retire? Does their spouse have the same time in mind? Will they stop work completely? Will they work part time, on a consultancy basis, take on non-executive roles? Will they mentor people? Will they be paid or be a volunteer?

On property: Will they live in the UK, overseas, or both? How much time will they spend at home? Do they plan to upsize, downsize, relocate or have a holiday home?

About family: What are their plans about their family in terms of both time and money? Will they support children and grandchildren financially? If they plan to gift money while living or leave an inheritance?
On spending: Does the 'shape' of their retirement see them travelling a lot early on, then quieting down? How will this affect their income needs? Are they in a position to create or support a charity?

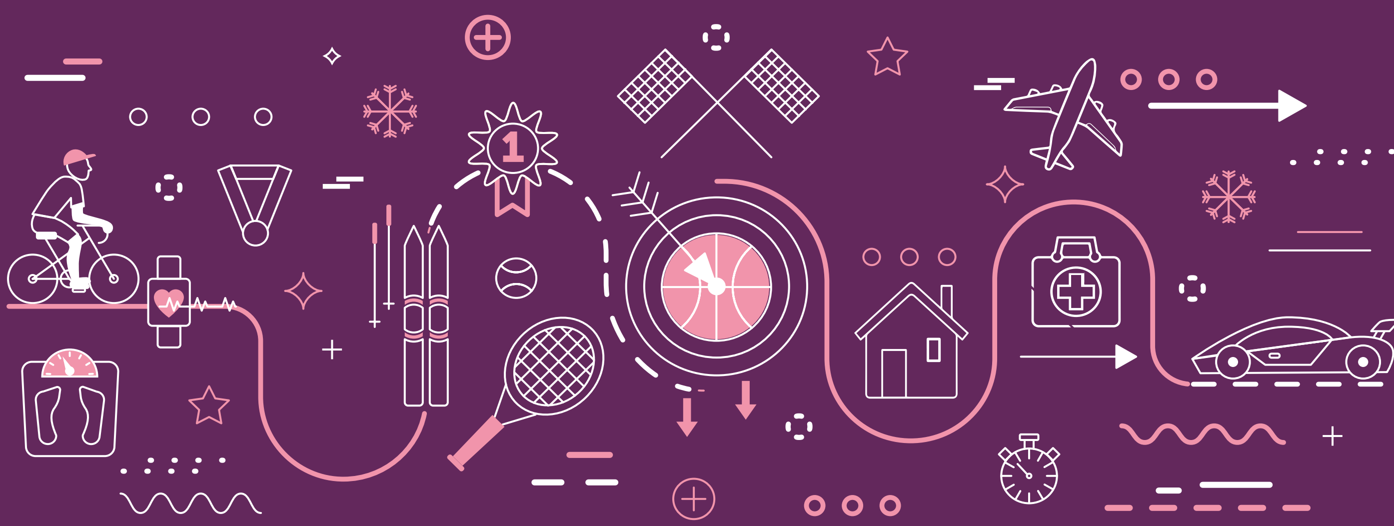
On their social life: Do they have hobbies and interests to pursue? Are there courses to start or clubs to join? Are their friends retiring at the same time or will they still be working? How much of their social life (and the expense) was work related and what are the plans to replace these?

About health: What are their wishes if they or their spouse become ill or infirm? Do they wish to stay at home or would they consider a care home? Do they have a Lasting Power of Attorney in place? Are they happy to rely on the NHS or do they want private healthcare?

> **Once a client has an idea of what they are planning on doing in retirement, it gives us, as advisers, a much better idea of how much annual expenditure is needed.**

Only then can we see how realistic this is based on their existing assets and savings, and whether additional saving requirements need to be put in place.

Have you noticed that, so far, we have not asked the client anything about products or services, and have certainly not mentioned the 'P' word?



Financing retirement: how much will meet cash flow needs?

So now, we have an idea of the annual cash flow requirements, we can come to the fun bit: helping the clients achieve their retirement dreams, as tax efficiently as possible.

The starting point for this is to create a Wealth Balance Sheet (WBS) that details existing assets and helps us understand risk profiles. An example of these is shown below:

Client	Mr & Mrs Client			Date	30/09/18	
	Cash/Near Cash	Low Risk	Medium Risk	Higher Risk	Financing	Owner
Current Account	£4,000.00					Joint
Credit Card					**£1,000.00**	Joint
UK Deposit Account	£25,000.00					Wife
Premium Bonds	£10,000.00					Wife
Family Home Mortgage £800pm. 2.0%		£600,000.00			**£40,000.00**	Joint
Buy to Let Property Rent £600pm Interest £170pm		£200,000.00			**£100,000.00**	Wife
ISA - Husband				£45,000.00		Husband
ISA - Wife			£35,000.00			Wife
Offshore Bond - From Inheritance - £250k in 2010			£400,000.00			Joint
OEIC Portfolio			£250,000.00			Joint
Personal Pension - Wife			£55,000.00			Wife
Group Personal Pension - Husband				£70,000.00		Husband
SIPP - Final Salary Pension Transfer - Husband				£450,000.00		Husband
Sub totals	£39,000.00	£800,000.00	£740,000.00	£565,000.00	**£141,000.00**	
Total Net Worth	£2,003,000.00					
Husband's State Pension	100% at 67					
Wife's State Pension	80% at 67					

Armed with the client's target cash flow requirements, timescale for retirement, and an overview of their assets, we can then look to provide the solution, bearing in mind that their capital is at risk and since investments can go down, as well as up.

We then look to use the current tax allowances provided by HMRC. These are individual to the circumstances of each client and will vary over time, but we should ensure that clients are using their full personal allowances for income tax per person, each year (£11,850), their annual ISA allowances (£20,000), and the annual CGT allowances (£11,700). Potentially we can use their CGT allowance to move funds into ISAs, as well as looking at the timing of encashment/ withdrawals from offshore bonds i.e. the use of accumulated 5% withdrawals, encashment of segments, the potential to use top slicing, and inter-spousal assignment of segments.

It is only then that we would look at pensions. This can include when their state pension would start, how much it will be, as well as what other pensions are available? There may also be the opportunity to make further contributions to private pensions.

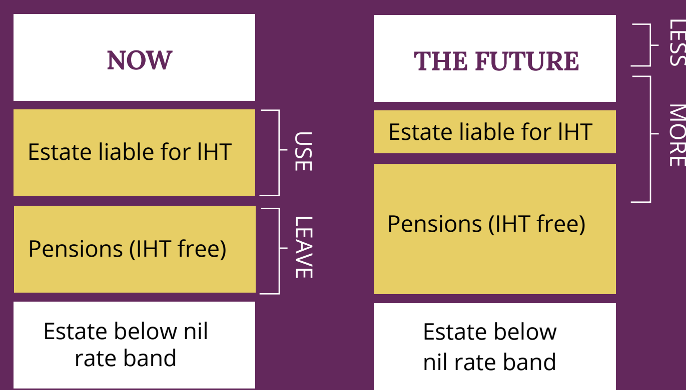
They may also be able to benefit from tax relief. Ideally they would receive higher tax relief when contributing, and then aim to use any spare personal allowance or 'suffer' basic rate tax whilst making withdrawals.

If they have defined benefit pensions, they could also weigh up the positives and negatives of taking a transfer (although only with the right advice). It should be determined whether they will take their full pension and what the computation factor is.

For defined contributions benefits, they need to review whether an annuity or drawdown would be suitable for them, and whether they will take their pension commencement lump sum, all at once, or spread it over a number of years. We can then weigh up the need for that cash versus income from investments, versus inheritance tax (IHT) considerations.

If the client has any assets apart from their pension, we can state in which order they should use them, so as to leave the pension assets until last.

This is due to the potential IHT savings for their estate as explained below:



It's a lot to cover but, hopefully, I have demonstrated that retirement planning is considerably more involved than just asking when they want to retire and how much income they require.

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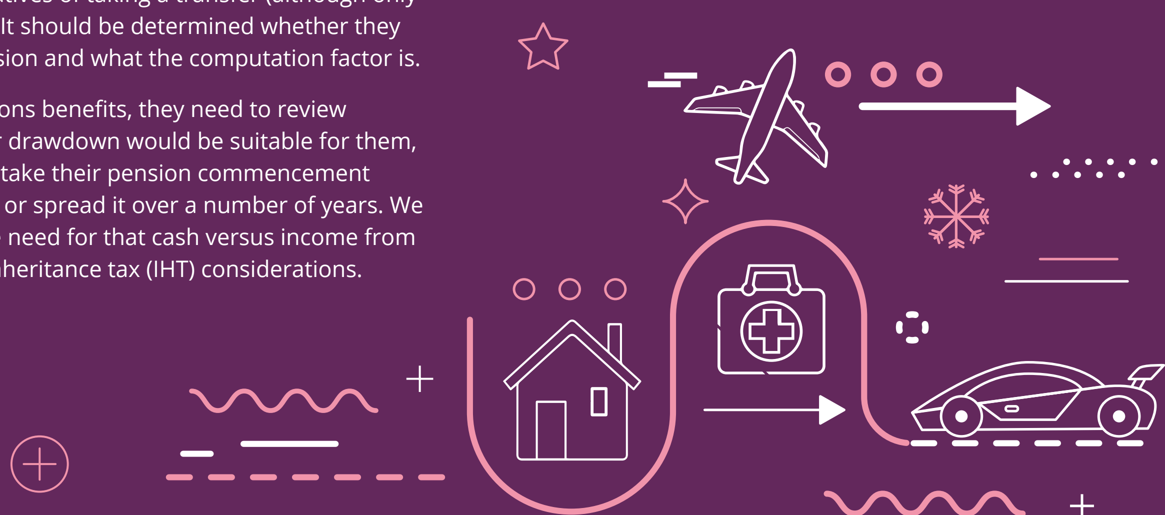

TRUSTEE AUTUMN SEMINAR

Navigating change: addressing future challenges

Thursday 29 November 2018

Pensions Management Institute
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Event Schedule

9:00	**REGISTRATION AND COFFEE**	
9:25	**Chair's Introduction**	**Chris Parrott,** Head of Pensions, Heathrow Airport Holdings
9:30	**Integrated Risk Management**	**Karina Brookes** Partner, EY **Sean Bottomley** Head of the Northern Pensions, Advisory Team, EY **Clifford Simms** Squire Patton Boggs
10:15	**Derisking Through Annuitisation**	**Pretty Sagoo** Head of Pricing and Execution, Legal & General
10:45	**ESG: How to Implement DWP Consultation Proposals**	**Speaker tbc** Aberdeen Standard Investments
11:15	**COFFEE**	
11:30	**The development of DB consolidation**	**Adam Saron,** Founder and CEO, Clara Pensions
12:00	**Data Integrity**	**Matt Dodds** Director, ITM
12:30	**Selecting a Fiduciary manager** Regulatory Expectations After CMA Review	**Peter Dorward,** Managing Director, IC Select
13:00	**LUNCH**	
13:45	**How to Challenge Advisers (Panel Session)**	**Anthony Raymond** General Council and Director of Legal Services, The Pensions Regulator **Hugh Nolan** Senior Trustee, Dalriada **Speaker TBC**
14:30	**DC Strategies: Accumulation and Decumulation**	**Maria Nazarova-Doyle** Head of DC Investment Consulting, JLT **Dinesh Visavadia** Director, ITS Limited
15:00	**DC Decision Making:** **Informed Choice v Effective Defaults**	**Richard Williams,** Director of Pension Decision Service, JLT **Gregg McClymont** Director of Policy and External Affairs, B&CE, provider of The People's Pension
15:45	**Chair's Summation**	**Chris Parrott**
15:55	**Networking and Coffee**	

Cost: Trustee Group members – free, Members - £250, Non-members -£300

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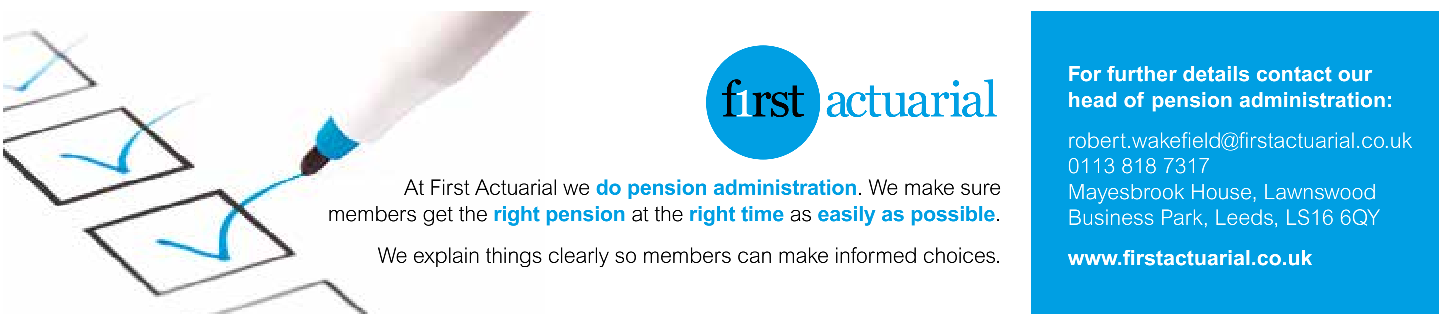

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Email: d.haynes@ipsgroup.co.uk / Tel: 0161 233 8222

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'Get It Done Now'

Most Pensions Directors will be familiar with the syndrome of reviewing the key tasks for the coming year, only to find yet again some tasks are being transferred to the next year for more than the first time - that small scheme integration, the Trust Deed consolidation, the overdue review of communications effectiveness and more depth on governance issues. Never quite competing with the urgent, critical and important (at least in the eyes of your boss) they are nevertheless items which one day will give you, your trustees or company problems. Do as one of our Pension Directors has, persuade your boss or yourself that using part of the 2018/19 budget to get these properly addressed not only makes sense and avoids future problems, it will leave you feeling more in control.

Improving Business As Usual

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

Key 2018/2019 Projects

In addition to the vast amount of regular, cyclical and important work facing most Pensions functions in 2018/19, many Heads of Pensions have commented that they also face the challenge of planning and implementing significant projects. These are in diverse areas, often with quite challenging timescales and complexities which can stretch existing resources to the limit. Reviewing the success of a major project completed in 2017, the observation of one Pensions Director was insightful; "whilst I maintained control, accountability and was the driving force, we could not have managed this scale of project without utilising interim support".

Whilst there is no substitute for a properly resourced Pensions function, Interims are undoubtedly being viewed as a valuable short term, affordable option and in the situations outlined above are a vital element of the pensions team. To discuss how our interims could support you during 2018/19, or if you have the calibre and commitment required to support our clients; Telephone 020 7489 2053. Email contact@gtfgroup.com

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The BBC Pension Scheme is seeking an independent Trustee to join its Board in January 2019. The Scheme has around 50,000 members and £16bn in assets.

The successful candidate will have experience of acting as a Pension Trustee in a large scheme, or supporting a Trustee Board in a senior advisory or executive role. A finance/accounting, audit or legal background would provide the most relevant skills and best complement the existing Board skillset.

Candidates must be able to demonstrate an understanding of the strategic and operational issues associated with managing a large DB scheme within the public or commercial sector, and of the dynamics of the Trustee relationship with the scheme sponsor.

The key attributes required include the ability to focus on complex issues strategically and independently and to collaborate and challenge constructively; and high standards of personal integrity, honesty and professionalism.

The time commitment is expected to be around 20 days per year. The appointment is for an initial fixed term of three years. Candidates must not have close connections with the Scheme or sponsor. The role will be competitively remunerated to attract the right individual.

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Applications close on 19 October.

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Pensions Administrators – All Levels
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Provide outstanding services to a DB scheme portfolio. Great scope for career progression. Ref: 1365684 FR

Junior Business Analyst
London — **up to £30000 per annum**
Support delivery of client projects, business change and scheme implementation. Pensions admin/projects exp req. Ref: 1374249 JW

Benefits Administrator
West Midlands — **up to £26000 per annum**
Great exposure across pensions and the wider benefits team. Excel experience a must. Ref: 1374034 JW

Is your salary in line with the market?

2018 Salary Survey now live

All respondents receive a free copy of the survey, early 2019, and will be entered into a prize draw.
Complete this year's survey via www.sammonspensions.co.uk

Pensions Administration Director
North West — **£competitive**
Take responsibility for growth and sustainability of a quality Pensions Administration business. Ref: 1374653 SB

Senior/Trustee Manager
London — **£superb**
Award-winning Trustee Company, hiring motivated Pensions Managers/ Consultants. Have strategic oversight of a portfolio of pension schemes, supporting business growth. Ref: 1374568 SB

Risk Compliance Pensions Director
London/Nottingham — **£in line with experience**
Manage risk, regulatory and corporate compliance for this leading pensions organisation. Ref: 1374603 SB

Senior Pensions Manager, in-house
Munich — **c. £80000**
Provide expertise across M&A and governance. German-speaking, with M&A experience required. Ref: 1368439 SB

Pensions Lawyer, practice
London — **£excellent**
Newly-created role for an ambitious individual with post-qualifying industry experience. Ref: 1374648 SB

Trustee Secretary Governance Specialist
London — **£in line with experience**
Varied and challenging opportunity with this well-respected Professional Trustee specialist. Ref: 808600 SB

Pensions Consultants – All Levels
London — **£flexible**
Deliver market-leading corporate/trustee services. APMI/equiv, DB & DC with secretariat services experience required. Ref: 1374134 BC

Wednesday 5 December 2018

Eversheds Sutherland, 1 Wood St, London EC2V 7WS

9:00am - 4:00pm - followed by an hour networking

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Topics of Discussion

- FCA Retirement Outcomes Review: What's coming?
- From default to pathways
- Overcoming barriers to good service delivery: a collaborative approach
- What DC governance means in practice
- DC - it's easy until it goes wrong!
- Getting the message across
- The impact of member outcomes

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Lesley Alexander
Strategy Director
Ferrier Pearce

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Altas

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More to be announced soon!

By attending this conference, you will gain 4 hours of CPD

If you would like to receive further details, please contact us on events@pensions-pmi.org.uk
or alternatively, you can call us on 0207 392 7427