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April 2019

Pensions Aspects

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Strategic tactics

The strategies and tactics behind investing

MAKING A POSITIVE IMPACT AND MAKING MONEY

GMP EQUALISATION: ARE WE READY TO EQUALISE?

BONDS: A LICENCE TO KILL?

Pensions Management Institute
ACHIEVING PENSIONS EXCELLENCE

Features

Regulars

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WORLD LAND TRUST™

PMI aims high for 2019

2018 has been a year of uncertainty across the UK. One business commentator recently said that we should expect uncertainty for some time. Towards the end of 2018, the Board, in its annual review of our Five Year Plan made a decision to focus on some key deliverables in 2019.

By Gareth Tancred, Chief Executive, PMI

Professional Trustee Standards Accreditation

You may have seen in the industry media that your Institute has been selected to deliver an accreditation programme for professional trustees. The Pensions Regulator expects professional trustees to gain accreditation, demonstrating that they meet the new standards in place. We are developing the accreditation programme ready for launch in July 2019.

Competency Framework

As part of our ongoing review into our lifelong learning platform, we launched a consultation into a new professional competency framework. When completed later this year, the framework will clarify career pathways so that members and their organisations can better select the education and CPD needed to achieve their career development. The framework will also help inform what future education may be needed. We have, in our sights, a 'PMI Academy' and enhanced CPD.

Online Exams

During 2018 we ran a number of pilots for online exams. We shall be extending the programme during 2019 with new centres and greater automation. We are revising our learning platforms too. This is in response to learners' requests gathered at the start of our Five Year Plan.

We are implementing a modern, online learning and assessment programme that will allow learners and their organisations to decide when they want to sit exams, rather than have to wait for a spring/autumn sitting.

We are also able to e-proctor exams; it won't matter whether our learners are in Stockport or Sydney, our exams are open to all.

Member Portal/Website

Work is already underway to develop our new website. This will be launched in several stages. During late summer/early autumn, we plan to launch a 'member portal'. This will allow members and learners to access membership and lifelong learning services. Later in the year we plan to launch a larger part of the website, with full functionality early in 2020. Of course, a lot of work has to be done with the underlying systems, some of which also need to be replaced. However, we are confident that you will find the new system far better with many new features you would expect of a modern professional body. The professional standards accreditation and online exams mentioned above will be incorporated into the new website.

Events

I would like to say a few words about our events. During 2018 we made some very significant changes to our national conference to create a new flagship event: 'Pensions Aspects Live'. With a more practical venue, an enhanced programme with multiple streams, and over 40 speakers, it attracted over 100% more delegates than the previous year.

We are very proud that in its inaugural year it was nominated for an award. Our autumn seminars were sold out, leading us to book larger venues for 2019. In June 2019 we launch our 'Trustee Workbench' event. As the professional body with the most trustee members, this will become the 'go to' event for trustees and those wishing an audience with them.

In conclusion, whilst 2018 has been a year of business uncertainty, we achieved many positives, including an award for our new magazine, Pensions Aspects. We look forward to many more accolades in the future. I would like to thank our office team and our army of volunteers for their dedication and hard work, and also you, our members, for your continued support.

Clarification: February 2019 Pensions Aspects

Cecelia Wong, Senior Associate, Wright Hassall:

In a previous article (February 2019), we referred to the GDPR and the Data Protection Act 2018, and the impact Brexit may have on this. We would like to update our advice to clarify our initial sentence in that article:

"Regardless of Brexit or even the type of Brexit we will have, the new data protection laws are here to stay."

The GDPR repealed the Data Protection Directive and became directly applicable in EU member states on 25th May 2018. On that same day, the Data Protection Act 2018 came into effect, replacing the Data Protection Act 1998.

The GDPR sits alongside the Data Protection Act 2018. Even with a no deal Brexit, there would be no immediate change in the UK's own data protection standards because the Data Protection Act 2018 would remain in place and the European Union (Withdrawal) Act 2018 would incorporate the GDPR into UK law to sit alongside it.

INTRODUCTION TO PENSIONS

Pensions Management Institute
ACHIEVING PENSIONS EXCELLENCE

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

This introductory workshop is designed for those with little or no previous pensions knowledge. Our expert panel will talk through the essentials of the pensions industry.

From outlining the pensions law and defining the role of the administrator to shedding light on the design of Trust based pension schemes.

We'll share our insights and update you on the core areas that professionals starting out in the pensions industry need to know, as well as answer any questions you have about the pensions industry.

Wednesday 15 May 2019

Barnett Waddingham,
2 London Wall Place,
London, EC2Y 5AU

MAY 15

Hosted by:

BARNETT WADDINGHAM

Wednesday 11 September 2019

Sacker & Partners LLP,
20 Gresham St,
London EC2V 7JE

SEPTEMBER 11

Hosted by:

Sackers

Wednesday 25 September 2019

Barnett Waddingham,
67 Albion Street,
Leeds LS1 5AA

SEPTEMBER 25

Hosted by:

BARNETT WADDINGHAM

If you would like to receive further details, please contact us on **events@pensions-pmi.org.uk** or alternatively, you can call us on **020 7392 7427**

Wednesday 15 May 2019

Barnett Waddingham, 2 London Wall Place, London, EC2Y 5AU

Pensions Management Institute
ACHIEVING PENSIONS EXCELLENCE

AGENDA

10:00	**REGISTRATION AND COFFEE**	
10:30	**Chairman's Introduction**	**Lesley Alexander**, Vice President, PMI
10:40	**Setting the Scene** • Essential Jargon • Parties involved in pensions schemes • Types of Trustees	**Lesley Alexander**, Vice President, PMI
11:10	**Pensions Law** • Role of Lawyers: Company vs Trustees • Complaints and the Ombudsman • Recent legislation and on the horizon	**Lucy Bennett**, Associate, Sackers
11:40	**Design of Trust Based Pension Schemes** • Defined benefit • Defined contribution • Retirement benefits • Early leavers • Ill health benefits • Death benefits	**Julian Mainwood**, Partner, Barnett Waddingham
12:10	**Pensions Administration** • Role of the administrator • Calculating benefits • Communicating benefits • Data	**Andy Greig**, Partner, Barnett Waddingham
12:40	**LUNCH**	
13:20	**Member Engagement** • Disclosure • Advice vs guidance • New communication channels	**Karen Bolan**, Head of Engagement, AHC
13:55	**Pension Scheme Funding** • Role of the actuary and Investment Consultant • Contributions • Investments • Actuarial valuation	**Alex Stobbart**, Consultant, Aon Hewitt
14:25	**CONCLUDING REMARKS AND Q&A**	

£110.00 For Members
£165.00 For Non-Members

Kindly Hosted by: BARNETT WADDINGHAM

Contact details: **events@pensions-pmi.org.uk**

Membership update

All photos taken during November's Fellowship Meeting

Payment Notice

Please note that effective 1st June 2019 PMI will no longer accept cheques as payment for all membership subscriptions, renewals or qualifications.

APPT Renewal

APPT renewals become due on 1st July 2019 and renewal notices will be issued on the 1st May 2019. APPT members are reminded to complete and submit their 2018 CPD to the PMI Membership Department.

Continuing Professional Development (CPD)

Your completed 2018 CPD report was due on 31st January 2019; if you have not completed your report, please do so now and submit it to the Membership Department.

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

PMI Trustee Group Board Certificate

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

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.

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.

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**:

Melissa Blissett
Zahrah Docrat
Lucy Kerley
Max Mitten
Patrick Mitchell
John Mulreay
Natasha Revill
Michelle Wright

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**

Nick Anderson
Kelly Newton
Maryam Omrani
Gajan Premkumar

Associate Membership

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

Claire Barnes
Katie Lambert
Marjo Nivala
John Walker

Enter the ITM Student Essay Competition and win £500!

We are excited to launch the ITM Student Essay Competition, as the first initiative under the Student Network.

Entrants will have the chance to win £500 and have their essay published in Pensions Aspects. Two runners up will also win £250.

The competition is open to PMI Student and Affiliate Student Members and those currently undertaking a PMI qualification.
See page 39 for more details.

Trustee roundtable

On 21st February we hosted 30 Trustees at the PMI in front of a panel of experts discussing 'What next for 21st Century Trusteeship?'

Thank you to our speakers from The Pensions Regulator, Ross Trustees, Linklaters and Thomas Miller for their fascinating insights, and to Chris Parrott, Chair of the PMI Trustee Group, for chairing the session.

Our next roundtable will be held in May; make sure to keep an eye out for details.

Fellow Membership Fee Waiver – Limited time only

Upgrade now and pay an administration cost of only **£35**.

For a limited time only, PMI will waive the election fee of £150 and the upgrade fee of £90 for Associate members who would like to upgrade to Fellow membership. This covers your membership subscription until 31st August 2019.

To be eligible for this upgrade, members must confirm the following:

- **Have submitted at least 5 years CPD**
- **Have been an Associate member for at least 5 years**

Completed application form and payment to be submitted by **Thursday 30th May 2019**.

To find out if you are eligible, or for more information, contact the Membership Department.

Contact us

For further information or queries regarding membership, please contact Denise or Sarah at membership@pensions-pmi.org.uk or on 020 7392 7410/020 7392 7414 for more information.

Lifelong learning

This month we look at the two remaining qualifications in the 'Fab Five'…

Retirement Provision Certificate

The RPC is a qualification that is ideal for employees new to pensions, support staff and those professionals working in related fields. It provides a broad introduction to pensions and other related benefits in the UK.

It has been designed to meet the needs of a wide range of people, not just pension professionals; for example it could include:

- those who are starting out in a career in pensions or a related area
- those whose work involves one particular aspect of retirement provision, such as investment, legal or accounting
- those whose job requires an overview of the principles underpinning retirement provision.

Workplace Pensions Trailblazer Apprenticeship

This qualification can be used as part of the Workplace Pensions Trailblazer Apprenticeship. Amongst the many benefits of the apprenticeship is the opportunity to access government funding to cover the cost of the qualifications and any associated training. Further details on the apprenticeship can be found here: **www.pensions-pmi.org.uk/qualifications-and-learning/pmi-and-apprenticeships/**

Employers/training providers wishing to use this qualification as part of the apprenticeship should use the apprenticeship specific registration/entry forms. To obtain copies please contact **qualifications@pensions-pmi.org.uk**

How is RPC assessed?

The qualification is assessed by a 2 hour examination in the form of an 80 question, multiple choice exam paper, designed to test knowledge right across the syllabus.

And finally…

Certificate in Pension Scheme Member Guidance

This qualification is designed to meet the needs of pensions staff who regularly liaise with members selecting options from a pension scheme. It is concerned with improving member outcomes and providing guidance on benefit options. As this guidance is in the area of non regulated advice the qualification provides an overview of the distinction between regulated and non regulated advice, the different types of pension scheme and the factors that need to be considered in making decisions in regard to benefits. It covers various options and situations, including: joining, leaving, transferring, retirements, commutation, death, and divorce.

Workplace Pensions Trailblazer Apprenticeship

This qualification can be used as part of the Workplace Pensions Trailblazer Apprenticeship. Amongst the many benefits of the apprenticeship is the opportunity to access government funding to cover the cost of the qualifications and any associated training. Further details on the apprenticeship can be found here

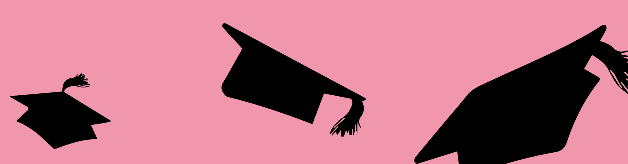
Aims

The aims of this qualification include:

- Improving pension scheme member outcomes
- Enhancing professionalism and communication skills of customer-facing staff
- Increasing confidence and trust in workplace pensions
- Enabling effective delivery of the Guidance Guarantee at the point of retirement for DC scheme members.

Qualification Development Partner

This qualification has been developed in partnership with JLT Employee Benefits. PMI is grateful for the support received throughout the development process and continued support in the delivery of the qualification.



News from the regions

[Eastern News]

Our February afternoon seminar in Ipswich was well attended, including many who are relatively new to the industry. One of our speakers was unable to attend and we are grateful to Brian Kite who lengthened his talk, educating us on the difference between responsible and ethical investing. The seminar was wide ranging and challenged us on how pensions can keep up with the growth in technology. Keith Hoodless shared how PMI is adapting to modern expectations of its students.

Our next event is our early evening AGM Seminar to be held on 12th June 2019 at Mills & Reeve's Cambridge office. This will be a panel discussion on the topical subject of consolidation of pension schemes, with well known panellists including Henry Tapper and Robin Ellison. Please contact Susan Eldridge at **susan.eldridge@aviva.com** to be added to the distribution list.

[North East news]

Our 'DB Consolidators and De-risking Market Update' seminar was held on 21st February at Willis Towers Watson. Thanks go to speakers Tom Ashworth and Howard Johnson, Willis Towers Watson.

Our 'Question Time' event will take place at the offices of TPT Retirement Solutions on 18th April with panellists to be confirmed.

Find out more about our 2019 events: **www.pensions-pmi.org.uk/membership/regional-groups/north-east/** or contact Jane Briggs at jane.briggs@squirepb.com to be added to the regional event distribution list.

[London]

Look out on LinkedIn and Twitter (@PensionsLondon) for details on the May business meeting on Collective Defined Contribution (CDC).

Our February business meeting, in conjunction with the Association of Pension Lawyers, hosted by Herbert Smith Freehills, covered GMP equalisation and was tremendously well attended.

Student members, look out for LinkedIn and Twitter updates on our Q&A sessions to help you prepare for upcoming exams.

[Southern]

Our meeting on 6th February was well attended. Kevin Le Grand gave an excellent presentation on DB consolidation. We are grateful to B&CE in Crawley for hosting; the support of local businesses is invaluable to the group.

The next meeting takes place on 21st March at JLT, Leatherhead. Peter Scott from Equiniti Group will cover the topic of divorce, mainly from an administration perspective, and is aimed at student members as well as the wider group.

We look forward to our main annual event, the half day seminar. This will be held at the offices of Aon in Epsom on the afternoon of Wednesday 15th May and is followed by dinner. Full details will be circulated to members.

[South West]

The Spring seminar will take place in the morning of **Friday 3rd May 2019** at TLT Solicitors, Bristol. Confirmed speakers include:
Keira-Marie Ramnath, Head of Fiduciary Management Oversight and Selection at PwC (with more than 13 years' experience in the investment industry): practical experience and insight of the fiduciary management market.

James Pryor, Senior Strategic Consultant at Capita: insights for member engagement, dos & don'ts for members, employers and trustees.

The seminar costs £40, free for PMI students, and counts towards CPD requirements. A buffet lunch will be provided. If you wish to attend please book online via: **https://pmi-south-west-region-spring-seminar-2019.eventbrite.co.uk**

Tickets are still available for the region's 2019 Gala Dinner on **Thursday 16th May 2019** at the Harbour Hotel, Corn Street, Bristol. Book via: **https://pmi-sw-gala-dinner-2019.eventbrite.co.uk**. Included is a drinks reception and three course dinner with wine. £5 from each ticket will be donated to Age UK Bristol.

The new ESG investment duties: top tips for trustees / Making a positive impact and making money / Bonds: a licence to kill? / Illiquid assets and defined contribution schemes

Strategic tactics

The strategies and tactics behind investing

Continue reading on pages 13-19

The new ESG investment duties top tips for trustees

By Lucy Bennett, Associate, Sackers

Trustees have been grappling for some time with how environmental, social and corporate governance (ESG) considerations should factor into their investment decisions.

At present, under the Occupational Pension Schemes (Investment) Regulations 2005, trustees are required to cover in their scheme's Statement of Investment Principles (SIP) "the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments."

However, over the course of last summer, the DWP ran a consultation on 'clarifying and strengthening' trustees' investment duties. This included proposals on changing the requirements surrounding SIPs, particularly in relation to ESG considerations.

On 11th September 2018, the DWP published a response to its consultation, together with a final version of its new regulations: the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (the 'New Regulations').

Consequently, trustees will need to revisit their SIP to ensure it remains fit for purpose, as by 1st October 2019, they will be required to set out the following:

- 'financially material considerations' over the 'appropriate time horizon' of the investments including how those considerations are taken into account in the selection, retention and realisation of investments
- the extent, if at all, to which 'non-financial matters' are taken into account in the selection, retention and realisation of investments
- their engagement activities in respect of investments (stewardship).

The new definition of 'financially material considerations' clarifies that these include, but are not limited to, ESG considerations, for example, climate change, "which trustees of the trust scheme consider financially material".

Trustees also have the option of including a policy on 'non-financial matters', including not only members' ethical concerns but also social and environmental impact matters and quality of life considerations.

The temptation for trustees, particularly in relation to smaller schemes, will be to ask their investment consultants to provide 'standard template' wording for inclusion in their SIPs. However, this sort of tick box exercise is unlikely to ensure compliance with the New Regulations and leaves trustees open to challenge where there is inconsistency between a stated policy and what is done in practice.

This is not to say that template wording can't be helpful, and for many small trustee boards it may represent an efficient and cost effective way of seeking compliance. However, schemes who take this approach must be careful to ensure that any wording used genuinely reflects what is being done in practice.

Therefore, trustees need to proactively engage with their investment consultants and investment managers about the new requirements to ensure that the wording used in the SIP accurately represents the trustees' actions in regard to their investment decisions and how their managers are implementing the stated policies.

One step that trustees might usefully take is to agree a document with their investment consultants outside of the SIP that sets out the specific actions that will be taken to implement the policies set out within the SIP. This might include specific reporting expectations, including with respect to stewardship, from managers and how the SIP will be monitored and updated as necessary.

By Amanda Young, Head of Global ESG Research, Aberdeen Standard Investments

Making a positive impact and making money

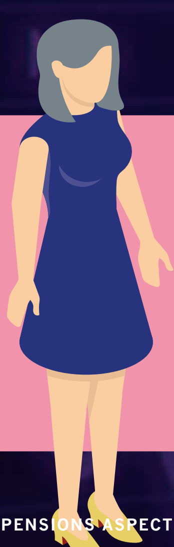
Henry David Thoreau, the 19th century American essayist and activist, once said "Goodness is the only investment that never fails". Since goodness is abstract, we have had no way to measure the level of truth in his statement. What is clear, though, is that until now we haven't given goodness much thought when it comes to investment. But what constitutes doing good, or making a positive impact with your money, and why should investors care?

There are currently many environmental, social and governance (ESG) issues affecting the world. We split them into three broad groups: climate change, social inequalities and unsustainable production and consumption. The increase in extreme weather events falls into the first category. Meanwhile, the continued existence of poor working conditions and gender discrimination fits into the second. The third is perhaps best demonstrated by the fact that we are living on borrowed resources. We now have an annual 'Earth Overshoot Day'. Its arrival means humanity has consumed more resources than the planet is able to renew in a year. It fell on 1st August 2018, meaning that the ecological deficit is five months' long.

Why should we care about where our money is invested?

These concerns are valid from an ethical perspective, but they are also relevant to us as an industry. Investors' concerns about the ESG implications of their investment choices make them so. They want to know that their money is doing good things. Or, at the very least, they want to know that it isn't doing bad things.

Millennials, or those who entered adulthood in the early 21st century, have an active social and environmental conscience. Their responses to the World Economic Forum's Global Shapers' Survey in 2017 illustrates it well. Asked what they considered to be the most serious global issue, almost half said climate change and nature's destruction. On the subject of businesses' biggest contribution to society, 15% thought it was boosting the economy. By contrast, over 30% said that it was job creation.



24% of women liked the idea that their investment choices could make a positive difference.

This compared to **20%** of men.

What women think is also important. More women than men are concerned about where they invest their money, according to our recent research. Of our survey group, 24% of women liked the idea that their investment choices could make a positive difference. This compared to 20% of men . Women's wealth is growing, in line with their increased workforce participation and their relative longevity. Meanwhile, millennials make up almost one third of the workforce. Involving them as to where and how their pension funds invest is becoming an evermore crucial consideration. Advisers recognise this trend. Among those we polled, 51% agreed that ESG matters are a way to engage investment's next generation.

Solutions and opportunities

There are several ways to help these investors achieve their socially conscious investing aims. One is to look at the United Nations' Sustainable Development Goals (SDGs) and the companies that work to meet them. Announced in 2016, their detailed targets provide measures for assessing a company's impact criteria. For example, a business's commitment to sustainable energy can be gauged against clean energy practices and efficiency measures.

While these goals are admirable, it is important for investors to remember that governments, not companies, created them. We should also be open to other ways of implementing ESG considerations into our investing framework. At Aberdeen Standard Investments, we have eight 'impact pillars' of ESG investing. These cover a broad range of themes: circular economy; sustainable energy; food & agriculture; water & sanitation; health & social care; financial inclusion; sustainable real estate & infrastructure; and education & employment. We have both a dedicated, central ESG investment function and ESG specialists within different asset classes. This lets us research and analyse global sectors and ask key questions about how companies operate.

But what are the risks?

Taking ESG into consideration when making investment decisions is laudable, but it also presents challenges and risks. It's necessary to give the subject expert attention. Take climate change, for example. Often, we hail renewable energy as a solution to the problem of rising carbon emissions and resource depletion. However, it comes with its own set of ethical questions.

New kinds of energy rely on different materials than their traditional counterparts. Demand for alternative minerals and metals, such as lithium and cobalt, is rising.

This seems innocuous until it becomes clear that 60% of the world's cobalt is mined in the Democratic Republic of Congo. Such a location brings human rights and child labour concerns to the fore.

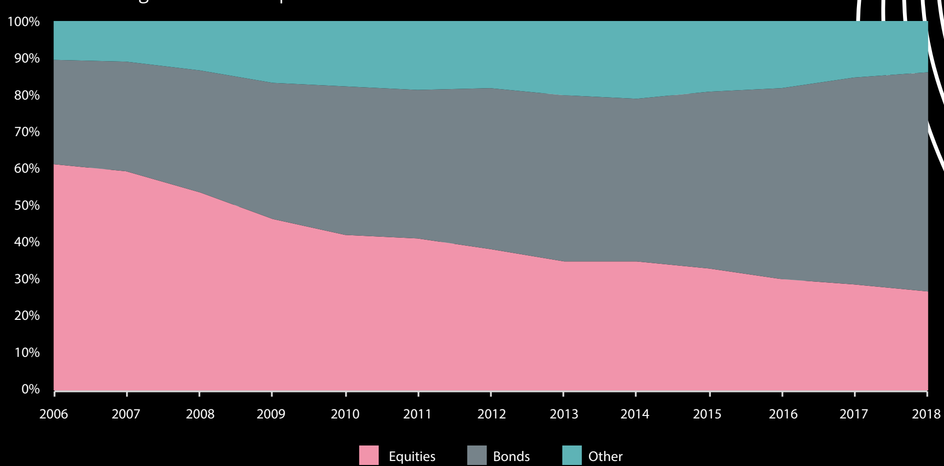
In addition, many countries are introducing new legislation which attempts to address a variety of environmental issues. Everything from plastic consumption to deforestation is under the spotlight. As companies try to operate in line with the new rules, new risks are becoming apparent.

Unique challenges and risks such as these will increase over the years to come. Thoroughly understanding, researching and analysing ESG considerations is becoming increasingly important. Whilst we all have a responsibility to look after our fragile world and society, investors' money and desire for profits gives them a powerful voice. As stewards of our investors' capital, we can make that voice heard. This is how we can make a positive and lasting impact.

A month in pensions

Bonds: a licence to kill?

Source: Figure 7.2 PPF Purple Book 2018



For several decades, bond yields (which follow interest rates), have fallen around the developed world. Rather than staying away from bonds, defined benefit (DB) pension schemes across the developed world have continued to buy more. In the UK figures show private sector DB schemes doubling their total allocation to bonds from around 30% to 60% (close to £1 trillion) in just over a decade. Over the same period the proportion invested in company shares (or equities) has more than halved.

So why is the trend for DB schemes to invest more in bonds continuing?

In short, trustees of DB schemes are trying to reduce risk; sometimes with the sponsoring employer's full support and sometimes with a degree of reluctance!

Is bond investment the best course of action?

The direction in which you lean on this answer may well depend on whether you represent the trustees or the (sponsoring) employer, as well as a scheme's specific circumstances.

The choice of investments is influenced by benefit promises to members which can easily stretch for 50-60 years for a typical DB scheme (i.e. until the last member dies).

Payments to members are funded from two sources, namely, investment returns and cash contributions from the employer: less from one source means more from the other.

Long-term bond investments provide a guaranteed steady annual income (known as 'coupons'), which DB schemes can use to fund payments to members. This gives schemes more certainty that future payments can be met. Bond prices tend to fluctuate less than other investments and quality bonds (issued by governments and large multinationals) are universally accepted as risk free.

The additional certainty from investing in these kinds of 'matching' assets comes at a premium since DB schemes could alternatively invest in 'growth' investments (e.g. shares in companies) which are anticipated to generate higher investment returns over long periods. Hence over a long term, all other things being equal, a higher bond allocation places a higher demand for cash on the employer. So why not ditch all bonds? Well, a disadvantage of other investment types, relative to bonds, is they do not necessarily provide a steady income, their prices fluctuate, sometimes wildly, and there is a higher risk of downgrades or default e.g. when a company experiences hard times or goes bust.

> **There is a fine balancing act for DB pension scheme trustees and sponsors to play when it comes to choosing their investments.**

Has the pendulum swung too far towards bond investments?

Arguably, yes. Bond yields have been at historically low levels for a number of years. Large allocations to bonds could be placing unnecessary pressure on employers to contribute more cash. In some cases, the employer has the cash and wants to reduce risk. In other cases, the trustees' desire for bonds (perhaps driven by perceived regulatory pressure or adviser pressure), is placing additional cash requirements which could deprive investment in the business. Where this can lead to an employer 'calling it quits', then ultimately this is in neither the employer, the trustees, the members, or employees' interests.

What's the alternative?

Schemes can explore alternative investment mixtures. This may include making lower allocations to bonds (or at least not making a knee jerk reaction by increasing the allocation). Furthermore, there are an increasing number of more 'sophisticated' affordable investment vehicles which have become available to pension schemes in recent years, including those smaller pension arrangements e.g. diversified growth and credit funds and liability driven investments, which can help trustees maintain a high level of matching assets, with the additional benefit of being able to maintain or even increase investments in growth assets.

These alternative investment mixtures are aimed at helping schemes generate steady returns even if not guaranteed, whilst controlling price fluctuation and helping the employer achieve sustainable growth.

Each individual case must be treated on its own merits, including the employer circumstances, and there is no one size fits all solution.

Three questions to ask yourself

1// What is the employer's long-term objective for your scheme e.g. pay the benefits as they fall due, secure benefits in the relatively short term with an insurer? This drives all key decisions.

2// What level of investment return would be required to meet payments if the employer stopped contributions immediately? This helps assess reliance on employer as well as the types of investments needed to obtain the return.

3// Have you considered the impact different investment strategies have on cash contribution requirements?

By Marcos Abreu, Actuary, First Actuarial

By Jayna Bhullar, Investment Consultant, Quantum

Illiquid assets

and Defined Contribution Schemes

Historically, the complexities (perceived and real) of managing illiquid assets in a portfolio have made them more appealing to trustees of defined benefit schemes than defined contribution schemes. Moreover, access to these investments have typically been limited to larger investors, with many providers imposing minimum levels of investment and/or minimum charges.

Illiquid assets are investments that cannot be sold quickly without a detrimental effect on their price: perhaps because they are complex or maybe because they are not publicly traded e.g. they are private companies. In return for the illiquidity and complexity, investors will typically achieve higher returns than they can expect on liquid, publicly traded investments.

These assets are becoming increasingly popular and more available as investment platform providers also begin to facilitate access. Smaller defined benefit pension schemes are utilising these investments already and the question of size does not appear to be as great an issue as it perhaps once was. But this begs the question, could smaller DC schemes be making better use of these opportunities?

DWP consultation

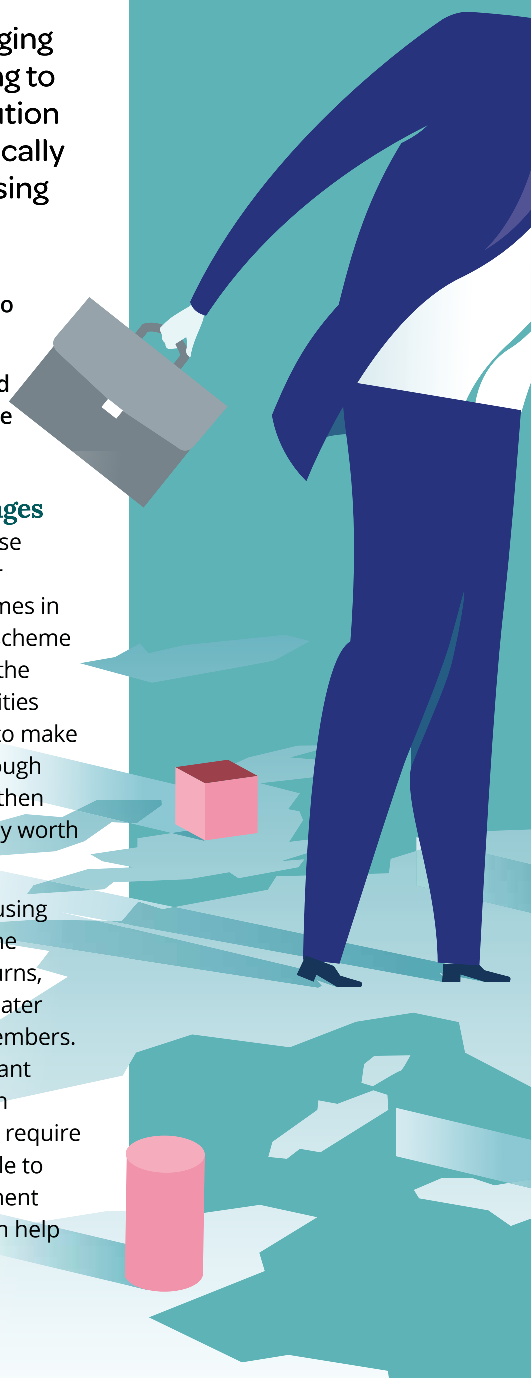
The Department of Work and Pensions' (DWP) recent consultation on the use of illiquid assets within occupational DC schemes went a long way to raising awareness of the opportunities that these assets offer, and the possibility that DC pension schemes could benefit from them given their long-term investment horizons.

The consultation was aimed at a wide pensions audience, with the purpose of facilitating investment in this area for smaller pension schemes, and increasing transparency. It put forward three key proposals:

a) the requirement for larger pension schemes to document and publish their policies in relation to illiquid investments and annually report the exposure to such investments

b) the requirement for smaller schemes to triennially assess if members would be better off by consolidating into a larger scheme, and

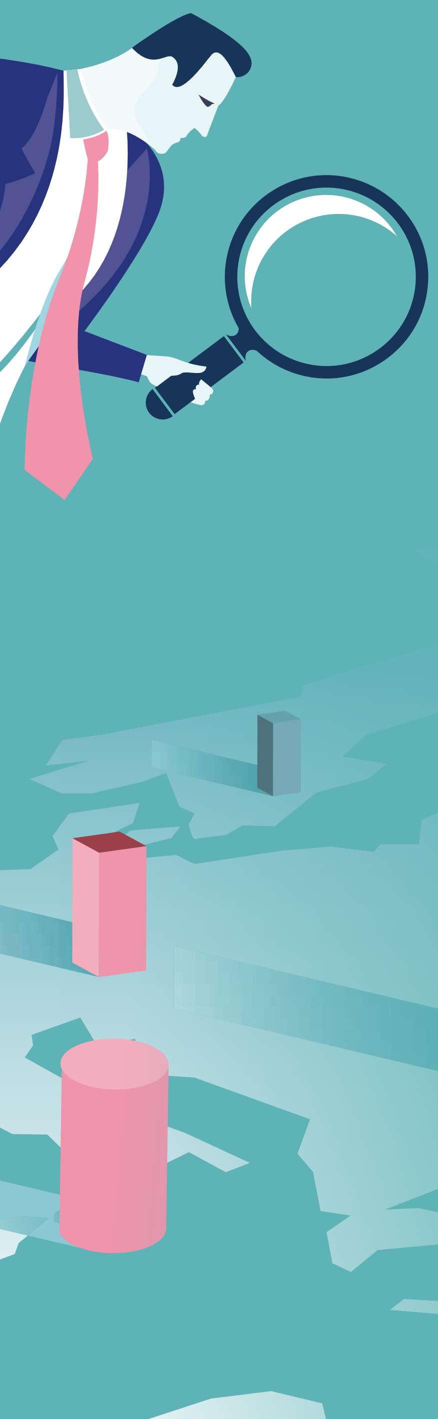
c) an additional method of assessing compliance with the charge cap.



Benefits and challenges

It is easy to see why these assets have been rather overlooked by DC schemes in the past. However, if a scheme can overcome some of the administrative complexities and support members to make informed decisions through robust communication then the benefits are certainly worth considering.

The obvious benefit of using illiquid investments is the potential for higher returns, which could mean a greater final pension pot for members. This is particularly relevant during the accumulation phase, where members require less liquidity and are able to tolerate greater investment risk, and such assets can help



to generate additional returns. Furthermore, some illiquid assets provide robust income distributions, which can help support cash flow needs in retirement for DC members who have opted for income drawdown.

Incidentally, investments from UK pension schemes in UK based projects, such as infrastructure or social housing, could help to promote and support economic expansion and productivity. This could help the trustees with their Environmental, Social and Governance (ESG) objectives and responsibilities when investing, particularly as this becomes more prevalent following the requirements set out in the DWP's publication 'Clarifying and Strengthening Trustees investment duties', which becomes effective from 1st October 2019.

Clearly though, illiquidity itself can be one of the key deterrents as investors cannot readily access their money once it has been deployed.

Therefore, the risks associated with these assets need to be fully understood by members.

Additionally, illiquid assets often have complicated fee structures, which are higher than traditional asset classes and frequently include a performance related element. Uncertainty around the level of fees that will be incurred presents a challenge for trustees who wish to disclose expected fees to members in advance of investing, and when measuring compliance with the DWP's charge cap on Member Borne Deductions for default investments.

That said, each of these factors can be easily combatted through: (i) additional training, (ii) investing via pooled collective vehicles or via platforms, and (iii) the proposal by the DWP to assess charge cap compliance using an approach that builds on the current prospective method, providing a new way to verify charge cap compliance in situations where performance related fees apply.

Risks can also be easily managed by limiting the allowable exposure to the asset class, seeking to strike a balance between providing members with the ability to benefit from potentially higher returns without overexposing members to the risks involved. Limiting the allocation can also help to manage compliance with the charge cap, particularly when these assets are blended with lower cost investments within a wider investment strategy.

Conclusion

Overall, it seems that, to date, smaller DC pension schemes have been foregoing the opportunity to benefit from the potential advantages of using illiquid investments.

The DWP's recent consultation is likely to raise awareness around their use and set out/enforce measures that provide trustees with comfort and solutions to the barriers and issues that previously bred resistance.

Member communication and understanding will be critical, however, the case for using illiquid assets within DC schemes has certainly been strengthened and may be an avenue worth considering when thinking about the potential benefit for members.

By David Pharo, Board Director, PASA

GMP equalisation: are we ready to equalise?

Whilst the Lloyds Bank ruling was widely welcomed by the industry as helping to solve a problem that had existed for 28 years, there is still much to be done before we are ready to implement an equalisation solution. Your administrator needs to be at the heart of those plans to ensure the necessary data is gathered and solutions are deliverable.

The Pensions Administration Standards Association (PASA) has formed an industry group, involving experts from across the industry and led by Geraldine Brassett.

Its objectives are:

- **To help develop and promote good practice on issues arising from the ruling**
- **To ensure that advisers are working together to support trustees in delivering equalisation**

The aim is to provide guidance to help tackle practical issues, from what this means for GMP reconciliation and rectification, cases in progress, how to address missing data, through to actually implementing the equalisation solution and rectifying underpayments.

How should schemes equalise?

Unfortunately, in October when the High Court ruled in the Lloyds Bank case, it did not set a definitive method for equalisation, noting that a number of methods are available for schemes. It is still too early to make a final decision on the method to choose as we are awaiting further guidance from the DWP, HMRC and TPR, and from the Court in relation to exactly which members are in scope. It will also not be possible to cost the implementation of some of the alternative methods for a number of months, but it is still worth understanding the methods and the data you will need when the time arrives. In broad terms, the methods will involve either an ongoing administration dual records solution or a conversion project. Set out in the table to the right are the equalisation methods considered acceptable by the court. At a headline level A to C, would be dual record solutions and D2 is conversion.

Method	Approach
A (there were three variants of this)	Equalise each unequal term of the benefits separately (for example, pension increases) in each year
B	Provide the higher of male or analogous female pension each year i.e. the total pension is equalised each year
C1	As B, but allowing offsetting against past adjustments so that either the male or analogous female receives an uplift in each year; but not both
C2	As C1, but with interest at 1% in excess of bank base rates added to offsetting past adjustments, so uplifts are reduced
D2	Comparing the actuarial value of benefits of each member with the value for the opposite sex. Then converting the benefit into a new pension to remove GMPs. Note you may need to look at conversion of all GMPs and not just post 17th May 1990, given the current DWP guidance on conversion.

What might implementation look like?

Whether you undertake a dual records approach or a conversion project, you still need to know how much the alternative sex would have got. Understanding the data held on your administration system and historic data that might be accessible is key to the data gathering phase. This needs to be combined with an understanding of the administration customs and practice, as many of the details important to GMP equalisation are not captured in sufficient detail in the scheme rules.

It would then seem sensible to see alternative methods as potential options in anticipation of further guidance, particularly where benefits are ongoing e.g. for pensions in payment, or for deferred pensioner or active members. However, there are some real challenges when equalising closed records i.e. past transfers out or in relation to a deceased member, or where a buyout is imminent, particularly if a dual record solution is under consideration.

What do you need to be thinking about now?

The way schemes will equalise might still be under discussion, but there are a number of things that schemes can and should be doing in preparation. Whilst, inevitably, it will not cover every scenario, the following checklist may help you think about the issue from a member's and an administrator's perspective:

- What should you be communicating to members now? It may be appropriate to communicate to the membership as a whole at some stage in the near future. There is also, though, a more pressing action to consider; how you should reflect the position in relation to GMP equalisation in the communication material used for members who are potentially impacted where benefits are being quoted or settled
- Should certain benefits be suspended in the short term? Typically, retirements and CETV payments in most schemes are continuing to be paid, but many schemes are suspending small pots or trivial commutation settlements and revising their approach to serious ill-health retirement
- GMP reconciliation: at what stage is your reconciliation and associated benefit rectification? This is an important data input to the GMP equalisation process
- Data: do you have the data needed to equalise benefits? There may be work to do in a couple of areas, so it is important to ensure that benefit tranche data is held in the correct splits on administration records. In addition, where there is potentially an expectation that you will need to contact members with deferred pensions or make payments in relation to closed benefits, is sufficient address and contact information held on the administration system?
- Get advisers talking. Do not just rely on a discussion with your actuary, lawyer or administration provider; get them all talking together to ensure that solutions are not only appropriate but also deliverable
- Does your administrator have the ability to deliver your planned solution(s)? Administrators will be making plans to deliver the proposed approaches, so it would make sense to check that this planning aligns with both your anticipated solutions and timing.

It is clear that this is a hugely complex area and schemes should consider carefully the approach(es) to be taken to equalise benefits. We do not expect to see GMP equalisation exercises completed for many months, or even a few years. PASA's guidance will be an important practical reference for you in the future, so look out for it arriving.

Why does financial wellbeing matter and what is the role of the Single Financial Guidance Body?

Sir Hector Sants, Chair, Single Financial Guidance Body

This article sets out to answer four questions:

1. Why is financial wellbeing important?
2. What is the purpose of the Single Financial Guidance Body (SFGB)?
3. What are the next steps for the SFGB?
4. How can you help?

Why is financial wellbeing so important?

It is important because it is central to personal wellbeing and thus to living a contented life.

Furthermore, it is clear that our state of financial wellbeing is not good. Two facts illustrate that:

There are 52 million adults in this country of which 9 million are in problem debt, and 11 million do not even have £100 in savings. If there were this number of people with a specific physical or mental health issue this would be a national scandal. I would suggest this is of the same importance.

What is the purpose of the Single Financial Guidance Body?

Our parliamentary mandate means we have a clear vision:

> **"A society where everyone makes the most of their money and pensions."**

Achieving this would transform society. Of course, it is not a complete solution to financial wellbeing as those who just do not have enough will struggle even if they are financially capable, but achieving the vision of the SFGB would still, in itself be, a significant step forward.

The vision may be clear, but we have much work to do to be sure of the best way forward or, in formal terms, to articulate a clear achievable strategy. We do, however, already have an understanding of the high-level objectives for the next five years, namely:

'Raise awareness' of the importance of financial wellbeing.

- Establish the importance of financial wellbeing as a top priority for policy makers and raise its awareness in society to a level comparable to that of mental and physical health.

Significantly increase capacity to remediate financial distress: 'help the vulnerable' through:

- Focusing our remediation to ensure there is free help available for all those who fall into problem debt
- Ensuring all those who need pension guidance receive it
- Working to ensure that those individuals where financial distress impacts their mental and physical health are helped.

'Establish a credible National Strategy' to achieve our vision of a society where every adult makes the most of their money and pensions.

This requires a credible Financial Capability Strategy to equip adults with the necessary skills to manage their money and pensions. This focus on financial capability is a shift in approach from that of our previous organisations, with an increased emphasis on prevention rather than remediation. Prevention requires individuals:

- To be financially educated
- To be equipped with the necessary tools, guidance and advice
- To have access to the necessary services which should be both affordable and ethical
- To have the right behavioural attitude to money.

The last point is crucial to achieving the strategy. Currently, the issue of shame about problem debt and poor financial decision making, and the lack of individuals' willingness to engage with money matters, are significant barriers to progress.

Traditionally, money issues are engaged with only when events require it, for example, when individuals lose their jobs, suffer ill health or more positively get married or have children. The willingness of individuals to consider their financial circumstances needs to move from being transactional, event driven, to being an everyday consideration (something we intuitively think about).

Our final objective is an internal one; 'establish an efficient, sustainable and respected organisation'

If our high level goals are clear, what are our next steps?

The current challenge is to articulate a medium-term strategy. We intend to do that between now and the Autumn of 2019 by engaging with stakeholders across the country through a 'listening exercise' followed by the publication of our conclusions. In essence, therefore, we see 2019/20 as a set-up and listening year, a transitional year, with 2020/21 being our first year based on our own strategy.

Our autumn publication will have two components.

Firstly, a national strategy to create the building blocks to deliver a financially capable nation. This is a long-term endeavour and its success will depend on the active support of all. and, secondly, a three year SFGB business plan; setting out the specific activities and goals for which the SFGB will be directly accountable.

The focus for the SFGB is thus two fold:

- To create and lead the delivery of the national strategy, and
- To deliver either directly or via commissioning help principally to the most vulnerable. Examples of that being those in debt and those facing key financial decisions, for example with regard to retirement and pensions.

We should not forget, however, that in money matters everyone is potentially vulnerable. Thus, the SFGB will also seek to ensure we are all equipped to make good decisions. We will, however, only succeed in partnership with industry; which leads takes me to the last question.

How can you help?

We clearly need ideas, support and funding. However, we also need enthusiasm and a willingness to recognise we have common goals and to work together to achieve them. The SFGB will look to partner with industry with two key objectives:

Firstly, to ensure the best possible outcome for individuals making financial decisions; equipping people to be financially capable, providing guidance and advice should be seen as a continuum, with any SFGB interventions having the intention of helping the customer to get the most out of the subsequent regulated advice.

Secondly, to work with everyone to restore trust in the system. This issue of restoring trust is critical; of course the industry's service must justify it, but the industry should also expect the rest of us involved in the process to help in changing the tone of the public discourse when it is merited.

In summary, financial wellbeing matters and changing it requires the collective endeavour of all concerned. This article is based on the talk by Sir Hector Sants at the PMI Annual Conference 'Pensions Aspects Live', 3rd April 2019.

* Please note it has been announced, and subject to parliamentary approval, on 6th April, SFGB will be renamed Money & Pensions Service.

Events

DIARY DATES

Secretary to Trustee

Thursday 16th May 2019

This event will provide the opportunity to share experiences and gain insight into how others carry out the role of the Secretary to the Trustee effectively. Come along to learn more about managing conflicts, trustee effectiveness, preparing and monitoring an effective risk register, and working effectively with the Chair of Trustees.

Topics include:

- >> **The role of Secretary to the Trustees; effective meeting preparation/best practice at and post meeting**
- >> **Preparing and monitoring an effective Risk Register**
- >> **Working effectively with the Chair of Trustees**
- >> **Effective minute writing**
- >> **Regular annual activities**
- >> **Trustee effectiveness**
- >> **Effective complaint handling**
- >> **Managing conflicts of interest**
- >> **Development of meeting management**

Members: £255.00 + VAT
Non-members: £355.00 + VAT

Trustee Workbench

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

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

Topics include:
>> Moving forward in uncertain times >> Buy in / Buy out
>> How not to fall foul of the Pensions Ombudsman
>> AI and pensions >> Funding options
>> Reflections on Pensions Bill

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

Introduction to Pensions

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

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

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

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

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

Topics include:
>> Pensions law >> Design of Trust based pension schemes
>> Pensions administration >> Member engagement
>>Pension scheme funding

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

Event Calendar

// **Introduction to Pensions** | **15th May**
// **Secretary to Trustee** | **16th May**
// **Trustee Workbench** | **6th June**
// **Introduction to Pensions**
11th September | **25th September**
// **DC Workplace Symposium** | **10th October**
// **PensTech and Administration Summit** | **7th November**

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

What's expected of 21st century trustees

By Christine Kerr, Senior Pension Management Consultant, Barnett Waddingham

'21st Century Trusteeship' was developed on the back of The Pensions Regulator's (TPR) research identifying that many schemes were not being run to their standards. This was particularly true of smaller and medium sized schemes where resources to support trustees are less available.

So, what is new?

Well, actually nothing. Most large pension funds were already following very good governance practices. Legislation already exists for many governance areas expected by TPR.

Why is it so important?

Doing the right thing, in the right way, means that trustees set clear goals and timescales, understand and manage risk, communicate clearly, and get the maximum from available resources and advisers; this results in better outcomes for all.

What needs to be considered?

In line with TPR's suggestions, issues and questions a trustee board should consider are as follows:

>> Governance, roles and strategy

+ Are you reviewing scheme operations on a regular basis?
+ Is record keeping and access to information adequate?
+ Are all responsibilities clear and roles defined?
+ Is there someone who oversees all regulatory and legislative activity, ensuring compliance?
+ Governance and administration policies: do you have and review these?
+ Is your committee structure appropriate?
+ Do you know what activities are delegated?
+ Do you have a review cycle in place?
+ Strategic business plan (separate to an event calendar): do you have one?
+ How do ensure things do not go off course?
+ Do you apportion agenda time and governance to your strategy?

>> Training, skills and advisers

+ Do you regularly assess your need for training and its plan?
+ Is there a proper induction process for new trustees?
+ Do you have the correct skills (both technical and soft), and diversity on your board?

>> Risk and conflict of interest

+ Do you understand your risk management framework and where responsibilities lie?
+ Is time spent in the right proportion on thinking, challenge and discussion of risk, and maintaining the documents capturing that process?
+ How do you capture the risks that are less easy to measure e.g. governance, cyber and data security?
+ Do you have policies in place for managing conflicts, anti-bribery, gifts and entertainment, and anti-money laundering?
+ Are conflicts of advisers considered?

>> Meetings and decision making

+ Do you receive the right information in a timely manner?
+ Do the agendas and papers allow you to focus on the business of making decisions?
+ Do you and your board plan far enough in advance to get the most out of meetings?
+ Does everyone on the board feel able to contribute and speak their mind?
+ Is your chairman effective?
+ Is the use of advisers at meetings effective?

>> Value for members

The law requires trustee boards to calculate at least annually the charges and transaction costs, to which defined contribution (DC) members' funds are subject; and to assess the extent to which they represent good value for members. The result of the assessment is then reported in the annual Chair statement.

Whilst there is currently no legal duty on defined benefit (DB) schemes to annually assess value for members, TPR recommends trustees do so to help ensure good member outcomes.

The DWP's White Paper (published March 2018) proposes that in the future trustee Chairs of DB schemes produce an annual Chair's statement and submit it to TPR with each valuation. Trustees should have this potential future disclosure on their radar.

DC tax relief and impact on low earners

Latest figures from HMRC show the cost of pension tax relief to HM Treasury is circa £41 billion. Although reported as a cost, most of this isn't physical money paid out to pension schemes and mainly comprises income tax and NI not paid on employee and employer pension contributions.

It is generally accepted that around 40% of the reported cost is allocated to the top 10% of earners, although it is low earners who need more support in saving for retirement.

With the elevated prominence of defined contribution (DC) in Occupational Pension Schemes, lower earners face a significant challenge in achieving an appropriate replacement rate in retirement through workplace pensions alone. However, for eligible employees, even investing the minimum contribution means they receive the benefit of an employer contribution, which is essentially 'free money'. Most employees will also receive tax relief, so it is worthwhile remaining in a workplace scheme, as the retirement benefits will be an important addition to State Pension.

As tax relief is currently granted at marginal rate, wouldn't it be fairer to move to a flat rate of tax relief where all tax payers receive the same rate irrespective of their earnings? After all, a pension is not simply a tax deferral vehicle, as many say. It is often the case that a higher rate tax payer in working life will pay a reduced rate on pension income due to the benefit of tax-free cash and adopting a tax efficient income strategy.

Many wealthier individuals may not even use their pension funds in retirement, opting to draw down from other assets which have less favourable death benefits.

Whilst an increase in tax relief from basic rate to say 25% or 30% may not look much in pounds and pence, the supermarket saying of 'every little helps' is spot on here; 30% would increase the April 2019 total minimum contribution from 8% to 8.5%. The benefits of compound returns causes exponential fund growth and this can result in significant increases in fund values over the longer term, which could make a real difference to those living close to the bread line. Higher rate tax payers, whilst experiencing a reduction in relief, would still benefit from the flat rate too. Not easy to implement, especially in Net Pay schemes, but achievable.

For those that don't earn enough to pay tax, they can still benefit from tax relief on their contributions up to a cap if the scheme operates Relief at Source. However, if the scheme operates Net Pay then they won't receive any tax relief. Ironic as this is the group who need it most. With the earnings trigger remaining static at £10,000, and the personal allowance increasing as well as the minimum contribution level from April 2019, this is exacerbating the problem. The number in this group are rising (HMRC estimated in 2015/16 there were 1.22 million), and the amount of tax relief they are missing out on is increasing. This is an area where we must see change implemented to ensure those low earners receive the tax relief they should rightly be entitled to.

Renny Biggins
Retirement Policy Manager, TISA

Update on **Master Trusts**

By Kim Brown, Head of Master Trusts, The Pensions Regulator

Automatic Enrolment (AE) recently hit the milestone of 10 million people newly saving or saving more for their retirement. Master trusts have become the vehicle of choice for employers to meet their AE duties and we've seen the significant growth in master trusts as a result.

We recognised the growth in master trusts early on and the critical role they have played in the success of automatic enrolment. We have now worked with the DWP to introduce new legislation which gives us a stronger regulatory grip and provides similar financial protections to members of these trust based schemes. These protections are similar to those members would receive in a contract based scheme.

Master trust authorisation was set up to strengthen protections for almost 14 million members in a growing market, which has more than £29 billion in assets. By the end of the year there will be a market of authorised master trusts providing additional safeguards and better protecting members.

Unless schemes have been granted an extension of up to six weeks, the deadline for submitting master trust applications, or exiting the market, has now passed.

Once an application has been submitted and the fee has been paid, schemes will receive an acknowledgment from us. We aim to confirm whether the application is complete within five working days of receipt. It's absolutely vital the application contains all the mandatory elements. If not, we won't consider it received. Following our analysis of all the information, we'll make contact with schemes to arrange a meeting or meetings to discuss the application.

We have a six month statutory time limit to make a decision on an application. We authorised our first master trust within four months but expect it will take longer with a higher volume of applications. The process includes a review by the MT authorisation team, requests for any additional information, and meetings with the key individuals involved with the scheme. This is so that we can ensure the scheme operates as described in the application and so that there is sufficient knowledge, understanding and oversight of the scheme amongst key individuals.

None of this is designed to catch anyone out, but we need to be satisfied that what's described in the application accurately reflects the operation of the scheme in order to ensure that members are adequately protected. We will let schemes know whether or not we are authorising the scheme and if we aren't there is an option for an oral hearing.

Inevitably we will be seeing consolidation. The number of master trusts schemes is reducing and will continue to. We expected this and we're working with those exiting to ensure an orderly and timely transition of members to another scheme.

The evidence points to a healthy consolidation market, from a wide range of master trusts. All are able to take on those exiting prior to authorisation. Reassuringly there is no evidence of schemes being unable to find another provider.

We will be continuing to publish our monthly update on the master trust market, including the number of schemes which have applied, numbers which are exiting the market, and of course, those that achieve authorisation **www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/master-trust-monthly-report.ashx**

The Pensions Regulator

IORP II and Ireland

By Elma Fox, Trustee Services Director, Independent Trustee Limited
Vice-President, The Irish Institute of Pensions Management

The current position

IORP II is the second EU directive on occupational pensions. It was adopted in 2016 after almost 3 years of discussion and negotiation, came into force in Ireland on 12th January 2017, and was due to be transposed into Irish Law by 13th January 2019. As the Directive has not been transposed Ireland is in breach of EU legislative requirements. The Department of Employment Affairs and Social Protection, the relevant department, has indicated that legislation will be in place by the end of March 2019.

What information is available?

The Pensions Authority, the Irish regulator, published information to give trustees an understanding of their responsibilities arising from the Directive on 1st October 2018. The Department of Employment Affairs and Social Protection issued an advisory note on the 15th January 2019.

In the absence of legislation, the Pensions Authority 'Considerations for Trustees' document and the advisory note from the Department are the best available source of information, beyond the Directive itself, for trustees, employers and service providers for planning and budgeting in anticipation of the regulations.

What does the Directive cover?

The Directive provides EU wide pension scheme standards with a range of new requirements concerning governance, management standards, safekeeping of assets, clear and relevant information to members, and the removal of obstacles to cross-border provision of pension services and transfer of schemes. There are also provisions to enhance the powers of the Pensions Authority.

Effective Systems of governance and management

Fit and proper standards for trustees and Key Function Holders (KFH):

- Fitness means that the trustees as a group must have the necessary qualifications, skills and experience. One of the trustees may be required to pass an examination in trusteeship
- Proper means that each trustee must be honest, diligent and independent minded
- Trustees must conduct and document due diligence checks before a person is appointed as a trustee or KFH
- Ongoing compliance will require trustee board members and KFHs to confirm annually that there have been no material developments in relation to their compliance with the fit and proper standards.

Risk management, internal audit, actuarial and outsourced activities:

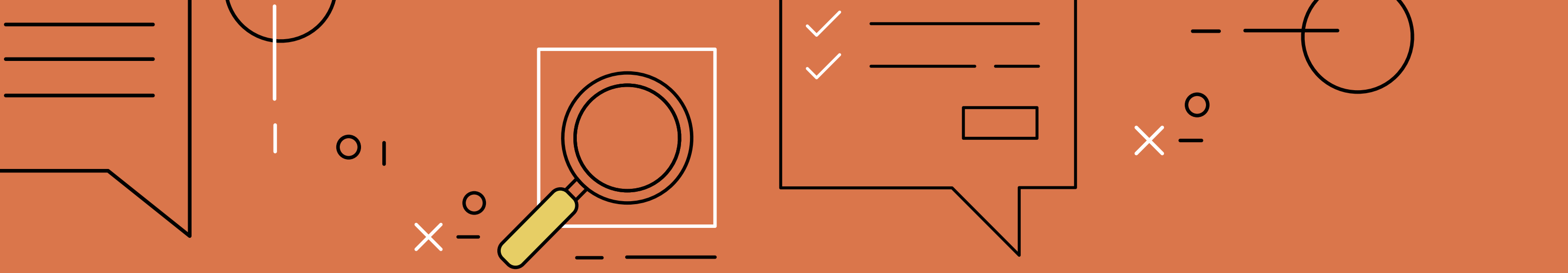
- Appointment of KFHs for each of these areas where relevant
- Each function is sufficiently resourced and authorised, and provides key information
- Written policies on risk management, internal audit, actuarial and outsourced activities

Standards on internal controls, administrative and accounting procedures, contingency plans and remuneration:

- Policies and procedures in place and documented
- Adequate and effective internal control framework
- Remuneration policy aligned with objectives and risk strategy

Trustee board; role, composition, meetings

- Responsible for effective, prudent and ethical oversight and management
- Transparent operational structure
- Consider having a board manual
- Consider composition of the board: size, experience, expertise, fit and proper standards, and conflicts of interest
- Meet as often as necessary, at least four times a year and once every six months
- Clear and sufficient meeting papers and supporting documents circulated in advance
- Decisions recorded, along with the rationale and supporting material, and be available for inspection and audit by the Pensions Authority



Communications

The trustee board will be required to set and oversee effective communication and reporting processes for active, deferred and pensioner members and beneficiaries. It is proposed that:

- Annual reports and accounts should be publicly disclosed
- Annual benefit statements will be issued to deferred members
- Members must be given retirement options in advance
- Information must be provided to prospective members before they join
- An additional projection is included on members annual benefit statements

Enhanced supervision

The Directive covers general principles of prudential supervision with an emphasis on a risk based, forward looking and increased interventionist approach available to The Pensions Authority. Their reach is extended to outsourced service providers. The focus will be on the culture and operation of the trustee board with a focus on how they prioritise members' interests. The Authority plan to be in more regular contact with trustees and will have enhanced regulatory powers.

Cross-border provisions

The Directive provides for the removal of obstacles to cross-border provision of pension services and the facilitation of cross-border transfer of schemes.

What next?

Once the department have transposed the Directive into Irish Law, Codes of Practice will be issued by the Pensions Authority. The Codes will expand on, and explain in practical detail, the requirements, policies and principles expected of trustees by the Pensions Authority.

The Pensions Authority will undertake a communication campaign to ensure that schemes are informed of their obligations. They will engage and consult with industry stakeholders and trustees on the new regulatory regime and Codes of Practice. The emphasis of this engagement will be on providing sufficient support, time and information for industry and trustees to plan for and make the changes needed. The Pensions Authority has given a public assurance that compliance with the new regime will be phased in to allow reasonable transition times.

Issues and Concerns

Trustees, employers, members and service providers have concerns in relation to the implementation of the Directive. A number of these are unique to Ireland. We have a small population and pensions sector, and regulatory and tax regimes, that have resulted in a system with a large number of small and one-member pension plans.

The Directive allows member states the discretion not to apply some of the provisions to smaller schemes. This was the approach taken with the previous Directive, with a derogation from many of the provisions for schemes with less than 100 members. The indication from the department is that there will not be an exemption for 'small' schemes this time. This will impact our numerous small pension schemes, their trustees, members, sponsors and service providers.

Another concern is the increased resources required to adopt the anticipated changes. These will be significant and potentially unsustainable for small schemes, their trustees and employers. The delay in implementing the Directive and plans to engage and consult after the implementation rather than in advance have done little to assuage these concerns.

Key Messages

- **Implementing legislation and the Codes of Practice are urgently needed**
- **Equally as important is engagement and consultation by the Department and Pensions Authority with trustees, plan sponsors and service providers. The Directive is a significant change in pension legislation and operation, and the various stakeholders need to be aligned in focusing on the interests and outcomes for members**
- **Lead-in time is essential to ensure trustees have time to consider and implement the Directive in the most appropriate way for their schemes and members**
- **Trustees will need to document their plan for implementing the changes, and liaise with the sponsoring employer and service providers**
- **Implications for small schemes, their trustees, members and employers need to be taken into account either in the regulations or Codes of Practice.**

Taking the Pulse of Pensions

The first PMI Pulse survey results are in!

Launched in January 2019, PMI Pulse is a biannual survey of our members; a simple, quick to answer set of questions to ascertain the views of the industry on topical issues. The inaugural survey, which had eight questions, generated over 165 responses and revealed some interesting observations. The Brexit word did appear once or twice in the comments sections...

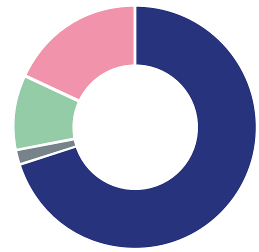
The first three questions will remain the same in each edition of the survey in order for us to see if there is a trend appearing, whilst the rest will differ as the hot topics change over time. From the results can see how happy the industry is with the direction of travel of pensions policy and the Pensions Regulator. Our hot topics included in this survey are professional trustee standards, the DB consolidator debate and Collective Defined Contribution (CDC); will it work?

Here are some of the questions and the comments they provoked.

By Lesley Carline, PMI President

Question One

How satisfied have you been with the general direction of travel of pensions policy over the past 6 months?

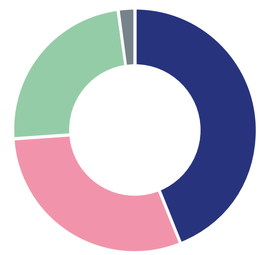


- Completely satisfied
- Very satisfied
- Slightly satisfied
- Not at all satisfied

As you can see from the graph, just under 10% of the respondents were dissatisfied, with over 70% being slightly satisfied and only 20% being very or completely satisfied.

Question Two

How optimistic are you about the direction of travel of pensions policy over the next 6 months?



- Very optimistic
- Quite optimistic
- Slightly optimistic
- Not at all optimistic

A quarter of the respondents were quite or very optimistic but the comments were quite telling:

"As ever, pensions policy seems poorly coordinated between the Treasury, DWP, TPR and FCA"

"We are being regulated to death, run by lawyers and bureaucrats."

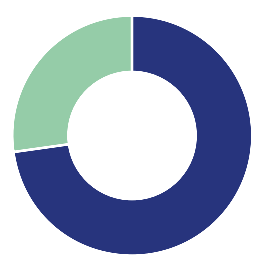
Brexit appears to be a major concern with our industry fearing its effects could delay the Pension Bill:

"Preoccupation with Brexit has meant that other policies have been on the back burner, but I wonder what is round the corner?"

"All about Brexit at the moment; no airtime for anything else, and likely to see another Pensions Minister shuffle in the next weeks or months".

Question Three

Do you think The Pensions Regulator is focusing on the right areas currently?



- Yes
- No

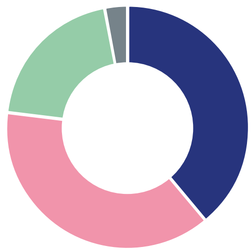
An overwhelming vote of confidence in the Pensions Regulator with 73% saying yes, but as is often the case, the comments reveal some concern despite this positivity:

"Yes, but I'm not sure TPR is going about it the right way"

"The answer is really 'some of the time'. "

Question Four

What proportion of single trust DC schemes do you think will transition into Master Trusts?



- 75-100%
- 50-75%
- 25-50%
- 0-25%

Question Five

Is DB consolidation a good idea?

- Yes
- No

Questions 5 and 6 produced some very definite responses. Two thirds thought that DB consolidators are a good thing whilst another two thirds didn't think CDC would succeed in the UK market. Comments included:

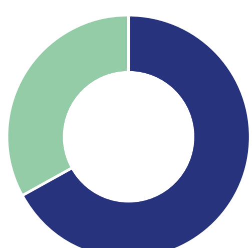
"Yes definitely, as it will give a clean break for employers at a lower cost than insurance buy out"

"DB Consolidation will reap the benefits of professionalism and economies of scale"

"Yes, but will commercial operators be able to offer consolidation on acceptable terms to the small schemes who need it most?"

Question Six

Will CDC succeed in the UK?



- Yes
- No

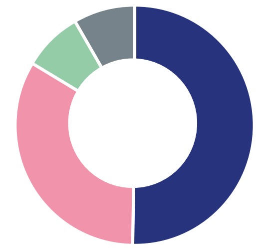
"The boat has sailed, all employers now accept DC is the pensions vehicle that they have put in place and employees have also had to accept this"

"Too late now. It could have been a great solution when big employers first looked at closing final salary schemes. Individual DC pots are established now: understood by members, risk free for employers; CDC will be a pursuit of a small minority, and even then, may not last long."

"I hope so; it is too good an idea to fail."

Question Seven

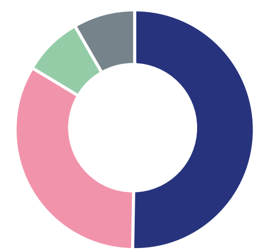
Consultations: does the government give enough time to respond to consultations?



- Nearly always
- Most of the time
- Sometimes
- Hardly ever

Question Eight

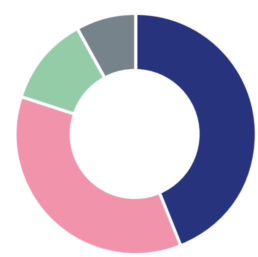
Consultations: does the government's approach to consulting the pensions industry result in effective policy implementation?



- Nearly always
- Most of the time
- Sometimes
- Hardly ever

Question Nine

To what extent do you think formal standards for professional trustees will improve standards of scheme governance?



- Will greatly improve standards
- Will improve standards
- Will moderately improve standards
- Will not improve standards

A question very dear to our hearts as the PMI will be the accreditor for the Professional Trustee Standards being introduced this year, we were very pleased to see only 8% felt that introduction of formal standards would not lead to an improvement in governance.

Should you have a burning topic that you would like to be included in the next Pulse survey which will be out in the summer, please do feel free to let us know by emailing them to **marketing@pensions-pmi.org.uk**

By Donny Hay, Director, IC Select

The CMA Review:

necessary but not sufficient.

IC select welcomes the Competition and Markets Authority (CMA) final report which demands higher standards of governance and greater transparency in trustees' engagement with investment consultants and fiduciary managers.

However, whilst the final report meets the objectives of the CMA we believe it could have gone further.

The review identified that adverse effects on competition existed in both the fiduciary management and investment consultant markets, and highlighted poor past practice in both markets. These centred around conflict of interests, poor fee and performance transparency, misleading marketing statements, lack of competitive tendering by advisory firms when switching their clients to fiduciary management, and a lack of challenge from trustees around their investment strategy.

THE CMA REMEDIES

The final remedies are a necessary start, but still not sufficient to address outstanding investment governance issues in this area.

This is not a surprise given the CMA were looking at whether the market is competitive, not at how scheme governance can be improved. The CMA published its Draft Orders on 11th February 2019 and, following final consultation, we expect enactment of the Final Orders by the end of June 2019, which means they will all come into force from 1st January 2020.

In this article we focus on the remedies mandated by the CMA that relate to fiduciary management, the implications for trustee boards, and look at what the CMA didn't do that would have improved investment governance.

The list below highlights the remedies proposed by the CMA for fiduciary management.

Remedy 1: Duty on trustees to carry out a competitive tender before awarding a fiduciary management mandate of 20% or more of their scheme assets for the first time. If they have already delegated the assets to a fiduciary management provider, but did not carry out a competitive tender, then they must do so within the later of five years of the initial appointment or two years from the orders applying.

Remedy 2: Require investment consultancy firms that also offer fiduciary management services to separate their marketing of fiduciary management from their provision of investment consultancy advice.

Remedy 3: Recommendation that TPR provides guidance to pension schemes on running competitive tenders for fiduciary management.

Remedy 4: Fiduciary management providers to disaggregate fees for current customers, including providing enhanced disclosure of underlying investment fees.

Remedy 5: Fiduciary management providers will be required to provide more information about their fees to prospective customers, including costs relating to transition or exit.

Remedy 6: Fiduciary management firms will be required to report their performance track record to prospective customers using a standardised methodology.

MANDATORY TENDERING: THE IMPLICATIONS FOR TRUSTEE BOARDS

The central remedy proposed by the CMA that directly affects trustee boards is the requirement to run a competitive tender to appoint a fiduciary manager. Unlike the other recommendations, around standardised performance and fee disclosure, that put the onus on the fiduciary manager to ensure compliance, this remedy requires the trustees to ensure compliance or the fiduciary manager will be prohibited from working for them. This remedy applies not only to new tenders, but also to historic appointments where no competitive tender was originally held. All these historic appointments will have to be retendered within five years of the order coming into effect.

There will be many retenders required, potentially over 400 full and partial fiduciary mandates. However, the capacity of third party evaluators, like IC Select, to support trustees in this vital and complex area is limited. This will put additional pressure on trustee boards to manage these tenders on their own.

Fiduciary managers are likely to be fussy about the tenders they participate in, given the work required, and are liable to be increasingly choosy about the tenders they participate in, adding further difficulties for trustees.

CMA have requested that the Pensions Regulator provides guidance for trustees on how to run a successful tender. This guidance is needed today, not in nine months, so trustees wishing to appoint a fiduciary manager can get on with the process. So, here are IC Select's top tips to running a successful invitation to tender (ITT):

1. Clearly define your needs and requirements. Typical areas for trustees to consider are the level of delegation they are comfortable with, their investment beliefs (e.g. active or passive, allowable asset classes, hedging views), fee sensitivity, given that greater sophistication and diversification generally costs more, and their attitude to using a fiduciary managers in-house funds given the conflicts of interest this can pose. Like buying a car, the clearer you are about what you want the easier it is to find the right match

2. Tailored ITT focusing upon trustee requirements. This focuses upon what matters most to the trustees and invites higher quality and more cost effective responses from the fiduciary managers which, consequently, become easier for the trustees to evaluate and rank. Taking the time upfront to get this right saves time and improves decision making. IC Select's analysis of the fiduciary managers shows that these firms are not homogenous, often offering distinct and contrasting investment solutions

3. Site visits matter. Fiduciary management is more like a marriage than a date and investing time upfront, getting to know your future partner, bodes well for a long, successful relationship

4. Using a skilled third party evaluator to run the search pays. Running a high quality and efficient process isn't easy. Using an experienced third party evaluator who really understands the market can save money and, more importantly, improve the quality of the result. In our experience it results in greater engagement and ownership from both the trustees and the sponsor, significantly improving the likelihood of the right selection decision.

WHAT'S MISSING FOR TRUSTEES?

Investment governance has become well developed for trustees working with an investment consultant. It is now standard practice for the investment consultant to provide ongoing oversight of any fund manager used as part of the investment solution, even when their proportion of assets is quite small; indeed, most trustees would feel exposed if this oversight did not exist. In addition, when appointing any manager to run a pooled fund investment, even if this were a passive manager for a small part of the assets, trustees are required by law to take advice.

> **This advice is now also seen as central when appointing a fund manager to a segregated manager.**

The CMA has made no similar requirement for oversight and advice for trustees that appoint a fiduciary manager. We believe this is because such a remedy would only improve the governance of pension schemes and would not change the competition between fiduciary managers which was the CMA's only objective. Nevertheless, it seems absurd to us that trustees would delegate 100% of their assets to a fiduciary manager without appropriate advice, and even more absurd that they would expect no independent oversight of the manager once appointed given that this has been normal for managers running small parts of their assets historically.

We would therefore recommend that any trustee board appointing a fiduciary manager takes expert advice and that they should demand and expect a section 34 or S.36 advice letter from their adviser to demonstrate, in the future, that they took appropriate advice. In addition, when appointing a fiduciary manager, they should ensure from the outset that they have implemented an appropriate oversight structure so that they are immediately aware of any changes at the fiduciary manager that could affect the management of their assets, and that the assets are being managed in line with their guidelines.

One thing is clear; trustees will be judged today by the standards of tomorrow. This demands higher governance standards by trustee boards going forward.

Pension administration: all change please...

By the time we're all settling down with April's edition of Pension Aspects, we'll know whether 29th March came and went with a bang or a Y2K sized whimper. At the time of writing though, a large part of the pension administration industry, with pensions to pay to members spread across the EU (and the globe), has to seriously consider whether those 1st April pension payments are going to happen. Maybe we'll see a barely perceptible blip in the international payments mechanism; maybe we'll see a collapse in the international banking system; the former feels much more likely, but the key thing is, with just a few weeks to go, we don't know.

From an administration point of view, otherwise known as 'the school of hard facts and anxious pensioners', the current uncertainty is a prime example of how far pension administration has come from that core mission we all sign up to on our day at pensions school; to 'just pay the right benefits to the right people at the right time'.

Now, we would probably expand the remit to include spin public, regulatory and judicial policy into administrative gold, future-proof for a future that can't be predicted, and somehow just find a way over, under or around every unintended consequence that drops out of the legislative pipeline.

Starting from the back foot?

The last few years are peppered with examples of emerging external priorities diverting the pension agenda:

- The earlier part of the decade was spent wrestling to keep clients on the right side of the regulator by keeping data quality pinned to the trustee agenda and designing technology to deliver on the regulator's demands
- Set against that background, a global financial crisis, and the absolute lack of any trustee appetite for further data 'naval gazing', DB contracting out cessation didn't just drop into an otherwise quiet Monday. When Barnett Waddingham surveyed on this at the time, 75% of respondents said the pensions industry wasn't nearly ready for GMP reconciliation on top of the existing TPR challenge. There were clear and justified concerns around the monumental logistical and technological developments needed
- Layer on the seismic shift from 'that budget' into the mix though, and the obscure and convoluted question of DB contracting out fell right off the trustee radar as the whole pension landscape rushed to re-draw itself overnight on the post 2014 model.
- Etc. etc. etc....

… if we couldn't rapidly evolve and innovate, the relentless pace of change would be crushing.

Pushing ahead or keeping up?

The problem with the pace of change in pension administration is that there is no 'pause button'; change is coming from 10 different directions and it all funnels through to our product and how we deliver it. With our industry literally transforming under our feet, if we couldn't rapidly evolve and innovate, the relentless pace of change would be crushing. Whether, as an industry, we might have chosen to innovate in entirely different directions had the technological priorities remained 'un-hijacked', is another matter.

Asked in 2009 where we saw ourselves in ten years, would anyone have predicted UFPLS, flexi-access, Scheme Pays, TPR data scores, GMP reconciliation, tapered annual allowances, or pre-alignment tax periods? Industry insiders will be highly familiar with this far from exhaustive (but still exhausting) list. Industry outsiders should stand back in awe that administration is managing to find a balance between the dual challenges of massive retrospective rectification and enormously expanded future benefit options, whilst also just getting on with the day job. It's a delicate balance though.

More haste, less speed?

The whole reason the regulator ever needed to throw down the data quality gauntlet was that, historically, data was feeding into systems that weren't sufficiently robust. We might have come a long way from salary histories written in pencil on small yellow record cards, but the underlying risk that a solution that looks adequate for now might really just be storing up problems for the future, is hugely amplified when too much has to change too quickly.

By Julie Walker, Associate, Barnett Waddingham

Data quality: **top tips**

The impact of member data quality on pension scheme liabilities, and thus on investment decisions, can be significant. For example, a leading actuary reported last year that one LGPS fund reduced its liabilities by 5% following a data cleanse. That could represent a reduction of well over £100 million for an average LGPS fund, meaning that expert advice from a data quality consultant can be just as important as investment advice in ensuring the financial health of a scheme.

By Virginia Burke, Client Development Manager, ITM

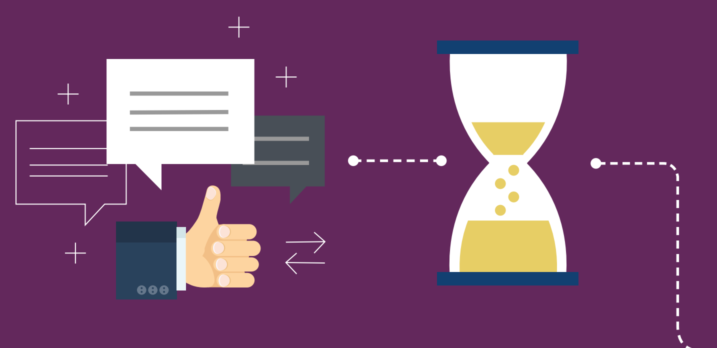
The Pensions Regulator has recently worked hard to ensure that data quality is high on scheme managers' agendas following the introduction of a requirement to report member data quality scores in annual scheme returns. Where funds score less than 100%, they must put in place a Data Improvement Plan setting out how they will improve data quality and by when.

Virginia Burke, of independent data quality consultants ITM, gives six top tips for scheme managers responsible for data quality.

1. Set data objectives for your scheme

Data quality isn't just about compliance; think about what you need data for. Typical objectives could include:

- Ensuring valuation data is accurate, leading to a more accurate liability measurement and thus employer contributions
- Ensuring that the right benefits are paid to the right people at the right time. Whilst broad data quality may suffice for the valuation, it is important that accurate data is held for each member to accurately assess their entitlement
- Improved member communication; for example ensuring that deferred members' current addresses are on file will mean that a higher proportion of benefit statements will reach members
- Administration efficiency; improving data will enable faster and smoother automated processing and reduce time spent querying data, leading to improved service levels and cost savings
- Member self service. Improving member data will allow members to do more online, ensuring greater member satisfaction and cost savings



2. Make sure you are measuring all relevant data

Many schemes simply run the data audit on the data held on the pensions administration system. This may not be enough. For example:

- If pensioners are paid using a separate payroll system the data held on that should also be audited to ensure that pensions in payment and the data held to calculate future payments are correct
- If spreadsheet data is used to calculate benefits this should also be audited for accuracy and completeness

3. Make sure your data audit measures what's important to you

Having decided what your objectives are and which data sources you need to test, the next task is to design and run both automated and manual tests. These tests should measure whether data is:

- **Present** (e.g. is a date of leaving recorded for deferred and pensioners?)
- **Consistent** (e.g. is the date of leaving after the date the member joined the scheme?)
- **Accurate** (e.g. is the date of leaving recorded that date the member actually left service?)

Automated checks can test for presence and consistency but a sample of leaver notifications would be required to test for accuracy. If these are held on the system an automated test may be possible, otherwise a manual check may be required across a sample of cases.

4. Carry out a risk assessment

Once the results of the tests are available, the impact of any data issues on the ability to deliver the data objectives should be carried out. The issues can then be categorised according to their risk rating.

5. Put in place a realistic Data Improvement Plan

The Data Improvement Plan should tackle the highest risk items first, but it may also tackle some quick win, lower impact cases if an objective is to improve the data scores ahead of the next scheme return to the Pensions Regulator. An effective Data Improvement Plan will not only set out data cleanse activities but will also look at proactive ongoing data improvement, for example monitoring and improving the methods used to collect, hold, use and transfer data to minimise the risk of future issues arising.

6. Seek help from a specialist data advisor

Data quality management offers a great opportunity to improve scheme finances, ease the burden on hard working administration teams and improve the member experience. However, it is a complex area and opportunities can be missed if the lessons learned from the industry at large are not taken on board, or if smart technology is not at the disposal of individual schemes. Appointing a specialist pensions data advisor will help schemes ensure that they make the most of the opportunities that good data quality management presents.

Supervision regime for commercial consolidators

By Matthew Arends, Head of UK Retirement Policy, Aon

The Department for Work and Pensions' (DWP) recent consultation on defined benefit (DB) commercial consolidators (CCs) set out the framework that it expects to use in supervising CCs. It contained requirements around fit and proper persons, systems and processes, and monitoring and reporting. But the heart of it is the financial regime that the CCs will need to comply with.

What is a commercial consolidator?

It is a pension scheme that takes on the responsibility to provide members' benefits and removes the link to the prior trustees and sponsoring employer in situations where buying out is unaffordable. Over time, multiple schemes will transfer into the consolidator and so they will potentially benefit from economies of scale. Entry to the consolidator swaps the existing covenant for a known monetary amount, with this capital coming partially from investors and the rest from the prior sponsoring employer via a one-off premium. CCs remain regulated by the Pensions Regulator and subject to the PPF. The premium is expected to be lower than for a buy-out.

They are also known as superfunds.

Impact of a high financial target

The tougher the financial target, the more secure members' benefits will be in the CC, but also the higher the premium for entry to the CC. This is critical because those three elements (financial target, security and premium) will define what the CC proposition actually is. It seems tempting to say that the financial hurdle for CCs ought to be high because this will deliver the best security to members.

That is true, but the consequence is that the premium for CC entry will also be high, meaning only a small gap between the costs of CC entry and buy-out. As a result, the target market for CCs would be small; CCs are only appropriate where the employer cannot afford buy-out. Consequently, the amount of CC business will be relatively small if the financial target is high.

Impact of a low financial target

The lower the financial target is set, the greater the market size and also the wider the range of possible business models, but member security moves further away from that provided by insurance companies. Consequently, deciding if the CC covenant is better than the existing covenant becomes more difficult. Modelling can help with this comparison, but there will be things that the modelling cannot take into account, so the judgement of the transferring trustees will be paramount in deciding whether consolidation is in members' interests. And the potential for regret risk becomes greater if, with the benefit of hindsight, it turns out the members would have been better off in the original scheme.

In a Nutshell

The difficulty of the decision on where to set the CC financial security test is underscored by the fact that the consultation puts forward four different models. But one thing that is very clear; you cannot have the security provided by an insurance company for a lower price.

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Are you a Student Member, Affiliate Student Member or registered to sit one of the PMI's qualifications?

The PMI are delighted to launch its inaugural Student Essay Competition, sponsored by ITM.

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To enter, you will need to write an essay of 1,200-1,500 words, answering the question:

The terms 'risk reduction' and 'de-risking' are used frequently in relation to pensions, but usually focus on investment strategy. What other ways can pension schemes reduce risk in the administration, provision and communication of pensions to individuals?

For more information please visit:

www.pensions-pmi.org.uk/student-essay-competition

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SECRETARY TO TRUSTEE

Thursday 16 May 2019

Taylor Wessing LLP, 5 New Street Square,
London EC4A 3TW

Have you recently accepted a role as a secretary to pension trustees?

Or are you interested in knowing more about what the role entails?

This introductory workshop is designed for those with little or no pensions trustee knowledge. Our expert panel will talk you through the essentials of the role. From outlining best practice approaches to managing conflicts of interest and a risk register. We'll share our insights and help you work effectively with the Chair and Board of trustees, as well as answer any questions you have about the pensions industry and trusteeship generally.

Kindly hosted by: TaylorWessing

If you would like to receive further details, please contact us on **events@pensions-pmi.org.uk**
or alternatively, you can call us on **020 7392 7427**

Thursday 16 May 2019

Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW

Pensions Management Institute
ACHIEVING PENSIONS EXCELLENCE

AGENDA

09:00 REGISTRATION AND COFFEE

09:30 Chairman's introduction
Amanda Burden, Head of New Business and Marketing, Pi Partnership Group

09:35 The role of Secretary to the Trustees – best practice approaches
- Effective pre and post meeting preparation
- Organising the meeting
- Drafting an effective agenda
- Drafting the minutes and dealing with actions
- Managing relationships and handling conflicts

Angela Sharma, Lawyer, Taylor Wessing

10:00 Managing conflicts of interest
- Identifying actual and potential conflicts
- Developing procedures
- Maintaining appropriate records

Manjinder Basi, Scheme Secretary, Inside Pensions

10:30 Development of meeting management
- Teleconferencing
- Paperless approach to document distribution
- Identifying constraints

Lucy Cresswell, Pensions Consultant and Operations Leader, Barnett Waddingham

10:55 COFFEE

11:15 Regular annual activities
- Annual timetables and reporting
- Managing scheme documentation
- Managing budgets and business plans
- Triennial submission of the declaration of compliance
- New statutory duties concerning DC schemes

Joel Eytle, Legal Director, DLA Piper

11:45 Preparing and monitoring an effective risk register
- Identifying key risks
- Assessing potential impact on the scheme
- Implementing effective controls
- Ongoing review

TBC, JLT

12:10 Effective complaint handling
- Maintenance of procedure
- Compliance with deadlines
- Relations with TPAS / Ombudsman

Temi Osho, Pension Consultant, Pi Partnership Group

12:35 LUNCH

13:20 Effective minute writing
- Accurate recording
- Appropriate degree of detail
- Clear action points
- Timely distribution

Sarah Stimson, Senior Associate, Sackers

13:50 Working effectively with the Chair of Trustees
- Management information
- Document management
- Monitoring action points

Beth Brown, Senior Associate, Mayer Brown International LLP

14:20 Trustee effectiveness
- Maintenance of procedure
- Compliance with deadlines
- Relations with TPAS / Ombudsman

Alan Pickering, Chairman, BESTrustees

14:50 CHAIRMAN'S CLOSING REMARKS

£255.00 For Members
£355.00 For Non-Members

Kindly Hosted by: TaylorWessing

Contact details: **events@pensions-pmi.org.uk**

Learner experiences

By Magdalena Serafinska

In October 2018, PMI Advanced Diploma exams became available to take online. Magdalena Serafinska took Core Unit Core Unit 1B: International 1; Foundation in International Employee Benefits on the 9th October.

Why did you elect to take the online qualification?

I live in Spain, so in fact I had no other option. But even if I lived in the UK, I would have probably opted for the online solution as I find it comfortable and since I have already taken various online exams, I am quite used to this format. Initially I was going to take the exam in my home town, but due to some problems the only collaborating exam centres available were in Madrid and Barcelona. For personal reasons I could not travel to either of them and I even started thinking about cancelling the exam, but I was offered the possibility to take a supervised exam at home. That was a new experience for me, but thanks to the goodwill of PMI and technological possibilities of the exam providers I was able to take the exam and be amongst the ones who passed it.

Would you go back to the written format in the future?

I have never used the written format, so I can't tell if it has any advantages over the online exam. Personally, I like the online format and once you are familiar with it, I think it may become your favourite one.

What are your learning resolutions for 2019?

In 2019 I will continue my education in HR analytics, but in 2020 I will return to PMI and try to complete the remaining training to obtain the Diploma in International Employee Benefits.

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

I think it would be interesting to see a training course dedicated to sales or executive compensation.

Describe your overall learning experience

Online learning requires self discipline and self motivation. It's so easy to postpone studying the material until tomorrow or next week because there's nobody insisting and there's no pressure from your teacher or other students. But, if you don't draft a study plan and follow it, you may end up without the time to revise all the material and very stressed trying to achieve it just before the exam date. Each person has his or her own method of studying, so it should be taken into consideration whilst formulating the study plan. Since my training for the Core Unit 1B: Foundation in International Employee Benefits coincided with the summer period, I took the opportunity rendered by excellent weather and used to sit three afternoons a week on a bank in the shadow of an old oak tree in a park close to my home and study the manual. I tend to remember better all the things that I personally write down, so I also made a written summary of the most important information in my notebook.

> **In preparation for the exam I also did all the written assignments, the mock exam, and went through the sample questions and exam questions from previous years (everything available on the online learning platform). That was really helpful.**

So, generally, that's how I prepared and although it does not have to be successful with other students, I am convinced that irrespective of the method or learning surroundings, without self-discipline and self-motivation it's difficult to advance in any online learning experience.

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Surrey — DB14561

Our in-house client's Pension & Benefits Department are looking for a no.2 assistant to deal with UK pensions and all benefits for this small scheme but large company with a fascinating product. Intrigued? Why not apply...

Pension Scheme Accountant — £Competitive
London — DB14566

This in-house Pension Depart. require an interim Pensions Accountant for the next 6 months (or possibly longer) to undertake the role whilst at the same time reviewing and reporting on systems and process improvements.

Pensions Administrator — £32k pa
London — DB14567

Your new role for this major in-house scheme will be to help with all aspects of daily pension administration for both Defined Benefit and Defined Contribution schemes in line with their own internal service levels.

Deputy Admin. Manager — £DOE
Bristol — TD14557

You will support the Administration Manager in ensuring the service delivery in terms of quality, profit and sustainability for your client portfolio, as well as assisting in the day-to-day line management of your team. DB /DC knowledge is essential.

Pensions Project Manager — £DOE
Various locations — CE14556

Whether you are an experienced project and implementation manager or a pensions admin client manager, this could be the role for you, working for a large, well-regarded pensions consultancy.

Senior Business Analyst — £DOE
London — CE14511

Are you ready for this challenge? Working within an Implementation or Change team you will be reviewing automated calculations, as well as a greater range of projects utilising your technical pensions and BA skills.

DC Technical Specialist — £DOE
West Sussex — CE14570

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Senior Pensions Administrator — £DOE
Surrey — TD14540

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Contact Craig English (CE)
craig@abenefit2u.com
01243 860 180 / 07884 493 361

Contact Dianne Beer (DB)
dianne@abenefit2u.com
0207 243 3201 / 07747 800 740

Contact Tasha Davidson (TD)
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TOPICS FOR DISCUSSION AND SPEAKERS INCLUDE:

- **CHAIR:** Chris Parrott, PMI Trustee Group Chairman
- **DEFICIT REDUCTION, DB TO DC TRANSFERS, NEW IDEAS:**
  Paul McGlone (Aon)
- **MOVING FORWARD IN UNCERTAIN TIMES:**
  Liz Pfeuti (Rhotic Media)
  Ian McKnight (Royal Mail)
  Chetan Ghosh (CIO Centrica)
  Kevin Wade (SAUL Trustee Company)
- **BUY IN / BUY OUT:** Tom Seecharan (KPMG)
- **HOW NOT TO FALL FOUL OF THE PENSIONS OMBUDSMAN:**
  Anthony Arter (Pensions Ombudsman)
- **TPR'S NEW POWERS:** David Fairs (TPR)

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