Edition 35
May 2021

Pensions Aspects

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Crackdown on scams

Complete data protection

THREE TOP TIPS FOR MANAGING TRUSTEES' DATA RESPONSIBILITIES

PROTECTING MEMBER DATA – CYBER RISK IN 2021

ONE GIANT LEAP

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Editorial

Has the DC industry missed the most important of all the data technology advancements?

By Tim Phillips, Vice President, PMI

Advancements in data technology have been one of the prevalent themes of the 'technological revolution' that our society continues to go through. But in looking for the next big thing, has the Defined Contributions (DC) pensions' industry overlooked the main area where data technology can make a meaningful difference?

In the past five years, data science has gone from being a frontier area for pensions, to being a much more common part of how all large providers understand their membership and develop their products. But despite this progress, there has been a distinct lack of adoption for advanced data technology in day-to-day operational processes.

The contribution process in workplace DC pensions still often relies on some processes with a large manual element to them. Spreadsheets are created by payroll departments and are emailed to the pension provider or uploaded manually to an online portal. There is another way, and it has been available within the industry for years now, without achieving the popularity it deserves. This way is to transfer data using an API (Application Programming Interface).

APIs are like a messenger that connects two applications and allows them to exchange synchronous data. No spreadsheets are produced in this process - no administrator is involved in emailing anything anywhere or uploading files to a website. When an API is used then a program is able to present and use data that is generated by a completely separate program without any human intervention in the process.

An example of this that everyone will be familiar with is a website for comparing the prices of hotel rooms. These work by having APIs with the hotel chains so that they can present data about room prices and availability in real time. As rooms get booked, the information that is displayed to users of the comparison websites instantly reflects these changes as they are accessing synchronous data via an API.

APIs are all around the way we interact with data. They are used in the apps on our phone, when we get directions using Google Maps and when we ask Alexa a question.

Applying this to a DC pensions operating model, it is possible to connect company payroll software with the pension provider or administrator's software via an API. With this model, the pension software can automatically access contribution data at the point that it is generated within the payroll software. This removes the time taken for files to be passed, which takes time lag out of the investment cycle. It is also secure and removes the risk of human error in producing and manipulating spreadsheets.

So, why has this model not become more prevalent? There are only a select number of providers that currently offer this, with others often fettered by the capabilities of the technology platforms they operate on. But perhaps this is also a case of trustees and providers being too quick to see innovative data solutions as all about data science and deep data analytics before first thinking about their day-to-day operational processes?

Maybe the movement of contributions isn't as glamorous as getting deep insights from data science. But it is one of the fundamental operations across all of DC, and one of the most important processes to get right, quickly and securely.

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Pensions Management Institute

Academy

PMI Academy training days

Whether you're simply looking to expand your knowledge and skills, or even use it as a stepping stone to a longer course of study, we are sure there is something of interest within our training sessions that will get you closer to your goals.

Join our upcoming training sessions:

27 April | 10:00 – 11:00 – Penfida: how do we get there? (Sold out)

22 June

14 September

26 October

2 December

To register and find out more, visit: **www.pensions-pmi.org.uk/pmi-academy**

Contact sales@pensions-pmi.org.uk if you would like to join our mission and provide high quality education for the pensions and financial services sector.

Knowledge & Integrity

Pensions Management Institute
Academy

Exam results publication dates

Advanced Diploma in Retirement Provision: **w/c 21 June 2021**

Certificate in Pensions Calculations: **w/c 3 May 2021**

Retirement Provision Certificate, Certificate in DC Governance and Award in Pension Trusteeship: **5 April 2021**

Please note, all dates are subject to change. Please visit our website **www.pensions-pmi.org.uk/pmi-academy/qualifications** for the latest information.

Private sittings

Due to popular demand, as of 2021, the qualifications team will be holding private sittings of the Award in Pension Trusteeship (also known as the Certificate in Pension Trusteeship unit 1) and CPT unit 2 exams, which will take place online only. If you would like to hold a private sitting please contact James Cumine at **JCumine@pensions-pmi.org.uk** or Vanessa Jackson at **VJackson@pensions-pmi.org.uk** to enquire about availability.

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

Certificate in Pension Trusteeship unit 2 exam

An exam will be scheduled for May and bookings will be made available on our Certificate in Pension Trusteeship page: **www.pensions-pmi.org.uk/pmi-academy/qualifications/certificate-in-pension-trusteeship**

Autumn 2021 Exam dates

Certificate in Pensions Calculations: **13 - 17 September 2021**

Retirement Provision Certificate: **15 September 2021**

Award in Pension Trusteeship: **15 September 2021**

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

Bookings will open in the second half of April.

Podcast

The PMI is pleased to be partnering with Lewis Campbell from The Leaders in Pensions Podcast to produce a 3-part mini series where we interview some of our talented PMI members about life and business. Stay tuned to find out more.
www.pensions-pmi.org.uk/knowledge/podcasts

Pensions Management Institute
Membership

Continuous Professional Development for 2020

Congratulations to all Fellows and Associates who have completed their 2020 CPD. Fellows and Associates are reminded that their CPD was due on 1 January 2020. Meeting the PMI CPD requirement is compulsory (except where retired/non-working). Under our CPD Scheme, PMI members were required to record at least 15 hours for last year.

Please log on to the website and update your CPD record as soon as possible if you have not yet submitted.

A final reminder has been sent to all Fellow and Associate members who have not completed their CPD for 2020.

Fellows and Associates who did not complete their 2020 CPD by the end of April 2021 for the year 2020 will be required to make up any shortfall in 2021. Failure to comply will result in the withdrawal of their designatory initials FPMI and APMI.

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 person has been elected to Diploma membership and can now use the designatory initials **"DipPMI":**

Sophie Pogson

Fellow Membership

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

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

Angela Stokes

Virtual drop-in with the Membership Team

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

Corporate Subscription

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

5th Student Essay Competition 2021

We would like to thank all those who entered the PMI Student Essay Competition sponsored by ITM.

Congratulations to our winner Molly McCarthy from PricewaterhouseCoopers (PwC) who has won a whopping prize of £1000 and our two runners up Jed Newton from Willis Towers Watson and Camilla O'Brien from XPS Pensions Group Ltd each receiving our runner up prize of £250. The winning essay is available to read in this issue and will also be published in Professional Pensions. Runners up essays will be available on the website.

For details of our 6th Student Essay Competition, including the essay question, registration deadline and handy tips and techniques from our judges, please check our website: **www.pensions-pmi.org.uk/student-essay**

Members who take part in our next student essay competition, we advise you to have a read of these very useful tips and hints, so you know what the judges are looking for before submitting your essay.

PMI Extra Survey

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

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

Pensions Management Institute
Scotland

The PMI Scotland Group took part in the PMI's Regional Group conference in March with speakers from Hymans Robertson delivering a very well received presentation to over 60 attendees on the 'Pension Freedoms' and how successful they have been since their introduction in 2015. The presentation received five-star feedback from all who responded to the post-webinar survey.

The Scottish Group will shortly be issuing its programme for the rest of 2021 and is hopeful that we will be able to organise at least one 'in person' seminar before the end of the year.

Pensions Management Institute
London

The PMI London Group hopes all of our members were able to enjoy the May bank holiday weekend.

Remember to keep an eye out for details of our upcoming social events and business meetings via the PMI London Group LinkedIn Group. We hope our members enjoyed our virtual escape room social event in April; we're pretty sure we didn't leave anyone behind!

Our next business meeting will be on Tuesday 18 May from 16:00 - 17:00 where we'll be talking about all things GMP equalisation. Now that we have a further judgment in the Lloyds case and additional guidance from the Pensions Administration Standards Association on some of the tax issues schemes may face when implementing GMP equalisation projects, we'll be taking stock of the key actions on trustees' to-do lists. Please have a look at the PMI London Group LinkedIn Group for more information on how to attend.

Pensions Management Institute

Events

Flagship events

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

10-14 May
Introduction to Pensions (Basics)
Online

11 May
PMI - NextGen Conference
Online

17-21 May
Secretary to the Trustee (Introduction)
Online

8-11 June
Introduction to Pensions (Advanced)
Online

14-18 June
Secretary to the Trustee (Advanced)
Online

16-17 June
Trustee Workbench
Online

7-8 July
DC and Master Trust Symposium
Online

11 Nov
ESG & Climate Change Seminar
Online

24 Nov
PensTech & Admin Summit
Online

7 Dec
Pensions Aspects Live
Online


Join our public training course on 3 June 2021
Register today

Crackdown on scams

Complete data protection

This month's feature articles include:

Three top tips for managing trustees' data responsibilities

3

By Aaron Dunning-Foreman, Associate, Sackers

Pension schemes are veritable treasure troves of personal data, holding contact details, bank account specifics, and even scanned copies of passports and utility bills. And managing that data, from a trustee perspective, has never been more complicated and fraught with risk.

Below, I pick out what I consider to be some of the biggest challenges facing trustees in this area and give some tips for managing them.

Risk 1 – Human error

Pension scheme administrators manage huge volumes of member data and queries daily. Just consider the personal data that is required when a member simply asks for their benefits to be put into payment: bank details, address, proof of ID, payment instructions, level of benefits… a worrying list.

The scope for human error is significant. Indeed, it is the most frequent cause of data breaches that we tend to see in practice: not noticing that the auto-filled email address is going to the wrong recipient; adding the wrong attachment to an email; collating two separate members' letters in one envelope. And prolonged working from home has perhaps added more scope for mistakes: we're unlikely to have the same facilities available to us, and it isn't as easy to quickly sense check something with a colleague.

My top tip – training. And more training. Seek it out, record that you have done it, and refresh your knowledge and awareness regularly. Quiz your administrators and other third-party providers on what they are doing to help understand and manage data breaches and reduce the incidence of errors. If you address these risks more regularly through training, you consciously reduce the scope for error. As a bonus, documenting your training can help you respond to any complaints that may end up with the Information Commissioner's Office (ICO).

Risk 2 – Cyber attacks

The pensions industry has reported a surge in cyber attacks over the last 18 months, with The Pensions Regulator (TPR) before that reporting a 148% increase in cyber-attacks against it between 2018 and 2019. Pension schemes are an attractive target when you consider a simple 'package' containing a member's name and address can sell for up to £10 on the dark web. Add in a photocopied passport and that's worth up to £60.

The chances are that, like me, you are not a cyber security specialist. But we can take steps to manage this risk. As well as regular training on the theory, ensure that you have robust processes in place so that you know what to do if a breach occurs in practice. My top tip on this one is review your data breaches and incident response policies, circulate them amongst your fellow trustees, and consider running a simulation to test what you would do if a sophisticated breach of your scheme data occurred.

Risk 3 – Complaints culture and Data Subject Access Requests (DSARs)

The DSAR is a powerful right and its purpose is to allow individuals to understand what information is held about them. However, increasingly we are seeing DSARs being used for a collateral purpose, often at the behest of a claims management company.

Complaints culture has been on the rise in the UK, and the pensions industry is not immune. On a scheme level this may show as an increase in Internal Dispute Resolution Procedure (IDRP) complaints. At industry level this is illustrated by the proliferation of complaints management companies. A key tool in their armoury is the DSAR. We have seen rising numbers of DSARs. Indeed, some of you may have already experienced a spike in claims preceded by DSAR requests, for example in the context of historic transfers out of your scheme.

And not only are they on the rise, but they are a double-edged sword: on the one hand, the content of a response to DSAR may fuel a complaint under your scheme's IDRP and to the pensions ombudsman; on the other hand, your handling of the DSAR request itself could result in a complaint against you before the ICO.

If you are not yet convinced, consider this quote from a claims management website: "those in breach of GDPR must be held to account and the door is now open to victims to claim". And this, from one such company's standard DSAR request on behalf of a member: "if our request is not satisfied we will be forwarding a complaint to the Information Commissioner's Office and seeking a judicial remedy".

Our top tip here is to monitor DSAR volumes from third parties, and review how you respond to them. It may not always be appropriate to provide a complete copy of the member file in the first instance, for example.

Conclusion

Ultimately, we can take all the necessary precautions, deploy the best software, the best training and maintain the best control over our systems and records, but we know data breaches can still occur. Your goal, then, should be to show that you have acted reasonably in managing risks and then responding appropriately when a breach occurs or a complaint is received. If you can do that, there is less scope for the ombudsman to criticise you, and it will also stand you in good stead should a complaint reach the ICO.

How to achieve this goal? Be prepared. Know your policies. Follow your polices. Monitor DSARs. Thoroughly record any data breaches in your log, including the remedial action taken and how you will reduce the risk of similar breaches in the future. And keep records of your training sessions.

Sounds like a lot, but as a first step why not put data security on the agenda for your next meeting? That may be a better start than an unexpected knock on the door from the ICO.

Three top tips for managing trustees' data responsibilities /Protecting member data – cyber risk in 2021 / One giant leap

Protecting member data – cyber risk in 2021

By Anne Lynch, Senior Pensions Management Consultant, Barnett Waddingham

Risks related to cyber security are ever evolving, and The Pensions Regulator (TPR) recommends a dynamic response as fraudsters are constantly looking for new ways to get their hands on data. Trustees shouldn't be complacent in relation to the data they hold, and should ensure they keep up-to-date in relation to cyber risks, incidents and controls.

TPR has stated that trustees and managers must take steps to protect their members and assets – and this includes protecting them against cyber risk. Cyber risk can include the risk of financial loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes.

Working life has changed dramatically since early 2020, in that the majority of office workers have been forced into a new way of working by the pandemic. Working from home has become the 'new normal', a phrase that we've become used to referring to. And, with most companies adapting well, the new normal is likely here to stay, at least to some extent.

Some employers are embracing this way of working but the flexibility brings with it some additional challenges to consider. Since the start of lockdown, the number of cyber attacks has increased. The UK Government's Cyber Security Breaches Survey 2021 reported that 39% of businesses and 26% of charities have had cyber security breaches or attacks, and that this is reported more frequently among medium businesses (65%), large businesses (64%) and high-income charities (51%). And, the most common attacks identified by the survey are phishing attacks, followed by impersonation.

Data security is no longer confined to an office, and trustees will need to rely on the IT systems of their providers (and the employees of those providers), as well as their own.

Additional risks include but are not limited to:

- Printing of personal data, or downloading to a memory stick
- Potential disposal of sensitive information in household waste
- Using a personal computer and home wifi that can be accessed by others.

How can trustees protect themselves and their schemes?

The General Data Protection Regulation (GDPR) has highlighted the importance of managing cyber security risk and the need to make efforts to minimise the impact of security events for pension schemes. With potential risks coming from a number of angles, trustees should be seriously considering what steps they can take to mitigate the risk of becoming a victim of a cyber attack.

As data controllers, trustees are ultimately responsible for what happens to scheme data and should be asking questions to ensure they understand their scheme's exposure to cyber-related risks. Anyone can fall victim to a phishing email, even the most experienced advisers and trustees.

Trustees should, therefore, be taking appropriate steps to build cyber resilience. This includes putting processes in place, not only to assess and minimise the risk of a cyber incident occurring, but also to ensure recovery following an incident. Being aware of how and where cyber fraud can occur is only the beginning of the story; trustees should also understand how they and their advisers will respond to an attack to reduce the risk of financial and reputational loss.

Data security should be very high on the list of trustee requirements when tendering for advisers. Trustees remain responsible for data security even when they appoint reputable third parties, so the conversation should not stop at appointment. Frequent reviews of advisers for cyber security and data resilience should form part of the scheme's governance procedures.

Data is seen as valuable currency to fraudsters, and members won't thank trustees for being cavalier with their data.

It's also essential to consider pension scams when looking at data and benefit security, as there are a number of ways members can be taken advantage of. Cold calling was once the most common approach for scammers, but their tactics have continued to evolve since a cold call ban was introduced in 2019. As many readers will be aware, TPR has launched a new campaign and is asking trustees, providers and administrators to pledge to follow the principles of the Pension Scams Industry Group (PSIG)'s Code of Good Practice. It is important that everyone can spot the warning signs to avoid becoming a victim, and trustees are encouraged also to familiarise themselves with the risks faced by their members by completing the new trustee toolkit module on pension scams.

What practical steps can trustees take now?

There are a number of steps each trustee board should consider, including:

- Updating risk registers to include controls for cyber security and pension scams
- Ensuring trustees and their data processors undertake training on cyber security risks
- Putting in place a cyber security policy and incident response plan
- Using a cyber security checklist to undertake an annual review to ensure trustees are prepared.

With TPR's consultation on a new combined code of practice for pension scheme governance underway, trustees should also consider how they can apply the anticipated additional governance requirements in relation to data protection. The combined code will incorporate the Governance Regulations introduced in 2018, requiring trustees to establish an effective system of governance, including internal controls, that is proportionate to the size, nature, scale and complexity of the activities of the scheme.

Taking the above steps is a good start in terms of data security, and will have the added benefit of meeting at least some of the anticipated requirements of the new combined code. The draft combined code makes further suggestions, and we recommend trustees explore these with their advisers. Even if they are not incorporated into the final code trustees may feel they are worth doing.

In essence, the key message to share is that if trustee controls are not sufficiently robust, there could be some difficult questions to face (and lessons to learn) in the aftermath of a security breach.

Member data security should be at the forefront of trustees' governance strategies, especially in light of increased regulation in the area and the evolving threats faced.

One giant leap

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

We put a man on the moon back in the 1960s, so why can't we get basic pension information online? One reason is our old friend poor data quality. It's the Cinderella of the trustee agenda. Those are words I never thought I'd put together in the same sentence. I'll blame it on lockdown.

The point is that very few schemes have data that's as good as it could be. Getting data in shape is too often seen as an expense rather than a benefit. I've never experienced any real push back on the need for fit-for-purpose data, until it comes to paying for it!

How good is good?

There's also the question of how good does your data quality need to be? There's a spectrum where, at one end, a scheme can limp along running lots of manual processes. This creates unnecessary expense and results in a slow service to members and no opportunity to go online. Getting a decent data cut to the actuary can also be a bit of a battle.

At the other end of the spectrum is squeaky clean data, which is good enough to transact with a buyout provider. At that point, data often gets to the top of the agenda. With an overheated buyout market, insurers can be picky and a scheme with holes in the data will be lucky to find any interest.

In between those two there's a middle spectrum, where your data quality needs will very much depend on what you want to do with it.

Getting by

It's surprising how many schemes operate on a hand-to-mouth basis, where poor data is often the root cause. So, what does poor data look like? Well, aside from the obvious, such as gaps and missing information, it's important to consider how the data is held, and where.

A paper record can be accurate, but it fails the test on accessibility. Many schemes hold the bulk of their data on their pensions administration platform, but may also have paper records or data sitting on spreadsheets. Whilst this approach may work now, it's limiting and will soon run foul of the Pensions Dashboards Programme requirements. More of that later.

The art of the possible

Another reason that data doesn't routinely get addressed is that many trustees are unaware of what you can do with fully 'digitised', clean data. For example, it's entirely possible to automate 100% of benefit calculations on a modern defined benefit (DB) administration platform. If you can feed the calculation engine with clean data, that becomes a game changer.

As an example, let's look at member self-serve. This has the potential to be transformational on two fronts. Firstly, members get the convenience of a modern financial services product. Whilst we know that online won't be for everyone, it's the direction of travel for almost every product and service now (apart from haircuts!).

The second tangible benefit is the cost saving. Allowing members to view their own benefits, update personal details and generally look after themselves, takes out substantial cost.

In the DB space in particular, I believe that trustees aren't aware of what's possible with good data and a good administration system. Defined contribution (DC) is a much simpler beast and is underpinned by more contemporary systems, but it's still far from perfect.

The Dashboard driver

The Dashboard has been rumbling along in the background for so long that most people have discounted it. Think again. Now that it's been included in the Pension Schemes Act 2021 and has a rollout timetable, there will be a legal requirement to improve data. Voluntary onboarding starts next year and staged onboarding in 2023.

Not rocket science

The Dashboard is an ambitious project, not because it's rocket science, but because of the inability of many schemes to meet its requirements.

In essence, all it is seeking to do initially is allow someone to search across all UK schemes to find out where their pensions sit and to view basic information. To do that, a scheme will need to accept a message from a centralised identity service and determine if the data items match with any of their scheme records. The finder data items are basic, such as name, date of birth, address and National Insurance number.

There are two main problems. Firstly, missing or incorrect records. We talked about that already. Secondly, finder data that isn't 'digitised'. Losing the jargon, the data needs to be accessible in such a way that when the request is sent from the finder service, the administration system is capable of receiving it and interrogating all the member records.

The real killer for many DB schemes will be to return an estimated retirement income to a dashboard. It's a lot simpler for DC, but some schemes may still struggle. For DB, the scheme will have to calculate and return an Estimated Retirement Income at normal retirement age.

So, back to where we started. Why can't we have data good enough to automate benefit calculations and an administration platform capable of serving them up? It's not rocket science, but it will be a giant leap for some schemes. Best get started now.

How pensions dashboards **differ from open banking**

By Chris Curry, Principal, Pensions Dashboards Programme

Pensions dashboards will make it easier for individuals to see all of their pensions information securely, online and all in one place. This opening up of pensions data has led to comparisons between pensions dashboards and open banking. One of the questions I am most frequently asked is 'why can't you just copy open banking?'

I can understand where this question comes from – both pensions dashboards and open banking concern digital access to finances. And there will be some similarities in how you govern the digital ecosystem, and the consumer protections and liabilities that we will build in.

But the short answer is that pensions dashboards and open banking have less in common than it first seems. When you dig down a little, you start to see how different the two really are in terms of their audience, purpose and functionality.

Separate systems for separate purposes

The concept of a pensions dashboard sounds simple. However, in practice, connecting UK pension holders with the 43,000+ pension providers and schemes, all of which use different systems, is extremely complex.

Pensions dashboards aim to reunite people with lost pension pots and allow individuals to understand and manage their pensions more effectively. It is a non-commercial imperative, which has the user rather than the market at its heart.

Open banking came about when the EU and the Competition and Markets Authority compelled nine major banks to open up their data to new digital suppliers. It was a commercial initiative to drive innovation and create a more diverse, open market, which would also benefit consumers.

Audience, reach and relationships

Pensions dashboards have an enormous potential audience. Every UK adult with at least one pension that is not currently in payment will be able to view their pension information via a dashboard.

Within the Pensions Dashboards Programme, we're creating the digital ecosystem, plus the design and technical standards that will make dashboards work, rather than a dashboard itself. The Money and Pensions Service is creating a front-end dashboard, and we expect other organisations, such as banks, fintechs or pension providers to create their own pensions dashboards too.

Open banking benefited from the existing relationships individuals had with their original bank. There was a ready-made audience, complete with passwords, codes or access to online systems, already set up. But dashboard users will not necessarily have a pre-existing relationship with their chosen dashboard provider.

To resolve this, we are designing a robust system for identity verification into the pensions dashboards ecosystem. It needs to provide sufficient assurance to pension providers that users really are who they say they are, to ensure that providers share information with the right individual(s). Equally, users need to feel confident that no one can access their pension information, without their explicit permission to do so.

Differences in data flow

Perhaps of even greater significance is the difference in how data moves between the parties involved in open banking and pensions dashboards.

Open banking took information that was already held by major banks and it flowed out from those organisations to alternative providers and then onward to users.

With pensions dashboards, the data flow is initially in the opposite direction. Users will input some basic information to their chosen dashboard, which will go via the pensions dashboards ecosystem to multiple pension providers and schemes, to unlock matching pensions. Then pension providers will return their pensions information for users to view via dashboards.

Even at a very high level you can see that the way data moves through each system is completely different. As a result we need a completely different set of data, design and technical standards. You can't just lift and shift from open banking to the pension dashboard ecosystem.

Lessons to take from open banking

Despite the clear differences between the two programmes of work, there are things that we can learn from open banking, not least that answering user needs must be at the heart of what we are developing.

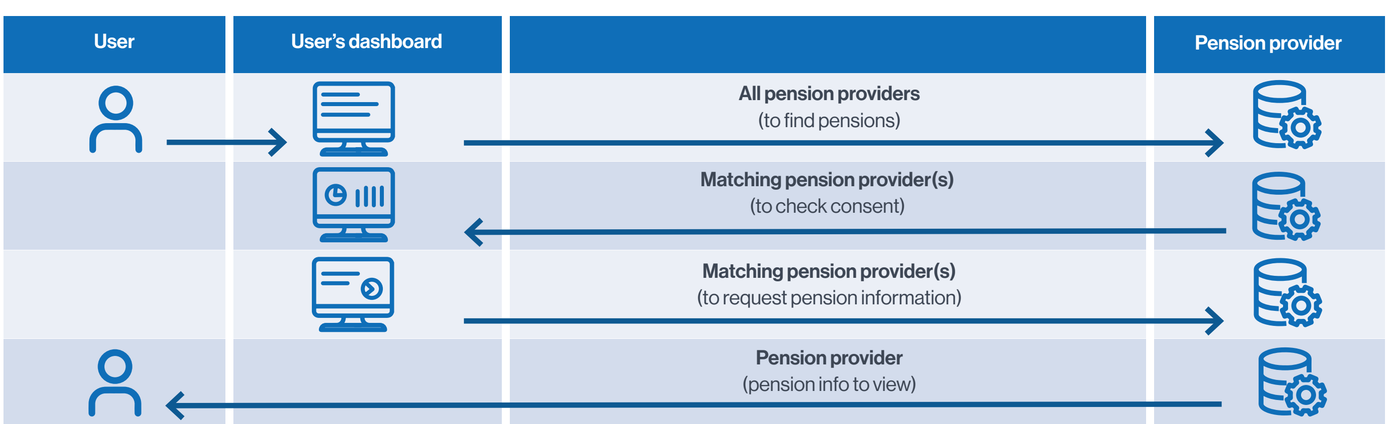
We are working on an initial version of pensions dashboards. We know that this will iterate and improve as open banking did, as we work together with the industry and our stakeholders to define solutions to some of the challenging issues around estimated retirement income, or including costs on dashboards, for example.

Collaboration is central to our success. As is clear from open banking's example, industry must be on board with activity, to ensure that it acts within the spirit of any regulation. This is one reason why we place so much emphasis on engaging with the pensions industry throughout the development of dashboards.

Moving towards open pensions

Ultimately, open banking is closer to the concept of open pensions than pension dashboards. Open pensions could provide opportunities for individuals to transfer to new digital pension products in the future.

While the Pensions Dashboards Programme is not the place to lead on this, I believe that pensions dashboards could be an important stepping stone towards open pensions. Creating or reinforcing the relationship between individuals and their pensions by helping people to know what they've got, gives them greater understanding and control over their retirement planning. It's a great place to start.



Cautious optimism across hiring and job searching, with continuing competition for talented pensions professionals

By Sarah Bergin-McCarthy, MD, Sammons Pensions Recruitment

Our 2020 Annual Salary Survey, 19th edition, provides detailed insight into market trends, with invaluable contributions from employers and employees sharing specific data and views. As a niche pensions recruiter, we draw on this research, coupled with our industry knowledge, to provide bespoke benchmarking, market insight and recruitment advice.

Market overview

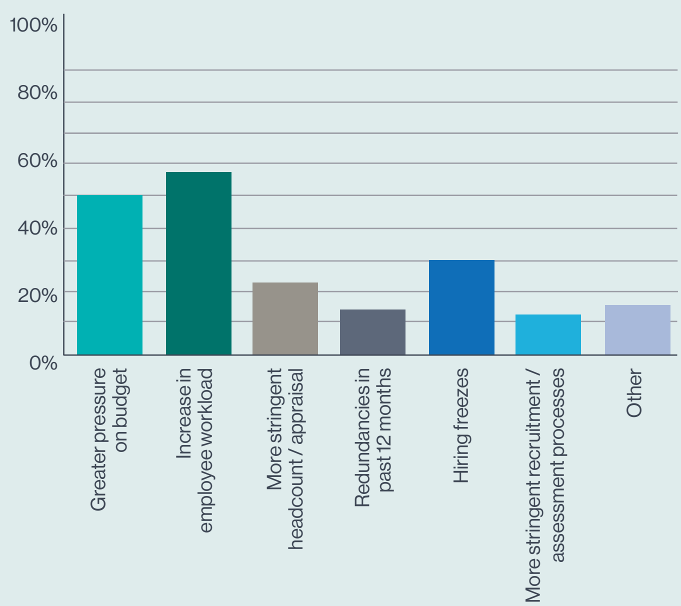
Many companies swiftly adapted to current market circumstances with huge changes, such as remote working, to ensure continuing business plans despite a turbulent market. Recent surveys (December 2020) reported almost half of businesses are planning on returning to normal hiring levels in 2021. The Recruitment & Employment Confederation (REC) latest Jobs Recovery Tracker reveals that in December 2020 there were 1.77 million active job adverts in the UK, around 10.5% more than in December 2019. This increase in recruitment marketing activity is due to a number of factors, including pent-up demand from employers, and an increase in the amount of time that job adverts are being left open for. This was true for most areas of the UK, especially Wales and North West England. Only London saw a decline. Unsurprisingly, roles in sectors like health, social care and construction are in higher demand than last year; hospitality and leisure industries continue to struggle. “There is a great deal of underlying strength in the jobs market, despite the tough economic circumstances of the current lockdown. The potential for a strong bounce-back after the vaccination programme is rolled out is there.” Neil Carberry, Chief Executive, REC.

The pandemic is just the latest of 3 ‘once in a lifetime’ economic shocks the UK experienced in a little over a decade, following the financial crisis and Brexit resulting in an unprecedented 15-year living standards squeeze (Resolution Foundation, November 2020).

Following a brief pause in recruitment activity from March to May 2020, the pensions industry has continued to be busy in terms of recruitment across all sectors. We speak daily with companies actively hiring, with well-practised virtual interviewing and onboarding processes in place. It continues to be a candidate-driven market where opportunity, benefits packages, flexibility and a nimble recruitment process are essential to attract and retain talented individuals.

For many, 2021 onwards will be about achieving optimum balance between office and home-working, reaping the benefits - not least - of supporting Diversity & Inclusivity initiatives. Citrix reported 75% of office worker respondents would agree to a salary trade-off to work from home; how much % varied by age group and region.

How are market conditions impacting your business?



The impact of redundancies, recruitment freezes and the challenges of finding suitable applicants was regularly reported. Out of the main strategies to overcome this, 75% reported having to redistribute workload; nearly 15% reported responsibilities absorbed by a manager.

Comments made included:

- Beneficial
- Potentially employee wellbeing; the in-person team spirit is very powerful and can't be maintained to the same extent from home
- The current crisis and reappraisal of working practices has increased business opportunities.

Is your salary in line with the market?

58% of respondents thought no or were unsure. 38% reported a pay rise of 2-2.9%; 22% received 0%. According to regular surveys on Glassdoor, 40% of employees are recorded as not negotiating on their salary, which may, on average, lead to 13% lower salaries.

Do you feel your employer could be more transparent with salary information internally/externally?

As with 2019's survey, 50% agreed. Taking a more open and transparent approach to compensation can go a long way towards building a culture that is more resistant to discrimination. Employees need to understand why they're paid what they're paid, and your organisation needs to know why, too.

Excerpt from overall industry salary breakdown by sector and specialism

In-house	London	South East	Midlands & South West	North & Scotland
Junior Pensions Administrator	£19-22k	£19-22k	£19-22k	£19-22k
Pensions Administrator	£20-41k	£20-45k	£20-35k	£20-30k
Senior Pensions Administrator	£30-47k	£25-45k	£25-40k	£20-40k
Team Leader	£40-48k	£32-48k	£32-45k	£32-42k
Administration/ Operations Manager / Director	£40-125k	£40-125k	£35-100k	£35-125k
Assistant Pensions Manager	£40-70k	£38-65k	£35-60k	£35-60k
Pensions Manager	£35-130k	£49-90k	£36-105k	£42-110k
Group Pensions Manager	£55-180k	£50-175k	£55-160k	£66-145k
Pensions Director (UK wide)	£120-400k			
Consultancy/Third Party	**London**	**South East**	**Midlands & South West**	**North & Scotland**
Junior Pensions Administrator	£18-22k	£18-22k	£18-22k	£18-22k
Pensions Administrator	£22-30k	£20-30k	£20-27k	£20-26k
Senior Pensions Administrator	£28-45k	£26-40k	£26-37k	£26-37k
Team Leader	£38-50k	£34-45k	£32-42k	£30-42k
Administration/ Operations Manager / Director	£45-100k	£44-160k	£45-85k	£40-120k
Trainee/Assistant Consultant	£30-45k	£30-45k	£25-40k	£28-40k
Consultant	£42-60k	£40-69k	£40-60k	£40-60k
Senior/ Lead Consultant / Partner	£55-300k	£55-300k	£50-300k	£50-150k+
Client Manager / Director	£40-105k	£40-105k	£40-100k	£40-100k
New Business Consultant	£40-100k OTE £100k+	£35-85k OTE £100k+	£35-95k OTE £80k+	£35-80k OTE £80k+

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

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

Most Valued: Ranked 1st	2nd	3rd
Salary	Colleagues	Work from home
Highly Valued: Ranked 1st	**2nd**	**3rd**
Salary	Bonus	Colleagues
Valued: Ranked 1st	**2nd**	**3rd**
Colleagues	Work from home	Salary

How could your benefits package be improved?

62% feel their benefits are competitive. A key trend for the past five years is flexibility; ability to buy/sell holidays scored highly. Unsurprisingly for 2020, holiday, income protection, critical illness cover and private medical insurance all featured highly.

Why change role?

18% of participants are less engaged; 41% neutral. The challenges of remote working and lack of face-to-face contact with colleagues featured regularly. 14% changed roles citing their reasons as 'new challenges', closely followed by salary. This reflects the past few years' of salary stagnation and lack of market movement.

SD Worx's June 2020 survey reported that salary packages are being placed as the most important priority for employees in the UK. Placed second was a strong focus on what the job will require, whilst job security ranked third. This highlights how employee motivations are evolving in this era, with UK employees looking at ways to better themselves and solidify their future in unprecedented times. Businesses, in turn, will be able to understand what measures need to be implemented, with an aim of improving the employee experience, job security and retention.

What are the most popular qualifications to hold?

Pensions continually increase in complexity; pensions professionals need to demonstrate knowledge and expertise to deal with these demands, whether new to pensions, or experienced. FIA, FPMI, APMI and Trustee Toolkit were most widely reported as being held or being studied for. The high number of responses in this section annually demonstrates the continuing regard in which professional qualifications are held in this industry. "By providing payroll and pension staff with relevant training, businesses can safeguard against the financial risk to the business. It provides clear opportunity for students to develop their knowledge and demonstrate their understanding in several roles in the pension industry." CIPP

Study supported?

23% confirmed their employers support study with incentives between £100-1800, and being offered study leave of between 0-15 days per exam.

Conclusion

The increasing numbers of participants in this survey each year is an indication of the considerable challenges this industry's professionals continue to face, whilst delivering long-term, effective, sustainable pensions provisions for the UK workforce.

We had a fantastic response to our annual survey and thank all participants. For further findings or benchmarking please contact the Sammons Pensions Recruitment team.

GMP equalisation: getting your data strategy locked down

By Alice Fletcher APMI, Senior Associate, Willis Towers Watson

Executive Summary

Whether you have started your Guaranteed Minimum Pension (GMP) equalisation journey or it is still on your 'to do' list, it is no doubt a complex and daunting project. In this article, we share some insights gained from working with early movers that may make your life easier and hopefully provide some reassurance.

Taking a strategic approach to GMP equalisation will be crucial to planning an efficient project where risks are managed appropriately, and decision-making is clear and documented well. The key for success will be the ability to be flexible and to make informed decisions. Based on knowledge of the scheme structure and how you plan to equalise, a strategy to handle equalisation can be set up front and this shapes the corresponding data strategy.

Despite its inherent complexity, there is scope for pragmatism, especially as it relates to member data. Your data does not need to be perfect. By understanding the gaps and the materiality of any data issues, you will have far more certainty about how much time and effort the subsequent calculations will take. You'll also maximise the number of members that you can successfully process at one time. In this article we explore the key calculation stages and their data considerations based on our experience so far. For some schemes, the cost of implementing this exercise may be higher than anticipated, while the impact on liabilities may be limited. However, the ultimate driver for this project should be to pay members the right benefits. We expect future scrutiny of these projects from members and financial advisers, given the changes to members' benefits. This feeds into the importance of building up a robust audit trail of the decisions that have been taken, the methodology agreed and the reasoning behind it.

There is a careful balance to be found in relation to pragmatism; it is possible to be prematurely and overly practical but also expend efforts on issues which will have minimal impact. The foundation of any pragmatism surrounding data or calculations should be informed decisions, made collaboratively across the trustees and their advisers.

Looking at the GMP equalisation project as a whole, which in time will include members covered under the Lloyd's Second Judgment, it will consist of some key calculation stages.

1. Benefit construction

What is it?

GMP equalisation requires schemes to create data that most do not already hold, in particular the tranches of GMP and excess benefits for the period between 17 May 1990 and 5 April 1997, together with the opposite sex equivalents. Many equalisation calculation approaches will start with date of leaving benefits because the discrimination points along the equalisation journey start to come in from that point onward.

What are the data considerations?

The Pensions Administration Standards Association (PASA) released guidance to assist schemes in completing this element and provided a spectrum of different methods; the choice of which works for you will depend heavily on what membership data you have available and its quality.

What we have found is that one size does not fit all members within a scheme. Adopting a flexible approach is very important. Starting from a typical legal premise of being accurate where the data is available to be accurate, and it is cost effective to do so, you will inevitably vary your choice of method for different groups of members when you look at things like complexity of benefits (particularly individual promises), the knowledge about historic administration practices for recording events and the quality of each member's data. Workarounds are possible and it is important to distinguish, before the number crunching starts, between cases where you can be reasonably accurate and those where you are being more approximate, and ensure you document suitable justification for the latter group.

One common example of pragmatism being applied relates to gaps in service dates. While service periods are a key component in identifying the members in scope for equalisation, having some gaps in those pensionable service dates doesn't need to be a showstopper. Targeted cleanse work, looking at the use of proxies where alternative fields might be available, can often minimise time consuming manual file reviews.

2. Equalisation and back payments

What is it?

These date of leaving pension amounts will then need to be tracked through life events such as retirement, GMP payment age, and deaths. Your chosen equalisation method will be applied to those constructed tranches for pensioners and dependants, to calculate the back payments due to each member.

What are the data considerations?

Many of the member data decisions, and much of the cleanse work, will have been resolved to run through the benefit construction stage, leaving the subsequent calculations to be more influenced by scheme data. Missing scheme data will require assumptions and testing the impact of these assumptions on member benefits i.e. using the latest available early retirement factors if those at the member's date of retirement are not available. These decisions should be documented and approved by trustees and their legal advisers. Legal advice is imperative when reviewing the GMP equalisation approach and methodology as some decisions may need to be made which will lead to an approximate or assumed value.

3. Conversion (if applicable)

What is it?

Unless you have chosen to apply a 'dual record keeping' approach, the equalised benefits will ultimately need to be converted in line with your chosen conversion method.

What are the data considerations?

The decision whether to convert may be influenced by whether you're looking to fundamentally change the structure of your benefits or run a post-equalisation PIE exercise, for example.

Conversion involves a wider group of members than those in scope for equalisation as the target membership will expand to all those with GMP benefits. The data requirements will be heavily influenced by the calculation design and may be more extensive than you needed for construction and back payments.

Getting the governance right

There are numerous decision points for the trustees throughout the project, so planning some touchpoints outside of the standard cycle of trustee meetings will allow those decisions to be made without delay and enable progress. We recommend setting up a working party to move this along if you haven't already done so, with representation from all your providers. This should include whomever is responsible for the member communications. By creating this governance framework, everyone can understand their roles and responsibilities and map out the interdependencies. Other ongoing projects, where there is a dependency with GMP equalisation, should also be factored into these considerations.

Data preparation

As we have set out, these three calculation stages all have different data requirements. You will be reliant on the combined historic knowledge of your advisers, together with trustee record keeping, to understand what scheme and member data you have available going back through the years, and this will form the foundations of your data strategy for construction, back payments and conversion. Your providers should be able to inform you where there are gaps, i.e. from business as usual administration or known issues. Once you have your approach agreed and understand the state of your data – both presence and accuracy – you can begin to understand where you may need to make reasonable assumptions and decisions. This is crucial to balancing risk. In our early experience, if you jump too quickly into swift and uniform approaches, it might often mean that you know some of your figures are incorrect, but you don't know how incorrect and for whom, which does not leave a helpful audit trail for the record.

Making informed decisions is supported by a check of the current data at an early stage, often in the form of a data audit for most schemes. We have seen that a lot of administration systems do not hold key data in just one place. An assessment of the member data should include an element of looking away from the expected and adding in a review of the other places it may be held. By undertaking this step up front, it can save time-consuming cleanse work later.

Conclusion

This is not an exercise you will want to revisit, so this needs to be done right first time. There is scope for flexibility and tactical, proportionate approaches which may smooth the path of the exercise. However, it is possible that GMP equalisation decisions will be subject to future scrutiny and investigation by members or financial advisers. Therefore, the project should be overlaid with quality governance and a robust audit trail of decisions.

Although GMP equalisation can seem like a mountain to climb now, it can be managed. If you can spend the right time and effort on planning at an early stage, and coordinate providers who are handling vast numbers of clients, it is possible to see a path through GMP equalisation alongside all your other competing priorities.

The journey to net zero

By Sion Cole, Head of UK Fiduciary Management, BlackRock

For professional clients only

Five years ago, adding an environmental, social and governance (ESG) tilt to your investment portfolio was seen as a nice-to-have. Today, there is a recognition that if you don't consider this, it will impact performance. This has added pressure to time-pressed pension trustees to consider the potential effect of climate change on their scheme's investments.

It's been a torrid year across the globe, but one of the few positives has been that efforts to tackle the climate crisis haven't diminished. At the start of the pandemic, there were fears the world was too preoccupied and that global action on climate change would slow. But instead, the pandemic shone a light on how precious our way of life is and how we must do everything we can to protect it.

There were encouraging commitments on climate change from many quarters in 2020. Governments responsible for more than three-fifths of the world's emissions and more than 1,100 individual companies are considering, or already implementing, net-zero commitments. Investors in mutual funds and exchange-traded funds (ETFs) also voted with their feet on the matter. Between January and November 2020, they poured US$288 billion globally into sustainable products, marking a 96% increase over the whole of 2019.

The rising interest in sustainable investing has undoubtedly been helped by a wider choice of investment products; we at BlackRock have added nearly 100 new sustainable funds. There is also a growing acknowledgment that sustainability doesn't equate to lower returns. In 2020, more than four-fifths of a globally-representative selection of sustainable indices outperformed their parent benchmarks.

A long-term trend in pension fund space

I believe this topic will grow in importance for pension funds in the coming months and years as it takes an increasingly central role in every aspect of our lives. It is a topic that will be much debated at trustee meetings.

We believe the transition to net zero creates investment opportunities; in companies that have business models supporting the decarbonisation of the economy, for example. Investors seem to be waking up to this. A recent survey by BlackRock showed respondents intend to double their sustainable assets under management in the next five years.

We want our clients to be ahead of the game and so are taking steps to help investors prepare their portfolios for a net-zero world. This year we will publish the percentage of our assets under management that are aligned to net zero and set an interim target for where we want that to be by 2030. We will also incorporate the impact of climate change into our capital market assumptions – the long-term estimates of risk and return that form the base of how we build investment portfolios – and launch new investment products with explicit temperature alignment goals.

Fiduciary management can ease the ESG burden

The pensions landscape is constantly changing and trustees are facing increased ESG demands from their stakeholders as well as new regulations.

Since October 2019, pension trustees have had to include ESG issues in the list of financially material considerations in their Statement of Investment Principles. And from this October, trustees of plans with more than £5 billion in assets will be required to report on the financial risks of climate change within their portfolios. This will be extended to schemes with more than £1 billion in assets from October 2022.

We will work to help pension schemes embed ESG into their investment processes and our UK public policy team can provide guidance on the compliance of new regulations. We can also help with the risk management and analysis of the impact of climate change on a portfolio. With our new Aladdin Climate tool, we can help clients better assess climate risks across all asset classes in their portfolios.

As more and more investors choose to tilt their investments towards sustainability-focused companies, the tectonic shift we are seeing will accelerate further. And because this will have such a dramatic effect on how capital is allocated, every scheme will need to consider the subsequent impact on their portfolio. We recognise that every scheme has different requirements and we will work with trustees to ensure we build a portfolio that recognises the scheme's circumstances and challenges to meet its retirement goals.

The focus on ESG is likely to continue its ascent in 2021 and beyond. We are committed to providing trustees with the solutions, tools and the data to navigate the transition and to help them achieve the outcomes they seek on this journey to a greener future.

Gender pension gap: whose problem is it to solve?

By Laura Stewart- Smith, Head of Workplace Savings and Retirement, Aviva

It's fifty years since it became illegal to pay women less than their male counterparts, yet the gender pay gap means women are still paid 15.5% less than men. What's really worrying is the gap gets even wider when women reach retirement, with an even greater difference in the gender pension gap.

If we start with the gender pay gap, which is the difference between the average earnings of men and women in the UK, this will help us to better understand the gender pension gap. Recently, the Office for National Statistics (ONS)[1] released figures which confirms that the gender pay gap is reducing, albeit at a fairly slow rate.

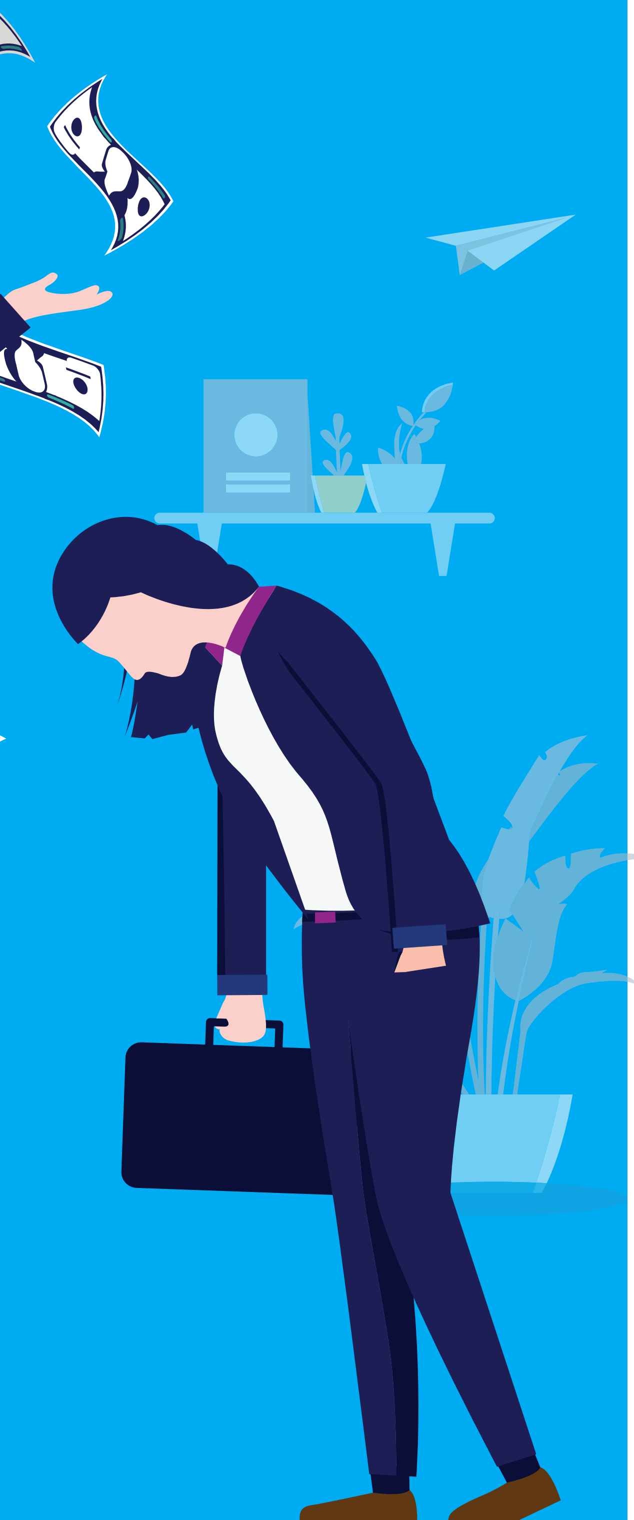
What the gender pension gap isn't about is equal pay. Fifty years ago, it became a legal requirement and a legal obligation of employers to give men and women equal pay for equal work.

Employers who identify a gender pay gap are more likely to have under-representation of women in higher paid jobs. This could typically be that a higher proportion of women than men are in more junior roles; this may be because, in some organisations, it's easier to be part time in a less senior role.

Within the world of pensions, the equivalent concern is the gender pension gap: a gap between the average amount saved into a pension by women and men. This currently exceeds the gender pay gap by some margin. When the average life expectancy of women is almost 4 years longer than men, you could argue that women will need more in retirement to maintain good financial wellbeing, not less, and, therefore, more needs to be done, and quickly.

Once we understand that the gender pay gap is the difference in hourly rates of pay, it doesn't come as a surprise that the pensions gap is bigger. The UK's private pension system is greatly aligned to paid work. Women are more likely to work fewer paid - and therefore pensionable - hours than men, due to part-time work, career breaks, often to assume the main share of caring responsibilities.

Some would argue that it's a simple problem to fix and that women could choose to work longer or pay more into their pension to make up for gaps in contributions created through gaps in their career. Whilst these are viable solutions, this simply addresses the symptoms rather than challenging the root cause. Unfortunately, the current system amplifies the issue.



One of the main challenges we face is raising awareness of this issue. I have spoken to several women in the pensions industry and include my own experience when I say that pension contributions were not at the forefront of my mind when deciding how to structure my career or bring up my children. People of all genders need to retain the choice to take time off work to prioritise caring responsibilities over an 'income today or pension in later life'.

Employers can ensure that their staff have all the information they need to help them make informed decisions about their wider financial wellbeing, including their pension, not just their take home pay, and the effect those decisions might have on their longer term retirement.

As well as educational support, there are several other steps that women can take to help close the gender pension gap:

- If you earn less than £10,000 speak to your employer about your options for joining your company pension scheme
- If you are already paying into a company pension scheme, increasing your payments to 12.5% of your salary would help both sexes achieve a living pension and help close the gap for women
- Check your National Insurance record to see if you'll get the full State Pension amount when you retire: you need a total of 35 years of National Insurance contributions or, in some cases, you can apply for credits. If it looks like you won't hit that, you might have the option of paying to fill in the gaps for the State Pension
- For those in a long-term relationship, have a stake in your finances. Should divorce ever come into the picture, keep pensions at the forefront of your mind when splitting assets.

Another area of consideration for an employer to implement is the adoption of salary sacrifice for pension contributions. This results in pension contributions being maintained at pre-maternity levels throughout paid maternity leave. It would replace the current situation in which employee contributions fall to £1.56 per week in an automatic enrolment minimum scheme.

However, the most effective way to close the gender pension gap could sit outside of the pension scheme. Opportunity for career progression, positive changes to parental leave benefits, along with career flexibility and more affordable childcare, all sit within the gift of employers and the government. This could help balance a rewarding career and caring for children by enabling caring responsibility to be equally shared.

When returning to work, employers could adopt a proactive family-friendly culture with policies in place to help support carers and stop them being disadvantaged. If we have learnt anything from the last year of remote working in a pandemic it is that adults can be trusted to work anywhere and this presents us with an opportunity to help encourage a more flexible work-life balance for all working parents.

If we're to make significant progress it's clear the solutions don't just lie in the hands of individuals, schemes, employers or the government alone - they sit with everyone.

Source: [1]www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies

ITM Student Essay Competition 2021

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3rd Place: Camilla O'Brien, Pensions Administrator, XPS Pensions Group

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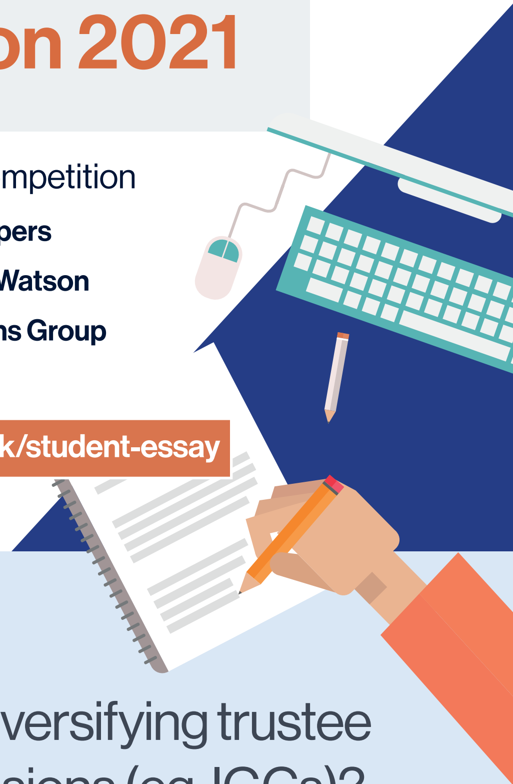


What benefits could be realised by further diversifying trustee boards and other governance bodies in pensions (eg. IGCs)?

What steps can be taken by the next generation of pensions professionals and the industry as a whole to improve diversity in this area?

By Molly McCarthy, Associate, PricewaterhouseCoopers

Sackers associate Emily Rowley characterised diversity as questioning whether a board is representative of its membership and if it consists of diverse skills, approaches to decision-making and perspectives.[1] Research by the PSLA indicated that 83% of trustees are male, and 2.5% are under 25 years old when ⅓ are over 60 years of age.[2] These figures demonstrate that boards are likely not meeting those two key criteria. Cross industry research indicates that having a diverse board leads to better decision-making, achieving results in less time, better profitability and more innovative solutions. The first half of this essay will borrow Rowley's two key criteria to explore the benefits of further diversifying trustee boards and other governance bodies.

a) The board being representative of the membership

ShareAction states that a more diverse board and their "collective life experiences will improve their capacity to understand the unique challenges faced by each of the pension schemes." [3] There are unique challenges faced by some demographics and not others, many of which are under-represented across trustee boards. These may in turn become blind spots within decision-making. I conducted my own research into how culture and family background impacts attitudes to retirement provision. It resulted in a spectrum of responses spanning lack of transferable knowledge, wariness against mistakes, emphasis on saving, sometimes lack of clarity of the UK system for those from other countries, the need to provide for previous generations and so on. The potential for variability across a whole scheme profile is huge. Having understanding of what is important to members and how their own decision-making is influenced can help tailor communications, training and improve engagement.

A pertinent example is the industry shift towards digital, particularly online member communications and Pensions Dashboards to improve transparency and ease of access. Consideration should then be given to those that have disabilities, neurodiversity or lack of resources who may struggle to access and understand information in this format. Having a further diversified board would identify potential problems, provide challenge and facilitate discussion early on, ultimately saving time and costs by avoiding backtracking later. This will mitigate against blind spots, highlight potential missed opportunities, create new solutions and further gain the confidence of members by showing them that they have been thought about. Being able to engage with members and earn their trust is a mutually beneficial result.

COVID-19 emphasises the importance of innovative solutions and individual experience. A board from a similar background and status may have vastly different experiences to the majority of the population. Additionally, the ability to work together virtually has broken down previous obstructions like geography, expenses, time commitment and access. Evolving pensions legislation and regulation has shown the need to adapt and react. Legislation and regulation to better improve the breadth and depth of retirement provision and the numbers participating, notably auto-enrolment and flexible drawdown, would be greatly helped by the empowerment of diverse trustee boards to reflect and respond to their diverse membership.

b) The board being representative of a diverse range of skills, approaches to decision-making and perspectives

The TPR consultation showed that trustees prefer recruitment to be based primarily on skills and competence.[4] These 'skills' should be expanded. One example is the ability to identify and challenge unconscious biases within an appropriate context. An understanding of how social media and an online presence can be harnessed could be a great competency. People with diverse backgrounds can offer unique oversight and foresight of issues affecting others and having a radar attuned to wider issues and contexts is a beneficial skill to bring to a board where the norm often dominates discussion. For example, home ownership has long been the norm but long-term renting is on the rise, meaning people retain large payments into retirement and cannot rely on a property like others have.

A diversified board with different assumptions and attitudes helps to broaden discussions which can help spot new opportunities in areas like communications, the use of technology, the style of investing etc. Basing trustee recruitment on a traditional set of criteria exemplifies the issue that the existing assumptions are limited. Similarly, age and experience does not necessarily mean appropriately skilled. By opening opportunities earlier on, it enables skills to be improved and expanded over time, individuals can observe others and have regular practice, resulting in a pool of more experienced trustees much quicker.

Ultimately, members are more likely to engage with a scheme that they can identify with. Better engagement can lead to better data quality, greater compliance, better satisfaction and willingness to work together. The research speaks of the quantifiable benefits of diversity (namely costs and time saving). This essay has also explored benefits of a personal nature critical for retirement and pension planning (greater transparency, empathy, consideration).

The second half of this essay will focus on steps that could be taken. These can be separated into four broad categories of recruitment, retention, consultation and requirements.

i) Recruitment

Care should be taken to actively engage a diverse pool of applicants and ensure the process for recruitment does not have significant barriers. Steps include:

- Appropriate advertisement of the role - ensure that applicants feel empowered to apply even without extensive specific experience and promote the relevance of wider skills and competencies, emphasising ongoing development and training.
- Ensure that location and time are not obstacles to applying - offering remote and flexible options, avoiding times difficult for people with caring responsibilities.
- Expand the recruitment process to allow candidates to demonstrate wider skills and competencies - psychometric testing, mock board meetings and alternative interview structures help showcase candidates suitability beyond traditional methods.
- Broadening the diversity of selection panels - allowing candidates who may feel inexperienced or isolated to feel more comfortable voicing their opinion.
- Using talent pools - keeping past candidates on record or having a wider cross-industry talent pool can mean that the recruitment process is a learning process with recurrent opportunities, so that those initially unsuccessful do not feel discouraged from pursuing a role.

ii) Retention

There has been a shift in recognising that increasing diversity means nothing if you cannot create an environment that encourages, facilitates and retains diverse talent. Overhauling recruitment processes to ensure that board composition is more diverse is futile if those recruited do not feel comfortable providing their opinion and challenge in meetings. Boards should review their meeting conduct so that they are not requiring participants to fit a certain mould. This could mean suggestions and ideas prior to the meeting, using smaller breakout discussions to build confidence and ensuring there is ample opportunity to hear from everyone. If meetings continue to be virtual or a hybrid, this will be important so not to disadvantage those absent from the room. The Chair will be crucial in ensuring that these methods are implemented effectively and that individuals feel their contribution is valuable.

The formal setting of a boardroom can be intimidating, particularly for an individual if they feel they lack experience comparatively. Developing relationships outside of the board room lessens that intimidation and can help create a sense of collectivity. Confidence can also be built through regular and evolving training, which should expand to soft skills, topics like ESG, unconscious bias, confidence to challenge and so on, so that people feel equipped for meetings. Boards and the industry could consider a coaching initiative both upward and downward so that trustees can be matched with a mentor whom they can share experience and act as a sounding board for each other.

Regular monitoring to understand gaps in knowledge or confidence can aid regulators and educational bodies to develop relevant content, show common blind spots and highlight topical issues for conferences and initiatives. This could be integrated within the coaching/buddy model. As part of this regular review, mobility and turnover could also play a key role. Pools and higher turnover of trustees with more mobility means greater exposure to a wide variety of schemes and boards, expanding the individual and scheme's experience. This can also go some way to create a sense of freshness regularly so that boards are continually evolving and changing to accommodate diversity.[5] Attention has been brought to remuneration of trustees, and recruitment of a more diverse board may highlight the need for greater consideration of how individuals are compensated so that they are retained.

iii) Consultation

Boards cannot feasibly cover all individual circumstances all the time which is why consultation within schemes and across industry can help determine priorities. Collecting quantitative D&I data on scheme membership can help to visualise the scheme profile identifying any gaps in representation of which to rectify or seek external support on. Qualitative techniques like focus groups or pulse surveys, can show further detail on issues members are facing and thinking about. Once trustees have an understanding of their membership, they could create a checklist of questions to think about when decision-making. These questions can then be run through with each decision to ensure that the impact has been weighed up in different contexts and trustees can pre-empt any actions required as a result. Once boards have an understanding of their own scheme, they will require the support of the industry to fill gaps and take further action. Examples follow of wider industry collaboration:

- Boards cannot recruit candidates that do not exist so more needs to be done to show and explain these opportunities and the benefits of these roles for individuals.

- Cross industry conferences can better represent issues facing members and schemes by consulting with them to understand prevalent and prominent topics. Conferences should highlight more diverse voices to encourage conversation and empower individuals. Specific conferences should be created to focus on increasing diversity and inclusion to provide an adequate forum for idea generation and sharing, so that D&I does not just become an add-on to an existing event.

- Networks and partnerships help to facilitate collaboration. Existing networks like Young Trustees Network, Women in Finance Charter and NextGen help to advocate for different groups, share knowledge, organise initiatives and help advance representation. The regulator and policy making bodies should consult these networks to understand how they can work together to support diversifying boards. Similarly, pension professionals and their firms would benefit from partnering with these networks to host talks and sessions to share learnings.

- Pensions ambassadors / a diverse independent body - a diverse group of individuals from across the industry which can be called upon to consult and support where appropriate. For example, a trustee board struggling to have a more diverse interview panel alone can access the committee to fill the gap. This group could be called upon to discuss different changes, policies and issues across the pensions industry to have greater oversight and foresight. The existing working group goes somewhat to achieving this.

iv) Requirements

A lot of the debate on diversity has considered formal requirements, typically quotas and reporting. From previous consultations, it has shown that mandated reporting is unpopular with trustees who feel this can lead to unhelpful comparison, greater scrutiny which creates greater administration burden and actually becomes a deterrent.[6] Similar claims likely surfaced around the introduction of gender pay gap reporting, and that has since shown to provoke real action. The Pensions Regulator and the industry working group should spearhead efforts to persuade boards. Further requirements for DC schemes to include trustees voting behaviour, understanding how wider issues were discussed and if consideration was made for the diversity of scheme membership could be integrated to provide greater transparency.

By creating definitions, guidance and tools, boards have greater understanding of best practice and case studies to take ideas from, discuss and use to engage their own membership. With the next generation of pension professionals, the conversation continues to build and create a landscape whereby members, employers and trustees have comprehensive, articulate and realistic expectations. Ultimately these efforts will require participation, collaboration and commitment from across the industry but hopefully this essay has shown that it is a worthwhile endeavour.

[1] Emily Rowley - Diversity - what does it mean for pension trustees?
[2] PLSA - Diversity & Inclusion Made Simple
[3] ShareAction - The Engagement Deficit
[4] TPR - Consultation response: Future of trusteeship and governance
[5] Diversity Project - Trustee diversity
[6] TPR - Consultation response: Future of trusteeship and governance

Data could save you millions

Providing you invest time and money, it really could

By David Pharo, Senior Client Manager, Pensions Administration, Aon

Trustee boards and their advisers often love to recount stories about the reduction in liabilities worth millions which they achieved as a result of projects undertaken when working through their long-term strategies. When hearing these tales, I often wonder how many can also recall how their data impacted this success?

We know that around 90% of schemes have a long-term target but too many risk their success by undervaluing the impact data will have on the process of reaching it. The journey to most schemes' targets will take in numerous projects which can be enabled or derailed by their data. Whether it is great day-to-day member experience, GMP equalisation, member options exercises, Dashboard readiness or bulk annuity transactions, data will be key.

How many of these schemes have factored in data quality or, more specifically, data improvement into these plans?

For many schemes it has been a question of either tackling your data 'just in time' on a project-by-project basis, or via a rather daunting 'big bang' of cleansing all member data. Increasingly though, trustee boards which already have in place a defined long-term strategy, are able to take advantage of what I think is a more considered approach – and apply an intelligent blend of both approaches. By this, I mean, select cohorts of members opportunistically on a project-led basis but, when you open the member's record for the project, adopt a 'one touch and done' approach on that record, therefore, readying it for subsequent projects too. Whichever approach is taken, building data improvement into your strategy really could save you millions. But more of that later.

Schemes have made great progress in defining their objectives - the strategic steps in reaching them might be thought of as a bucket list for a scheme. This will also be different for each scheme and may need to factor in trustee and sponsor priorities. It's crucial to sit down at the table and talk it through with your administrators and other advisers, and to be sure all parties understand these priorities. Once there is a plan in place, your administrators will be able to analyse the data requirements to support it, and work with you to agree a clear plan before delivering the cleanse work. Importantly - and I can't stress this enough - look at your data as an enabler to this strategy. Effective planning and hard work now, can prevent data derailing your plans.

My own real-life story is of a scheme where a data cleanse of historic records took the participation in an Enhanced Transfer Value Exercise from 50% to almost 100% of members, and brought an additional 3,000 members into scope. Transfers paid totalled around £350m, which reduced the buy-out deficit by £80m. Great numbers, aren't they?

It's worth saying, though, that the cost of the data cleanse work, undertaken upfront, was a tiny fraction of the deficit reduction achieved. I would urge you to have this example in mind, and the principle of 'cost versus benefit', when you discuss data with your administrators. It can enable, rather than derail, your strategy and, perhaps, save you millions.

Three ways data is driving pensions today

By Kevin Clark, Director of Business Development and Client Director, Punter Southall Governance Services

When I first entered the pensions industry, scheme data was offline and comprised of annual summaries of benefit statements sent to members; mainly actives and some past members if they were lucky. This was the domain of the (often bearded) computer department who managed a mainframe computer in a temperature controlled room.

Turning the clock forward, data is now held on modern platforms accessible online via PCs, tablets and phones. In many cases, data has been improved to keep up with modern demands for instant information - members wanting pension data to plan their financial futures and finance directors to monitor funding requirements. Different situations involving data apply different pressures on scheme budgets, but three main data-driven situations facing schemes come to mind...

Data for member engagement

This year's Pension Schemes Act provides for pension dashboards targeted to launch in 2023 for the new Money and Pensions Service (MaPS). Trustees will need to feed in data for defined benefit (DB) and defined contribution (DC) schemes for members (past and present) to access live pension projections. Schemes with higher governance budgets already deliver live information to members via scheme websites, but the majority of schemes are smaller and face a steeper challenge.

Data for dashboards is just one part of engaging members with their pensions. As data helps retail marketers know what communications an individual chooses to receive, I read how it will also assist the pensions industry.

> **"Artificial intelligence (AI) could help DC members make investment decisions."**

DB trustees will be able to agree technical provisions based on predictions of benefits that members will take. More targeted member communications, including holograms of presenters was predicted at a PMI lecture a couple of years ago. It is all driven by data, and its use is evolving fast.

Data for equalisation

Following the high profile High Court rulings, schemes with Guaranteed Minimum Pensions (GMPs) derived from employers contracting out of the Second State Pension (and SERPS before) are painstakingly grappling with initially validating their GMP records against HMRC's records before tackling equalisation for scheme members (and now those who transferred out since 1990).

Data for buy-outs

Well-funded DB schemes with wind-up in their sights will be looking to provide a full data set to life offices to avoid the higher premium costs associated with inadequate records from incomplete data validation projects.

> **"We've seen a business case for correcting data to achieve savings up to 5% of premium for spouses' pension data for buy-ins/buy-outs."**

Pension trustees are familiar with their data scores having declared the latest assessments in annual regulatory scheme returns since 2018, and analysed how to improve both common and scheme-specific data. In my experience, low-scoring scheme-specific data requires greater budgets to rectify, as it can derive from a myriad of historical record keeping problems and changes of administrator.

So, the data budget secured by trustees will depend upon its purpose. The dashboard is a new project to add to a scheme's business plan and may well bring forward the need to make decisions on correcting inaccurate legacy data.

Accreditation

I joined with colleagues in sitting the exams last December and was proud to receive my PMI Trustee accreditation under Aptitude in February.

When is a match not a match?

– the pensions dashboards data headache

By Steve Webb, Partner, Lane Clark & Peacock

Accessing data via a pensions dashboard sounds simple. You supply your name and personal details, this goes off to every pension scheme, and back comes all your pensions information. Unfortunately, pension records may be inaccurate or incomplete. And the government's proposed response – to let schemes decide for themselves how much of a match is 'good enough' – risks causing chaos.

To the general public, proving who you are seems straightforward. We are used to answering security questions to access bank accounts and other services. So why should a pensions dashboard be different? Surely we just provide the usual information – name, address, date of birth, National Insurance (NI) number - and then our pension providers will tell us about our pensions?

Sadly, the process is likely to be much messier than that.

Firstly, many pension schemes and providers will have data that is incomplete or inaccurate, particularly for deferred members. For example, most people who move house don't update their old pension providers. So, even in well-run and well-administered schemes, a good chunk of address data is likely to be out of date.

NI numbers would seem to be an essential part of any matching exercise, but there is a problem. The dashboard will have a 'verification' process whereby a scheme can be confident that name and date of birth has been independently verified, but it is not currently envisaged that the NI number will be verified. If it is simply asserted by the user, should the scheme take it at face value? And what happens if they trust it and end up sending out the wrong data?

Perhaps a more realistic scenario is one where the user mistypes one character of their NI number. If there is a match on name, date of birth and address, then many schemes would regard that as good enough, and would supply data. But what if the NI number is not just 'slightly' wrong but is completely wrong – should that be a red flag?

One of the strangest features of the proposed approach is that each pension provider and scheme will make its own call on the data matching standards it will apply in order to determine whether there is a match or not. This means that the same member, supplying the same information, could find some pensions but not others, simply because different schemes and providers have set the bar in a different place.

Indeed, there is a possibility that risk-averse schemes could decide that unless there is a 100% match in all respects they will simply send back a nil return. After all, there is presumably no risk to a false negative, whereas sending out personal data on the basis of a 'false positive' match could potentially lead to claims for compensation etc. This could mean that a project designed to 'reconnect' people with their pensions fails in its central objective.

There are no easy answers in an area as 'fuzzy' as data matching, but I find it hard to believe that the right answer is a free-for-all where schemes decide their own approach.

We all have a part to play in the war on scammers

By Nicola Parish, Executive Director of Frontline Regulation, The Pensions Regulator

The true scale of the amount lost to pension scams, and the number of victims, is likely to be much higher as victims often don't realise they have been tricked until many years later. Nicola Parish calls on pension schemes to step up their reporting on scams - warning that a clear understanding of the size of the problem and good quality intelligence is crucial to beating the scourge of scammers.

Earlier this spring, the Work and Pensions Committee called for global tech firms to do more to fight fraudsters. This would certainly be a good step forward. In a report, the committee called for internet giants to be held more accountable for hosting scam adverts. It also highlighted calls for action closer to home than Silicon Valley - from UK Government, regulators and, crucially, the pensions industry.

The committee listened to evidence from witnesses, including The Pensions Regulator (TPR), at its session at the beginning of the year. We warned that a lack of clarity over the scale of scams could hinder the effectiveness of our fraud-busting efforts.

The scale of pension scamming

The committee's report calls for a range of measures to improve understanding of the scale of pension scamming.

Pension scams are devastating. We know some go unreported by savers and schemes. Reports to Action Fraud, the national fraud and cybercrime reporting centre, fell almost 80% from 2014 to 2020. Action Fraud figures show pension scam losses can range from under £1,000 up to £500,000.

However, the true scale of the amount lost to pension scams, and the number of victims, is likely to be much higher as victims often don't realise they have been tricked until many years later. Once the money is gone, it is often gone for good. We also fear schemes are not reporting suspicions, leaving us fighting a problem the size and scope of which we can't properly understand.

With the COVID-19 pandemic impacting on many peoples' finances – despite the unprecedented government support – there are also fears that scammers will use this to their advantage to steal hard-earned cash from savers.

While we've seen no evidence of a significant increase in pension scams during COVID-19, we believe many across the industry, including trustees, pension providers and administrators, are not reporting suspected scams at a time when the pandemic could leave savers more vulnerable.

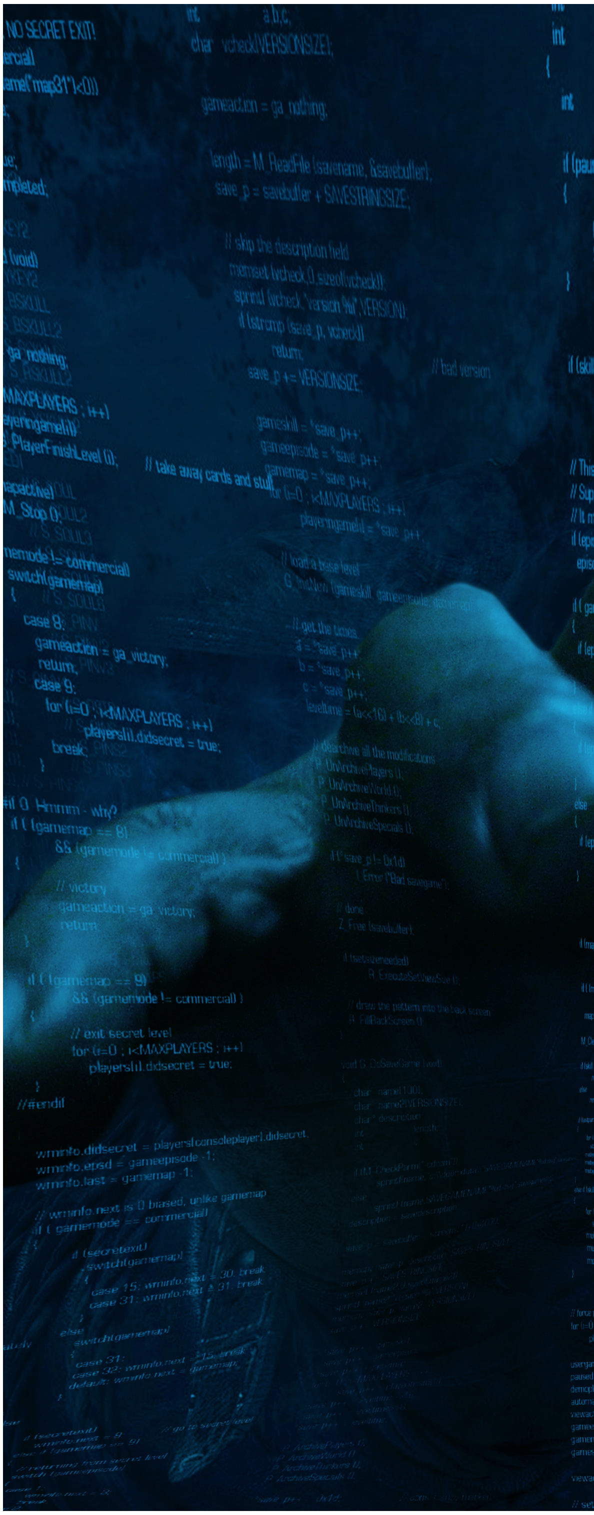
To fight the scourge of pension scams and keep up with scammers' ever-changing tactics, we need a clear understanding of the size of the problem and good quality intelligence.

Combat Pensions Scams campaign

We are pleased the committee has recognised the great start TPR's Pledge to Combat Pensions Scams campaign has had. Launched last November, more than 200 organisations have already signed up. All have publicly pledged to commit to six key principles –including embedding best practice on scam reporting. Some reported changing their processes to make sure they can meet the pledge's principles. This is a great start but we are calling on more organisations to play their part and sign the Pledge.

We are working with Action Fraud and the industry with the aim of making the reporting process clearer and more effective. The Pensions Scams Industry Group, which is a voluntary body set up to combat pension scams, is also updating its Code of Good Practice. The refreshed code is expected to help pension providers protect savers with information on when and how to report suspicions. And TPR has introduced scams training for all trustees, via a new module of the Trustee toolkit, helping them get better at recognising the signs of a scam and by providing a 'warning letter' for all those looking to transfer out of a Defined Benefit pension.

Year	Total reports	Monthly average
2014	1,788	149
2015	1,353	113
2016	547	46
2017	409	34
2018	357	30
2019	424	35
2020	358	30
2021	114 *	57 (*figure up until end February 2021)
Total	**5,459**	**63**



The Pledge to Combat Pensions Scams:

Steps to make the pledge:

1. trustees, administrators and providers can sign up to the pledge through a dedicated website to show their commitment to combat pension scams
2. pledgers can use our resources and online education tools to understand what they should do to protect savers
3. when the six pledge steps are met, pledgers can self-certify that they have acted and will continue to abide by the six pledge principles.

Pledge steps:

1. regularly warn members of the risk of scams
2. encourage those requesting cash drawdown to call The Pensions Advisory Service for free, impartial guidance
3. learn the warning signs of a scam and best practice for transfers
4. take appropriate due diligence measures and document pension transfer procedures
5. clearly communicate concerns to members if high-risk transfers must be made
6. report concerns about suspected scams to the member and authorities.

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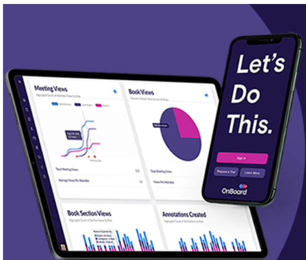

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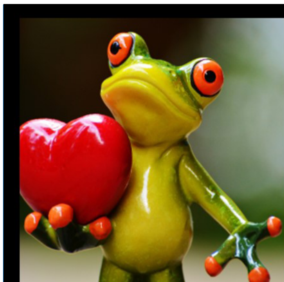

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