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June 2021

Pensions Aspects

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Leading the way

The flight path to captivating member engagement

TURNING THE TIDE ON PENSION SCAMS

WELL, I WOULDN'T HAVE STARTED FROM HERE ...

PENSIONS IS BORING: WHAT CAN MASTER TRUSTS DO ABOUT IT?

Pensions Management Institute
Moving pensions forward

Moving to **the next level...**

By Dr Keith Hoodless, Director of Qualifications and Lifelong Learning, PMI

The PMI has two significant events this year. Firstly, it is our 45th birthday operation and, secondly, we are reaching the end of the five year plan we developed in 2017.

The PMI has always been there for the sector; it is the 'go to buddy' when you needed help, access, or even someone to moan at, but it was also the 'comfort blanket' for support, for education, for advice and for insight and, from then until now, it continues to be so. When we looked at developing a five year strategy, in what seems like an eternity ago, in 2017, no-one could ever have forecast the world we would be living in now; the breadth of change and the acceptance of new ways of working. We knew where we wanted to be, but we could never have understood how we were going to get there.

I make no apologies for highlighting the progress we have made over this period of time at the PMI because, to us, COVID-19 was not the detractor for improvement, it acted as the accelerant. What actually happened has transformed the way we work, and has transformed the way we think and operate as a provider, as an educator and as a body that supports the sector. Furthermore, not only has it not stopped us, but it has pushed forward the ideas we have, the strategy we forecast and the technologies we wanted to embrace. Due to the pandemic, we all find ourselves in the situation where we feel compelled to hold the digital experience as the summum bonum of all the PMI processes, as we move to an era of 'digital by default'.

Over the next few months, as we celebrate our birthday, you will see the roll out of more events, more insight, more collegiate ways of working and, excitingly, the launch of the PMI Academy.

Developing the Academy formed part of our 2022 Vision. It has been an iterative process over the last five years with new ideas, new philosophies and new people. The key to fulfilling this intent was always to expand the current learning and education portfolio from standard qualifications, seminars and CPD to also including apprenticeships, bespoke and short-course training, and societal financial education.

The PMI as an organisation already had an excellent reputation for delivering the standard qualifications required by the industry, and we are now winning awards for these efforts. But it was never enough. It is now the intent of the PMI, with the Academy, to provide a coherent and easily accessible range of educational products under one roof, where learners are at the centre of our delivery. The same learners have to be supplemented by relevant, progressive and expandable choices though a range of different educational approaches and products which include events, insight and the ability to ask the right questions of the right people.

As we open the Academy doors we welcome working with organisations such as Penfida, BlackRock, and Spence and Partners, who will be the first organisations to deliver training as Academy partners. There are more sector organisations waiting in the wings to join us, for the exciting and developmental approach to collegiate working across the sector.

We need a well functioning and well regulated financial sector as this establishes the foundation for a strong, stable economy. It facilitates sustainable growth and job creation, improves living standards for all and, by association, contributes to society wellbeing. By empowering individuals and organisations through education, via the Academy, and providing them with the opportunity to be better educated, to network, and to share best practices, we can increase the effectiveness of working for, and within, regulatory frameworks, structures, policies and practices. With the Academy, the PMI places itself firmly at the heart of these processes for the pensions sector.

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PMI Academy update

Pensions Management Institute
Academy

Exam results publication dates

Advanced Diploma in Retirement Provision: **w/c 21 June 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 or visit our website **www.pensions-pmi.org.uk/pmi-academy/qualifications/award-in-pension-trusteeship**

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

Autumn 2021 exam dates

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

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

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

Bookings are now open.

Certificate in Pension Scheme Member Guidance

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

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

Assessment method
This qualification consists of a multi-choice test which assesses modules one to four – it is compulsory to pass this test. Modules five to eleven have case study type assignments for each module – it is compulsory to pass this part of the online programme.

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

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

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

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

Membership update

Pensions Management Institute

Membership

Obituary

Robert F Hubbard, PMI President, 1991 – 1993

Robert held senior positions at Eagle Star and was a very likeable, good humoured and able PMI President who oversaw the move to the Artillery Lane office in 1992.

Alan Bennet FPMI

Our deepest condolences to the family and friends of Alan.

Continuing Professional Development (CPD)

Fellow and Associate members with 2020 CPD oustanding were notified to complete and submit their CPD using the PMI CPD recording tool in the 'My PMI' area of the member portal, or by providing a completed and signed self- declaration form by the end of May 2021. Failure to comply may result in the withdrawal of their designatory initials FPMI and APMI, or members will be required to make up any shortfall in their CPD in 2021.

Membership Upgrades

This is the perfect time to upgrade your membership if you have passed one of our qualifications and are therefore eligible.

Members wishing to upgrade from June 2021 will only be required to pay £50 and the annual subscription at the appropriate rate. For further details contact the Membership team at **membership@pensions-pmi.org.uk** or on **020 7392 7410.**

PMI Membership Fees

Your 2021 - 2022 membership becomes due on 1 September 2021. Renewal notices will be sent by email shortly. Please see membership fees below.

Please ensure the email address we have on file for you is up-to-date via your 'My PMI' member portal.

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

Membership Record

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

Membership update

Certificate Membership

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

Dominic Ramsay
Ellen Phillips
Sian Ford

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**

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.

Regional news

Pensions Management Institute
London

The PMI London Regional Group is pleased to confirm our AGM will be taking place virtually on Wednesday 14 July. Our AGM provides an update on work done by the group and more information regarding joining the meeting will be circulated directly to London Group members and via our PMI London Group LinkedIn Group. Please sign up if you haven't already.

As part of our planning for the AGM, we will be looking for people to join the London Group Committee. Details regarding standing for membership of the committee will be circulated by the secretary. We hope to welcome new committee members and if you wish to have any further information on membership then feel free to contact any of the committee directly. Full details can be found here: **www.pensions-pmi.org.uk/about/regional-groups**

Pensions Management Institute
Southern

The Southern Group are looking forward to a time when we will be able to meet in person again. In the meantime, we held our traditional half day seminar virtually on 12 May, full report to follow next month. Our next business meeting is scheduled for 22 June at 5pm. Details will be circulated to members shortly.

Pensions Management Institute
Events

Flagship events

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

8-11 June
Introduction to Pensions (Advanced)
Online

9 June
Endgame options for smaller DB schemes
Online

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

16-17 June
Trustee Workbench
Online

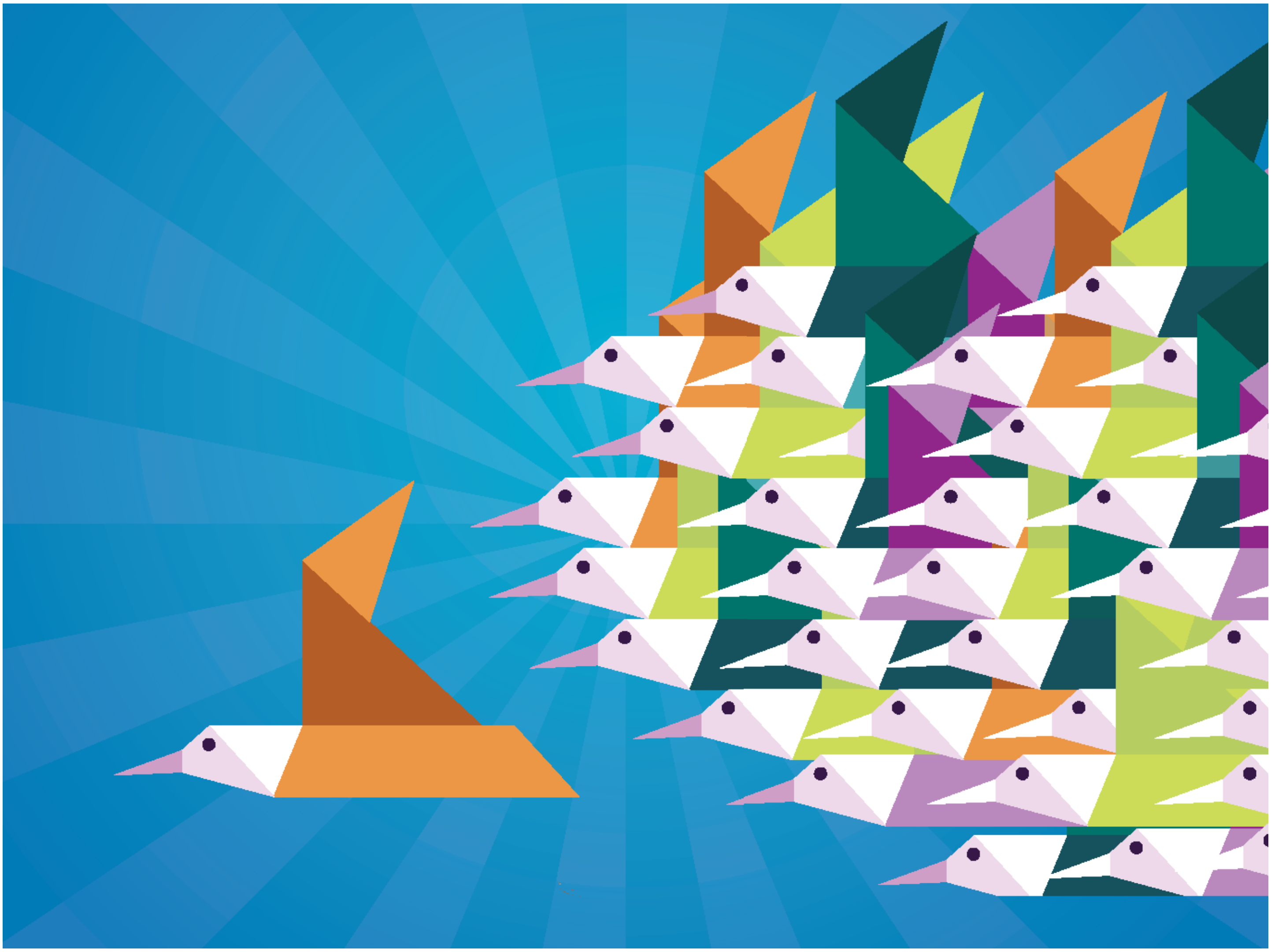
22 June
PMI Academy Training
Online

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



Leading the way

The flight path to captivating member engagement

This month's feature articles include:

Turning the tide on pension scams / Well, I wouldn't have started from here / Pensions is boring: what can Master Trusts do about it?

Turning the tide on pension scams

These uncertain times are often seen as a window of opportunity for scammers looking to prey on vulnerable individuals. A report by Action Fraud found that pension scams had become one of the most common types of fraud to occur last year. The pensions industry is facing pressure to do more to prevent this situation, but what role can trustees play?

By Jonathan Watts-Lay, Director, WEALTH at work

Since COVID-19 first struck more than a year ago, pension scams have been on the rise with thousands of savers affected. Action Fraud warned in April that almost £2 million has been lost to pension scams so far this year, and that reports of pension fraud received in the first three months of 2021 had increased to 107 which was almost 45% more than the same period last year.

Unfortunately it's a problem which has been around for some time and the Pension Scams Industry Group estimates that £10bn may have been lost to pension scams by 40,000 people since 2015, when the pension freedoms were introduced. Losses can range from under £1,000 to up to £500,000, according to Action Fraud.

Defined benefit (DB) pension transfers are a particular area of concern, and the XPS Pension Group highlighted that over half of DB transfers in March this year indicated at least one warning sign of a potential scam or, at the very least, the potential for poor member outcomes. It also said that the level of red flags were much higher than before the pandemic.

Whilst most people are confident that they are able to spot a scam, research by Citizens Advice found that more than 1 in 8 of those approached had been drawn into the latest scam targeted at them. It can be easy to see why so many are caught out. Scammers have legitimate looking websites and their friendliness can make you feel like they know you well.

However, there is an opportunity for Trustees to prevent this situation. The Pensions Regulator (TPR) has asked Trustees to pledge to do what they can to protect scheme members, including providing regular warnings on pension scams, encouraging members who are considering cash drawdown to access impartial guidance from the Money and Pensions Service, to carrying out checks on pension transfers, and warning members that insist on high-risk transfers.

The Pension Scams Industry Group (PSIG) has recently updated its Code of Good Practice to reflect the latest regulatory and legislative changes, as well as the evolving nature of pension scams. In particular, key changes relate to TPR updates including a new letter which warns members who are thinking of transferring their benefits to a defined contribution arrangement of the risks of doing so; as well as additional guidance for trustees to encourage the use of Pension Wise or regulated advice, and to provide risk warnings about complex investment structures.

The new recommendations by PSIG include for trustees to consider the use of the telephone to engage with members during the due diligence process and before any transfer payments are made, when concerns of pension scamming have been identified. Also, all transfers of concern should now be reported and not only those which are refused. The PSIG's three core principles remain the same including: raising awareness of pension scams for members and beneficiaries; having robust processes for assessing whether a scheme may be operating as part of a scam; and being aware of the known current scam strategies.

What can trustees do?

Trustees play a key role in ensuring members make informed choices concerning their pensions. This includes providing financial education and guidance as it can help members understand their options and what red flags to look out for. It can also help them to decide if they would like further support such as regulated financial advice, although this of course is a requirement for anyone looking to transfer a DB scheme over the value of £30,000.

Carrying out due diligence on providers can make the process far more robust. This should include checking that any financial education and guidance providers are workplace specialists with experience of providing support to members to help them understand key issues at retirement such as tax implications, risks around DB transfers and how to spot a pension scam. Due diligence on regulated advice firms should cover areas such as qualifications of advisers, regulatory record of the firm, compliance processes e.g. compliance checks of 100% of cases, pricing structure, and experience of working with employers and trustees.

It's time that trustees turn the tide on pension scams and put in place robust processes to support and protect members. This now needs to be about striving for good member outcomes and not minimal compliance, as many years of pension savings can be lost in the blink of an eye.

Turning the tide on pension scams / Well, I wouldn't have started from here / Pensions is boring: what can Master Trusts do about it?

Well, I wouldn't have started from here ...

By Graeme Riddoch, Head of Product Development, Mantle Services

Recent guidance from The Pensions Regulator (TPR) and Financial Conduct Authority (FCA) has clarified a number of issues for pension scheme sponsors and trustees with regards to supporting pension savers with their financial decision making. It codifies best practice and clarifies a number of issues that have been live over the last six months. So, if you're a scheme sponsor or a trustee, here's what you can do – and what you can't.

You can:

- Provide general information and support as long as there's no commercial benefit to the trustees or sponsor
- Provide transfer values (TVs) on request
- Provide factual information for comparative purposes where a pension saver might be considering a transfer. For example, where they've reached the scheme minimum retirement age you can show what an immediate annuity might provide.

You can't:

- Promote a solution, product, or set of options. That tips into advice and is a regulated activity
- Provide unsolicited TVs without 'context'. For this purpose, context could include signposting to information and guidance and providing even-handed educational content. It also extends to information on life expectancy so that pension savers can view their TV in the context of how long it might need to last
- Provide 'modellers' that make assumptions about the future, such as comparisons between defined benefits and defined contributions where future investment returns and inflation assumptions are used

You also can't take account of specific areas such as attitude to risk. Gathering such information and presenting back a potential outcome is most definitely advice.

How can you best help pension savers engage with and understand their choices?

Well, with a clean sheet of paper there's probably a model solution. But we're not starting with a clean sheet of paper. It's a bit like the old joke, immortalised in The Quiet Man, where a tourist asks how to get somewhere and a local responds: "well, I wouldn't have started from here".

With that sage advice in mind, if you were able to start from somewhere else where would that be? In the modern digital age it wouldn't be by trying to get everything across in writing. Nor would you remove that as an option. It's just that most people nowadays consume information online.

The pensions industry has, historically, been slow at embracing online as a way to engage and communicate. I won't bore you with all the stats on the trend to online. I'm sure through lockdowns you'll have increasingly moved to online and in many cases will stay there. Recent research on mobile banking shows that around 60% of customers who moved online plan to stay.

So, if you were starting fresh, you would certainly do so with an eye to online.

Looking at the recent guidance from The Pensions Regulator (TPR), how can you use online technology to help pension savers with their benefits and options?

If you haven't already enrolled a pension saver onto a website then your first job is to make it as easy as possible for them to get online. It doesn't matter how good your material is if it's too hard to access.

This is where our friend the QR code can help. QR codes have become a fundamental part of everyone's retail and hospitality experience over the last twelve months. They're a great way to quickly and easily direct people to content, be that animations, educational websites or tools. Just point the camera at the code and you're on your way. You can even personalise the QR code, turning it into a password to access specific content, such as a transfer value (TV).

Compare that with having to transcribe a web URL into a browser then enter a username and password. That's a real barrier to getting people to act. Let's stay on the TV theme for now. Lots of schemes regularly send out TVs on benefit statements or at retirement. The TPR requirement is that if you do that, you'll have to provide 'context'. That extends to information on life expectancy, and even-handed educational content.

How about this as an alternative? Add a personalised QR code to the benefit statement. That takes the pension saver to a personalised micro site. Once they've accepted some T&Cs, they get to see their TV, alongside some useful tools, such as a longevity calculator so they can understand how long they might live, and why the TV looks like a lot of money but might not be in the context of how long it needs to last.

Supplement this with a batch of educational content and animations and that's a fully compliant and engaging journey.

Both TPR and the Financial Conduct Authority (FCA) have also talked about signposting to annuity comparison sites for those pension savers in a position to retire now. But we might want to go one better and pre-populate pension savers' details into a real time annuity tool so they can compare this with the scheme income. Again, supplemented with simple explanations and animations and you're really able to help people see the bigger picture.

Moving pension savers to online engagement also allows you to track what actions they have taken so you can better measure what they're actually doing. That helps trustees to evidence that they've taken a rigorous approach and to make changes where necessary that will further improve the offering.

None of this is rocket science and the tools are currently available to transform the experience for pension savers. Now you just need to get started!

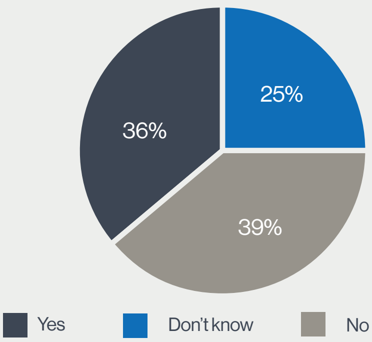
Pensions is boring: what can Master Trusts do about it?

By Anish Rav, Head of Client Strategy, Atlas Master Trust

Some of you may have attended the PMI's webinar in April where I spoke about whether environmental, social and governance (ESG) factors are the panacea for pension engagement, and considered where we, as an industry, are going wrong on engagement. As can be seen from the graph below, there was a recognition that pensions engagement strategies aren't very effective, with only 36% of respondents to a live poll on the day believing that their strategy was really effective. From this we can probably tell that there still appears to be a considerable amount of work to do.

Do you think your pension engagement strategy is really effective?

Source: PMI webinar 12 April - ESG the panacea for pension engagement?



Why do pensions fail to capture the imagination?

Before I consider how Master Trusts can play a leading role in engaging with members, let's look at what's wrong with pensions. Ask any marketer and they will tell you that, to be successful, you have to tell a strong coherent story and with a distinct want - pensions doesn't. We tell a story of complexity and bewildering terminology, in a patronising manner, all wrapped up in pages and pages of disclaimers!

I believe our starting premise on pensions, that there is an interest in pensions, is wrong. We have to accept that pensions are BORING! Yes, I know it's hard to believe but the general public doesn't spend all of their waking hours wanting to become pensions experts (until, of course, it's time to retire). Just look at what happens when you go to the pub or attend a wedding (now we're allowed to). If you say you work in pensions, people quickly make their excuses and move on (or maybe it's just me!). A friend of mine (who shall remain anonymous) decided to experiment and instead of saying he worked in pensions, said he worked in financial services and was instantly more popular!

Creating a relevant, topical & emotional connection

We need to stop trying to make pensions exciting; they never will be. Instead, we need to use levers that are topical and relevant, so that members feel a connection to pensions. The levers will change over time and there is a need to ensure we recognise when this happens. Engagement is not just about putting tech on the front end and saying job done; it's much more. Yes, tech has a role to play, but simply by having an app or online presence, there is no emotional, relevant or topical connection.

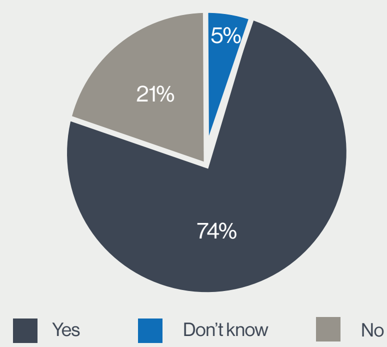
How can ESG help?

ESG is the lever we should use in 2021 to drive interest. I appreciate that ESG means different things to different people, but for this purpose that really does not matter. What matters is that it's relevant, individuals have a view about it and there is a connection to pensions that members can relate to i.e. 'what is my pension doing in this area and what are its plans to invest in companies that are not just best in the world but also best for the world'.

ESG has captured the imagination across all demographics and there are many high-profile campaigns which keep it as front page news. Not only that, members can see the impact on their everyday lives, whether that is something as simple as plastic bags no longer being sold in supermarkets, or the purchase of an e-car; it's something tangible and a topic of conversation that isn't seen as boring or dull. As can be seen from the graph below, nearly 75% of the respondents at the webinar agreed that ESG is a good lever to help members connect with their pension.

Do you think ESG is a good lever to help members connect to their pensions?

Source: PMI webinar 12 April - ESG the panacea for pension engagement?



Can Master Trusts lead the way?

The simple answer is yes! A master trust's scale means it has the skills, resource, budget and capability to drive engagement forward. Many Master Trusts have also grasped the ESG investment agenda and incorporated it into their strategies, for example, at Atlas, we have around 70% of the assets in the default lifestyle strategy invested in explicitly-focused ESG investments, with the remaining 30% still having ESG considerations fully integrated into the investment decision-making process. So, there is a good story to tell here; let's use ESG as the front page headline but give some prime time ad space to other important topics such as benefit adequacy or income options. This type of clever placement will give other newsworthy stories the airtime they deserve.

Conclusion

Pensions are, quite simply, boring, so it's up to us and especially Master Trusts to find the relevant and emotional levers. In 2021 it's ESG, but we should already start thinking about what it will be in 2022.

Influencing for good: responsible investing in 2020

By Vicki Bakhshi, Director, Responsible Investment, BMO Global Asset Management

2020 was a year none of us could have predicted, as the COVID-19 pandemic changed much about the way we live and work. Yet our commitment to responsible investment at BMO remained as clear as ever. We continued to allocate our capital responsibly and engage companies on environmental, social and governance (ESG) issues, reflecting our corporate purpose of boldly growing the good in business and in life.

Our engagement highlights

During 2020, we engaged 760 companies across 50 countries on a wide range of ESG issues. We recorded 1,541 total engagements, resulting in 343 instances of positive change, which we refer to as milestones.

- **31%** of our engagement linked to environmental issues – accounting for **28%** of our milestones
- **43%** of our engagement linked to social issues – accounting for **17%** of our milestones
- **26%** of our engagement linked to governance issues – accounting for **55%** of our milestones.

SDGs and engagement

The UN Sustainable Development Goals (SDGs) provide an ambitious roadmap towards a more sustainable world by 2030, as well as a clear engagement framework for investment specialists to encourage improvement within investee companies.

In 2020, **79%** of our engagement linked to the SDGs. Our top engaged goal was **SDG 8** – decent work and economic growth for all – at **19%.** This largely related to our engagement on workplace safety, which was paramount in the pandemic environment.

"As positive momentum builds around tackling the challenges our societies face, I am excited for what the future can hold, and proud of the opportunity we have at BMO to make a difference."

Kristi Mitchem, CEO, BMO Global Asset Management

Voting and corporate governance in 2020

Exercising the right to vote is a key part of our stewardship responsibilities, and an opportunity to influence change. In 2020, we voted on **117,820** resolutions – **27,563** of which were against management. We regularly engage companies before and after voting to explain our expectations and invite comment, and to explain our reasons for any votes against management

Public policy and investor initiatives

We continued to contribute to policy development through engagement with regulators in 2020, as we believe that policy and regulatory change are often the catalysts for improved corporate behaviour. Topics covered ranged from climate change in the EU to investor stewardship in Japan. We also participated in collaborative investor engagements and initiatives, which can be key to improving ESG standards on a larger scale. The issues we collaborated on included modern slavery, and mental health and wellbeing.

Interested in learning more? Download our Responsible Investment 2020 Review to discover details of our 2020 stewardship activities and company case studies, plus our key engagement themes for 2021.

Risk warnings

The value of investments and any income derived from them can go down as well as up and investors may not get back the original amount invested.

Views and opinions have been arrived at by BMO Global Asset Management and should not be considered to be a recommendation or solicitation to buy or sell any companies that may be mentioned.

The information, opinions, estimates or forecasts contained in this document were obtained from sources reasonably believed to be reliable and are subject to change at any time. Unless otherwise stated, all sources for data in this report are BMO Global Asset Management, as at 31 December 2020.

Why the Cheshire Cat should be leading your communication strategy

By Vincent Franklin, Founder, Creative Director, Quietroom

When Alice asks the Cheshire Cat which way she should go, he says it “depends a good deal on where you want to get to”. When she says that she “doesn’t much care”, he points out that, in that case, “it doesn’t much matter which way you go”.

The same advice applies when setting out to create a communication strategy, except you’re slightly less likely to lose your head. If you don’t know where the scheme is trying to get to, it doesn’t really matter in which direction your communications go.

Too many strategy conversations begin with talking about making the website easier to navigate or letters a bit more friendly. They begin with the assumption that shinier communication materials are what’s needed, and the strategy will simply turn that need into a detailed to-do list. But, like the cat says, outputs don’t matter until you know where you’re trying to get to.

So, before you reach for the Gantt chart, here are some things I’ve learnt, working with schemes that want to improve things for members and not just tinker with their website.

Make sure you have a clear picture of what you’re trying to achieve.

Completely forget about the communications you may or may not produce. Think instead about the outcomes you want. What would that success look like? Your scheme may already have its overarching strategy. Or, you could kick things off by asking your trustees to write a letter - dated May 2024 - that describes all the ways the scheme has improved over three years. Ask for lots of details about what the scheme looks like and what members are doing. Then ask trustees to swap letters and agree what the most important changes are. You might do this with your administration team too. What mistakes have members stopped making? What’s running quicker? How are changes helping members? All of this is about the destination, not how you’ve got there.

Now you know the destination, you can work out how communications can help you get there.

Maybe you want a future where trustees never spend time working out how to pay death benefits? Perhaps you want members to feel more confident about their retirement choices or proud of how their pension savings are building a better planet while they grow? Maybe it’s a mix of things. It probably is. Now you know what you want to achieve, you can think about how member behaviour needs to change if you’re going to get there. And that’s what communication is for - to change how people behave. What do members need to do more of and what do they need to do less of - or stop doing altogether? What new things do they need to do? Is there a particular group that needs to do these things more than another? Answering these questions will give you a lovely list of behaviours you want to inspire.

Take a look at how you're communicating at the moment

Don't just look at the usual suspects - the annual statements, newsletters and retirement packs. Put together member journeys that look at everything that members and their partners might experience over the years - forms, letters, portals. Examine what you're saying, when you're saying it, and where you're saying it. Are there gaps, contradictions or inconsistencies? Could what you're saying or not saying be getting in the way of members behaving in a way that gets you to your destination?

Ask members what they want

People marketing chocolate bars or shampoo would give all their teeth to have the kind of access to customers that we have. Your members are right there for you to talk to. Try putting some of this stuff in front of them to find out what they like and don't like. What makes sense and what confuses them? Do different groups have different opinions and needs? Really listen to the questions they have and the language they use.

How will you know if you're moving in the right direction?

Make sure you know how you'll monitor behaviour change and measure success. If you want more people to actively choose an investment pathway, how many more people would you like to be doing that? Sharp measures will show you what's working, so you can do more of it, and what's not working, so you can change it. Constantly review, refine and improve, because this is a strategy, not a one-shot newsletter.

Changing behaviours is like getting a rocket off the ground

To get a rocket off the ground you increase fuel and reduce friction. There are no mushroom-shaped rockets because no amount of fuel will overcome that amount of friction. Similarly, even the pointiest rocket is going nowhere on half a gallon of unleaded. Communication works the same way. You have to make people want to change and you have to make it easy for them to change. If you add loads of fuel, making people desperate to update their contact details, they still won't do it if it takes them forty minutes, three phone calls and two handwritten forms. Too much friction. And it's no good building an app that lets people log on in two clicks, if no one knows why they'd want to. Not enough fuel.

So, before you set off down any communication road, check in with the cat and make sure you really know where you're trying to get to.

How to start your Diversity & Inclusion journey

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

Organisations which encourage an inclusive culture can really benefit from the environment this can create for its people – helping to support fresh thinking and new ideas. While there might not be a quick route to creating a formal Diversity & Inclusion strategy, there are three core actions – which are explored in this article - that organisations can focus on when taking their first steps.

How to start your Diversity & Inclusion journey

Understanding the difference between diversity and inclusion is the first step to setting a formal strategy. Diversity is the characteristics that we all have and identify by. Inclusion is a feeling or culture that is created by the people within it.

So, having people with different diversity characteristics will not create an inclusive environment on its own. An inclusive culture forms when people, opinions, ideas and work are given the space and credence to flourish. That means inclusion needs to be embedded into organisational structures, and have accountability.

To achieve this, organisations need a clear idea of what they want to achieve and an agreed strategy on how to get there. There are three core actions organisations can focus on. These actions are not quick fixes – they may take years to achieve - but they will set you on the right path.

Get your executive teams on board

Executive support of strategy should be a primary focus – it's crucial to everything else. If executives are visible, vocal and transparent about their intent to create a diverse and inclusive organisation, it will empower others to be similarly supportive.

Use data to inform your strategy

Knowing the diversity of your colleagues will allow you to implement programmes, policies and interventions to encourage a culture where inclusivity can flourish.

Data comes in many forms, and not having people data straight away should not hold you back from making decisions on your strategy early on in the process.

You can access and understand challenges colleagues may be facing through published governmental research such as:

- the McGregor-Smith Review (2017)[1] into race in the workplace
- the Parker Review (2020)[2] into ethnic diversity of UK boards
- the Hampton Alexander Review (2016)[3] into increasing the number of women in senior positions in FTSE 350 companies.

You may already have the capacity to collect colleague diversity data through your HR system. If this is the case, you will likely have a high percentage of gender and age data from your payroll requirements.

If this isn't an option, and you do a regular engagement survey, you could incorporate diversity characteristic questions into it.

It's important to remember that diversity data is a snapshot of a moment in time in your organisation and can be a rich source of sentiment among colleagues. The main function of this data should be to understand if your organisation is a welcoming place for all people to work.

Collecting data in this manner will, ultimately, allow you to make informed decisions aligned to your Diversity & Inclusion (D&I) strategy in relation to the employee lifecycle of recruitment, retention and promotion. For example, at Aviva, we launched a bespoke ethnically diverse leadership programme in the UK in January 2020. 18 employees completed the first programme. In addition, line managers also underwent training and received guidance on how to help employees continue to develop their leadership skills.

Build communities for today and tomorrow

As well as listening to colleagues, giving them a voice can be instrumental to understanding the barriers in your organisation.

Employee Resource Groups (ERGs) are self-formed, colleague-run groups aligned to one or more diversity characteristics. In Aviva, we have created six 'communities' (what we call our ERGs) structured

around, and beyond, the protected characteristics as set out by the UK Equality Act (2010).

Our communities are:

- **Avivability** – supporting those with visible and non-visible disabilities in the workplace
- **Balance** – gender network to support gender parity
- **Carers** – to support parents and those caring for friends or family
- **Generations** – age network to support up to five generations in Aviva
- **Origins** – race, ethnicity, religion, belief and social mobility; celebrating our cultural differences
- **Pride** – sexual orientation and gender identity, supporting our colleagues who identify as LGBT.

ERGs are the social conscience of an organisation – involved because of their passion and incredible lived experience – which gives invaluable insight into what it means to be in a minority within the company.

While the ERGs should have view and be aware of your organisational D&I strategy, they must be given the space to create their own ways of working. They shouldn't be held accountable for organisational change, but can be powerful advocates.

For example, our Balance community supports our People Function on sentiment with issues such as our Gender Pay Gap, as well as holding the function to account on our actions to close it.

For this reason, ERGs are also a great way to engage your executive leadership in being visible allies and advocates for the ERG and inclusion in general.

ERGs are often run by colleagues alongside their roles. If possible, it is best practice to set a benchmark for allowing time away from their day job to focus on the running of the networks. At Aviva, we offer a three-day FTE per month for our community leaders to run the networks.

Our communities receive central support and guidance from our People Function to make sure collaboration and learning takes place across the different groups too. Often, they have the same barriers that can be overcome in the same ways.

ERGs also play an important part in the lifecycle of recruitment, retention and promotion. Running an ERG successfully is a wonderful way to develop your future leaders.

Within Aviva, we have the opportunity to weave leadership development into our formal Learning & Development programmes. Our partnerships with external firms such as Stonewall and Business in the community also afford us the opportunity to put our ERG leaders forward for external leadership training.

But this is not an exhaustive list. Once you've set the right core actions for your organisation, developing D&I allows you to investigate other actions such as policies, investing in L&D for minorities and external partnerships. These will help you on your D&I journey.

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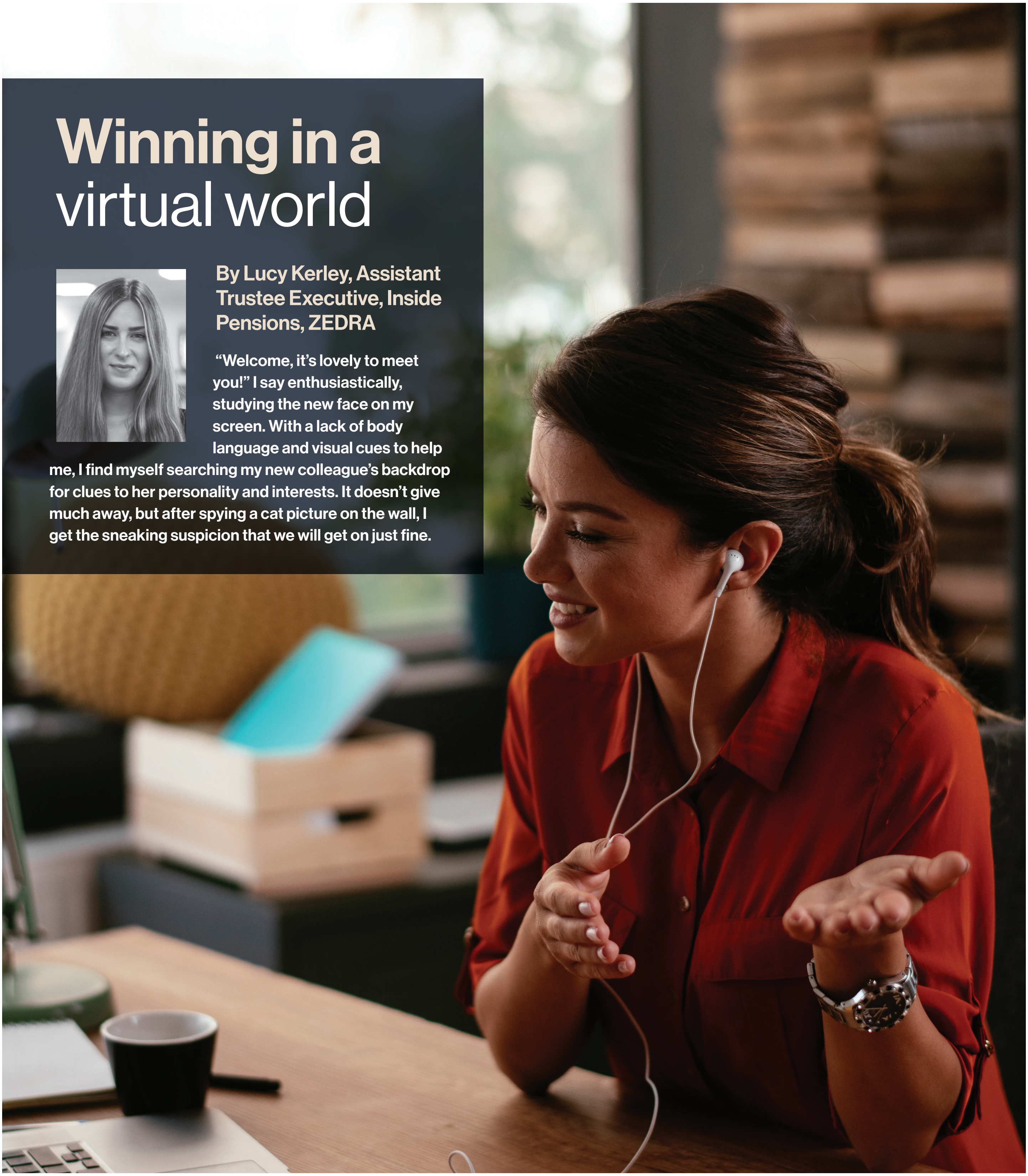
[1] https://www.gov.uk/government/publications/race-in-the-workplace-the-mcgregor-smith-review

[2] https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/news/2020/02/ey-parker-review-2020-report-final.pdf

[3] https://www.gov.uk/government/publications/ftse-women-leaders-hampton-alexander-review



Winning in a virtual world

By Lucy Kerley, Assistant Trustee Executive, Inside Pensions, ZEDRA

"Welcome, it's lovely to meet you!" I say enthusiastically, studying the new face on my screen. With a lack of body language and visual cues to help me, I find myself searching my new colleague's backdrop for clues to her personality and interests. It doesn't give much away, but after spying a cat picture on the wall, I get the sneaking suspicion that we will get on just fine.

Meeting a new colleague virtually is something many of us have experienced over the last year, but for those who are fresh out of education, or starting a completely new role, it is a different experience altogether. Anyone starting work since March 2020 is yet to shake any hands or go for after-work drinks. And some companies, like Twitter, have announced employees can work from home 'forever'. So how will this affect up-and-coming talent?

Watch and learn

In mid-summer 2020, COVID-19 infections had begun to fall. Pubs, restaurants and workplaces opened their doors once more. With the office open on a voluntary basis, a few of my colleagues came in a couple of days a week, breaking up the monotony of working from home. For some, it was their first time in the office, despite working at the company for months.

This began to show quite quickly. Without colleagues to learn from, the 'newbies' didn't know our office etiquette. Whilst having the best intentions, they answered video calls at their desks without earphones, left coats on the backs of chairs, and bags in the gangway. Of course, a quiet word rectified these innocent faux pas, but it got me thinking. What other, less visible consequences did the lack of office exposure have on young people? It really highlighted how much we learn by observing those around us - 'inadvertent knowledge transfer',[1] if you will.

Building bridges

"Don't approach Karen before her first coffee…! John doesn't use instant messages!"

A major part of settling into a new role is getting to know your colleagues and managers. Many of us have learnt early on that adapting your communication approach to suit an individual usually leads to a better outcome. These small warnings or titbits of advice in staff kitchen conversations are much harder to initiate online. And with instant messaging keeping a record of every single conversation, you can expect teammates to be more reserved.

After getting accustomed to an individual's way of working, we then tend to build on that relationship by getting acquainted with their interests and hobbies. Getting to know co-workers socially plays a fundamental part of forming positive work relationships. And positive work relationships, in turn, usually lead to higher engagement with your job[2]. Social chit-chat also goes a long way with colleagues who you do not work directly with, helping to increase your presence and reputation within a company. Whilst in the office, we often overhear conversations that give us key information on personal interests. For example, picking up that Susan from accounts has a holiday home in France, gives you a starter for ten next time you bump into her at the water cooler.

A study by the Harvard Business Review found that social connections play a central role in fostering a sense of purpose and wellbeing in the workplace[3]. I have personally found that my work relationships are strengthened following a work event, like the Christmas party, or after-work drinks – especially when there's wine involved! Being with colleagues in social situations encourages us to be more open and honest, which I find leads to a more friendly relationship and a deeper sense of mutual understanding. So what happens when the opportunity to form these social connections is massively reduced?

Another quiz?

Despite the lack of inadvertent knowledge transfer and team drinks, beginning a new role virtually does not have to be a negative experience. As always, we adapt. Many employers have taken steps to increase colleagues' (old and new) interactions, such as encouraging virtual 'tea breaks' and setting up company-wide team quizzes. For those who are new to the workplace, and starting in a virtual environment, I believe that it is paramount for employers to increase the frequency of one-to-one meetings with managers, and take an active role in structuring introductions to colleagues. Whilst less experienced team members will naturally meet and talk to those they work directly with, they often lack the confidence to strike up a conversation with a 'stranger'. By arranging these initial introductions, we can remove some of the anxiety in starting these conversations and hopefully give them the confidence and tools to continue building these relationships. Whilst I don't believe in spoon-feeding, I think it's only fair that young people have the same opportunities to develop and connect with colleagues as you or I did.

Working from home: here to stay?

Offices are reopening, but the overwhelming consensus is that working from home is here to stay. Nowadays, it's common to see jobs advertised as fully home-based, and many employers will be reassessing whether an office space is essential to its operations. So we need to refine our approach to homeworking and inducting new team members, and make sure those who do lack an office environment are not disadvantaged.

[1] https://www.gensler.com/blog/the-benefits-of-inadvertent-knowledge-transfer

[2] https://www.gallup.com/cliftonstrengths/en/249605/having-best-friend-work-transforms-workplace.aspx

[3] https://hbr.org/2019/07/to-be-happier-at-work-invest-more-in-your-relationships

Membership by experience (EPMI)

By Nisha Harley, Membership Development Manager, PMI

The PMI recognises there are senior professionals with considerable experience working successfully within the pensions industry, but they may not hold a formal PMI qualification. It may not have been practical for them at this stage in their career to undertake the PMI qualification but as the PMI develops and expands, the Institute would like to find a way of engaging these individuals.

The concept of inviting prominent pension professionals under preferential terms, without having the usual PMI qualifications, was first awarded in 1976, the founding year of the PMI, as follows:

- 1521 applicants were considered suitable candidates for Associateship
- 144 of these original Associates were invited to become Fellows.

Individuals granted Member by Experience status (EPMI) status will be able to bring a wealth of valuable experience to the PMI which we are keen to utilise. The PMI Board has approved the recognition and granting of the status EPMI to persons who have:

- made significant contributions within the pensions industry, or other pursuits allied with, and beneficial to, the pension profession
- achieved a vast wealth of knowledge, expertise and experience, accumulated over the years, in any aspect of pension scheme management, consultancy, law, and administration.

The status of EPMI may be suitable for individuals primarily with strategic/executive roles in defining pensions policy within their area but this is not a compulsory prerequisite.

The EPMI route will consider and assess the knowledge, skills and work experience that applicants have accumulated, including any previous qualifications that support their application.

Examples that may evidence this include:

- Regular delivery of event speaking slots
- Regular contributor to thought leadership articles that are recognized as insight
- Internal activities (subject matter experts (SMEs), examiner/marker within their area)
- Any relevant experience with other organisations/broader accountability e.g. CEO of smaller associations
- A credible professional history with exposure and/or responsibility for pensions policy/pensions operations etc.

In addition, applicants should be able to evidence at least 10 years of overall experience of regular or continuous influence and contributions to the pensions sector, with 3-5 years at a senior level.

Other roles obtained may consist of, but are not limited to, pensions lawyer/consultant/manager.

EPMI members will gain access to a wide variety of highly sought after member benefits including use of distinguishing post nominals EPMI, eligibility to be co-opted onto the PMI's governing structures, member rates at PMI events, and much more.

We are now calling on our members to consider whether you have any colleagues or contacts within your professional network, or colleagues who have not followed the traditional PMI qualifications route, but you feel fits the profile outlined above.

We are very excited by the launch of this new membership type and the wealth of knowledge and expertise this will bring to the PMI. This, in turn, will support us in providing even more valuable member resources and fit-for-purpose products and resources to better service the pensions industry.

If you have any questions or concerns around the launch of this new membership grade, or you wish to nominate someone to be granted EPMI status, please contact us with details of your nomination at **membership@pensions-pmi.org.uk**

Climate risk update

– a quick guide

By Mark Jenkins, Partner, CMS

The Pension Schemes Act 2021 (the Act) introduces a requirement for occupational pension schemes to manage the effects of climate change as a financial risk, and to report on how they have done so in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. A compliance framework regarding the new duties will be put in place, including additional powers being given to The Pensions Regulator (TPR).

The aim of this new legislation is to ensure that trustees of the biggest pension schemes limit the risk climate change poses to members' benefits and to support the government's Green Finance Strategy under which all large asset owners will make disclosures, in-line with TCFD suggestions, by the end of 2022.

The government consulted on regulations that imposed requirements on trustees to ensure effective governance of the scheme in light of the effects of climate change. The recently published consultation response confirms that trustees who are subject to the new requirements will have the following ongoing duties:

Governance: establish and maintain oversight of climate-related risks and opportunities. Trustees must establish and maintain processes to ensure that those undertaking governance on their behalf are taking adequate steps to identify, assess and manage climate-related risks and opportunities.

Trustee Knowledge and Understanding (TKU): have the appropriate knowledge and understanding of the principles relating to the identification, assessment and management of climate change risks, and opportunities to enable them to properly exercise their functions.

Strategy: identify and assess the impact of climate-related risks and opportunities, which will have an effect over the short, medium and long term, on the investment and funding strategy.

Scenario analysis: undertake scenario analysis; assessing the potential impact on the scheme's assets and liabilities, the resilience of the investment and funding strategies for at least two scenarios, one of which corresponds to a global average temperature rise of 1.5-2°C inclusive, on pre-industrial levels.

Risk management: establish and maintain processes for the purpose of being able to identify, assess and effectively manage relevant climate-related risks.

Metrics: select and calculate an absolute emissions metric and an emissions intensity metric in respect of the scheme's assets, and select one additional climate change metric to calculate in respect of the scheme's assets.

Targets: set a non-binding target for the scheme in relation to at least one of the metrics they have selected.

Disclosure: publish their TCFD report on a publicly available website, and provide TPR with the website address for their most recent TCFD report, Statement of Investment Principles (SIP) and Implementation Statement.

The first wave

Schemes with £5 billion or more in assets are subject to these requirements from 1 October 2021. They must publish a TCFD report by the earlier of:

- 7 months after the end of the scheme year which is underway on 1 October 2021, or
- 31 December 2022.

The second wave

Schemes with £1 billion or more in assets will be subject to the requirements from one year after that scheme year end date and must publish their TCFD report by the earlier of:

- 7 months after the end of the scheme year which is underway on 1 October 2022, or
- 31 December 2023.

Given the extensive requirements associated with the incoming changes, trustees should start discussing the new obligations with their advisers.

The role of technology in **member communications and engagement**

By Richard Goldring, Communications Manager, Smart Pension

It's been well over a year since our first national lockdown and life has changed considerably for many pension scheme members since then.

For all of us in the industry, in times of uncertainty it is even more important than ever to engage and communicate effectively with members. It's a two-way process, one in which we have to put ourselves in the members' shoes and challenge existing industry norms.

For example, it always confuses me why there is such a separation between the way we think about saving money in everyday life and how we think about saving for retirement. Is it because you can't visualise retirement, or the fact you can't access your pension savings until you're 55?

Perhaps both, but there's so much we can do to bridge this gap.

Communications must be frequent, clear and easy to understand

At Smart Pension, we've recently made a point of ditching the jargon. Our in-house communications style guide has been tested with real scheme members to make sure that it's as effective and useful as it can be. It means we write communications that our members can understand, rather than what we think they can understand.

Here's an example. We recently tested common investment phrases such as 'lifestyle strategy' and 'lifecycle strategy'. Both terms would be familiar to anyone who works in the pensions business, and yet both tested poorly with our members. We decided to use 'investment strategy' instead, as it does what it says on the tin. Even small learnings like these are important because they help us to develop a better relationship with our members.

We've also proactively helped our members to better understand how their Smart Pension account works. For example, we've recently launched our member webinar series and communicated with members to let them know. The first in the series covered a range of topics, including sustainability, our simplified annual pension statement and pension basics. Again, we believe that the more you focus on clarity when communicating with members, the better they'll understand the benefits of saving and, in turn, the better we'll understand their behaviour.

Using technology to improve member engagement

COVID-19 has undoubtedly accelerated the trend towards digital transformation and increased everyone's dependence on technology. Yet traditional pension providers often shy away from the use of technology when trying to engage with members. At Smart Pension, technology is at the heart of everything we do and enriches our members' experience with us. As early adopters of the simplified annual pension statement, we're always keen to explore new ways to better engage our members.

Our Innovation Team is constantly testing new beta features with our members, with the aim of making pensions seem a little less dry and technical. A recent example is our animated pension walkthrough, which has had some really positive feedback.

We believe that innovative features like these break down crucial barriers with members, who expect content to be delivered in an easy and understandable way.

What's next?

So that we can meet the needs of both current and future members, we need to continually review whether we're doing enough for them and whether what we do is still fit for purpose. It's an ongoing process, and one that takes time, but it's through questioning existing barriers that the industry can make meaningful changes.

Tips for avoiding communications traps

By Katharine Swire, Associate Director, Sackers

Many trustees and employers are on a constant quest to capture the interest of their membership, and with good reason: there's a clear correlation between improved member engagement and better member outcomes. With greater information and understanding, members are more likely to make appropriate decisions, keep their scheme up-to-date with the information it requires, and be less likely to fall victim to a scam. But schemes must be careful about the 'hows' and 'whats', particularly in the light of a couple of recent industry publications. So, how can we make sure employees are engaged and financially literate, whilst avoiding the risks inherent in doing so?

How you say it

While the Swedish 'orange envelope' for pensions communications hasn't yet been adopted here, the concept gives us food for thought: simple, attention grabbing and informative.

The Pensions Regulator's (TPR's) issued draft single code reminds us of some sensible principles to apply. It expects communications to:

- be "accurate, clear, concise, relevant and in plain English"
- make use of technology appropriate for their scheme's membership, and that a variety of methods should be considered
- be accessible, both in terms of format (e.g. audio, Braille, large font), and languages (other than English) used
- Communications should also be regularly reviewed, taking account of any member feedback.

What you say

A good website (ideally one that works well across mobile formats) can be a powerful communication tool. But **schemes mustn't forget the data protection angles here.** If a website allows members to access or upload any personal data (e.g. a new address, or change to death benefit nominations), trustees must ensure that data protection requirements are being met. If, for example, engagement is monitored, with data collected to track usage of the website, the data policy must permit that, and that purpose must be reflected in the privacy notice. This could be covered off in any campaign to launch or refresh the site or to encourage members to log in.

And what if schemes want to offer financial education?

Trustees and employers have had a recent reminder to reassess the focus of member communications. In March, the Financial Conduct Authority (FCA) and TPR launched updated guidance for schemes on "providing support with financial matters without needing to be subject to FCA regulation".

The commentary and examples clarify behaviours which could stray across the line to 'arranging or advising' on transactions, and which would then require FCA authorisation. In particular, this includes providing members with benefit illustrations (unless with context and caveats, and without encouragement), or examples of the decisions someone should make regarding their benefit options. All member communications need to strike the right balance between giving factual information, and signposting independent advice and information services like The Pensions Advisory Service (TPAS) and Pension Wise (both shortly to be rebranded as MoneyHelper).

This seems like a useful point in time to consider communications afresh and to check that 'how you say it' is powerful without being problematic.

The Pensions Regulator's Climate Change Strategy - some key comments and next steps

By Clive Pugh, Partner, Burges Salmon LLP

On 7 April 2021 The Pensions Regulator (TPR) published its Climate Change Strategy, including its approach to the trustee requirement for Statement of Investment Principles (SIPs) to include an Implementation Statement by 1 October 2021. Considered below are some of the key extracts from the Strategy, together with a practical summary of related SIPs and Implementation Statement requirements.

The Pensions Regulator's Climate Change Strategy – some key comments and next steps

The Strategy comments that TPR regards climate change as "systemically significant to pensions, to our regulatory regime and to our statutory objectives".

As such, the importance of compliance with climate change requirements, both in respect of documentation and substantive steps, will understandably become a growing area of focus by the Regulator. This will be the case in both its educational and enforcement functions.

As regards compliance with the climate change requirements, Guy Opperman in an accompanying statement stated that "I applaud the commitment to update the Trustee Toolkit, and to properly enforce compliance with the basics".

This approach is also mirrored in the Regulator's Objective 1 in its Strategy that "we want to see schemes publish their SIP, Implementation Statement and, for those in scope, disclose their [Taskforce on Climate-related Financial Disclosures] TCFD report. Where they do not, and it is appropriate to do so, we will take enforcement action, which we may publicise".

To recap on some of the key relevant SIP requirements, for schemes with at least 100 members, these are:

<u>From October 2019</u> trustees have been required to adopt a policy on Environmental, Social and Governance (ESG) issues and include this in their Statement of Investment Principles. These requirements are divided into financial (including climate change) and non-financial material considerations (including ethics). This policy should be considered when making investment decisions.

<u>From 1 October 2020:</u> (i) Implementation Statements must be included in Annual Reports where a scheme's Annual Report deadline is on or after 1 October 2020 (ii) From 1 October 2020 defined benefit (DB) schemes must publish their SIPs online (this requirement already existed for defined contribution (DC) and hybrid schemes) (iii) Trustees also need to include information in their SIPs on their policies regarding how asset managers' performance and remuneration are reviewed in line with trustee policies. SIPs also need to include information on the duration of any arrangements with asset managers.

<u>From 1 October 2021:</u> Implementation Statements are required to be included in scheme SIPs and made available on a public website.

In addition, there are climate governance requirements for larger schemes. For schemes over £5bn, mandatory TCFD disclosure requirements will apply from 1 October 2021 (for schemes between £1bn and £5bn, it is 1 October 2022). Those schemes are required to report on TCFD by these respective dates or, if later, in their next audited accounts. These mandatory disclosures are in line with the task force's recommendations. The TCFD provisions include a requirement for trustees to have oversight of climate-related risks and opportunities. Further, trustees will be asked to work out the scheme's carbon footprint by calculating greenhouse gas emissions of the investment portfolio. Trustees will also have to set climate-related targets.

What needs to be included in an Implementation Statement?

The obligations of DB and DC schemes are summarised below in respect of Implementation Statements (See the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 as amended (The Disclosure Regulations). These include additional obligations for DC and hybrid schemes:

Obligations (see Sch. 3 Para. 30 Disclosure Regulations)	DB	DC and hybrid schemes
1. To describe the trustees voting behaviour (including the most significant votes cast by trustees or on their behalf)	Yes	Yes
2. To set out the extent to which the policies have been complied with (i) in respect of the exercise of rights including voting rights (ii) engagement activities in respect of investments including monitoring and engagement	Yes	Yes
3. In addition to 2 above, set out the extent to which the remainder of the SIP had been followed	No	Yes
4. Describe any review of the SIP undertaken during the year	No	Yes
5. Describe any changes made to the SIP during the years and reasons for that change	No	Yes
6. If no SIP review during the last year give the date of the last review	No	Yes

Items 2 and 3 above, in respect of following the requirements of the SIP, are required to be "in the opinion of the trustees" and, accordingly, it is important that the view expressed is that of the trustees rather than setting out or relying on the views of third parties.

Further commentary from TPR's Strategy Statement

TPR's Strategy Statement also includes the following:

- TPR comments that stewardship activities help trustees monitor risk, and stewardship has a key role to play in ensuring that an investment portfolio is robust in the face of climate change
- TPR will review a selection of the Implementation Statements and publish our findings
- TPR encourages trustees to sign up to the 2020 UK Stewardship Code, which outlines best practice on improving investment governance and risk management; and on communicating activity and progress towards addressing systemic risks such as climate change
- Before the UN COP26 climate change conference in November 2021, TPR will publish a Climate Adaptation Report. This will include an outline of TPR's plans towards using the recommendations of the TCFD, where applicable, as a framework for our own management of climate risk.

These comments reflect TPR dedicating significant resource to climate change issues including the active review of a selection of scheme SIPs. It will be important for trustees to engage with these SIP requirements and ensure that the SIP and Implementation Statements are considered fully and set out the position whilst paying heed to the specific circumstances of each scheme.

This approach reflects comments from David Fairs on 7 April that trustees: "should include devoting more board time to climate change, considering specific training, and, most importantly, integrating consideration of climate change right across decision-making".

Further guidance is to come, and also additional detail in regulations, which mean that boards will need to keep an active and ongoing review of the requirements and recommended practice.
In addition, TPR comments that a key policy driver is the government's Green Finance Strategy that aims to transform the UK's financial system for a greener future with new investment opportunities. One of the areas trustees may need to consider with care, and take advice on, is how to balance the climate change and other ESG requirements with the fiduciary duty to act in the best financial interests of members. This balance will need to take into account a wide range of factors including climate change issues and the relative return of ESG and non-ESG investments available to schemes, both in the short and longer term.

Professional Trustee Accreditation – a must have!

By Raymonde Nathan FPMI PTPMI, Professional Independent Trustee, PAN Trustees

Having been in the consulting business for over 30 years, it was a natural switch to join the ranks of Professional Trustees. However, it was clear to me that whilst being a Fellow of the PMI (FPMI) felt like it should be enough, the world had moved on and the role involved taking responsibility directly for real people's incomes in retirement. It seemed, therefore, entirely logical to look at what additional publicly acknowledged qualification would support me in my new world.

I decided that the PMI offered the best and most appropriate approach for me, and, after promising myself 30 years ago I would never do another exam, I found myself way outside my comfort zone, not only doing an exam but doing it on line!

How was it for you?

Being honest, whilst the worry level was high, fortunately the reality was that my general knowledge was wide, and I was able to complete the first exam reasonably comfortably. It was multiple choice and factual so, having been an advisor who liked the techy detail too, it was a test, but not an unduly hard one.

The second exam was a bit more challenging as it was more situational and, therefore, subjective. I quickly decided that trying to 'second guess' what others might do was the wrong approach and I settled into just answering the questions based on what I believed I would do in practice. This relaxed me and I felt the exam was fine.

I received my 'results' - pass or fail are the only results – fortunately I passed. It would have been nice to have had the actual mark and I have never quite understood why this cannot be provided. I did ask the question – and if I am honest , was not convinced on the rationale – so will follow this up in my role on the Advisory Council.

What happens next?

Having passed, you then move to accreditation. This is not as easy as you might expect as there are a number of moving parts, but that is as it should be. Having collated all the materials, including Disclosure and Barring Service (DBS), the Trustee Knowledge and Understanding (TKU) pass certificate etc. this was all submitted. I am pleased to say I was accredited very efficiently and so I'm looking forward to using this as a support to demonstrate my ability to carry out the role of a Professional Independent Trustee.

Overview

I think that having a qualification should be a requirement to put yourself out there as a Professional Trustee. It does not mean you have seen it all but it does give a minimum standard. We are the guardians of people's benefits and should never forget that whilst the member probably is not that fussed we exist, they do have a right to have professionally qualified guardians of their pensions.

How should trustees respond to a distressed employer and weaker covenant?

By Aidan O'Mahony, Partner, Aon

"How did you go bankrupt?" Bill asked. "Two ways," Mike said. "Gradually and then suddenly." Dialogue from Ernest Hemingway's 1926 novel, The Sun Also Rises.

"Gradually and then suddenly" is not only the most common route to bankruptcy but, in my honest opinion, is the most common route to employer distress. This is when an already weak employer takes a turn for the worse and distress is then almost inevitable. The (dubious) benefit of this gradually/suddenly route is that, in a pensions context, trustees have some time to prepare in the 'gradual' phase – assuming they are on the ball! In fact, The Pensions Regulator (TPR) recently published some guidance on this matter (which is summed up in the graphic on the next page).

However, COVID-19 (and some corporate events) have shown us another route to employer distress where the time frame is compressed, and the 'gradually' disappears and 'suddenly' becomes the key word. This is every trustee's nightmare and the focus of this article

So, let's assume the worst happens and that, due to COVID-19, trustees are suddenly landed with a distressed employer and a weak covenant. The scheme is under-funded and still reliant on the employer for a series of deficit repair contributions as well as under-writing expected investment returns (and don't even mention longevity and inflations risks). How should trustees respond? It would be great if such a scenario had been role played and there was an agreed plan, but let's assume that's not the case. Here's a few pointers:

1. Get on the front foot. If the scheme's employer suddenly became distressed, there is likely to be a lot of confusion and quickly moving events involving many competing stakeholders where a pension scheme can easily be forgotten about. Pension trustee boards are normally not the most agile of beasts and it is imperative that the Chair take control quickly, probably with an empowered sub-group of trustees and key advisors (a bit like TPR's Response Team). The immediate actions that are needed include:

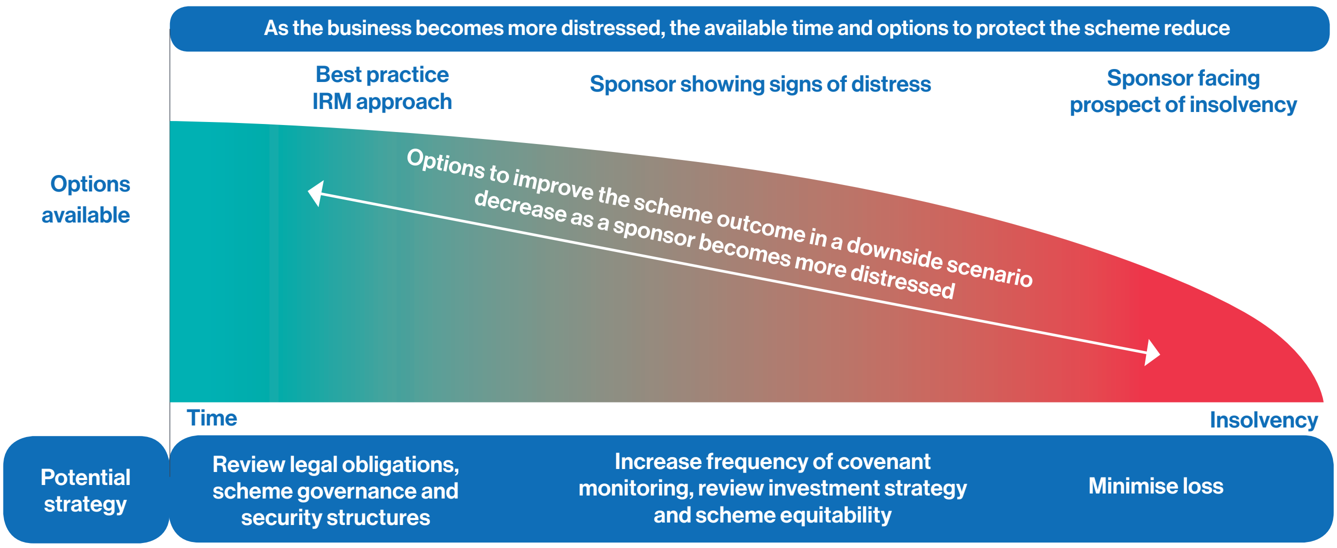
- Get the sub-group together and establish the facts (cause and likely effects of distress)
- What options are available to protect the scheme (but, that horse may have bolted)
- Determine what needs to be done immediately, next few days and longer-term
- Open lines of communication with the employer and other stakeholders (see below).

2. Use your advisors well. Your sub-group should include your advisors including legal, covenant, actuarial and investment. Good advisors will have experience of distress situations and will know the trustees' powers, understand the scheme's exposure and the position of other stakeholders, and the likely course of events. This group should be very careful about managing any trustee conflicts, especially if distress was caused by a corporate transaction such as a leveraged takeover. Also, trustees and advisors (and other interested parties) should be cognisant of the Pension Bill 2021 which has a focus on protecting members' benefits and which has wide-ranging and, as yet, untested powers!

3. Communication. A distressed employer is likely to attract attention from politicians, TPR, the Pension Protection Fund (PPF), tabloid journalists, members, etc. It is imperative that trustees understand the power of communications to keep members apprised of events, to explain their position/actions and to get their revenge in first.

Conclusion. With a 'suddenly' distressed employer the key for trustees is to establish a small empowered team who can move quickly and try to get ahead of events. This is where advance preparation will pay dividends, or, alternatively, it will be a dog's dinner for trustees.

Corporate stress curve



Faced with a struggling sponsor: what next?

By Tom Stockley, Trustee Director, 20-20 Trustees

The COVID-19 pandemic has led to the most extraordinary trading conditions for many businesses across the globe. Whilst the enforced changes to consumer and business habits and behaviours have thrown up some winners, once government support packages and legal protections gradually come to an end, many businesses are likely to face a battle to resume trading and, ultimately, survive.

Many defined benefit (DB) scheme sponsors will be facing this challenge over the coming months and years. Trustees must be well placed to spot the warning signs and should act to mitigate the risk to member benefits as well as the potential entry of schemes into the Pension Protection Fund (PPF).

So, what are those early warning signs? And what mitigation actions can trustees take?

In line with The Pensions Regulator's (TPR's) recent guidance on 'protecting schemes from sponsoring employer distress' the following are some key warning signs to consider:

- **Financial performance** – declining revenues, margins/profitability, cash flow constraints and loss of key customers can be indicators of pending distress. Further down the financial deterioration curve, failure to make creditor payments as they fall due is potentially a sign of impending insolvency.
- **Financial arrangements** – high financing costs can show that a business is more susceptible to a downturn in its fortunes whereas breaches of banking covenants or the withdrawal trade credit insurance may indicate imminent failure.
- **Sponsor events** - such as credit downgrades, a rapid fall in share price, profit warnings and even the loss of key personnel within the business.
- **Scheme events** – missed scheme payments and deficit repair contributions (DRC) deferral requests are further flags. As is a failure to provide information requested or in line with agreed protocols.

So what action should the trustees take when faced with these circumstances?

The answer to this question depends largely on the level of financial distress being suffered by the sponsor with the trustee's options ever decreasing with each uptick in the risk of insolvency.

There are, however, some key actions which trustees can consider:

- **Information –** to ensure the flow of information which is critical in monitoring a sponsor's financial standing and trading performance, guaranteeing early awareness of covenant issues and no unnecessary covenant leakage. As far as possible, trustees should have robust information sharing protocols in place with scheme sponsors.
- **Professional covenant advice should be sought, as appropriate.**
- **Understand the sponsors' legal obligations to the scheme.**
- **Review their scheme's creditor standing –** to understand the likely scheme realisations in the event of sponsor insolvency. Does the scheme have the benefit of security and/or third party guarantees? Is it possible to improve that position as part of any restructuring negotiations?
- **Review the position of other creditors –** as stated in TPR's guidance, to require equitable treatment between the scheme and other creditors as an absolute priority – the scheme's position should not be worsened to the benefit of other creditors.
- **Investment strategy –** to review asset allocation and whether general de-risking of investment strategy is prudent. With sponsor insolvency pending, to look to the medium or long term may not be appropriate.
- **The PPF –** to consider and implement the PPF's contingency planning measures, where appropriate.

Sponsor financial distress is one of the more difficult issues faced by a trustee board. It is also a time when early, quick and effective action can dramatically improve member outcomes and reduce the likelihood of PPF entry. Spotting covenant weakening early through effective information sharing between trustees and their scheme sponsors is central to those aims.

Act now to protect savers from climate risk

By David Fairs, Executive Director for Regulatory Policy Analysis and Advice , The Pensions Regulator

Climate change has the potential to de-stabilise the social and economic conditions on which we depend for our pensions system. David Fairs outlines how The Pensions Regulator's (TPR's) Climate Change Strategy aims to drive trustees to integrate consideration of climate change right across their decision-making and act on the risks and opportunities so that savers are better protected.

As a society, we are at a crossroads. Across everything we do, we need to assess our actions against the unprecedented risk we face through climate change.

In recent times we've faced a crisis caused by a pandemic. We've all taken urgent action to protect ourselves and each other. We need to treat climate change in the same way, and it is the planet, this time, that we also need to look after.

Climate change will be more catastrophic to our way of life than the pandemic if left unchecked. Global heating has the potential to de-stabilise the social and economic conditions on which we depend for our pensions system.

At TPR we know that trustees are talking about this already; exploring how climate change affects asset prices and looking at the huge opportunities that will come from a global pivot towards low carbon economies. In a world where the climate emergency is real and urgent, this is the prudent approach.

We believe that, wherever the focus lies for trustees, it is absolutely certain that any scheme that does not consider climate change is ignoring a major risk to pension savings and missing out on investment opportunities.

Climate change strategy

Our recently published Climate Change Strategy aims to drive trustees to act on the risks and opportunities of climate change so that savers are protected from climate risk.

The strategy outlines TPR's expectations that all scheme trustees will comply with existing requirements to publish their statement of investment principles (SIP) - including their policies on stewardship and financially material environmental considerations - and Implementation Statement.

These disclosures represent compliance with the basics on climate change. Where schemes do not comply, and it is appropriate to do so, TPR will take enforcement action.

The strategy comes ahead of proposed regulations which will require trustees of larger schemes to maintain oversight of climate risks and make mandatory disclosures in relation them.

The Pension Schemes Act

The proposals under the Pension Schemes Act will see larger schemes and all Master Trusts required to disclose their Taskforce on Climate-related Financial Disclosures (TCFD) report. By the end of 2023, TPR anticipates a significant amount of pension savings will be in schemes reporting in line with the TCFD recommendations - 81% of memberships and 74% of occupational pension scheme assets.

The strategy outlines how we will help trustees comply with the new rules for larger schemes but also signals that work on climate change needs to happen right across the pensions landscape - climate change is a risk for schemes whatever the size or investment strategy.

TPR is planning to publish guidance later this year, following engagement with industry, to help schemes comply with the new legislation and make the consideration of climate change risks and opportunities part of their systems of governance.

Relationship supervision will also encourage trustees to pay more attention to climate change in the building of portfolios and investment selection, and to engage with their investment managers to ensure they steward investments in line with trustees' policies and best practice.

Building capability

It is clear that all schemes need to build their capability in this area and should include devoting more board time to climate change, considering specific training and, most importantly, integrating consideration of climate change right across decision-making.

Building capability means trustees will be better placed to understand what climate-related issues mean for their scheme and be more able to make decisions which contribute to good saver outcomes.

We do not underestimate the scale of these challenges and we know that many schemes are still near the starting line. However, the new pensions legislation gives a vital framework for action while driving development right across the market.

Regulators across the entire UK investment chain are committed to disclosure of climate information and the government is making plans to achieve its target of net zero carbon emissions by 2050. This means that a landscape of resilient pension schemes that protect savings from climate risk is entirely within reach.

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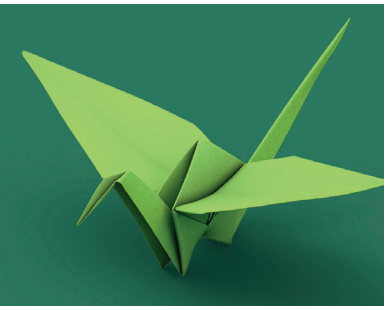

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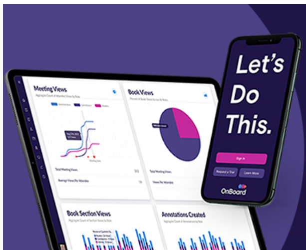

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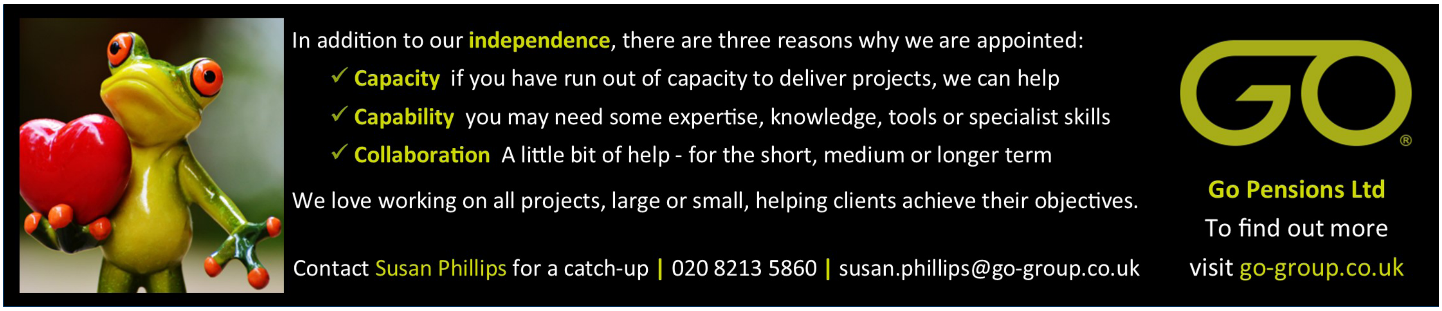

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