Edition 17
July/August 2019

Pensions Aspects

WWW.PENSIONS-PMI.ORG.UK

Governance & Trusteeship

The path towards good governance and the challenges that lie ahead

HEADING FOR THE END GAME

TRUSTEESHIP – GETTING YOUR BOARD ON THE RIGHT TRACK

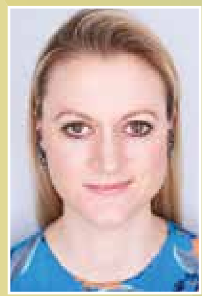
CULTURE: THE HEART OF GOOD GOVERNANCE

Pensions Management Institute
ACHIEVING PENSIONS EXCELLENCE

PMI Annual Lecture 2019

THURSDAY 26 SEPTEMBER 2019 / 5.30PM - 8.00PM

GREAT HALL, JP MORGAN, 60 VICTORIA EMBANKMENT, LONDON EC4Y 0JP



Speaker: Sophie Hackford

Sophie is a futurist whose research entails meeting weirdos and troublemakers in off-the-beaten-track labs, makerspaces, garages around the globe - Shenzhen, Seoul, Detroit, Mumbai. As part of her research, she consults for exec teams and boards of large companies on understanding the explosive new technologies defining the new economy. Sophie is also co-founder of a data and AI company, 1715 Labs, spun out of the Astrophysics department at Oxford University with her academic collaborator. This follows a career building businesses for WIRED magazine, for Singularity University at the NASA Research Park in Silicon Valley, and prior to California, the interdisciplinary Oxford Martin School at Oxford University, where Sophie raised more than $120m of research investment. Sophie is a board member of 3 early stage tech companies.

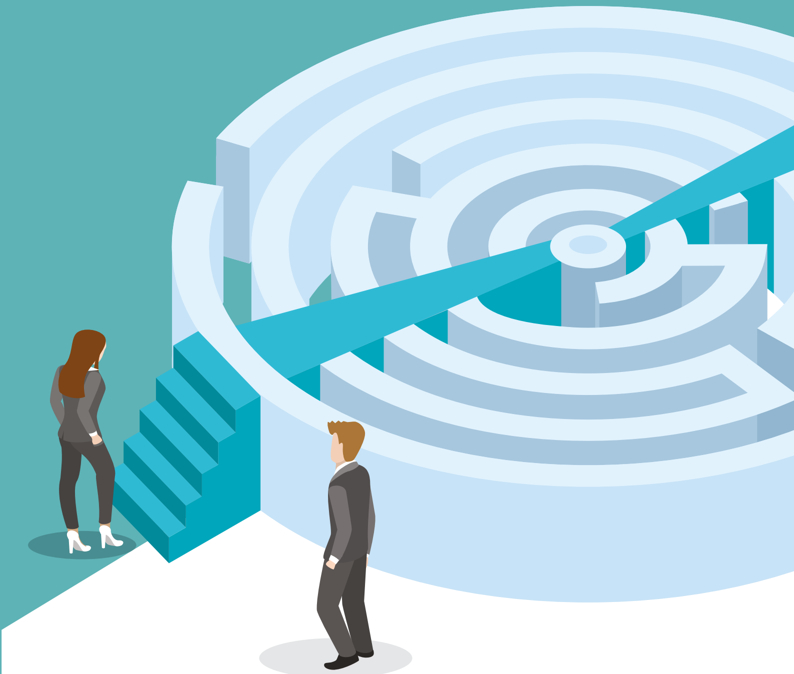
NON-MEMBERS £80 + VAT
FREE TO ATTEND FOR PMI MEMBERS
MUST BE PRE-REGISTERED

“Relevant and thought provoking but different from usual”

“Excellent, prestigious event”

“These are fantastic and I look forward to them every year now”

To register: http://tiny.cc/PMIannuallecture19



Features

Regulars

Contacts

HEAD OFFICE
The Pensions Management Institute, Floor 20,
Tower 42, 25 Old Broad Street, London EC2N 1HQ
T: +44 (0)20 7247 1452

MEMBERSHIP T: +44 (0)20 7392 7410
E: membership@pensions-pmi.org.uk

QUALIFICATIONS/TRUSTEES T: +44 (0)20 7392 7400
E: qualifications@pensions-pmi.org.uk

COMMERCIAL DEVELOPMENT T: +44 (0)20 7392 7425
E: marketing@pensions-pmi.org.uk

FINANCE T: +44 (0)20 7392 7430
E: accounts@pensions-pmi.org.uk

Pensions Aspects team

MEDIA ENQUIRIES T: 0207 392 7425 **E:** media@pensions-pmi.org.uk

EDITORIAL Megan Taylor **T:** +44 (0)20 7392 7428 **E:** MTaylor@pensions-pmi.org.uk

CORPORATE/DISPLAY ADVERTISING T: +44 (0)207 392 7427 **E:** TRastegar@pensions-pmi.org.uk

RECRUITMENT ADVERTISING T: +44 (0)20 8405 6412 **E:** adam@insidecareers.co.uk

SERVICES DIRECTORY T:+44 (0)20 8405 6412 **E:** adam@insidecareers.co.uk

DESIGN **SJW Branding & Communications T:** +44 (0)1732 455555 **E:** welcome@sjwbranding.com

PRINT MPS Marketing Services LTD T: +44 (0)1275 474354 **E:** Enquiries@mpsukltd.com

Published in the UK by The Pensions Management Institute

Available free to PMI members

ISSN 2046-7605

Bigger and better:
Trustee Workbench 2019

The PMI has historically prided itself on its offering for trustees. Our Trustee Group has grown significantly in the past year to reach 1100 members. To help us meet the demands of such a large group, we have been working to extend and improve our range of services to Trustee Group members.

One area of focus has been on improving our conference programme for trustees. Historically, PMI offered two trustee seminars each year. This year, we decided to bring together these seminars under one larger conference to form a more comprehensive programme within an interactive environment, while remaining a free event for Trustee Group members.

The result of this new thinking saw the launch of the inaugural Trustee Workbench in June. As in previous years, this was a full-day event designed for an audience of lay trustees. However, there were some striking innovations. To ensure variety in both format and content, all sessions introduced new ideas to the trustee audience. The exhibition area provided greater opportunities for networking with other trustees, exhibitors and decision makers.

Following an introductory address from Chris Parrott, Chair of the PMI Trustee Group, Aon Partner Paul McGlone discussed the changing challenges facing trustees. Paul was followed by a panel discussion chaired by Liz Pfeuti (Rhotic Media). Panellists Ian McKnight (Royal Mail), Chetan Ghosh (Centrica) and Kevin Wade (SAUL) discussed investment strategies for uncertain times, and gave careful consideration to innovation and improving member outcomes.

Delegates then enjoyed a three-part presentation on preparing Defined Benefit (DB) schemes for an effective endgame, with Tom Seecharan (KPMG), Jos Vermeulen (Insight) and Pretty Sagoo (Legal & General). With the Pensions Regulator placing a greater emphasis on longer-term planning for DB arrangements, this was a particularly timely session.

The final morning presentation saw The Pensions Ombudsman examine the preparations trustees should make to avoid falling foul of his office. Precious advice indeed!

After lunch, Chris Connolly (Equiniti) discussed the increasing use of technology and ways that it can be harnessed to trustees' advantage. Chris was followed by a dedicated Defined Contribution (DC) session led by Niall Alexander (River and Mercantile). Niall discussed the still-uncommon concept of fiduciary management in the context of DC arrangements.

The final session of the day saw David Fairs (the Pensions Regulator) discuss TPR's expectations of trustees. He reminded the audience of TPR's forthcoming trusteeship and governance consultation, due in early July.

The new format proved to be very successful with high quality content, extremely positive delegate feedback and our largest trustee audience to date.

We have already started work on preparing next year's Trustee Workbench and can assure our members that we have no plans to rest on our laurels. We remain committed to offering the highest standards at PMI events. Long may this continue!

To find out more about becoming a Trustee Group member, contact our membership team: membership@pensions-pmi.org.uk

Tim Middleton
PMI Technical Consultant and member of the Trustee Group Forum

PMI UPCOMING EVENTS

11
SEPT

/ Introduction to Pensions
11 September 2019, London

25
SEPT

/ Introduction to Pensions
25 September 2019, Leeds

26
SEPT

/ Annual Lecture 2019
26 September 2019, London

10
OCT

/ DC Workplace Symposium
10 October 2019, London

7
NOV

/ PensTech and Administration Summit
7 November 2019, London

If you would like to receive further information on any of the above events, or if you are interested in sponsoring any of our events, please contact:

TANNAZ RASTEGAR - *Marketing and Business Development Manager*

DD: 0207 392 7427 / E: trastegar@pensions-pmi.org.uk

Membership update

2019 – 20 Membership Renewal Subscriptions

Your membership renewal is due on 1 September 2019 and subscription renewal notices have been sent out to all members. If you have not received your renewal notice contact the Membership Department at membership@pensions-pmi.org.uk or on 0207 392 7410.

PMI Membership Fees

Membership Category	Fees 2019/20
Student	£145
Certificate	£185
Diploma	£235
Associate	£325
Fellow	£415
Retired/Non-Working	£75

Direct Debit

As an incentive to use the Direct Debit facility and to help members spread the cost of annual subscriptions, for the 2019/2020 subscriptions payable on 1 September, for all members except Affiliate members, you can pay your subscription over three months (1 Sept, 1 Oct, 1 Nov). Alternatively, you can pay your subscription as a single annual payment by indicating this on the mandate you received with your renewal notice.

Please ensure your completed Direct Debit form is sent by Wednesday, 31st July 2019 to the Membership Department.

APPT Renewal

APPT renewal notices have been emailed to members informing them to renew by 1st July 2019 at a cost of £200. APPT members are reminded to complete and submit their 2018 CPD to the PMI Membership Department.

Cheque Payments

Please note that effective 1 June 2019 we will no longer be accepting cheques as payment for all membership subscriptions, renewals or qualifications.

Continuing Professional Development (CPD)

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

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

Obituaries

We are saddened to hear that Robert Walker FPMI has recently passed away.

Denise Drop-In Sessions: Your Membership Matters

Do you have some questions about your membership or your membership benefits?

Is there a membership activity that you think we should be offering? Why not pop in to see Denise at the PMI office and we can work together to take this forward.

In our free one-to-one drop-in sessions, you have an opportunity to talk to Denise who will address your membership enquiries.

These sessions are a great opportunity to discuss your ideas or concerns about membership.

Contact Denise on 0207 392 7410 to book your slot now.

Membership Record

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

Reader Survey Winner

Thank you for the great response to the 2019 Pensions Aspects Reader Survey.

Congratulations to Ian Berry, winner of the £25 Amazon voucher!

PMI Membership Upgrade Waiver

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

Members wishing to upgrade after the end of the waiver period will be required to undertake the usual process which requires the upgrade fee plus the annual subscription at the appropriate rate. For further details contact the Membership Department at membership@pensions-pmi.org.uk or on 020 7392 7410.

Letter of Good Standing Request

Effective 1st May 2019 the following charges will be applied:

- PMI Members (£50)

- Non members or previously lapsed members (£60)

Please be aware that the service level for required letters will be a minimum of two working days.

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':**

David Duker
Michael Fisher
Tomasz Grzywacs
Tara Higgins
Holly Newman
Michael Phipps
John Williamson
Shellie Young

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 **Rebecca Edwards** and **Ian Barley** have been elected to Diploma Membership and can now use the designatory initials **'DipPMI'.**

Fellowship

Congratulations PMI Fellows!

Following the recent Fellowship promotional campaign in March and May 2019, we are pleased to announce that approximately 70 eligible Associate members took advantage of the offer and have been elected to Fellowship and are now entitled to use the designatory initials **'FPMI':**

Catherine Allen
Ian Armitage
Laura Aukolls
Hana Bailey
Nicola Beighton
Kevin Bowall
Neil Brennan
Louise Brentley
Sara Brown
William Cameron
Louise Campbell
Susannah Chinsky
Gary Cowler
James Craven
Andrew Currie
Steven Davidson
John Dutton
Ian John Fellows
Benjamin Fowler
Claire Fraser
Stephen Fry
Shailesh Gopal
Claire Gowing
David Guest
Elaine Hanna
Samantha Hanton-Abrahams
Karen Henderson
John Hercock
Paul Hopkins
Michael Irvine
Timothy Isom
Robert Jones
Simon Knight
Neil Laremore
Andrew Linster
Alastair MacPherson
Richard Marks
Deborah McInally
Kerry Merryweather
Jennifer Morris
Andrew Mutter
Joanna Northall
Sarah Oliver
Paul O'Malley
Mark Paul
David Pharo
Simon Pilcher
Sarah Potter
John Preston
Lynne Rawcliffe
Jessica Rigby
Sharon Robertson
Glenda Robinson
Colin Ross
Sheik Sakhabuth
Ian Smith
David Spilsbury
Michael Spink
Eric Steedman
Kevin Stratford
David Sweeney
Paul Trott
Stuart Walters
Peter Weiner
Allan Whalley
Mark Whitby
Justine Young

PMI Membership Benefits

News & Publications

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

// PMI Technical News

Quarterly supplement covering a topical issue in depth.

// Pensions Aspects

Our monthly member magazine.

Discussion Forums

// PMI LinkedIn Group

A forum for members and others involved in pensions and employee benefits to network and share information and views.

// PMI Fellowship Network LinkedIn Group:

The network provides Fellows with access to discussion material from the Fellowship Network meetings and the ability to network.

Regional Groups

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

PMI Qualifications

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

ILM & PMI

NEW BENEFIT

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

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

PMI Extra

Savings and discounts on a portfolio of everyday products and services such as home insurance, hotel stays, gyms and health clubs, Apple products, cinema tickets, office supplies and stationery.

PMI Annual Lecture

Free to attend for PMI members.

Recent speakers include Baroness Greenfield, Neuroscientist, and Tim Harford, the Undercover Economist.

Events

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

Trustee Group

PMI Trustee Group members enjoy free attendance at our annual trustee seminar, 'Trustee Workbench', free attendance at quarterly roundtables, access to monthly trustee e-newsletter and quarterly editorial digest.

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

News from the regions

[Eastern region:]

Our next event will be an afternoon seminar on Tuesday 5th November 2019 in Norwich, starting with a buffet lunch around 12pm. This will include a speaker from Club Vita on mortality. Another two topics may be master trust consolidation and looking at some DC legal cases. We will provide further details in August or September. We thank our Treasurer, Barry Gostling of Ensors, as he steps down and hands the role over to his colleague, Zoe McLaughlin. We also thank Con Keating for stepping in to replace Henry Tapper as a panellist for our debate in June.

We hope you manage to have a break during the summer and that the weather is kind to you. If you wish to be added to our distribution list, please contact Susan Eldridge at **susan.eldridge@aviva.com**

[Southern]

The annual half day seminar was well attended with speakers Mark Baker from Pinsent Mason with a legal update, Jeremy Lawson from Aberdeen Standard Life with economic investment update, and keynote speaker Alan Pickering. The speakers then answered questions from the panel.

Our final meeting for our CPD year took place on Tuesday 25 June at WTW. A report will be included next month.

[Scotland]

PMI Scotland held its very successful, ½ day seminar in Glasgow on 31 May. Topics covered were: DC governance; Investment (ESG and Patient Capital); GMP equalisation; DB funding; Employer covenant; and Trustee accreditation.

The next seminar will be in the autumn.

[North West]

The committee now has a break for summer before resuming in September. Recent highlights include:

- Thanks to Mike Holford (EY) and Rachel Brougham (BESTrustees) for speaking at our April and May seminars, hosted by Eversheds Sutherland
- At our AGM on 5 June, Mark Cliff (2020 Trustees) provided some key insights into member engagement based on recent experiences and case studies, which was much appreciated. We had some changes to the committee with three new people replacing existing members.

The annual subscription/local membership letters will be issued in August. Seminars are scheduled for 4 September and 2 October. Our annual half-day conference in Manchester is planned for 7 November.

[London]

The PMI London Group's AGM will be held on 18th July from 18.00, kindly hosted by Mayer Brown at 201 Bishopsgate.

Our guest speaker is **Vincent Franklin, Co-founder and Creative Partner, Quietroom**. He recently won the Pension Network's 'most entertaining speaker over the last 10 years' award, so we know we will be in for an exceptionally topical and thoroughly enjoyable evening!

Keep an eye on our LinkedIn page and Twitter (@pensionslondon) for further details.

CPC – the day of reckoning…

The Certificate in Pensions Calculations (CPC) forms the backbone of training and development for scheme administrators working with defined benefit or defined contribution schemes, or in fact both.

Over the years thousands of learners have got to grips with the three schemes, OPQ, RST and XYZ, tackling the many and various requirements of scheme members and their dependents, from transferring in to their retirement and eventual death.

The CPC examinations are some of the toughest one can encounter – the focus on accuracy and sufficiency is intense. Putting too much information into an answer can be as detrimental to your final score as a miscalculation. And yet PMI witnessed the highest number of learners in years: the Autumn examinations were a previous record at 642 entries but this Spring saw 753 entries, with a significant number submitting perfect scores (no errors in any category in any question). These perfect papers are usually typed up and shared on our website so that other learners can see what excellence looks like.

How do learners and centres prepare for the examinations? We spoke with some of the teams and the secret to success seems to be no secret at all – it's all down to preparation, understanding the scheme, practice, practice and more practice. Being good at the day job is no guarantee of success under the strenuous examination where both calculation and communications are equally important.

Ben Law describes his journey to success:

"I decided to begin my CPC exams starting with Leavers Part 1 & 2 in order to progress my career within pensions. Taking these exams has taught me a lot and enhanced my knowledge on different kinds of pension schemes. The exams have also helped me secure a new role with First Actuarial which I will begin at the end of June".

Ben was invigilated in-house at First Actuarial, a longtime supporter of the PMI's qualifications, and their experience stood Ben in good stead as he found that "the revision material was very helpful and the exam itself was in a relaxed environment which in turn made the whole experience very positive. I intend to complete the remaining 5 exams in the near future and progress my career and knowledge even further."

Jemma Birtles, Senior Associate at XPS Pensions Group adds:

"I am a Defined Benefit Senior Associate Pensions Administrator at XPS Administration and have worked at the company and in pensions for 2 years. I recently took the Deaths part 1 and 2 and Transfers in and out exams, of which I passed first time. These were my last exams to achieve the Certificate in Pensions Calculations (CPC) .

I decided to do the CPC exams to further my knowledge of pensions and help with my career progression, which did help as I recently received a promotion.

I found the exams interesting as it not only helped me understand my day-to-day work more in depth, but I was also learning about different types of pension schemes that I would not normally work on. I studied mathematics at university, so coming from a mathematical background I enjoyed the calculation side of the exams. I found my degree challenging and stressful; however the CPC exams were not like this at all! The fact that it is an open-book test makes it more like how we work in real life.

XPS not only provided the funding for me to complete the CPC exams, they also gave me a lot of support when studying. I had a mentor, group study sessions and study days which helped me relax and really get to understand the content of the exams. I am planning to start studying for the PMI examinations within the next year".

Last words go to the Chief Examiner, Dominic Croft:

"Although there are moments when the role can be challenging and demanding, it is certainly a privilege to be the Chair of Examiners for the CPC.

The efforts of the learners are always heartening and the increasing number of entrants for the examinations in recent times is testament to the commitment of the centres and their candidates as they strive for pensions excellence. As a committee, we do not rest on our laurels as we continue to look at the schemes on which we test our candidates to ensure they are reflective of the ever-changing pensions landscape.

Indeed, areas for consideration in 2020 include Master Trusts and Hybrid arrangements - so watch this space!".

Culture: the heart of good governance / Are you ready to go online? / Trusteeship - getting your board on the right track

Governance & Trusteeship

The path towards good governance and the challenges that lie ahead

Continue reading on pages 12-17

> "With the right people, culture and values, you can accomplish great things."

Culture:
the heart of good governance

By Laura Andrikopoulos, Head of DC Governance, Hymans Robertson

The above quote comes from the US businesswoman Tricia Griffiths. How often, however, do we in the pensions industry focus on good culture? The Pension Regulator's 21st Century Governance campaign talked little about the importance of culture, instead focusing in the main on traditional areas of governance such as policies, meeting processes and risk management.

A simple definition of culture would be 'the way we do things around here' and the culture of a pension board, 'the way we do things on this board'. To find out what 'the way we do things' looks like requires a step back from the day-to-day running of a pension scheme. This may be difficult to find given the increasingly complex demands of pension scheme governance but could be vitally important to the success of the scheme and ultimately to member outcomes. A board with a good culture is an attractive board for others to join and thereby assists with succession planning. A board with a good culture is strong yet flexible and makes good quality decisions. A board with a good culture is an asset to any pension scheme.

What words would describe your board? Is it a board where members feel empowered to have open and honest discussions, where new ideas are welcomed, where discussions consider alternative viewpoints and decisions are made after careful deliberation? Is it a place where counterproductive behaviour is dealt with swiftly and appropriately? Or does it have a stale and old-fashioned feel, with new ideas passing it by, or over-dominated by one or two loud and confident individuals?! Culture is a difficult thing to define, but it is not something that should just be left to develop by chance. A good culture develops because of the right people being in place, the right tone being set, and clear and robust values which are lived and enforced.

People, leadership and values

Getting the right people on a board is critical to its success. It is also important to have the right number of people. Too large a board can be unwieldy and inefficient whereas a very small board can run the risk of lacking diversity of thought. Within the agreed optimal structure, the people who make up that board must be engaged, committed, and together have a diversity of background, experience and skills which enables the board to collectively function well.

In governance circles it is common to talk of the 'tone from the top' meaning that the leaders in an organisation need to live the values of that organisation for them to hold any weight, for them to be believed in and followed by others. The leadership of a pension board often rests in the Chair role, and it's critical that the Chair does indeed set the parameters of how meetings will run in a cultural sense as well as a practical one, inviting opinions from all, being firm in curtailing excessive contributions that don't add value, and challenging advisers where appropriate.

However, it is not just up to the Chair to set the cultural tone; the best way to do this is likely to be through agreeing the values and style of how the board will operate through a consensus from the whole board, perhaps to be evaluated and retested at an annual away-day or governance review meeting.

[redacted]

Creating good culture through soft-skills development

Despite a slow start, the pensions industry is finally waking up to the importance of soft-skills. These are skills like communication, awareness, adaptability, preparation, sense of collaboration, and strategic thinking. Testing such skills is due to form part of the professional trustee accreditation regime and increasingly pension governance bodies are recognising that such skills, which are all part of a good culture, contribute significantly to their ability to make effective decisions. This is particularly the case in defending against the unconscious bias that can run through decision making. I outline some of these below:

Anchoring occurs when an initial idea is presented ('the anchor'). This anchor sets the baseline for the following discussion, often affecting the interpretation of future information. For example, when a dominant member of the board takes a very strong view on investment strategy at the start of a discussion, it is very likely that this will heavily sway the ultimate decision.

> **Good board culture, that does not allow over-dominance and whose members are self aware, helps to mitigate this risk.**

Groupthink occurs when a desire for harmony in a group and the minimisation of conflict to reach a consensus decision quickly leads to a poor decision. Good culture, which is not about harmony at all costs, but about open and appropriate challenge, and considering all reasonable courses of action, will mitigate against this tendency.

Overconfidence occurs because individuals tend to overestimate their own abilities, knowledge and skills. A culture of reflectiveness, peer challenge, and good use of advisers, will help with this common human tendency.

Sunk cost fallacy occurs when a bad decision or loss has been made in the past, yet individuals continue to stand by it because of the investment they have already made. A board that has a culture of being able to recognise when it is time to make a change and take swift action to correct issues will assist in this case.

Status quo bias occurs because it is often human nature to stick with the current situation: better the devil you know! A culture open to new and fresh ideas and input is a living culture, one that does not stagnate and become stale. In its 2016 report on board culture, the Financial Reporting Council argued that the value of culture should be recognised as a source of competitive advantage, 'vital to the creation and protection of long-term value.' Whilst pension scheme boards are not looking for competitive advantage, they are certainly concerned with long-term value for the pension scheme members. Greater attention to board culture can only assist with this focus on long-term value. Let's challenge our own status quo bias which may lead us to focus heavily on process, policy and technical matters.

> **Good culture is the heart of good governance.**

DC Pension Schemes Chair's Statement –

Are you ready to go online?

Moving pension communications online has been an understandable slow burn for Trustee groups. Traditionally there have been many obstacles to a pure paperless experience, but these are slowly being dismantled, pixel by pixel. With faster mobile internet – most of us have 4G and 5G is on the way, providing mobile data faster than some of us get home broadband – and general increased adoption of tablets over laptops, this trend is on an upward curve. Even the Pensions Regulator has recognised the need to comprehensively 'go online'...

New Defined Contribution (DC) regulations in effect now

New regulations have come into force that required Defined Contribution schemes to publish information on investment charges, transaction costs and how those relate to the Value for Member (VfM) assessment. And by publish, they meant be made publicly available online to members via a Chair's Statement.

Whilst these changes don't apply to AVCs, executive and small self-administration schemes such as these are exempt, it does mean the majority of DC schemes will need to publish more detailed compliant information online no later than 7 months after the end of a Scheme year on or after 6 April 2018.

What needs to be covered in the Chair's Statement?

There are three sections from a Chair's Statement that need to be included as a minimum:

1. **The default investment strategy** – this should detail the investment principles of the default arrangement.

   Any review of the default strategy and its performance that has been completed in the Scheme year should also be included and details of any changes that were made following the review.

2. **Costs and charges** – detailing the level of costs and transaction charges that applied to the default strategy during the scheme year as well as those that applied to each non-default fund which members are able to select and had assets invested in them during the scheme year. This should be supplied with a pounds and pence illustration example that shows the cumulative effect, over time, of the charges and transaction costs on the value of a range of representative, realistic funds. Trustees also need to detail any transaction costs that they weren't able to obtain and how they'll ensure they are obtained for future statements.

3. **Value for Member (VfM)** –an explanation of the work the Trustees have put in to ensure that the costs and charges for the default fund represent good value for their membership, how they've assessed this and the conclusions they made.

The statutory deadlines

- **Within 7 months after the end of a scheme year on or after 6 April 2018 –** The Chair's statement, covering the 3 areas above, must be published on a publicly available website.
- **By 1 October 2019 -** The Trustee's statement of investment principles (SIP) must be updated to include new ESG (economic, social, governance) factors and make it publicly available on a website. This is the full SIP rather than the default SIP that must be included in the Chair's statement.
- **By 1 October 2020** – Trustees must produce a new SIP implementation statement and make this available in their report and accounts on a publicly available website within 7 months of the end of the Scheme year.

[redacted]

What does 'publish on websites' and made 'publicly available' mean?

Just putting up a webpage will not be enough. It must be demonstrated that the required effort has been put in to make the information as visible as possible, that members can find it easily through a search engine and it is easy to view from any device (smartphone, tablet, laptop or desktop). So what do you need to know? Here's a quick ready reckoner:

- Your site must be easily searchable. That means your site being submitted to the Search Engines
- Search Engine Optimisation (SEO) should be performed to ensure the words and phrases a member might type into a search engine provide deliver your website to them
- All content must be searchable and be accessible. This means uploading PDFs won't cut it here
- The site must be mobile friendly. Search engines demote sites that aren't mobile friendly so due care and attention needs to be paid to this
- The site is going to need to be monitored and regularly checked and tweaked to make sure it's still visible and easily discoverable – at least once every six months
- Don't pay over the odds. As this is a new area of consideration for many Trustees, knowing how much a website should cost is important. Ensure you obtain value for money by taking into account the content creation, design, web development and hosting

Isn't this just a tick box exercise?

No, it's not. The Regulator wants members to engage with and better understand their pension, how they are being charged and how their savings are being looked after. Some examples we've seen so far don't provide the duty of care the Regulator intended.

Good visual design and copywriting will be needed to help members understand the content and achieve what the Regulator is really looking for – informed decision making. The yearly statement needs to explain how the scheme meets these governance requirements otherwise the Pension Regulator can impose fines.

How do I go about producing the website?

The best approach is for Trustees to choose a digital agency that is knowledgeable of the pensions and benefits industry. Agencies like Landscape can build easily accessible websites, and ensure the content is accessible, understandable and discoverable through Google searches. This should be supported by visitor web analysis to ensure members find the content they are looking for. A successful partnership will deliver an experience in line with what the Regulator is trying to achieve and demonstrate the hard work Trustees put in to provide the scheme.

Use this as an opportunity to develop your online communications

Why not use the new regulations, as an opportunity to put other content online? Investment reports, fund fact sheets, newsletters, guides, animations, videos, tools and FAQs can all just as easily go on to your website, reducing your print and postage costs, providing even more value for members and improving engagement with your scheme.

By Johnathon Ryder, Director, Landscape

Trusteeship

– getting your board on the right track

Kirsty Pake, Associate, Sackers

Setting the standard

Raising pension scheme governance standards is as hot a topic as ever. With recent developments in the area including the Pension Regulator's (TPR) 21st Century Trustee programme, IORP II and new standards for professional trustees, there is a lot for trustees to get to grips with. TPR states that good governance is "the bedrock of a well run pension scheme", and vital for achieving good member outcomes. Whilst we can all agree that effective trusteeship and governance are fundamental, the real challenge for trustees is working out what good governance looks like for them. TPR acknowledges that there is no single solution to delivering robust governance, so what is appropriate will depend upon the circumstances of the scheme and the trustees. With all that in mind, we suggest some practical steps for trustees to take on the path to good governance.

A good place to start

A trustee self-evaluation exercise is a good place to start. Take time to devise a questionnaire which draws out the key issues facing the scheme, and ask each trustee to complete it, giving their views on:

- their own level of trustee knowledge and understanding;
- the conduct of trustee meetings and business;
- existing governance processes and policies;
- advisers; and
- the relationship and interaction with the employer.

Collate the responses and identify any consistent themes or specific comments that should be addressed in more detail.

Business plan

TPR expects trustees to have a clear purpose and strategy in order to manage their schemes effectively. Having a business plan will help boards to look ahead, make best use of trustee time and ensure that all legal and regulatory requirements are met.

Business plans should include:

- clear, long-term goals for the scheme;
- interim objectives around key areas of focus (such as investments, funding and administration);
- how the trustees propose to meet these objectives and goals; and
- how the trustees will measure and monitor progress towards them.

Trustees should then use the results of the self-evaluation to prepare and review their business plan, forming the basis of their priorities for the coming year.

TKU

The law requires trustees to have knowledge and understanding of the law relating to pensions and trusts, and the principles relating to scheme funding and investment. Put simply, trustees need to have sufficient knowledge and understanding to enable them to properly discharge their duties. One step towards achieving this is to implement a trustee training programme, with a clear commitment from all trustees to meet the agreed agenda for this. New trustees should be asked to commit to completing TPR's 'Trustee toolkit' as soon as possible after appointment. The best training is specific to the scheme and its circumstances. Generic legal and regulatory updates are helpful, but trustees should ask their advisers to speak, in particular, to the most relevant issues for their scheme at each trustee meeting. As part of the business plan, topical training could be scheduled to coincide with related trustee decisions. A skills matrix can be a helpful tool for keeping track of trustees' relevant qualifications and experience, and a helpful point of reference when allocating roles for sub-committees or delegating authority to working groups to take forward specific issues.

Getting to know the scheme documents

Trustees are required to be 'conversant' with their scheme's governing, investment and funding documents, having a working knowledge of relevant documents so that they can use them effectively. If the scheme rules are old and unwieldy, this may seem an impossible task. Schemes could consider a formal rewrite of their rules into plain English, although for many schemes this is likely to be disproportionately expensive. Alternative documents trustees can use to help ensure that they are familiar with the key provisions of their scheme rules include a balance of powers table, noting each of the key powers in the scheme rules, who holds that power and in what circumstances it can be exercised.

Another helpful tool is a trustee handbook, pulling together the main governance documents for the scheme. Typically, a handbook provides a short summary of the key provisions in the scheme rules along with the relevant legislation and guidance. It can be expanded to note important trustee decisions, advice and administrative practice, and could also include governance policies, such as those on whistleblowing or notifiable events and the risk register. The handbook will then be given to new trustees on appointment as part of the induction process.

Clear roles and responsibilities

Pension schemes are increasingly complex. Trustees usually delegate responsibility for certain day-to-day functions to in-house teams or third party providers such as scheme administrators. However, as trustees remain accountable for all scheme activities, it's important for them to be on top of their delegations.

A table recording to whom the trustees have delegated their powers, and on what terms, is useful here. This should be a living document, which the trustees review periodically to determine whether the delegation and its agreed parameters remain appropriate. For delegations to sub-committees of the board, clear terms of reference should be in place, setting out the committee's remit, the extent of their authority and the circumstances in which matters should be referred to the board.

Ongoing obligation

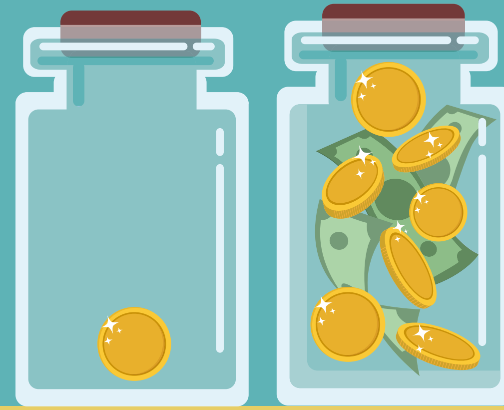
With TPR's recent announcement in its 2019-2022 Corporate Plan that it will now launch phase two of its 21st Century Trustee programme (focussing on the make up of trustee boards, competency standards and accreditation for professional trustees), governance needs to stay high on trustees' agendas.

TPR is clear that it will intensify its focus on and take action against schemes with governance failings. There is no denying that good governance will cost time and money – but as TPR points out, 'investing in good governance is likely to save you in the long run'.

By Anthea Whitton, Partner, Eversheds

Executive Pensions

and the UK Corporate Governance Code



The UK Corporate Governance Code July 2018 (UKCGC)[1] states that executive pension contribution rates should be aligned with those available to the workforce. In a climate where chief executives in the FTSE 100 have been enjoying pension contribution rates of around 25-30% while their employees receive around 9-10% [2], this highlights the need for change.

The exact UKCGC wording is: "Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements".

Accompanying guidance on board effectiveness says that while it may not be practical to alter existing contractual commitments in this regard, remuneration committees will need to ensure future contractual arrangements comply. The Investment Association (IA) took a stronger stance in its February 2019[3] warning saying that:

- Any **new executive director appointee** whose pension contribution is above the level of the majority of the workforce will result in a 'red top' alert on the remuneration report.
- Any **existing executive director** receiving a pension contribution of **25% of salary or more** will be 'amber topped' on the remuneration report.

A 'red top' is the highest level of warning issued by the IA's Institutional Voting Information Service (which aids shareholders in voting decisions). It is reserved for "companies where shareholders should have the most significant and serious concerns".

The IA Principles of Remuneration make it clear that for new appointees this needs to be addressed now. Whilst, for others, it needs to be addressed over time such that the pension contributions are be reduced over time to equal the rate received by the majority of the workforce. Allowing time to resolve these issues is a sensible approach given the fact that amending an executive's pension contribution would usually involve a contractual change exercise and requires consideration of the executive's remuneration package and incentives as a whole.

> **The risk of not following the UKCGC and the IA Principles of Remuneration is the risk of a vote against the remuneration policy.**

The House of Commons Business, Energy and Industrial Strategy (**BEIS**) Committee issued a report in March 2019 echoing these sentiments and also stating that it believes that the primary responsibility for changing the environment on executive pay "rests with the asset owners – the pension funds that invest our money for the long term".

There is a certain irony in the fact that it may be pension schemes themselves, in their capacity as institutional investors, that are best placed to put pressure on remuneration committees around pension policy for executives.

[1] Applies to companies with a premium listing and to accounting periods beginning from 1 January 2019.

[2] Source: Business, Energy and Industrial Strategy Committee report "Executive Rewards: Paying for Success".

[3] https://www.theinvestmentassociation.org/media-centre/press-releases/2019/investors-to-target-pension-perks-and-poor-diversity-in-2019-agm-season.html

How successful is automatic enrolment

at boosting pension saving for small employers?

It has been true for a long time that, in general, the larger the employer you work for, the more likely you are to be saving in a workplace pension for your retirement, and large employers tend to make a larger contribution to the pension too.

Back in 2012, only 17% of the employees of the employers with 1-50 employees were enrolled in a workplace pension, compared to 40% for employers with more than 500 employees.

How has this been affected by the introduction of automatic enrolment, which started in 2012 affecting the biggest employers and has affected all employers, even the smallest and newest employers since 2018? Research by economists at the Institute for Fiscal Studies in London has found that – looking at eligible employees of small employer with less than 30 employees – automatic enrolment has increased their participation in a workplace pension scheme by around 45 percentage points. In other words, without automatic enrolment only 23% were saving for retirement in this way, and now 70% are, which is a transformation in the saving rate of people working for small employers.

While the jump up is high, the level of pension participation, even with automatic enrolment, is not as high as it is for medium and large employers, where it averages almost 90%.

> **So whereas only 1 in 10 workers leave their pension scheme working for big companies, it is around 3 in 10 for the smallest ones.**

Why is this the case? Having investigated this in some detail, we have some - but not all – the answers.

One thing it could be is that people working for smaller employers are less well paid, and have often been working for their employers for less time than people who work for large employers. A higher salary and longer time in the job are both good predictors of being in a pension, but the differences are nowhere near large enough to explain this different participation rate. Similarly, although larger employers tend to offer more generous pension contributions, again the differences are not big enough to drive the difference.

This basically leaves two remaining explanations that must alone, or in combination, explaining the different trend. One is that the administration of pension schemes by small employers might reduce participation, either because they actively seek to get employees to opt out to reduce costs, or because their human resources departments are less effective at explaining the benefits of pensions to their employees. The other is that 'peer effects' are important. In large employers, when people are automatically enrolled, they are surrounded by colleagues who are already saving in a pension, and can help explain what it is and why it is important. This is often not the case in small employers, where no one is saving in a scheme.

Either way, this should not take away from the huge increase in pension saving for the employees of small employers, which make up almost 30% of all employees in the UK. But there is more to do to fully understand why the participation rate is lower in small employers, and see if it can be boosted further.

By Jonathan Cribb, Senior Research Economist, Institute for Fiscal Studies

ITM Student Essay Competition 2019

In March we launched our inaugural student essay competition sponsored by ITM. Student members were invited to write an essay of 1,200-1,500 words, answering the question:

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

We were delighted with the response and would like to thank all those who took part. Essays were reviewed and scored by our expert judging panel, including Lesley Carline, PMI President; Matt Dodds, ITM; Jonathan Stapleton, Professional Pensions; Carol Perry, Chair of the PMI Lifelong Learning Committee; and Tim Middleton, PMI Technical Consultant.

We are pleased to announce the winner of the competition was

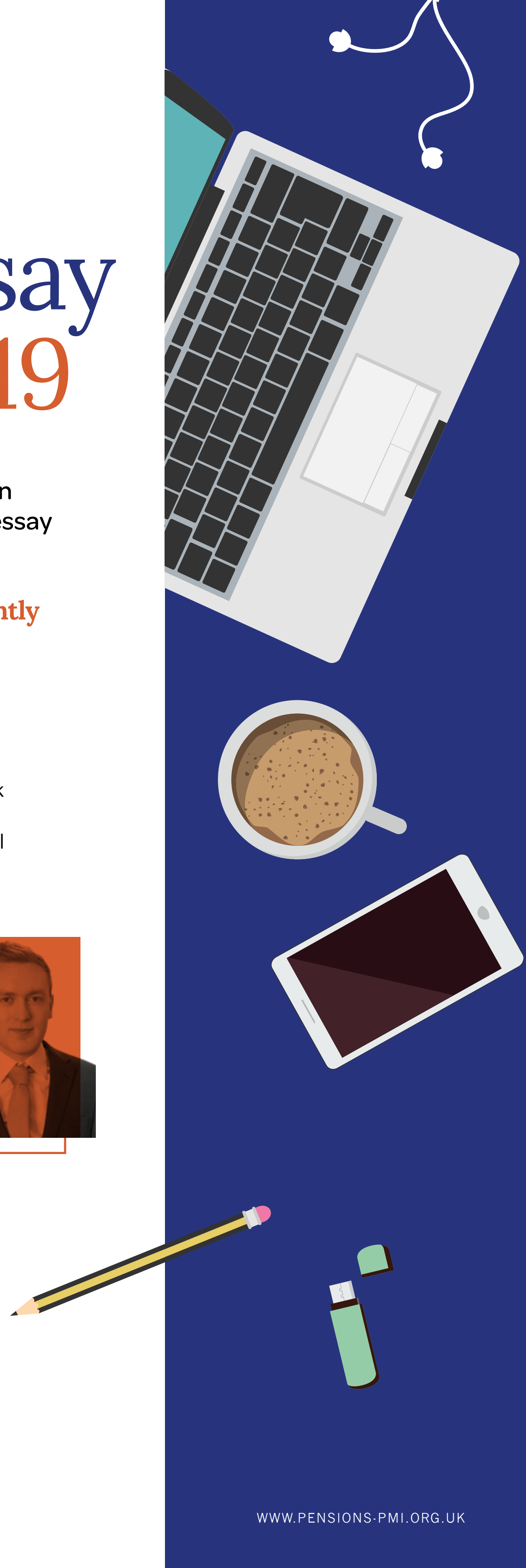
Chris Burtenshaw, Barnett Waddingham,

whose essay you can read opposite. As well as winning £500 and publication in Pensions Aspects, Chris' article will be published in Professional Pensions. You can read Chris' essay overleaf.

Congratulations also to the runners up, who will each receive £250:

Joanne Carr, First Actuarial
Jed Newton, Willis Towers Watson

The judges would also like to give a special mention to Zak Cuerden, Capita Employee Solutions, who only just missed out on a runner-up spot.



Winning entry

By Chris Burtenshaw, Assistant Pension Management Consultant, Barnett Waddingham

As anyone involved in the planning of, or attendance at, trustee board meetings will know, investment management is frequently the main focus of trustees' attention; achieving the best investment returns from assets, whilst simultaneously reducing exposure to risk, with the aim of securing a well funded future for its members. However, it could be argued that the priority is oftentimes too heavily focused on risk reduction from a purely investment-focused and liability reduction perspective. This essay will examine the argument that, given the modern day landscape of pensions and the associated risks to pension schemes that go with this, it would be wise for trustees to also consider 'risk reduction' or 'de-risking' strategies from a more comprehensive administration perspective.

Historically, employers established 'final salary' or defined benefit (DB) pension schemes and adopted a paternalistic approach by ensuring their staff and their spouses were taken care of through provision of certainty of income in retirement, with little engagement required on the part of the employee.

However, as society has changed, so has the way many of us live our lives; people now demand more flexibility and choice in their financial affairs.

Since the Pension Schemes Act 2015, members are able to access their benefits flexibly, and deferred DB members have a statutory right to request a transfer quotation up to twelve months prior to their normal retirement date. As a result, over one million members have accessed their benefits flexibly since April 2015, with the risk that a proportion of these members may have withdrawn their pension savings as large lump sums which could be heavily taxed and spent without thought for the future, leaving them with little income in their later years. Additionally, with increasing longevity, it would seem that 55 is a relatively young age to access funds that may have to provide for an individual over the next 40 years. The State Pension age is continually being pushed back, and may even be withdrawn altogether in the future, with the danger that many will not have this to rely upon for additional income in retirement.

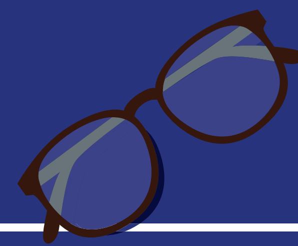
Under pension freedoms legislation, members are required to seek advice from a regulated financial adviser qualified in giving advice on transfers from DB to Defined Contribution (DC) schemes in order to transfer benefits worth over £30,000 in this manner, which should, in theory, ensure only members who are better off accessing their benefits flexibly will do so. However, high street financial advice has never been so freely available, and so members could be at risk of being taken advantage of by unscrupulous advisers. One way in which trustees could mitigate this risk is by providing members with access to a pre-vetted independent financial adviser with the appropriate advice skills in order to ensure members are only receiving advice that is impartial and appropriate, and reduce the risk that they will make a decision they will later come to regret.

This is particularly important when an employer is undertaking any wider exercise, such as bulk or enhanced transfer-out exercises, where the primary objective is to reduce DB scheme liabilities as a result of members transferring their benefits elsewhere.

Financial risk to members, however, is not limited to this.

Members are also at risk of falling victim to scams, and losing some or all of their savings to fraudsters.

With the advent of modern technology, fraudster tactics are becoming ever more sophisticated and convincing, with the result that The Pensions Regulator (TPR) estimates that in 2017 alone, scam victims lost an average of £91,000 each. Trustees can play their part in minimising this risk, however, by continually reinforcing the message to members that scams do exist, and the need to be vigilant. Clear signposting is vital in all communications with members, as well as driving home simple messages, such as to ignore cold callers who attempt to discuss your pension (which is now illegal). Trustees should also seek assurances that their administrator is undertaking the required due diligence at the point of transfer. This risk could be further mitigated if administrators were permitted to share information with each other, perhaps through the use of a 'blacklist' which could be used to keep track of known scam suspects. Schemes may also find tools such as The Pensions Administration Standards Association (PASA) guidance is useful in this regard.



However, threats to the security and integrity of members' benefits are not always external. Trustees are heavily reliant on good quality advice in order to effectively run the schemes for which they are responsible. There is an ever-present, albeit lower, risk to trustees of receiving misguided advice or of maladministration. A poorly run scheme is more likely to have a direct adverse financial effect on members. For example, the miscalculation of, and resulting over/underpayment of benefits. This can result in member recourse claims down the line and the added unwelcome reputational risk to the sponsor associated with the scheme.

These risks can be managed effectively through good quality administration and governance. Good quality administration is one of the most important risk controls trustees can put in place, and therefore trustees should be mindful of the importance of this when tendering for administration services, and not only to focus on sourcing the lowest cost provider. Similarly, trustees should not underestimate the importance of good scheme governance, which helps to ensure that schemes operate according to both their own rules and within legal guidelines. Many recurring scheme events, such as the distributing of annual benefit statements, submission of scheme returns, or completion of the Trustee's Report & Accounts, are subject to timescales by law, with consequences for non-adherence. These risks can be mitigated however, through the use of an annual planner or calendar that effectively charts the progress of the various scheme events that are required at different times of the year. From a wider advisory perspective, trustees should also ensure that advisers have implemented risk management procedures of their own; for example, regular Audit and Assurance Faculty (AAF) audits to evidence sufficient internal controls for security of member data, and having a Business Continuity Plan in place to limit the consequences from disasters. Trustees are also required to maintain a Risk Register to monitor and manage risks, and should include the risks that external advisers present with regards to investment advice, legal advice, data control or day-to-day administration. For this reason, trustees may find a helpful addition to their risk management procedures is to employ a dedicated Pension Management service to assist in the management of scheme governance on their behalf, and ensure that it is not approached merely as a 'tick box' exercise.

On a related note, TPR has issued guidance to trustees on cybersecurity, which represents a severe risk to pension schemes. Insufficient controls for the storage and transfer of data not only jeopardises the integrity of the scheme, but also puts members at risk of falling victim to identity theft and fraud. Trustees can reduce this risk by ensuring there are robust cybersecurity controls in place and a policy governing the use and storage of data.

Finally, there are the risks associated with poor member education and engagement. With the gradual reduction in the availability of DB schemes, and the growing prevalence of DC schemes, it is becoming more important that members become engaged with their retirement provision. However, with increasing pressures on the generation of 'millennials' such as rising house prices and insecure employment contracts, there is a risk that pensions are at the bottom of a long list of higher priorities.

Additionally, a recent survey by Moneywise found that the majority of young people find their workplace pension schemes too confusing to understand. A related risk to this is that members underestimate how much they need to save to provide for a comfortable retirement. This is a risk that is unlikely to be tackled by only issuing the minimum communications required by law, such as annual benefit statements or Summary Funding Statements, and requires more thought and consideration of the tone and medium used.

Trustees should therefore assess the needs of their particular membership demographic when considering how best to engage. For example, is it better for a scheme with a young membership to utilise online tools and apps, as opposed to paper communications?

However, trustees do need to bear in mind the fine line in all communications between encouraging /engaging members, and actively advising them, which is a regulated activity.

In conclusion, there are many ways trustees can reduce risk in the provision, communication and administration of a scheme. The majority of risks highlighted here can be minimised through a combination of selecting high quality scheme advisers and by performing effective scheme governance, as well as suitably engaging their members. As a result, trustees should be able to reduce the risk that a pension scheme causes its members to suffer from a loss of financial security; a clear contradiction in terms, and ultimately the most serious risk to a pension scheme of all.

A proactive and targeted, **tougher approach**

Over the next twelve months, hundreds of pension schemes can expect to hear more from us as we continue to dial up our communications and guidance as part of our clearer, quicker, tougher approach. We'll be contacting schemes to clarify our expectations about the standards of governance and administration that should be met to protect savers.

Our new supervision team is already building one-to-one relationships with more than 20 schemes and this approach is being rolled out to many more. We want schemes to take the opportunity to talk to us, ask questions, and check they are on track and meeting all their responsibilities. Supervision will help ensure The Pensions Regulator (TPR) better understands the challenges schemes face and identify potential future risk. As well as our one-to-one supervision, communications are also being sent to more than a thousand schemes this year to monitor how savers are being treated when it comes to matters such as dividend payments to shareholders, length of recovery plans and efficient record keeping. We will also use a 'rapid response' team to react more quickly to reports and intelligence about companies or major restructuring plans. These actions will extend TPR's grip to far more schemes than in the past. We'll take swift action where standards are not met, being tough where we need to be.

Our latest corporate plan:

Improving the participation, accountability, protection and confidence in occupational pension schemes is at the heart of TPR's recently published corporate plan for 2019-2022.

By holding those we regulate to account we are protecting pension savers and the Pension Protection Fund.

Last year we had the first prosecution for fraud, our first custodial sentence, and the courts handing down the largest ever fine following a TPR prosecution. We have also seen a number of high profile cases being resolved, including Southern Water agreeing to pay £50 million into its pension scheme under a shortened recovery plan.

This year our corporate plan goes further to define the key outcomes that we aim to achieve through our work, and how we will evaluate those outcomes to demonstrate the effectiveness of our role.

Building on last year's joint strategy with the Financial Conduct Authority (FCA) on tackling key risks facing the pensions sector, TPR and the FCA will be launching a joint review of the consumer pensions journey. This will explore how disclosures and information from pension schemes and providers combine with guidance and advice services to help pension savers make well informed decisions. We will also continue to work actively with the FCA and the Money and Pensions Service (MAPS) on Defined Benefit (DB) and Defined Contribution (DC) transfers to ensure that they work effectively for those who want to transfer, but enable savers to understand the risks involved and the options available to them.

The process of identifying and assessing the core regulatory risks in the landscape has enabled us to develop our priorities for the next three years so that we continue with our proactive and targeted approach to ensure schemes are safe and savers are protected.

The six priorities below reflect TPR's outlook for the next three years:

- **Extending our regulatory reach with a wider range of proactive and targeted regulatory interventions**
- **Providing clarity, promoting and enforcing the high standards of trusteeship, governance and administration we expect**
- **Intervening where necessary so that DB schemes are properly funded to meet their liabilities as they fall due**
- **Ensuring staff have an opportunity to save into a qualifying workplace pension, through automatic enrolment**
- **Enabling workplace pensions schemes to deliver their benefits through significant change, including responding to Brexit**
- **Building a regulator capable of meeting the future challenges we face**

Supporting members on the

pathway to financial wellbeing at-retirement

Financial wellbeing has become something of a buzzword in the workplace. In general it describes an individual's perception of how financially healthy, happy and free from worry they are when thinking about their financial situation. However, whilst there is some great wellbeing practice out there, latest reports suggest that there is a lot to do before we can say that members are really getting the support they need to enjoy a feeling of wellbeing, particularly when they access their pension benefits.

Concerns for members

Whilst freedom and choice in pensions is popular with pension scheme members, the downside is that it can be easy for employees and members to make poor decisions and a permanent dent in their retirement income. For example, paying more tax than necessary, falling victim to a scammer or making ill-judged investment choices. The evidence on this is clear to see.

Latest figures show that pensioners are paying £4billion a year more in income tax on their pension than what the government had previously estimated, indicating that individuals are often paying tax when it could have been avoided with careful planning.

In fact, our latest research* with the PMI indicates that Trustees have taxation fears for their member's at-retirement, with eight out of ten (81%) believing that members are not equipped to deal with the taxation implications of accessing their pension. The research also found that nearly nine out of ten Trustees (88%) fear their members nearing retirement will face predatory attention from scammers.

> Concerns around this are warranted as the amounts lost to pension scams can be significant.

For example, the Financial Conduct Authority (FCA) revealed that victims of pension fraud lost on average £91,000 each, with some even losing more than £1 million to fraudsters. It was, therefore, no surprise to see that almost two-thirds of Trustees are concerned that their members' money will not last the duration of their retirement. But this could also be put down to a number of other reasons including concerns over members making poor decisions at-retirement, not saving enough during their working life, or underestimating how long they will live. Additionally, the research found that almost nine out of ten Trustees (85%) have concerns about risks their members face if they transfer out of their defined benefit (DB) schemes. DB pension transfer values remain high, with multiples of 40 times income and figures breaching the £1million mark. Whilst this may be very tempting for members, assessing whether it is right to transfer is highly complex with multiple risks to consider around how to manage the money once transferred.

In Caroline Rookes' review for the Pension Regulator of the communications and support given to British Steel Pension Scheme members, it was identified that members acted on an uninformed or ill-informed basis, were exposed to unscrupulous advisers, and were swayed by the size of the transfer figures rather than the value of the benefit.

Larger schemes are often supported by employer sponsored financial education where there are enough members to justify classroom based sessions. However, even the smallest schemes could offer members access to one-to-one financial guidance over the telephone in the months or even years before they access their pension benefits, as well as facilitating an introduction to a regulated financial adviser who has been through a due diligence process. This is something that Rookes advocates in her report.

PMI Trustee group forum chair, Chris Parrott agrees with this: "Offering members access to regulated advice and a means of implementing their retirement income option(s) is a great way to help members access reputable providers, rather than leaving them in the dark".

In response to our survey findings, Steve Webb, director of policy at Royal London, also commented on the role that Trustees can play in offering regulated financial advice to members: "It is essential that they help members to access high quality, impartial advice, which will reduce the risk of members falling prey to scammers".

I believe that financial wellbeing should be more than just today's buzzword. Helping members to make informed decisions and supporting good member outcomes are central tenets of the regulatory framework in which DC Trustees operate, and whilst the current regulatory requirements for DB schemes may differ, the principle does not. Good quality and timely financial education, one-to-one financial guidance, and access to regulated financial advice are a far better path to financial wellbeing than leaving members to go it alone.

Facing the challenges ahead

As all these findings suggest, the financial wellbeing of members is being compromised. But what can be done to overcome this?

In the US, the Consumer Finance Protection Bureau identifies four elements of financial wellbeing which include:

- The capacity to absorb a financial shock
- To be on track to meet financial goals
- To have control over day-to-day finances
- To have the financial freedom to make choices to enjoy life.

All four of these elements can easily be mapped to the membership of a workplace pension scheme, whether in the saving phase i.e. making good choices about contribution levels and investment pathways, or deciding on how to take benefits i.e. safeguarded income vs transfer to drawdown, flexi access vs annuity etc.

We believe financial education and guidance can help members understand their different options at-retirement including any potential risks, which in turn will lead to improvements in their financial wellbeing.

*Overcoming the risks at-retirement – survey results 2019

WEALTH at work conducted a survey with PMI to investigate what Trustees are doing to support pension scheme members as they make decisions to access their retirement savings. The survey received 65 responses from a range of Trustees which were completed over 4 months from December 2018 until March 2019. To see the full survey findings, please visit www.wealthatwork.co.uk

By Jonathan Watts-Lay, Director, WEALTH at work

PMI Round Table

Heading for the end game

Akash Rooprai - Head of Client Management, ITM

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

Emma Watkins - Bulk Annuities Director, Scottish Widows

Jane Kola - Partner, ARC Pensions Law

Stephanie Hawthorne - Freelance Journalist and Chair

Is poor data the elephant in the room when it comes to buyout? Freelance journalist Stephanie Hawthorne chaired a PMI round table on data and derisking. Here are the key takeaways:

Stephanie Hawthorne: What is the state of pension scheme data? Is it more 'dog's dinner' than digital perfection?
Akash Rooprai: The reality is somewhere in the middle but particular focus is needed when it comes to buyout.

Jane Kola: Getting to the bottom of the legal side of the coin is as important as the data. I have worked with schemes going back before the first world war. Those people are probably not with us but you never know, there may be one or two. It is all about the art of the possible. You may have gaps. The gaps will have to be dealt with by taking some risk and making some assumptions.

Emma Watkins: If you provide data which gives marital status, spouses' date of birth and those are better than the assumptions I might otherwise have used, you will get a better price.

David Fairs: I see data as part of a broader issue around administration. 14 administrators cover 70 per cent of the market. Any one of us could set up an admin firm in our bedroom and do that in a completely unregulated way. Trustees don't focus on data enough. There is a GMP working group. To get through that, you need working data, regardless of whether you are imminently about to do a transaction or not.

Jane Kola: Not enough time is spent on liabilities.

Akash Rooprai: There is not enough discussion on data issues, not just data in isolation but data linked to the documentation. If the data is incorrect, then the target you are aiming for is incorrect.

Emma Watkins: The market is really busy. Insurers are probably declining 30% to 50% of cases. We assess how confident we are that this case will transact, and one measure is how seriously the pension scheme has approached the data. If we are not satisfied they are invested in this, we will decline the business.

David Fairs: Data is going to have to be accurate and complete, and provided to the dashboard in a timely fashion. There is no easy route out of this. You are going to have to address the quality of data. It is just a question of when. We are launching an initiative and are approaching several hundred schemes and we will target the schemes where we think we are most likely to find issues. We will give them a period of time to sort out the data. If schemes are unwilling to do so, we will take stronger action in the form of an improvement notice. It could be a failure of internal controls. If it is sufficiently bad, we will appoint a different trustee.

Stephanie Hawthorne: How much does data cleansing cost?
Akash Rooprai: In general terms, to do a data cleanse is going to costs a few thousand pounds. That could save you two or three percent on your buyout premium so for every £100m buyout premium, that could save you two or three million. The cost benefit is a no brainer.

Stephanie Hawthorne: What should be your priorities?
Jane Kola: Get the benefits right. Some schemes are overpaying people. That is very difficult but the situation is worse where people are being underpaid. There are always a few and they are entitled to more and should get more.

Stephanie Hawthorne: In case of a total mess up, is indemnity insurance worth the paper it is written on?
Emma Watkins: Most trustees have standard indemnity insurance in place. Use it correctly. Nothing is ideal but runoff insurance is pretty good.

Stephanie Hawthorne: What has been the worst data failing?
David Fairs: Last year lots of boxes were discovered in a warehouse which showed there were lots more members that the scheme didn't know about. There are all sorts of those.

Stephanie Hawthorne: One lawyers' survey estimated 61% of schemes didn't have the data to sort GMP equalisation.
Jane Kola: That is an understatement. You need good data to sort it out. People are entitled to equal benefits. For many it will be a small sum but for some it will be a significant amount of money – it could be as much as 20% of their pension.

Akash Rooprai: The C2 method is the default. Actuaries will do a back of an envelope calculation and say it costs 2% of liabilities but it will cost 2% again in administration costs.

Emma Watkins: If you have equalised using C2, I am not enthusiastic. The alternative is conversion which I prefer.

Last words
David Fairs: Make sure your data is accurate and complete and well protected. We are seeing more and more phishing attacks or ransom ware being deployed to seize data. The dashboard is coming along and you are going to have to supply the data to the dashboard. Deal with data accuracy sooner rather than later. We are going to take action against those who don't comply.

Emma Watkins: Don't come to the market too soon before you are ready because data gets old and expires; do have a conversation with your insurer and your consultant over which additional data to hold which might get you a better price.

Akash Rooprai: Have a journey plan for your data. Think about all the things you are going to do: scheme member options, buyout, buy-in, and figure out how data will impact that. Then you can figure out what you are going to do and when. Make sure you keep track of manual records as well as digital details such as pension sharing on divorce or scheme pays.

Jane Kola: Preparation is everything and as the lawyer in the room, can someone please find the deeds, all of them? It is well worth getting the benefits sorted out. Once it is done they are not going to change very much. It gives you more credibility if you say you have been working on the specifications for five years and don't leave it to the last minute. Discretion – trustees don't like codifying discretion and trying to decide whether to give a discretionary benefit or not in the heat of negotiation is very difficult.

> **It has become the norm not to invite the administrators to trustee meetings unless there is a complaint. It is also the norm to see lawyers only once every three years. If you are better funded, now is the time for those voices to be heard.**

Stephanie Hawthorne, Freelance Journalist and Chair

Obligations of the Chair of the Board:

Corporate versus Trustee

Sitting on the panel at the Scottish Association of Pensions Lawyers' debate on the Professional Pensions Trustee Standards (the 'Standards'), I was asked if the expectations of trustee chairs were too high.

My response was to refer to The Pensions Regulator's (TPR) comments that trustee chairs "should be prepared to assume similar governance responsibilities to those expected of a chair of any corporate board".

This reminded me of a presentation at a recent conference that referred to the Corporate Code and how this could/should apply to pension scheme governance. Reflecting on this response, I thought I'd look a little closer at how the Standards for Professional Pensions Trustee Chairs and the Corporate Code compare.

By Greg McGuiness, Trustee Representative, Dalriada Trustees

Now, the easy place to start is with the corporate need for a chair to be independent on appointment; this really shouldn't need to be mentioned in the Standards as a professional trustee chair should almost, by definition, be independent. However, the Standards are quite clear on professional trustee conflict management.

The Standards require a professional chair to lead the board ensuring appropriate decisions are made and taking all key factors into account.

This is not very different from the corporate chair's responsibility for its board's overall effectiveness in directing the company whilst demonstrating objective judgement throughout their tenure. Similarly, the corporate requirement for promoting a culture of openness and debate is quite analogous to the expectation of the trustee chair to encourage full participation and open board discussions, using skills available on the trustee board to good effect.

Implied responsibility

One slightly controversial area is the implied responsibility of the trustee chair for the performance of other trustees. There is an expectation in the Standards for a professional trustee chair to manage the performance and effectiveness of the board to good effect, and operate effective succession planning.

Furthermore, they are expected to ensure that the knowledge and understanding of the trustee board is assessed and take steps if it does not meet the needs of the scheme. Of course, all trustees have this obligation under statute and the Standards give the non-chair professional trustee an obligation to support and assist the chair in their duties. The obligation being placed on trustee chairs is slightly weaker than the corporate chair who has a responsibility to ensure that the effectiveness of the board is evaluated annually, that the evaluation is acted on, that strengths are recognised, and weaknesses addressed. The Corporate Code requires that all directors engage and act on weaknesses.

> **This can be the biggest struggle on pensions boards with often long-standing lay trustees who are too busy with the day job and don't/won't recognise their trustee weaknesses.**

The expectation of the trustee chair to manage succession effectively and the requirement to "take reasonable steps with the appointing party to review the length of their own appointment" is also straight out of the Corporate Code. Although nine years was chosen in that case for the maximum tenure rather than a maximum aggregate term of ten years in most cases for trustees. This, of course, relates to individuals; a professional trustee company with a true team-based approach can provide an automatic solution to chair succession planning without a loss of scheme knowledge.

Similarly, the Standards oblige the professional trustee to have clear terms of business that set out the basis of the relationship and expect the chair to organise appropriate committee structures to ensure efficient operation. Quite in keeping with the corporate need to have responsibilities clear and set out in writing.

Sponsor engagement

Last but not least is the corporate requirement to have regular engagement with shareholders on significant matters, ensuring a clear understanding of the views of shareholders by the board as a whole. The pension scheme does not have shareholders and arguably the nearest equivalent is the beneficiaries i.e. those with a beneficial interest in the funds under trust.

However, especially in the case of a defined benefit scheme, the interests of the beneficiaries are clearly defined and whilst the trustees have a fiduciary obligation to protect those interests, the views of the beneficiaries are not key to the overall governance and management of the scheme at large. In this case the corporate sponsor takes the place of the shareholder.

It is the sponsor who holds the purse strings, who benefits directly from good performance and who has to fund any shortfalls caused by poor performance. Understanding the sponsor, its views, its business, its corporate governance, its performance, its attitude and ability to underwrite risk is essential to protecting the interests of the beneficiaries and the security of their benefits. This is, therefore, the analogous expectation under the Standards, a key responsibility of the board and possibly the most onerous duty of the professional chair. It is the professional chair who is expected to be the key interface with the sponsor, managing that relationship on behalf of the trustee board or ensuring that it is otherwise done to best effect. It is, furthermore, up to the chair to ensure that appropriate steps are taken to assess the covenant of the sponsor, now and in the future, and that this is taken into account on all funding and investment decisions.

> **In law all trustees are created equally, all have the same fiduciary obligations, and all have personal responsibility to ensure they comply with rules and regulations.**

The Regulator quite understandably holds those of us charging fees and setting ourselves out as experts to a higher level, and the Standard separates professional chairs out for additional special treatment. However, this doesn't differ much from the corporate world and, since pension schemes are generally a considerable cost centre of their supporting corporate, with proportionately a relatively large asset holding, this has to be right.

Actuarial

What does **good governance** look like?

It's widely accepted that 'good governance' is important for pension schemes. But what does good governance really mean? At Buck we have always taken the approach that good governance is defined by recognising, understanding and mitigating as much risk as possible. This includes all areas of pension scheme management, and therefore goes much further than just having a risk register in place. The following five areas are key to good governance and should fall within trustees' remit.

1. Clear, long-term objectives

Trustees need to consider where they are heading in terms of their plans, what stage they're at right now, and what steps need to be taken – and in what time frames – to meet the objectives of both the trustees and the sponsor. Developing a strategic business plan is a good way of recording and monitoring these goals. These plans will need to be regularly reviewed, monitored and updated to ensure they remain relevant and useful.

2. Well run trustee meetings

Regular trustee meetings are essential, as they draw together all aspects of pension scheme governance. The key to a successful meeting is adequate preparation. Trustee meetings need to be carefully planned and must include high quality meeting papers as well as a clear agenda and timings. Both Chair and Secretarial roles are also crucial in ensuring that each trustee has the opportunity to voice their views and that action items are addressed after the meeting.

3. Knowledge and skill for decision making

It's well known that new trustees must become 'conversant' with their pension scheme (as well as pensions law, funding and investment matters), within six months of their appointment, but that is only the beginning. Understanding how the individual trustees fit together in terms of their knowledge, skills and experience is also essential when considering the governance framework in place. Understanding any gaps will help drive a more focused training and development plan, which will help to support a dynamic policy that meets the needs of the scheme and sponsor, while remaining compliant with the overriding trust deed and rules.

4. Advisers in place

Good governance is all about making the right decisions. Sometimes issues are complex, and the questions trustees are expected to answer involve a level of understanding that is not possible for a lay trustee to have. Professional, engaging advisers can provide clear direction and identify issues, but trustees must also have the confidence and the skillset to challenge their advisers when they feel it necessary to do so.

5. Adequate policies and processes

Good governance is about making sure that all policies are clear, up-to-date and compliant. It can be useful to hold a summary of the key information that is useful for trustees in one central document repository. Trustees and their advisers should always have access to all the key documents relevant to the pension scheme. This helps new trustees get up to speed quickly, as well as enabling increased efficiencies and more effective decision making.

Good governance is a journey not a destination. It is something that all schemes must keep working at. The five areas identified above show how good governance touches all areas of pension scheme management. Having a strong governance framework in place benefits everybody - trustees, sponsors, advisers and members – and should play a vital role in ensuring the scheme meets its short, medium and long-term objectives to the betterment of its beneficiaries.

By Elizabeth Bostock, Benefits Consultant, Buck

Administration

By Bhavna Baines, Senior Technical Analyst, Barnett Waddingham

Greasing the pension cogs: the latest news on HMRC and TPR

May made for interesting times in the pension world, with The Pensions Regulator (TPR) taking a hard line on compliance and HMRC bending a little to help the industry get things done. Bhavna Baines of Barnett Waddingham takes a brief look at some of the key pension topics for the month.

HMRC: Countdown Bulletin 45 – the clock briefly turns back

In an incredibly welcome turnaround, mid-May's Countdown Bulletin 45 confirmed an extension to the previously expired deadline for payment of contracted-out equivalent premiums (CEPs). These tiny jewels in the GMP reconciliation crown allow GMP liability to be extinguished and State Pension reinstated for members with service under 2 years (or under 5 years in more historic cases).

Most of these members will have received a refund of contributions decades ago but, somehow, something fell out of the paper trail, maybe at the scheme side, maybe at HMRC's, and the GMP wasn't properly extinguished at the time. Much to their own surprise, when the GMP reconciliation data from HMRC first turned up, most schemes found themselves carrying tiny amounts of GMP liability for people they had literally no record of.

With Bulletin 45 extending the deadline to 4 June, we saw 2 weeks of fairly feverish activity across the industry as schemes rushed to submit their final requests. Inevitably there will still be cases where boats have been missed and schemes are still left saddled with rogue GMP benefits, however, with GMP equalisation adding even more urgency to the need to get these records absolutely right, even this short extension to the deadline was hugely helpful.

HMRC pension schemes newsletter 110

As life isn't complicated or busy enough for pension schemes, HMRC also published pension schemes newsletter 110 which covers a range of topics including:

A consultation on the steps – the Government proposes to meet the UK's expected obligation to transpose the fifth money laundering directive into national law. This includes a proposal that all UK resident express trusts, which will potentially cover most registered pension schemes, will be required to register with the Trust Registration Service. With the consultation due to close on 10 June, further updates will be announced on the ever increasing spiderweb that is pension scheme compliance.

TPR news - compliance and enforcement bulletin – no more Mr Nice Guy

In other news, May also saw TPR publish the latest edition of its quarterly compliance and enforcement bulletin, in which the Regulator provides an overview of how it used its powers between January and March 2019. This unassuming collection of pension crimes and misdemeanours across 4 cases studies should be required reading for anyone involved in pensions.

Several major outcomes during this quarter include:

- the first fraud conviction
- the first conviction for making prohibited employer related investments
- the first custodial sentence resulting from TPR prosecution
- the first time TPR have appointed a trustee to a scheme primarily because of a lack of competence amongst existing board members.

By Anne Rodriguez, Senior Manager, KPMG LLP

A clearer, quicker and tougher regulator

- will this result in a ‘smarter’ regulator?

In the wake of several high profile pensions cases, a number of initiatives from The Pensions Regulator (TPR) in recent months show a more robust stance being taken. Key emerging themes, supported in TPR’s 3 year corporate plan and the Department of Work and Pensions’ (DWP) Tailored Review of The Pensions Regulator, highlight its mission to become a more proactive and clearer, quicker and tougher regulator – but will this result in a ‘smarter’ regulator?

TPR Future

Launched in September 2018, ‘TPR Future’ introduced a new approach to regulatory supervision encouraging schemes to engage, to meet required standards, and emphasising the Regulator’s drive to provide clearer, quicker and tougher action. TPR Future also recognised TPR’s role as part of a wider framework of financial sector supervision.

TPR Future focuses on proactive engagement with a wide range of schemes and aims to provide clearer guidance about the Regulator’s expectations. While continuing to educate and support schemes, a tougher stance is expected for those who are wilfully ignoring or avoiding responsibilities, with member protection remaining paramount. TPR Future encourages focus on those areas where members face the greatest risks.

Four key areas form the basis of TPR’s new approach, being the setting of clear and measurable expectations, early identification of risk, driving compliance through supervision / enforcement, and working with others.

A select population of larger schemes have been identified through horizon scanning and are subject to one-to-one regulatory supervision with a nominated TPR contact. Additional and escalating regulatory effort will be focussed on schemes failing TPR’s standards. Different approaches to scrutiny will be tested and TPR have not ruled out issuing improvement plans.

A second strata of schemes will experience interactions based on a specific regulatory risk or issue, again making use of a range of possible interventions and regulatory action where required. These may vary from the appointment of a nominated TPR contact to letters, phone calls and participation in thematic reviews. In addition, schemes must complete a scheme return.

> **Publication of compliance failures reinforces TPR’s zero tolerance towards poor governance.**

As the new approach takes hold, TPR will publish key achievements, review the effectiveness of their work, measure and track successes, and provide opportunities for feedback. Overall, scheme members will benefit from increased assurance that workplace pensions are secure. As the recent Tailored Review put it, ‘TPRF is a robust programme of change to meet the future needs of the occupational pensions industry’.

Protecting Defined Benefit Pension Schemes

Building on TPR’s new approach, in May, David Fairs (TPR’s executive director for regulatory policy, analysis and advice), outlined The Regulator’s vision for a revised Code of Practice on Scheme Funding, setting out the need for a long-term view of funding and investment strategy and making a distinction between open and closed schemes due to their maturity profiles. Emphasising that affordability is key, TPR will seek views on length of acceptable recovery plans in the context of strength of employer covenant, and considering the role of contingent support and investment strategy.

The aim is for the new code to provide a straightforward, fast track to demonstrating compliance whilst retaining flexibility.

Two consultations are expected; the first focusing on options for a DB funding framework and the second on the supporting legislative package. This follows the February 2019 Government response to the 2018 White Paper 'Protecting Defined Benefit Pension Schemes' which sets out improvements to TPR's powers enabling it to be more proactive, to obtain timely information, to gain redress and to deter reckless behaviour. Whilst recognising that the majority of employers comply with their obligations, the Government intend to enhance TPR's power to enable more effective intervention. Key proposals include:

- Enhancements to the notifiable events regime to include notification of the sale of a material proportion of the business or assets of an employer and the granting of security on a debt with priority over the scheme. Further consultation will follow on the details and TPR will revise its Code of Practice and guidance
- A Declaration of Intent in relation to corporate transactions requiring corporate planners to share certain proposals with trustees and TPR. The Government will work with TPR on implementation of these proposals, including timing requirements, which may prove contentious if the proposed transaction is commercially sensitive
- Tougher penalties with maximum fines of up to £1m and the introduction of new criminal offences (for reckless actions such as allowing unsustainable deficits or excessive investment risks) and additional powers for TPR in relation to interviews and inspections. Proposals include unlimited fines and civil proceedings for failure to comply with a Contribution Notice. Indeed, the Tailored Review goes further suggesting that TPR should be given more freedom and the power to create rules surrounding their information requirements.

In addition, the Contribution Notice regime will be strengthened and the Financial Support Notices (FSN), previously Financial Support Direction, regime will be streamlined and broadened. The Regulated Apportionment Arrangement (RAA) regime was noted for further consideration. A suggestion for a mandatory clearance procedure around corporate restructuring raised concerns of disproportionate effects on normal economic activity. TPR guidance on the clearance process will be clarified.

Annual Funding Statement

TPR published their Annual Funding Statement 2019 in March. The 2019 statement outlines TPR's expectation for a long-term funding target (LTFT) and journey plan to its achievement.

The statement sets out expectations for an investment strategy which is consistent with the LTFT, together with TPR's views on the employer covenant and funding.

TPR's new approach will include contacting schemes where there are concerns around aspects of the funding and investment approach, particularly focused on equitable treatment of stakeholders and the length of recovery plans. The statement makes clear that, whilst not condoning late valuations, TPR's preference is for the best outcome, rather than a time compliant but sub-optimal result. A revised funding code is expected next year.

Trustees' approach to valuations is discussed, highlighting the need for trustees and employers to agree a clear strategy for achieving a long–term goal balancing investment risk, contributions and covenant support, with aligned shorter term strategies.

TPR's expectations are set out in a series of tables stratified by funding, covenant strength and maturity of the scheme, and containing considerations of appropriate alternative actions. The Statement goes on to clarify that it will consider a recovery period too long 'if a relatively mature scheme with a strong employer has a recovery plan in excess of the average length for the universe of schemes'.

These messages are reinforced in TPR's 3 year corporate plan.

In summary, the underlying messages from TPR indicate cohesive and joined-up thinking leading to transparency in the Regulator's approach. Ultimately, clearer, quicker and tougher regulation should promote confidence in pensions saving... however, 'smarter' regulation will be dependent on successful delivery and implementation, backed by appropriate resources.

A strategic approach

to Scheme administration

By Stuart Dunn,
Senior Consultant,
Muse Advisory

As administration becomes more complex and demanding, is a new strategic approach required?

The challenges facing administrators are numerous, for example:

- **Increasing volumes of transfer activity/ having a robust pension scams process**
- **Additional member retirement options**
- **GMP reconciliation, rectification and now equalisation/conversion**
- **Data rectification exercises, address tracing**
- **De-risking exercises**
- **Redundancy exercises/ other corporate events**
- **GDPR compliance and cyber security.**

Rather than just accept this as the way things are, maybe it is time to consider a different approach. Trustees and Pensions Managers could work with their scheme administrator as a strategic partner, in the same way as they work with their advisers, and not just as an outsourced service provider or an in-house, sometimes neglected, function. Having a fully engaged administrator who is aware of what is coming down the road will improve the chances of achieving strategic goals without compromising the delivery of the regular workflow. Improved planning, process efficiencies, effective cost and budget control, more effective risk management, and timely delivery should all be positive outcomes of this approach.

So how might this approach be applied?

Prioritising projects strategically

The increasing call on administrators' time for project work means many project managers are close to capacity.

It is therefore imperative that any projects being considered by trustees and sponsors should be shared with the administrator at the earliest opportunity; failure to do so might mean that the trustee or sponsor objectives are incapable of being achieved. This might be done in a meeting with the actuarial and legal advisers also present so that key stakeholders are working together and all have a better understanding of their roles and responsibilities.

The administrator should be given the opportunity to fully consider their role and what they can realistically deliver. This shouldn't go unchallenged, but this approach creates a more constructive dialogue. All the various workstreams will need to be identified and any barriers to delivery can be identified early. There may be resource constraints, compliance requirements, dependencies on other projects or dependencies on the sponsor.

Ultimately, this early sharing of information and open dialogue will determine capability, resource requirements, the viability of the scheme's proposed time frame, and costs. It may still be the case that the administrator is unable to carry out some tasks or provide access to a project manager in the time frame proposed. Decisions will therefore need to be taken on whether the scheme adjusts its time frame, seeks alternative resources to fill the void, or alters the strategy to ensure the objectives are achieved.

Effective oversight of your scheme administrator's project work is also crucial, whether performed by the pensions teams or by an external specialist, if the objectives are to be achieved and the impact on business as usual is to be minimised.

Strategic oversight of 'business as usual' and administration projects

Having robust oversight of your administrator provides an early warning system for issues likely to affect the sustainability of a scheme's administration service to deliver 'business as usual' and project work. It also enables patterns in member behaviour to be analysed and monitored which can influence how a scheme is administered, and informs strategic decisions.

Regular reporting will contain useful management information to identify which member enquiries are causing a resource drain on the administration team, such as a summary of the decisions made by members on leaving or at retirement, the periods when peaks in workload are occurring, and any issues compromising service delivery. Alongside that, the qualitative reporting can help foster a transparent and effective relationship through scorecards looking at, for example, project delivery and both administrator and client behaviour (proactivity, responsiveness, continual improvement mindset).

Being able to challenge your administrator, using market experience and expertise is important to ensuring your administrator is performing in line with your objectives and whether this is comparable with the peer group.

Whether oversight is provided by the pensions team, trustee or with the support of an external specialist or independent trustee, it will need to provide input to operational, reputational and financial risk management, and seek to drive efficiencies, and identify and mitigate risks. It would also address any concerns with poor member experience whether that is at the administrator's end or with the trustee/ sponsor. Of course, an administrator with a culture of continual service improvement will be proactive in bringing forward ideas and initiatives. This should be encouraged as the administrator has the interface with members and sponsor and is therefore best placed to provide practical solutions. These will of course need to be fully understood and assessed by those responsible for the oversight before a decision is taken to proceed.

Regardless of which party takes the initiative, working collaboratively from the initial projected process improvement proposal, analysis, testing and finally, a robust go-live process, are essential to a successful outcome. Process improvement projects may involve:

- increased automation
- limits on the number of quotations provided
- standardisation of transfer out information
- provision of an online portal allowing members to obtain their own retirement and transfer quotations, view their benefit statements, access general scheme information, and update their own records/ expression of wish details
- provision of frequently asked questions for the helpline support team and members
- a designated resource to cover specialist areas or ad hoc exercises like death and ill health cases, redundancy exercises and/ or annual allowance/ lifetime allowance queries
- improvements to member communications
- team or operational changes
- a systems upgrade providing improved functionality
- a tightening of the controls environment to mitigate risks.

Working together with your administrator as an integral part of the strategic team can produce a much more effective partnership.

Affording your administrator an implicit understanding of the scheme's objectives, will enable them to support that journey and provide them with a sufficiently long-term view to plan, prioritise and consider operational implications.

Appropriate reporting can help monitor and drive the service and relationship. Of course, all agreed projects will need to be prioritised with clear objectives, milestones and success criteria, according to the trustee's strategic agenda.

Employer Service:

one size doesn't fit all

By John Simmonds, Principal, CEM Benchmarking

The pensions industry is learning fast that it serves not one, but two key customers – members and employers.

Master trusts, whether defined benefit (DB) or defined contribution (DC), have always understood the importance of building the right relationships with employers as a customer of sorts. Super Trusts and other consolidators face this challenge too and must rise to it. In fact, many of the UK's largest pension schemes, particularly in the public sector, are increasingly focusing resources on employer service.

Context is everything. How a pension scheme is organised to serve employers, and the range and scope of the services provided, depends on a number of important factors. For example, a funded pension scheme has very different perspective to an unfunded scheme, just as a DC scheme will encounter different issues to a DB scheme. Where funding, investment strategy and contribution setting are 'ringfenced' at an employer level, then the employer will need significant support. Even in a simple structure, where employers are mainly focused on remitting data and contributions, some want a hands-on approach and are interested in educating staff while others are content to be involved to the minimum extent possible. So, how can pension schemes organise themselves to successfully serve different employer audiences?

Does a model that works for lots of small employers also work for a small number of large employers? CEM was asked by a group of the UK's largest multi-employer DB pension schemes to complete research on their behalf to help them understand differences in their approach. Auto-enrolment focused the minds of DC providers on how to 'on-board' lots of employers quickly and efficiently.

As an industry we made great leaps forward and there now exist some fantastic tools and processes within the master trust world.

In our DB research group, employer turnover (employers leaving or joining the scheme) was below 10% for all but one scheme. This tells us that how new employers are welcomed into the 'fold' is important.

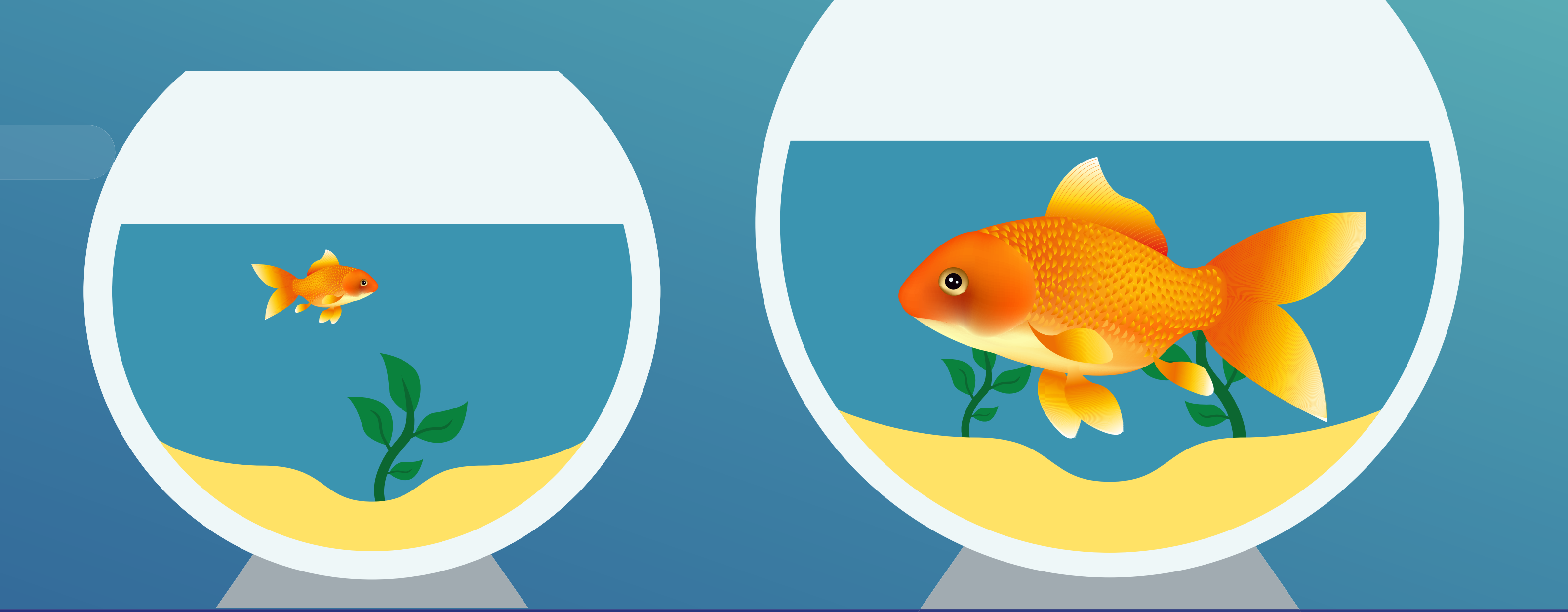
> **There are lots of reasons why pension schemes need to build good relationships with employers, but chief amongst these is quality data.**

If data is the lifeblood of pension administration, then employers are the heart – pumping the data into the system. Just as you need to look after your heart to stay healthy, pension schemes must look after employers to keep data and contributions flowing.

Every incoming employer needs to understand the pension scheme's basic data and contribution requirements. Getting a new employer's payroll team or payroll provider up to speed, and keeping them there, is essential. The pension scheme must therefore be effective in communicating its needs to employers and in recognising what is happening within those employers.

We were told that employers often resist attempts to force a data collection solution on them. Some prefer their own approach, no matter how much pain this causes. Is it higher service to offer flexibility and say 'yes' to employers that prefer to do things their own way and then for the administrator to deal with resulting data quality issues, or is it better to force them to adopt a standard approach and to reject entire data sets where there are issues (rather than individual data items), no matter how much the employers 'squeal'?

Most schemes told us that they use data quality as an indicator



of training needs, i.e. when there are systematic issues with data from an employer then that is a good trigger to initiate training for the employer's staff. Every scheme we spoke to has more than one approach to training employer staff. These included training videos online, webcasts, one-to-one training and group training.

In many instances this training remit falls into the hands of dedicated Client Relationship Managers (CRMs). Payroll staff come and go. Systems are replaced. Payroll bureaus are hired and fired. But a strong client relationship management system is essential to know who the pension scheme's 'clients' are, who the key contact is within each, and to recognise that changes create a training need.

> **Client relationship management is a key area for improvement for many schemes.**

Despite the burgeoning number of employers that schemes have to manage, CRM numbers are generally low. On average, in our study group, 96% of employers actually have a CRM, though the range was from zero to 100%. The number of employers that each CRM manages also varies widely. At one end of the range, schemes told us they have one CRM for every 60 employers and at the opposite end of the scale it was one CRM for every 1000 or more employers.

Some CRMs clearly spend more time on the road with employers than others. One scheme sees its CRMs completing more than 150 visits per year. Most did less than 10. On average only 2% of employers experienced a site visit from a CRM. But CRMs aren't necessarily the 'go to' person for most daily interactions between scheme and employer. Different schemes clearly have quite different service models for telephone and email traffic. Only one scheme in our study suggested that its approach varied depending on the size of employer and only one suggested that CRMs answer all employer calls. In most instances employer calls are handled by contact centre operators or administrators.

Clearly the right approach has a lot to do with how large and sophisticated the employers are.

Bigger employers may demand a lot of support, smaller employers less so. In fact, small employers might well prefer an elegant and functional online solution rather than being pestered by the pension scheme. Website functionality is therefore important and another area where there are differences between schemes. All the pension schemes in the study had an employer focused area on their website, though not all had a 'secure area'. Where a secure area exists, functionality is generally high. Most schemes report that employers are able to input or upload data e.g. salary information or marital status, enrol new members, and report leavers / retirements.

Most schemes we spoke to, sensibly, have some agreed service metrics for employer service such as call wait times or abandonment rates. None of the schemes we spoke to said they were reporting to employers on how they performed relative to those targets.

Having said this, a minority of schemes did say they reported to employers on how the scheme was serving the members. Such reports included data on, for example, member satisfaction, complaints, work volumes, timeliness or quality measures etc. The nature and frequency of such reporting generally varies by scheme and by employer, with larger employers more likely to receive more detail, more frequently.

There's no single, optimal model for employer service. A scheme with a small number of large employers will likely have a very different approach to one with a large number of small employers. However, that's not to say that every scheme is perfectly set up or adequately resourced in this area. Whilst data quality remains a pensions hot button, the effective management of employer relationships will only continue to gain importance.

To advertise your services in Pensions Aspects' Services Directory, please contact adam@insidecareers.co.uk or call 020 8405 6412

COPY DEADLINE: FRIDAY 2ND AUGUST FOR SEPTEMBER'S ISSUE

Asset Management

Auditors & Accountants

Communications

Financial Education & Regulated Advice

Independent Trustees

Pensions Lawyers

Pension Systems

Third Party Administrators

Trustees Liability Protection Insurance

contactus@abenefit2u.com
Call us on 0207 243 3201
www.abenefit2u.com

Abenefit2u

Celebrating 10 Years

Recruitment Specialist

In-house Pensions Compliance — Up to £40k
Derbyshire — DB14611

You will be the new support on technical, compliance, risk and internal control matters, providing pensions input and assistance, helping to design policies and processes and supporting internal risk controls for the Pension's Department.

In-house Pensions Tech. Lead — To £50k DOE
Hertfordshire — DB14582

You will be the main key technical support to the pension's administration team and supporting parties, ensuring all SLA's and compliance measures are achieved, and supporting all processes to minimise escalations and complaints.

In-house Pens. System Analyst — To £50k DOE
Hertfordshire — DB14583

In your newly created level of role for a large in-house scheme, you will focus on developing and maintaining the Pension's Pension Administration system whilst performing cyclical tasks and ad hoc systems projects.

Deputy Administration Manager — £DOE
Bristol — TD14557

You will be supporting the Administration Manager servicing both member and client queries in relation to several DC/DB pension schemes. You will help to supervise workloads, train junior team members and check the work of others.

Client Accountant — £DOE
London/Working from home also — CE14615

As a qualified accountant with broad knowledge of accounting techniques within UK Pensions, as well as preparing Annual Accounts, this is a superb opportunity with real career prospects. Some home working, as well!

Pension Proposition Consultant — £DOE
Various Location Options — CE14602

This will see you working in a fast growing team with a focus on generating new business in the area of pensions data. If you don't have significant sales experience, don't worry; you will be trained!. Strong Defined Benefit knowledge essential.

Pension Analyst — £DOE
London — CE14637

Are you ready for this challenge? Within this projects team you will be working on a varied range of projects utilising your technical pensions and analytical skills. This award–winning firm is ready for you to join.

Trustee Pension Specialist — £DOE
West Sussex — CE14638

With experience of DC occupational and/or master trusts, you will collate & write papers for Trustee meetings, as well as provide governance training & support working closely with the Trustees and the Trustee Secretary. Promotion prospects.

Actuaries — £DOE
Various — TD14409

We are seeking qualified (or nearly qualified) Actuaries with experience working in the pension's industry. You will have a broad understanding of how UK pension schemes operate. Excellent written and verbal communication skills essential.

Pensions Data Project Managers — £DOE
Various — TD14609

We are looking for forward-thinking, outgoing, enthusiastic Project Managers. You will be Prince 2 qualified with Defined Benefit pension technical expertise & be experienced in managing several Data Management projects simultaneously.

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

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

Contact Tasha Davidson (TD)
tasha@abenefit2u.com
0208 274 2842 / 07958 958 626

We can assist with 'one-off' recruitment needs or ongoing staff requirements; on a permanent, contract or temporary basis.

Abenefit2u recruits from trainee administration level upward through to executive management, providing both contingency and executive search services.

Working in partnership with employer and employee