Self-selection
What can the decumulation sector learn from those opting out of DC default funds?

Impact investing
How best to measure the impact of ESG investment strategies

Auto-enrolment
Have AE contribution rises triggered an increase in opt-outs?

www.pensionsage.com

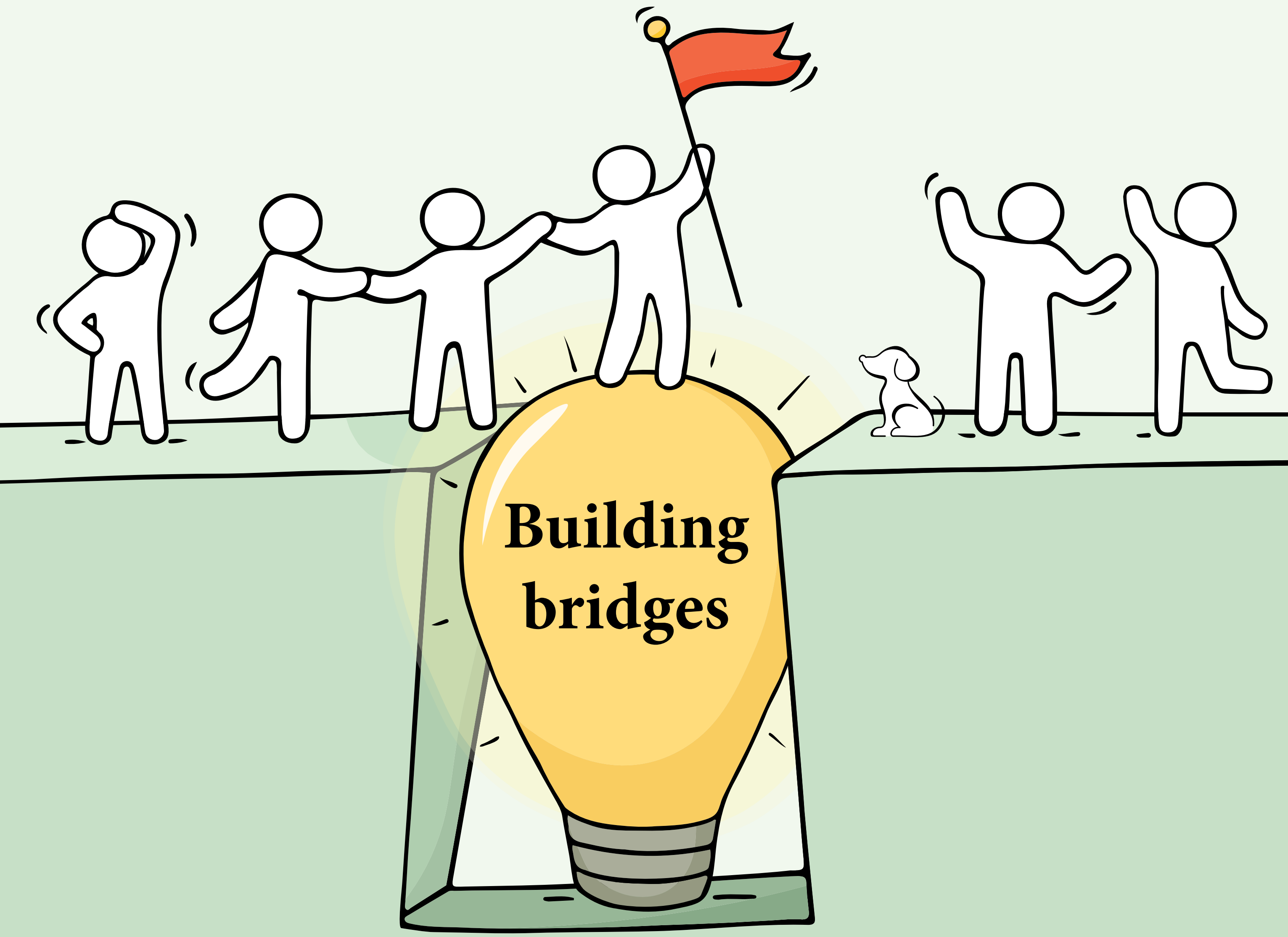
June 2018

PENSIONS Age

The leading pensions magazine

***Spotlight on communications**: The pros and cons of paper, online and face-to-face communication methods*

***Transfers:** The impact of DB-DC transfers on schemes' funding valuations*



How to overcome the master trust gap between employer-member relations

M&S case study - the benefits of the pension fund's recent buy-in deal

Editorial Comment

Sixth floor, 3 London Wall Buildings, London, EC2M 5PD

Far more than where we have come from, it is our choices that define who we are.

I would like to think that's the profound ethos of a renowned philosopher, but I have a sneaky suspicion that it's actually from *Harry Potter*.

However, we are a product of our accumulative choices, as our past decisions determine our next steps.

The Pensions Regulator (TPR) may well be looking back at some of its past decisions with regret. Its former actions, or lack thereof, in the case of Carillion have lately been lambasted by the government.

In a joint report on the Carillion saga, the Work and Pensions and the Business, Energy and Industrial Strategy (BEIS) committees questioned TPR for not offering "any serious challenge" to Carillion's dividend policy, despite the regulator pointing out in April 2013 that it was "not comfortable with recovery plans increasing whilst dividends are being increased".

It also probed into the timing of the regulator's decision to investigate Carillion days after the company had already gone under, stating that, "TPR intervention tended to be concentrated at stages when a scheme is in severe stress or has already collapsed".

The committees also said they were "far from convinced" that TPR's current leadership can effect change, as a "tentative and apologetic approached is ingrained", and that a "substantial cultural change" is required for the regulator to be able to meet its goal of being 'quicker, bolder and more proactive'.

So it seems no coincidence that Lesley Titcomb has made the choice to now announce that she is stepping down from her role as TPR chief executive in February 2019.

It would be a shame if the government's words were the main reason for Titcomb's departure, particularly as she was not in charge of the regulator at the time it was making these concerning decisions. To what extent should we have to pay for the mistaken choices of those that come before us?

The government is correct that there is little point having a watchdog with no teeth. But the regulator has been showing its bite lately.

In its quarterly compliance report for January to March 2018, TPR states that it had used a total of 35,862 enforcement powers. In comparison to the last quarter, it issued 3,721 more fixed penalty notices, 2,037 more compliance notices and 431 more unpaid contribution notices.

The bulletin also highlighted how the regulator used a number of its powers for the first time in this period. These include obtaining a court order requiring scammers to pay back money taken from pension scheme under section 16 of the Pensions Act; fining a professional trustee for failing to maintain registerable information and enforcing governance and administration rules against schemes 62 times.

The government has said that it will "further consider" the role of TPR in its defined benefit pensions white paper. Will the decisions the regulator makes now be enough to spare it from a serious shake up?

The consequences of our actions – be they intended or unintended – are something we have to live with; they last a long time and are potentially irreversible.

This is particularly the case with pension saving. The choices taken at one point can end up determining whether, for example, in the future a DB scheme smoothly and successfully manages to reach buyout status, or faces crisis talks like the recent high-profile BHS, BSPS and Toys R Us pension cases.

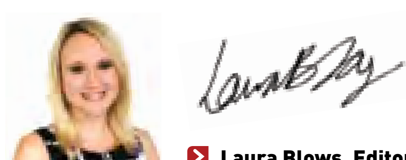
For individuals the decisions they make (or do not make) throughout their working life with regards to pension saving can make a material difference as to their standard of retirement living.

These choices can often be difficult, especially as it is often impossible to know for sure whether you have made the 'right' choice until it is too late to do anything about it.

That is why *Pensions Age* this month focuses on the theme of engagement. As no matter what part of the pensions industry we are involved in, from provider, to trustee, to administrator and beyond, we all have choices to make as to the extent we are able to optimise people's retirement outcomes.

For this to occur, informed choices need to be made. This requires both engagement and assistance. As it is far too difficult – without the aid of a crystal ball – to know the knock-on effects decades later of decisions made today, all that can be done is make each small decision now in the best faith that these will add together to create optimal long-term results.

Thank you for making reading this issue of *Pensions Age* one of those choices.



Laura Blows, Editor

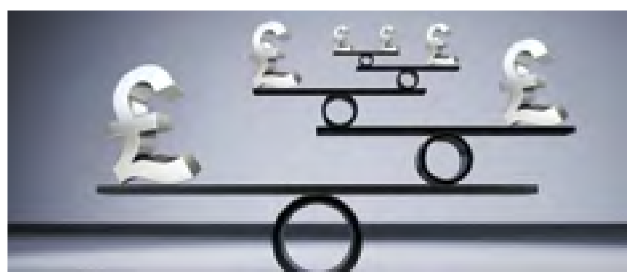
COVER FEATURE

Theme: Taking an interest

53

Building bridges

With record numbers of employees in master trusts, the relationship between employers and scheme members can become distanced. Talya Misiri questions the impact of this and what employers can do to plug the gap between employer-member relations



Features & columns

Sixth floor, 3 London Wall Buildings, London, EC2M 5PD

By agreement, Pensions Age is distributed free to all PLSA members as part of its package of member benefits

By agreement, Pensions Age is distributed free to The Pensions Management Institute (PMI) members as part of its package of member benefits

Pensions Age is distributed to The Association of Member Nominated Trustees members

By agreement, Pensions Age is distributed free to all SPP members as part of its package of member benefits

Award:
Perspective Publishing, the publishers of *Pensions Age* have been awarded:

Qualifications:
PMI Retirement Provision Certificate (RPC): Laura Blows

PENSIONS Age

Publisher
John Woods
Tel: 020 7562 2421

Editor-in-Chief
Francesca Fabrizi
Tel: 020 7562 2409

Editor
Laura Blows
Tel: 020 7562 2408

News Editor
Natalie Tuck
Tel: 020 7562 2407

Senior Reporter
Talya Misiri
Tel: 020 7562 2437

Reporter
Theo Andrew
Tel: 020 7562 2425

Design & Production
Jason Tucker
Tel: 0207 562 2404

Accounts
Marilou Tait
Tel: 020 7562 2432

Commercial
John Woods
Tel: 020 7562 2421

Camilla Capece
Tel: 020 7562 2438

Subscriptions
Tel: 01635 588 861
£149 pa within the UK
£197 pa overseas by air

NEW circulation figures

Pensions Age now has its new circulation figure from the Audit Bureau of Circulations (ABC). This is our BEST EVER circulation audit, and we would like to thank all our readers for their support. The average circulation July 2016 to June 2017 comes in at 15,023 print copies, near treble most of our competitors. This is 100% requested and/or copies sent as a member benefit (PLSA, PMI, SPC, AMNT). (source: ABC, see www.abc.org.uk). Pensions Age is also sent as a Tablet Edition to our 25,000+ online subscribers (source: Publishers Statement September 2017).

Managing Director
John Woods

Publishing Director
Mark Evans

ISSN 1366-8366
www.pensionsage.com

There are many multi-asset funds. None quite like this one.

Pictet Sicav II–Dynamic Asset Allocation fund.

Geneva Zurich Luxembourg London Amsterdam
Brussels Paris Frankfurt Madrid Milan Dubai
Montreal Hong Kong Singapore Taipei Osaka Tokyo
assetmanagement.pictet

1805 PICTET
Asset Management

Dateline - May 2018

Rounding up the major pensions-related news from the past month

1 May The **Financial Services Compensation Scheme** (FSCS) confirms it will increase its levy to £407m for the period 2018/19, due to rising defined benefit transfer claims. FSCS chief executive, Mark Neale, writes in a report that it would be increasing the levy by £71m more than £336m forecast for the nine months to June 2019, mostly because of a £52m increase in the life and pensions intermediation levy.

2 May The end of defined benefit pension schemes in the UK is 'edging closer' as only 4 per cent remain open to new members, **Barnett Waddingham** reports. In its sixth annual *Big Schemes Survey* of 230 schemes, Barnett Waddingham highlights the continued decline of DB schemes, with 53 per cent closed to new members, 43 per cent closed to future accrual and only 4 per cent open to new members.

4 May The government extends **Capita**'s contract for the administration of the Teachers' Pension Scheme by three years to 2021. Minister of State for Education, Nick Gibb, says that following the initial award of the contract in 2011, it has been extended for a further three years, and will end in 2021.

8 May The **PPF 7800** deficit has decreased by £33.6bn to £81.7bn at the end of April 2018, the Pension Protection Fund reveals. The funding level of schemes has also improved, increasing from 93.1 per cent at the end of March 2018, to 95.1 per cent at the end of April. Last month the deficit increased by £43.5bn to £115.6bn, in part due to rising gilt prices.

9 May Saving into a workplace pension is the main way 69 per cent of people are saving for retirement, new research by **Willis Towers Watson**'s DC master trust, LifeSight, finds. The retirement expectations research, which surveys around 3,000 employees, also finds that retirement security has become a more important issue to over two-thirds (67 per cent) of UK employees over the past two and three years.

10 May The **Financial Guidance and Claims Bill** receives royal assent, giving pension members greater protection against potential scammers. The bill, which has been in the planning for almost a year, will make it illegal to be cold-called about pensions and will also make it trustees' and pension providers' responsibility to ensure members get appropriate guidance before accessing their pensions.

11 May An estimated 100,000 members transferred out of their defined benefit pension schemes between 1 April 2017 and 31 March 2018, according to **The Pensions Regulator**. Responding to a Freedom of Information request on its website, the regulator says that DB schemes reported 72,000 transfers out, with an approximate value of £14.3bn, but because not all schemes have reported the exact amount, it believes the figure to be in the region of 100,000.

15 May National Grid completes a £2bn intermediated longevity swap with Zurich for the National Grid Electricity Group of the Energy Supply Pension Scheme (ESPS). The transaction will protect National Grid against the risk of rising costs as a result of around 6,000 pensioners and future dependent members living longer than expected.

16 May The Work and Pensions Committee lambasts The Pensions Regulator over its 'hollow' approach to protecting Carillion's pension schemes. In a joint report on Carillion, the Work and Pensions and the Business, Energy and Industrial Strategy (BEIS) committees say that it is "far from convinced" that TPR's current leadership can effect change, and that it was "deeply concerned" with evidence it received from the regulator.

17 May The **Pension Protection Fund** has indicated its intention to vote in favour of Mothercare's Company Voluntary Arrangement. In its *Refinancing*

For more information on these stories, and daily breaking news from the pensions industry, visit **pensionsage.com**

and Restructuring report, Mothercare confirms that it had received the support of the pensions lifeboat for its CVA proposal. The CVA, which is set to see the reduction of the childcare retailer's store count to 78 stores by full year 2020, will also trigger a PPF assessment period. This will involve the PPF assuming the rights of the pension schemes' trustees, including voting rights, the report indicates.

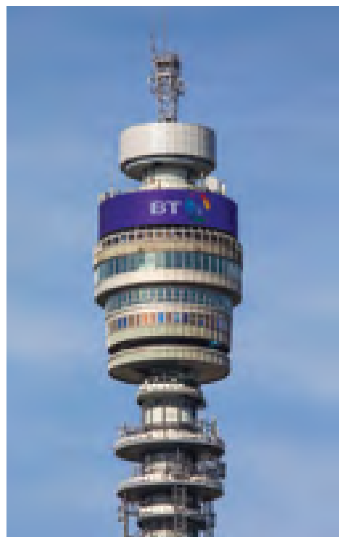
Editorial credit: Lenscap Photography / Shutterstock.com

18 May The Upper Tribunal supports The Pensions Regulator's former use of its anti-avoidance powers against ITV regarding its Box Clever scheme. The Box Clever pension scheme was formed in 2000 as part of a merger between ITV (then Granada) and Carmelite. Following the scheme's collapse, TPR opened an anti-avoidance investigation, as ITV extracted "significant value from the joint venture". Now, the tribunal confirms its support of TPR's use of its powers, noting that it is reasonable to require ITV to provide financial support for the scheme in this case.

21 May The government is expecting to save roughly £200m by reforming the **Nuclear Decommissioning Authority**'s (NDA) two defined benefit public sector pension schemes. A consultation launched by the Department for Business, Energy and Industrial Strategy (BEIS), outlines the department's plans to reform the schemes into a bespoke career average revalued earnings (CARE) scheme. The two schemes, the Combined Nuclear Pension Plan and the SLC of the Magnox Electric Group of the Electricity Supply Pension Scheme, have approximately 10,160 members and "are therefore in scope for reform" and have been closed to new entrants since 2008.

22 May FTSE 100 pension schemes record their first year-end accounting surplus since the financial crash in 2007/08, however funding dangers still loom, **LCP** reports. According to LCP's *Accounting for Pensions* (AfP) report, the overall accounting position of FTSE 100 schemes grew from 95 per cent to 101 per cent in 2017, converting a £31bn deficit into a £4bn surplus by the year end.

23 May Using accurate data when analysing longevity could reduce scheme pension liabilities by up to 5 per cent. **Hymans Robertson** partner and actuary Catherine McFadyen says that accurate and clear data readings reduce liabilities by 2 per cent on average.



Editorial credit: chrisdorney / Shutterstock.com

24 May The **BT Pension Scheme** (BTPS) deficit decreases from £7.6bn to £5.3bn over the year to 31 March 2018 on an IAS 19 accounting basis. In its 2018 annual report, it says the result was due to a £2.2bn reduction in liabilities and a 2.4 per cent increase in actual investment return.

29 May Twenty-two per cent of those with multiple pension pots, 64 per cent of people, have lost track of one or all of their pensions, according to research by **Aegon**. The figures mean that over 700 million people have potentially misplaced some of their retirement savings, highlighting the challenge of a broader trend towards a career involving an average of 11 jobs and the difficulty of keeping tabs on workplace savings.

31 May Bulk annuity transfers conducted by pension schemes have exceeded £15bn in 2018 so far, **JLT Employee Benefits** finds. According to JLT's latest *Buyout Market Watch* report, the uplift in bulk annuity activity in 2018 to date has been a result of trustees and sponsors taking advantage of favourable insurer pricing to tackle their liabilities. Key deals concluded in the year include Rothesay Life's £12bn acquisition of part of Prudential's annuity book in Q1, while deals executed last year ranged from £100m-£900m, with no individual transaction exceeding £1bn.

News focus

TPR under fire from MPs over failings; regulator 'learning lessons'

The joint committee investigation into Carillion said it was "far from convinced" about the regulator's leadership

The Work and Pensions Committee has lambasted The Pensions Regulator over its "hollow" approach to protecting Carillion's pension schemes.

In a joint report on Carillion, the Work and Pensions and the Business, Energy and Industrial Strategy (BEIS) committees said they are "far from convinced" that TPR's current leadership can effect change, and that they are "deeply concerned" with evidence they received from the regulator.

The report did not go as far as suggesting that the regulator should be scrapped altogether, but said that it would "further consider TPR in its ongoing inquiry into the defined benefit pensions white paper". In particular, the joint report noted the regulator's failure to use, even a single time, its powers under section 231 of the Pensions Act 2004 that would allow it to impose a schedule of pension contributions.

The report also disputed the regulator's claim that its intervention led to an increase of £85m across the recovery period as "unclear", and was a long way from the £342m the trustees were seeking. "The agreed plan was also heavily backloaded, with initial contributions of £33m matching the company's offer and steps up in contributions only occurring in later years, when it would regardless be superseded by a new valuation and recovery plan", the report said.

TPR was also called into question for not offering "any serious challenge" to Carillion's dividend policy, despite pointing out in April 2013 that it was "not comfortable with recovery plans increasing whilst dividends are being increased". When questioned by the joint committee over Carillion's dividend policy, TPR chief executive, Lesley Titcomb, said that it "cannot and should not prevent companies paying dividends, if that is the right thing to do".

Furthermore, the report probed the timing of TPR's investigation into Carillion, launched days after the company had already collapsed, reiterating its 2016 findings that "TPR intervention tended to be concentrated at stages when a scheme is in severe stress or has already collapsed". Despite this, the report accepted that the regulator had different leadership than at the height of its Carillion failings.

Commenting on the joint committee's findings, Titcomb, who has since announced her resignation in February 2019, said: "We actively seek to learn lessons to better protect members of pension schemes. In the past the balance between members and employers was not always right. The

report underlines the significant changes already made at TPR but there is more work to do. We are now a very different organisation; we are clearer about what we expect, quicker to intervene and tougher on those who do not act in the interest of members. We have reinforced our regulatory teams on the frontline and are embedding a new regulatory culture."

Following the report from the committees, the regulator published its corporate plan for the next three years, outlining its regulatory priorities and vision to be a "strong, agile, fair and efficient" regulator. The regulator said it wants to gain the respect of employers, trustees and other stakeholders. As part of this, it outlined eight key priorities that it wants to address over the next three years. The first is to enhance and execute effective regulatory approaches across all schemes. As part of this, it will be intervening more widely, and tailoring its approaches to specific risks and circumstances.

In order to drive up trustee standards, it will improve governance and administration through its ongoing 21st Century Trusteeship campaign. It warned that if schemes fail to meet the basic duties, it will take action. Two other areas of importance for the regulator are the effective regulation of DB schemes, and master trusts. In terms of DB it will continue to assess the DB landscape to highlight trends and respond to issues by setting out clear expectations of schemes through its DB landscape and annual funding statement publications.

The regulator is in charge of overseeing the authorisation of master trust schemes and will be open to applications from October 2018. The master trust regulations will be laid before parliament this year, and the regulator's draft code of practice and supporting guidance will be finalised to support master trusts in meeting our expectations of them. As auto-enrolment has now been rolled out to all businesses, the regulator will continue to make sure that employers are complying with their duties. With Brexit on the horizon, TPR said it will continue to work closely with the government and wider pensions industry to build its understanding and response to the potential effects of Brexit on schemes.

"This work will include responding to any changes to European pensions law and requirements into UK law, and assessing the implications for cross-border schemes. As further analysis of the effects of Brexit on UK pension schemes becomes available, we will provide specific guidance to schemes and the industry where appropriate," it said.

The regulator's seventh priority is to equip its people to meet the challenges it faces, and its eighth is to deliver The Pensions Regulator of the future. It said that having worked closely with a wide range of stakeholders, who have added to its understanding of the changing regulatory landscape over the last year, "we continue to design and roll out a new operating model for regulation – known as TPR Future".

Despite its in-depth plan, the Work and Pensions and Business, Energy and Industrial Strategy committees expressed their disappointment at the regulator's key performance indicator (KPI) targets for the regulation of defined benefit schemes. "We were disappointed, however, that in your latest corporate plan, released on 11 May, the target KPIs for DB regulation appear very modest in scope…all the KPI targets remain unchanged from 2017-18. Should the regulator not be pushing for more stretching targets?" the committees asked. Furthermore, the committees said that a "substantial cultural change" is required for the regulator to be able to meet its goal of being "quicker, bolder and more proactive". In particular, it said a "tentative and apologetic approached is ingrained" and they are not convinced that TPR's current leadership is equipped to effect change.

Written by Theo Andrew and Natalie Tuck

NEWS IN BRIEF

PensionBee has partnered with UK employee benefits platform Perkbox to offer Perkbox users the chance to locate and consolidate their old lost pensions into a new online plan. In addition to the service, Perkbox will offer users a £50 financial reward once they have completed the transfer and for joining the platform. Perkbox will host a series of demos using the PensionBee technology to assist users further.

Sackers & Partners has launched its latest environmental, social and corporate governance guide for pension scheme trustees. The guide provides an overview and update of key developments and trustees' legal obligations in the area. This will include an assessment of fiduciary duties and applying it to ESG approaches, jargon associated with ESG and what is on the agenda for trustees in the next 12 months.

Barnett Wadddingham has launched a pilot apprenticeship programme that will provide training and guidance to the next generation of financial services pension administrators. The programme will last for 18 months and will entail a combination of on-the-job work experience with the opportunity to gain a Pension Management Institute qualification. The scheme is targeted at students completed, or who have recently completed, their A-levels.

The **Asset Management Exchange** (AMX) has announced its addition of tax transparent global equity vehicles to its institutional investment funds to become more accessible to UK pension schemes. The move aims to assist schemes to benefit from their tax exempt status when investing in global equity strategies, AMX said.

VIEW FROM TPR

The recent case of Birmingham business Crest Healthcare shows that although the vast majority of employers are giving their workers the pensions they're entitled to, a small minority are not.

Our systems highlight cases of non-compliance for us to investigate and we remain committed to tackling those who are snubbing the law.

But, as the Crest Healthcare case demonstrated, we can be more effective if we get the assistance of those closest to rogue employers – whistleblowers among their victims.

In that specific case, a whistleblower alerted us to the fact that staff had been told that pension contributions were being paid by the employer when, in fact, a scheme hadn't even been set up.

We investigated and as a result the company and its managing director now have criminal records and a total bill of more than £20,000 in fines and court costs. Importantly, their workers have the pensions they had been denied.

Whistleblowers play a vital role in helping us to identify those employers who are denying workers their rights.

We receive more than 80 reports every week from people who suspect employers are breaking the law on workplace pensions, leading directly to around 600 investigations in the last year.

I'd urge anyone who has suspicions that something at their business isn't quite right, or who thinks their employer is non-compliant, to visit our website to tell us what they know.

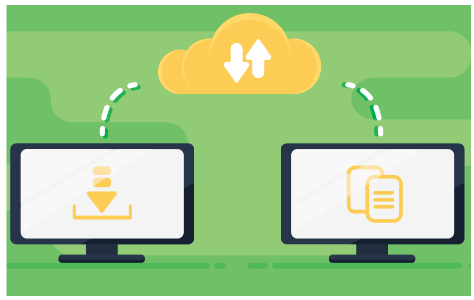
TPR Director of automatic enrolment Darren Ryder

The Pensions Regulator

DB transfers hit 100,000 in 2017/18 - TPR

Due to the increased demand for defined benefit transfers, it has been suggested that transfer advice could be funded through a person's defined benefit pension pot

An estimated 100,000 members transferred out of their defined benefit pension schemes between 1 April 2017 and 31 March 2018, according to The Pensions Regulator.



Responding to a Freedom of Information (FOI) request, the regulator said that DB schemes reported 72,000 transfers out, with an approximate value of £14.3bn, but because not all schemes have reported the exact amount, it believes the figure to be in the region of 100,000. In a separate FOI request, the regulator said that between the period 1 April 2016 to and 31 March 2017, a reported 67,700 members transferred out of their DB schemes, a figure it estimates to be closer to 80,000.

"Though the figures show the total number of transfers out of defined benefit schemes, it is important to emphasise that this is not a total of defined benefit to defined contribution scheme transfer, which members may have requested to access the pension freedoms for example. In addition some attempt has been made to identify and correct information that is erroneous or irrelevant this has been corrected, but we have not carried out a full audit of the information supplied," the regulator said.

Due to the increased interest in DB transfers, Royal London has suggested that transfer advice could be funded via DB pension rights. As with the current scheme rules that enable DB schemes to debit the rights of members in respect to pension sharing after divorce or to enable 'scheme pays' pension tax relief charges, transfer advice could be debited in a similar way, Royal London said.

It noted that this change could assist scheme members who receive advice not to transfer, but have to do so simply to cover the cost of the advice. Moreover, Royal London has also suggested that the £30,000 mandatory financial advice requirement on transfers should be increased to around £50,000. Instead those with pots below £50,000 should be required to engage with Pension Wise "for basic factual information".

In addition, to tackle the problem of seeking financial advice and guidance too late, Royal London has voiced its support for the mid-life MOT. For many consumers, this could see members engage with financial advice and guidance, enabling them to make crucial decisions earlier, it said. While high quality impartial advice is crucial for those transferring out of DB schemes, Royal London strategic marketing insight manager Robin Nimmo said not all members will be able to meet advice costs. He thinks members should be allowed to use their DB pension rights to pay for advice, so they are not put off exploring their options by having to pay.

Written by Theo Andrew and Talya Misiri

LGPS must 'innovate' to make pooling a success

Minister for Local Government Rishi Sunak said the schemes have "no room for complacency", as the newly-created LGPS pools have been told it is "vital" that they all sign up to the code of transparency

Local Government Pension Schemes (LGPS) have "no room for complacency" and must "continue to innovate", the Minister for Local Government Rishi Sunak has warned.

Speaking at the recent Pensions and Lifetime Savings Association Local Authority Conference, Sunak praised the progress that has been made by LGPS, but outlined the challenges around data, transition of assets, governance and reporting.

Furthermore, Sunik highlighted the importance of long-term investments to the sustainability of the scheme, which can be helped by infrastructure investing. LGPS pooling, which was implemented in 2015 and completed in April this year, saw 89 local pension funds in England and Wales pool their assets into just eight funds, four of which are now fully functional.

Sunik said: "All of the reforms were necessary to ensure that the LGPS was fit for purpose in the 21st century. However, we can't be complacent. I believe we must continue to innovate and that your scheme is affordable and sustainable for taxpayers in the years to come."

According to Sunik, an area that is expected to achieve this is infrastructure, noting that for the schemes' global scale, it "does not punch its weight" in terms of this investment. Pools are expected to grow their investment in infrastructure to between 5 per cent and 10 per cent over the long term, amounting to investments of roughly £25bn. He said: "Most funds recognise that infrastructure can provide good value to long-term pension liabilities as part of a diversified investment strategy. All funds should now have access to the scale and expertise needed to cease the right opportunities in what is generally a private market and reduce costs by moving into co-investment indirect investment."

Also speaking a the conference was London Borough of Lambeth head of treasury and pensions, Andrien Meyers, who said it is "vital" that the remaining six Local Government Pension Scheme (LGPS) pools sign up to the code of transparency in order to achieve value for money. Meyers believes it is important that all eight pooled funds sign up, and not just fund managers.

The LGPS Investment Code of Transparency was published in 2017 and consists of templates, which supports asset managers' disclosure of a number of fees and costs. There are currently 65 managers covered by the code, which hold £264bn worth of assets. However just two out of eight LGPS pooled funds have chosen to adopt the code.

Meyers said: "It is very important to go back to the starting point, what are we trying to do? We are trying to get value for money. If the pool itself is not signed up to the code, there is no onus for the pool to give me that information, so if I go back to value for money objective that I am trying to establish … if the pool hasn't signed up then I can't get that breakdown of information. That's something to think about."

Written by Theo Andrew

VIEW FROM THE AMNT

"To everything there is a season, and a time to every purpose under the heaven."

Conference season used to consist of the major political parties meeting in a seaside resort during autumn to either congratulate themselves on being in power or soul search as to why they were out of favour.

These days conferences proliferate throughout the year and range across a spectrum of interests, the pension industry included.

Conferences' original agendas were vehicles to debate issues and reach agreed actions. Now they cover a wider spectrum of information, analysis and commentary.

The AMNT's summer conference scheduled for 20 June at Willis Tower Watson's Lime Street office, about the time you are reading this article, will cover that wide spectrum, but more importantly and dare I say, why it differs from similar events is in the inherent purpose of the association. The member nominees express a desire to be able to liaise with other member nominees, share experiences and build a community designed specifically to cater for their unique perspective within the pensions industry.

The AMNT aspires to be the catalyst that enables MNTs to build that community and become a positive force and a prominent voice in the UK pensions industry today. Our conference is one of the building blocks to make that happen.

I look forward to seeing you there, in or out of season.

Stephen Fallowell, member, Association of Member Nominated Trustees

VIEW FROM THE PLSA

I was discussing with PLSA colleagues the perennial question of how to get people more engaged with their pension saving.

You only have to glance at your own smartphone to see the direction this is likely to take. It's not just that we now have the technology to improve the way we engage with people about pensions. We also have willingness and commitment in the form of three industry initiatives to form a framework that could really succeed.

The first is the pensions dashboard, intended to show people all their pension entitlements in one view. The dashboard will help people see how much they have and where to go for further information on any of their pensions.

Our Retirement Income Targets proposal will show people what kind of retirement lifestyle they could afford on three different levels of income. Together with the help of the dashboard and online calculators, the targets will enable someone to easily see how much more they need to save for the lifestyle they want.

The third piece is all about making pensions information easy to understand. Former PLSA chair Ruston Smith is leading work to develop a simpler, standardised annual pension statement that will be much clearer for savers. I hope this will be embedded in the dashboard and across all providers' communications.

All of a sudden it feels like the future is just around the corner and there are exciting times that will help ensure everyone is able to get a better income in retirement.

James Walsh, policy lead: engagement, EU and regulation, PLSA

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

FTSE 100 DB schemes 'close to surplus' for first time in a decade

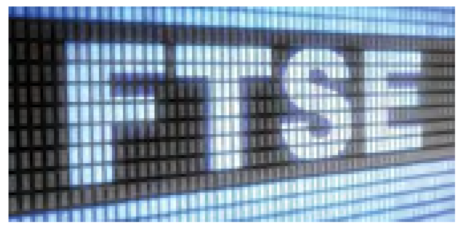
It has been suggested that the good news could be the calm before the storm, and so pension funds have been urged to seek opportunities to de-risk and settle liabilities while they can

FTSE 100 defined benefit pension schemes are "close to showing an aggregate surplus" for the first time in a decade, while all DB schemes' funding continues to improve.

According to JLT's monthly index looking at the funding position of all UK private sector DB schemes, FTSE 100 companies recorded a deficit of £4bn as at 31 May 2018, down from £38bn at the same time in 2017. In the same period, FTSE 350 firms and all UK private sector schemes saw a deficit reduction from £47bn to £9bn and £135bn to £43bn, respectively.

Both FTSE 100 and FTSE 350 companies' funding levels improved to 99 per cent at 31 May 2018. All UK private sector pension schemes had a funding level of 97 per cent. JLT Employee Benefits director Charles Cowling said: "Markets continue to be positive for pension schemes and overall reported pension deficits are showing a strong improvement from12 months ago. Indeed, the FTSE 100 is very close to showing an aggregate surplus in its pension schemes for the first time in a decade.

"However, crucial for pension schemes, is the outlook for interest rates…Indeed, two factors suggest that the next rise in interest rates could be some months away yet. Firstly, there were positive signs on inflation with the latest figures revealing a headline rate of 2.2 per cent, down from 2.3 per cent last month. Secondly there has been a change announced to the Bank of England's Monetary Policy Committee this month, with Professor Jonathan Haskel set to replace Ian McCafferty from September. He is expected to bring



insights and understanding on the UK economic outlook at a time when there are increasing signs of the economy stuttering with Brexit looming imminently."

Cowling said that news of TPR CEO Lesley Titcomb's departure and the government's white paper *Protecting Defined Benefit Pension Schemes*, could signal politicans' intent to increase their consideration of pensions. He added: "So this latest good news *[deficit improvements]* in markets may just be the calm before the storm. Perhaps this should trigger companies and pension schemes to take advantage of the current relative good times and seek opportunities to de-risk and settle liabilities whilst they can."

Moreover, PwC's Skyval Index showed that the deficit of DB pension schemes remained at £200bn at the end of May. Total assets were at £1,600bn and liability targets were measured as £1,800bn. PwC noted that while asset performance was positive over the month, this was countered by an increase in the value of liabilities due to movement in market measurement indicators. PwC chief actuary Steven Dicker commented: "The aggregate deficit continued recent falls for most of the month. However, the last week of May has seen the deficit pushed back up."

Written by Talya Misiri

National Grid agrees £2bn longevity swap with Zurich; covers 6,000 members

The group said its longevity work was put on hold a couple of years ago, as it felt longevity swap pricing did not reflect the longevity information from the Chartered Management Institute

National Grid has completed a £2bn intermediated longevity swap with Zurich Assurance Limited for the National Grid Electricity Group (NGEG) of the Energy Supply Pension Scheme (ESPS).

The transaction will protect the scheme, and ultimately National Grid and electricity consumers, against the risk of rising costs as a result of around 6,000 pensioner and dependent members living longer than expected. Longevity risk was highlighted as one of the key risks to the scheme and the decision was made between the company and the trustee, both of whom wanted to consider how this could be managed. According to National Grid, a joint working group made up of National Grid and trustee representatives was set up to work on the swap, both National Grid and the trustees said that it had been considering this type of arrangement, in various formats, for several years.

A statement from National Grid said: "The longevity swap forms part of the scheme's investment strategy – it is an asset held by the trustees and in the trustees' name, rather than in the name of any of the members who are covered by it. The longevity swap helps the trustee and company to reduce future funding risks, and increases the security of all members' benefits." The firm said that members will not see any changes to their pensions or how it will be paid. The swap covers approximately two thirds of the schemes liabilities, with the remaining membership largely made up of non-pensioners, which wouldn't typically be covered by a longevity swap.

"Both National Grid and the trustees have long-term strategies to manage the level of risk within the scheme and so continue to consider how remaining risks may be managed", it added.

The group said its longevity work was put on hold a couple of years ago, after the working group and advisers felt that longevity swap pricing hadn't fully reflected current longevity information from the Institute and Faculty of Actuaries' Continuous Mortality Investigation (CMI) and the latest emerging death data.

National Grid explained: "A decision was made to put the longevity work on hold, until pricing was more reflective of the latest longevity updates."

The NGEG highlighted a number of other challenges around completing the deal, namely, complications around ESPS schemes rules, which had to be resolved before the NGEG trustee could enter into the swap. The bespoke nature and size of the transaction led to detailed legal and actuarial discussions around the terms. Significant work was also undertaken to find a suitable counterparty, with the group choosing to work with Zurich Assurance Limited. The trustees were advised through the deal by Aon head of risk settlement Martin Bird and group principal consultant Tom Scott, with joint legal advice from Mayer Brown International and DLA Piper.

Last month, Aon announced that the longevity swap market was back in business, highlighting that current rates have led to a revived market, particularly appealing to schemes with investment strategies that do not allow for bulk annuity deals, therefore resulting in an increased interest in the swap structure to control longevity risk.

Written by Natalie Tuck and Theo Andrew

NEWS IN BRIEF

The **South Yorkshire Pensions Authority** has undertaken a £2.6bn equity risk management strategy with Schroders to protect itself from a significant decline in equity markets. It is thought to be one of the largest of its type undertaken in the Local Government Pension Scheme space. The strategy has been co-designed by Schroders' Portfolio Solutions team with the aim of mitigating losses in the event of a significant decline in equity markets.

Law firm **Anthony Philip James & Co (APJ)** has filed more than 30 cases against self-invested personal pension (Sipp) provider Liberty Sipp for the mis-selling of Sipps between 2011 and 2013. According to the firm, it is the largest number of claims against Liberty Sipp and APJ will be looking to consolidate the cases, which it said had affected over 700 investors.

Twenty-two per cent of those with multiple pension pots, 64 per cent of people, have lost track of one or all of their pensions, according to research by **Aegon**. The figures published in the report mean that over 700 million people have potentially misplaced some of their retirement savings, highlighting the challenge of a broader trend towards a career involving an average of 11 jobs and the difficulty of keeping tabs on workplace savings.

The **BT Pension Scheme (BTPS)** deficit has decreased from £7.6bn to £5.3bn over the year to 31 March 2018 on an IAS 19 accounting basis, it has revealed. In its 2018 annual report, it said the result was due to a £2.2bn reduction in liabilities and a 2.4 per cent increase in actual investment return. BT's overall liabilities dropped from £60.2bn as of 31 March 2017, to £57.3bn a year later.

People on the move


Troy Clutterbuck

Now: Pensions has appointed Troy Clutterbuck as permanent CEO.

Clutterbuck joined the firm as CFO in 2016 and was appointed interim CEO in August 2017.

Previously, Clutterbuck spent 15 years at Jardine Lloyd Thompson Group, most recently as CFO for UK employee benefits and before that, commercial director for Latin America and Canada.

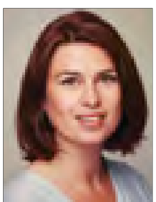
Now: Pensions non-executive chairman, Henrik Ramlau-Hansen, said: "Troy has clearly demonstrated his credentials as CEO and shown strong leadership in recent months. The board is looking forward to working with him as Now Pensions enters its next phase."

Clutterbuck said: "With the significant investment and improvements we have made in processes, people and platforms we are very well positioned for the future. We have a strong business, built on a sustainable business model which entered profitability in April. I am proud of what Now: Pensions has achieved so far."


Jason Hayes

ITM has appointed Jason Hayes as chief technology officer.

Hayes was previously an IT director at Equiniti for nine years and has won numerous industry awards for his innovation in technology. He was responsible for around 300 staff across a number of locations and delivered into the EQ Paymaster division and data conversion, data cleanse, interfaces, system implementation, professional services and platform development.


Jane Goodland

The Tax Incentivised Savings Association (TISA) has appointed Jane Goodland and Gregg McClymont to its board.

Goodland is currently responsible business director at Quilter, while McClymont is Aberdeen Standard Investments head of retirement and is a former MP and Shadow Minister of State for Pensions. The pair will join the 10 existing non-executive directors currently in place at TISA.


Susan McIlvogue

Hymans Robertson has promoted Susan McIlvogue as head of its trustee defined benefit business.

McIlvogue joined the firm in 2014 and previously spent 19 years at Mercer, where she was responsible for advising a wide range of trustees and sponsors. She hopes to harness new ways to create value, following recent negative headlines of company failures. McIlvogue took over from Calum Cooper.


Claire Curtin

The Pension Protection Fund has appointed Claire Curtin as head of environmental, social and corporate (ESG) governance. Curtin will be responsible for developing and implementing the groups responsible investment strategy, and the management of long-term risks with consideration of ESG factors. She worked at Trucost as head of research for financial institutions and was a client relationship manager at Eiris.


Ruston Smith

Smart Pension has named Ruston Smith as a non-executive director. Smith will also be responsible for chairing Smart Pension's newly formed International Advisory Board. He joins from The People's Pension where he has held the position of trustee director for the past two years. Last year Smith co-chaired on a Department of Work and Pensions engagement piece and is also leading on an industry initiative for a simpler annual statement.


Emma Douglas

The **Pensions and Lifetime Savings Association** has appointed Emma Douglas as chair of its policy board, which will be introduced this autumn.

Douglas, who is Legal and General Investment Management's head of DC, has more than 20 years of experience in the pensions and investment management industries. As well as her role with L&G, she also chairs the PLSA's existing master trust committee and sits on the PLSA's DC council.

The association's new policy board was announced at its annual conference in October 2017, and has since been consulted on. From autumn, the policy board will take strategic oversight of the PLSA's policy work programme across the full breadth of its membership, making sure it supports the PLSA's purpose and vision to help everyone achieve a better income in retirement.

As part of her new role, Douglas will represent the PLSA's membership in policy making and provide leadership in bringing a diverse range of members together.

Market commentary: End of QE

As the economy comes to its feet a decade after the financial crisis, economic measures are being adapted to match the improved climate. Most prominently, the European Central Bank's (ECB) quantitative easing (QE) policy is set to wind down at the end of the calendar year.

While investors hold their breath about the potential impact of QE's termination, it is hoped that strong growth and earnings could outweigh the fact that cash is being extracted from the economy.

The end of the policy is expected to bring with it a rise in bond yields, although possibly having a contrasting impact on European bonds.

Franklin Templeton head of European fixed income David Zahn says: "When QE finally ends, we will see a gradual rise in bond yields but European bond yields would remain low as it will take considerable time for the ECB to normalise interest rates given the low inflation outlook."

Cardano senior investment strategist Tom Rivers shares a similar view that European bonds will be affected by the policy for a continued period. "However, we anticipate the ECB's QE programme will continue to influence European bond yields long after its expiration and arguably through to the instigation of a quantitative tightening programme.

"European bond market investors should prepare for a bumpy road ahead," Rivers warns.

Unigestion Multi Asset Navigator fund senior portfolio manager Oliver Marciot adds that there is a risk over the medium term for pension investors who are buyers of government bonds. If monetary normalisation accelerates, he says, then the value of these allocations could fall sharply.

As a result, Marciot notes that it is "key to look for ways to protect and cushion portfolios against such risk. This could be achieved by either reducing the global duration of the bonds' bucket, reallocating nominal bond risk to inflation-linked securities that offer an interesting hedge against inflation surprises, or seek long term euro upside as a high beta position that will benefit from the end of QE and rates increases."

Moreover, the low interest rates that came with QE are likely to also be amended once the policy is removed. With QE expected to be concluded at the end of this year/ beginning of 2019, however, low interest rates could be altered at the end of next year, Marciot predicts.

Zahn explains that it will take a "considerable time" for the ECB to normalise interest rates due to the low inflation outlook. "We would be surprised to see the ECB start raising interest rates before 2020 as its own forecasts suggest inflation would be below 2 per cent in 2020," he says.

In order to be prepared for interest rate hikes, however, CQS head of long only multi-asset credit Craig Scordellis recommends investing in asset classes such as loans and parts of the asset-backed securities market, as they are more likely to "immunise a portfolio" from a rising rate environment.

More broadly, as QE is withdrawn, volatile markets and falling liquidity is anticipated. Epoch Investment Partners executive vice president, co–chief investment officer and portfolio manager, David N. Pearl, says that as the policy comes to a close, "we expect market volatility to gradually rise, dispersion across stocks and sectors to increase, and liquidity to decrease".

Pearl advises that: "In this environment, pension schemes will need to rely more heavily on the expertise of active managers that focus on fundamentals to identify companies that are more likely to outperform."

Written by Talya Misiri

VIEW FROM THE ABI

There have been sweeping changes in the world of long-term savings in the past few years, particularly with the proliferation of investment platforms who are bringing much-needed competition, choice and ease to both advisers and consumers.

In the *Call for Input for its Investment Platforms Market Study,* the FCA notes that platforms' collective assets under administration have grown by more than 400 per cent in less than 10 years. Platforms are also playing an increasingly vital role in retirement, as consumers exercise their pension freedoms and unlock large amounts of capital that needs a new home.

"Platforms are playing an increasingly vital role in retirement"

Just as the market is evolving to meet the ever-changing needs of the public, we as an organisation need to evolve, too. That's why the ABI launched a 'platform membership' last year and have since welcomed both Hargreaves Lansdown and Vanguard as ABI members. As a trade association we're able to adopt a holistic approach to pension flexibilities with a more diverse member base that is increasingly more representative of the market today.

This will help us to work more closely with investment platforms on issues facing the wider industry, including the timeliness of transfers, access to guidance and advice and the pensions dashboard. We're also eager to ensure that regulatory settings afford platforms the flexibility and to continue to respond to customers' and advisers' changing needs.

Lucy Forgie, senior policy adviser, retirement and savings, ABI

VIEW FROM THE SPP

The FCA says financial advisers are "more important than ever". Members have had to take investment decisions that they didn't have to consider before, due to pension freedoms, and in some cases they may be ill-equipped to deal with.

However, members struggle to source pension transfer advice and, worryingly for those that do, a recent FCA report was unable to find evidence that the advice given in most DB transfer recommendations was "suitable".

Elsewhere, the Financial Services Compensation Scheme reports that there has been a steady increase in claims and compensation costs that has been related to retirement saving. The Pensions Regulator is also concerned to ensure the right quality of advice is available to members.

So, what is the role of trustees and employers here – is it enough to say they've done their bit in the accumulation stage, but in decumulation members are on their own? Should they rely on the FCA to enforce high standards? Some would say so, but others are uncomfortable leaving members to sink or swim, often out of their depth, and potentially with sharks circling with their high transfer values.

No wonder then, that trustees increasingly wish to arrange for members to receive proper advice from reputable advisers. With their knowledge, fiduciary role, and access to professional advisers they are well placed to improve member outcomes. After carefully stewarding members' pension rights for many years wouldn't it make sense for trustees to help members on the next step of their journey?

Glyn Bradley, council member, SPP

THE SOCIETY OF PENSION PROFESSIONALS
leading pension thinking

In my opinion

On taxation of pension lump sum withdrawals review

"This *[review of tax]* is really good news for those accessing the pension freedoms by taking a cash lump sum. The tax rules are far too complicated and the process for reclaiming overpaid tax is too convoluted. Government needs to find a pragmatic and straightforward solution that works for HMRC but crucially for the thousands of people taking lump sums from their pension pots."

Aegon head of pensions Kate Smith

On the pensions gender gap

"It's not fair that a pension gender gap exists, but given the reality of lower pay as disclosed by most UK companies, it is important that women take action early on to stop income inequality becoming a lifelong burden. Targeted pension contributions are a great way to put women back on an equal footing and something every woman should consider as part of her retirement planning."

PensionBee CEO Romi Savova

On LGPS innovation

"All of the reforms were necessary to ensure that the LGPS was fit for purpose in the 21st century. However we can't be complacent. I believe we must continue to innovate and that your scheme is affordable and sustainable for taxpayers in the years to come... All funds should now have access to the scale and expertise needed to cease the right opportunities in what is generally a private market and reduce costs by moving into co-investment indirect investment."

Minister for Local Government Rishi Sunak

On FTSE 100 schemes recording their first surplus in a decade

"For one of the first times in years, FTSE 100 pension schemes have clearly swung into surplus when measured on an accounting basis. Although that's good news, it is essential that corporate sponsors don't think they're out of the woods just yet. History has proven that such accounting surpluses can quickly be wiped out by deteriorating market and economic conditions."

LCP partner Phil Cuddeford

On TPR and The Pensions Ombudsman's shared information partnership

"We've worked closely with TPO for many years to better protect retirement savers. This agreement spells out formally the way we share information to help us to tackle scams, and identify trends and emerging issues so that we can work with TPO and other partners to intervene quickly to put things right."

TPR executive director for frontline regulation Nicola Parish

On increasing investment in ESG issues

"ESG is increasingly becoming an integral part of the investment process for many advisers and institutions. As the sector becomes increasingly competitive, we think that advisers will begin to dig much deeper into what these approaches really mean for the underlying funds."

RLAM chief distribution officer Rob Williams

Soapbox: Should I stay or should I go now?

It feels as though The Pensions Regulator news has been flowing thick and fast throughout the month of May, ending with splash which I think not many in the industry expected - but really, it's just been too much.

Ever since the introduction of the regulator's quicker, clearer and tougher mantra, the scrutiny it's faced seems to have been turned up a notch; even the quickest of scrolls on the *Pensions Age* website makes it clear just how much tougher it has been for TPR.

The announcement that TPR CEO Lesley Titcomb will be leaving the regulator at the end of her tenure has disappointed, and has led many to conclude that the criticism dished out to be particularly unfair.

In particular, the Work and Pensions Committee went for the jugular, practically giving its leadership a vote of no confidence in its ability to effect change, saying it was "deeply concerned" and stating it would "further consider" TPR's role in the ongoing defined benefit pensions white paper.

Well with that to look forward to, why wouldn't you want to stick around?

A moment that sticks in my mind was at a certain pensions seminar, in which a certain high-profile trustee, who took absolutely no blame for a certain high-profile pension case, pointed to the uselessness of the regulator and called for it to be axed.

Whatever your opinion on TPR, the public vilification of Titcomb in front of the select committee looks to be have been an over the top and misjudged reaction, a theatrical act even, to what happened at a time when she wasn't even in charge.

TPR's reaction after the Carillion disaster was to come out fighting, and it genuinely seems to have made an impression on the industry in doing so.

The industry seemed encouraged by TPR's latest corporate plan. A few tweaks here and a lot more resources there and many feel we would have the supervisory body needed to govern this industry; even the Pensions Protection Fund were singing TPR's praises.

Alas, this still wasn't enough to impress the committee, who were disappointed that the "modest" key performance indicator targets for its regulation of defined benefit schemes - but it can only shoot with so many bows.

With new master trust authorisation underway, as well as taking on the regulation of the pooled local governement pension schemes, there is a lot on its plate.

The 'quicker, clearer and tougher' mantra is reaching Theresa May levels of roboticness, and, just as we all now have "Brexit means Brexit" permenantley resonating around our eardrums, TPR's message is becoming equally as jaded.

The encouragement for the regulator's more recent work came as a breath of fresh air in what has been a rough ride, and as many have pointed out before me, the relentless pressure of leading TPR is the opposite of shining endorsement for a role that will be vacant come next February.

It has been genuinely warming to hear what high esteem Titcomb is held in since her decision to leave was announced. It will be interesting to see just how the industry and the committee appraoch TPR, with Titcomb's departure pending. The important thing now is to ensure a pragmatic approach moving forward. If the blame game is still being played when all is said and done, then we must look beyond the role of The Pensions Regulator. One things for sure, it will be quicker, clearer and tougher.

Written by Theo Andrew

VIEW FROM THE PMI

As the menace of pension scams continues to plague the public, The Pensions Regulator's recently published corporate plan includes additional resources to help protect potential victims. Following the news of the conviction of Simon Colver, this can only be encouraging news.

Although three years have passed since the launch of Project Bloom, the threat to the public posed by pensions scammers is worse than ever. In an environment where so many remain in desperate financial straits, and where freedom and choice options can cause confusion, scammers are presented with countless opportunities to exploit the unwary and vulnerable. The industry must continue to maintain the highest standards of vigilance if the public is to be properly safeguarded.

Emphasis should be placed on the standard of scheme administrators, who must be able to spot suspicious transfer applications in the early stages. The methods used by scammers are varied and evolve continuously, so staff training must evolve with them.

The sheer volume of DB to DC transfer requests since the advent of freedom and choice can mask potentially fraudulent activity for which the best safeguard is the professionalism and prudence of appropriately trained administrators. Recovering assets after they have been stolen is infinitely more difficult than preventing fraud in the first place, therefore preventative measures should be a high priority on the industry agenda.

Sadly, pensions scams are a Hydra that the industry will never escape. However, better investigative resources and well-trained scheme administrators can help us stem the tide.

Tim Middleton, technical consultant, Pensions Management Institute

VIEW FROM THE ACA

This is my first column, having been elected the ACA's chair from 1 June. I've set out a number of areas where I hope the ACA and I can make contributions over the period ahead.

Firstly, savings levels need to be tackled, notably for those with predominantly defined contribution (DC) pension provision. Retirement income adequacy is a key concern and links to workforce management issues and the need for clearer social care provisions. I want to build on the ACA's long-standing call for minimum AE contributions to be raised post-2019. We need to ensure that the millions of people still relying on good DB provision see their pensions delivered – with the sponsors of those schemes also supported by way of helpful and proportionate regulation.

Secondly, we must do more to address low levels of financial education and understanding of pensions. The developing simplified member communications, dashboards, will help and work by organisations in this area are welcomed. Messages need to be simple, direct and targeted to respond to the aspirations of all ages. Our members have years of experience in helping to design and communicate pension arrangements with high participation levels.

Finally, the gap between DB and DC pension taxation needs to be closed. Can it be fair that the outcomes for DB and DC members can be so different under the lifetime allowance in place or that DC members can suffer penalties for investment outperformance?

Jenny Condron, chair, ACA

ACA
ASSOCIATION OF CONSULTING ACTUARIES

Diary: June 2018 and beyond

Pensions Age Northern Conference
14 June 2018
Leeds Marriott Hotel

Now in its third successful year, this one-day conference, which is open to pension scheme managers, trustees, FDs, advisers, pension and HR professionals, will offer delegates the up-to-date knowledge and guidance they need to help them run their pension schemes to the absolute best of their ability, and give them the tools they need to help them carry out their duties, whether this is in relation to DB, DC or to schemes on a path to de-risk.

For more information, visit:
Pensionsage.com/northernconference/

LGPS Alternative Investment & Equity Protection Summit
19 June 2018
Millennium Hotel, Knightsbridge

The LGPS summit will look at how to defend and crystallise improved funding levels, how local government schemes should invest their money and move to alternative asset classes and whether pools can make savings and satisfy the investment requirements of their funds. The event will host key speakers, including LGPS Central chair Joanne Segars and Border to Coast Pensions Partnership head of equities and alternatives Mark Lyon, and more.

For more information, visit:
Finance.knect365.com

European Pensions Awards 2018
21 June 2018
London Marriott Hotel, Grosvenor Square

Now in its 11th year, the European Pensions Awards celebrate excellence in European pension provision, by honouring the investment firms, consultancies and pension providers across Europe that have set the professional standards in order to best serve European pension funds in these increasingly-challenging times. The winners will be announced at the awards ceremony and gala dinner, with the shortlist revealed beforehand.

For more information, visit:
Europeanpensions.net/awards/

Nest Insight Conference 2018
28 June 2018
London

With auto-enrolment's staging period now complete, this year's NEST Insight conference brings together academics, policymakers and industry to explore the next set of challenges. During this one-day conference, experts will begin to identify solutions that can be tested and move the industry towards the next wave of insight-led interventions to improve retirement income adequacy for the defined contribution (DC) generation.

For more information, visit:
Nestinsight.org.uk/events/

Visit www.pensionsage.com for more diary listings

Month in numbers

100,000

An estimated 100,000 members transferred out of their defined benefit pension schemes between 1 April 2017 and 31 March 2018, according to The Pensions Regulator.

Responding to a Freedom of Information request on their website, the regulator said that DB schemes reported 72,000 transfers out, with an approximate value of £14.3bn, but because not all schemes have reported the exact amount, it believes the figure to be in the region of 100,000.

£200m

The government is expecting to save roughly £200m by reforming the Nuclear Decommissioning Authority's (NDA) two defined benefit public sector pension schemes.

Two thirds

Almost two-thirds of investors are expected to allocate more capital to environmental, social and governance (ESG) issues over the next three years, Royal London Asset Management (RLAM) found.

Diversifying your diversifiers

Greg Skinner explains how a blend of dynamically managed traditional beta sources, mixed with a range of alternative assets and strategies, can deliver the returns required by pension scheme investors

Diversified growth funds (DGFs) have long been a staple in the portfolios of pension schemes, and there has historically been good reason for this. Trustees can delegate the asset allocation decision to investment professionals, as well as increasing the probability of more consistent returns.

Addressing the challenge of investing prudently for high returns

A primary consideration for pension schemes is to implement a suitable hedging strategy to manage the current liabilities. Trustees then need a way of accessing growth markets to try to reach the target return level set by the scheme actuary in order to provide enough capital to cover future liabilities. Of course, trustees have a fiduciary duty to pension scheme members to invest contributions prudently and this provides the challenge of meeting what is likely to be a relatively high annual return target whilst aiming to ensure that volatility and capital loss are minimised.

Traditional allocations have fallen short of expectations

Trustees have generally had the choice of 'traditional' DGFs, which typically have a high correlation to equity market movements, or market neutral DGFs that aim to produce a return regardless of the prevailing market conditions. The latter have, in the main, lagged growth markets including traditional DGFs in recent years. Whilst traditional DGFs have provided better returns, they have also served up a relatively high level of volatility and some large drawdowns – neither of which fit the smooth return profile desired by pension schemes. And there are questions going forward on the probability of achieving returns due to asset class valuations.

Performance has also disappointed in some cases in absolute terms as although producing higher returns, traditional DGFs have largely fallen short on delivering their performance targets – some as high as cash plus 5 per cent – and this had pushed many investors to look at other growth avenues, frequently moving to less liquid alternatives, such as private debt.

Two considerations for managing volatility

We absolutely advocate diversification but it needs to be true diversification. We believe that there are returns to be generated from harvesting equity, inflation, credit and nominal bond risk premia. Volatility and the potential for drawdowns still need to be controlled, and we believe the best way to do this is to dynamically manage your traditional allocations as well as diversify across 'non-traditional' investments.

Taking the first point, dynamic for us means assessing the strategic allocation on a quarterly basis so that portfolios are correctly positioned for the economic cycle. Our strategy also combines this with monthly tactical positioning to ensure that short-term pricing anomalies are either exploited for gains or avoided to reduce losses.

Diversifying your diversifiers

Moving on to the second consideration, non-traditional investments do not necessarily have to mean tying money up in illiquid assets. Allocating to alternatives is about diversifying across investment styles, time frames and return drivers. By harnessing sources of returns from assets as diverse as insurance-linked securities and renewable energy infrastructure, as well as relative value strategies, you can reduce the element of economic-specific risk and achieve real uncorrelated returns. Such 'true' diversification is achieved on multiple levels, which invariably means more short-term tactical management is required.

A dynamic solution

By considering the pension fund requirements of steady gains without large volatility and drawdowns, it is clear that a diversified approach makes sense. We believe a blend of dynamically managed traditional beta sources, mixed with a range of alternative assets and strategies, has the best chance of delivering the specific return targets required by pension scheme investing.

Written by Greg Skinner, managing director, head of institutional and consultant relations, UK BMO Global Asset Management (EMEA)
greg.skinner@bmogam.com
+44 (0)207 011 4444

In association with

BMO Global Asset Management

At the coalface

Talya Misiri speaks to Royal London director of policy Steve Webb about his influential career to date, the changes he wishes to see in the industry and what inspires him to make a bigger impact

What is your pensions career CV?
Pensions research at the IFS and Bath University, Lib Dem spokesman on pensions at various points 1997-2010, Pensions Minister 2010-2015, director of policy at Royal London 2015-date. Took through legislation to implement a new state pension, to help secure the effective implementation of automatic enrolment, to enable pension freedoms and to provide a framework for risk-sharing and risk-pooling in pensions.

What other areas have you worked in and what roles have you held prior to joining the pensions industry?
Working for a think tank, in academia and in Whitehall/Westminster, has helped me to understand how policy is made and analysed and now I enjoy seeing the consequences – for good or ill! – at the coalface.

What is your greatest work achievement so far?
I'm proudest of driving through the new state pension, but also of my role in implementing automatic enrolment and the new pension freedoms. The reason I choose the new state pension is partly that it's one thing that I don't think would have happened without me being there, and also because it was the chance to do in office something I had talked about a lot in opposition – deliver a simpler and fairer state pension, with better outcomes for women.

What do you still wish to achieve?
Helping more people understand pensions and more people build up decent pension pots for a secure retirement. Ideally we need a simpler system, but until we get there I enjoy helping people to navigate the complexities of the present system and make sure they are getting all they are entitled to.

What is your biggest regret within your career?
Not being able to carry on with pensions reform after the 2015 General Election. Although I hope that I achieved a lot, there is always a great deal of unfinished business. For example, I would have liked to move automatic enrolment onto the next stage beyond a contribution rate of 8 per cent, and to have had time to bring the self-employed into a form of automatic enrolment. I would also like to have dealt with the issue of multiple pension pots (which remains unresolved) and to have driven forward the pensions dashboard.

Excluding your current role, what would be your dream (in or out of pensions) job?
Chancellor of the Exchequer, on the basis that many of the key issues in pensions are handled by the Treasury rather than the DWP, most notably pension tax relief. It would be good to get to a 'steady state' system, which is not constantly tinkered with.

What was your dream job as a child?
Rather sadly, as a teenager I wanted to be an actuary…. I actually applied to do work experience at an actuarial firm but was turned down. Thus ended a potentially glorious career.

What do you like to do in your spare time?
Walking the dog and doing tricky number puzzles. I also like watching football on the TV, but as an armchair West Bromwich Albion fan it has been rather a painful season. I also like watching international cricket, so Royal London's sponsorship of the one-day internationals is definitely a bonus!

Any particular skills or party tricks?
I occasionally play the church organ and have played at the wedding of a few friends, but my repertoire is very limited.

Who would be your ideal dinner party guests?
People who have made a difference in the world through their sacrifice and determination, for example Malala Yousafzai. If Barack Obama had some spare time I think I could find a place round the table. For even more intellectual stimulation I'd invite Professor Marcus du Sautoy who wrote 'Music of the Primes', which is one of my favourite books.

Do you have a particular phrase or quote that inspires you?
"If your vision is all about yourself, it's way too small" ('Garden City' by John Mark Comer).

Written by Talya Misiri

Wednesday 7 November 2018

Cavendish Venues, One America Square, London EC3N 2LB

Pensions Management Institute
ACHIEVING PENSIONS EXCELLENCE

CPD: This event counts as 7 hours of CPD

ADMIN SUMMIT

The Future of Pensions Administration

TOPICS OF DISCUSSION

- Pension dashboard
- Member communication and engagement
- Improving the member experience
- Reflective use of technology in administration
- What you need to know about scams
- Defined Contribution: its easy till it goes wrong
  - How to ensure records are right?
  - Issues and resolutions
  - Complying with the Chair's statement
- Defined Benefit: The legacy of contracting out
  - Reconciliation and Rectification
  - GMP equalisation
  - Partial transfers

WHO SHOULD ATTEND

- In-house pension schemes
- Pensions administrators
- Trustees
- HR directors
- Finance directors
- Secretaries
- Fintech solution providers
- Consultants
- Lawyers

CONFIRMED SPEAKERS

Neil Copeland
Director, Dalriada

Anthony Rafferty
Managing Director, Origo

Mike Broomfield
Head of Intelligent, TPR

Vincent Franklin
Co-founder, Quietroom

Mark Polson
Founder, The Lang Cat

Duncan Watson
Head of Workplace Pensions, Equiniti

MORE SPEAKERS...

Chris Parrott, Andrew Cheseldine, Steve Delo, Geraldine Brassett, Paul Latimer, Michelle Cracknell, Tim Phillips, Lesley Carline and more....

CPD: This event counts as 7 hours of CPD

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

New research on the challenges of running a pension scheme

Ian Terry and Fraser Stewart consider the emerging themes from Capita Employee Solutions' latest report on pension administration

Running a pension scheme is far from a straightforward task for trustees. There is significant reform in the regulatory and legislative landscape as well as increased expectations from members – and all at a time when the cost of running a pension scheme has come under the scrutiny of scheme sponsors.

Gone are the days when pension scheme administration was simply expected to run silently and efficiently at all times! So much more is now expected, from tasks as diverse as trying to increase member engagement, to keeping on top of regulatory and legislative change. It is a tightrope act and trustees must keep a watchful eye not only on how the scheme is run today, but also in the future.

We are putting the final touches on our *Pension Scheme Insight Report*. In conjunction with *Pensions Age*, Capita Employee Solutions surveyed 105 decision-makers of trust-based defined benefit, defined contribution and hybrid pension schemes earlier this year. The report highlights their attitudes and what they see as their key challenges.

The *Pension Scheme Insight Report 2018* is aimed at those responsible for trust-based pensions, with a particular focus on pension scheme administration – you can request a copy of the report here: https://www.capitaemployeesolutions.co.uk/news-and-views/research-and-insights/pension-scheme-insight-report-2018/

Here are some of the key themes emerging from the report's content:

Member engagement

Pensions tend not to be things people spend their days thinking about. For many people, retirement is still something they believe they can put off until tomorrow, and whilst most people recognise the need to save towards retirement, they also need to balance this with living for today.

Trustees recognise the issue. The biggest challenge that trustees say they face in the next 12 months is to improve member education and engagement, as cited by three in every five (58%) respondents.

This may previously have been seen as more of a DC issue, but not anymore – the pension freedoms and the increased requests for CETVs have put education and engagement firmly in the spotlight for DB schemes too.

Many members will also have a number of pension pots and should not look at each individual pension in isolation – they are all part of their pensions saving pot. Trustees need to recognise this and the role they can play in helping people to connect to a normally intangible subject.

Auto-enrolment helped get more people saving into a pension, but this is really only half the battle. It is not just about members saving – it is about saving enough for the kind of retirement they hope to enjoy.

Data is more than just good housekeeping

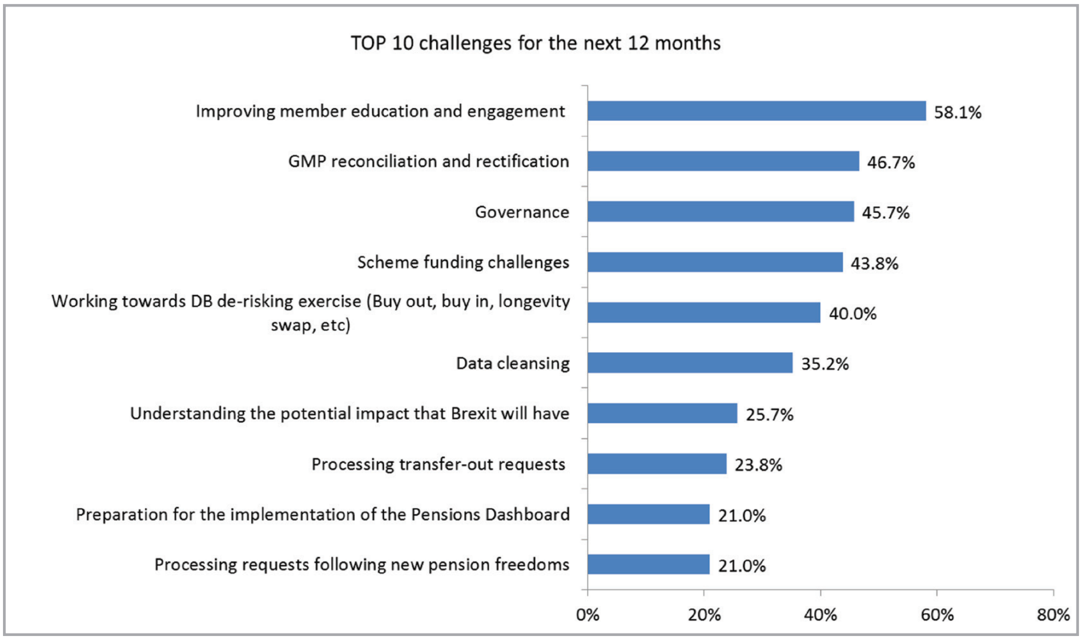
Data is, rightly so, a hot topic in 2018 with the introduction of the General Data Protection Regulation (GDPR) as well as the fallout from the Cambridge Analytica enquiry. From a pensions perspective, trustees will need to ensure their scheme adheres to the new GDPR legislation, where data processors will be responsible for areas of compliance.

Pension schemes are dependent on having good quality data, but over the last few years a number of legislative and scheme level exercises including the GMP reconciliation have shone a light on the inaccuracy of data in schemes.

With the December 2018 deadline looming in which to query GMP amounts with HMRC, it is perhaps no surprise to see work related to the GMP reconciliation and rectification second on the list of challenges for schemes in the next year, as agreed by nearly half (47%) of those who fed into the report.

Maintaining quality data should be an ongoing commitment. Maintaining data to a good enough standard takes focus and a clear strategy, but is an investment that helps the smooth running of the scheme in the future. The cold reality is that after any one-off data cleanse project is complete, your data immediately begins to decay.

Having good data will also put any scheme looking at de-risking activities in a stronger position, able to respond quickly when conditions become favourable. In fact, 40% of respondents in our research said that they would be working towards a DB de-risking exercise in the next 12 months; holding good quality data should be essential for this population.



Scheme administration costs are still in focus

Pension schemes can be expensive; something that trustees and pension managers are well aware. Administration costs, whether administrated via third party or in-house, are well and truly under board scrutiny, so increasing efficiency without compromising quality is a key challenge for schemes.

Pension scheme administration has received board level attention for nearly two thirds (64%) of respondents, with a further one in eight (13%) stating that this is imminent. That is more than three-quarters (77%) of trustees and pension managers who say that scheme running costs are under scrutiny, or that this is imminent. This is a big increase on our 2016 survey where 65% of respondents stated this.

The important role of the administrator

Pension administration is the bedrock of the pension scheme. The administrator's role is crucial in ensuring that the scheme is well run, carrying out the many functions required in the day-to-day operation of the pension scheme.

Pension scheme administration goes way beyond taking contributions and then paying a pension out: a good administrator not only has to successfully on-board a new pension scheme, they need to adapt processes and systems to ensure that tasks can be automated, scalable and are robust. This means having the right inputs in order to deliver the right outputs and an example here could be providing members with an online platform in order to better understand their pension benefits.

Pension schemes can be administered in-house, outsourced through a third party administrator (TPA), or run with some combination of both. The majority of respondents were happy to consider using a TPA and highlighted the features they most valued and sought. It was interesting to observe that the experience of the administrator was the most commonly cited factor in deciding who to use, selected by over four fifths (81%) of respondents.

Experience is clearly important. It is not just about today, but where the administrator came from and, crucially, how they are preparing for the future. It is not just about getting the basics right for today – it is also about building something that is sustainable tomorrow as well. It is crucial to build for tomorrow, creating a sustainable platform that can improve operational efficiency, to ensure the scheme is well set for whatever comes next.

We have also recently produced a paper *The most common DB Administration challenges for large or complex schemes and how to tackle them*, which can be downloaded for FREE via our website at:

https://www.capitaemployeesolutions.co.uk/news-and-views/research-and-insights/db-administration-challenges-guide/

Ian Terry, senior business development manager and Fraser Stewart, business development manager, Capita Employee Solutions
Ian.Terry@capita.co.uk
Fraser.Stewart2@capita.co.uk
www.capitaemployeesolutions.co.uk

Disclosure of costs and charges

Matthew Swynnerton looks at new disclosure requirements in relation to costs and charges for occupational pension schemes providing money purchase benefits

Trustees of occupational pension schemes providing money purchase benefits will, subject to some limited exceptions, need to take action in relation to new disclosure requirements that apply in relation to scheme years that end on or after 6 April 2018. This article provides an overview of the new requirements and some of the action points for trustees.

Relevant schemes

There are some exceptions from the requirements, including for schemes in which the only money purchase benefits are attributable to additional voluntary contributions, executive pension schemes and certain small schemes.

The disclosure requirements

The new requirements have expanded the information to be reported in the chair's annual statement about charges and transaction costs borne by members so that it includes:

- the level of charges and transaction costs for each default arrangement, in contrast to the previous position whereby if there was more than one default arrangement, only the range of the levels had to be provided (a statutory definition of default arrangement applies for these purposes);
- the levels of charges and transaction costs for each fund which members are able to select and in which assets are invested during the scheme year, rather than just the range of levels; and
- an illustrative example of the cumulative effect over time of the application of charges and costs on the value of a member's rights.

It also remains the case that the chair's statement will have to indicate any information about transaction costs which the trustees have been unable to obtain and explain what steps are being taken to obtain that information in the future, and explain the trustees' assessment of the extent to which the charges and transaction costs represent good value for members.

The DWP has published guidance for trustees which includes a section on the matters to which trustees should have regard when producing the illustrative example of the cumulative effect of the charges and costs. The guidance includes that trustees should present the costs and charges typically paid by a member as a "pounds and pence figure".

The new requirements also provide that the information which must be included in the chair's statement about costs and charges and about the default investment strategy must be made publicly available free of charge on a website. The DWP guidance also has a section about the publication of costs and charges information including that it should be published in a manner which allows for the content to be indexed by search engines, and that it should not be necessary to enter a specific username or password to access the information.

Trustees must provide the information in hard copy form on request if they are satisfied that it would be unreasonable for the person to obtain it from the website.

The new legislation also makes provision so that, as part of the annual benefit statement, members must be given specified information about the website on which the information can be found and informed of the circumstances in which the information will be provided in hard copy.

Timing

The new requirements apply in relation to scheme years that end on or after 6 April 2018. As the chair's statement has to be prepared within seven months of the end of the scheme year, the first schemes to have to provide this information will be those with a scheme year ending on 6 April 2018 and therefore the earliest deadline will be 6 November 2018. The last schemes to have to provide information will be those with a scheme year ending on 5 April 2019 and therefore the latest deadline will be 5 November 2019.

Next steps

Trustees of schemes providing money purchase benefits should check whether the new requirements apply to them. If they do, action points for trustees include ascertaining the relevant deadline for their scheme, obtaining information they need to comply with the requirements, considering how to present the information in the chair's statement, considering how they will make the relevant information publicly available on a website and updating the information provided as part of their annual benefit statements.

Written by Matthew Swynnerton, pensions partner at DLA Piper

In association with DLA PIPER

This is not just any buy-in deal; it's an M&S buy-in deal…

Theo Andrew talks to head of Marks & Spencer Pension Trust and chief investment officer, Simon Lee, to get the low down on their recent £1.4 billion buy-in deal, it was approached, what the benefit will be for its members, and what it plans to do moving forward

Please could you give an overview of the M&S defined benefit scheme and its current position?
The M&S Pension Scheme is a defined benefit scheme that closed to new members in April 2002 and to future accrual in April 2017. Established in 1938 as a benevolent trust, the pension scheme today has almost 112,000 members with around 51,000 pensioners and 61,000 deferred members.

The scheme, which has assets in excess of £10 billion, is significantly hedged against real interest rate risks and at the last actuarial valuation, as at 31 March 2015, was 102 per cent funded on technical provisions, with a surplus of £204 million.

What were the main reasons for the buy-in, and who helped with the deal?
The scheme's financial health and strong funding position has allowed the trustee to follow a strategy of reducing risk by aligning investments more closely with the pension benefits it will need to pay to members. This has been jointly managed by the trustee and M&S (as the sponsoring employer) through the consideration of a range of de-risking opportunities as part of this strategy. Longevity risk is a material risk to the scheme and a joint working group was established to consider how this might be addressed.

LCP led the advice to the trustee on the buy-in transactions, having been appointed to advise the trustee on its strategy to reduce the scheme's longevity risk. Linklaters provided legal advice to the trustee in preparing for and executing the transactions. The trustee was supported by the scheme actuary and its investment adviser, Willis Towers Watson. M&S is advised by Hymans Robertson. The trustee established clear roles for each adviser to ensure that the process was undertaken effectively and efficiently.

The purchase of buy-ins has allowed the scheme to better match future benefit cashflows and remove longevity risk for a portion of the pensioner population within the security of regulated insurance policies, all at an attractive price.

Was the buy-in the only pathway that was considered?
The trustee and M&S took detailed professional advice, completed a thorough review of the longevity risk market and ran a competitive selection process before deciding to purchase the bulk annuity policies.

How long had it been in the pipeline and why has the deal happened now?
Longevity risk management has been on the trustee's radar over the past few years and its relative importance has increased with the hedging of other risks and the de-risking of the scheme's investment strategy. The trustee has followed the development of the longevity risk market both in size and sophistication.

Last year, the longevity risk market had experienced a quiet summer period, which meant that when we first approached the market, insurers and re-insurers had high levels of capacity. With significant competitive tension, we were able to benefit from insurers adjusting their pricing models to reflect; recent heavier mortality experience, greater reinsurance capacity and the quality of our member data. The approach to market saw a lot of interest in the scheme's pensioner demographic, which is largely female and part-time and hence a good diversifier for insurers who have previously written buy-ins for male, full-time, blue-collar pension liabilities. 2018 is already seeing an increase in buy-in and longevity swap transactions across the DB pensions space.

What were the main challenges when completing the deal?
The timing of the transaction was crucial in benefitting from favourable pricing, which naturally presented a challenge in executing the deals under a relatively short timescale.

This was ultimately achieved through thorough preparation by the trustee and simultaneous engagement with both buy-in providers and longevity reinsurers in a transparent and efficient process led by LCP.

The trustee established a Longevity Transaction Committee to manage the detailed execution and with support from its advisers, was able to move quickly and ensure that the deal agreed was in the best interests of its members.

The effective collaboration between the trustee and M&S, demonstrated the importance of working together effectively to achieve positive outcomes for both scheme members and the sponsoring employer.

What will it mean for the members of the scheme? How have you communicated with them?

The two buy-in transactions, totalling £1.4 billion, cover one-third of the pensioner liabilities, around 17,000 members. The benefits that these policies cover are not affected by this investment and all pensions will continue to be paid from the scheme. The trustee retains the liability for these benefits and the fiduciary duty to the members.

These buy-in policies help protect the scheme against risks such as poor economic conditions and paying pensions for longer than currently expected. It makes the future cost of paying those benefits easier to predict, which improves the financial security for all members' benefits.

In an environment where pension schemes funding difficulties have been widely reported and where in the past, the nature of buy-in transactions have been mis-reported as a transfer of all responsibilities, it was important for the trustee to update all members about the investment. It chose to do this through its newsletter and information available on the scheme website, which was published before the announcements were made externally.

Do you have any plans moving forward to cover the remaining two-thirds of pensioner liabilities not included in the deal?

The trustee will continue to pursue opportunities that further protect the security of benefits as part of its strategy to effectively manage the risks to the scheme. The buy-in policies that were transacted were done so within framework documentation that would allow further buy-in transactions to be executed, but the trustee will consider all options to reduce longevity risk over time. The trustee will take such steps if it believes it is in members' interests to do so based on professional advice and taking account of market conditions and insurance pricing at the time.

Written by Theo Andrew

About the M&S Pension Trust buy-in deal

Last month saw Marks and Spencer complete a £1.4 billion buy-in with Aviva and Phoenix Life, covering around a third of its scheme's pensioner liabilities.

The £1.4 billion deal comprised of a £470 million bulk purchase annuity with Phoenix Life and £925 million bulk purchase annuity with Aviva, the insurer's largest bulk annuity deal to date. The deal is Phoenix Group's first external BPA transaction, less than a year after it entered the market.

The deals with both insurers were under umbrella master agreements and transaction schedules, which allows the trustee to complete further buy-ins with either of the two insurers or other market participants in future.

M&S's deal signifies the retailer's continued effort to reduce the risks in its £10bn DB pension scheme, following the closure of the scheme in 2017.

Editorial credit: patat / Shutterstock.com

Forward thinking

Natalie Tuck speaks to Pensions Policy Institute director Chris Curry about the institute's latest research, and his thoughts on the pensions topics currently hitting the headlines

You have been at the Pensions Policy Institute since 2002, first as research director before becoming director in 2013. What do you love about the PPI that has kept you there so long?
The time seems to have flown by! I remember that the Pensions Commission was announced not long after the PPI was set up, and being concerned that they would solve all the pensions issues and that we would be short-lived. In fact we have been busier every year since then. I love the fact that at the PPI we are led by the evidence, and are able to look at issues with an open mind and no agenda. Being involved in helping to inform policy, to improve outcomes for everybody in retirement is what I really enjoy. And there has been plenty of policy change to enjoy since 2002 – increases in state pension age, major state pension reform, automatic enrolment and public sector pensions to name just a few. Added to that the PPI is a great place to work, with a brilliant team well supported by a highly knowledgeable council and I can see why the time has passed so quickly.

The PPI publishes a number of reports throughout the year, along with its briefing notes. What is next on the agenda for the institute?
With two of our current larger projects we are looking into the future. The evolving retirement landscape, with the first report published in May with follow ups over the summer, is looking at how the market for retiring with assets from defined contribution (DC) pensions might need to change as the number of people becoming more dependent on their DC pension increases. While that project is covering the next decade or two, our report *Living the Future Life* (and the subsequent report *Funding the Future Life*) looks even further ahead, considering how lifestyles generally – work, health, spending patterns, families, housing – might change, and what this might mean for how people save to support those lifestyles. Both reports are challenging to research, but with the current parliamentary focus on things Brexit-related we are taking the opportunity to look long term.

As one of the members of the independent advisory group for the government's auto-enrolment review published last year, you were focused on increasing contributions. Personally, how do you think contributions should be increased, and to what percentage? Do you think there needs to be more equality in employer/employee contributions?
It was a real privilege to work on the automatic enrolment review, and we managed to collate a large amount of evidence and to make recommendations that I think will help take automatic enrolment to the next level. While there are still some uncertainties – for example how individuals will respond to the phasing in of the higher contribution levels – it is clear that the majority of people will need to save more than just the minimum contribution levels up to state pension age to avoid seeing a drop in living standards in retirement. But after factoring in how long people might want to work for, how much they might have in other forms of saving or wealth to help them in retirement, and what their expectations are, it is clear there is no simple answer as to how much is enough.

But if contributions do increase, they should be increased gradually to reduce the threat of individuals stopping pension saving. And if individual response is an issue, it would seem to make sense to look at whether it would be better for the increases to come through the employer contribution rather than the employee contribution. The more someone gets back and the less they lose by changing behaviour, the more likely they are to change. So design has to be smart. It is also worth remembering that there is also a third party making contributions – the government.

You have previously said that inertia will continue to be the biggest driver for the success of auto-enrolment, but is that sustainable for the long-term success of the policy?
I have often heard the debate as to whether policies should concentrate on inertia or engagement. The answer, of course, is both. They both have their place, and neither by itself will give a complete solution for everybody. Inertia is great at moving people from no saving to some saving. Once some saving is established, engagement can be used to increase amounts. But our research has shown that you need to be very clear as to what you are looking to achieve with engagement, and to do it in the right time and the right way. There are certain 'teachable moments' – such as starting a new job, getting married, buying a house, having children – when engagement can work really well. And individuals like to be engaged in such a way that it is clear that their needs are understood. So personalisation and specific engagement can be much more appropriate that blanket messaging.

Collective defined contribution schemes are back in the spotlight due to Royal Mail and the Work and Pensions Committee's inquiry. Has the PPI conducted any research into the schemes? Do they have the potential to transform DC pension saving?
The PPI looked at the potential outcomes from CDC schemes in research for the Department for Work and Pensions in 2015. The modelling we undertook then showed that, in the schemes we modelled, outcomes (in terms of a replacement rate) were higher than in comparable DC schemes, even allowing for aggressive drawdown patterns in retirement. Outcomes were also less varied. However, there are also some concerns over lack of flexibility and transparency, as well as sharing risks across generations. Every international CDC scheme is different as well, so it is hard to pick up too much from international experience. A lot will depend on the final design implemented by Royal Mail, if the scheme goes ahead. But if it does go ahead, and is successful, it could be another useful option for employers and individuals who prefer something more flexible that DB but more certain than DC.

The pension freedoms have made DB transfers very attractive, but some have said they are the next mis-selling scandal. What are your thoughts on this? What needs to be done to protect members?
I think if there is one major lesson from pension flexibility in DC for us in the policy world it is that not everything can be considered in strictly financial terms. People value flexibility, access and tangibility, even if it comes at a cost. So even if, in strictly financial terms, people are getting a lower financial return from transferring from DB to DC they may not feel as if they are in a worse position. The big challenge however is making sure that people are aware of just how much financial benefit they are giving up in return for these harder to measure benefits. This is not something with a quick, easy solution, and the (lack of) understanding, capability, guidance and advice issues are similar to those seen through both DC and DB pensions. Interestingly, perhaps more flexibility in DB – such as partial transfers – might help avoid an all DB or al DC type approach.

Are you worried about the number of high profile companies that have seen their pension schemes enter the Pension Protection Fund? Do you think the government is right to make the 'wilful neglect of a pension scheme' a criminal offence, and do you think it will bring about change?
While there are certainly difficulties for The Pensions Regulator in ensuring that companies take their pension responsibilities seriously and pay appropriate contributions, there are much broader corporate issues at play as well. If a company is perfectly well run in every other area other than pensions, that is one thing, but many examples see bad corporate practice in many different areas. Additional powers will help, but there is not enough evidence to tell if in themselves they will be enough to change corporate behaviours significantly.

Looking into the future, what do you see happening within the pensions market, in terms of policy and product development?
The biggest challenge for the pensions market is coping with the increase in diversity, flexibility, and complexity that future retirement is likely to bring. Some will want to be very creative and hands on in managing money, others will want it done for them, and the market will need to provide for both. Longer term, with more flexibility and variety in working and living patterns, the framework for long-term savings as a whole may need to evolve to cope. But whatever happens, there will be plenty of evidence to be gathered and analysis to be undertaken by the PPI.

Written by Natalie Tuck

Diversification in multi asset portfolios: What role for duration?– *Multi asset products (most notably in the form of 'diversified growth' funds) have become increasingly attractive to pension schemes due to their ability to deliver capital growth with lower levels of volatility than equity markets. However, the return and diversification properties that have allowed multi asset products to achieve these outcomes are not static* ***p38***

A multi-faceted relationship – *David Whitehouse reveals how multi asset funds can be just what pension schemes are looking for in a volatile, low-fee world* ***p40***

Multi assets focus:

The right time

Tristan Hanson, multi asset fund manager, M&G

Diversification in multi asset portfolios: What role for duration?

Multi asset products (most notably in the form of 'diversified growth' funds) have become increasingly attractive to pension schemes due to their ability to deliver capital growth with lower levels of volatility than equity markets. However, the return and diversification properties that have allowed multi asset products to achieve these outcomes are not static

No investment is a safe haven in all scenarios. Cash is vulnerable to inflation, inflation-linked bonds suffer in a rising rate environment, gold and other commodities can behave in unexpected ways, and illiquid assets can demonstrate their true risks just when you are most in need of safety.

Nor can we expect correlations between different assets to remain constant. Static multi asset portfolios offer the benefit of not having all your eggs in one basket, but over shorter timeframes there is no guarantee that they will demonstrate a stable volatility profile at a total portfolio level. Rather, this overall volatility is reliant upon diverse behaviour between underlying assets, and these correlation patterns are dependent on the environment and the starting point of valuation.

Considering such shifting correlations is important at all times, but could well become profoundly significant in the period ahead. This is especially true today since the diversification properties that many of us have become used to among major assets since the financial crisis have shown signs of changing.

This will clearly have significance for pension schemes' own overall asset management. However, with multi asset investment strategies (including DGFs) a significant element of scheme allocations, such considerations are also of importance to trustees as they select and monitor external managers.

Duration in multi asset portfolios

Active duration management is a key element of our toolkit when managing volatility in multi asset strategies and must be considered in a different way than in fixed income only portfolios. As a measure of sensitivity of bond holdings to interest rate changes, a high level of duration in a fixed income fund can provide an indication of likely volatility when interest rates move. By contrast, high levels of duration in multi asset funds need not mean that fund volatility will be higher in these conditions; rather we must consider how fixed income exposures are likely to interact with other positions.

For example, a multi asset portfolio with material long duration in its fixed income allocation may actually move less in response to changes in bond yields if long-dated bonds can be expected to be negatively correlated with other positions in the short term.

For much of the last 20 years this has indeed been the case, and one might have been forgiven for thinking that rate-sensitive assets, and particularly mainstream government bonds, are a safe haven in all scenarios. Long exposure to duration has acted as an insurance policy in periods of stress in other assets. Not only that, but these safe havens have been an insurance policy that has paid you. Even 'risk free' assets like gilts and Treasuries delivered returns that we might ordinarily expect from apparently risky assets.

But it would be dangerous to believe that this environment can persist indefinitely. This is most obvious in the impact that lower rates have in reducing prospective returns, but is also hugely significant when it comes to correlation patterns.

The importance of regime

What causes correlation patterns to change? For much of the history of financial markets, rate sensitive assets such as bonds and growth-sensitive assets like equity have tended to be positively correlated.

In more recent decades this dynamic has shifted. In an environment in which inflationary pressures have been less telling, and in which global policymakers have placed a greater emphasis upon monetary policy to manage growth, rate-sensitive assets have provided the insurance policy against growth risk to which investors have become increasingly accustomed.

However, as we have seen in periods such as the 'taper tantrum' in 2013 and 2014, as well as the first quarter of 2018, this property should not be taken for granted. In these periods interest rates themselves were a correlating force across asset classes (see figure 1).

In these periods, the flexibility to

adopt outright short duration or relative value positions would have been more useful. Relative value positions can allow funds to remove exposure to broader rate trends by isolating relative moves between different parts of the fixed income universe.

These strategies of course becomes even more significant in a world in which policy direction could well be changing in a more profound and longer lasting manner.

The impact of duration on alternative assets

A key demand of institutional investors in recent years has been for 'uncorrelated' returns. In general, this has been reflected in an aversion to equity beta, but could increasingly come to mean an ability to defend against rising rates.

Many strategies have sought to provide a lack of correlation to major asset classes through exposure to 'alternative' assets. This could mean being prepared to embrace illiquidity or to move into private markets.

However, it remains to be seen how far these assets can be insulated from major shifts in global interest rate dynamics. Many alternatives have only gained popularity in a world of very low policy rates around the world and are themselves offering lower prospective returns than they have for much of their history. Few have been tested in phases in which competing traditional assets become more attractive from a valuation standpoint.

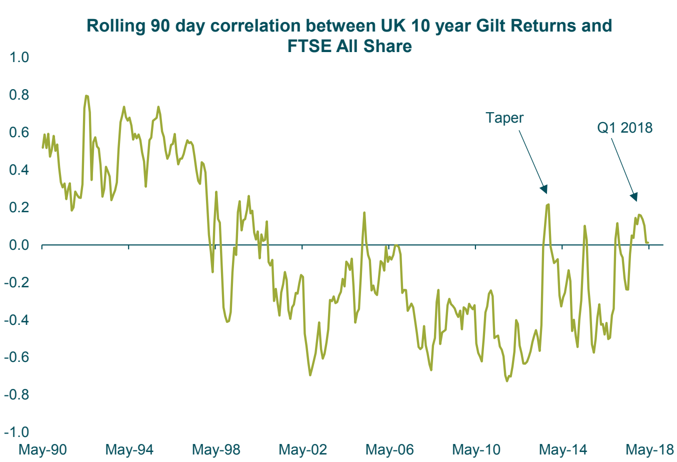
Alternative assets have a meaningful role to play in most institutional portfolios, however multi asset managers will need to demonstrate that they can identify genuine opportunities diversification where it is available as opposed simply seeking to benefit from price illiquidity.

Another alternative: Tactical diversification

With most assets at less-attractive valuations that they were after the financial crisis, the ability to rely on static multi asset allocations to deliver on return objectives is reduced. Instead, the ability to exploit volatility as a source of return generation becomes increasingly valuable.

Most long-term investors are rightly sceptical about strategies that claim to have an edge on 'market timing' and rightly so. However, active management rests upon the opportunities created when short-term volatility creates valuation disconnects, and such disconnects can often correct quickly. An example of this can be found in terms of duration management: in early 2016, US long dated Treasuries provided effective diversification against long equity exposure as investors became fearful of a global recession. However, this episode itself set up Treasuries for subsequent poor returns including behaviour correlated with equity markets in the second half of the year.

Figure 1.



Source: Datastream, 30 April 2018

The need for flexibility and dynamism

Pension fund trustees looking for multi asset strategies to provide equity-like returns with lower volatility in all environments will need to ensure that those strategies are genuinely able to deliver in all environments.

This will likely be challenging, since even traditional multi asset portfolios have benefited from a supportive environment since the financial crisis. However, with very clear signs of a change to this regime, there will a far greater role to be played by active management, including duration management, in order to generate returns should the interest-rate tailwind become a headwind.

www.mandg.co.uk/multiasset

Written by Tristan Hanson, multi asset fund manager, M&G

The value of investments will fluctuate, which will cause prices to fall as well as rise and investors may not get back the original amount they invested.

Summary

- Multi-asset managers face ever fiercer pressures on fees.
- Yet the risk of equities and bonds falling together means pension funds can't ignore them.
- The structure of multi-asset teams is crucial in distinguishing themselves from the crowd.
- Value investing and the margin of safety can still limit volatility and provide outperformance.

A multi-faceted relationship

David Whitehouse reveals how multi asset funds can be just what pension schemes are looking for in a volatile, low-fee world

The father of value investing, Benjamin Graham, once said that it was easier for a man to increase his income than to reduce expenditure. Multi asset managers, faced with a long-term and continuing downward pressure on their fees, face a similar conundrum.

An industry where fee trends are always downward is a hard one to work in, as Ted Williams, senior adviser at Zeus Capital in London, knows well. Williams has spent 38 years in investment management. He was one of the founders of Four Capital, worked at Schroders and Prudential, and has run local authority pension funds. He paints a sobering picture of the future for those running multi asset funds. Multi asset managers, he says, face a "challenging and even gloomy" outlook. Fees are going down, as are margins, even for the large mandates. The costs of fund management, Williams says, are now higher as investment management groups must now pay for research. The process of consolidation of local authority pension funds in the UK, he says, means that local authorities will have "more firepower" and will be in a stronger position to push down fees. They are likely to be tempted to choose passive investment strategies if active managers are not able to demonstrate added value.

"It's much harder than it once was," Williams says. There will be no place, he argues, for closet passive managers charging active fees. Cost-cutting is one option, he says, but this risk affecting performance. Multi asset managers find themselves "between a rock and a hard place."

Strategic objectives

The choice of multi asset fund is critical for a pension fund. Syndicate Room chief investment officer and Fund Twenty8 fund manager, James Sore, points out that the difference between the best and worst performing multi-asset funds in 2017 was huge, ranging from a 0.47% loss, compared with a 25.33% gain. MJ Hudson Allenbridge senior adviser Karen Shackleton argues that the selection key lies in being clear about strategic objectives: is the aim to reduce a deficit, or hedge against a rise in interest rates? She looks the track record of the individual rather than the fund, and favours long experience, particularly as many current fund managers have only operated in a low-interest rate environment.

Much depends on the size of the pension fund that multi asset managers are targeting, Shackleton says. Large, well-resourced funds will likely want to attempt multi asset management themselves. These funds are likely to look outside only for tactical asset allocation and niche expertise, for instance in less liquid securities. In the case of smaller pension funds, outside providers have a bigger part to play. These are unlikely to have the governance resources to handle multi asset strategy themselves. A fund of less than £500 million won't have the governance resources to react to changing markets, Shackleton says.

Aviva multi asset fund manager Brendan Walsh expects that the role of multi asset funds for defined-benefit pensions is likely to grow as funds become more mature and need to tackle funding or cashflow deficits head on. He believes that pension fund trustees should ask whether a fund has "a strong repeatable process that is not dependent on one or two key individuals. Are they able to explain the sources of risk and return consistently?" Past performance isn't very helpful in evaluating a manager, Walsh argues. "You have to really understand what drove that performance, what mistakes were made and how did the manager learn from them." He points out that it's often junior team members that do most of the research and generate the ideas, so pension fund trustees need to meet them. "A manager should be happy to put anyone from the team in front of you."

QS Investors' multi asset portfolio strategist Doug Sue and portfolio manager Mike Labella, agree that diversification is a question of personnel as well as of financial assets. Sue agrees that multi asset funds are "not immune" to fee pressures. But, he argues, the best multi-asset funds are able to provide unique, tailored solutions for pension funds in need of risk protection that a low-cost, passive approach can't give.

Labella and Sue urge pension fund managers to look at the people and teams behind a multi-asset fund. QS, which manages $21 billion including $14 billion in multi asset funds, leans towards a collegiate decision-making framework, and draws on a diverse array of expertise. The chief executive and head of multi asset research are both women, and the firm employs people with PhDs not just in financial engineering but also in maths, statistics and even nuclear physics.

The next volatility event

Walsh believes that the next major volatility event may see equities and bonds fall together. Tactical hedging, he argues, is extremely difficult even for the most sophisticated investors and won't serve pension fund clients who are intolerant of large performance swings. Labella agrees that the outlook for equities and bonds means that "we are in a really hard place right now." He expects that GDP growth in the US, Europe and Asia will be subdued, and that by necessity some risk will be needed to achieve decent returns.

Where can these be found? Arcadian Asset Management director of multi asset class strategies Ilya Figelman makes use of commodities, currencies, and long/short and options strategies to generate returns uncorrelated with market movements. He argues that pension fund managers should use three main criteria when choosing a multi asset manager: the fund should be truly diversified, rather than driven by a couple of ideas or themes; return-seeking in the long term; and provide defensive features. Pension funds need to go for "diversification when it matters": that is, in a severe market downturn.

Rather than being boxed into an active or passive mindset, M&G global head of institutional distribution Ominder Dhillon favours a 'horses for courses' approach. At M&G there is an active asset allocation process, but passive tools may then be used. Dhillon makes the common-sense point that some markets are more efficient than others; it would take unusual skill and insight to outperform the FTSE 100, but emerging market debt may offer opportunities for outperformance.

In a low-interest environment, Dhillon acknowledges, there has been pressure on fees, "and rightly so." However, fee pressure, argues Dhillon, exists for all strategies, not just multi-asset managers. He expresses "a little concern" over a UK charging cap for defined contribution pensions. This, he argues, makes it harder to include illiquid assets in a portfolio. "I can't just go on to Bloomberg and find a lot of private debt," he says. "These investments have to be structured and managed. Potentially a lot of return will be left of the table," due to the cap, he says.

M&G, Dhillon argues, has been able to outperform on a risk-adjusted basis over the long term. Its funds, he says, "do what it says on the tin". This is due, he says, to the company's value-investing ethos. He gives the example of the Japanese equity market which, 12-15 months ago, was offering real expected returns of 8%. This level of return, Dhillon says, has only been available for 5%-10% of the time for which Japanese stock market data are available. There was no fundamental reason for the market to be that cheap; the reasons, he suggests, lie in the domain of behavioural finance. If fundamental reasons do not seem to justify a market valuation, M&G typically draws on behavioural finance expertise embedded in its teams to seek an explanation before making an investment decision.

"We don't try to make forecasts. We ask if there is a margin of safety," Dhillon says. The central tenet of Benjamin Graham's investment philosophy, then, is still at work in our ever-more uncertain 21st century world.

Written by David Whitehouse, a freelance journalist

Summary

• An important first step for pension funds to consider when developing an impact investment strategy is to define exactly what is meant by 'impact.'

• Measuring impact against the United Nations Sustainable Development Goals is one potential way in which investors can gain a clear and transparent view of the impact of their investments on a group of ESG objectives.

• Another useful way of viewing ESG is to see it as a set of components, each of which potentially carries additional sources of investment risk and return.

A noticeable difference

Andrew Williams considers how best to measure the impact of ESG investment strategies

In recent years, impact investing has emerged as a useful tool for pension fund investors to discover how much of an impact their ESG and responsible investment strategies are having. So, how best can pension funds measure the impact of their ESG and responsible investment strategies? How can they use the results of such exercises to avoid the risk of 'green washing'? And what are likely to be the key innovations and trends in how pension funds measure the impact of their ESG and responsible investment strategies over the next few years?

Definitions

According to Insight Investment's ESG analyst, Joshua Kendall, the most important first step for pension funds to consider when developing an impact investing strategy is to define exactly what is meant by 'impact.' For example, does it refer to an environment, social or other objective – or relate to achieving a positive impact or avoiding a negative one? In his view, the establishment of such goals can help frame the required impact strategy and appropriate measurements.

"Unfortunately, the data to help measure and manage impact is extremely sparse. Within fixed income you can use bonds labelled as impact, but even then, relying on labels is not the best measurement of impact because there is no universally agreed definition of what qualifies as an impact bond," he says.

Insead's Global Private Equity Initiative's academic director, Professor Claudia Zeisberger, agrees that the key for institutional investors is to be clear about their mandate and recognise that language is crucial in that context.

"Are we talking about ESG compliance – or a broader responsible investment mandate – or do we care about a specific impact, for example improving schooling in a community?" she says.

Kames Capital's head of ESG research, Ryan Smith, also believes that measuring the impact of investments can be difficult, with quantification of the impact of some companies or sectors easier to achieve than others. In this light, he suggests that, before trying to measure outcomes, it is equally important for clients to understand the investment philosophy and process of any fund.

"What's the fund and fund provider's track record of responsible investment? I'm not just talking about investment performance here either – there seems to be a certain amount of re-branding of existing funds in this area," he says.

Metrics

Meanwhile, HSBC Global Asset Management's responsible investment specialist, Stephanie Maier, points out that pension funds are increasingly seeking to align their financial objectives with real economic impact. As part of this exercise, she observes that metrics can be used "both to better understand the risks and opportunities institutional investors are exposed to and the extent to which their investments are delivering against the sustainable development goal (SDG) agenda, and in particular tackling climate change".

In terms of what she describes as 'pure' impact investing, she explains that the sustainability outcomes and associated metrics are part of the investment proposition. Yet increasingly, impact metrics are "being designed to understand the impact of other responsible investment styles across a variety of asset classes", she says.

"The Taskforce for Climate-related Financial Disclosures is playing a key role in catalysing development of carbon risk metrics. Measuring carbon, for example carbon intensity or tonnes of carbon avoided, is increasingly common," Maier explains.

"Beyond carbon, we are part of the Cambridge Programme for Sustainability Leadership – Investor Leaders Programme, seeking to develop a broader set of SDG sustainability metrics," she adds.

Elsewhere, KBI Global Investors' head of responsible investing, Eoin Fahy, believes the main challenge facing pension funds considering how best to measure the impact of their investments is to find a methodology that allows a comprehensive analysis of all stocks in the portfolio, at a very detailed granular level.

"Looking at the contribution of each and every business activity carried out by each company is the best way this can be done, in our view, and using the framework of the United Nations Sustainable Development Goals allows investors to have a very clear and transparent view of the impact of their investments on a group of ESG objectives with the needs of developing nations to the fore," he says.

Green washing

When it comes to avoiding 'green washing,' Zeisberger urges institutional investors to hold their agents to the promised mandate. In terms of responsible investing, she also points out that investors should have a clear definition of the desired outcome, know where on the spectrum they are playing and have a measure in place that can clearly communicate whether the set targets have been achieved within their desired risk appetite.

"It is the measuring where more work needs to be done: No industry standard exists to date," she says.

"Until such a standard is achieved it is everyone for himself and certainly caveat emptor when looking to invest in responsible investment vehicles. Rigorous due diligence, a clear set of questions based on a carefully developed responsible investment mandate are only the start; they need to be followed by a regular audit of the actual investments made to ask if the results live up to expectations and are within the mandate," she adds.

For Kendall, the 'uncomfortable truth' is that no investment portfolio is free from negative environmental impacts – and that every company included in mainstream portfolios has a carbon footprint and is very likely to be a net carbon contributor.

"Pension funds should emphasise the strategy they have in place to manage these risks, as well as being fully transparent with the performance of the portfolio," he says.

Robust governance

Looking ahead, Redington's associate manager – research, Honor Fell, hopes to see a number of trends gain pace in the next few years, including the continuing improvement and standardisation of ESG reporting metrics, continued and increased scrutiny of consultants and asset managers by pension funds, portfolio level ESG reporting as standard on the rise from asset managers, as well as new tools to visualise and interpret data becoming more and more applicable.

"I think one of the key innovations will be the level of data available to end members, particularly in DC schemes. We know that younger members are increasingly interested in the impact of their investments – the investment industry has an opportunity here to offer transparency to the end-consumer and, in doing so, to potentially build trust and saver engagement," she says.

In the near future, Kendall also predicts that the EC Sustainable Finance Action Plan, announced earlier this year – and which aims to introduce guidance for investors on sustainable investing, including a taxonomy on the definition of impact, reporting and disclosure, and fiduciary rules – will be a very important development.

"These changes will likely grow the market awareness and tools for impact strategies," he says.

Meanwhile, Smith does not see the demand for more impact reporting going away – particularly since end investors are expecting more transparency of all sorts from fund providers.

"Hopefully, we can all appreciate that not every impact is quantifiable, which would reduce the risk of green washing," he says.

Ultimately, Maier stresses that pension funds, by their very nature, invest for the long term and so, it can be argued, need to look to risks that aren't necessarily directly in front of them. In doing so, she believes that a useful way of viewing ESG is to see it as a set of components, each of which potentially carries additional sources of investment risk and return. By ignoring ESG, she warns there is a risk that pension funds would be missing the full picture, and could potentially be adopting a short-term view on investments and risk.

"This is one of the reasons why pension funds not only embrace the concepts fundamental to sustainable investment strategies but, increasingly, seek to measure the impact of the policies they adopt," she says.

"Companies need the support of long-term ESG-aware investors to help them adapt their business models to succeed in a 'two degree world'. Pension funds have a real opportunity to allocate capital to funds that value a company's long-term resilient business models and robust governance structures. There is no point just thinking about quarterly results and short-term earnings," she adds.

Written by Andrew Williams, a freelance journalist

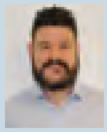
In association with

Master trust roundtable

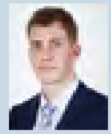
CHAIR

Duncan Howorth, Executive Chairman, ITM
Duncan is ITM's executive chairman and works with the leadership team to support ITM's growth into new sectors, whilst also developing ITM business in its traditional markets of consulting and software. Duncan was previously CEO, UK Employee Benefits and International Chairman, Employee Benefits at JLT. Specialist areas include developing partnerships and outsourced solutions for financial institutions; DC operations and governance and auto-enrolment.

PANEL

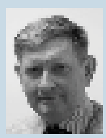


Troy Clutterbuck, CEO, NOW: Pensions
Troy was appointed as interim CEO of NOW: Pensions in August 2017, having joined the firm in 2016 as Chief Financial Officer (CFO), and was confirmed as permanent CEO in May this year. Prior to joining NOW: Pensions, Troy held a number of key roles over a 15-year career with Jardine Lloyd Thompson Group including CFO UK Employee Benefits and commercial director, Latin America and Canada. NOW: Pensions is a wholly-owned subsidiary of ATP, one of Europe's largest pension funds.

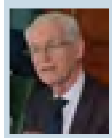


Matt Dodds, Director, ITM
Matt is a director at ITM, responsible for sales and marketing. Matt joined ITM in 2013 as a project manager and has successfully delivered a wide range of ITM services and products to multiple markets. Prior to ITM, Matt worked in third-party administration, holding a range of management and process improvement roles. Specialist areas include market development; relationship management; data improvement strategy; pensions and benefits administration; and data audit and cleanse. Matt is a regular speaker at industry events.

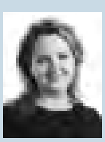
Andrew Evans, CEO, Smart Pension
Andrew is the CEO and co-founder of Smart Pension – an online auto enrolment provider. Its platform was built specifically to help British businesses sign up their employees to a workplace pension scheme, as required by law. Co-founded with Will Wynne and launched in May 2015, Smart has already signed up 80,000 businesses and more than 400,000 members. Previously, Andrew was managing director at Lloyds Banking Group. Previously, Andrew was Managing Director at Lloyds Banking Group.



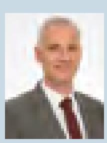
Steve Goddard, Founder, Salvus Master Trust
Steve is the founder of the Salvus Master Trust and is also managing director of Goddard Perry Consulting Ltd. He is also the chairman of HS Administrative Services and DBC Pension Services. With over 35 years experience in the pensions industry, having started with Hill Samuel in 1982, Steve joined Goddard Perry in 1993 when the organisation was known as Michael Kirk & Partners.



Paul Murphy, Head of Strategy & Business Development, TPT Retirement Solutions
Paul joined TPT Retirement Solutions in June 2014 as head of strategy & business development. He has worked in the financial services industry for more than 20 years and is responsible for the business development and marketing and communications teams at TPT Retirement Solutions. Paul is also a regular contributor to the financial and pensions press on pensions issues.



Zoe Alexander, Director of Strategy, NEST
Zoe has been at NEST for nearly three years, initially joining as Director of Public Policy, and has been Director of Strategy for the last year. Her role comprises considering the long term strategy for the organisation, as well as acting as the interface with Government and the public policy community. Before joining NEST, Zoe was a civil servant for over a decade, in a variety of roles. She was Private Secretary to the Secretary of State for Work and Pensions during the establishment of automatic enrolment.



Andy Tarrant, Head of Policy and Government Relations, The People's Pension
Prior to his current role, Andy was senior parliamentary adviser to the shadow Europe and to the shadow pensions minister. He has also been responsible for features, specialist press and BAME media at Labour Party central office; head of government and regulatory affairs for BT Plc's global services division; director of regulatory affairs at the European Competitive Telecommunications Association; and a senior competition lawyer at BT Plc.

Master trust roundtable

Master trust twists and turns

Our panel of experts reflects on what's in store for the dynamic master trust market

Chair: Auto-enrolment (AE) must be one of the relatively few pension policies that have gone well for the UK government for as long as I've been around. Statistically, in the five years of staging, we've gone to 10 million members now saving. It's been a fascinating journey. I would be interested in hearing about some of the experiences you have had along the way?

Tarrant: There are several different demographics being dealt with here just around this table. There are differences between us as master trusts and there are differences within our memberships. Some of us will have to cater for members that are going to need quite a lot of interaction with the provider and some of us with members who do not want any real interaction with the provider.

In any event, in this period when we're bringing people in, it's primarily a relationship with employers rather than members. Then, with the employers, what they require very much depends on their size. For the smaller employers, what's key is that the provider does the vast bulk of the work around bringing the members into the scheme and simplicity is key.

Goddard: We're clearly at a crossroads. We as master trusts are now going to have to compete in the wider marketplace against some of the big players/the big pension providers who have been doing GPP for 20 years or so. We now need to convince employers and their members that we're a better solution than what they have at the moment.

So, we've got to get our proposition right to play in that game; we've got to enthuse introducers, be they accountants, IFAs or consultancies, to consider us and take us seriously.

I would be interested to hear from those of you around the table what your introducers are saying about authorisation – is an introducer going to recommend a master trust of any size if they're not authorised? Of course, we are all going for authorisation but what happens in the interim period when we are awaiting it? Is that a worry?

Alexander: We do have TPR's approved list – that's there already.

Tarrant: Yes, and there's a working assumption that most of the big schemes will be authorised. The EBCs are most likely operating on that basis.

We volunteered early to work with TPR on what a business plan should look like and we're pretty sure that they're comfortable at this point with the way that we're planning to submit. So, we wouldn't envisage serious problems of any sort.

Murphy: Feedback I have had is that some providers/schemes feel that there hasn't been enough clarity from TPR on either the business plan or the continuity plan.

Tarrant: Arguably there's been a bit of a culture shock in the sense that we're quite used to regulators giving us very prescriptive rules which we then comply with to the letter; whereas regulation in a lot of other sectors has operated on the basis of a set of principles, rather than being really prescriptive. The regime's moved in that direction.

Murphy: From what I understand, following industry feedback, TPR has agreed to go away and look at the guidelines and try to be more definitive.

Chair: It's interesting how the landscape has changed – if you go back to the consultation period, before AE came in, the big insurers/ big pension providers said they weren't interested in the small employers. That sort of rhetoric forced the politicians to say we need a default provider that will be there to take every employer, which in turn led to the introduction of NEST. What we've seen since then, however, is that most providers have been open to all forms of business.

Alexander: From a NEST perspective, I would challenge that, because we still have employers coming

In association with

Master trust roundtable

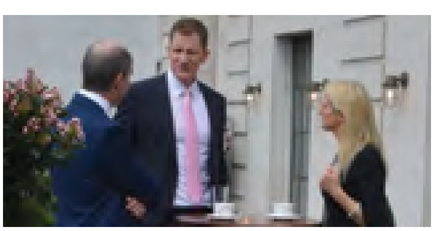
to us saying they've been turned away by other schemes. So, while most schemes say they take all employers, the extent to which they actually do is questionable.

From our perspective, we put a huge amount of investment and thought into making the small employer journey as frictionless and as easy as it could be. We're at the point now where we are saying, 'okay, we've been through that journey, that's worked really well. What's next?' One interesting question that we're grappling with is how do we engage our members? There's some value in members remaining disengaged until their pots have had time to grow and they can see their savings bringing real dividends. If they become engaged too early they may be discouraged by the level of their savings.

So, who do you engage with? How do you do it? And, at what point in their lives? You're right when you say there'll be greater competition and there'll be lots of whizzy fintech offerings and all sorts of great propositions out there to pull people away, but how important is that really to our members and how important is it that they stay disengaged?

Evans: From a policy lens, the whole reason Smart Pension was set up was because the policy was in place and the background of how NEST came to be and how the market came to be has been advantageous for other companies such as ourselves to enter.

I was at a conference recently and what was really noticeable there was just how much respect the States has for the fact that the UK has introduced this



policy. We may have followed to a certain extent in the footsteps of the Australian and the New Zealand markets, but we're still one of the first countries to deliver this and over the next 20 years there will be a lot of other countries doing this too.

From a business lens, originally we were looking at the inertia play on a B2B basis. The way we look at it now is almost the exact opposite. From Smart's point of view, we're not looking necessarily just at the business/employer owner; we're looking at how to engage with the underlying member and employee and the reality is that savings isn't always at the top of their priority list.

We have a slightly younger book than most in terms of average age, and profiling – about seven years under the average of other people's books – and we will therefore be asking, for example, what's the average 26-year-old interested in? As a result, you'll see things coming from us which will revolve around what a 26-year-old wants in their life and that will be the way that we will try to engage with people.

From an industry point of view, you will see every company playing it out in their own individual way and the member will get to choose or the employer will get to choose how they want to play it too. That will drive demand and you'll see people winning and losing business off the back of this over the next five years. It will be interesting to see which model is most effective.

Clutterbuck: Scale here is a key point, which is why acquisition plays a big role; and acquisition is great and is a key part of strategy, certainly from NOW's point of view. But equally, there's another sensible viewpoint here that where you've got a sufficient amount of scale, then delivery of services to your members and keeping those current members and businesses content with the service that they bought from you in the first place, actually does provide a sufficient base to a very sustainable business model, which could then branch out into other areas.

We all have different plays, but I believe there's a place for everyone at this table to take a slightly different perspective, which is why this market is working quite well. The challenges will be of course, as we go forward, things like authorisation, opening out to a wider market, perhaps not having sufficient scale – these are the things that are going to mix things up in the next 12 months, and will be laid to bear in the market.

Alexander: As the sector continues to bed down and mature and consolidate – and the authorisation regime will really help with that – the kind of things that master trusts will be able to offer as a sector, such as really strong governance and scale driving value, should increasingly become a differentiator from GPPs.

IGCs can't do the same things as trusts can do in terms of governing defaults, both in accumulation and decumulation. We would like to see the other big players in the market developing really good propositions in the default investment space all the way through the life course. Master trusts are uniquely placed to govern those things really well.

If they become the norm for saving and we slowly move towards a more Australian-style model (though not fully, because there are some disadvantages there too), then we have the potential to keep that custom and actually for that discussion with the employer to be a really meaningful one about whether you want your members going into something that's quite difficult to understand and govern, or whether you want a lifelong pension plan? I think

In association with

itm
Solution delivered...

Master trust roundtable

what people want is that lifelong pension plan.

Authorisation – setting the bar

Chair: Auto-enrolment as a policy has been working for several years and the sector's working pretty well, yet master trusts have now got to go through authorisation which is a pretty big thing.

Do you feel that the authorisation bar should be set fairly, but high?

Clutterbuck: The bar should be set high – it should be realistic of course, but high. The whole point of authorisation is to ensure that schemes are safe, that members' money is safe. So, it needs to be sufficient to do that. What's on the table now has got quirks all around the edges but essentially that's where that is.

Saying that, there's the slight potential for the bar to be excessively high when it comes to the financial capital requirements, as laid out at the moment.

We need to think back to why authorisation is being introduced in the first place and it's because it is scary how easily you can set up a master trust. We can all debate how many master trusts there are, and everyone's got a different number, but there are a lot.

There's no market that can sustain that many players, particularly when there's a large tail of schemes of all different shapes but that are all relatively small. Sustainability is an issue and because of that, protection is an issue. So, we must get this right first time. I also think the bar as it's set will take quite a few players out of the market – more than perhaps the TPR is suggesting.

Murphy: How many more?

Clutterbuck: I'd probably frame the question another way and ask what's a sustainable market in terms of numbers? I would be thinking more in the 20s and 30s rather than the 50s that TPR is suggesting.

Dodds: So you believe that the number of players falling away from the market will be higher than perhaps TPR is saying – is that a deliberate strategy by TPR or do you think they will almost stumble across that outcome as a result of trying to write the code? They did admit that the hardest thing about writing the code was trying to factor in the amount of diversity that there is across the industry.

Do you think they are trying to cut through some of this or do you think they're trying to pander to every angle, trying to please everyone and almost fallen where they are?

Clutterbuck: I think there's a little bit of both. TPR have said that there are a number of schemes in the marketplace that they would have some concerns about. So, that's always in mind. But I don't think that's the main driver.

Tarrant: But I think at a ministerial level, amongst the senior DWP officials and Treasury as well, they would like to see the UK pension market in general, not just master trusts, but the whole market become much more consolidated because they believe that scale will drive value for members, not just on the cost side, but on the investment side as well. I think TPR do want to see that consolidation too, they do want to force it, but equally, they don't want to drive anyone out of the market who maybe has a different business model from the type that they perhaps traditionally had envisaged.

Consolidation

Chair: For the first time ever, it seems that government policy is supporting (quietly) some sort of consolidation on the DB side and not least because of trying to control the frictional costs that exist in the market, particularly for a very large number of small employers

and small schemes. Paul *[Murphy]*, given TPT Retirement's focus on DB, is that of interest to you and your business?

Murphy: Yes, it is of interest to us. There has been a lot of emphasis on consolidation in DC, but the same issues apply in the DB world. If you look at some of the costs in DB, the investment costs, the administration costs, the costs per member, you would be mortified in the DC world. So, it's a focus for the DWP, particularly, and to a certain extent TPR in the DB world as much as in the DC world.

There was a DB white paper that came out earlier this year which we were very interested in. It started to mirror some of the really good work that is being done in the DC world, such as the chair's statement, which is most probably now going to be compulsory at the triennial valuation in DB schemes.

The other issue is governance. In the DB world, you often have a set of trustees who are confronted with increasingly complex regulation; increasingly complex investments – some of which are too difficult for even the investment experts to understand, let alone lay trustees. Also there's a great deal of obfuscation when it comes to the costs of running a scheme in the DB world.

The DB master trust is very much in its nascent form, simply by virtue of the fact that there aren't as many players, unlike DC where AE and legislation were big drivers. A more competitive market though would benefit smaller schemes, benefit members, benefit sponsors and

generally make the whole DB market far more robust.

Chair: In the DB world there are still 5,800 schemes out there with £2 trillion of assets. It's a huge market.

Ten million members still have an entitlement to a DB pension. Eighty per cent of those members and those liabilities are held in the 20 per cent largest schemes. So, it's a classic 80/20. But the fact is that 80 per cent of those 5,800 schemes, some of them are less than £50 million. They are subscale, but what they do have is an employer that has an obligation to keep financing the fees and financing the contributions.

Murphy: Which can be very expensive. Your eyes would water if you saw some of the costs.

Chair: It does need a government facilitation of some sort to make a more efficient market.

Murphy: You're right and the white paper certainly encouraged that, but let's face it, nothing's going to get through the Commons in the next couple of years because of Brexit. So, it's a case of the DWP and TPR positively encouraging rather than necessarily legislating.

Tarrant: What the Dutch Treasury did in order to shrink the number of DB schemes in Holland was write to all the sets of trustees that they thought were subscale and said, unless you start consolidating, we will legislate.

Murphy: That's a very good point. I heard somebody from the Dutch market speak at a recent conference, and he talked about the number of schemes there going through consolidation. So, consolidation will happen in both the DC & DB market, you'll most probably see it more and more over the next year or two, and it's started already in the DB market.

It's interesting you quote sizes there, Duncan *[Howorth, chair]*. We've got £9 billion in the DB market. We've got £1 billion in the DC market. When you've got £9 billion, you've certainly got the purchasing power and, being a not-for-profit organisation means we can pass those savings onto people.

We believe in fact that any scheme that is sub £500 million can benefit from the economies of scale that we've got. That represents two-thirds of the DB market, so there's a huge market there and there's a real opportunity for us to improve member benefits.

Chair: Going back to authorisation, as this will most likely lead to consolidation in the market, do you all see this as consolidation opportunity going forward?

Goddard: First of all, it's worth mentioning that TPR has made it clear that, if you are a master trust and you're not going to go for authorisation, they want to know now.

The second point I'd make is that consolidation is already happening. We announced one recently and it's certainly not as easy as everyone thinks. Given the granular processes of member comms, employer comms, re-enrolment, all that sort of stuff, it's a challenge. Even if you've got £10 million under management, half a per cent of that is not a lot. Everybody wants to have good outcomes but we've all got business heads as well and it's got to work economically.

So, it's not as easy as everybody might think but it is happening and is going to happen more because none of us around this table want any failures.

Evans: We believe that authorisation is an opportunity for the regulator, one of the few opportunities, to really move the needle – generally we feel that TPR does a very good job of cajoling and pushing and nudging and trying to take all views and getting things relatively in the right direction.

This is a genuine opportunity though

for the accreditation to set the bar high and there'll be so many advantages to this – the regulator can then dedicate enough resource if there are fewer providers. It will also create a superior framework, irrespective of the noise that comes around it – and there will be obviously some fallout from it. So, there is a real opportunity here – they don't need to tippy-toe this time around. They should set the bar as high as possible and then supervise at that level continually.

In relation to the consolidation piece, there are two or three potential waves. There's going to be a section of people who just do not fancy the pain that's about to come and therefore they will probably have relatively active discussions with the three or four providers that will potentially be looking to find a happy home for people.

There'll be a batch of companies that go through the accreditation process who don't quite make the grade and then again, they will see if there is a way in which they could be find a nice home for people without rocking the industry.

Some players may also be expecting to have this Garden of Eden in two years' time, when they'll have better technology and 8 per cent contributions and no re-enrolment issues. If that doesn't come to pass, however, there might be another period where these players also try and consolidate. So, there could be up to three waves of consolidation over the next two years or so.

Tarrant: The government has always

Master trust roundtable

got the backstop option of copying what they did in Australia and putting a duty on trustees to assess whether they've got sufficient scale to deliver best value for money. Then this creates creates an automatic transmission device for constant consolidation going forward, where it is in the interest of the member.

Chair: I imagine there will still be some small master trusts operating in the future, because it's not all about scale. If you're a pure play master trust, then scale does matter because of the economics of the operation you're running.

But if you're running a master trust as part of a wider business and you're offering all sorts of things to different clients, as long as you have proper systems and processes in place, you might only have some small tens of millions of assets under management.

The market tends to think purely about size and authorisation rather than quality and authorisation, but it is as much about quality as it is about size.

Dodds: We already know of some players that do want to be authorised, but they know that they're going to have to improve in a number of ways in order to achieve it, so they are having to work through their to-do lists. They believe, rightly or wrongly, that they can offer something to the market that means it's worth going through that process, but equally they understand their systems and processes need to be up to scratch to get them through it. If they fall short on any level, that will cause some fallout in the future because if their offerings

aren't up to scratch, this will lead to negative headlines and that's not helpful to anyone.

Goddard: Absolutely. None of us around this table want any failures of any master trust because that's a bad advert for the industry. So, if it could be a smooth transition from somebody who's not going to go for it, into an authorised master trust, then great.

Murphy: We should have had this authorisation process back in 2011/2012, before everything started, but it's easy to say that with the benefit of hindsight.

Chair: Will there be a home for all those master trusts that are economically less viable?

Clutterbuck: People will find a home. If they don't want to be in the market, someone will take them. Saying that, there are a number of nuances there that could be problematic to them. Steve *[Goddard]* talked about the commercial realities of life. We all run businesses so of course we have that hat on. We also have the hat of the good of the member and trying to do the right thing by the policy and the market, which is also right.

Then you've got the sub-context of why some of these master trusts might not want to be in play anymore. It could be because there's a degree of issue inside the master trust; it could be that the data quality's not great; there could be a whole host of reasons. They're the things that will be problematic for some in terms of finding a natural home should they just want to step away.

Chair: What is the quality of the data and the quality of the operational processes particularly in relation to the smaller trusts in the market?

Dodds: That's an interesting question because we all know that consolidation doesn't just happen – and if there is too much transitional work to do because the data and processes are so poor, could it be the case that no-one wants to pick up some trusts? Could there be the need therefore for something like a master-trust lifeboat fund?

Alexander: Does there need to be a receptacle for assets of failed schemes that no one else wants to take? I don't think so. You might have some small pools of bad assets with poor data and that kind of thing, and potentially there's a function for someone to clean that data off and make it attractive, but they're still assets sitting there, so someone would take them.

Innovation

Chair: I'd like to move the discussion to disruption and innovation, because a lot of you are relatively new businesses and new businesses tend to have the benefit of not having legacy systems and that often is a competitive advantage for as long as you can maintain it that way.

I view this sector as disrupting the pensions market generally given the AE opportunity that you have, but also being able to innovate. Is that something you see as part of your mantra and strategy, that you want to position yourselves quite differently from the traditional pension providers?

Alexander: From a NEST perspective, we've always had a strong tradition of thought leadership and we've now got the NEST insight unit that's been set up to research our membership, draw on our data and work with academics around the world.

That's partly because we have so many members and also that they are a new section of the population who haven't previously been saving, so, we don't necessarily understand as much as we could about their behaviours, how they're going to react to having a pension and how it's going to interact with other elements of their finances.

In association with

Solution delivered...

Master trust roundtable

We are bringing a whole new generation of people into the financial services industry who previously either haven't been served or have been served quite badly. That's a massive platform for innovation and we're just at the beginning of it. From a NEST perspective, the most important things we're doing now in that respect are around the investment glidepaths during accumulation and hopefully in the future during decumulation as well.

There's also the whole engagement piece which is interesting – how do you engage people who are younger with their pension? Can we have a role in the aggregation of people's financial dashboards and apps that bring everything together? There are lots of different angles to it but there's a huge opportunity for innovation in the sector that will just carry on.

Murphy: As a disruptive force, the biggest impact for me of master trusts has been the reduction in costs to members across the board. If you look back at stakeholder and GPPs, you're talking about members now paying half of what they were paying in those like-for-like contracts.

We also felt that we were somewhat of a disruptor in the DC arena because we introduced TDFs as the default funds. We were one of the first in the UK as we weren't comfortable with the classic flight paths, and there have been variations on a theme of that being introduced across other master trusts.

Then the final issue for me as a disruptor is in the DB world because that's relatively dominated by the consultancies – 80, 90 per cent of the business is with them and we've come in with a completely new model. A couple of the consultancies have started to follow us and that's exactly what happened in the DC master trust world as well. So, we do see ourselves as, (even though we've been going over 70 years), a leading edge player and a disruptor in the marketplace.

Clutterbuck: AE as a policy is disruptive – there's a natural correlation between the two. It has been an unmitigated success and because of that, the players in that market naturally become disruptive by association in one sense.

Then to your point Paul *[Murphy]* about the charges, this puts an explicit requirement to be innovative in the delivery of services. This could be by doing what every pension provider's always done but doing it a bit more efficiently with the use of technology, et cetera. Or you could aim to deliver more, but couple that with efficiencies so be able to provide, over a period of time, a much wider range of things that members can have.

Tarrant: I agree, the government did disrupt the market by constructing the AE model. But it also disrupted the market when it blew up annuities. There's an enormous space there now where we have to innovate because we claim to be vehicles for pension saving and yet we don't actually provide pensions, which has to change.

Goddard: There seems to be a lack of innovation around decumulation following pension freedoms. Salvus has already launched Retirement Bridge and we will be promoting the concept of default drawdown in 2018 to ensure good member outcomes.

Murphy: That's because we've all got clients who are still in the early stages of accumulating their pots. It's an important market and it's a future market. It just hasn't quite arrived yet.

Dashboard

Chair: ITM has been heavily involved in the pensions dashboard – are you all

supportive of the pensions dashboard? I think it will be helpful to you all, as it will help you find other member pots?

Clutterbuck: It also forces the debate we are all having about what's the proposition of each of our products. It enables the member to make an informed choice. As life goes on, they're more informed because they've been in the system for longer and they might have multiple pots et cetera. I'm sure we would all agree, if someone chose to transfer out now, and they've got their reasons to do so, then it's a requirement for us, I would say, from a more social perspective to enable that transfer to happen. Equally, we are very happy to accept transfers in and we'd like it that way around rather than the other way around! But what we're doing is opening up the market to people – we have to.

Dodds: What barriers are there from a provider point of view to helping you get the most out of the dashboard? The prototype was built to prove that the concept could exist, but it took an awful lot of smart people an awful lot of time and effort just to get to the point where they could say, okay, yes, we can prove this is possible.

Evans: I think dashboard can work with DC. It must be done through policy though, rather than through engagement and agreement with the industry because otherwise it won't happen. It should also be done in a simplistic and transparent way. That transparency will then drive so many other things. We have talked today about pricing models, but the top

In association with

Master trust roundtable

six, seven, eight master trusts all have completely different pricing models. I don't think that is such a bad thing, but once things are more transparent, you're going to get quicker thought processes because you're going to have the member engagement about what is considered more effective for them. I think that will drive the policy.

So, the way you do it is through transparency. There are some negatives to that – you'll have some fallout in the short-term where there is the potential for unscrupulous sales people to over promote an aspect or where people don't understand the data or the sharp ratios or the risk. But, on the whole, it will be a huge step forward and I feel as though it's possible now at least with DC. I don't think it's going to be that easy with DB.

Going forward

Chair: What do you think TPR or government could do or not do to help us move forward from the very strong position that we're in today?

Clutterbuck: We need to start the conversation about where we go past 8 per cent. I think we're agitating around the edges of that. I don't think anyone is suggesting that eight is the right number. But what is the right number and let's have a framework for how we might get there which then might be tested via the 5 per cent, 8 per cent experience.

Alexander: I think the industry knowing what the glidepath looks like would be useful. It's quite hard for government to do it, given everything else that's going on. I agree moving forward there are a few suggestions such as the removal of the Lower Earnings Limit and the age criteria that would be helpful.

I'm personally a big advocate of the idea that if you do push up to 12/15 per cent, you have an option to opt down and not out. For some of our members over saving is genuinely a risk. If you're on a very low income, for example, 12 per cent is too much. As we push up into those higher levels, the option to go back down to 8 per cent rather than stopping saving overall would be good and there's behavioural evidence to support that.

Also, the NEST insight team are doing some trials on the idea of sidecar savings, which is where you have a small liquid account that's attached to your pension.

Evans: The regulator has done a sensational job; it was incredibly brave to do AE just off a behavioural finance theory, and it's been a huge success.

The evolution of it is going in the right direction and everyone has ideas broadly similar about how it can be improved, and I feel as though, on the whole, the government and the regulator are listening.

It also feels that in this environment, while there are a number of providers all trying to figure out what's right for their own individual members, for the industry as a whole it's a really good mechanism to try and get good policy. Each time you see it happening, you see a slightly better improved policy and we have no reason to believe why that won't continue over the coming years. Is the speed of travel enough? Perhaps not, but at least it's going in the right direction.

Tarrant: I would argue that the reputational threat going forward doesn't actually come from our part of the sector. It's the other parts of the pension ecology that are less well regulated and, as they throw up scandals and people are unable to distinguish between different types of pension, we will get contaminated. So, I'd like to see a requirement for fiduciary governance to be pushed into the rest of the sector.

Dodds: It would be nice to see TPR continue to be brave around the authorisation process – that's key. Also, not just in how high they set the bar, which is important, but also that they don't just cut adrift those that aren't there yet and it's not just a case of a hard close. In the past we have seen TPR put standards and benchmarks out but then they aren't always great at actually helping or facilitating improvement. So, the bar should be high, but they should do more to help people reach that bar.

Murphy: What I would like to see is TPR and DWP encourage the use of master trusts in the DB arena to the same extent as they've succeeded in the DC; and bring all the good things that they've brought to the DC master trust market to the DB master trust market.

Goddard: Years ago, when all this first started out, we had a seedling association called the Master Trusts association. What would be nice next year is to have a similar concept but of authorised master trusts and have a voice. The final point I would make relates to the self-employed. The government together with the master trust community should do something to help them. With our digital presence, with our systems, with our technologies, we've got to help the self-employed because many of them aren't aware of the fact that they're going to be in a pretty bad position when they get to retirement. They don't know it because there's a lack of education out there. We, as a master trust industry, should come up with a solution for them.

Summary
• Increased uptake in master-trust membership has led to a distancing between employers and scheme members.
• Enrolling staff into a master trust relieves employers of a number of duties, however, communications are still encouraged.
• Employer-led internal groups could help to monitor and report on the value that these schemes are providing for members.
• Resultantly, engagement and communications between employers and employees shouldn't cease once enrolled into a multi-employer scheme.
•Working with the provider is key to ensuring best outcomes for members.

Building bridges

With record numbers of employees in master trusts, the relationship between employers and scheme members can become distanced. Talya Misiri questions the impact of this and what employers can do to plug the gap between employer-member relations

The increased uptake in master trust membership, adding an additional party to workplace pension provision, has inevitably led to a distancing between employers and scheme members.

For many employers, the demands of auto-enrolment has meant that it is neither cost effective nor sustainable to introduce or build on individual pension offerings and solutions. Rather, employees are passed onto multi-employer schemes for pensions to be governed and issued externally.

While this means that employers have less oversight over their auto-enrolled staff, workplace engagement and ongoing communications with members are still regarded as beneficial in the retirement saving process.

Benefiting employers

The demands of auto-enrolment requiring even the country's smallest micro-employers to enrol staff into a pension plan has meant that master trust membership has rocketed in the last few years.

As it is estimated that 61 per cent of schemes will be in a master trust by 2026, the majority of the pensions relationship, including communications with members, is likely to pass on to master trusts rather than employers.

"Engagement and communication plays a key part in ensuring members save enough for their retirement and master trusts are well placed and well-resourced enough to help do this," State Street Global Advisers senior client relations manager Sophie Ballard says. "Crucially, how the master trust engages and communicates with members will become a key USP when employers choose which master trust to use," she comments.

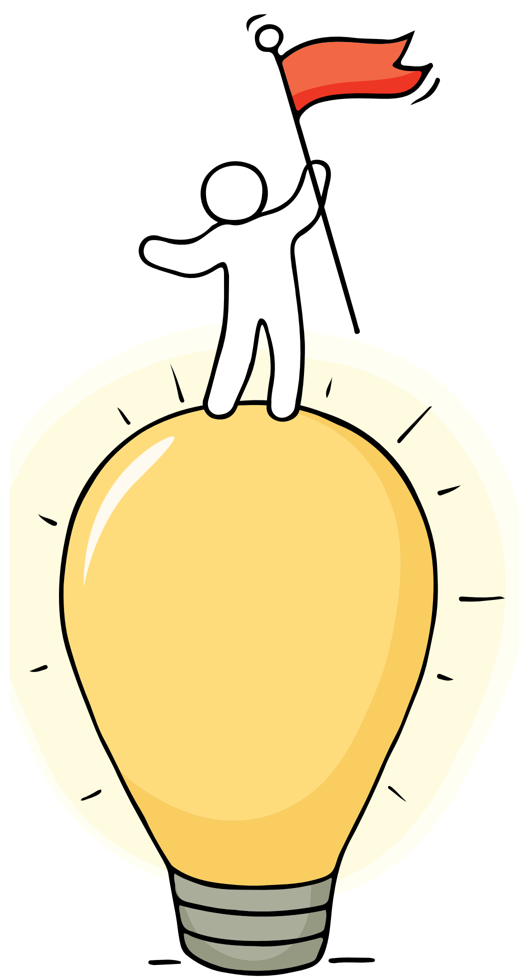
In addition, master trusts can be favoured by employers as they offer the benefit of a governance function with generally low operating costs and greater simplicity. "Master trusts offer added peace of mind for employers," says Ensign pensions director Ivan Laws.

Nonetheless Laws argues that enrolling members into a master trust does not mean lower levels of engagement from employers are advocated. Instead, it is important that employers partner with a provider that is "looking out for employees' best interests", he says.

Distancing relations

With employer-run schemes, trustee boards generally include employer representatives of whom are influenced by the concerns of the company and resultantly act on behalf of its members. With master trusts, however, this is not the case.

JLT Employee Benefits benefit consulting principal Stephen Coates emphasises: "The trustees of a master trust can be responsible for thousands of employers and millions of members. Local decisions are simply not possible.



"Moving from own-trust to master trust will inevitably see a distancing of local responsibility."

With this, employers are relieved of a number of scheme considerations and duties. These include having direct involvement in strategies for scheme leavers, members nearing retirement, members at retirement, new entrants, the selection of appropriate investment options, holding providers to account and monitoring performance.

Therefore masters trusts will always be a 'one size fits all' philosophy. "It has to be," Coates states.

Nonetheless, employer dutues are not completely removed. The decisions relating to benefits and contribution levels usually remain with the participating employer, therefore, employer-member communications can be beneficial.

Internal employer groups

Ballard highlights that "despite outsourcing the pension provision, often members still associate their workplace pension with their employer, meaning it is key that the employer continues to engage with their chosen master trust".

As a result, while transferring the majority of scheme responsibilities

"Working together will be key for the success of both the master trust and employers to ensure members can afford to retire"

to master trusts, some employers still demonstrate an ongoing commitment to good quality pension provision. This can be shown through the establishment of internal groups that sometimes include employee representation, to monitor and report on the value that these schemes are providing for members.

Coates explains that employer-led stewardship groups can plug the gap between employers and master trust scheme members. To do this, a "pseudo trustee committee" can be introduced to cover decisions relating to the scheme and its members.

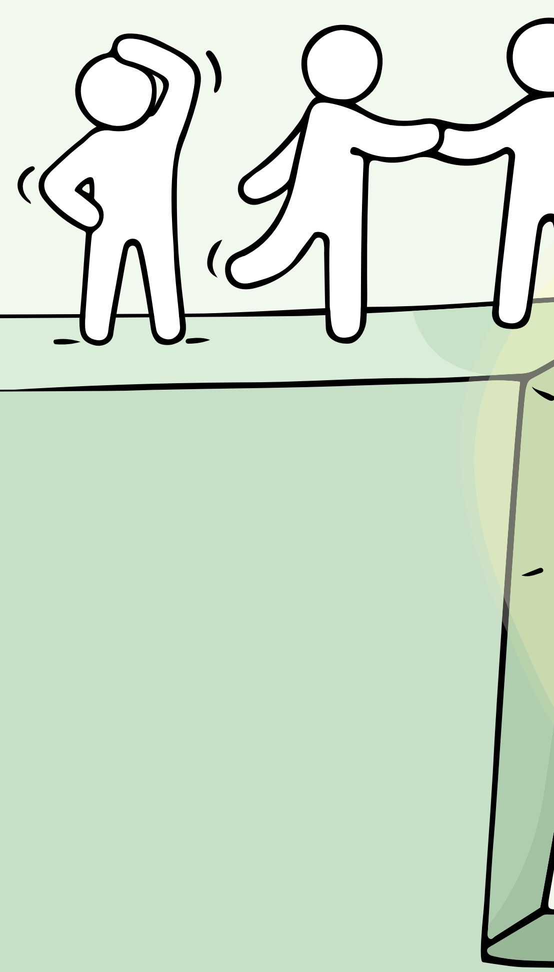
"It can be relatively informal; is not subject to regulation or formal legal duty, but can bridge the gap between the trustee board and the needs of the organisation. This can offer an attractive compromise to trustees and employers alike, who are looking to reduce costs, de-risk but, at the same time, are concerned about the impact upon their membership," Coates adds.

Association of Member Nominated Trustees co-chair David Weeks agrees that some form of member representation is also crucial for these schemes to prevent from potential losses. "If members don't have a seat at the top table, they're likely to lose out," he notes.

"If and when a problem arises, the consequences of not having it *[member/employer representation]* would mean there is no one to take ownership," Weeks adds.

Workplace engagement

Resultantly, engagement and communications between employers and employees shouldn't cease once enrolled into a multi-employer scheme. With an increased focus on workplace wellness, including financial wellness



and understanding, employers are encouraged to engage and educate members around their savings, particularly pensions.

"It is not particularly accurate to characterise master trusts as removing the relationship between employers and members," Arc Pensions Law partner Rosalind Connor states.

In order to maintain this responsibility, therefore, Ballard comments that: "Employers are often still providing basic information around the pension scheme within their financial education programmes, signposting members to their chosen master trust for more detailed information."

Ascot Lloyd corporate financial adviser Anthony Palmer notes that although it is not necessarily an issue that enrolling into a master trust causes the employer-member relationship to change, many still want continued engagement in some form. He argues that regardless of their arrangement, members and employers still want to be able to directly engage with their pension provider.

"Many of our clients still want ongoing engagement with their provider both for benevolent reasons and to mitigate the risk of future complaints," Palmer finds.

He echoes the view that while the scheme is not the employer's sole responsibility, they recognise the importance of having governance processes in place to demonstrate that member benefits are secure and member borne charges are competitive. There is also the desire to guarantee that their employees' funds are appropriately managed, in addition to enabling employees to make informed and educated retirement decisions.

"It's not a matter of being less engaged, but partnering with a provider that is looking out for your employees best interests," Laws says.

Ultimately, it is arguable that enrolling employees into a master trust does not completely remove the duties and relationship of the employer with scheme members. Rather, it is largely beneficial to develop internal processes that can help to assist and educate members and ensure engagement in not reduced when enrolled into a master trust.

Ballard concludes: "Working together will be key for the success of both the master trusts and employers to ensure members can afford to retire and therefore enable effective workforce management."

Written by Talya Misiri

Summary
• The UK's DC pensions industry relies on inertia on the accumulation side through auto-enrolment, and then values engagement once a member approaches retirement.
• Questions are starting to emerge as to whether members should have complete and freedom and choice at retirement, or if guided pathways should be offered.
• Those leaving the default fund at the accumulation stage are able to tailor their investments to their needs, such as taking on more or less risk.
• Engaged and knowledgeable members, especially those that take guidance/advice, can outperform their scheme's default fund, but research into self-selection generally shows poorer outcomes compared to the default.

Lessons from the other side

Following industry debates as to whether there should be some kind of 'drawdown default' or if complete freedom and choice should be maintained at decumulation, Laura Blows looks at the experience of those implementing their freedom and choice to opt out of the default and self-select funds at the accumulation stage

Ideological turmoil faces the UK DC pensions industry. On the one side is the philosophy of inertia, being implemented to great effect at the accumulation stage through auto-enrolment. In contrast, since the 2015 pension freedoms, decumulation has adopted the mantra of individual choice and engagement.

However, having only had a few years to bed in, questions are starting to emerge about whether those at-retirement should have complete freedom and choice at retirement, or whether they still require some guidance from 'above'. As Nest director of investment development and delivery Paul Todd notes, "with freedom and choice, we're seeing a largely unengaged population go from having almost no contact with their pension to having to manage quite complicated and difficult decisions".

Even though the accumulation stage of saving is characterised by a lack of engagement, it does still provide people with the option to connect with their pension saving. So are there any lessons from its experience of offering both choice and inertia that could be tailored to the decumulation stage?

Defaults

The main thing to note is that the vast majority of people saving into a DC scheme do so via the default fund.

The Pensions and Lifetime Savings Association's *43rd Annual Survey,* released in December 2017, found that 88 per cent of DC members remain in their default fund. In JLT Employee Benefits head of DC investment consulting Maria Nazarova-Doyle's experience, up to 99 per cent of scheme members are in default funds.

Despite the high majority of members remaining in a default fund, the PLSA's survey found the number of funds available remains high, with the average being 14. However, the number does vary between trust- and contract-based schemes, with trust-based schemes offering on average 12 different funds compared to 55 in contract-based schemes.

"Accepted behavioural science tells us too much choice means individuals struggle to make a choice, pointing to no more than 20 funds as the ideal figure," Smart Pension's chief investment officer Darren Agombar says.

"People do value the existence of investment choice, even if most don't engage with it," SSGA head of European DC investment strategy Alistair Byrne notes. "We favour a small, carefully chosen range of options – meeting the most obvious needs – rather than dozens or even hundreds of funds that will just cause confusion."

Those that do engage and opt out do so for differing reasons.

Self-selectors

Todd notes that of the small proportion of people making a fund choice or switching their funds, most are actually switching within Nest's default strategy, for instance by changing their retirement age and therefore moving into a different target date fund. The higher risk fund, followed by the ethical fund, are the most popular for those actively choosing an alternative fund.

According to Agombar, Smart Pension will be offering a self-select ESG pathway later this year "because it is important that individuals should be able to reflect their own values in their investments".

However, if members are self-selecting based on cultural or ethical views then they should be able to see a clear comparison of performance and make that choice fully informed of the potential implications on their long-term saving journey, he adds.

For Nazarova-Doyle, those that self-select tend to choose cash or low risk funds, as "they get scared of the scheme's definition of risk".

Therefore, "one of the most obvious dangers is that consumers may take on too much, or not enough risk, leaving them with an inadequate pot in retirement," Zurich head of retail platform strategy Alistair Wilson says.

Yet those that self select are not necessarily concerned with matching or beating their scheme's default fund's returns.

Newton head of defined contribution UK, Catherine Doyle, finds that self-selection is used to complement an individual's additional investments, outside of their pension pot.

According to Hargreaves Lansdown senior pensions analyst Nathan Long, 23 per cent of its workplace pension members choose their own investments, mainly through Hargeaves' 'best buys' fund list. Those self-selecting tend to have larger pension pots and have been paying into them for a long time, "as it takes time to build confidence and want to influence your own retirement", Long says.

Selection results

The company's research found this approach has paid off, as its analysis of 80,000 savers found that self-selectors beat the average default fund by 4.9 per cent per annum over five years.

Yet evidence of self-selection from other countries does not look so successful.

For instance, Sweden's premium pension system is around 20 years old; it allows participants to form their own portfolios by selecting up to five funds from an approved list of hundreds of funds.

According to Henrik Cronqvist and Richard Thaler's *Design Choices in Privatized Social-Security Systems: Learning from the Swedish Experience*, people were encouraged via an advertising campaign to make a choice away from AP7, the default fund – and 66.9 per cent did so. However, the funds selected had a higher equity exposure, more active management, much more local concentration, and higher fees. Meanwhile AP7 outperforms the self-selections. For instance, as of May 2015, it provided an annual risk-adjusted return of 30 per cent over the past three years.

A similar story occurs in Taiwan. Research paper, *Just How Much Do Individual Investors Lose by Trading?*, states that individual investor trading results in systematic and economically large losses. It finds that the aggregate portfolio of individuals suffers an annual performance penalty of 3.8 percentage points.

"Individual investor losses are equivalent to 2.2 per cent of Taiwan's

gross domestic product or 2.8 per cent of the total personal income. In contrast, institutions enjoy an annual performance boost of 1.5 percentage points," it reports.

Todd notes the same experience in Australia, where default funds across the 'super' industry outperform alternative fund choices. "That's because where default funds can achieve significant scale and have long term investment horizons, they can adopt more sophisticated investment strategies that maximise returns while keeping costs down," he explains.

Tailoring to needs

However, "there is an argument that self-selection could boost people's engagement and investment experience, which might lead to better outcomes in the decumulation stage", Wilson states.

Self-selecting can also enable people to tailor their retirement savings' investment strategies more towards their needs.

According to PLSA's survey, just over a third of default funds' investment strategy is a passive tracker, followed by multi-asset funds at 26 per cent, diversified growth funds at 25 per cent and bespoke solutions at 21 per cent.

Aon's *Defined Contribution Scheme Survey 2017* from March 2018 expressed concern that 40 per cent of default funds are still targeting annuities by moving members close to retirement into UK fixed income funds, which could be leaving members exposed to "unintended investment risks".

It recommended that members find out from their schemes what sort of strategies their money is invested in as they get nearer to retirement. They can then decide whether UK fixed income is an appropriate investment for them, based on their retirement intentions.

But this should not be a one-time action.

Nazarova-Doyle finds that even those that do engage may make an investment selection, but then do not return to it for many years, or if they leave the company, they forget about that pension completely. "Default funds are tailored to change over time; people who self-select may not do the same," she says.

It is for this reason that Byrne advocates a system used by some schemes in the USA, where members are put back into the default target date fund unless they expressly reaffirm their fund choice.

So if the experience of those engaging at the accumulation stage and moving away from the default fund is at best mixed, what insight does this offer to how the still-emerging, post-freedom and choice decumulation market should be structured? Is a default-style system required here to help people, as it does at the accumulation stage?

Decumulation defaults

In April, the Work and Pensions Committee's *Pensions freedoms* report supported the Financial Conduct Authority's recommendation that every pension provider offering drawdown should be required to offer a default decumulation pathway, suitable for its core customer group.

According to the committee, it hopes to protect savers who do not – or cannot – engage with their pension choices, and empower more consumers to make active decisions.

The pensions industry's reaction to this proposal has been mixed. Smart Pension and L&G announced it is launching the first decumulation default pathway in 2019, and Nest's desire to provide this service has been met with scrutiny.

Royal London director of policy Steve Webb is against decumulation defaults, as "the idea of a standard default makes sense when people are building up pension saving, but not in the diverse circumstances of later life".

"In particular, people may have built up several different pension arrangements with different providers and schemes. It would be impossible for an individual pension provider or scheme to know what the best option for a saver was when they know nothing about these other pensions," he says.

In contrast, the Pensions and Lifetime Savings Association's deputy director DC Nigel Peaple strongly agrees with proposals to introduce default pathways.

"One of the hardest problems we face is connecting DC pension savers with suitable retirement income products," he says.

"The report shows how it is possible to preserve retirees' freedom to choose whilst applying lessons from automatic enrolment to connect savers directly with retirement income products," Peaple adds.

Byrne finds the idea of default pathways helpful as he does not consider there to be much difference between accumulation and decumulation. "Members may differ in how they want to access their assets but they are still unlikely to have strong investment preferences," he says.

"Once a member has indicated broadly how they want to take an income, better that there is a default investment strategy for that objective rather than they been encouraged to choose. Things have changed since the old version of drawdown for wealthy investors with financial advisers. The post-pension freedom version is much more about defaults and simple choices."

Doyle believes that so much effort has been put into accumulation defaults that "some of this good work will be relevant in post-retirement design". However, she does not think we will see such high take up decumulation default s compared to the accumulation ones, as people's income needs at retirement will differ greatly.

Lack of advice

Some guidance would be beneficial, be it as with a pathway or not, as recent Zurich research finds that 32 per cent of retirees selecting drawdown are first-time investors, and 41 per cent of these did not receive either financial advice or guidance.

The report states that 47 per cent of new investors who had not received advice thought drawdown would be simple. A further 29 per cent notes that they were confident in their investment decisions, regardless of the fact that they had no prior experience of active investment.

These findings complement that of the FCA, which reports that 37 per cent of all drawdown products are sold on a non-advised basis.

It warns that customers have often not thought about the investment choices of drawdown. This is particularly the case when their main aim is to access their pension commencement lump sum (PCLS) only, without taking any immediate income.

"As a result, we have seen some customers remain in low-risk assets after following lifestyling strategies. We have seen others stay in cash funds because they have had to enter into a new contract to access drawdown. Both these options increase the risk of customers running out of money in retirement, or having less money than they were expecting," the report says.

The lack of advice or guidance can also put people at risk of scams, Webb warns.

But even those people trying to do the right thing by obtaining guidance or advice can end up going to the wrong sources and falling foul of bad investments. This risk affects not just DC, but those transferring their DB pension into a DC scheme in order to access the benefits of freedom and choice at retirement.

Work and Pensions Committee chair Frank Field recently warned of a "huge misselling scandal", following the number of scammers targeting the troubled British Steel Pension Scheme, encouraging them to transfer out of the DB scheme into risky savings products.

According to data obtained by *The Times* from the Financial Services Compensation Scheme (FSCS) in May, £318 million has been paid in compensation over the past five years to 10,900 people that transferred their pensions into high-risk schemes that subsequently failed, as the financial advice firms that advised them went bust.

Gradual engagement

Whether or not default decumulation pathways are considered necessary to help counter these risks, both sides of the debate agree that the aim is not to try and make people become investment experts – be it at the accumulation or decumulation stage. As Webb says, "People have other things to think about. Do we really want people to be checking their stock everyday?"

Todd agrees that "most people don't want to have to spend time and effort managing their investments". He recommends raising people's awareness of what saving into a pension means and how to achieve the outcomes they desire, as better ways of engaging members.

To assist with this, and to help smooth the sharp contrast between the inertia of accumulation and engagement of decumulation, providing individuals with a mid-life financial 'MOT' has been recommended at around age 50. At this age a reasonably significant pension pot should have been built up and retirement would be close enough to encourage engagement, but with still enough years prior for any changes decided upon to make an impact, Webb notes.

If the freedom and choice reforms are requiring people to become more engaged with pensions many years before retirement, may this result in people taking an interest and moving away from an inertia attitude at even earlier stages of the pensions saving process? May younger savers be inspired by seeing people actively making decisions in preparation of their retirement and move away from the default – or at least review and actively decide to stay in it, instead of being placed into it without acknowledgement on their part?

After all, as Doyle says, the UK's collective savings mentality needs to move on from a paternalistic, DB mindset, to one of individual responsibility with DC.

So the trickling down of decumulation's need for engagement into the accumulation stage may occur at the margins, Webb says, but he warns that "inertia is still a powerful thing".

Nazarova-Doyle thinks for this to occur, a generation or two of people disappointed with their DC-only pension pots will have to occur for the next generation to notice older people's retirement struggles and engage with pension saving. The industry is trying to avoid these lessons being learnt the hard way, she says, "but it would have to get worse before it gets better to change the psyche of the country".

To avoid this worst-case scenario, it is important that any effective strategies to help savers, whether they are typically implemented at the accumulation or decumulation stages, be utilised throughout the process. After all, the lines between the different stages of retirement saving are blurring, as are the boundaries between pensions and other forms of investments. Instead of partisan differences, we are all uniting under the one 'true' belief of the importance that people save.

Written by Laura Blows

The price of transfers

Maggie Williams considers the impact of DB-DC transfers on schemes' funding valuations

Summary
- The impact of transfer values depends on the funding level of a scheme and strength of the covenant.
- Trustees have a number of options to mitigate the effect of transfer activity, including recalculating transfer values.
- Poorly funded schemes with a weak covenant could be forced into unscheduled valuations.
- Good quality management information is essential to help predict activity.

Few pensions topics have attracted as much attention over the last year as defined benefit (DB) transfer values and guidance practices. Amid much debate around whether transfer values are in members' best interests, there is also the question of how they affect DB schemes themselves.

According to the Financial Conduct Authority, the total value of DB to defined contribution (DC) transfers grew from £7.9 billion in 2016 to £20.8 billion in 2017. Barclays Bank alone paid out £4.2 billion in pension transfers in that time, quadrupling the previous year's activity, according to its annual report.

The trend shows no immediate signs of abating. The Pensions Regulator estimates that around 100,000 transfers took place in the 2017/18 financial year. A recent survey of 300 UK defined benefit (DB) pension schemes by Aon showed that 90 per cent have experienced an increase in transfer value requests over the past 18 months, and 40 per cent said that they have seen a significant rise. Figures from Hymans Robertson, released in February 2018, speculate that around a million members in total will transfer out of DB schemes over the next 25 years.

Do well-advised and carefully executed transfers represent a win-win opportunity for trustees and members, or is there a tipping point where they start to become detrimental to the scheme? Could the cumulative effect be sufficient that trustees need to call an unscheduled scheme valuation?

"It's not unheard of for schemes to make allowances for transfer activity in triennial valuations," says Willis Towers Watson retirement policy lead, David Robbins. "However, the norm at the moment is that it might be discussed but it's not a big issue." Robbins adds that, in many cases, transfers would make little difference to the scheme's overall position. "If members are transferring close to retirement, the transfer value might not be much less than the technical provisions in respect of that member."

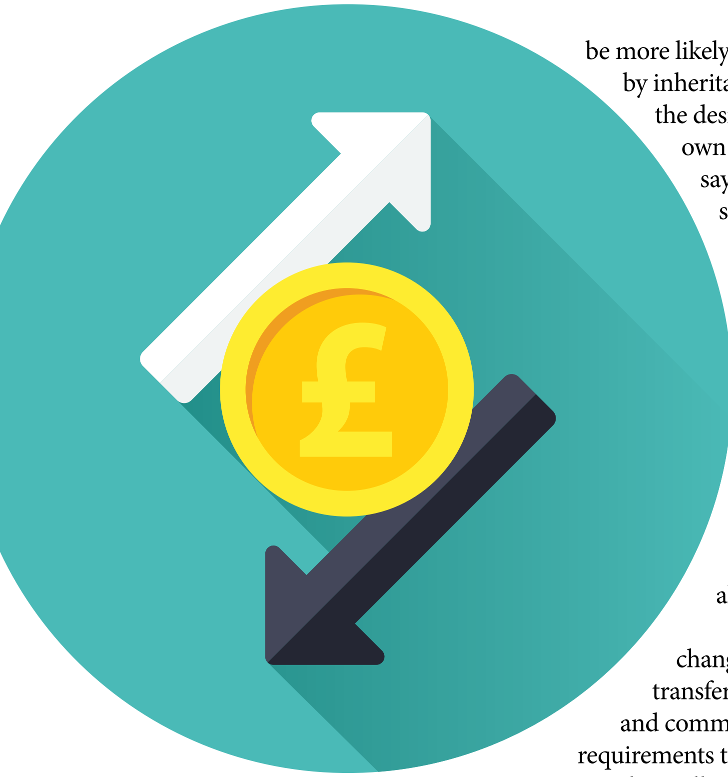
Impact on a scheme

A scheme's funding level, the strength of the employer covenant and the way in which transfer values are calculated all determine the effect of transfer value activity. "If a scheme is well funded and the employer covenant is strong, paying out transfer values isn't a problem," says Hymans Robertson head of corporate DB Alistair Russell-Smith. In schemes where there are concerns about the employer covenant or where funding levels are poor, Russell-Smith says that reducing transfer values is a more likely first course of action. "If you are paying out 100p in the pound in transfer values, but the assets you've got are 80p in the pound, then every transfer makes matters worse," he adds. "Trustees can unilaterally call an early valuation if there has been a material change in the demographics of the scheme or in the employer covenant, but I haven't seen it happen yet."

Even if it isn't hurting the scheme, a flurry of transfers will affect a scheme's cashflow profile and ultimately its investment strategy. Replacing a series of payments over time with a one-off cash payment requires more liquidity, changes the liability profile, and affects interest rate and inflation hedging. "If you have significant transfer value activity, you need to update your management information to better understand the impact on risk management and investment liquidity," says Russell-Smith. "We haven't yet seen many schemes building an allowance into the liabilities for people taking transfers in the future, but we are seeing a move away from growth asset classes such as equities and towards those that generate income, such as investment-grade credit."

The effect of transfer value payments on investment strategy requires careful and timely management by trustees, to avoid forced sales and an unplanned loss of returns from growth assets. "Your ability to get investment outperformance could disappear," says JLT Benefit Solutions director Charles Cowling. "In the most extreme situations, if a scheme expects a deficit to be made good by, say, 50 per cent contributions from the sponsor and 50 per cent investment outperformance, they then risk only being left with the contributions element. In that circumstance, you might want to accelerate the timescale of a valuation to find a way to make good the contribution to the deficit that you would have got from your investment outperformance."

Transfer activity can also put the employer covenant under close scrutiny. A weak covenant combined with a poor



be more likely to transfer, incentivised by inheritance tax planning and the desire to manage their own investments," Cowling says. "A scheme might see an average take up of transfer values of around 5 per cent for three to four years, for example. That could then drop off as the number of higher value pensions left in the scheme starts to dwindle. At that point, most of those who want to take a transfer may already have done so."

The second factor is changes to the way in which transfer values are calculated and communicated. New FCA requirements that come into force from 1 October will see transfer value analysis reports replaced with a mandatory transfer value comparator (TVC) and an appropriate pensions transfer analysis (APTA). A TVC compares the transfer value on offer with the estimated annuity value required to replace DB income, and an APTA provides context for the TVC based on an individual's personal circumstances such as marital status and health. Further changes to transfer advice, including revaluation and indexation assumptions, will take effect from April 2019.

It's anticipated that in many cases, the replacement value shown on the TVC may be greater than the transfer value on offer, which could make them start to look less attractive. "We don't yet know how the FCA's new regime will affect behaviour," says Robbins. "But it might put more focus on individuals' motives for transferring."

One further consideration is the effect of member behaviour. "We have definitely seen word of mouth affecting transfer activity," says Cowling. "One of the most powerful factors in decision-making is what your friends and colleagues are doing. That is potentially more influential than anything trustees or advisers might say." But he adds, "trustees should be monitoring transfer activity. If the level of activity is causing alarm bells to ring, they can react and protect the fund by asking their actuary to change how transfer values are being calculated and produce an insufficiency report".

funding level could mean reducing the value of the assumptions used for calculating transfer values – as well as the scheme's appetite for alerting members to the existence of transfer options. "If funding reduces from 80-75 per cent because of a rush of transfer values, it could look as if you are prejudicing the rights of members," says Cowling. "But if there is no risk to the scheme's viability, then shrinking the scheme makes sense in the longer term."

A more settled pattern

Trustees undertaking a triennial valuation in 2018 will be the first to see the effect of a full three years of freedom and choice. Is it still too soon to understand the longer-term impact of transfer values?

Cowling believes that, to an extent, trustees can start to make assumptions about future patterns of transfer activity. However, a number of factors still make predictions challenging. One of those is the scheme's membership profile. "Higher value pension members tend to

Balancing the long and short term

In addition to known quantities such as membership profiles and FCA rule changes, there are also more unpredictable factors, such as an increase in interest rates or changes to inheritance tax rules, that could see transfer value activity plummet as quickly as it has risen.

Given the difficulties involved in predicting future activity, trustees must take careful account of the effect that transfer values are having on their scheme. "Employers are entering a tougher environment for funding and there's more pressure to plug deficits more quickly. There could be a hidden prudence margin if you think people are likely to transfer out of the scheme, so you might need to allow for that," says Robbins.

Ultimately, Russell-Smith concludes that the effect of transfer values comes down to each scheme's own circumstances. "If a scheme is well funded, irrespective of its covenant, paying out transfer values is helpful for everyone. If the scheme is poorly funded, but has a strong covenant, trustees might conclude that they will pull the deficit back over time. However, in the very small minority of schemes where there is a poor funding level, a weak covenant and a lot of transfer activity, trustees might conclude that they need to call a valuation."

Written by Maggie Williams, a freelance journalist

Summary
• Early reports indicate that the 'inertia factor' has persuaded most workplace pension scheme members to accept higher minimum contribution levels rather than opt out.
• The real test could come in April 2019, when the second of the two-stage increase kicks in.
• While opting-down is an alternative that cash-strapped employees can explore, the onus is on them to request it from their employer.
• Many employers could do more in promoting the culture of regular savings and making better provision for retirement.

Auto-enrolment: A pivotal moment

The first of two increases in minimum contribution levels kicked in from April, triggering fears that some workplace scheme members could either opt out or opt down

An increased minimum wage and higher personal tax allowance cushioned the impact, but an estimated 5.6 million people auto-enrolled in workplace pension schemes might have noted from the latest payslip that a bigger slice of their salaray is now taken.

From April the minimum contribution rose to 5 per cent from 2 per cent, as the employee's contribution tripled to 3 per cent and that of the employer doubled to 2 per cent. A further rise, to 8 per cent, is due in April 2019, with 5 per cent coming from the employee and 3 per cent from the employer.

By any measure, auto-enrolment in the UK can be rated a success. Since its introduction in 2012, around nine

million people have been enrolled into a workplace pension by around one million employers. Government forecasts that around two in three workers would opt to remain in their company's scheme proved overly pessimistic as the actual figure has been 90 per cent.

So will the two-stage increase derail this success story? It's still too early to gauge the impact, but the Society of Pension Professionals (SPP) president Hugh Nolan is encouraged by reports that few employees in auto-enrolment schemes have yet decided to opt out.

"Employees paid weekly will have noticed the change, but it's likely to have registered only recently with those on a monthly paycheque," he notes. "The tripling of the employee contribution might sound substantial, but the actual amount involved is small and those on, say, no more than £10,000 a year will notice little difference.

"Given the improved minimum wage and higher tax allowances, possibly the real impact won't be felt until the second increase in 2019."

Nolan's view is supported by JLT Employee Benefits head of DC investment consulting Maria Nazarova-Doyle. "This year's increase will go largely unnoticed as my experience suggests a large proportion of companies have been originally auto-enrolling employees on a slightly higher rate than the AE minimum anyway," she suggests. "So, for many firms the first round of auto-escalation has been a non-issue as they are already in that camp.

"However, next year's jump from 5 per cent to 8 per cent next year will be felt a lot more. My concern is that many people will notice what will be a substantial deduction from their paycheque, particularly for relatively low earners whose disposable income will be squeezed even further."

Nazarova-Doyle wants the pensions industry to concentrate over the next 12 months on educating DC savers on the importance of saving for later life. "If we do not succeed, it may be that the power of inertia alone will not be enough to keep people in DC schemes," she warns.

A recent report by the Finance & Technology Research Centre (F&TRC), *Making Saving Affordable*, also questions whether next year's increase may squeeze some scheme members too hard. "Speaking to employees and financial advisers, it's clear that most people are aware they need to save regularly and make their own provision for retirement savings on the basis that state provision may have disappeared in, say, 50 years' time," says the Centre's head of workplace research, Jason Green.

"But as the report finds, for millennials what might happen in 2068 ranks as a fairly low priority."

Green also points out that while an employee contribution of 1 per cent represented around 4 per cent of their disposable income, April's rise to 3 per cent lifted that percentage to 13 per cent. "Next April's further increase to 5 per cent will equate to 21 per cent of disposable income or one-fifth of their salary.

"Workshops the F&TRC has conducted with millennials and feedback we've received suggest this will be too much for many, who may have no choice than to opt out rather than cut back on other expenses. Too many people struggle with their day-to-day finances and may find saving for an event so far in the future impossible when they're suffering financial stress."

Maintaining momentum

If the inertia factor is starting to wear off, the message that enrolling in a pension scheme and saving regularly is worthwhile needs to be emphasised.

"What's really important is that we focus on the significant increase in wellbeing that will result from people, many for the first time, building up a decent retirement savings pot," says Nest Insight executive director Will Sandbrook. "For someone earning around the UK's average income, the recent increase in minimum contributions could mean paying less than one pound extra per day, and if they keep saving, a pot of around £125,000

could be waiting for them at retirement.

"The incremental increases are an excellent helping hand to get people saving enough for their retirement, but engagement also has an important role to play. Exploring how to engage savers at the right times is a key challenge that the industry is looking to tackle."

The TV advertising campaign periodically run by the Department of Work and Pensions (DWP) to promote auto-enrolment under the slogan 'We're all in!' proved successful in generating enthusiasm for the concept. However, it carried "an air of finality" and marked only a start in getting people more involved in their own pension provision, says Like Minds communication consultant Trevor Rutter.

"Pay increases might have begun rising again after more than a decade of negative growth, but there's a lot of catching up to do," he notes. "Indeed, it seems likely that the lifetime earnings of the current generation of millennials will for the first time fall below those of the preceding generation.

"However, there's much potential in communicating the importance of retirement savings so that it becomes more real to people. That means talking in real money terms rather than percentages. You need to make it something people can relate to; for example by explaining while their payslip might show them £5 worse off that's offset by £20 being put into their pension plan.

"At the corporate level, companies could be encouraging employees to save for a number of reasons, not only pensions. More are offering savings schemes and company share plans. Those able to take a more creative approach will stand out from their competitors."

Indeed, recent research by trust-based DC workplace scheme The People's Pension shows one in five employers intend to pay more than the minimum contribution this year, reports head of policy, Andy Tarrant – but a growing number are unsure whether to pay more than the minimum in 2019.

"We know that the majority of employees highly value their employer pension contributions as an important benefit and consider them when looking for a new job," he adds. "So, increasing employer contributions above the minimum requirements may not only help employees save for their retirement but could also benefit businesses when it comes to recruiting and retaining staff."

The consolidation of small pension pots into something more substantial, such as via a pensions dashboard, could make a difference and persuade more employees to take an interest in their pension provision, says Royal London director of policy and external communications Steve Webb.

After the April 2019 increases push the overall rate to 8 per cent, it's likely that contribution levels will stay unchanged for some time – although "a figure of 12 per cent would be a more realistic than 8 per cent in providing adequately for retirement," notes Scottish Widows corporate pensions relationship specialist Robert Cochran.

He cites Australia as a country that has handled auto-enrolment more deftly than the UK. Its own scheme, the Superannuation Guarantee Fund, was introduced in the early nineties "at a time of economic growth rather than at the tail end of a major financial crisis".

In 2002 the minimum contribution level was increased to 9 per cent of annual salary and over the six years 2013 and to 2019 it is steadily being raised, via increments of 0.5 per cent, from 9 per cent to 12 per cent.

A realistic option?

Conversely, there have been predictions that some cash-strapped British workers might choose to 'opt down' and reduce their contribution rather than opt out of schemes. It's not an alternative that The Pensions Regulator (TPR) wants employers to publicise, so the onus is on the employee to specifically request it and the employer must ensure that he/she understands the implications of opting out.

"While opting down is in essence better than opting out altogether, the resulting shortfall in retirement will be so large that it may negate the benefits of saving anything at all," notes Nazarova-Doyle.

She notes that after various estimates, the industry consensus is that to have a fighting chance of a reasonable standard of living in retirement, instead of "a cliff edge into poverty," any savings rate below 15 per cent of income will prove insufficient. "So instead of offering an opt-down, we should be looking at different approaches to increase the contributions rather than decrease them.

"For example, the US uses an approach whereby an employee 'pledges' part of their future salary increases as an additional pension contribution. It's less difficult to give up something you don't yet have and when the increase in contributions coincides with a salary increase it's also less noticeable."

Written by Graham Buck, a freelance journalist

A good read

Laura Blows explores why paper-based communications have endured within the pensions industry

By some considerable margin, paper is still the most common form of communication channel used by pension schemes. Disclosure regulations changed on 1 December 2010 to give schemes the opportunity to move away from fulfilling their statutory communication obligations exclusively through paper. But, despite this change offering the opportunity to lower costs and streamline processes, few schemes have fully embraced this option. Why?

A major attraction is its versatility. Trafalgar House client director Daniel Taylor notes that from letters to desk drops, from posters to statements, from flyers to desk calendars, paper comes in a variety of forms and can be used to communicate many messages simply.

It is also easy – easy for the scheme to comply with its disclosure obligations, and easy for all ages of member to receive – simply requiring a letterbox.

Paper also has more permanence than other methods of communication, as it the individual can make personal notes on the item and store it for future reference.

A quality design means that reasonably lengthy information can be put on paper and still read quite easily, particularly as people tend to find it easier to read longer messages on paper, and have longer attention spans to do so compared to online, Redington head of DC and financial wellbeing Lydia Fearn says.

According to Mercer DC and financial wellness principal Sean Westwood, "when a personalised document with high-end graphics and impactful colours is delivered to their home address, the recipient feels valued."

This value translates into results. According to BlackRock's *DC Pulse* survey last year, nearly five times as many (56 per cent) use the annual statement to keep on top of their pensions as those who use technology (12 per cent).

"In other words, to get people engaged in their pension, the statement pretty much needs to be foisted onto them by landing on their doormat with a thwack," BlackRock head of UK DC Claire Felgate says.

On the other hand, members can be left wondering why they're getting letters from trustees, platforms or administrators – many of whom they've never heard of. Without proper signage, statements can get confused for junk mail, she warns.

"This can particularly be the case if the quality of the paper communications is below par, with system-generated generated letters produced by hard-coded document composition tools on loose-leaf letters printed on poor quality paper, in Times New Roman and featuring jargon-rich content doing nothing to engage members," JLT Employee Benefits head of client communications David Millar adds.

This problem can be attributed to the expense of sending out paper messages.

"The cost of paper has increased in recent years, but the real expense of print communications comes in the cost of postage. As a rule of thumb, we assume that the cost of printing, paper stock, envelopes, enclosing and postage equates to around a pound a member for a large scheme, which is an expense not to be undertaken lightly," Millar explains.

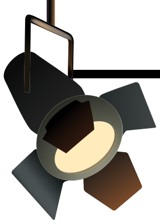
Saving on costs when producing the communications, only for it to be ignored upon arrival is a false economy. But good quality or not, it is difficult to know if the message is ever read – or even received, as it may get lost in the post or the member may have moved, Association of Member Nominated Trustees (AMNT) member Ray Shepherd says.

Also, if a member does want to respond to the message, it is more difficult and less quick to do so compared to online methods.

While paper may not be the most 'modern' of communications (not to mention concerns about its environmental impact), it can still take lessons from online methods. Felgate gives the example of 'gamification', using paper-based communications to notify members of achievements such as 'congratulations, you've now contributed £10K to your future'.

She explains: "People are never going to fall over themselves to read their pension statements but if we make them simple and snackable rather than dense and indigestible, we may just get a few more people on board the retirement savings train."

Written by Laura Blows



Let's get digital

Laura Blows explores the expanding world of online pension communications

The pensions industry has had as complex relationship with the adoption of new technology for pensions communications.

As Trafalgar House client director Daniel Taylor notes: "The pensions industry has had mixed fortunes when it comes to online communication. Great initial enthusiasm for the benefits of the technology led to a glut of schemes quickly introducing member websites.

"The results were that members didn't get a fantastic user experience, functionality was limited and there was little or no reason for users to return. Inevitably, website penetration and return rates for the industry have been poor. But, instead of using this evidence to improve platforms we have instead rested on the evidence to support claims that web does not have a place in pension communications, or that members don't want the option and fewer will ever use it."

Yet this attitude is changing, as the advent of upgraded platforms has made access to online options significantly cheaper to implement and gives members a far better user experience, encouraging registration and higher return rates.

This has meant the pensions sector is returning to the wonders the digital age can provide for communications.

Speed is one of the main advantages of contacting members online. Be it through email or webinar, website, video or chatbots, members can access information instantly, anywhere in the world – especially as content can be accessed through people's mobile phones.

Unlike paper communications, vital pension messages can be sent out cheaply and easily via email, with the member being able to reply easily. The message can be personalised, more information can be attached and for the scheme, tags can be included to show that the message has been read, Association of Member Nominated Trustees (AMNT) member Ray Shepherd states.

However, there is a risk of thinking the communications has had an effect if opened but actually the reader has reviewed and deleted quickly. Especially as people get so many emails now it is hard to stand out – although GDPR should help, Redington head of DC and financial well-being, Lydia Fearn, adds.

The email can act as a trigger to encourage members to find out more information on a website, which is easy to update with the latest information. Many websites are connected to databases that reflect up-to-date fund values and current benefit entitlements.

Members are aware of this, so online communication carries an expectation that the content will be up to date, whereas someone reading a printed booklet will understand that it was produced at a given date, JLT head of client communication David Millar warns. This creates a pressure to ensure that the online content is actually up to date at all times.

Also, we are usually at the mercy of the internet and wi-fi connection, Mercer DC & Financial Wellness business principal Sean Westwood warns, and sometimes material still needs to be printed and scanned to be returned.

At least this information can be easily found online.

An underestimated part of communication is knowing where to go to find what you are looking for, Millar says.

"If all the information is in scheme booklets and addenda, issued via the post, many members may struggle to locate what they need when it is relevant – or only find it once the information is out of date," he explains.

"With the cost of online storage so cheap, most schemes will be able to offer websites that contain up-to-date copies of the scheme rules, announcements, contact details and other useful information all in one place."

Being online also naturally encourages a short and punchy writing style, helping to engage members, Fearn says, but it can be harder to put complex information in email or on a website as the reader has a shorter attention span online.

To help with this, interactive tools and video can engage the audience in a way that offline content cannot match, Millar notes, particularly through animation, online quizzes and interactive infographics.

According to Westwood, personalised pension statement videos drive up contribution rates, with 64 per cent of members who receive their annual benefit as a talking benefit statement viewing the animation, and 47 per cent of those who viewed it taking action to increase their contributions.

But these increased engagement rates come at a price.

"The hidden cost of online communication is the maintenance of sites and access," Millar says. "Members will forget logins and require reset and email addresses will change and go out of date (even more frequently than home addresses)."

Online communications often require an initial investment to configure and implement, with a return on investment only being seen after two or three years, Taylor warns.

"Successfully implementing this type of solution also requires a broader communication strategy that is focused on promoting, funnelling and consistently signposting members to the solution," he adds.

Written by Laura Blows

The personal touch

Laura Blows explores why face-to-face meetings are members' most popular method of pensions communications and yet so difficult to implement

Despite all human inventions, from paper to the internet, nothing has managed to replace our desire for social interaction. Little wonder then face-to-face communication with people about their pension savings is so highly regarded. In fact, Trafalgar House client director Daniel Taylor notes that most member satisfaction surveys reveal members prefer this channel over all others.

It seems nothing can beat the personal touch. Being together in the same room allows member confusion to be clarified, questions answered and action taken upon immediately if necessary – all helping to generate a higher level of trust.

"People generally consume information more readily and easily through face-to-face sessions. Emphasis and importance is easier to convey when speaking to someone, as is tailoring the message and information to specific requirements. With face-to-face communication, the presenter is often concerned with more than just the knowledge they are imparting and are often asked to provide guidance or opinion on a range of different pension subjects that might be concerning the recipient," Taylor states.

This personal touch goes beyond the words being said; it can also enable body language to be read.

As JLT Employee Benefits head of client communications David Millar says: "Face-to-face presentations allow the presenter to judge the mood of the audience in real time, adjusting content or tone or language to suit."

To extract maximum benefit, one-to-one, face-to-face conversations would be best. However this may simply not be practical to implement, as the cost of delivery can be relatively expensive given the person hours required, Mercer DC & Financial Wellness business principal Sean Westwood states.

Therefore, to use this communications method in the most effective way, Westwood recommends delivering a higher-level message to a wider group, then if possible to follow up with individual meetings.

However, as well as being expensive, face-to-face communications can also be time consuming.

"Face-to-face communication is logistically difficult to organise, rarely covers a complete membership and can often introduce variation and inconsistency in the topics and information conveyed," Taylor warns.

While face-to-face presentations may work best, actually setting them up suits some workforces better than others. For instance, they are easier to plan and implement for workplaces where the employees are in a few sites and are working regular hours.

"The world of retail – where employees can be in groups of less than 10 in every high street – or manufacturing – where people are working shifts on production lines – can present challenges that make the exercise difficult to manage," Millar says.

This inflexibility means that unlike other methods of communication, if a person misses the presentation they may miss out on the valuable information that was provided.

"This can present a challenge for home-workers or for holiday periods," Millar says. "However, recorded presentations accessed online can provide a solution."

Another solution to the time, cost and logistical difficulties that face-to-face communications present could be to instead contact people over the telephone.

"Speaking to members over the phone gives you the opportunity to read the conversation and build up a rapport," BlackRock head of UK DC Claire Felgate says.

Actually talking to members may not be feasible in all scenarios, and could not be used to convey every piece of information required to be given to the member, but it could work well on occasion.

According to Millar, it is best deployed to explain a complex topic where there is a desire for people to understand more – for example, on joining a scheme, or on making retirement choices.

Written by Laura Blows

Getting engaged

Pensions Age asks: What more can be done to encourage members to engage with their pension savings?

Giving members bite-size chunks of information frequently gives them more opportunities to engage, rather than being intimidated by a bulky annual update pack. Technology can really help, with the option to send active members text messages highlighting the latest employer contributions and simple online modelling tools available to generate fascinating projections. Member communications should be fun, with colour, graphics and simple messages so that members can easily understand the key points without being overloaded by dry technicalities and disclaimers.

Society of Pension Professionals president and Spence & Partners director Hugh Nolan

The problem is, we're starting too late. I am making it one of my missions to better educate our young people – beginning at primary school – on the importance of saving as a life skill. Education, not five years or five months before someone retires, but 50 years before they do. So, as well as the short and medium term need to help our employees engage and save for retirement, we need to take a wider, generational approach. If a child aged five or six now understood the importance of saving and that was part of their life skills we might – might – begin to see substantial changes in savings patterns in 20-30 years' time.

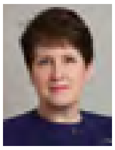
Ensign and MNOPF chair Rory Murphy

The key phrase is 'make it worthwhile'. For money purchase arrangements, providers could develop simple portals showing member contributions paid in; employer contributions paid in; and current fund value to demonstrate how much more their pension fund is worth than the money the member has personally contributed. Don't wait for the dashboard! Employers who intend to offer a pay increase to staff could be encouraged to promote Save More Tomorrow commitment, as well as salary sacrifice.

Aries Insight director Ian Neale

The pensions industry hasn't got a great track record for getting members engaged – I've even heard the lack of engagement blamed on members! This being the case there are two things we need to do. Firstly, we have to make more use of behavioural psychology – nudges like auto-enrolment. We need to default people in, default contribution increases, default investment strategies and default at-retirement pathways. Members should have freedom of choice, but we have to give them the framework for sensible decisions. The second thing we need to do is open our minds. We, the industry, are quite a stuffy lot. Lets learn from Amazon, Google, Facebook, Tesco and others. Let's find out what works for younger people, older people, people from the north or people from the south – indeed lets slice and dice the entire population and learn from them all. Let's search out and embrace new technologies – not once they become mainstream, but before then. I don't pretend to know all of the answers – but that's the point. We have to be open minded about our ignorance and so open minded to those with new ideas.

PTL managing director Richard Butcher



To help people understand, we need to talk to them in their language, not ours and we need to talk to them about things that matter to them, when it matters. It therefore means ditching the cookie cutters and saying hello to individuals. We have an opportunity to break the current (staid) mould with dashboard and with social media and technology and we need to start doing it now. We try to make processing cheaper by treating everyone the same, mailing the same old stuff at the same old time. We actually waste money this way and don't generate interest; in fact I'm sure interest declines with each mailing. We should liven up statements by making them short and to the point (forget all the butt covering) and making them available at relevant times to each member.

PASA chair Margaret Snowdon

The pensions dashboard will allow the public to access all the information available on their savings so far – including state benefits – aggregated into a single portal. The dashboard will make it easy to assess the money they have saved to date and provide an indication of how much more is needed to save for the future. The platform will also provide related information, such as decumulation options, to advise the public.

The success of the DWP's television advertising campaign for auto-enrolment could form a useful precedent. Generic information about pension saving, delivered in small, manageable doses could serve to stimulate much-needed interest in saving for retirement across the UK.

Pensions Management Institute technical consultant Tim Middleton

Checking on your pension needs to be as easy as checking your bank account. Look around – every other person has their head in their phone; pensions providers must offer their members a phone-friendly online access. And they must invest in advancements in that service offering – incorporating secure messaging, update personal information, benefit statements, case trackers, real-time quotes, right through to providing end-to-end transfers and retirement online.

Trafalgar House client projects manager Gillian Hickey

In today's world, people curate their own content, so if you want people to engage with it you have to make it interesting. Short, visual content can have a big effect – think infographics, video, animations, and online tools such as quizzes and polls. But you also have to be relevant, otherwise competing content from other sources will take your place. The new rules of engagement are: Make it personal; Make it useful; Make it entertaining. Achieve those three things, and the rest solves itself.

JLT Employee Benefits head of client communications David Millar

A good place to start is with the EAST framework. Indeed, making communications Easy (simplify and personalise, break decisions down into manageable steps, e.g. using interactive decision trees), Attractive (receive a lottery ticket for every £100 saved, redefine pensions tax relief as a 'savers bonus' and employer contributions as 'free money'), Social (publicise positive social group behaviour to encourage others to conform to a positive social norm) and Timely (engage with people when they are most receptive – on birthdays and anniversaries) is essential.

Columbia Threadneedle Investments head of pensions and investment education Chris Wagstaff

Artificial intelligence is likely to play a key role; Smart Pension recently announced an Alexa-based solution allowing scheme members to make enquiries about their accounts and change contributions through the voice-powered service, while ABAKA is an AI-powered app helping people address their overall financial wellbeing, consolidating bank, savings and pension accounts in one place. These are both positive examples of using modern solutions in a way that will engage and appeal to people, especially millennials, who are increasingly used to interacting with technology and who expect to use it in all aspects of their lives.

Simplitium head of pensions business development Tom Hibbard

Pensions history

The support for equity investment continued

Last month I referred to George Ross Goobey in May 1957 using the remarks made by chairmen of life offices to support the strategy he was pursuing for the Imperial Tobacco Pension Fund of investing in equities. The article reviewed the comments of the chairman of the National Mutual Life Assurance Society, which had been amongst the first of the life offices to include ordinary shares in its portfolio, going back to the 1920s.

In his paper to his trustees, Ross Goobey wrote: "At this time of the year the chairman's speeches at the annual general meetings of insurance companies are reported and it is interesting to read how many of them are congratulating themselves on being able to report further increases in the proportion of their funds invested in ordinary shares. When one realises the difficulties and obstacles in the investment in ordinary shares by insurance companies, which are non existent in the case of a pension fund, these remarks are very re-assuring."

He quoted from the chairman of the National Provident Institution, who said: "Once again we have increased our holding of ordinary shares, in accordance with our policy to which I have referred in past years ... As in previous years our holding of ordinary shares has made a notable contribution to these good results."

The London Life Association reported for 1956 that: "... our equity investments have again been increased, both absolutely and relatively to the total assets; they include some addition to our shareholdings in Canada and the USA. Properties are also higher and amount to quite an important total; many of these also come within the class of equities which has proved to be such a satisfactory field of investment."

Sir Robert Bignold, president of Norwich Union, reporting at the annual meeting, also referred to property when he said: "In recent years the directors have sought to expand the society's real estate holdings and in addition to purchase of existing buildings, we have built a number of new properties…."

The Imperial Tobacco Fund subsequently also became a significant investor in property.

Written by Alan Herbert, chairman, The Pensions Archive Trust

Fun and games

Wordsearch

T	A	O	S	S	E	L	F	S	E	L	E	C	T	I
A	U	D	A	T	F	W	S	T	E	A	U	D	M	S
N	S	U	M	B	E	A	T	P	T	O	L	P	O	U
U	O	T	I	I	G	S	A	U	U	O	A	V	R	S
T	L	A	S	E	N	T	S	O	R	C	A	R	Q	W
C	O	M	M	U	N	I	C	A	T	I	O	N	S	L
K	Z	P	W	S	R	U	S	I	I	S	S	S	C	T
L	H	O	T	A	T	T	N	T	M	T	T	I	I	W
B	S	R	O	C	K	V	R	X	R	U	L	F	R	Y
S	P	T	O	S	E	U	Y	E	O	A	J	U	R	K
S	R	E	F	S	N	A	R	T	T	D	T	P	M	P
A	L	S	T	M	A	Z	P	U	O	S	E	I	A	L
P	P	I	T	Z	U	O	Z	T	M	V	A	S	O	D
T	N	E	M	E	G	A	G	N	E	Y	J	M	Y	N
G	A	U	T	O	E	N	R	O	L	M	E	N	T	N

ADMINISTRATION
AUTO ENROLMENT
COMMUNICATIONS
ENGAGEMENT
IMPACT INVESTING
MASTER TRUSTS
MULTI ASSETS
OPT OUTS
SELF SELECT
TRANSFERS

I know that face...

Answer at bottom of page

I know that face... Answer: ABI Director of Policy, Long-Term Savings and Protection Yvonne Braun

PENSIONSAge

Professional Services Guide

To Advertise in the Classified Section contact **Camilla Capece** - Telephone: **020 7562 2438** or email **Camilla.Capece@perspectivepublishing.com**

ACCOUNTANTS AND ADVISERS

BHP Chartered Accountants

Offices in Sheffield, Cleckheaton, Leeds, Chesterfield and York.

Call us on 0333 123 7171
Email Howard at howard.ringrose@bhp.co.uk
or visit www.bhp.co.uk

BHP, Chartered Accountants (BHP) is a UK Top 40 firm. Our dedicated Pensions Assurance team comprises 15 specially trained, motivated, professional and approachable individuals. We act for over 60 UK pension schemes varying in size from small legacy schemes, to multi-employer hybrid schemes with net assets of over £400m. We excel in giving proactive advice and constructive audit feedback to assist Trustees with their audit compliance requirements.
Our team also carries out a wide range of Employer Covenant review assignments for trustees and employers, including desktop reviews, in-depth strategic reviews and advising on the potential impact of corporate transaction activity.

YOU'RE PREPARED
BECAUSE WE PREPARED

For help with your pensions audit, accounting or covenant assessment needs contact

Ian Bell, Head of Pensions
+44 (0) 20 3201 8608 ian.bell@rsmuk.com

rsmuk.com/pensions

RSM

DATA ADMINISTRATION

Old meets new

and a classic *is reborn*

itm
Solution delivered...

/ GDPR data ready
/ GMP reconciliation
/ Dashboard readiness
/ De-risking preparation
/ Data audit and cleanse
/ Administration consulting
/ Pension administration software
/ Legacy system and data migration

E. mattdodds@itmlimited.com
M. 07737 857 540

Data / Systems / Consultancy

www.itmlimited.com

INVESTMENT MANAGER

LaSalle Investment Management

LaSalle Investment Management
One Curzon Street
London W1J 5HD
United Kingdom

Phone: +44 20 7852 4200
Fax: +44 20 7852 4404
www.lasalle.com

LaSalle Investment Management is one of the world's leading real estate investment managers with over 35 years of experience. LaSalle manages $58bn (as of Q4, 2016) of assets on behalf of institutions and private investors across the world, investing in private real estate equity and debt, and public real estate through a complete range of investment vehicles. Our products include separate accounts, open and closed-end commingled funds, joint ventures, and public securities.

From the London office of 165 people we manage £12.5bn assets of which £12.2bn are located within the UK. We have extensive successful experience of managing portfolios to both MSCI relative and real return performance targets as well as assets and strategies targeting index-linked and absolute returns.

PENSIONS ADMINISTRATORS

EXPERT ADMINISTRATION

020 7330 0778 joe.anderson@thpa.co.uk

Trafalgar House

Cheapside House
138 Cheapside
London EC2V 6BJ

www.trafalgarhouse.co.uk

WEALTH at work

KNOWLEDGE | EXPERIENCE | OPPORTUNITY

0800 234 6880
info@wealthatwork.co.uk
www.wealthatwork.co.uk

WEALTH at work and my wealth are trading names of Wealth at Work Limited and is authorised and regulated by the Financial Conduct Authority.

...because one size doesn't fit all.

With so many retirement income options available for employees, we know that a 'one size fits all' approach to retirement planning doesn't work. Therefore, we created our Retirement Income Options service to implement and manage retirement planning for employees and to determine the best course of action based on their personal circumstances. The service consists of:

Financial education and guidance | **Regulated advice** | **Implementation of options** | **Ongoing support**

This fully integrated service is available now to pension schemes, trustees and employers.

TRACING COMPANIES

target professional services

Recommended for **innovative**, high **quality** services, **competitive** pricing and bespoke customer service. Experts in **Mortality screening** and recognised as one of the leading **tracing** agencies in the UK.

We can help you keep track of your members and support you prepare for **GDPR.**

0800 988 1255 – info@targetprofessional.co.uk – Finding people since 1988

TRUSTEE LIABILITY INSURANCE

OPDU
WWW.OPDU.COM

OPDU
90 Fenchurch Street
London EC3M 4ST
www.opdu.com
Contact: Martin Kellaway
Title: Executive Director
Email: enquiries@opdu.com

OPDU is a specialist provider of pension trustee liability insurance covering trustees, sponsors and pensions employees in a stand-alone policy. Our policy covers all risks including GDPR, Cyber and Regulator Investigations. We can also provide cover for: pursuing third party providers, theft, retired trustees and court application costs. Benefits include our own claims service and free helpline and free CPD training covering trustees protections and how insurance works for groups of 6+

Please contact us for a free no obligation premium indication to see how we can help.

---

ulp

Universal Legal Protection

Phone: 01234 340266
Karen Mansfield
Email: kmansfield@ulpltd.co.uk
www.ulpltd.co.uk

ULP is an independent Insurance Broker specialising in Pension Trustee Liability Insurance (PTL). With a backdrop of high profile pension scandals, and with Trustees acting in a more legalised and regulated environment, they should consider protecting their own personal liabilities & the Scheme Assets by taking out PTL cover. Cover can be provided for 'Live' Schemes and those in or approaching 'Wind-Up'.

Please contact ULP for a free no obligation premium indication, and discussion on how we can help. As an independent Broker we can approach a variety of Insurers to arrange the most appropriate cover.

Abenefit2u
Recruitment Specialist

Contactus@abenefit2u.com
Call us on 0207 243 3201

Abenefit2u
Specialists in Pensions & Benefits Recruitment.
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.

www.abenefit2u.com

Finding you the perfect fit...

Pension Specialist, Diverse Admin. Role		
£40k Pkg.	London	DB14381
UK Benefits Manager Pensions & Savings		
£80k+ pkg.	Middlesex	DB14351
In-house Ops. Mgr. Temp & Perm Roles		
6-figure pkg.	North	DB14347/67
In-house Pensions Operations Manager		
£85k+ OTE	Hertfordshire	DB14202
Pension Consultant (QCF Level 4)		
£70k OTE	Kent	CE14356
DC Technical Specialist (AE)		
c. £40k	Home-based	CE14377
Client Relationship Manager		
£DOE	London	CE14251
Secretary to Trustees/Trustee Support		
£DOE	London/Berks/Kent	TD14253
DC Pensions Consultant		
£Competitive	London	TD14105
Senior Pensions Administrator		
£DOE	Midlands/Worcs.	TD14186

PENSIONS Age JOBS

Pensions Age JOBS service – getting the best candidates for your key roles

Pensions Age is the leading media for the pensions market
(please see our main media kit for circulation statistics and breakdowns).

We can offer recruiters:-

- Vacancy advertised on our daily email newsletter which reaches over 25,000+ subscribers every day.
- Vacancy advertised at www.pensionsage.com the leading news portal for the pensions sector.
- Vacancy advertised in Pensions Age print, which has a circulation of over 15,000+ in print and 25,000+ tablet.

Please contact us for details.

John Woods +44 207 562 2421, john.woods@pensionsage.com
Camilla Capece +44 207 562 2438, camilla.capece@perspectivepublishing.com


Helping you find
YOUR OWN PATH
through the complexities of pension investment
Trustees need a partner to provide bespoke investment solutions for today and tomorrow. And with us, it's always personal. As a market leader, we use our size to benefit clients by delivering advice with a personal touch – rooted by a thorough knowledge of our clients' individual needs and preferences, we help schemes to find their own path through the complexities of pension scheme investment.
So talk to us about your scheme's investment requirements.
For more information, visit aonhewitt.co.uk/investment, email talktous@aonhewitt.com, or call us on 0800 279 5588.
Aon Hewitt Limited is authorised and regulated by the Financial Conduct Authority. Aon Hewitt Limited Registered in England & Wales. Registered No: 4396810. Registered Office: The Aon Centre, The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AN.
AON
Empower Results®