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The Pensions Age Autumn Conference 2020

Guidance through tough times



and McCrory analysed how this landscape had changed over time and showed that while the risk profile of DB schemes has reduced, underfunding has persisted. They also looked at how schemes present risk to the PPF and how the PPF goes about managing those risks.

McCrory explained: "Understanding how risk has changed in the past is a really important part of our risk management framework. By

understanding the changes

The Pensions Age Autumn Conference has become a must-attend event for trustees from across the UK to meet with their peers, exchange ideas and learn from pensions experts in a central London location. It also provides the *Pensions Age* team with a great opportunity to catch up with all our industry friends.

Sadly, due to government restrictions, this year's event had to take place online, with all presentations and live Q&A sessions broadcast via Zoom to over 400 registered delegates who will have been watching from the comfort of their own homes.

This didn't, however, deter *Pensions Age* from bringing together some of the leading names and thought-leaders in the pensions space in order to educate, guide and inform those involved in running pension schemes at a time when they need it more than ever. Keynote speakers this year

included representatives from The Pensions Regulator (TPR), the Pension Protection Fund (PPF), the Institute for Fiscal Studies (IFS) and the Pensions Climate Risk Industry Group (PCRIG), as well as experts in the fields of pensions technology, finance, fiduciary management, governance, de-risking, trusteeship and more. All speakers also took part in live Q&A sessions with our editor, Laura Blows, who was also our chair for the day.

Kicking off the day were our opening keynote speakers, PPF's chief finance officer, Lisa McCrory and PPF's chief risk officer, Stephen Wilcox, who offered an update on the state of the defined benefit (DB) pensions universe, based on the results of the PPF's renowned *Purple Book*.

The Purple Book, the 2020 version of which is due to be published imminently, provides comprehensive data on the UK universe of DB pension schemes in the private sector. Wilcox

that have happened, it helps evolve our thinking about how the universe might evolve in the future, and this then is a key input into our funding strategy."

Wilcox went on to look at the PPF's claims risk and the distribution of the funding ratio by size of the membership of the scheme and how this has changed over the years. He also looked at some of the de-risking that schemes have done over the past 15 years, risks on the horizon to include Covid-19, and what this all means for the PPF and how it is planning for the future.

The role that fiduciary management (FM) has played and continues to play in the UK pensions space was next under the spotlight. SEI regional director, Kris Shergold, reflected on how he has seen the FM space change over the past 10 years – including how the provider landscape and the procurement process have both evolved, and where innovation has been rife. He discussed how environmental, social and governance

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(ESG) issues, the Competition and Markets Authority (CMA) review and the recent pandemic are significantly influencing the FM industry; and looked at future potential influencers, such as the consolidators and the increasing role of the independent trustee. All in all, he reported the FM market as one with “a healthy looking future”.

The role technology and software can play in helping schemes meet their reporting requirements was the focus of the next session, with RiskFirst's head of product management, Simon Robinson, homing in on three main areas: ESG, covenant and climate. Reporting in relation to these three topics, he argued, were likely to be key going forward. “Unsurprisingly, it feels like reporting requirements for pension plans are only going to increase, and are only going to get more complicated,” he warned.

He added that, while everyone listening will know that pension plans are complex – it's not just about the assets, but the liabilities, the covenant, the contributions and the aim of providing members with benefit security – these areas don't stand on their own and they aren't static. He explained: “For example, it's not about how strong my sponsor is now, but how my sponsor might fare in future scenarios. Technology is not always the answer but has a lot to offer to help meet these challenges,” he added.

DB consolidation was the focus of the next session with a Q&A session

between CMS partner, Emma Frost, and TPT business development director, Paul Murphy. Chairing the session, Frost invited Murphy to share TPT's experience and views on the DB consolidation market, exploring the options available to sponsors and trustees of schemes, big and small, when considering a DB consolidation vehicle.

Murphy talked about TPT as well as the newer players in the consolidation space, highlighting that any innovation is to be welcomed but with a caveat that all operators must be well regulated. He considered the impact of long-standing risks, as well as newer risks including Covid-19, on the consolidation space and what this all means for trustees going forward. Finally, while recognising that many trustees love what they do, have done a great job and might not want to give up their roles, his message would be: “Many DB schemes are now closed to future accrual and new members, regulation is getting tougher, and TPR is tightening things up too, so now could be a good time to pass the baton; and any finance directors worried about losing control needn't be – this is all about working together to get the best outcome for members – that's what we are here for; that's what we exist for.”

Technology was revisited next as Target Professional Services managing director, Lisa Lyon, demonstrated Target's experience of member identification and verification and shared the developments

they have made to ensure the process is robust and digital. She also highlighted the further enhancements they are making to ensure scheme data can be up-to-date in the most cost-effective way and schemes can be ready for when the new pensions dashboards come into play. Something has to change to enable schemes to easily keep their data accurate, up-to-date and dashboard ready, she argued, explaining how Target's technology can offer schemes that much-needed change. She concluded: “There is an opportunity for the industry to come together and solve this decade old problem and solve the problems of the future.”

Measuring and ensuring value for (members') money was the next topic to be tackled, led by Capital Cranfield professional trustee, Andy Cheseldine. Value for (member's) money is the crucial criterion for trustees, explained Cheseldine, as he went on to look in detail at what trustees need to consider to ensure they are continually doing the best they can.

“You need to think about what you are trying to achieve; what should be measured and how you are going to measure it; what your benchmark criteria are; and how you are going to articulate the results to members, regulators, employers, service providers and, where relevant, advisers/intermediaries. Finally, you need to ask: will anyone read it, will anyone understand it? There is no right or wrong answer here so, whatever you do this year, I plead with you: test, assess, adapt, improve and repeat the process – make sure you get it as good as you can do.”

The next keynote speaker of the day was IFS associate director, Rowena Crawford, who presented on recent trends in retirement expectations, with a further look to what lies ahead.



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The past decade has been one of substantial reform to the UK retirement savings environment, explained Crawford, who then went on to discuss how attitudes towards savings and expectations about retirement incomes have changed over this period, as evidenced by extensive IFS research. She also considered what effect the current pandemic might have on retirement plans and outcomes going forwards. “There is an awful lot going on and it will be important to monitor how people respond to the current crisis, in terms of their savings behaviour, retirement timing and drawdown behaviour.” Older workers are particularly at risk of the crisis permanently reducing their retirement living standards, she warned.

Climate risk was back on the agenda later that afternoon, with PCRI chair, Stuart O’Brien, focusing on the recent Climate Risk Disclosure Requirements and what they mean for schemes. Changes in the Pension

Schemes Bill, he explained, will likely bring mandatory disclosures on climate-related risks in the next few years. These follow on from recent changes to the Statement of Investment Principles and new requirements from October 2020 on trustees to disclose aspects of their investment decision-making on an annual basis in the newly required Implementation Statements. O’Brien considered how trustees should approach the issues and the new world of investment disclosure, stating that “the trustee role is to look after their pension scheme and ensure their pension benefits can be paid; and trustees have to look at climate-related issues as a financial risk and what they might do to DB funding levels, DB investment performance, and for DC schemes what they might do to member pots”.

The final keynote speaker of the day was TPR’s head of policy, Fiona Frobisher, who shared details of how the regulator is addressing risks to savers

in the current economic climate and talked about TPR’s regulatory priorities for ensuring trustees and employers look after the scheme members’ valuable savings now and into the future.

Frobisher also reflected on upcoming developments that are being put in place to help maintain financial resilience and confidence in pensions going forward; highlighted the key priorities for TPR; and commented on how well the industry has coped with the recent pandemic. She explained what TPR has done and continues to do to help pension schemes that might be worried about the strength of their sponsor covenant and how they are working with other associations/bodies within the pensions space to ensure they remain relevant and in touch with what the market needs. She commented: “We will continue to monitor the current situation and be as nimble as we can. We will be flexible both with what we are doing and how we are delivering it; and we will be flexible with schemes if they explain to us any difficulties or issues they are having. We believe the best way we can get through this as an industry or as regulators is to work together. Working together will give us the best outcomes.”

Many thanks to all our sponsors, speakers and delegates who came together to help ensure our autumn conference was as informative, insightful and enjoyable as ever, although sadly without the opportunity to enjoy a glass of wine together at the end of the day.

To view the conference in its entirety to include the live Q&A sessions, visit www.pensionsage.com/autumnconference

Written by Francesca Fabrizi

