



Tim Middleton

# Making the unfamiliar familiar

► Pensions Management Institute (PMI) director of policy and external affairs, Tim Middleton, sits down with Sophie Smith to discuss the association's latest academy partnerships, and how the PMI can help trustees make sense of the new developments in the landscape

**I**t has been a busy start to the year for the Pensions Management Institute (PMI) academy partnerships, with two new partnerships launched, a number of collaborations renewed, and further industry work still on the horizon.

The PMI's academy partnerships are developed with those considered to be experts in the industry to share knowledge and best practices, in an effort to provide PMI members access to experience and resources to help improve their understanding and professional development.

The list of areas covered by these partnerships has been growing, as the PMI recently announced that it had partnered with Clara Pensions on a new Superfund Academy Partnership, designed to improve industry understanding of the consolidation model.

► Tim, can you tell us a bit about what made the PMI launch a new academy partnership on DB pension superfunds now, and why you chose to partner with Clara on this particular project? PMI's attraction to this partnership stems

from the fact that there are so many mature DB schemes in the country now and they are all looking at the different endgame solutions.

Until relatively recently, it would have been assumed that endgame would inevitably involve annuitisation and that was really the only game in town.

More recently, with surpluses arising, there have been a number of trustee boards that have been looking at alternatives, including a number of schemes looking at runoff, so the idea that annuitisation was the only option has been successfully challenged.

Superfunds are a completely new option that a number of trustee boards will now be considering going forwards as an alternative to buyout, and this has a number of attractions.

Firstly, there are some capacity concerns within the bulk annuity market, and there's also this idea that some smaller schemes might find it more difficult to wind up using a traditional buyout method, so by consolidating them together in this way, it gives trustees an alternative.

It's also been fortuitous in terms of timing, in that the government is looking at what to do with so many DB schemes and it's talking about consolidation as one option to improve standards, so superfunds are a convenient option for them to investigate.

All this means that, in terms of

timing, it was the right point for us to establish a partnership.

It's inevitable that there are going to be questions and concerns about something that's so unfamiliar.

So with this exciting new option that's emerged, we at PMI felt that it's important that we help trustees understand the options available and that we should work with Clara, as the only provider operating in that space at the moment, to explore the options to look at who it might appeal to and to consider how it might work in practice, and to make it a much more familiar concept.

Many trustee boards look to PMI to provide a forum for discussion and debates, and we felt that by having a partnership with Clara, we'd be perfectly positioned to provide that.

► We have only seen one superfund transaction so far, but the government has said that it remains committed to introducing a permanent superfund regime "as soon as possible". Do you have any thoughts on the impact that a permanent superfund regime could have both in terms of education and confidence in this new initiative?

It will hasten the resolution of all these legacy DB arrangements that we have in the country. I suppose, looking back at my own history within the pensions industry, this is something that really had its origins at the end of the 1980s,

when employers first started looking at alternatives to DB provision and trying to offload these schemes.

That is all behind us now and we're actually at the point where DB schemes are all at or close to some kind of endgame situation, and so they're looking at the alternatives and what's going to be best for them.

As a generality, you would expect consolidation to be an option for smaller schemes that are struggling to get up to full funding, so I imagine there will be a hinterland of small-to medium-sized DB schemes in particular that this could present an alternative option for.

**➤ Do you think there is enough support and resource available to help scheme trustees navigate the increasing endgame options open to pension schemes, and does the PMI have any plans to launch a further academy partnership specifically in this area?**

Academy partnerships are very important in terms of the PMI being the principal educational body within the sector, so it is very much our mission to provide these educational opportunities.

An academy partnership gives us an opportunity to explore this very new and unfamiliar concept and to help trustees navigate this minefield, to consider which option is going to be the most suitable thing for them. So it is a really powerful opportunity to explore all the different options available and help trustees make an informed decision about what's going to be the best endgame route for them.

We are looking at an endgame partnership and we are in negotiation already with an organisation on that. It will be looking at precisely these things, and it will overlap slightly with the relationship we have with Clara.

Until relatively recently some of these endgame options didn't really exist, so, it is about helping trustees navigate these new options to find the most suitable path.

**➤ The PMI has also launched a new DC Academy Partnership with Berenberg, focused on redesigning DC portfolios to improve member outcomes. Can you tell us a bit more about why the PMI chose to look at this area now?**

There has been a lot of developments within the DC sector too. Firstly, the major development was Mansion House last year, where schemes are being asked to reconsider their approach to portfolios and to have far greater focus on illiquids, specifically unlisted equities.

Whilst on the one hand there are those who would argue that it's not ultimately a responsibility for trustee boards or the pension system to provide active assistance to the UK economy, it is

nonetheless right for us to look into this and see the role that these sort of assets could play in a DC portfolio. It is not going to make a huge dent in the existing strategy that trustees have, but it is something that we expect to be mutually beneficial.

So again, it's a case of exploring something new that hasn't really been considered in any great detail before now. The partnership is the best way for PMI to go about doing that and to provide educational resources to PMI members, particularly our trustee members, in order to help trustees to have a good long think about what they can do that's going to work effectively.

**➤ Written by Sophie Smith**

