Areas of focus

Some of the industry's key associations reveal their priorities for the year ahead

Pensions and Lifetime Savings Association (PLSA)

Looking at 2021, here are several things we will be focusing on over the year. 2021 is the year Boris Johnson will be hosting the next key UN Conference on Climate Change. At the PLSA, we will be pursuing the agenda set out in our *The Changing Climate* report, seeking to make it easier for pension funds to invest in a climate aware way.

While the arrival of V-Day (or vaccine day) heralds the beginning of a solution to the health risks of Covid-19, 2021 may be the year the Chancellor seeks to address the economic costs. If he seeks to reduce the amount of fiscal support for pension saving, the PLSA will be underlining that the UK needs to do more, not less, pension saving.

The government is also likely to make proposals on how to reduce, or manage the downside of, the growing number of small pension pots resulting from the interaction between automatic enrolment (AE) and job changes. To address this, the PLSA will be working for a solution that keeps the interests of savers at its heart, while also ensuring any initiatives do not destabilise workplace pension provision.

We suspect that defined contribution (DC) decumulation will continue to draw attention this year and, over the course of 2021, the PLSA will continue to argue for a new approach to the issue that not only builds on the pension freedoms but also, by introducing a new statutory obligation, will provide more support for savers at retirement. And, of course, the PLSA will be championing measures to improve understanding of pension saving by updating our Retirement Living Standards, and supporting the work of Money and Pensions Service on pension dashboards and financial wellbeing in retirement.

Pensions and Lifetime Savings Association director of policy and advocacy, Nigel Peaple

Pensions Management Institute (PMI)

The PMI recently conducted research to establish longer-term strategic thinking among trustees. The results were understandably bleak: most trustees are focused on the extreme short term and are concerned about the employer covenant. The recent collapse of the Arcadia Group – whilst not entirely attributable to the pandemic – is likely to be part of a series of insolvency crises that will threaten the security of members' defined benefit (DB) pensions.

Another area of concern will be the continued threat of scams. After nine months of furlough and redundancy, many members will be desperate for cash and so will be vulnerable to those offering to 'unlock' accrued pension savings.

Looking further into the future, it is perhaps time to widen the scope of AE. The Work and Pensions Committee will investigate this later this year and could well press to bring forward arrangements for AE to begin at age 18 and for the lower threshold to be abolished – allowing contributions to be based on 'pound one.' It is perhaps time to consider increasing the minimum contribution rates and to establish a mechanism for bringing the self-employed into AE.

Finally, we wait to see when the pensions dashboards will become available and members will finally have access to an aggregated presentation of all their pension savings. This has been eagerly anticipated for some time and has the potential to make a massive change to retirement planning.

Pensions Management Institute head of technical, Tim Middleton

Association of Professional Pension Trustees (APPT)

The impact of Covid-19 will continue to be felt across the industry in 2021, and with the uncertain economic outlook, a new Pensions Schemes Act and an industry drive towards consolidation, our priority will be to support APPT members in navigating this evolving landscape.

Soon we will start to see the longer-term impacts of the pandemic on funding and investment, and changes to the way we work. This is likely to accelerate the move to sole trusteeship and, following the release of our code of practice in November 2020, this will remain a major focus for us in 2021. We hope that the code will raise standards across the industry, not least ensuring that schemes are overseen by two or more accredited professional trustees, acting in consultation with professional colleagues.

Beyond Covid-19, environmental, social and governance (ESG) will be key, with businesses under increased pressure to put climate change and sustainability at the top of the agenda. As we undertake a major project to develop our professional trustee standards, we'll be continuing moves to put ESG at the core of trustee investment strategies, and we have set up an ESG group to develop more rigorous benchmarking, as well as help trustees understand how to address ESG matters.

Diversity and inclusion will also be central to this review of standards, as we look to encourage a diverse future talent pipeline into the industry. APPT members can also expect an increased focus on how to prevent scams – a key issue for us – as well as how to approach the alternative DB consolidation models emerging in 2021.

Association of Professional Pension Trustees chair, Nita Tinn

Society of Pension Professionals (SPP)

2021's all about embracing change and improving member outcomes, but we need to do more. Coverage and contribution adequacy need addressing. Preparing to implement the 2017 AE review is critical to this.

2020 had been a difficult year for all. In the pension world, pension schemes and sponsors are wrestling with the repercussions of Covid on members, individual businesses, and the economy more generally.

On top of this, it seems to be all change, with a myriad of seemingly unrelated legislation and consultations underway or expected next year. There's lots to comply with – the DB funding code, ESG requirements, more DC disclosures, simpler statements, dashboard requirements – and lots of new options, including superfunds, DC consolidation and even collective DC.

It's easy to feel overwhelmed responding to seemingly ever-increasing red tape but the legislative agenda has a single theme at its centre, and one that ultimately goes to the heart of what pensions are about and why we're here – member outcomes. Member outcomes are improved by managing risk (DB funding, ESG), improved value and governance (DC disclosures and consolidation, superfunds and collective DC) and greater engagement (simplified statements, dashboards).

As we've already seen, sadly some sponsors won't survive, leaving members at risk of reduced pensions. But the pensions system as a whole has been robust in the face of the turmoil. 2021 is an opportunity to embrace change and make the system even more robust.

If there's one thing I'd add, it's starting the discussion on implementing the recommendations from the 2017 AE review. Going further, I hope 2021 is year we have the 'legitimate debate and discussion' the Pensions Minister says is needed over future AE contribution rates. 2021 may not be the year to increase these but, to make meaningful change by the mid-2020s, we need to start the discussion now.

Society of Pension Professionals president, James Riley

Association of Consulting Actuaries (ACA)

Was a Pensions Act on your letter to Santa? Maybe a fast-track DB funding code, simple annual statements or Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations? Well, you must have been good, as all these will roll out in 2021.

Adequacy/coverage and climate risk are worth watching for this year. Another review of AE will kick off. It's three challenges are familiar: widen coverage (helping under-pensioned and minority groups), increase contributions over time and keep people enrolled as the economy recovers from Covid-19.

Glasgow's delayed COP26 will create a climate risk buzz. Corporates and asset managers should deliver on their promises of 2020. We'll see TCFD disclosures and I'm optimistic of a step change in DC saver engagement too.

Lots more will move forward this year: Posties will get the legislation for Royal Mail's long-awaited CDC. Let's hope DWP drafts CDC regulations widely enough for other businesses to find CDC attractive too.

DC has a fascinating rolling agenda. The simpler annual statement will help millions of people finally understand their savings. The industry will break the back of dashboard data too, paving the way for the most fundamental change in pension engagement of our lifetimes.

Value for money in DC will rumble on too. Whether it delivers what's really important to savers or drives costs to the bottom remains an open question. I'm not optimistic the boundary between advice and guidance will get clearer.

The Pensions Regulator's well-trialled fast-track DB funding code will get nailed down this year. The twist will be balancing sponsor resilience post Covid-19 with gradually strengthening funding as schemes mature. Hopefully DB's progress won't be marred by the mess of GMP equalisation has created.

Pension tax may again be the joker in 2021's pack of policies. Our outrageously complex system needs simplifying. But we can't let short-term pressures trump long-term saving for retirement. Building back better in pensions needs thinking that spans generations.

ACA chair, Patrick Bloomfield