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CHAIR



Andy Cheseldine, Professional Trustee, CCTL
Andy joined Capital Cranfield in 2017 after a career as an adviser to trustees and employers at

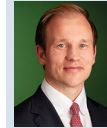
Watson Wyatt, Hewitt Bacon & Woodrow and LCP. Using his experience of over 30 years in consulting on DC and DB pensions and liaising with regulators throughout the pension and financial services industry, he is able to use his wide knowledge for the practical benefit of trustee boards. He has served on the PLSA DC Council since 2013. Andy has a long record of advising on regulatory, governance, change management, investment provider selection and communication issues.

PANEL



Paul Farrell, Head of UK Institutional Business, J.P. Morgan Asset Management

Paul is managing director and the head of J.P. Morgan Asset Management's UK institutional business. An employee since 2016, he previously worked at Dimensional as head of UK institutional clients, with responsibility for the UK institutional client team, including new business development, RFP, client service and consultant relations. Prior to this, Paul spent 15 years at BGI/BlackRock working in both London and Amsterdam. He has also held positions at Newton Asset Management and Confederation Life.



James Fouracre, Director – UK Institutional, Ruffer

James joined Ruffer in 2022 as head of DC, leading on strategy and distribution across DC pension schemes in the UK and Ireland. Previous roles include a range of senior distribution and strategy appointments at HSBC Global Asset Management, across the wholesale and institutional businesses at regional and global level. James read politics with business at Loughborough University. He is a regular contributor to the investment and pensions press.



Jit Parekh, DC Investment Partner, Aon

Jit joined Aon as an investment partner in the DC team in 2023. He advises on all aspects of DC investment strategy. Prior to joining Aon, Jit led the DC investment team at Schroders Solutions, where he was responsible for a number of key advisory and fiduciary clients. His role also involved wider proposition development across DB and DC, focusing on developing solutions in consolidating markets. He is a keen advocate of improving financial literacy in the UK market, and looking at wider innovative solutions to solve the DC retirement savings and advice gap. He also previously worked at Isio and WTW.



Jeanette Smith, Senior Pension Consultant, Capita Pension Solutions

Jeanette leads the Capita Pension Consulting DC consultancy team and has been with Capita since 2012. She uses her experience and expertise gained working in the pension and benefits industry over the past 35 years to provide innovative and relevant solutions to employers and trustees, focusing on creating better outcomes for clients, individuals and colleagues. She is a regular contributor to the pensions press.



Matthew Swynnerton, Partner, DLA Piper

Matthew is a partner at global law firm DLA Piper where he heads the London employment and pensions team. He advises on all aspects of pensions law, including the pensions aspects of corporate transactions, The Pensions Regulator risk issues and moral hazard powers, reorganisations and restructuring. Recent notable work includes advising Uber on its automatic enrolment duties following the recent Supreme Court judgment on worker status and, as a member of the Pension Scams Industry Group, drafting key legal sections of the Combatting Pension Scams Code of Practice.



Donna Walsh, Head of Master Trust, Standard Life

Donna has responsibility for Standard Life's Master Trust, working closely with the trustees to design and deliver on its strategy. She has been heavily involved in Standard Life's Workplace developments over the past 10 years and is passionate about improving the experience for members, employers, trustees and advisers. Donna loves hearing from clients and co-creating solutions for the future. She is a regular contributor to the pensions press.



The future of DC

Our panel of DC experts discusses lifetime pots, productive finance, at-retirement support and the future of DE&I in our final roundtable of 2023

Chair: Thinking first about the Autumn Statement, are lifetime pots a good idea?

Farrell: If you were starting from a blank piece of paper, lifetime pots could be a good idea. I could make the argument for them. But on a cost/benefit trade-off relative to where we are today, then maybe it's worth having a quick look and a review of it. But I'm interested to see what the review comes out with.

Smith: One of the positives that could come from this is the potential for more empowerment of the individual as they would have to make some decisions. They would have the ability to take charge and understand that this is something significant – just like purchasing a house or obtaining a mortgage, this will be on their agenda. So that's a positive that will possibly come from it. But there are some challenges that need to be addressed.

Parekh: Small pots are an issue. So the intention of doing something around this is admirable. But, are there other ways?

Fouracre: The intention is a good one i.e. how can we think about reducing complexity, with the ultimate goal of increasing retirement pot sizes. There is

an opportunity to take the learnings from auto-enrolment, and more specifically how its success was vastly strengthened by leveraging behavioural inertia via a default framework. A fair challenge might be posed to suggest that there are other more important priorities in the current climate, percentage contributions clearly being one of those.

Swynnerton: There are potentially a lot of risks associated with the model that don't necessarily exist currently. I completely agree that auto-enrolment's been a huge success largely because of inertia. The concern is that people tend not to focus on their retirement planning until quite late in life. Will that be the case here? Could there be increased mis-selling claims associated with this kind of model that we don't have with the auto-enrolment regime?

Walsh: You can see the appeal from a simplicity-for-member perspective. But it needs careful consideration, because there are other challenges facing savers today that we should prioritise – auto-enrolment contribution levels, identifying ways to extend advice and guidance to support decision-making, and implementing the value-for-money

framework to help people to determine whether their pension offers good value.

And there's obviously the practical consideration of how you implement this going forward. But I also wonder how employers will react to this? Workplace pensions are a significant part of recruitment and retention for many employers and a significant proportion of their reward spend. How will they react? If they lose control over the pension provision for their employees, do they disengage somewhat?

You cannot underestimate the power of employer advocacy. When we run campaigns alongside employers, you can get much better engagement from employees, and we'll lose some of that.

Smith: Yes – your pension is very much an attraction and retention tool. Could we therefore see employers re-evaluating their spend and investment on pensions as a result of it?

Chair: I chaired the Small Pots Co-ordination Group and, while I'm all in favour in consolidation, it's not clear whether we're talking about it being compulsory in any form, or non-compulsory. If it's non-compulsory, then I can't see more than 10 per cent of the population using it. If it's compulsory, there's lots of variations – compulsory on providers to compulsory on members, and some bits in between. There's an issue over employers because, if you've got over 100 employees, you're probably going to be paying to 10 different schemes, some of which will be net pay, some of which will be relief at source, which will probably increase your payroll pension costs by a factor of 10 to 20.

Fouracre: If we were to come to a conclusion that it is not the optimal framework moving forward, then what is? To reflect on one of the tabled alternatives – pot-follows-member – to me, that feels like a more sensible

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framework to want to build towards, touching on some of the reasons that have been raised – administrative and so on. There are also some associated benefits to the centrality of the employer as part of that conversation as well.

Farrell: The only other angle on this is whether or not the pensions could be a mechanism to try and consolidate, and move things around. But we need to give one system a chance!

Productive finance

Chair: What about productive finance in the wider sense? Is it a good idea?

Farrell: Absolutely. It has to be. Many DC schemes when they were originally configured were around public markets. But as investors around the world have embraced private markets in various shapes and flavours, it's only right that DC members get the benefit of a higher level of compounding through time. So, in principle, absolutely great. How you do it? There are some mechanical challenges. But definitely, in principle, it has to be the right thing to do.

Smith: I agree it's something that's needed and should be considered further.

Fouracre: If you think about the investment environment that we're currently in, you've got asset classes increasingly moving in the same direction. You've got bonds and equities positively correlated. There's clearly a need to start to think about diversification differently. Illiquids are an opportunity to do that.

The Mansion House reforms have

laid out numerous progressive intentions although, as always, the devil is in the detail. If you take the simple example of MSCI World, there's a 5 per cent allocation to the UK. The suggestion here is not a 5 per cent allocation to the UK. The suggestion being promoted by the government is a 100 per cent allocation to the UK within the illiquids portion of the portfolio. Any multi-asset solutions provider will tell you that someone needs to think long and hard about diversification beyond the confines of what the government has laid out currently. And whilst the UK might be a key component part of that allocation, it is unlikely to be the entirety of it.

Parekh: It comes back to the fact that, ultimately, trustees need to be able to get themselves comfortable with the inclusion of private assets within DC portfolios, and a key part of their decision will be looking at the risk and return profile alongside other asset classes that can be incorporated into portfolios. Also, if we are looking at private assets with a UK bias, that itself carries certain risks versus wider geographical diversification that will be a consideration for trustees.

The other factor is cost, particularly in DC where cost to a degree is tangible. People understand it. People can see it. How do you facilitate getting these into portfolios? I appreciate you said 5 per cent or 10 per cent allocation.

But, again, in the round, trustees sometimes have to make decisions around potentially allocating to this instead of an alternative asset class, which may increase costs for members. So the investment argument from a pure risk and return perspective is there. But when you look at it across the board, factoring in additional costs and the need for transparency, that's when you can see

why it can be quite tricky to get it into portfolios easily.

Chair: How comfortable can trustees be in taking 'guidance' from the government that they should be doing more of this, whether or not it's in members' best interests?

Swynnerton: That's the problem from many trustees' perspectives. Guidance is just that, it's guidance. Guidance cannot override trustees' trust law duty to act in the best interests of their members. Whilst attempting to reconcile that duty with their investment strategy, and whilst noting that diversification is generally seen as positive, they need to balance that against whether 5 per cent is too high, too much risk. It doesn't necessarily follow that that is in members' best interests. The other legal side of it is the practical implementation. It also needs to also be consistent with trustees' scheme documentation. They need to have sufficient flexibility within their scheme rules to do this.

Chair: How important is the cost element of these sorts of investments? As a trustee, I'm even comfortable with paying 20 per cent performance fees above a hurdle rate, because if that hurdle rate's set at what I'm going to get everywhere else, then my members are only paying 20 per cent performance in excess returns. But I want to make sure that they're getting good value for money, and they're not paying 20 per cent on stuff below that hurdle.

Also, how do we cope with the hockey stick shape of costs in a lot of these things, where you're not getting any return on the first five or six years, and it all comes in years seven to 10, but you're paying the costs upfront? Is there a way around that?

Fouracre: Your reflections quite rightly focus on access and expense – I

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would also add to that list suitability. Many would take the view that a notable portion of the illiquids investible universe is not suitable for a DC member. Take early-stage VCs, for example – extreme levels of volatility, therefore exposing a member to significant levels of sequencing risk.

Smith: It also depends where you are on the member's journey as to how appropriate it is at that point in time. Your point about performance fees, that's something I was challenged about from a pension steering committee many years ago. Can we have performance fees? So I think that would be great if we can have that debate to determine how we can deliver the best outcomes.

Farrell: Private markets have a valid role in the accumulation phase. They have equally a valid role in the decumulation phase. It's about the characteristics of the assets. Private markets are a big area, and they don't all have to be J-stick effects. Some are about growth, and there are ways of structuring things in the growth phase, which makes it look very attractive, and likewise in the decumulation phase, where it's maybe about, depending upon what cohort of member you've got, the consistency of income, and the volatility of income, rather than about volatility of returns. Again, there's normally ways of putting structures in around that.

So, for me, private markets have a place, regardless of which end of the member journey you're at. It's just getting the right asset configured in the right way to do the right job for the member to help them achieve whatever their goal is.

Smith: How can you make sure it's well governed in order to achieve that?

Farrell: Within single-employer trusts, people probably want something to be well managed in its own format. The work that governments have done with

LTAfs is probably a way for people to get comfortable – that there is a regime that is government-backed, FCA-supported, that that structure works. The question then becomes whether or not the people that facilitate the member platforms, can they deal with those types of structures? That's probably the subject for a different debate.

But the governance frameworks are there. We're now starting to see them being used. The question then becomes, if you're a trustee base, where does it slot in with all the other things you've got going on, and how do you manage that? So I think within the framework and within the guidelines the FCA have given us, the government have given us, that can all work. It's now just about how that component sings with all the other components you have.

Swynnerton: There's also a practical issue to be considered here about the amount that trustees have got on their plates at the moment. As I mentioned earlier, trustees have to bear in mind their trust law duty to act in their members' best interests and trustees will inevitably be guided by their investment advice.

Parekh: I agree when you look at number headlines, 80 per cent feels like you're missing out. But in reality, it's probably a narrow opportunity set. But there is definitely an opportunity set. It comes back to what I said earlier around transparency and the operational difficulty. Those two are some of the barriers in DC, where there's a need for greater transparency. Sometimes the governance around private markets can become more difficult, particularly for trustees, where actually there's this one opportunity against other opportunities, and you're trying to balance the risk and return.

It's a balancing act, ultimately; the opportunity is there and the investment

case is there, because DC members do have the longevity. DC members do have a much longer time horizon to be able to benefit from private markets.

Walsh: We signed up to the Mansion House Compact but at the forefront of our minds will always be whether it is right for members. Will it have a positive impact on member outcomes?

So we'll only put things in place if we believe it will improve member outcomes. We absolutely acknowledge the potential opportunities that private investment can offer to improve member outcomes; and we'll go in with eyes wide open to the challenges and risks that it will present as well in a DC environment.

Increasing pensions take-up

Chair: What can be done to increase pensions take-up?

Swynnerton: We have already talked about auto-enrolment, which has been a great success. We could see that broadened, and hopefully that will happen. A Private Members' Bill to extend auto-enrolment has now received royal assent, so that is something that will happen and should help millions save more in their pensions and start saving sooner. But more can always be done in that area.

Also, more can be done to improve financial literacy and understanding of members, particularly if you're trying to implement an initiative like a pot for life that's placing more of an onus on members than is currently the case.



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Walsh: When we think about an inclusive solution for all, auto-enrolment has got many more savers into workplace pensions, which is great. That has increased the diversity of those savers. It's worrying that the average reading age of an individual adult in the UK is nine, and 40 per cent of UK adults don't have the digital literacy skills to thrive in society today, and we are moving as an industry towards digital first, so we need to work together to solve that problem.

On auto-enrolment, we have just issued a report called *Raising the Bar*, and it sets out an economic framework for the government to work with, where they can use some metrics such as real household disposable income per person, employment vacancies, and auto-enrolment opt-out rates to assess when might be the right time to raise those contributions, because while we're all advocating that we do need to increase them, we also need to be mindful of external factors that are impacting people's spending today.

We also need to help people make the most of their savings in retirement. They can make an irrevocable decision in retirement that wipes out years of contributions, so again that guidance and advice piece is key, and we're very much looking forward to the FCA's conclusions on the advice and guidance boundary.

Parekh: Financial literacy is really important here, and we need more, earlier because there's an issue not just around decumulation but also around accumulation, and getting people to

think about saving a lot sooner.

Also, we talk about savings, but are we just thinking purely retirement savings, or savings in general? The big difficulty is, in general in the UK, 40 per cent of the population have less than £1,000 in savings. So auto-enrolment's done a great job encouraging and getting people into the system, and getting them saving for retirement. Auto-escalation will play a big part there in terms of getting people to save more. However, we need to think a little bit wider, because financial literacy and financial well-being in general have become much more important. Pension savings is one element of that, but educating on wider savings may also play a role in better engaging people into their retirement savings.

Smith: Trying to raise the bar on financial literacy is absolutely something we should look at doing. But how far can we raise it realistically? I am not quite sure. I therefore feel that the employer has a role here to help employees with regard to that.

On the digital/technology side, are we limiting its potential in the way that we're currently using it? Should we be looking at perhaps using more AI, to help people have a better understanding of what they should be doing? So they're more empowered, because information is being provided in a way that will help them make their choices?

So we need a combination of employer support, alongside using digital/AI tools, to empower the individual to have an understanding of what their future might look like when they stop work and also for them to consider what their key goals are as they go on that journey.

On investment, yes we want to make sure that they get as much return as they possibly can based on their risk appetite. But most individuals, given their limited

financial literacy, just want to be told exactly what's best for them.

Farrell: For most people, pensions and retirement are abstract concepts – you can try and educate them as much as you like, but that's the reality. I lived and worked in the Netherlands for a few years and, on the topic of contribution rates, they made a comment that if you work five days a week, four days should be for consumption now, and one day should be for retirement. That's basically their way of saying the savings rate is 20 per cent.

But bearing in mind everything that's going on in the world today, if you were to say to people, that 8 per cent you're paying in, it should be more like 20 per cent. That would just scare people off. So the system needs to get a little bit better. We can build a better mousetrap in terms of building the best investment engine you can. We can try and educate people a bit. But, ultimately, the system just needs to be better. It needs to be better for people to give them what they ultimately want.

Smith: Do you think the use of digital planning tools that provide nudges throughout the savings journey could result in improved engagement with better outcomes?

Farrell: Maybe. Things move on all the time. Someone I used to work with, who was a leading academic in the Netherlands, did loads of surveys on the Dutch population looking at whether we could nudge people in order to increase engagement rates. He found however that, you could spend millions on trying to engage, trying to improve things, but when you'd get the results back, you'd have improved engagement rates from 3-6 per cent of the population. Not great! That still leaves 94 per cent disengaged.

So are we nudging the wrong part, and actually should we just focus on, in his particular scenario, that 90 per cent



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plus cohort and actually try and work out what is it that we can get the system to do for them? Is it about income replacement rates? What does the average person want? Should the system try and deliver what the average person wants to them, rather than trying to educate them, and engage them?

Parekh: Let's take ourselves out of pensions and retirement savings, and delve into how people shop, for example. The way consumers spend money today is very different to 10 years ago, with Amazon and online shopping.

So I think the role of AI, a better system with the right nudges, is definitely the answer. My overarching view there comes back to savings versus retirement because, ultimately, do we want people to treat their retirement pot in the same way that they might treat other savings, or do we actually want to protect themselves from their retirement savings? So it's having the right system to make sure, yes, we want people to be engaged, but do we want them to be so engaged that, actually, they're seeing things move around, and they're panicking, and they want to do something with it?

Farrell: I've heard so many employers say that over the years, be careful with engagement because there's got to be a mechanism to protect people from accidental self-harm. And actually, are you just better off having the system just trying to be better configured for them?

Engagement versus inertia

Chair: Auto-enrolment is great because things happen automatically, and we get lots of take-up. Engagement is great because members will understand more. The two however are at opposite ends of the spectrum. Where should the balance be? Is it 50-50? Or 70-30?

Swynnerton: We know that auto-enrolment works for people who aren't

engaged and possibly never will be. I don't think you can necessarily move the dial much further in terms of engagement for that group of people. It would be great if we could, and we didn't need to rely on auto-enrolment, because everyone was at the other end of the spectrum and was fully engaged, but we know that will never be the case and many will never be sufficiently financially literate to make decisions that are being made for them currently through requirements of the auto-enrolment regime.

The ideal probably would be somewhere in the middle. But everybody has different needs which would lead to the need for different systems and requirements to cater for different levels of financial literacy, different levels of interest and if you don't have a one-size-fits-all regime, it's impossible to regulate, because how do you make the assessment as to where somebody is on the spectrum?

Walsh: I personally would always advocate for increased engagement. However, I don't believe we will get to a point where the whole population is going to be engaged in their pensions. So we need to make sure that we have safety nets for people. Auto-enrolment has been brilliant. It's predicated on inertia. We've seen it work. We've seen the results from the research coming through, that people through the cost-of-living challenges are much more likely to switch off Netflix, or cancel their gym memberships than reduce their pension contributions and that may be because they don't actually realise they can reduce their pension contributions!

I do think we need to have preset options or 'defaults' even into the decumulation space. That's the complicated bit! Inertia's got them into auto-enrolment, then they come to



retirement, and have to make a complex decision, they've not been engaged, and they don't know what to do. To support people we need to look at the model for decumulation to have preset options in language that people can understand and relate to, and they can pick one of those. Or if they're fully engaged, they can do what they want themselves or flex a preset option. You've got to have solutions that cater for all.

Parekh: I would echo all of that. If you think about setting the guide rails, then maybe the answer is somewhere in between, because while engagement is good, we don't want people to panic. So, actually, the tactical engagement around, depending on their ages, what they want, what they need at that particular time, how they should be saving, would be much more powerful, and also give people would also give people comfort that they're on a journey here. It needs to be much more focused and personalised.

Fouracre: In terms of what levers you can pull that will have the most impact, we mentioned contributions earlier, and it's difficult to move away from that. The average UK contribution is 3.4 per cent. PLSA reference and promote moving to a world that's 12 per cent, six and six.

There are cyclical challenges to be considered like the cost-of-living crisis, and there are structural challenges that could be assisted by government intervention. That could be lifetime allowance, inheritance tax, income tax. Focussing on some of these issues could have more of a significant positive impact

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to improving conditions and associated improved outcomes.

Smith: I'm not sure people will always remain disengaged. If an individual gets to a stage where they've built up their pension pot, and they're being told that's their money, that's their pension pot, there will be a level at which they will become engaged. And it's the mechanism that we use to tell them that will also make a difference. We need to also make sure that point starts a lot sooner than just 10 years before their planned retirement date.

Farrell: It depends on which cohort you look at. What are the average earnings for someone in the UK – £30,000-something a year before tax? After tax that's about £26,000. So most people think, when they retire, if they need £2,000 a month in today's money, where's that going to come from? State benefits are approximately £200 and something a week or so. So they're probably going to get half of that through state benefits.

They then need their pension to do a lot of that heavy lifting, but hopefully it won't be the only stream they have. They may have other assets somewhere else – although for most people on that income level it probably is a pension and a house. Then the question becomes how one thinks about their own personal balance sheet. Retirement assets are hopefully, for some, just one item. So it's about making the whole thing relevant for someone, and that's where it starts to get very difficult.

Walsh: Can I come back to the point about auto-escalation, and saving more for tomorrow? This is something that we

did put in a while ago. But due to FCA rules, you can't do it on an opt-out basis, so you've got to do it on an opt-in basis and unsurprisingly the opt-in rates are very low. I believe that if you do it on an opt-out basis, just like auto-enrolment, more people will stay in. The people who opt in do tend to stay in, so they have an automatic 1 per cent increase each year.

Auto-escalation can also help if there are matching structures in place. Interestingly, we've just appointed our new master trust DE&I lead and he was telling me, that whilst these structures are in place to try and encourage people to save more, if you think about the socioeconomic background of people, that matching structure tends to benefit the wealthier more because they can afford to save more.

So, while there are these tactics that you can do to try and encourage people to save more, you've got to put that inclusive lens over it as well, and make sure that you are being fair, or we're going to see the pension gaps increase even more across different groups.

Smith: On that inclusion point, some employers have woken up to that particular fact, because what they do is they match the pension contributions into the pension scheme if they see the contributions are going to some other sort of savings vehicle, or reducing debt, or that sort of thing. That's something that should be welcomed.

At-retirement support

Chair: How do we help people at retirement rather than just accumulation?

Fouracre: As ever, progressive regulatory updates have the power to help drive positive change. With that in mind, the raft of consultation papers that followed the Mansion House reforms brings decumulation firmly into the spotlight via a proposed decumulation

framework in which responsibility sits with trustees to offer decumulation services to schemes members, either in-house or by partnering with another supplier who could provide them.

Smith: I think it is about the whole journey that you need to take individuals on. We look at holding their hands throughout this journey in three clear phases – planning for it; thinking about it; and living it. It is about the bigger picture. It's not just about taking your retirement from your pension pots; it's that whole financial well-being piece that should be considered.

Pension schemes and employers should make sure that support is in place. We look into a future where individuals are going to have bigger DC pots than they've got now. We therefore need to make sure that there's a protection in place that they don't make decisions that harm them. Pension providers need to make sure they have the ability to provide all the different options and, when the individual is being presented with those options, that they are empowered, using technology, to look at all the options available, both with the provider and externally. Otherwise, we'll potentially be looking at undoing what freedom and choice put in place.

Farrell: This is where technology has to step in here, because you can have auto-enrolment, and you can create the right contribution rates. But when it comes to retirement, it becomes very personal very quickly, it's about an individual. Your retirement assets will hopefully just be one part of a wider balance sheet. But you have to get the right tech in place, and make the whole thing simpler, and in a language that any customer genuinely understands so that they can make decisions with it.

Swynnerton: Improving financial literacy becomes even more important at

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retirement, and whilst financial decisions come into sharper focus at retirement, that doesn't mean that bad decisions aren't still made. So anything that can be done there is fantastic, and to the extent it can be done through technology as well, then so much the better.

What ends up happening following the DWP's consultation on this area, which is trustee-focused rather than employer-focused, will also be interesting. However it seems broadly positive in terms of decumulation services, and backstops, and offering of services and products. But that could be seen by some schemes, particularly the smaller non-master trust schemes, as being quite a lot to deal with again. Perhaps it will therefore be another factor accelerating the charge towards master trust provision by employers.

Walsh: I agree with Jeanette [Smith's] point that we need to absolutely help people to and through retirement. Our master trust already has investment pathways as part of the guided journey through retirement for members and we monitor drawdown activity, communicating to members to review their withdrawals and investment option if the pattern of withdrawals is at odds with their chosen pathway. But nine out of 10 people through our research are telling us that they want a combination of guaranteed income to cover the essentials, and then flexibility over the rest for their discretionary spend.

So we are developing solutions around this. This relates back to my point earlier about having preset options for people to choose from using real life language and real life actions to support understanding.

Parekh: I completely agree with what's been said around the room – using technology, looking at people's circumstances, and what propositions

and products can be offered. But also, we need to recognise we are in between two generations: The generation of DB people who knew what their pension was, it was an income through retirement, it was quite clear; and DC people. And we're now getting DC members coming through and getting to a cliff edge.

Retirement itself isn't as clear as it used to be and so, ultimately, that's where people need a lot more help and a lot more guidance. So financial literacy, much earlier, is key, and getting people to understand what that pot is for, because when you get to the point of retirement, you'd hope there's a greater understanding and a greater appreciation of what they need to do with it.

In terms of wider products, it's great the conversation is evolving. It's great that providers and consultants are coming up with ideas. Master trusts have a part to play here. Collective defined contribution (CDC) has also not been mentioned today, which is another solution which has some element of risk pooling, and there are pros and cons there. But, ultimately, the aspiration behind CDC and some of the other products is around the fact that, actually, what members really want is an income at retirement. That's what needs to be built in, so how can we help members achieve that?

Walsh: In terms of getting member feedback, our trustees have started to do member webinars. They join us on a webinar, and they give top tips to their members, and then they can hear from their members what's important to them. They've been finding it really useful because, up until now, they've been relying a lot on us to bring insight and member feedback into the boardroom.

It's great because they can focus their attention on the themes that came through from that webinar that are really important to members, and then they

can work with us on helping develop new solutions or enhance experiences.

Smith: That's a great concept. Some of the businesses that we deal with that have their own pension steering committees, even if it's a contract group personal pension or master trust, what they're trying to achieve there, they have member representation or employee representation on those pension steering committees, and bring that into the fold.

Full service providers

Chair: TPR published a blog recently on proposals for workplace schemes to eventually become 'full-service providers'. What are the panel's thoughts?

Swynnerton: One of the problems, again, is potentially overloading trustee boards, especially where the scheme and/or trustee board is small. It's not necessarily a bad thing to drive schemes towards master trust provision, but a requirement to be a full-service provider could be seen as an additional burden for DC schemes to deal with. So there are challenges, and I think there'll be huge variation between different boards, depending on their size, as to how easy that is for them to accommodate. So the impact will be very different from scheme to scheme.

Farrell: So much of this is linked to scale. The bigger you are, the more you can offer. Hence, for single-employer trusts, it becomes really difficult, whereas the bigger the master trusts are, the more scale they have, then it becomes a little bit easier for them to maybe start thinking



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about all these extra responsibilities and services.

Smith: What will be the impact on innovation, would it reduce as there are fewer schemes, but with scale?

Swynnerton: As well as innovation, it's possibly harder to determine value for money if you've got one provider responsible for everything, including post-retirement services. There are risks.

Farrell: Or are we going to see mergers between pension providers, retail platforms, IFAs, to try and have more of a holistic view for people?

Smith: I appreciate the benefits such as lower costs, but you're weighing that up with potential loss of innovation and choice. We've been talking about trying to engage people, and make decisions, and equip them. But if they're just being put into something that is very standardised, is that all undone?

Fouracre: This framework is a pragmatic way for the government and regulator to drive their broad agenda. What's the ultimate outcome of this decision? It is that the market consolidates and consolidates in the large part into master trusts. That's the end goal that they're trying to achieve.

Parekh: I agree – you can see the direction of travel around consolidation here. And in some cases, consolidation makes sense. But in other cases, where you've got paternalistic employers, where they really understand their membership, actually, this gives them another thing

that they need to be thinking about, along with all the governance burdens they have.

So, ultimately, does this then deliver better outcomes for members? Moving to a master trust consolidation, does that really deliver the best outcome? For some, it will, absolutely, but not for everybody, and there are some single trusts out there which are very well run, that have member-nominated directors that understand their membership. Ultimately, there is no reason why they wouldn't be best placed to deliver the best outcomes for their members.

Walsh: Picking up on the point about innovation, I do believe we will end up with fewer, larger master trusts in the market with the financial backing to continue to invest and my view is that there will still be enough to drive healthy competition. Where you have providers, like Standard Life, with a strong social purpose and trustees aligned to this, you will see continued innovation.

We offer full to and through retirement solutions in our master trust and can support our own single-employer trust clients and others in the markets that don't want to move to a master trust, by offering a retirement-only section within the master trust. If their members chose to move to us when they start to access their retirement savings, they would get the same service that people within the master trust get today, and the continued oversight from a board of trustees. By doing this, we are supporting both single-employer trusts looking to move to master trust and those comfortable keeping their own trust arrangements by offering a solution that meets the direction of travel for decumulation from the DWP and the regulator.

Conditions for Transfers Regulations Chair: The Pensions Ombudsman

recently published its first determination on an amber flag relating to overseas investments under the Conditions for Transfers Regulations. How helpful is this determination for trustees faced with an amber flag following a transfer request?

Swynnerton: This determination is to do with pension scams, so it's relevant to all pension schemes. It's the first determination that the ombudsman has issued on the Conditions for Transfers Regulations, which are the regulations that came into force in 2021 that set out the amber and red flag due diligence regime. It's interesting because it's to do with one of the areas of uncertainty in the regulations, which is where there are overseas investments in the receiving scheme, as there almost always are, a literal reading of the regulations would require the trustees to refer the transferring member for guidance from MoneyHelper, whereas the DWP and TPR have indicated that this was not the policy intent behind the regulations.

As the ombudsman acknowledges in the determination, there's huge divergence within the industry on this question – some of our clients follow the letter of the regulations, and refer everybody to MoneyHelper; others who think the risk of a delay complaint from members outweighs the risk of not following the letter of the regulations and so they follow the spirit of what the regulations were intended to mean but don't actually say.

Does it help us? The complaint involved a member requesting a transfer who was required to seek advice from MoneyHelper, and as a result experienced a delay during which his transfer value decreased. The fact that the determination was not upheld and the trustees were not criticised for their strict interpretation of the overseas investments amber flag in the regulations



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can provide some reassurance to trustees adopting this approach because we know the Ombudsman won't uphold a complaint about doing that.

So, for trustees who are worried about it, perhaps that's the safer option for the time being.

So whilst it helps, proper clarity will only come when the regulations are amended. The DWP is currently reviewing the regulations, and there are various industry calls taking place with the DWP about what the shape of those regulations should look like.

Walsh: We take a pragmatic approach to this, so we don't send everything, because we think that the regulation has possibly been written too widely. I believe that some single-employer trusts do send absolutely everything.

DE&I

Chair: What more can be done to ensure we consider diversity, equity and inclusion (DE&I) in pensions?

Swynnerton: Before DE&I, there's always been a potential conflict in relation to trustee board composition between having the people who are best equipped to do the job, and those who are most representative of the membership. Whilst often they are, sometimes those aren't always the same people. It's a similar tension potentially between imposing DE&I requirements on trustee boards. DE&I, just to be clear, conceptually is great and as such should be welcomed, but it's only great if that isn't at the cost of ensuring the best people for the job are on the board.

For some, DE&I is also an insurmountable challenge, particularly in the non-master trust arena, where a trustee board of a private company pension scheme, a manufacturing company for example, doesn't have a very diverse workforce to pull from in the first place.

Walsh: We recently launched our trustee accelerator programme [www.standardlife.co.uk/employer/trustee-accelerator-programme]. We are trying to help increase the pipeline of diverse trustees going forward by funding a two-year fully supported programme, partnering with the Pensions Management Institute, targeting people from diverse backgrounds, potentially with no pension experience, to become trustees. I'm sponsoring that programme which I am really excited about and I hope that others in the industry follow suit, by either supporting our programme or setting up their own accelerator programme.

Smith: That's a great initiative. I think most businesses now understand the value of DE&I and have policies in place.

Trustee boards need to be inclusive, incorporate DE&I and ensure that, where required, appropriate training/resource is provided to bring individuals up to speed, and their opinion is taken into consideration. So I think it needs to be inclusive, not just on gender but absolutely on everything, for example on age and background as well.

Parekh: We've focused on trustee board diversity so far in our discussion today, but there is a lot of work happening in the industry around the gender pay gap, gender savings gap – all of that is happening more and more. Having the representation at one level helps to feed all of that down and, ultimately, we are moving in a direction where action's being taken, but also the right information is also being produced. You can't turn the dial immediately, but a lot of corporates are now putting plans in place to work towards better DE&I.

Fouracre: I interpret there to be a lot the pensions industry can learn from other industries. The data is irrefutable. If the DE&I policy in place is balanced



and correct, the outcomes are preferred. That's undeniable as a starting point. As a relative measure, the pension industry is potentially behind other industries in making steps forward in this regard.

There is a small amount of nuance afforded to us to make progressive shorter-term change through member trustees and professional trustees. Now, there's a fair counter there in terms of level of expertise, and therefore impact on the discussion.

But I think, at least in the short-term, we can go a way to addressing the problem through the make-up of member trustees on schemes, to ensure that you have the coverage that's representative of the underlying membership of that scheme.

Farrell: There is one thing we spent a lot of time on in the past couple of years, across the industry with our industry body, the Investment Association, and that is looking at how we get school leavers into the industry, because it's actually very difficult when you look especially at the investment industry. If you haven't been through university or the right university, it becomes very hard. So we've spent quite a lot of time trying to address that through the IA. It has been a phenomenal success. Initiatives like that are really important. So is there a way for the pensions industry to think about, as a group, how do we get people straight out of school into the system?