

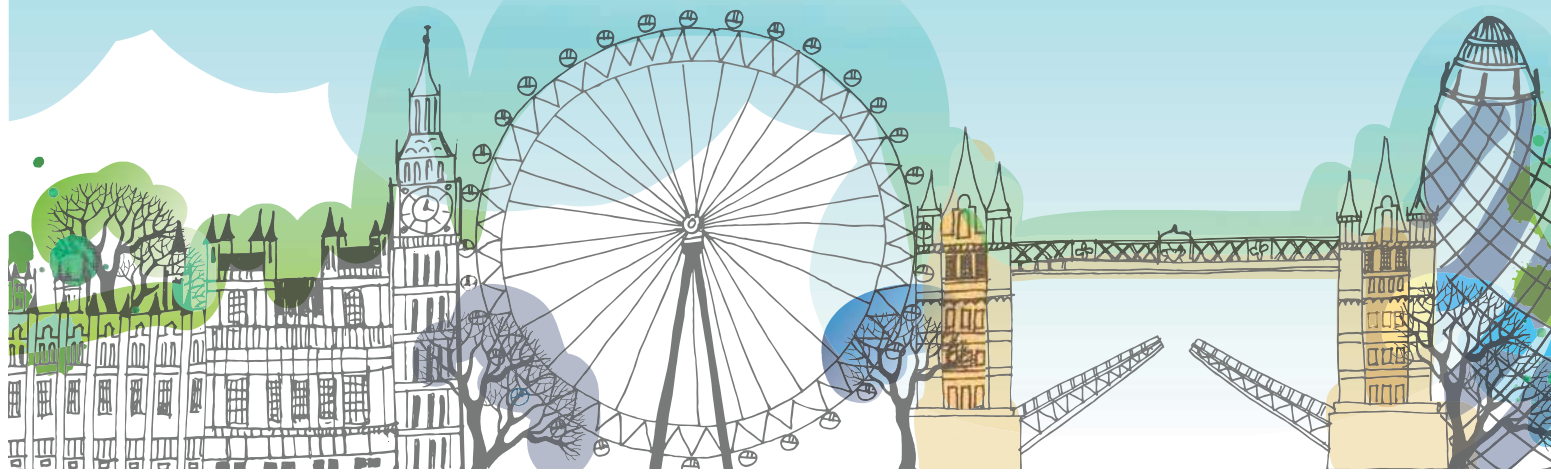
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Pensions Age Spring Conference 2021: Full steam ahead

✔ Looking to the future of pension fund management



It is hard to fathom that a year has already passed since we first had to go virtual with our *Pensions Age* conferences; and it's no secret that the *Pensions Age* team misses catching up with industry friends. But while the government restrictions on large gatherings still stand, we are lucky to be able to connect with the pensions world through our online events, and our Spring Conference was a great example of how this can be achieved with technology today.

Subjects tackled by the speakers throughout the day were relevant, topical and intellectually stimulating, with much reflection on how much pension schemes have achieved in the past 12 months, how they can best approach the challenges they face today, as well as what's needed in the future to help them achieve the best possible outcomes for their members.

Pensions Age editor, Laura Blows, chaired the event, channelling live questions from hundreds of delegates to our expert presenters, addressing topics ranging from regulatory change, scheme design – both in the accumulation and decumulation phases – and investment trends, to diversity and inclusion, being more dynamic with our member communication, and the merits of volunteering in the pensions space.

The Pensions Regulator (TPR) head of policy, Fiona Frobisher, opened proceedings with an update on the key areas of focus for TPR in the current climate, highlighting the main elements of its Corporate Plan 2021-22, which sets out the regulator's direction for the next year. She talked about what scheme contact there might be going forward and why; the work that is being done on the implementation of the Pension Schemes Act 2021; as well as focusing on some

areas where we all, as an industry, can make a real difference, such as diversity, financial technology and innovation.

“Over past few years we have talked about being clearer, quicker and tougher, and TPR has changed in order to achieve that – we are using our powers more than ever before; we have tried to be clearer in what we are saying; as well as quicker. For example, last year we put out guidance relating to the coronavirus quite quickly, and that was well received.

“This year, however, we will be talking about being tough on those who flout the law, and supportive of those who are struggling. These may seem contradictory and very separate – and sometimes they will be. For example, where we are looking at criminal powers, those are big powers that are related to the most egregious acts where people are flouting the law; are deliberately trying to disadvantage pensions scheme in some

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way. Then there is the other side, where we know employers and companies are going to be struggling. For example, once the job support processes that are in place are withdrawn, we will need to think about how we will support those schemes, those trustees that are going to be in a very difficult situation. But quite often our focus will be somewhere in the middle of those two parameters. We will be looking at how we make the boundaries clear for people, so they know what they can do – that's how we are supportive; but where they don't do what we need them to do, then we are going to be tough.

“So it is about flexibility; being clear on what outcomes we want; and trying to be transparent and engaged. We want to be a lot more user-led in our design too, so thinking about how we communicate with people and the regulatory actions we take – how do we make as them as easy as possible for people to comply with? And really clear on what we want to do? Alongside that, we plan to have a wider regulatory grip while also having a deeper understanding of scheme risks.”

Investing in infrastructure was the next topic of discussion as River and Mercantile head of infrastructure, Ian Berry, went back to basics on this asset class at a time when UK pension funds are being urged to step up their allocation to infrastructure investments to help preserve the long-term stability of the UK economy. He explained what infrastructure investing means to

pension funds today; the different ways of investing in infrastructure; how ESG is integrated within the investment decisions; and, finally, what sort of risk and return funds should expect from this asset class.

“The key fundamental most attractive feature for most investors is that the assets either do or are thought to deliver long-term stable predictable cashflows – there are not many assets that can provide those features – and those sorts of assets are an attractive building block for most institutional investors.

“But not all infrastructure is equal, and different types of infrastructure in different countries will have different levels of stability of cashflow, of linkage to inflation perhaps which is another feature that many investors are keen to acquire through their portfolio. So it is important for investors to decide why they have invested or why they are allocating to infrastructure and what they are looking for. Infrastructure can be approached from a cashflow perspective or a capital appreciation perspective.”

The importance of the role volunteering can play in the pensions space was next on the agenda, as The Pensions Ombudsman (TPO) head of early resolution, Tony Attubato, and network volunteer manager, Paul Day, introduced TPO's volunteer programme, looking to encourage professionals in the pensions industry to get involved and make a difference.

The TPO volunteer programme is well established and has approximately 200 volunteers from across the pensions industry. Volunteers play an integral role in helping the TPO to resolve informally complaints from the public about their personal pension. There are a number of benefits to volunteering, including networking opportunities

and career development prospects. The training volunteers receive can also be used towards their CPD hours. Firms may also incorporate the TPO volunteer programme within their Corporate Social Responsibility and/or pro-bono initiatives.

Attubato commented: “Don't underestimate what difference you can make as a volunteer. We are confident that if you became a volunteer, you would find the role rewarding, Cases can be interesting, thought-provoking and offer a real sense of achievement. Pensions for many people are complicated, and dealing with the issues involved stressful. Volunteers make a positive impact, stripping away the complexity and emotion and helping sort out problems, that sometimes have been long-standing.”

Day added: “Why become a TPO volunteer? It can support your professional development; it can enhance your career prospects; it gives you a chance to use your pensions experience to make a real difference in someone's life. Then there is the personal satisfaction that comes from helping others.”

DC decumulation was next in the spotlight, as PLSA director of policy and advocacy, Nigel Peale, outlined the PLSA's proposed new framework for DC decumulation.

“Pension savers face difficult choices when it comes to deciding how to access their pension. At the same time, pension providers want to provide more support but face tough regulatory challenges of their own. The PLSA has called for the introduction of a new regulatory framework for DC decumulation that it believes will lead to better outcomes for savers, especially the less engaged.

“Our recommendations, called Guided Retirement Income Choices, are based on observations made to us from

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our member pensions schemes, and from research data. Our member pension schemes say to us ‘people really struggle to make the complex decisions they face at retirement’, and the research tells us that people are very cash-focused, rather than thinking about their income for the rest of their life; they like to put off these complex decisions, to the point when it is really rather too late; and they like to follow the path of least resistance if there is one, whether or not that is sensible. Our idea for a new regime is focused around the saver, and about trying to learn lessons from auto-enrolment, when money is going in, and apply to the world of pension freedoms when money is going out.”

Diversity and inclusion (D&I) was next in focus as Pension Protection Fund (PPF) director of legal, compliance and ethics, Dana Grey, focused on D&I within the PPF. This included the PPF’s D&I strategy 2020-2025, how it is embedding D&I across the organisation and its recently published *Diversity Pay Gap Report*. As the PPF Strategic Plan 2019-2022 sets out, it is critical for the PPF to be a diverse and inclusive place of work at all levels, to boost innovation, improve risk identification, bring insight and efficiency to its operations, and provide better service to its members.

“Trustee boards have some work to do to become truly diverse, yes they have significant and potentially life-changing decisions to make. So they carry a responsibility to try and make themselves more diverse, particularly as members are becoming increasingly aware and engaged themselves, seeking to hold schemes to account. And what about the member in all of this? The media increasingly tells us that members and pensioners find pensions hard and difficult to access, so if you want to get people engaged, you have to remove

barriers and be inclusive. We know people don’t have a choice about whether to come to us or not, so one could ask why we need to bother; but we want to live up to our D&I commitments and make our services as accessible as possible.”

Royal Mail Pension Trustees CIO, Ian McKnight, who oversees investments totalling c.£13 billion across three pension plans, next talked about how they have managed to keep investment returns up during the pandemic and his plans for the future, including offering an update on the plan’s investment strategy over the past year and going forward, his thoughts on ESG, private equity, Bitcoin and other exciting areas of pensions investment.

“We are now legislated to look at ESG. I do wonder about this, as I am not being legislated to look at the Italy leaving the EU, probably a bigger risk than a sell-off in equities linked to climate change, the magnitude of which we just saw, last March, but there is a moral issue here too and our trustees are very passionate about getting it right. There are three prongs and we have done one of them for years, which is engage through an overlay. The other is impact – this is a really exciting area. You have got a tailwind on it. I don’t like exclusion because it is not mutually consistent; and by excluding you are not acting in the best financial interests of your members. The third is mitigate – once you understand what your carbon footprint is, then you should consider all options as to how to mitigate it.

“But I do worry about greenwashing.



I do worry about people espousing ambitions for the future, which may or may not be met. Moving tangibly and sensibly towards ESG with our financial best interests at heart is where we are, and we are wanting to do the right thing.”

The view of the pension trustee was next offered by PTL managing director, Richard Butcher, who discussed the impact of an increasingly connected society on the pensions ecosystem and how the industry can take advantage of this to drive enhancements in pensions, specifically in member engagement and fiduciary/provider decision making. Butcher asked delegates whether we, as an industry, are using all the data available to us to design to the best effect.

“Connectivity gives us the opportunity to really improve member outcomes in both DB and DC; we can improve the quality of our decisions on their behalf; we can improve the quality of our engagement to their benefit; this is a win for everybody. As long as we grasp the nettle; as long as we are open-minded. You need to listen to new ideas and not automatically dismiss them; and not try to find an excuse against them.”

Many thanks to all our speaker, sponsors and delegates who joined us on the day, and we look forward to hopefully seeing you in person at our Autumn Conference in London.

➤ **Written by Francesca Fabrizi**