Standing out from the crowd

With increasing scrutiny on the performance, service and value offered by pension schemes, *Pensions Age* reflects on the industry accreditations available to help providers stand out from the crowd

There has been a growing focus on the performance, service and value that pension schemes and providers are offering savers, with a new value for money framework on the horizon, and potentially new rules requiring schemes to compare investment performance data against two comparator schemes with assets in excess of £10 billion.

But there are already a number of qualifications and certifications available in the market to help providers stand out from the crowd and showcase how they compare against their peers. *Pensions Age* takes a closer look at the accreditations available.

The Pensions and Lifetime Savings Associations' Pension Quality Mark

The Pensions and Lifetime Savings Association's (PLSA) Pension Quality Mark (PQM) was originally launched in 2009, although the standards underpinning it have continued to evolve with the industry.

Going beyond the minimum regulatory requirements, the standards aim to recognise workplace schemes that have good contribution levels, good governance, and encourage employees to save for their future.

To meet the standards the employer must offer employees a minimum contribution of 12 per cent, with at least 6 per cent from the employer, or 15 per cent for PQM Plus, with at least 10 per cent from the employer.

The scheme must have effective governance, an appropriate default investment strategy, an understanding of its members, with an inclusive engagement strategy, and support for members at retirement. The standards also set out best practice, and the evidence a scheme can provide to demonstrate that it meets the standards.

The accreditation scheme was designed to increase confidence in workplace pensions by helping employers demonstrate the quality of their scheme. It is open to all defined contribution schemes, including trust-based arrangements (even where the trust has a defined benefit section), group personal pension schemes, group stakeholder schemes, group SIPPs and schemes using a master trust. Currently there are 83 schemes accredited with PQM, covering over 500,000 active savers.

There is an annual licence fee to use the PQM.

The Living Wage Foundation's Living Pension scheme

One of the more recent initiatives launched in the industry, the Living Wage Foundation announced the launch of its Living Pension standard in 2023. The standard sets a target of at least 12 per cent of a worker's annual salary to go into pensions saving, of which the employer pays in at least 7 per cent.

It can also be implemented as a cash amount of £2,550 a year, based on 12 per cent of a real Living Wage worker's salary. The employer contributes at least £1,448 to this cash amount.

The Living Pension standard is a voluntary savings target for employers who want to help workers build up a pension pot that will provide enough income to meet basic everyday needs in retirement, after research from the Living Wage foundation revealed that over half (56 per cent) of pension savers feel like they'll never be able to retire.

The Living Pension accreditation

is open to all accredited Living Wage Employers. To meet the standard, the Living Pension must apply to all directly employed staff (regardless of age and earnings) and, over time, third-party contracted staff within scope of the Living Wage.

As part of the accreditation, employers must also agree to provide an annual communication on the Living Pension to all employees, and a template will be provided to support this.

Launched with eight initial signatories, support for the standards has continued to grow since, with its latest update revealing that there are now over 35 employers accredited.

Cross-industry accreditation – Star

This scheme focuses specifically on the transfer space, having been launched by Criterion and TeX in 2019 as a method of tackling the delay of transfers for consumers, when accessing their savings, investments, and pensions.

In its first three years, a total of 76 firms signed up to the cross-industry initiative, which is backed by the regulators and government. And support has continued to grow since, as the number of brands awarded with Star accreditation grew by 16 per cent in the past year, with 37 brands awarded accreditations in its latest update in April 2024.

Star accreditations are based on several factors, with each organisation measured on a range of previously agreed key performance indicators, not only on the overall transfer time, but also how they communicate with clients.

The initiative announced its first round of accreditation in 2022, in what was described as the "biggest piece of industry collaboration for decades".

Two years on from this, Star has argued that the initiative continues to be particularly important when considering the Financial Conduct Authority's (FCA) Consumer Duty rules, which laid out rules to avoid causing foreseeable harm to customers.

Indeed, Star chair, Andrew Marker, highlighted the "significant increase" in accreditations in 2024 as a reflection of the FCA's Consumer Duty rules and of organisations recognising that "improving transfers is key to not only fulfilling these rules, but also driving their own success".

In September 2023, the FCA also contacted CEOs and firms as part of its supervision strategy to encourage them to engage with Star and support the principles and actions endorsed by the FCA in connection with Star.

"Where firms are reporting poor transfer times in comparison with peers and do not already engage with Star, we will be enquiring about their justification for non-engagement and will act in the absence of progress on transfer times," the FCA stated.

The Institute and Faculty of Actuaries' Quality Assurance Scheme

The Institute and Faculty of Actuaries' Quality Assurance Scheme (QAS) is a voluntary, outcomes-based accreditation scheme for organisations that employ actuaries, supporting the highest professional standards; demonstrating a commitment to meeting the QAS outcomes: Professionalism, development and training, and organisational culture.

The accreditation aims to recognise that actuaries do not work in isolation from the organisation in which they work, acknowledging the importance of the working environment in enabling members to fulfil their professional responsibilities, and the importance of appropriate monitoring of the quality system controls at an organisational level.

In particular, the scheme aims to promote professionalism in organisations that employ actuaries, encourage actuarial employers to ensure effective support is in place for technical and ethical issues faced by actuaries, and to promote greater confidence in the work of actuaries.

Support for the QAS has grown since its launch, with over 40 organisations now accredited under the scheme. There is an annual fee to use the QAS.

Benefits Guru

Benefits Guru's ratings aim to help advisers and employers in their decision-making process. Designed to provide clarity on the variety of tools and services available via workplace pension providers, the ratings are intended to help advisers and employers identify the propositions that will help improve financial outcomes for members and highlight areas where providers could enhance their offerings.

They cover a number of categories, providing annual ratings on workplace pensions, auto-enrolment (AE), financial wellness and open finance.

In the rankings, each provider is awarded a gold, silver or bronze or N/A rating for their overall proposition and in a series of underlying sub-categories, which reflect the most frequently selected features chosen over the past 12 months by advisers using the Finance Technology Research Centre's online workplace pensions comparison tool.

These sub-categories include: Member app and portal capabilities, at-retirement support, member communications, proposition design, governance and vulnerable customers support. The latest workplace pension and AE ratings also saw the introduction of additional benchmarking criteria, including environmental, social and governance within the 'investment & fund options' rating.

In 2023, providers achieved their strongest performance in the workplace pension and AE ratings since the ratings began nine years ago.

Written by Sophie Smith