

Sponsored by:

isio.


 M&G
Investments


 PICTET
Asset Management

Pensions Age Northern Conference 2022: Back with a bang

✓ **Catching up with the pensions world post-Covid-19, speakers considered the recent progress made and the work still needed**

Back in Leeds for the first time in more than two years, the Pensions Age Northern Conference 2022 has returned with a splash, with a glamorous new venue, an excellent panel of speakers, and delegates from across the country.

The city made sure to put its best foot forward, with the sun shining down as chair, Roger Cobley, welcomed delegates, before handing over to the opening keynote speaker, The Pensions Regulator (TPR) lead investment consultant, Fred Berry.

Berry kicked off the day with a whistle-stop tour of the work currently underway by the regulator, focusing in on the recent progress on policy, prosecutions and consultations.

Berry also reflected on the broader market circumstances, stressing the need for the industry to ensure that the current cost-of-living crisis does not become “a cost-of-retirement crisis”.

He stated: “As a pensions industry



we all need to encourage and support savers, to help them appreciate the value of planning and saving for later life, and to help them understand the impact of immediate financial pressures.”

In addition to this, Berry clarified that whilst the regulator will continue to show regulatory flexibility during the current period of economic pressure, duties remain, and trustees are expected to show continued diligence and oversight.

“We will not be relaxing our stance because circumstances are challenging,” he emphasised. “We will continue to be tough on those that we need to be tough on, for example, scammers, fraudsters, criminal gangs, and they should all be mindful of our powers and availability and willingness to prosecute or use our regulatory powers.”

The impact of the current challenging environment was further explored by Pictet Asset Management head of multi asset London, Andrew Cole, who suggested that the recent rising inflation could present a concern for both pension scheme investments and corporate sponsors.

In particular, Cole suggested that pension scheme trustees may need to be more acute in where their asset allocation is at any moment in time, as inflation, on average, is going to be higher than

the market has experienced the past 20 years.

“It’s a very different environment that we’ve experienced as investors over the past 12 months, compared to what we’ve seen on average for the previous 25,” he explained, acknowledging that there are also “a lot of uncertainties” around the future levels, particularly in light of how wrong previous forecasts have been.

He continued: “When you look at what investors and central banks thought the inflation rate today was going to be a year ago, they have never been more wrong. That doesn’t fill me with any confidence when I look at their expectations for the next 12 months.”

However, rising inflation has not only impacted pension schemes and corporate sponsors, as the next speaker for the day, Isio senior DC consultant, Hannah Tebbutt, warned that members are being hit by a “perfect storm”, with priorities shifting “quite significantly” as a result of the current cost-of-living crisis.

However, Tebbutt suggested there are some “relatively simple things” that the industry can do to ease pressure on members, such as potentially allowing members to exit their scheme for a short period of time to ease financial worries, or allowing those aged 55 and over to access their pension pot to meet immediate bills.






More importantly though, Tebbutt stressed the need for the right framework and education to ensure that savers understand the impact of these decisions.

She stated: “Given the lack of education in schools and workplaces, employers and trustees have a real opportunity to make quite a big difference. There’s always been a need for education but given the current crisis, if we can take some action now, we can make a real difference and start to help members feel more confident and empowered.”

“I think our industry is really well placed to be able to do that and offer a more integrated approach to pensions and broader financial commitments working with both trustees and employers.”

This was echoed by Association of Member Nominated Trustees (AMNT) committee member, Robin Bell, who argued that the decision made by savers in relation to their pension is “probably one of the most important decisions” in terms of the impact on their life.

Bell also stated that whilst outright scams pose a threat to some savers, other savers need “saving from themselves”, as the rush to get out of their pension pot can result in unexpected consequences.

“There are no ‘no brainers’ and people need to be empowered, but they also

need to want to be empowered,” he stated. “A lot of the tools are there for them to take these decisions, but the reality is a lot of these tools aren’t being utilised, so they need to be signposted and supported in the journey to get this information.”

Opportunities are also arising amid the current market conditions, as M&G head of alternative investments, Michael Howard, argued that structural tailwinds are driving a “whole host of opportunities” for pension scheme investors in the real asset space.

“There is no shortage of opportunities” for investors, Howard stated, noting that while some areas are “quite keenly priced”, there are “a huge amount of opportunities out there that offer very attractive value”.

Howard also stressed that these investments can offer investors “resilient cashflow”, as well as having “quite a lot of built-in inflation protection”.

“From a structural perspective, we can all see why these opportunities are arising,” he continued, explaining that there are “massive issues to deal with in climate change”, as well as challenges around the infrastructure needed to support a growing population.

“There’s a whole host of opportunities here and you can see the need to link private and public finance for some of these projects,” he said, emphasising that there is a “very substantial gap” in the funding needed in many of these areas.

Switching to focus on the upcoming legal challenges, Arc partners, Kate Payne and Vikki Massarano, highlighted two key considerations for pension trustees: The Notifiable Events Regime and TPR’s new Single

Code of Practice.

Whilst both initiatives have faced delays, with industry experts expecting them to be in force by the time of the conference, Payne and Massarano said the direction of travel is clear, urging trustees and providers to be proactive.

Payne explained that whilst the Single Code of Practice will be “quite a sea change”, many trustees could be surprised to find that quite a lot of their policies already address TPR’s expectations, although they may need some “tweaking”.

“It is nevertheless quite a burden,” she clarified, “and being on the front foot is probably better than waiting until everything is locked down”.

Despite regulatory delays, delegates were able to hear about the progress being made in other areas of the industry from the next speaker, Small Pots Co-ordination Group chair, Andy Cheseldine.

In his presentation, Cheseldine confirmed that the latest report from the co-ordination group was imminent, stressing that “small pots remain an important and growing DC issue”.

He said: “Since 2021, the number of small deferred pots is likely to have grown by at least another million. By the end of 2022 we expect 11 million small deferred pots, possibly a lot more thanks to Covid’s effect on the labour market, and over the next 10 years that figure will double again.”



Sponsored by:

isio.




“Small pots are an issue for everyone, savers pension providers and schemes.”

Cheseldine also highlighted inefficiencies in the system that could be contributing to the issue, stressing the need for providers to improve data quality, as this can “enormously improve the likelihood of better outcomes for your members, especially those with small pots”.

After another chance to network with the morning’s speakers and sponsors, delegates headed back to the main conference to hear from Pension Protection Fund (PPF) interim director of legal, Miriam Kimber, on the important issue of diversity and inclusion.

Kimber argued that diversity alone is not enough to create an inclusive work environment, explaining that whilst diversity is generally seen as being a question of representation, having a diverse group of people in place is only “step one”.

“To make that count, trustees need to think about how that diverse group of people are going to work together,” she explained, emphasising that people from underrepresented groups in senior positions still “really need amplification support”.

More broadly, Kimber also reflected on the steps that pension scheme trustees can take to ensure that they are providing members with accessible communications, such as ensuring fonts are readable by screen readers.

Focusing in further on the importance of member comms, BT Pension Scheme (BTPS) head of pensions services delivery, Dave Tomlins, and head of pensions administration strategy, Andy Whitelaw, discussed the work undertaken to transform the BTPS’s level of member satisfaction, which rose 23 percentage points from 63 per cent in 2018 to 86 per cent in 2022.

Whitelaw stated: “Pensions administration has been under-invested



by a lot of schemes for a long time, and we saw the pitfalls of that first hand. It’s a false economy, because one benefits rectification exercise in terms of overpaid benefits that you’ll never get back could be two years of your admin costs.

“It is worth investing in your admin, it’s worth investing in data, it’s worth investing in systems and its worth investing in people, because it pays for itself in the end.”

Closing the conference was Pensions Dashboards Programme (PDP) principal, Chris Curry, who provided updates on the recent progress on the programme’s alpha stage of testing, which has now delivered “working prototype of a basic model”.

In line with this, he confirmed that the DWP is expected to respond to the recent consultation “before summer recess”, which will provide a “definitive statement” of what exactly the regulations will include and provide some certainty to the industry.

Curry also confirmed that the PDP will be running a further consultation on the specific standards for dashboards following this.

Many thanks to all our speakers, sponsors and delegates who joined us on the day. We look forward to hopefully seeing you at our next industry conference, the Autumn Conference in London!

 **Written by Sophie Smith**

Word of the day

Pension scams were a recurring theme throughout the day, with TPR head investment consultant, Fred Berry, warning that they are “devastating for victims and frankly, a blight on the pensions industry”.

In line with this, he confirmed that TPR has been working with the National Fraud Intelligence Bureau to produce a threat assessment on pension scams, which is expected to be published “in due course”.

And this work may be more needed than ever, as Pictet Asset Management head of multi asset London, Andrew Cole, warned that rising inflation could leave savers more vulnerable to the temptations offered by pension scammers, particularly if their income isn’t keeping up with their cost of living.

“The backdrop for scammers offering higher rates of return because pensioners are suffering amid the cost-of-living crisis is actually going to worsen,” he stated, “and I think the regulator is going to have a problem there.”

Concerns were also raised by Isio senior DC consultant, Hannah Tebbutt, who suggested that whilst industry has made “significant advances” to try and avoid scams, the cost-of-living crisis could throw this progress into jeopardy.

She stated: “Scammers are at their best when people have financial worries and are at their most vulnerable. So we need to make sure that we are considering the key things...to ensure that savers aren’t exploited by that phone call that sounds really tantalising.”