In association with Capital Cranfield, BESTRUSTEES, the people's pension, AON Empower Results®

DC roundtable

CHAIR

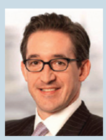
Andy Cheseldine, Professional Trustee, Capital Cranfield
Andy joined Capital Cranfield in 2017. Before joining Capital Cranfield, Andy acted as an adviser to trustees and employers at Watson Wyatt, Hewitt Bacon & Woodrow, and latterly as a partner at LCP. Using his experience of over 30 years in consulting on both DC and DB pension arrangements and liaising with regulators throughout the pension and financial services industry, he is able to use his wide knowledge and understanding for the practical benefit of trustee boards. He has served on the PLSA DC Council since 2013.

PANEL

Rachel Brougham, Trustee Executive, BESTrustees
Rachel has worked in the pensions industry for more than 30 years. She joined BESTrustees in 2014 and currently works with a number of clients, covering both DB and DC schemes. Since joining BESTrustees, Rachel's appointments have included two master trust boards and two independent governance committees of major UK pension providers, and the chairmanship of a number of DB schemes. Rachel spent most of her career at Mercer providing actuarial, benefit, governance and DC consulting advice to clients.

Roy Porter, Chief Sales and Marketing Officer, B&CE, provider of The People's Pension
Roy champions the delivery of the highest levels of service and support to both employer and adviser customers. He is responsible for supporting employers signing up to The People's Pension, and leading on client and customer relationships. Roy has more than 30 years' experience in the financial services industry. He has worked in the retirement planning sector for most of that time and is a member of the Personal Finance Society and Pensions Management Institute.

Ben Roe, Senior Partner and Head of DC Consulting, Aon
As a senior partner and head of the DC consulting team at Aon, Ben has significant client advisory experience. He works with a number of key UK trustee and corporate clients on all aspects of DC provision. He has a particular passion around making sure that members have the right support to make informed choices at retirement. He is currently leading a team developing an automated, online, 'robo-advice' solution that will enable sponsors and trustees to provide cost-effective support to DC members at retirement. Ben also sits on Aon's global DC committee.



Matthew Swynnerton, Partner, DLA
Matthew is a partner at DLA Piper and heads the London pensions team. He advises on all aspects of pensions law, including corporate and bulk annuity transactions, reorganisations, benefit redesign and liability management projects, reviewing and updating scheme documentation and advising trustees and employers on their legislative and trust law duties. Matthew drafted key legal sections of the Combatting Pension Scams Code of Practice, which received widespread praise.

Paul Tinslay, professional trustee, Dalriada Trustees
With 34 years in the Life and Pensions Industry, Paul has the very rare experience of having been a personal financial adviser, a market leader in the at/post-retirement market, a corporate pensions adviser and now a professional pension trustee and governance committee member for DB and DC pension schemes. Paul worked with the government actuary's department to develop the original drawdown legislation and has worked with a number of insurers to develop at and post retirement products and investment solutions.

Donna Walsh, Head of Workplace Deployment, Standard Life
Donna has responsibility for the deployment of Standard Life's workplace proposition. She has been heavily involved in the firm's workplace developments over the past 10 years and is passionate about improving the experience for Standard Life's members, employers, trustees and advisers. A qualified actuary, Donna has more than 20 years' experience across a variety of roles within Standard Life. She is a regular contributor to the pensions press and a popular speaker at key industry events.

DC: Above and beyond

Our panel of DC experts looks at how the DC industry has excelled in the past year, and is continuing to set the bar high for UK pension provision

Chair: What challenges has the pandemic presented to DC schemes and how has the sector coped?

Brougham: The biggest challenge that I've seen, sitting on independent governance committees and master trusts, has been the impact on administration service provision – call centres for example. Some have coped well, but some are still struggling to catch up, 12 months on.

If DC members want to access their benefits, they need a decent service to be able to do that. It has of course been a massive task getting everybody working remotely, so we have to give credit to everyone who has achieved that. But 12 months on, not everybody's got it quite right, even though this is a new way of working and will be probably so for quite some time.

Early on there was also a lot of disruption in the investment markets, but that corrected itself relatively swiftly.

Porter: Automatic enrolment has generally come through the pandemic relatively well. At The People's Pension, we've only seen moderate increases in opt-outs and cessations, with some small spikes occurring around particular policy decisions. For instance, the decision to unwind the Job Retention Scheme in the autumn caused a small uplift in cessations. But generally, our members have been sensible and they've refrained from raiding their pensions pots. Contributions have also held up well, probably fuelled by the government's retention scheme and furlough initiatives.

From a providers' standpoint, the pandemic has proved that, when forced, pension providers and administrators can adapt relatively quickly to new ways of working without too much short-term customer detriment. In some ways, it has even forced a rethink in the way providers, pension providers particularly, interact with customers and stakeholders.

Roe: At Aon, we have not seen any widespread evidence of members making rash decisions, which is great considering everything that we've been through over the past year. That's a big positive.

The other thing that came to light from research we carried out last year is that there is a bigger realisation that people are going to have to either save more for retirement or work longer. There is also an increase in those expecting a shortfall at retirement.

The positive side of me hopes that this realisation will feed through to higher contributions and help close some of the savings gap in the future. That could be one of the positives that comes out of the pandemic.

Swynnerton: From a DC perspective, the immediate effects of the pandemic – the market volatility, the capacity constraints for administrators – have hopefully been ridden out now; and we see schemes starting to focus on longer-term objectives; taking stock of how they coped over the past year and how that might affect operational models going forward. I suspect, as we come out of furlough, we will start to see some businesses collapsing unfortunately. That will have an impact on both DB and DC schemes.

Tinslay: The initial disaster recovery plans, transitioning across to working from home, seemed to operate reasonably well. There were some really good examples, and there were also some touchpoints that didn't go quite so well, but overall the industry acted very well. We can give the regulators some credit for having set the industry up over the previous years in order to deal with that.

The other big impact I would focus on relates to cybersecurity, which is clearly keeping a lot of people up at night, given the increase in cyberattacks. I am getting involved much more these days as a trustee in assimilated cybersecurity breaches to make sure we're set up for all of those kinds of things. Cybersecurity is important and something which we need to concentrate more on in the DC world.

Walsh: For us, the pandemic has

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impacted different people in different ways. As an example, in 2020, we saw a fivefold increase in members disclosing to us that they were facing financial difficulties. We also saw a notable increase in people under the age of 55 asking us if they can access their retirement savings, because they were in financial difficulty. Also, many of our over-55 customers, who are able to access their retirement savings, were telling us that they were doing so to live on/pay for the bare necessities, as opposed to spending it on other things.

But then conversely, at tax year-end this year, we saw an increase in one-off contributions into pensions. Some people have more money than they've had before because they've not been able to spend as much due to the pandemic, so they're paying more into their pension at tax year-end.

We also carried out research with the International Longevity Centre focused on Generation X and we found that 20 per cent of them are saving less or spending down savings as a result of Covid-19, and 16 per cent are worrying about their financial security in retirement and thinking how they can save more.

So, we need to think about how we communicate and engage in different ways that will resonate with members across each of the different segments, based on what's important to them and what's impacting them right now.

Chair: I assume we've seen quite a big difference from a demographic perspective, insomuch as the younger generation were typically furloughed more than the older generation, while the older ones have access to their pension money to spend. What other trends are we seeing?

Walsh: Yes. The research also showed that groups that were already facing

disadvantages in their retirement income prospects have been disproportionately impacted. The self-employed, the part-time workers, people earning less than £15,000 per annum – many who have seen their hours reduced significantly through the pandemic, they have been impacted heavily.

Another piece of research we did, our financial attitudes study, also showed that women and people aged 35 to 54 felt less secure and have seen the biggest drop in savings security since the pandemic. So, there are definite differences across different demographics.

Porter: We operate the B&CE charitable trust specifically for the construction industry, and we've had a record number of hardship claims. Many of those have been middle-aged people or those approaching retirement, so I suspect that sector has been hit hard.

Sleepwalking into retirement

Chair: Five years on from the introduction of pension freedoms, new research from The People's Pension has shown that mature savers are sleepwalking into retirement. How much of an issue is this?

Porter: Our *New Choices, Big Decisions* research has given us a unique insight into the challenges faced by those approaching retirement, as well as the decisions that they have to make. The study was first conducted following the introduction of pension freedoms in 2015, and it focused on 80 people over 55, with primarily DC benefits.

We've done three rounds of this, with the latest research centred on 50 savers. The results show that policymakers, and the industry as a whole, have built a system that relies on unrealistic assumptions on how people behave to work effectively. It also shows that people nearing retirement want their pension provider to supply a safe, guided path to retirement, rather than have to make the complex decisions that they're currently faced with.

Some of the other key findings are that savers are scared of planning for the future, because they don't really want to discover the truth about the complexities and the issues they're going to face. Also, that savers underestimate the financial risk of growing old, that they don't understand how things like inflation can impact their savings, and the typical saver follows the path of least resistance. For example, they won't leave a product or change a drawdown withdrawal rate once they've signed up.

So the data and insights that we've collected through the research will help us in our work to provide a retirement product that adequately meets the needs of this new generation of savers.

Roe: This is a big issue that we've got as an industry, in the DC space. People want different levels of support and everything that Roy *[Porter]* has said echoes the statistics that we're seeing coming out of the Financial Conduct Authority (FCA) – around people not shopping around at retirement and ending up in their existing provider's solution, which may not be right for them. We do need to do more to provide people with the right support at retirement. We've seen a big trend towards DB schemes providing members with access to independent financial advice at retirement; and we're starting to see DC schemes going down the same route. The big problems, as always, are around (a) can people afford to take that advice and (b) do they know how to find a reputable advisor. So, we need to think about how we can make advice affordable, accessible and scalable across the population.

Following on from that, we are currently piloting a robo-advice solution with the aim of driving down the cost of advice and making it cost effective for those with smaller DC benefits who would still benefit from having somebody tell them what to do. The decisions are complex and getting it wrong can cost them a lot of money, so we do need to work on these support mechanisms. People are telling us that they want to be told what to do, because they don't know what to do, otherwise they will just sleepwalk into a retirement decision that might not be right for them.

Swynnerton: People generally don't think about retirement, and probably some of us here today are guilty of it too. They fear the worst so don't want to think about it, or they think they'll be okay without giving it proper consideration. In truth, no one really knows what the true impact of longevity is going to be.

One of the consistent themes from these roundtables going back years has been the importance of communication and getting that right with members. It's interesting that it's still a theme that's coming through today and that we're still talking about the need for targeted communications and age-related communications. There seems to be a disconnect between policymakers and savers that needs to be removed.

Tinslay: Matthew *[Swynnerton]* is absolutely right – for members to be engaged, communications need to be engaging. The challenge is that when we're dealing with members at retirement, there's a great deal of unknown. Even more importantly, there is more mistrust in the pensions industry amongst the public than we would like to accept. That probably is the biggest barrier. Members don't necessarily want to speak to financial advisers, and they don't want to pay for them either.

So while the Retail Distribution Review (RDR) created some good, the downside is that we are seeing less members engage, because they've got to reach into their post-tax savings to pay for advice and they're far less willing to do that.

All in all, the transitional period from full accumulation to full decumulation will continue to be a big challenge and is probably an area where the scammers are well ahead of the entire pensions industry, unfortunately.

Walsh: A multichannel approach to communication and engagement is definitely needed – making sure you have digital channels and apps available to those who want to use them, but also having people on the phones ready to help and guide people as well. And, of course, letters for those preferring this channel.

On the point about guidance, we need to ensure we are getting the right balance between what is considered increased guidance and when does that tip into advice. This is a focus for us. We're looking at increased guidance and including integrating holistic planning into that guidance space to help people across all life stages.

Finally, we as an industry need to encourage people to think about retirement in a different way. Rather than thinking about a pension, get them thinking about what retirement actually means for them, what they want from the next stage of their lives, what they are going to do with that extra time and how are they going to fund it. It's going to mean different things to different people, but if we better understand what retirement means to them, we can help them on their journey to get there.

Brougham: When pension freedoms first came in, I remember thinking how strange it was that we'd taken the nanny state approach on the accumulation side, but people were on their own when it came to taking their benefits, which seemed a very odd joining up of policy.

I am very interested in the behavioural science behind all of this and believe we should be tapping into that a lot more to help us work out what kind of communication works for members, and how we can help them without straying into the realms of advice.

The fine line between guidance and advice acts as a huge barrier, and trustees are frightened to go down a particular route. None of that is helpful to members.

Also, why are we expecting members to become financial experts at this particular point in their lives? There will be a lot more going for them when making the big decision to transition from working life to retirement life, and the financial side of it is going to be enormously stressful. This is going to become an even bigger problem as more and more people are solely reliant on DC pots. There's a shock going to happen somewhere in the not too distant future, when there's a big realisation that there is not enough money in those pots.

Member engagement

Chair: This industry is schizophrenic in its approach to engagement. We don't want to engage with people when they're

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auto-enrolled at age 20. We just want them to join the pension scheme, and we don't want them to ask any questions, because if they ask questions they might opt out. But at some point thereafter, certainly by age 55, we want them to be fully engaged. How do we square that circle?

Roe: You're absolutely right, we don't want people to engage too early, or they could make silly investment decisions. It comes down to getting the defaults right for those individuals and then gradually warming people up as they're going through their career.

On engagement, we have seen a number of recent trends. First, the pandemic has given a real boost to digital and online communications, which is great because that whole area needed a shake up. We've also seen people really engaging with online webinars and mid-career seminars, for example, which has been effective in starting to get people thinking about these issues.

Finally, as people get towards the endpoint of their career, it is all about targeted messages. App-based technology really works, because you can send out targeted messages, you can start to tailor the communication to those preferences and so on. With some clients, we are going down the attitudinal approach and starting to send out different communications to the different groups, based on their preferences.

We're doing that on our own scheme also, with our own pension app that we've launched.

All of those things are helping to drive engagement in pension savings and also in the area of wider financial wellbeing. That's got a real role to play in the engagement piece, as we've got to recognise that people have different challenges and different things that they need to do with their assets at they move through their career.

Swynnerton: Automatic enrolment is predicated on the concept of inertia. That means you start with an inert membership and, over the course of their scheme membership, you need to convert them from being inert to reactive members. How do you achieve that?

We see dashboards mentioned a lot when this question comes up but, while dashboards bring with them a great opportunity for everybody to see their pensions in the same place, they also present a number of challenges that will need to be overcome. Also, I'm not sure the fact that people have pensions across a number of schemes is necessarily the reason for people's lack of interest.

So, I'm not sure what the answer is but there does seem to be a need to engage and how we do that with members, particularly those who've joined just through inaction, is by definition a challenge.

Tinslay: I would like to get people engaged as early as possible. I've often advocated that we should have financial education at school. That would help establish a culture of understanding finances.

With regards to improving employee engagement, we also need to work on getting employer engagement. There is very little of that at the moment. The recent joint statement from the FCA and The Pensions Regulator (TPR) has tried to deal with that, enabling trustees and employers to give lots of information and guidance without crossing that particular barrier into advice. But there's still a massive grey area there.

Walsh: I agree on the financial education piece. At school, our children are taught how to do maths, how to cook, about history, but nobody's teaching them about other important things in life like mortgages and pensions.

It is also essential that we engage employees, so we don't just auto-enrol people into the pension scheme and then leave them and hope that they stay in.

At Standard Life, we have our employee engagement programme which sends out automated dynamic and relevant communications right the way through every life stage. As part of the welcome pack, they get a series of three initial emails to welcome them to the pension, give them some information about the benefits of the pension, and encourage them to register for the dashboard and the app. We have also started to roll out a reminder to register for the dashboard and the app and we're seeing an uptick in people doing so.

There are people out there who do want to understand more, so this programme also includes milestone comms, tax planning comms, and so on, all the way up to and through retirement.

The financial wellness point that was made earlier is also really important. If you have someone in the starting out phase, with little money, and you just communicate with them by encouraging them to save more in their pension, it's not going to land well. But if you help them with their immediate financial challenges, help them with things like budgeting for example, it can be much more productive. We have a new homebuyer app coming soon to our mobile app, for instance, to help people save for their first home. We also have our open finance platform, Money Mindset, which brings people's finances together. So getting people to think about their pension as part of that wider wellbeing piece should resonate and help build engagement at younger ages.

Brougham: The problem with engaging people earlier on is that a pension for them is a long way off and they can't quite visualise what retirement might look like and what they might need at that point. That's a big challenge.

Also, pensions need to be a lot more in the public conscience for the right reasons. The problem is that it comes into the public conscience when cases such as BHS and Carillion hit the press. All of the pensions news is negative, so we need to get some good news stories out there. Automatic enrolment is a good news story in terms of how many people it has enrolled, but people are enrolled and many might not even realise it.

There's also still a massive disconnect in understanding the size of a DC pot and how long it's got to last, because a pot of tens of thousands of pounds is a lot of money to a lot of people, but it's not necessarily going to last very long. Of course, another part of the problem we have with engagement is we can only deal with what we can see a member has. Some members have different pots all over the place, and it's very difficult to target your communication based on the size of a pot, because it might be a tiny pot of a very big piece of saving, or it might be all that a member has. The dashboard should help some way with that problem.

On a more positive note, people are starting to think about ESG issues and the impact of their pension savings on things such as climate change; and they are interested in understanding what we as trustees are doing in that space, making sure that we're managing climate risk and so on. If members are engaged and understand that their money is doing good things, they are perhaps more inclined to save more.

Porter: With over five million members at The People's Pension, communication is probably our biggest challenge. Saying that, over the past 18 months, the uptick in online engagement has been phenomenal.

I also agree that the dashboard offers a massive opportunity to encourage people to engage with pensions saving and will probably be useful to help people consolidate ahead of retirement – as we have seen happening in Australia.

There are trigger points at which you can engage more effectively with people, and Donna *[Walsh's]* point about segmenting the market is really important here – trying to understand the different facets of your membership so you can think about when is the right time to communicate.

For us, it's really important that we have clear, simple, engaging comms and we try and simplify our pension messages. It's obviously a very important part of our offering because of the mass market that we're serving, but even with a high quality set of comms, it's really tough to get people to engage. We do expect to see higher levels of engagement as pots grow. We have anecdotal evidence from Australia that that's the case.

It doesn't help that some of the consultations we've seen recently are somewhat misguided. We're engaging constructively, for instance, on the simplified annual benefits statement consultation, but we're realistic and frankly a little sceptical about the prospect of any sort of paper document delivering a step change in levels of engagement. It's a bigger issue than that.

Tinslay: Language is key here. When communicating with members, particularly the sizeable number of members that are using default funds, you want to let them know that there are other options available. But if those members log on to find out more, and the first thing they see are funds called, for example, a 60/40 cautious managed collective fund, they are going to be put off straight away.

Right across the industry we have a huge language problem, which we need to tackle. That will help with the trust issue.

Generation default

Chair: How do we change the mindset of 'generation default' and should we?

Tinslay: Generation default are those members that are automatically enrolled – they become a member of a pension scheme sometimes without even knowing it. They don't have to be involved with it, they don't have to open their annual SMPI, they don't need to log on, they don't need to do absolutely anything until they're faced with one of a small number of pathways to choose from, to actually then take the income.

So they go from being completely disengaged with the pension right up until the point that they are presented with a whole labyrinth of options, which they've then got to try and pick in a short space of time.

This links to some of the points about the employer – do we actually report to the employer about the number of members in the default fund? Do we report those who are registered for the online service? Those who are actually transferring in? Where the employer has a tiered level of contribution, do we report those who are still stuck on the first tier, where they've been automatically enrolled? Do we report

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those who are using salary exchange, those who are using it and those who aren't? This kind of information and an annual employer statement to its employees would be far more useful than what we've currently got in the chair's statement.

Brougham: On the point around members going into default at the lowest contribution rate and not doing anything more, I agree a lot can and should be done there. The default investment strategy, however, I am less concerned about because, why should we expect individuals to become financial experts in choosing their investments? We shouldn't. I don't particularly care if 99 per cent of my members are in the default, as long as we as trustees have designed that default really well with our membership in mind.

Actually encouraging members to self-select is possibly a dangerous game to play, if individuals don't have the confidence or the understanding to make those decisions with a good amount of knowledge.

It's incumbent on us as trustees to make sure that those defaults are really good and not worry so much about how many members choose to self-select or not. We'll make a reasonable range aside for those people that do want it, but actually the default is a really important thing to get right.

Walsh: Back to a point that was made earlier about ESG, there's an opportunity with ESG, responsible investment and climate change to engage people more with their pension. Also, we could potentially build on inertia and the success of auto-enrolment by allowing 'save more tomorrow' on an opt-out basis as well. We have to offer this on an opt-in basis, so I am not surprised that we don't see a high take up. But if it was on an opt-out basis, we probably would see people staying in and automatically saving more for their future.

Finally, back to the point around different communication methods needed for different segments, things like personalised videos can work as great nudges to help people realise the benefits of paying a little bit more.

Decumulation

Chair: What needs to be done to improve the DC decumulation journey?

Tinslay: We have a situation where we've not really recognised that transitional period between full accumulation and full decumulation, which I think will be even further extended given Covid-19. For example, there will be some members that will have to take some benefits in their early ages whilst they continue to work, and there will be some that want to do that even if they don't have to.

You've then got, in the decumulation sector, a realisation that it's not just pension issues that need to be considered. Many people are taking their tax-free cash because they can but, as a result, they are increasing their potential IHT bill, so their pension is then immediately inextricably linked with their inheritance tax planning.

For a number of members, that might not necessarily be an issue, because the numbers aren't quite high enough for them personally to worry about those kinds of things. But with increasing assets in houses and things like that, all of these things can be captured within IHT.

So, from a provider's perspective, you've got some challenges as to whether you deal with the pension on a segregated basis, whereby you concentrate on the pension only, or you deal with it on an amalgamated basis, so that you can bring the members' other pensions together too, maybe even build in the state pension as well, in order to give them a wider picture of what their retirement is going to look like. Finally, you can even take a full holistic approach to the member's – and even potentially the family unit's – other wider finances.

Brougham: A lot of this comes back to that discussion about engagement and helping people as they approach this particular point in their lives. We have investment pathways now on contract based arrangements and it's being considered for trust arrangements as well.

Part of the problem with standalone trusts is often that they don't offer that journey to and through retirement; so there's a challenge there as to how those members then access drawdown facilities and so on. That's a challenge for trustees of standalone schemes – how do they help members make a sensible decision in that area? I suspect they've got away with it so far because pots have been relatively small. As pots increase that's going to become a bigger problem and maybe we'll see more partnerships between standalone trusts and master trusts that deliver drawdown products going forward.

We're going to see a lot of consolidation in the own trust DC industry anyway, because of the value for money expectations that are coming along for the smaller ones.

Finally, as has been highlighted, we can only deal with what we can see. We need to help members try and bring the sum of all of what they have together to help us help them a bit more.

Porter: I agree you can only deal

with what you can see. With a largely disengaged audience, it's very difficult. We need to acknowledge that people are not very likely to suddenly become interested in and expert in retirement savings products, regardless of how you put them on the table. Nor are they likely to start taking financial advice en-masse. All the research shows that they won't do that, even though advice remains very valuable.

So, we need to learn from the successes that we've had and learn to use the tools, like defaults, that have been shown to work well repeatedly in many countries. It's clear to us that early interventions are required, together with well-designed defaults and appropriate guidance based on what we can see. We should make that available with a narrative relevant to the individual. That's much harder though than one might think.

Roe: I agree with the point around standalone trust based arrangements who are grappling with how to help members who want to access drawdown. We are seeing a number of our trust-based clients looking at partnering with a master trust to provide that solution.

Interestingly, the recent joint paper from the FCA and TPR suggested that this could be straying into providing advice. So that's not a helpful direction of travel. Hopefully that will change as this is just about trying to do the right thing for members and provide an option which might be suitable.

Brougham: Isn't that a prime example of the disconnect between policymakers and what we, as trustees, are trying to do to be helpful?

Roe: Agreed, we are just trying to be helpful to members. It's important to get the communications right, of course – to make it clear it's an individual's choice, but it's got to be beneficial to use the

trustees' bulk buying power to get better terms and make sure the features are appropriate for their members, than letting members go out or just stay with their current provider because that's what they'll do, they'll sleepwalk into that.

Also, I'm keen on people having access to advice. I've worked heavily in the DB space, where people are putting in place advice at retirement. If that's fully integrated into the retirement journey, we are seeing people take up that service. So 30/40/50 per cent of members will take that advice at retirement. Again, using the sponsors' or the trustees' bulk buying power, you can get some really reasonable rates for people for advice with advisers that know the details of the scheme.

Tinslay: Having advisers available and some kind of due diligence undertaken by the employer and the trustees for a panel of advisers is a very good idea. But then, as well as the joint statement from the two regulators, the ombudsman added that you've got to go through that due diligence on a regular basis going forward. So there's an additional cost, and another reason for employers not to engage with it.

Walsh: I agree with the importance of communications, engagement and guidance up to and through retirement. Recognising that many members would not seek advice, we implemented guided investment journeys into our drawdown in 2015, which the FCA investment pathways are largely predicated on, which means that we have six years of member data experience to draw upon. It may not come as a surprise that many people don't always do what they say they are going to do. We therefore monitor member withdrawals and, if they are at odds with the member's stated intention, we communicate with them, nudging them to our online drawdown review or to call us to discuss their options.

ESG

Chair: What can we expect from the regulator following the publication of its climate change strategy?

Walsh: We welcome the TPR publication of the climate strategy – we've already taken action and we have our net-zero targets in place. With the increased governance requirements for trustees in this area, we see this as further accelerating the move from own trusts to master trusts.

Brougham: I agree, it will possibly be another nail in the coffin of standalone arrangements and will accelerate the move to master trusts. If we can demonstrate that we are being proactive on this, however, ESG is a good means of engaging with members.

We do need to work closely with the investment management industry on this too. There's an awful lot of pressure being put on pension schemes to be pushing this. I'm not sure how much pressure's being put on the investment management industry, but it feels to me that the pension schemes are having to do the work to push this. It's not easy transitioning from one fund to another, it's a big cost, it's a lot of work, so it would be great if we could see a little bit more pressure on the investment management industry on this.

Porter: Where is this all going? We can probably expect TPR to be focused more on the treating customers fairly disclosure and reporting in the not too

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distant future. TPR were part of a group statement from regulators showing support for greater disclosure in 2020. The powers to regulate climate-based reporting was included in the Pensions Schemes Act 2021, and the DWP finished the disclosure consultation process in March 2021 so the final guidance is expected soon. So it's only going in one direction – greater disclosure, more emphasis on ESG, and it is a good opportunity to talk to people about it and engage members with it.

Roe: ESG is a really important and topical issue, and I agree it provides a powerful way to help engage people in pensions. We've seen that with some of the early adopters that have integrated ESG in the default fund, for example. That has received some great feedback from members who have engaged with pensions for the first time.

As has been mentioned, people may actually be willing to pay a little bit more to know that their money's doing some good for the planet, which is great to see.

So there's a good news story there and it often ties in with some of the wider corporate initiatives as well. If you can build that link with the employer about what they're doing and get them engaged with the pension scheme as well, it can have an even bigger impact.

It's also good to see that the subject has been broadened out from just an environmental issue, with the social side also being highlighted as important.

Swynnerton: The regulator's climate change strategy suggests that its immediate focus is going to be on governance and I think that focus will be centre on reporting and SIP publication. It also said that it's going to try and influence debate, and it will be interesting to see how it achieves that. Those debates are starting on trustee boards. It's a big issue for corporates too and we can see that through the corporate advice that we deliver, perhaps not in relation to pensions so much, but more generally. It will be interesting the extent to which there is actually trustee and employer engagement and discussion on this.

Also, I am curious to see how the regulator will use its enforcement powers. It has said that it will, but it's been generally hesitant to use its powers in areas that tend to be fairly opaque, in the DB space particularly. So it will be interesting to see how those powers are used, or if they're used, and if they go beyond just where there's been a failure to report.

There's also quite a bit more information to come. The regulator has got to publish further guidance and this links to the Pension Schemes Act 2021. It's going to look at integrated risk management, and there'll be modules in the single code. There's also going to be an update added to the trustee toolkit in relation to ESG, so there is a huge amount still to come. We're probably just seeing the tip of the iceberg on this.

Tinslay: There is some material out there to help trustees on the topic of ESG, but some more assistance from TPR on that side of things would be helpful.

Brougham: One thing we have to watch out for is that all while disclosure is all well and good, what needs to be avoided is that it just becomes a tick-box exercise and that only lip service is paid to this. At some point, as the regulator develops its enforcement around this, I would like to see it making sure that there's actually some proactivity going on there and some action being taken.

Scams

Chair: What's changed under the newly updated Combatting Pension Scams Code of Practice?

Swynnerton: The Code is now more streamlined, it has been restructured, it has some new regulatory elements, it has built-in guidance from the regulator and the FCA and more up-to-date Ombudsman determinations too.

The other thing I want to flag here is that the Pension Schemes Act 2021 goes hand-in-hand with the Code. Trustees can expect fairly soon additional powers designed to help them block transfers to suspected scam vehicles by removing the statutory transfer right and requiring MAPS guidance in certain cases.

The DWP is drafting regulations which will be consulted on at the moment and, alongside my fellow members of The Pension Scams Industry Group (PSIG), we are working with the DWP in helping formulate those. It will be really interesting to see how the regulations ultimately address the challenge of balancing the need for strong safeguards for members without blocking legitimate transfers.

Sadly, the pandemic has heightened scam activity, and scammers develop their tactics incredibly quickly.

Brougham: For us, as professional trustees, this is largely about understanding what the administrators are doing and understanding what their controls are around scams. We are slightly removed from it. Obviously, there's a communication through member newsletters and that kind of thing, but the real nub of managing the risk is with the administrator. So it's making sure that we understand fully how the administrators are managing that on our behalf.

Tinslay: We have spoken about member engagement and communication throughout our discussion today and that's a key component. Margaret Snowden from PSIG did a great podcast with TPR and I've provided my employers and members with a link to that podcast. That's had a good take-up.

Walsh: We published some findings recently on how scammers are targeting younger people now. We found that three in 10 of 18-34 year olds fell victim to scams, with scammers trying to use social media to target the younger generations. During the pandemic, 49 per cent of 18-34 year olds looked for information online or through social media for financial information, 26 per cent going through Google or search engines, 25 per cent YouTube, 18 per cent TikTok and 15 per cent Facebook. Scammers have clearly seized this opportunity, as almost half (49 per cent) report they have received unsolicited financial advice, with 21 per cent receiving it via social media and 20 per cent through online search engines.

We wrote to the UK government, asking them to take urgent action in the Online Safety Bill to protect people saving for retirement from fraud.

Single Code of Practice

Chair: What might the new Single Code of Practice mean for DC trustees?

Swynnerton: There are 15 current codes and the idea is to create a single shorter code – so there will be a reduction in volume, which will probably be seen as positive by most.

The first phase will involve merging them and bringing ten of the current 15 codes into one. So it will be halving the volume, which is consistent with TPR's ambition to create a single point of up-to-date information.

What we've noticed is that the actual content hasn't changed massively, but

the streamlining will hopefully make everyone's life easier. The next stage will see new modules on, for example, climate change, stewardship and cyber security – all positive developments.

The other point that's relevant for DC is the own risk assessment. There are certain matters that have to be covered in the code, which include carrying out the own risk assessment of trustees' governance, where the scheme has 100 members or more. So that's probably the most practical aspect but there is more to come over the course of 2021.

Roe: There is an argument that DC trustees have to navigate a bigger document, because they've got to go through all the DB content as well. So some might see it as more onerous to wade through a larger document, whereas before it was all in one place. So again, that could be another reason for reviewing the governance structure or delivery vehicle in the future.

Chair's statement

Chair: What is the panel's reaction to the DWP's comments on the problems with the annual chair's statement?

Walsh: The key thing here is getting back to the goal of the chair's statement, making sure that it's engaging and informing members. There's a worry that, with more and more input and guidelines from the regulator, they're getting very long and complex, and they look completely different to other communications that go to members.

We use behavioural scientists to help us with our member communications and the chair's statement is completely different. So we need to get back to the purpose of the chair's statement.

Roe: I agree the chair's statement is not really fit for purpose and needs a complete rethink. If it's going to members, it needs to be much simpler and focus on the areas that are actually going to engage them and that are really relevant from an individual's perspective.

Brougham: This is definitely a long overdue review. If the disclosure of everything that's in the chair's statement currently is still required, then let's just call it what it is – a compliance document; and let's create something else that gets the key messages to members in a far shorter and less techy form. A lot of time and effort goes into producing them – they're many pages and far too long.

Porter: We've always felt that member-facing documents should be short and clear. The chair's annual statement is neither of those things. The DWP's report is welcome recognition that it's not working as they'd hoped.

What we need is a short document that gives members key information that they need about value for money of schemes, without bewildering them with the information around transaction costs and all the detail that they put into these things. All that detailed information should be subsumed into an expanded supervisory return and supplied to TPR that way, while the chair's statement is kept relevant to members.

Swynnerton: It just doesn't seem fit for purpose. More importantly, it seems very confused in relation to what its purpose actually is. Is it to provide members with information? Is it some sort of regulator compliance reporting tool? It's just diverting trustee attention away from matters that are potentially much more important.