Fees
The balance between DC schemes increasing their sustainable investments, and the hesitancy to pay the higher fees of illiquid assets to do so

Consolidation
The innovation occurring in the DB consolidation space, including superfunds

Value for money
The efforts of regulators and the industry to create a new framework on Value for Money

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April 2024

PENSIONS Age

The leading pensions magazine

Sustainable investing: *What does the recent withdrawal of some large asset managers from the Climate Action 100+ initiative mean for pension schemes?*

Gilts: *The place gilts hold in today's evolving pensions industry*

Purposeful run-on

Is surplus extraction the way forward for DB schemes?

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Editorial Comment

2nd Floor, 5 Maidstone Buildings Mews, London. SE1 1GN

Forgive me, but when I think of those managing pension schemes, 'brave' isn't a term that usually springs to mind.

Until now.

Following the liability-driven investment turmoil as a result of the 2022 mini-Budget disaster, many DB schemes found themselves with a surplus; a pleasant new scenario following many years of deficit concerns.

Therefore, many of those with improved funding levels rushed to secure an insurance buyout, and then breathed a sigh of relief to have the costs and pressures of providing a DB pension off their shoulders.

This knee-jerk response was understandable. But I do wonder if any of those schemes that de-risked to an insurer now have buyers' regret?

Others bided their time and saw that DB surpluses seem set to remain for now (being described recently by LCP as 'robust', with a £60 billion surplus in Q1 2024) and are considering making the leap to a 'purposeful run-on' *[read more about this in our cover story on page 30].*

This is more than 'self-sufficiency', but instead making the bold decision to invest for surplus extraction. There are still regulatory challenges to this, but the aim is for the extraction to benefit pension savers, sponsors and the broader UK economy through investment in productive assets.

Purposeful run-on requires a new type of thinking from those managing schemes; away from a cautious, insular outlook, to one of optimism and dynamism.

It also requires a focus on the future. And for investors looking ahead, decarbonisation and the aim to reach net-zero must surely dominate their vision.

In BlackRock chairman Larry Fink's much-anticipated annual letter to investors, published last month, titled 'time to rethink retirement', he highlighted how "the power of capital markets can be unleashed to great effect" to assist the energy transition.

Which is why I considered it a shame to hear that, in February, BlackRock limited its involvement in Climate Action 100+ to its international arm, effectively removing $6.6 trillion, or two-thirds of its total assets, from the pool represented by the initiative, according to *Reuters*. Around the same time, a number of US asset management firms left Climate Action 100+ completely *[read more on page 45].*

Although these moves were from US asset managers, where political pressure to backtrack on climate initiatives has increased, they serve as a reminder to pension funds to be vocal about the sustainable ways they want their asset managers to invest their money.

"I'm pleased to see a less fear-based approach emerge from those managing pension schemes"

To that end, in December we saw a number of UK pension providers use their collective voice by signing an open letter backing an "urgent call" for increased adoption of pass-through voting by asset managers. The letter expressed concern around "a divergence between the voting behaviour of appointed asset managers, when compared with our investment principles and the expectations of our beneficiaries".

Returning to Fink's letter, he stated that "arguably the biggest barrier to investing for retirement – or for anything – is fear".

That's why I'm pleased to see a less fear-based approach emerge from those managing pension schemes.

Instead, they are understanding that their money equals power, and power equals having a voice – with pension funds using their collective strength to vocalise their climate investing desires. And the bold decision to implement purposeful run-on for surplus extraction requires those managing DB schemes to have positive expectations of their future funding levels.

Hopefully, these are just the first examples of a new brave, vocal, and optimistic mindset from UK pension schemes.

Laura Blows, Editor

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Purposeful run-on

Is surplus extraction the way forward for DB schemes, asks Chloe Whelan

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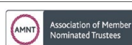

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Dateline - March 2024

Rounding up the major pensions-related news from the past month

2 March Chancellor, **Jeremy Hunt**, announced plans for DC pension schemes to be required to publicly disclose their level of investment in UK businesses by 2027, and to prevent underperforming schemes from taking on new business.

4 March The **Department for Work and Pensions** (DWP) confirmed that it would retain the current general levy structure and increase rates by 6.5 per cent for all schemes, following industry feedback.

5 March The Pensions Regulator (TPR) announced plans to boost its auto-enrolment (AE) employer compliance efforts.

5 March TPR launched a consultation on plans to help trustees of DB pension schemes meet new requirements for submitting a statement of strategy, ahead of the new DB Funding Code coming into force.

6 March Hunt provided further updates on a number of key pension reforms and initiatives as part of his **2024 Spring Budget.** He confirmed that he will continue to explore the potential for a pot for life model and work to encourage greater investment in the UK. Hunt also announced plans to require Local Government Pension Schemes (LGPS) to publicly disclose their level of UK equity investments as "early as April 2024".

7 March The **DWP's** Taskforce on Social Factors launched a new guide to help pension scheme trustees better understand and assess social factors in their investment decisions and stewardship.

12 March HMRC published a policy paper confirming that the authorised surplus payment charge will be reduced from 35 per cent to 25 per cent from 6 April 2024.

13 March The **Work and Pensions Committee** (WPC) heard that HMRC's application of rules when pursuing tax charges from pension scheme members affected by pension liberation scams is "inconsistent and quite unfair", as it held the first oral evidence session in its inquiry into the Norton pension schemes and the Fraud Compensation Fund.

18 March The **government** published new regulations to address errors and omissions around the removal of the lifetime allowance (LTA) in the Finance Act 2024, although industry experts warned that it is not yet "job done" *[read more on page 17].*

19 March TPR published the results of its first trustee diversity and inclusion survey, revealing that pension scheme boards are lacking diversity despite a desire to improve, with a 'typical trustee' found to be a white man who is over 45 *[read more on page 14].*

20 March The **Financial Conduct Authority** (FCA) wrote to financial advice firms asking them to review their processes when providing retirement income support, after its thematic review revealed a "mixed picture" in the retirement income advice offered *[read more on page 13].*

20 March The **WPC's** inquiry into the Norton Pension Schemes and Fraud Compensation Scheme continued, as it heard evidence from The Pensions Ombudsman, TPR, and the Pension Protection Fund (PPF).

21 March The **Parliamentary and Health Service Ombudsman** found that "thousands" of women may have been affected by the DWP's failure to adequately inform them that the state pension age had changed *[read more on page 16].*

21 March The **DWP** confirmed that it had repaid £571.6m to individuals impacted by historical state pension underpayments as of 29 February 2024, having identified 97,016 underpayments.

For more information on these stories, and daily breaking news from the pensions industry, visit **pensionsage.com**

21 March The **Bank of England** (BoE) opted to maintain its base rate at 5.25 per cent, marking the fifth time in a row that the Monetary Policy Committee chose to hold interest rates.

25 March Four potential operators of pensions dashboards partnered on the launch of a new **Dashboard Operators Coalition**, which aims to help the government deliver pensions dashboards to consumers as early as possible. The same day, the **DWP** published new pensions dashboards guidance, confirming that larger pension schemes will be expected to have completed connection by the end of April 2025 *[read more on page 10].*

25 March Hunt confirmed the **Conservatives** will maintain the state pension triple lock if re-elected.

25 March The **PPF** launched a consultation on plans to use a bespoke discount rate in s143 valuations for smaller schemes, in a move that aims to provide additional flexibility and better reflect buyout pricing for smaller schemes.

26 March MPs argued that changes to proposed regulation and improvements in governance standards are needed "urgently" to ensure private DB schemes remain an active part of the landscape and work in members' best interests *[read more on page 13].*

27 March The **BofE** welcomed progress in improving the level of resilience in liability-driven investment (LDI) funds, specifically highlighting TPR's efforts to enhance its data collection and capabilities and ongoing collaboration between UK authorities on LDI data monitoring.

28 March TPR shared its latest compliance and enforcement bulletin, which revealed a slight increase in the use of most of the regulator's auto-enrolment powers during the six months to December 2023. Alongside this, TPR announced that recent enforcement action had secured a £3.5m payment for a DB scheme, after restructuring activity and debt write-offs put assets beyond the reach of the scheme when its sponsoring employer went into administration.

28 March TPR announced a number of interim leadership changes, appointing Neil Bull as interim director of market oversight, Nina Blackett as interim director of strategy, policy and analysis, and Mel Charles as interim director of regulatory compliance. In a separate net-zero update, TPR also committed to reducing its operational emissions in relation to gas, electricity, business travel, water and waste by at least 90 per cent by 2030, as part of its new secondary goal to reach net zero by 2050 for all emissions.

28 March The **FCA** launched a further consultation on the regulatory framework for pensions dashboard service firms. The latest consultation is seeking views on its plans to include guidance in its Perimeter Guidance Manual to help firms understand the scope of this new regulated activity and when FCA authorisation and permission is required.

28 March TPR's new General Code of Practice officially came into force, in what was highlighted as a "significant moment" for UK pension schemes. TPR published its long-awaited General Code of Practice, previously known as the Single Code, in January.

News focus

Dashboards 'back at the top of the agenda' following DWP connection guidance

Work on pensions dashboards is expected to ramp up after the government confirmed its connection timeline, with some of the largest schemes set to connect within a year

The Department for Work and Pensions (DWP) has published new pensions dashboards connection guidance, confirming that larger pension schemes are expected to have completed connection by the end of April 2025.

In a written statement shared alongside the guidance, Pensions Minister, Paul Maynard, confirmed that, subject to satisfactory testing, the Pensions Dashboards Programme (PDP) plans to begin the process of connecting the organisations building a direct connection, including DWP state pension, from August 2024.

Connection testing will then continue to ensure readiness to support wider industry connection from early 2025.

Maynard said that whilst the timetable is not mandatory, it is a legal requirement that trustees or managers of workplace schemes and providers of personal and stakeholder pensions have regard to this guidance.

The new staging guidance is expected to help "smooth" the process of connecting the approximately 3,000 schemes and providers in scope by the connection deadline of 31 October 2026. It prioritises the connection of the largest pension schemes and providers, which the minister explained is intended to ensure that "crucial user testing can quickly take place at scale".

Commenting, Maynard stated: "The government is absolutely committed to delivering pensions dashboards safely and securely to the public at the earliest opportunity.

"The publication of the connection timetable marks a significant milestone towards launching pensions dashboards, and takes us closer to introducing a service that has the potential to transform how individuals plan for retirement."

In particular, the guidance confirmed that master trust schemes that provide money purchase benefits only, and have 20,000 or more members, will be expected to connect by 30 April 2025, alongside Financial Conduct Authority (FCA)-regulated operators of a personal pension scheme or stakeholder pension scheme with 5,000 members or more.

Medium schemes and providers, however, including occupational pension schemes with fewer than 1,000 members, will be given until 2026 to connect, with the latest date for connection, for occupational pension schemes with

between 100-124 members, set for 30 September 2026.

Guidance from the PDP is expected to provide further detail on the process of connecting to the pensions dashboards ecosystem, including when to contact the PDP and the onboarding process.

Commenting on the update, PDP principal, Chris Curry, stated: "Pensions dashboards will be a crucial tool to support retirement planning. By showing people's pensions together in one, online and secure place, they will boost pensions engagement, benefiting individuals and industry. Delivering dashboards is complex, and I'm continually grateful for the spirit of co-operation across government, regulators and industry.

"The timetable for connection is an important step on the journey to making dashboards a reality."

And the confirmed timeline is expected to help accelerate dashboards efforts in the pensions industry, as Bravura proposition lead, Jonathan Hawkins, argued that "nothing gets the industry moving quite like a deadline".

Hawkins stated: "The number of staging deadlines has been compressed from 31 months of onboarding to 18. This significant reduction will undoubtedly create friction, and pile increased pressure on already strained resources across the industry.

"However, in spite of this, I believe that having confirmed dates to work towards is exactly what the industry needs and will help towards firmly putting the PDP back to the top of the corporate agenda following the long reset period...We can expect to see a lot of movement and ISP commercial agreements being finalised as providers and schemes look to fast-track plans and lock in guarantees with suppliers that they will be able to get them dashboard-ready in time."

However, Trafalgar House senior client relationship manager, Katie Stone, warned that the deadlines "may still feel like a way off, and with pressing projects and milestones on the horizon before then, there is a real danger that many schemes may choose to delay sorting their dashboard data and very much find themselves in The Pensions Regulator's (TPR) crosshairs".

"The timetable for connection is an important step on the journey to making dashboards a reality"

The updated timeline was announced on the same day as the launch of a new Dashboard Operators Coalition (DOC), which will aim to help the government deliver pensions dashboards to consumers as early as possible.

As part of the coalition, Just Group, Legal & General, Moneyhub and Standard Life will work with the government and regulators to help support the safe, secure and successful early launch of multiple pensions dashboards.

The group will also look to help ensure dashboards meet different users' needs effectively at launch, as well as providing consumer feedback to inform future iterative dashboards enhancements.

The coalition said that it aims to address the "numerous" challenges remaining around testing, launching and iterating pensions dashboards, arguing that "some critical topics haven't yet had detailed attention".

In particular, the group will look to agree the optimal scope of statutory pre-connection audits (PCAs) so dashboards' adherence to the PDP standards delivers a consistent consumer experience.

It will also aim to address issues around identity service integration, to ensure a "seamless, yet secure", consumer user journey, and support the Secretary of State's assessment to make the dashboards available point (DAP) launch notice as early as possible for consumers.

The group will be headed up by independent dashboards consultant, Richard Smith.

The Financial Conduct Authority (FCA) has also launched a further consultation on the regulatory framework for pensions dashboard service firms, after the government amended the Regulated Activities Order (RAO) to bring the new activity of operating a pensions dashboards service within its regulation.

In particular, the FCA is seeking views on its plans to include guidance in its Perimeter Guidance Manual (PERG) to help firms understand the scope of this new regulated activity and when FCA authorisation and permission is required.

The FCA is also seeking views on two "substantive" changes to the regulatory framework, including requirements for firms to present the consumer with choices for their initial next steps after viewing their pensions data on a pensions dashboards service.

In addition to this, it has revised its data export proposals, in a move that is expected to create a single, consistent route for consumers to share their dashboard data with an FCA regulated investment adviser.

MPs warn against ‘finishing off’ DB schemes

MPs have argued that changes to DB regulation and improvements in governance standards are needed “urgently”

MPs have argued that changes to proposed regulation and improvements in governance standards are needed “urgently” to ensure private sector DB schemes remain an active part of the pensions landscape and work in members’ best interests.

The comments were made as part of the Work and Pensions Committee’s (WPC) report on DB pension schemes, which argued that despite a steady decline in recent years, DB pension schemes are still of “critical importance” to both savers and the UK economy.

However, the WPC warned that two decades of regulatory and policy caution from the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR) have led to a low-risk investment approach that threatens to “inadvertently finish off” the few remaining DB schemes still open.

Given these concerns, and recent improvements in DB funding levels presenting new challenges and opportunities for schemes, the report called for a “fresh approach” to funding regulation and the treatment of surpluses in pension and compensation schemes.

In particular, the committee urged the government and regulators to address concerns that the new DB funding regime, to come into force in September, could force open DB schemes to de-risk unnecessarily, potentially leading to premature closure.

Alongside this, it argued that TPR’s objective to protect the Pension Protection Fund (PPF) should be replaced with a new duty to protect future, as well as past, service benefits.

The committee also recommended that the DWP and TPR explore ways to ensure that scheme members’ reasonable expectations for benefit enhancement are met, particularly where there has been a history of discretionary increases, after it heard from scheme members who were concerned that their interests would be overlooked in this process.

The committee said that changes to PPF compensation levels should also be considered, noting that “the PPF is now fairly confident that it is secure and able to meet future claims from its existing funds, with £12bn in reserves”.

The report also touched on the DWP’s consultation on plans to allow DB surpluses to be extracted in a wider range of circumstances, arguing that whilst this is an important consideration if the government wants to encourage well-funded schemes to run on, they must not put member benefits at risk.

Given this, it said that the DWP should assess the regulatory and governance framework needed to ensure member benefits are safe and mitigate the risks before proceeding.

The committee also said that it was yet to be convinced that the PPF underpin would be an effective incentive to trustees to consider increasing their investment risk, arguing that the DWP and TPR should consider whether there are changes to the funding regime that could give trustees confidence to take appropriate investment risk.

The committee also encouraged the DWP and TPR to invest in driving up standards of governance across pension schemes more broadly.

As part of this, the committee recommended that DWP legislate to make accreditation mandatory for professional trustees, or at least set a date for this; explore ways to ensure lay trustees have the time and resources to become accredited; set out plans for ensuring every trustee board has at least one accredited member, lay or professional, and a timetable for that.

Commenting in response to the report, a DWP spokesperson said: “We are in a strong position with DB pension schemes enjoying high levels of funding. Our new regulations promote better – and clearer – funding standards, while retaining the benefits of a flexible, scheme-specific approach. Our DB options consultation is ongoing to seek views on how schemes can provide better outcomes for savers. We remain committed to progressing legislation for the permanent superfund regime as soon as parliamentary time allows.”

TPR also said that it would “consider the committee’s recommendations carefully and respond in due course”.

Written by Sophie Smith

FCA reveals 'mixed picture' on retirement income advice

The FCA has encouraged advice firms to consider the findings of its review, warning it will take action against those that do not

The Financial Conduct Authority (FCA) has written to financial advice firms to ask them to review their processes when providing retirement income support, after its thematic review revealed a "mixed picture" in the retirement income advice offered.

The FCA's review found that some firms had evolved their approaches and adapted to the post-freedoms landscape, and had clearly detailed processes, specific training on decumulation and used a range of tools to help illustrate complex information for customers.

However, the FCA admitted that, in several areas, it was apparent that not all firms were taking account of the differing needs of their customers in decumulation.

This included where firms operated in a way unlikely to lead to good customer outcomes by not considering a sustainable level of income to support retirement and some instances of firms not providing the right information to customers.

It also identified "considerable differences" between firms in advice file record keeping, revealing that 10 per cent of the files it received as part of the review were missing key documents, and were therefore unable to be assessed.

Of the files the FCA was able to review, 45 files (67 per cent) were found to be suitable, while 15 files (22 per cent) had material information gaps (MIGs), and also could not be fully assessed.

"We urge all firms to take on board our findings and review their own processes. Where they do not, we will act"

While most of the advice files showed that the advice provided was suitable, the FCA expressed particular concerns around the suitability of the advice in seven files (11 per cent), identifying issues around a loss of guarantees and features, penalties incurred and unnecessary charges or tax, with some customers also not given information about relevant options.

The FCA also found that some firms were not assessing capacity for loss (CFL) for customers, warning that a failure to consider CFL could prompt customers to take on more risk than appropriate and enduring reductions to their income that they cannot withstand.

Looking ahead, the FCA stressed that "retirement income advice remains a focus", confirming plans to carry out further supervisory work in this area to explore the scale of the issues identified and tackle any harms.

The FCA said it will also follow up on these findings with the firms involved, having already written to the chief executives of financial advice firms to urge them to consider and use the findings to review and update how they work.

The letter encouraged firms to refer to the questions in the data survey and take immediate steps to review whether they have appropriate management information and update their processes accordingly.

To support this, the FCA launched a new Retirement Income Advice Assessment Tool, developed for the purpose of the review to assess the suitability of advice files. It also shared an article on cashflow modelling, outlining the points for firms to consider when preparing and using a cashflow model.

Commenting on the findings, FCA executive director of markets and international, Sarah Pritchard, said: "Financial advisers have a vital role in helping consumers to make the right decisions now to support them long into the future. Some firms are getting this right and making a real difference to their customers. However, others are not even getting the basics right and putting their customers' futures at risk.

"We urge all firms to take on board our findings and review their own processes. Where they do not, we will act."

Written by Sophie Smith

Poor-value schemes winding up as TPR ups VFM action

The Pensions Regulator has shared the early findings from its pilot initiative on value for member requirements, as well as the results of its first-ever trustee diversity survey

March was a busy month for The Pensions Regulator (TPR), as it shared updates on a number of key ongoing initiatives, alongside a number of interim leadership changes.

In particular, TPR shared the early findings from its pilot initiative on value for member requirements, revealing that a number of schemes have opted to wind up as a result of the regulator's action.

TPR previously launched a regulatory initiative to check if DC savers were benefitting from new rules that require trustees to assess whether they are delivering value for their members.

And, according to the regulator, this initiative is already helping to drive consolidation, with 16 per cent of schemes from the pilot reporting that, having concluded their schemes do not offer good value, they have opted to wind them up.

Going forward, TPR will also be scrutinising information from DC scheme returns, with the potential for fines to be issued for non-compliance.

TPR also confirmed that it has already issued a fine of £12,500 against a corporate trustee, with further fines to be issued "shortly".

Commenting on the update, TPR interim director for frontline regulation, Mel Charles, said: "Where trustees are found to be in breach of their duties on value, we'll want to understand how they'll improve.

"But, if they can't or won't, we expect them to transfer members to a better-value scheme and consider winding up their scheme.

"It is encouraging that our initiative has shown schemes are now actively choosing to wind-up in the face of the new regulations."

The regulator has since also said that it plans to increasingly use new value for money (VFM) disclosures to "constructively challenge" trustees.

In a blog post, TPR chief executive, Nausicaa Delfas, argued that the pensions industry is at an "inflection point", as it moves from a pensions landscape of thousands of small schemes towards a concentrated marketplace of complex financial institutions.

"As we manage this transition, one guiding principle needs to run through all that we do – that schemes should drive value for money for pension savers," she stated. "But how do we achieve value? Through challenge and disclosure."

Indeed, Delfas argued that "disclosure is here to stay and should be seen as an opportunity rather than a burden".

She also confirmed that TPR will increasingly use disclosure of value for money and other data to "constructively challenge" trustee decision-making so that savers' interests are really being met.

However, she emphasised that the regulator also expects trustees to be asking "tough questions" of themselves and their advisers.

These messages were echoed again at the J.P. Morgan Pensions and Savings Symposium, as Delfas warned that a consolidated, concentrated market brings different risks for savers and the economy as a whole.

"The first line of defence for savers and for us as a regulator against these new threats, are trustees," she stated, continuing: "They have always been the backbone of our pensions system. We rely on them to take decisions in the best interests of others.

"But as we move towards fewer, larger schemes, the ask of trusteeship is changing. Increasingly we will need boards to be able to synthesise a broad range of data inputs and translate these into strategic decision-making.

"To understand commercial considerations offered to schemes with scale to move the market. And crucially, still represent faithfully the saver voice and savers' interests in all that they do.

"Making good investment decisions and employing sophisticated investment governance practices remain essential. We need all trustee boards to be suitably skilled to invest in diversified assets that deliver good outcomes for savers.

"Not because we favour one asset class over another. But because all schemes should have the knowledge and experience to be able to consider investments in asset classes that might deliver better outcomes for savers."

Trustee knowledge has not been the only area of focus for TPR over the past

month, as it also published the findings from its first survey into trustee diversity.

This revealed that, despite a desire to improve, pension boards continue to lack diversity compared to the overall population, with the 'typical trustee' identified as a white man who is over 45.

In TPR's largest-ever survey, the findings showed that 24 per cent of trustees are women, compared with 52 per cent of the wider population.

There was also a lack of diversity in terms of age, as TPR found that 9 per cent of trustees are under 45, compared to 44 per cent of the wider population.

Despite the lack of diversity in some areas, TPR found that there was industry recognition of the importance of inclusive and diverse boards, with 78 per cent saying they felt a diverse trustee board was important.

There was also evidence that schemes are looking to improve, as just over one third (34 per cent) of schemes had acted to create a more diverse trustee board and/or planned to do so in the next 12 months, and the same number (34 per cent) had taken or planned action to encourage greater inclusivity.

TPR also reflected inwards on its own diversity and inclusion efforts, admitting that a "concerted effort" is required to address its ethnicity and sexual orientation pay gaps, despite positive progress in some areas.

TPR's latest diversity pay gap report showed that while the regulator made positive progress in reducing the mean and median gender, disability, ethnicity and sexual orientation pay gaps, more work is needed to address its ethnicity and sexual orientation pay gaps, which are still above 10 per cent.

"TPR can't do this work alone, so play your role by creating a strategy or action plan for your scheme," TPR equality, diversity and inclusion lead, Sandisiwe Dhlamini, said, emphasising the need for transparency when discussing pay gaps and diversity and inclusion issues.

This work has been undertaken in addition to TPR's 'business as usual' work to protect member benefits.

Indeed, TPR recently announced that it secured a £3.5m payment into a DB scheme, after restructuring activity and debt write-offs put assets beyond the reach of the scheme when its sponsoring employer went into administration.

The regulator reached the settlement after issuing a warning notice seeking financial support directions against six target companies in relation to the Newburgh Engineering Co Ltd Pension and Assurance Scheme.

To protect the interests of the scheme's savers, TPR facilitated a multi-stakeholder global settlement, resulting in £3.52m being paid to the pension scheme, which has now transferred to the Pension Protection Fund (PPF).

The regulator also clarified that while the settlement was less than the section 75 debt of £8.84m it represented all the targets' cash assets and about 80 per cent of their estimated available assets.

News of the settlement was shared alongside the regulator's compliance and enforcement bulletin, which revealed a slight increase in the use of most of the regulator's auto-enrolment (AE) powers during the six months to December 2023.

However, this was in line with TPR's expectations, given the continuing large wave of small and micro employers who were due to meet their re-enrolment responsibilities in this period.

Whilst AE enforcement activity had increased, TPR's frontline regulation (FLR) powers showed a moderate decrease, with 193 statutory powers used in the period between July and December 2023, down from 263 in the previous six-month period.

Indeed, TPR said that it has seen an overall improvement in compliance with FLR duties, including chair's statement and scheme return requirements, which is reflected in a continued reduction in the number of fines issued.

Written by Sophie Smith

All change for TPR leadership

TPR also recently announced a number of interim leadership changes as part of its broader operational shift.

As part of this, TPR appointed Neil Bull as interim director of market oversight, Nina Blackett as interim director of strategy, policy and analysis, and Mel Charles as interim director of regulatory compliance.

It also confirmed that Louise Davey will continue to be a member of TPR's executive team. The changes are expected to better align TPR's structure to its strategic priorities and core functions.

Govt asks for time after PHSO finds WASPI women should be compensated

The government has said it needs time to fully consider the findings of the Parliamentary and Health Service Ombudsman's report on how changes to the women's state pension age were communicated

The government said it needs time to consider next steps, after the Parliamentary and Health Service Ombudsman (PHSO) found that "thousands" of women may have been affected by the Department for Work and Pensions' (DWP) failure to adequately inform them that the state pension age (SPA) had changed.

The investigation looked into complaints that the DWP failed to provide accurate, adequate and timely information about areas of state pension reform, after the 1995 Pensions Act raised the SPA for women born on or after 6 April 1950.

This found that DWP's handling of the changes meant some women lost opportunities to make informed decisions about their finances, also diminishing their sense of personal autonomy.

In a "rare decision", the PHSO presented its final report on how changes to the women's SPA were communicated directly to parliament, after its investigation found reason to believe that the DWP will not take steps to put things right.

According to the PHSO, the DWP said that it would not be able to provide a remedy due to the cost involved, the time it would take, the amount of resource it would involve, and the negative impact delivering a remedy would have on it being able to maintain other services.

Given this, the PHSO asked parliament to intervene and identify a mechanism for providing appropriate remedy.

Commenting in response, a DWP spokesperson said: "We will consider the ombudsman's report and respond in due course, having cooperated fully throughout this investigation."

Secretary of State for Work and Pensions, Mel Stride, also provided an interim update on the government's response in the House of Commons, confirming that it will "fully and properly consider the findings and the details" of the report.

However, he also emphasised the underlying complexity behind PHSO's report, arguing that "it is only right and proper... for all of us to have time to properly consider its findings".

Written by Sophie Smith

NEWS IN BRIEF

The Pensions Regulator committed to reducing its operational emissions in relation to gas, electricity, business travel, water and waste by at least 90 per cent by 2030.

TPT Retirement Solutions launched a new Global Infrastructure Fund for DC members.

Royal London announced plans to enter the UK bulk annuity market, after completing its first buy-in deal with the trustees of the Royal Liver UK pension scheme in November 2023.

M&G announced that it agreed its third bulk purchase annuity deal since re-entering the market in 2023, signing a £309m premium in March 2024.

The co-founders of **The Pension SuperFund**, Edi Truell and Luke Webster, launched Pension SuperHaven, an occupational pension scheme.

The **Financial Reporting Council** launched its review of the UK Stewardship Code 2020, with a revised code expected to follow in early 2025.

The **Pensions Management Institute** and **Schroders** launched a new Lifetime Savings Initiative, which will look to understand and address the "fundamental challenges" savers face.

The Pensions Ombudsman revealed that it had to pause 14 ongoing scam cases due to a shortage of resources.

The Debenhams Retirement Scheme agreed a £600m bulk transfer to **Clara**, marking the UK's second-ever superfund deal, and the first for a scheme that has been through Pension Protection Fund assessment.

Bolt partnered with **Aviva** to launch a pension scheme for all its registered private hire vehicle drivers.

LTA-Day: Not yet job done

HMRC has had to suggest that some savers delay taking their benefits, as work to address issues in the abolition of the lifetime allowance continues even after the rules came into force on 6 April

April is a busy time for many, and in addition to the usual end of financial year considerations, businesses and individuals alike will be dealing with a number of technical changes timed to coincide with the new tax year, including the abolition of the lifetime allowance (LTA).

The Finance Bill 2023/24, which included legislation to complete the abolition of the LTA, received Royal Assent in February 2024, after Chancellor, Jeremy Hunt, previously confirmed plans to abolish the LTA as part of his 2023 Spring Budget, in a move that aimed to help address issues around NHS pensions in particular.

However, LCP partner, David Everett, argued that "this has been a rushed job with errors and omissions coming to light, resulting in HMRC having to now engage in a 'patch and mend' job through regulations that are promised and will hopefully be delivered in the limited time before the new regime comes into operation on 6 April 2024".

And whilst the government has since published new regulations to address errors and omissions around the removal of LTA in the Finance Act 2024, as well as various FAQs and additional guidance, industry experts have warned that it is not yet "job done".

Indeed, the latest newsletter confirmed that further technical changes will be made through a second set of regulations, with HMRC suggesting that some savers may wish to delay taking their benefits until the amending legislation is effective.

Whilst "important" changes, HMRC said that they will not affect the vast majority of pension savers.

However, HMRC also said schemes should ensure members are aware of the need for further legislative changes, confirming that, as a result, members may need to wait until the regulations are in place before taking or transferring certain benefits. This includes cases involving a transfer with enhanced protection or the payment of a lump sum death benefit from funds that crystallised prior to 6 April 2024.

But with some issues still unresolved as the rules come into place, AJ Bell director of public policy, Tom Selby, argued that financial advisers, savers and providers will find the switch to the new regime this year "hugely challenging".

These concerns were echoed by Nucleus Financial technical services director, Andrew Tully, who argued that "to suggest at such a late stage that people should delay taking benefits or transferring shows how poorly these changes have been implemented".

All of this has occurred while many remain concerned that the upcoming general election and a potential change of government could see some form of reinstatement of the LTA.

Indeed, the Labour Party previously said it would look to reinstate the pensions LTA, if elected, almost immediately after Hunt announced his plans to scrap the tax.

However, industry experts warned that this would be "far from straightforward".

And regardless of whether the changes are here to stay, businesses will need to take steps to prepare for the changes.

In particular, Quantum Advisory said employers should evaluate Excepted Group Life Assurance arrangements, warning that many do not have a full understanding of the potential tax charges going forward. "As the lump sum and death benefits allowance (LSDBA) will be subject to the deduction of relevant benefit crystallisation events, of which an authorised lump sum death benefit is one such event, any excess death in service lump sum above the new LSDBA will be taxed at the recipient's marginal tax rate, which could reach 45 per cent," Quantum Advisory principal consultant, Graham Yearsley, said. "This will make a big difference to both employer and employee."

Written by Sophie Smith

Appointments, moves and mandates

Alistair Brannan

EY has appointed Alistair Brannan as its UK head of life and pensions.
Brannan joined EY in 2015 as a director in financial services risk consulting, before becoming the life and pensions sector leader in Scotland in 2018. In 2021 Brannan became partner and client and markets leader in Scotland.
He also spent over 10 years with the Royal Bank of Scotland Group. The sector is undergoing "significant transformation, driven by evolving customer needs and expectations, developments in technology, and ongoing regulatory reform. While it is an undoubtedly challenging time, there are opportunities to be found, and I'm thrilled to be leading this team", Brannan said.

Sonya Fraser

Arc Pensions Law has hired Sonya Fraser as partner in its London office, who joins from Sackers.
Fraser advises DB and DC schemes on day-to-day pensions issues, such as new legal developments, pensions tax, member queries, trustee duties and discretions, valuation negotiations and interpretation of scheme rules. She also has a large amount of experience advising on project work, such as endgame planning and risk transfer projects (including use of scheme surplus), benefit changes, GMP equalisation/conversion and scheme mergers.
Arc Pensions Law has also recently made partner, Kate Payne, managing partner, replacing Rosalind Connor.

Ian McKnight

Cartwright has appointed Ian McKnight as senior adviser, with an initial focus on business development.
McKnight joins from Royal Mail Pensions Trustees where he was chief investment officer. He managed Royal Mail Pension Plan's 2012 transfer of assets (£32.5bn) to the UK government and went on to manage over c.£10bn across three pension schemes, investing c.£400m per year over his 13-year tenure and leaving the plan over £1bn in surplus.
He is a sitting trustee of the Rowland Hill Fund, a charity helping current and past postal workers in financial need.
Over his extensive 25-year career he has also held positions at WTW, LCP, Morgan Stanley, and KPMG.

Rachel Coles

Broadstone has announced the appointment of Rachel Coles as a workplace engagement consultant.
Coles will be responsible for delivering member engagement programmes to its DC clients. This will involve promoting and delivering pensions, savings and financial wellbeing content via a variety of mediums. She joins from within Broadstone's employee benefits consulting division. Broadstone head of DC workplace savings, Damon Hopkins, stated: "Given her unique background in teaching and financial services, Rachel is a natural educator and is passionate about delivering high-quality financial education in the workplace."

The Pensions Dashboards Programme (PDP) has appointed eight new members to an advisory group tasked with providing insights to shape the delivery of dashboards.
The new advisory group members are WTW senior consultant, Geraldine Brassett, Phoenix public affairs manager, Matt Burrell, Brightwell associate principal, David Cheetham, Heywood Pension Technologies chief strategy officer, Chris Connelly, National Police Chiefs Council police pension adviser, Claire Neale, FNZ Group retirement proposition lead, Graham Peacock, Equisoft product manager, David Poynton, and Nest Corporation director of customer engagement, Mark Rowlands.
"I'm delighted to welcome the new members of the pensions dashboards advisory group. We had an outstanding group of applicants, and I believe they will make a vital contribution to the group," PDP principal, Chris Curry, said at the announcement of the appointments. "Dashboards will be a success if we continue to work collaboratively across industry, regulators and government. The advisory group has an important role to play in shaping dashboards that will boost savers' engagement with their pensions."
Replacing the PDP's steering group, the advisory group will provide input on a range of issues that are important for the success of the programme. The appointees will join the 10 existing members of the previous steering group.
The new members represent a range of organisations involved in the different stages of delivering dashboards, including pension providers and schemes, administrators and integrated service providers.

Keith Burgess

BESTrustees has announced the appointment of Keith Burgess as a professional trustee. Burgess is a lawyer with over 30 years' experience. He joined the firm on 18 March.

Burgess' background is as a general counsel and company secretary to listed plc boards, having originally qualified as a barrister. His career in business and in pensions has always been rooted in robust business and legal governance. He is fully up to date with the legal and regulatory developments for both DB and DC schemes and has recent experience of active engagement with The Pensions Regulator.

As a former company secretary, Burgess has an extensive background in senior remuneration and human resource practice, together with a thorough understanding of corporate pension schemes from the perspective of both scheme members and sponsoring employers.

Commenting on the appointment, BESTrustees chair, Ann Rigby, said: "Keith is a great catch for our company… He comes with a great deal of pension trusteeship experience already and we look forward to developing his trustee work further."

Speaking about his appointment, Burgess added: "Throughout my career, I have always had a strong involvement in pensions and have been a trustee of schemes where I worked. It seems a natural extension to use that experience now as a professional trustee." Burgess is BESTrustees' fourth new professional trustee hire in the past 12 months.

Nikhil Patel

Barnett Waddingham had added Nikhil Patel to its bulk annuities team as senior risk transfer actuary.

Patel joined from Mercer, where he spent two years in the risk transfer team. He also led the risk transfer business at PwC during a 14-year stint, which also saw him advise trustees and corporate sponsors on funding, full scheme buyouts, investment and risk management solutions.

Commenting on his appointment, Patel said: "With buyout volumes projected to break records again in the coming years and the emergence of credible alternative solutions, I am really looking forward to contributing to the growth of the team."

Hymans Robertson has promoted Iain Campbell to head of LGPS investments.

Campbell joined Hymans Robertson's investment DB team in 2020, providing support to LGPS clients, and prior to joining Hymans Robertson, he worked as an LGPS officer.

Commenting on his new appointment, Campbell said: "I'm extremely excited to take on the leadership of our fantastic investment work in this space and our enormously talented team of LGPS consultants. My experience working as an officer within the LGPS gives me a unique perspective when it comes to our clients and the work they do."

Hymans Robertson partner and chief investment officer, David Walker, added: "I know *[Campbell's]* ready to use his knowledge, expertise, energy and skills to support our clients in facing whatever challenges arise in 2024."

Quantum Advisory has promoted Darren Wateridge to the role of principal consultant, based in London.

Wateridge joined the firm in 2013 as a senior consultant and actuary and has over 25 years' experience in the pensions industry.

He is currently scheme actuary to a number of pension scheme clients and advises trustees and companies on the wide range of issues. Wateridge is also a member of the Association of Consulting Actuaries.

Quantum Advisory partner, Rhidian Williams, said: "Throughout his career at Quantum, Darren's talent, commitment and client management expertise has been apparent. We are confident he will continue to excel in his new position and play a pivotal role in the continued growth of the company."

Kirsty Anderson

Quilter has hired Kirsty Anderson as a retirement and tax specialist, based in Scotland, working with advisers in the north of the UK.

Anderson joins Quilter from M&G Wealth, where she was a pensions specialist for nine years. Prior to that she was a business development manager at Royal London having previously worked for Standard Life.

Reporting to Roddy Munro, head of technical sales at Quilter, Anderson will be part of a seven-strong 'on the road' team supporting advisers with a focus on technical tax and pensions issues. The team conducts workshops, events and seminars, as well as one-to-one sessions with advisers.

VIEW FROM TPR: Steps towards a consolidated outcomes-focused industry

You'll have heard about our ambition for a world of fewer, larger pension schemes.

We are already some ways there. Most DC savers are in master trusts, which we authorise. But there are still those in small schemes, many of which lack the same standards of governance as master trusts.

We want a reshaped market where schemes deliver good saver outcomes with a laser-like focus on value.

Work is ongoing on a value for money framework, under which DC schemes' performance will be compared against the market using objective data on the key components of value.

While the framework is not here yet, we've seen indications our work is already having an impact.

Last year, we launched an initiative to make sure trustees of schemes with less than £100 million in assets comply with regulations to undertake a more detailed assessment of value than larger schemes.

Through a pilot with a small number of hybrids, we discovered 16% had concluded their scheme did not offer good value and would wind up. We also issued a fine, of £12,500 and expect more in the future.

This isn't the end of the initiative – we will now look at information from DC scheme returns.

If the same proportion opt to wind up as in the pilot, it will be a significant step towards a landscape where only schemes delivering good outcomes remain.

TPR interim director for frontline regulation, Mel Charles

View from the PLSA: Understanding pension savers' sentiments

Understanding the sentiments of pension savers is vital. Our recent survey sheds light on UK pension savers' attitudes, offering valuable insights for policymakers and the pensions industry.

The survey highlights a significant gap between awareness of pension investments and specific knowledge about them. Although the majority (82%) of savers understanding their pension is invested, only 26% know what their pension is invested in. This underscores the need for greater transparency to empower savers to make informed decisions.

Many savers (58%) prefer straightforward investment options, while a quarter are open to having decisions made for them. This emphasises the importance of providing accessible guidance, as many feel ill-equipped to navigate complex investment landscapes.

Savers prioritise protecting pension savings (69%) over higher returns, with environmental considerations playing a significant role for 44% of respondents. There's widespread support (67%) for tax incentives to encourage investments in UK companies, particularly among older savers. However, half express caution regarding government intervention in dictating investment destinations.

These insights underscore the need to align investment strategies with savers' preferences and societal values, emphasising simplicity, transparency, and investments contributing to the UK economy. By embracing these insights, policymakers and stakeholders can empower savers to navigate their financial future confidently.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

PLSA director of policy and advocacy, Nigel Peaple

View from the PMI: 10 years of freedom and choice

It is now 10 years since George Osborne announced the introduction of the 'Freedom and Choice' reforms.

The announcement was controversial: It was a pensions reform devised by HM Treasury rather than the DWP, and there had been no prior consultation whatsoever. To this day, it is unclear how much then Pensions Minister Steve Webb knew about the new policy before its announcement. As a political stunt, the new policy was highly successful; as a reform, it has had something of a mixed legacy.

Many viewed the decumulation options introduced by the 2004 Finance Act as too restrictive. Osborne's reforms effectively merged the two existing drawdown regimes, permitted unconstrained drawdown beyond the age of 75 and allowed members to access savings in the form of lump sums rather than an income stream.

At the time, the public reacted with great enthusiasm to the new regime. However, a decade on, there are concerns about its longer-term consequences. The FCA and TPR have both expressed concern at the number of DB to DC transfers that have taken place. Members have been willing to sacrifice the guarantees of a DB benefit in order to enjoy the flexibility of Freedom and Choice. Aon reports that 50 per cent of all DC decumulations are in the form of a single lump sum, and that 30 per cent of all drawdown policies are established without any formal advice having been given. Allowing choice is laudable, but allowing uninformed choice has significant risks.

PMI director of policy and external affairs, Tim Middleton

Back of the net

Schroders head of pensions OCIO, Chetan Ghosh, talks auto-enrolment, global biodiversity destruction and a love for Kenny Dalglish

What's your employment history (including jobs outside of pensions)?
I started my career as a pensions actuary. After six years, I made the move across to the investment consultancy side where the liability understanding I had gained from my actuarial experience proved invaluable with the emergence of liability-driven investment. I then went travelling for a year in 2006 and returned to an asset manager where I launched its fiduciary management offering. In 2009, I joined Centrica as CIO, a role that I still have today, albeit within a new home at Schroders, following the OCIO partnership that the Centrica trustees entered in 2022.

What's your favourite memory of working in the pensions sector?
Auto-enrolment. Whilst not the full solution, it has been a step in the right direction for pension saving. Before its introduction, the younger generation was staring into the abyss, without even knowing it.

If you did not work in pensions, what sector do you think you would be in instead?
Something related to protecting the environment or wildlife conservation. The rate of global biodiversity destruction is simply unacceptable and is a terrible legacy that we will hand down to future generations.

What was your dream job as a child?
To play football professionally, for Liverpool. Kenny Dalglish was my hero as a youngster.

What do you like to do in your spare time?
I'm a devoted father to my nine year old daughter. Most of my spare time is spent watching her play the guitar and football and arranging all her logistics, of which there are several!

Do you have any hidden skills or talents?
I wouldn't classify it technically as a talent but I refuse to watch television.

Is there a particular sport/team that you follow?
Football is my passion but more playing than watching nowadays. That said, I'm hitting a milestone birthday this year and have decided to hang up my boots on the day of the birthday in a testimonial game.

If you had to choose one favourite book, which would you recommend people read?
The Importance of Being Ernest by Oscar Wilde. The way that Wilde knits together this plot is total genius. In the finance world, *The Great Crash 1929* by John Kenneth Galbraith is an important read for anyone who invests money.

And what film/boxset should people see?
I have an addictive personality so tend to avoid boxsets as I find that I am still up at 2am watching them to find out what happened next. However, *24* is the all-time boxset classic in my view.

Is there any particular music/band that you enjoy?
I love going to watch live music and I am particularly pleased that the fantastic music venue that is the Brixton Academy reopens soon. I am going to re-opening night to watch the Editors, a band I last saw in the same venue in 2006.

Who would be your dream dinner party guests?
Gandhi for the impact he had on my country of birth, Femke Bol as she's my daughter's current athletics hero, Christopher Colombus for his pioneering travel and Carol Vorderman as a fellow mathematician.

Is there an inspirational quote/saying you particularly like?
"The most common way people give up their power is by thinking they don't have any."
– *American novelist, Alice Walker*

Written by Francesca Fabrizi

View from the AMNT: The law of unintended consequences

The idea of 'the law of unintended consequences' dates back at least to the philosopher John Locke who discussed the unintended consequences of interest regulation in the 17th century.

The government, the DWP and TPR all have duties in ensuring that pension members' savings are secure and sufficient to meet their needs.

However, each group has differing perspectives and pressures.

Recently the Pensions Minister answered questions from the Work and Pensions Committee. He was particularly questioned on the Mansion House proposals and the certification of trustees. Both showed differences in the government and regulator's approach and showed that making pronouncements without consultation can lead to unforeseen consequences.

I'm sure all governmental and regulatory bodies talk to one another but sometimes demands from other sources lead to pronouncements that have consequences not foreseen by the body making the announcement. For instance, Liz Truss's mini-Budget led to a crisis of financial confidence due to lack of scrutiny by the Office for Budget Responsibility.

Sometimes we cannot foresee consequence of pronouncements and actions but proper scrutiny and critical analysis of decisions is vital. So never assume, consult before speaking.

AMNT member, Stephen Fallowell

VIEW FROM THE ABI: The value of open finance

Is the future of finance open? In a growing digital age, recent times have shown the scope of the possibilities for open finance.

The Centre for Finance, Innovation and Technology (CFIT) demonstrated the value of Open Finance in the UK at its coalition showcase in February.

The event discussed several proofs of concept centred around opening priority datasets. CFIT and HSBC aimed to improve SME lending showing that this could lead to a 25 per cent increase in credit applications being accepted. By partnering with Citizens Advice, CFIT estimates that opening datasets could allow an additional 150,000 clients to be assisted with debt advice per year. Finally, they presented a prototype consent dashboard, showcasing how data sharing consent might be controlled in the future.

The accompanying report stated that delivering open finance and personal data mobility could boost UK GDP by £30.5bn. There was no specific call to action for the pensions industry at this stage, although it is clear to see that ideas within these proofs of concept overlap with pensions dashboards, including digital identity, verification and data sharing.

So, whilst there is no specific mention of pensions, the progress and engagement with the dashboards project provides a strong indication that pensions have the capacity to follow suit.

ABI policy adviser for long-term savings policy, Emily Mae Collins

VIEW FROM THE PPI: Is the UK ready for a lifetime provider model?

The UK's pension landscape is on the brink of significant change, with policymakers exploring the potential introduction of a lifetime provider model. The model would see individuals potentially contributing into just one scheme. This proposed model, alongside the introduction of multiple default consolidators, aims to address the challenges of small, deferred, and multiple DC pension pots.

The model presents both challenges and potential benefits. Implementation would require a costly and time-consuming system overhaul, the cost of which may be passed onto members. However, a larger, single lifetime pot may potentially lead to a greater sense of ownership amongst members, possibly increasing DC savings, as well as reducing the number of expensive small, deferred pots.

Ongoing policy developments such as pensions dashboards, and the value for money framework, will further shape the pension landscape. Coordinated efforts among those designing these policies are necessary to allow for building on existing success and development, and to avoid duplication. The model is more likely to be effective if introduced after current policies are rolled out, so remaining market gaps will be obvious, and policy infrastructure should have a more developed base.

Although the model has the potential to improve member outcomes, it does present challenges and a substantial amount of work will need to be undertaken to ensure it functions properly.

PPI policy researcher, Shantel Okello

Diary: April 2024 and beyond

Pensions Age Spring Conference
18 April 2024
Hilton London Tower Bridge
The Pensions Age Spring Conference offers pension funds and those working in the pensions sector the opportunity to learn and network alongside their peers at one of the most dynamic times in UK pension history. The event will look at the Chancellor's dramatic recent revelations, rising cost-of-living and regulatory pressures, and how DB schemes can best plan for the months and years ahead, wherever they are on their de-risking journey.
pensionsage.com/springconference

PLSA Local Authority Conference
11-13 June 2024
De Vere Cotswold Waterpark
The PLSA's must-attend event for anyone involved in the Local Government Pension Scheme (LGPS), covering practical challenges and future opportunities in the ever-evolving landscape of local authority pensions. The conference offers a dynamic mix of plenary and breakout sessions and roundtables for specialist groups, as well as networking opportunities.
plsa.co.uk/events/conferences

Pensions Age Northern Conference
26 June 2024
Park Plaza Leeds
The *Pensions Age* team is delighted to be returning to Leeds for our annual Pensions Age Northern Conference this June. Aimed at pension managers, trustees, FDs, CIOs, advisers, and all those working in the pensions sector, this one-day event offers delegates the opportunity to learn and network alongside their peers and hear from industry experts. The event will be chaired by *European Pensions* editor, Natalie Tuck.
pensionsage.com/northernconference

European Pensions Awards
4 July 2024
London Marriott Hotel
Now in their 17th year, the European Pensions Awards were originally launched to give recognition to the investment firms, consultancies and pension providers across Europe that have set the professional standards in order to best serve European pension funds over the past year, and continues to do so. The deadline for entries has now closed but don't forget to book your place for the prestigious gala dinner and a chance to network with peers.
europeanpensions.net/awards/

Visit www.pensionsage.com for more diary listings

Don't forget...

Consultation on options for DB schemes

19 April 2024

The DWP consultation on options for DB schemes, including proposals to make DB surplus extraction easier, closes.

gov.uk/government/consultations

VIEW FROM THE SPP: CDC legislation – a pivotal moment

Collective DC (CDC) presents a transformative opportunity to revolutionise retirement provisions in the UK. By pooling risk, CDC schemes offer the potential to bolster retirement incomes and reduce financial uncertainties for members.

However, amidst the growing momentum, it's important to acknowledge the absence of a universally accepted blueprint for CDC design and implementation. I believe this void underscores the importance of fostering an environment conducive to innovation within the pension sector.

While navigating this somewhat uncharted territory for the UK, a balanced approach is paramount. Effective legislation should prioritise flexibility and adaptability, encouraging diverse approaches that can be tailored to best meet different objectives. Rather than imposing rigid frameworks, regulatory measures should focus on establishing robust supervisory regimes. These frameworks can ensure accountability, transparency, and safeguard against potential risks without stifling innovation.

Navigating the complexities of collective pensions demands a nuanced approach – one that must balance 'actuarial fairness' with simplicity and practicality.

By fostering an environment conducive to innovation and prudent oversight, we can harness the potential of CDC pensions to enhance retirement outcomes for generations to come.

SPP CDC group deputy chair, Keith McInally

VIEW FROM *Pensions Age*: A triumph for Waspi

The report last month from the Parliamentary and Health Service Ombudsman (PHSO) stating that the government should pay compensation to women born in the 1950s, who were not properly notified about increases to their state pension age, is a triumph.

I have reported on the Women Against State Pension Inequality (Waspi) campaign since 2016, when I questioned how far its plight would go without the power to cause disruption to the public by means of strikes, like junior doctors were doing at the time – and still have been recently! Well, I am delighted that my pessimism has been proved wrong.

The PHSO's report concluded that the affected women should be awarded up to £2,950 in compensation. However, in a "rare decision" the PHSO presented its report directly to parliament as it believes the Department for Work and Pensions (DWP) is not going to take steps to put things right. In doing so, it has garnered the attention it needs.

Prime Minister Rishi Sunak has already said that the "right thing for us to do is to go through [*the report*] carefully and come back with a considered and thoughtful response".

After years of being disregarded by the DWP and government, I hope 1950s-born women get the compensation and apology they deserve. With a General Election on the horizon, might this be a pledge that makes it into the political manifestos? Time will tell, but with this PHSO report in its hands, the Waspi campaign isn't buzzing off.

Written by Natalie Tuck

VIEW FROM PASA: The tools needed for pension schemes to thrive

For schemes to thrive, they must forge robust partnerships with administrators, prioritise data management, and embrace cutting-edge technologies.

Collaboration with administrators is a cornerstone in delivering optimal outcomes. By building partnerships through transparent communication, schemes can leverage administrators' expertise and resources to streamline operations, enhance member services, and navigate regulatory complexities. Collaboration fosters agility and adaptability, enabling schemes to respond effectively to changing market dynamics and member needs.

Robust data management plans empower schemes to gain valuable insight and tailor strategies to meet their members' diverse needs. From predictive analytics to personalised retirement planning tools, data-driven approaches enhance decision-making and optimise outcomes.

Whether through automation, artificial intelligence, or blockchain solutions, innovative technologies streamline administrative processes, reduce costs, and enhance security. Digital platforms offer members greater accessibility, enabling them to monitor their pensions and make informed choices.

The journey toward delivering better pension outcomes needs a multifaceted approach embracing collaboration, investment in data, and technological innovation. By leveraging these pillars, schemes can navigate the complexities of the modern financial landscape and empower people to achieve their retirement goals.

PASA chair, Kim Gubler

VIEW FROM THE ACA: Adequate savings – the biggest challenge of our time

I recently presented to the All-Party Parliamentary Group on Pensions and argued that helping today's working generations build adequate levels of pension saving is a defining challenge of our time. A key message I made was that in an election year, all parties need to commit to completing current reforms where there has been a broad cross-party consensus.

Auto-enrolment, whilst a success in terms of extending coverage, will not provide the level of income most savers expect and will need to be either stepped up or combined with other measures, including CDC pensions and voluntary 'sidecars', to deliver anything like a comfortable retirement for this and future generations.

We support recently announced 'Mansion House' steps to encourage increased investment flexibility for DB schemes and to share surpluses with sponsors and members where appropriate and we are responding to the consultation on DB scheme options along these lines.

However, we expect these reforms to have only a minor impact on key savings challenges and at worst could distract from the goal of improving outcomes.

For the vast majority of DB schemes, we believe existing endgame options are effective and that insurance markets function well. Combined with the new funding regime for schemes that wish to run on, and commercial superfund solutions now emerging for schemes with sponsors that run into difficulties, most trustees already have the tools they need to complete their journey plans over coming years.

ACA chair, Steven Taylor

A week in the life of: Robbins Geller Rudman and Dowd LLP founder and partner, Mark Solomon

I litigate and occasionally take to trial financial fraud cases in state and federal courts throughout the United States. For the past 30 years, my practice has concentrated on representing investors whose investments in publicly traded securities have been harmed by securities fraud.

In the process, together with those clients, I've led cases that have resulted in the recovery of billions of dollars for investors and, in some cases, important corporate governance reforms. Some of those clients are UK pension schemes who as lead plaintiff in their cases have won over $1 billion for harmed investors in the past decade.

Monday

I arrive at Heathrow on a flight from the US. I'm in the UK to defend a deposition of a client that's a lead plaintiff in a securities fraud case and to meet with another institutional investor to discuss the large losses they suffered in a securities fraud case, and to give a presentation on shareholder rights and US litigation to an industry group. I'm hoping to see family in Bedfordshire, where I was raised. Today is a travel day, so after dinner with some colleagues who happen to be here on other business, I get a bit of exercise and retire early. The deposition is on Thursday and the presentation is on Friday.

Tuesday

It appears that a well-known US CEO has been orchestrating possible accounting shenanigans at the company they lead while reaping hundreds of millions of dollars by selling company shares they owned at prices inflated by that very same accounting fraud. I head to see the client whose fund was impacted by this suspected fraud, and I review materials concerning the case as the train heads north. I return to London and draft additional materials for the client and then have dinner with some London-based lawyers. I sleep very fitfully, as always on my second night travelling.

Wednesday

I meet with the deponent for Thursday's deposition, and we spend most of the day discussing the case, the procedure for the deposition and the types of questions to be expected. The deponent is the fund's investment manager, and they have a good grasp of the circumstances surrounding the relevant investments. We prepare painstakingly nevertheless to minimise the possibility of being caught off-balance; defendants, in desperation, will try mightily to distort any innocent oversight. After we're finished, I spend the evening on the phone with colleagues in the US discussing new and pending cases.

Thursday

Today is my client's deposition. We gather in the boardroom of a City firm of solicitors. A host of American lawyers and UK solicitors and barristers are gathered for the defendants, and I and my client for the plaintiffs. A stenographer records the deposition, which is taken by one of the American lawyers, and a videographer films it. Most of the questions are routine or way off-base, and my client answers candidly and persuasively. We're finished by 3pm, have a coffee, and afterwards I begin calls concerning a number of active cases and administrative issues with colleagues in California, which is now waking up. I send my office final edits to slides I want to use tomorrow.

Friday

The final slide deck for my presentation is in my inbox when I wake up. I'm looking forward to conveying the importance and value of our practice to an audience, which may include some sceptics. To the extent settlements or judgments are viewed as "shareholders paying shareholders", I explain that it's only shareholders who purchase at fraudulently inflated prices that suffer compensable injury, not all shareholders.

I suggest that if shareholder recoveries were viewed more like special dividends for those who've been defrauded, the phenomenon would be more palatable. Moreover, I say, D&O insurance and any personal fortunes are additional sources of potential recovery, adding that deterrence is also important and that securities fraud cases serve to deter a vast amount of corporate wrongdoing in the US. I think it went well!

Dinner with my sister and brother after post-presentation meetings. Tired, but encouraged, it's back to the US tomorrow.

Illiquid assets and bulk annuities: Overcoming the challenge

Standard Life explores the considerations for trustees around managing illiquid assets ahead of a bulk purchase annuity transaction

In the bulk purchase annuity (BPA) market, managing illiquid assets was the hottest topic of 2023.

Over the past 18 months, many schemes have enjoyed significant improvements to their funding levels, primarily driven by higher interest rates. This has brought forward de-risking plans for many schemes.

As a result, many schemes' assets are not in the shape they expected at this stage of their journey. In particular, illiquid assets represent a much larger proportion of asset holdings than expected for schemes reaching buy-out affordability.

So while many schemes can afford to buyout on paper, lots of them are holding illiquid assets that are generally not a good fit for insurers' annuity portfolios, due to their regulatory requirements. In fact, according to Standard Life data, around 40 per cent of schemes approaching the market over the past year confirmed they had illiquid assets to manage.

The majority of consultants and professional trustees who participated in our research said illiquids had delayed a transaction – highlighting the need for trustees to plan carefully for dealing with their illiquid assets before approaching the insurance market[1].

In this article, Standard Life summarises key points from its *Thinking Forward* report – *Managing illiquid assets during a bulk purchase annuity transaction* – which explores the challenges being posed by illiquid assets, and how trustees can navigate towards a successful transaction.

Trustee and consultant views

We surveyed professional trustees and pensions consultants to understand how illiquid assets are viewed by the schemes they support. Some key observations include:

- All survey respondents noted that some clients believed holding illiquids would prevent them from doing a buy-in
- Half of respondents noted that deferred premiums are considered the only viable solution to deal with illiquid asset holdings

We also found that deferred premiums and secondary market sales are the actions schemes most commonly consider in order to manage illiquid assets.

Taking action

For schemes looking to secure a BPA, below are some of the broad options they are considering for managing their illiquid assets:

1. Using illiquid assets as premium payment
2. Arranging a deferred premium with an insurer
3. Selling illiquid assets on the secondary market
4. Obtaining a company loan (legal advice should be taken)
5. Obtaining an investment bank solution (legal advice should be taken)
6. Delaying the time to buy out

There is no 'one-size-fits-all' approach, and in some cases a combination of these options could be suitable. Trustees will need to carefully consider the pros and cons of each option to craft the solution that best suits the requirements of their scheme.

Let's explore in more detail two of these options: Deferred premiums and secondary market sales.

Deferred premium

Where a scheme expects illiquid assets to run-off over the short to medium term, or has line-of-sight to a secondary market sale, deferring a portion of the premium can buy time to either allow the asset to run-off or complete a more measured sale.

The idea is simple: For example, pay 90 per cent of the buy-in premium today and 10 per cent over the next two years, with the 10 per cent met from proceeds from the remaining illiquid asset distributions or sales proceeds.

While this is a neat solution in some respects, trustees and sponsors should be alive to the associated risks. What happens if the illiquid assets don't pay out when you expect them to, or don't pay the amount expected, or the secondary market sale price is lower than expected? When the deferred premium becomes due, the scheme would then be reliant on any other residual assets and potentially a sponsor contribution to avoid defaulting on the deferred premium payment requirements.

This would be a magnification of the liquidity risk that the scheme always had when holding illiquids, as we saw play out in the LDI (liability-driven investment) crisis when some schemes ran short of liquid assets to meet collateral calls.

These risks may be acceptable if, for example, you hold 20 per cent of the premium in illiquids and can afford for these assets to halve in value and still meet the deferred premium, or if the sponsor agrees to underwrite the deferred premium and the trustee is comfortable with the sponsor covenant.

The secondary market

By engaging with secondary market brokers to understand the sale value of their illiquids, schemes will be better placed to assess the true affordability of a BPA transaction.

Secondary market sales take time. It's therefore important to carefully consider all options for managing illiquid assets as early as practicable, and far ahead of a BPA transaction. Then, if a secondary market sale is the preferred route, the scheme has sufficient time to appoint a broker and conduct the sale alongside the fast-paced execution of a BPA.

An insurer perspective

Insurers and pension scheme operate in different regulatory regimes. For insurers, there are strict requirements regarding the assets they can use to back their annuity liabilities. As a result, insurers are rarely a natural buyer for illiquids held by pension schemes.

Although it may be possible for an insurer to accept these assets, this may not be the most economically efficient outcome. The price at which insurers would accept an illiquid asset may be materially lower than the price that could be obtained in the secondary market.

That said, where there is a compelling need to secure an annuity in a short timeframe, with certainty being a priority for both the sponsor and the trustee, insurers taking on illiquid assets can help meet scheme objectives.

For trustees heading towards a BPA transaction while holding illiquid assets, we would recommend making the following considerations:

- Engage early – an insurer should be happy to discuss how it sees your specific assets at an early stage, giving you time to plan
- Understand the full suite of options
- Ensure there is a clear, realistic plan for illiquid assets before formally requesting quotes. Insurers now see this as a key part of market preparation, just as much as preparing the data or a benefit specification

Ultimately, for most pension schemes the guiding principle is this: the best value for illiquids will be provided by running them off or selling them to the highest bidder – which may or may not be the insurer they ultimately select.

Where next?

Managing illiquid assets will remain a key focus for schemes aiming to execute insurance transactions for some time.

In due course, we expect schemes to manage their position more actively in the lead up to a transaction, engaging earlier with insurers about potential options, and having a clearer strategy heading into a broking process and eventual transaction. We expect this will lead to better outcomes for schemes, reducing the frictional cost of execution.

This analysis is from our report, *Managing illiquid assets during a bulk purchase annuity transaction*, which can be found at: *standardlife.co.uk/managingilliquids-bpa*

Special thanks to Hymans Robertson and Redington, who both contributed to this report.

Written by Standard Life managing director for defined benefit solutions, Kunal Sood

In association with Standard Life
Part of Phoenix Group

[1] Standard Life surveyed 12 EBCs and five professional trustee firms via an email questionnaire between 9 and 30 October 2023

Naomi Clark, USS Investment Management head of investment product management

Podcast: Building investments in a DC world

In the latest *Pensions Age* podcast, Sophie Smith talks to USS Investment Management head of investment product management, Naomi Clark, about the Universities Superannuation Scheme and its DC investments

"It's quite unusual for somebody to buy their first house in a country that they don't reside in, and I think illiquid investing is a bit like that," Universities Superannuation Scheme Investment Management (USSIM) head of investment product management, Naomi Clark, explains in the latest *Pensions Age* podcast, as we explore how the USS' DC product is navigating private markets.

"2020 was when we started making our first investments in our DC section into illiquid assets," she says. "Of course in our DB section we have a very long history of investing in private market assets, and it was really due to that long history, existing infrastructure and existing asset base that meant that we could offer those assets to members in the DC section as well."

Clark also stresses that this has been a long-term project from a governance perspective, noting that the timing of the Covid-19 pandemic proved challenging.

"But I have to say *[during the pandemic]* we fared really well and even going through those early months of the pandemic we didn't have any problems with liquidity, which was just a real positive for us. We've also had some really good periods of outperformance for our DC section that have been driven by those illiquid asset investments that we have," she clarifies.

"So for us, it has been a real positive – we're up to about 20 per cent of the default funds invested in illiquid assets, and that's across a wide spectrum of infrastructure, renewables, private credit, in different allocation levels across the life cycle of the default funds."

And whilst these assets can span both the UK and global markets, Clark reveals that the DC portfolio in private markets assets is biased slightly towards UK assets.

"It's obviously easier to start off investing in UK assets because you understand the laws," Clark explains.

She also says that USSIM would be ready and able to meet the government's proposed DC disclosure requirements, which would require DC schemes to publicly disclose their level of investment in UK businesses by 2027.

"We have full transparency on all our assets and we very much understand where all our assets are held," she emphasises.

However, Clark warns that mandating would be a step too far, stating: "Our perspective is that trustees have a fiduciary duty to invest in the best financial interests of members.

"They need to have an unfettered right to invest where they want to, so I think we would be concerned about governments putting undue pressure on schemes as to where they should be investing."

And whilst some in the industry have raised concerns around the current interpretation of fiduciary duty in relation to environmental, social and governance (ESG) factors, Clark says that this is less of a concern for USSIM.

She says: "We invest in the best financial interests of our members and we do have a duty to make sure that benefits we promise those members are paid when they fall due. For us though, we consider these responsible investment risks, like climate change, as just another financial factor when we're making analysis around companies, and so we aren't particularly restricted by the framework.

"These are real risks that businesses face and they will have financially material impacts on businesses, so for us *[fiduciary duty]* doesn't pose a problem."

Significant work lies ahead though, as Clark explains that recent benefit changes at the USS *[as member benefits have now returned to pre-April 2022 levels, after funding improvements found this increase to be sustainable]* whilst "very positive for members", mean that USSIM is now in the process of relooking at the scheme's glidepath.

"It's a significant piece of work that we need to do to make sure that what we're offering on the DC side is fit for purpose for members," she says.

To listen to the podcast, please visit www.pensionsage.com

Technical Actuarial Standard 300: Pensions, version 2.0

Mark Harris explains the changes, effective now, to the Financial Reporting Council's Technical Actuarial Standard for pensions

The world of pensions has been undergoing rapid developments for both pension savers and providers. This includes greater choice over how members utilise their savings at retirement, increased buyout activity and the advent of pension superfunds. As demands for greater flexibility grow and the pensions market continues to evolve, it is important actuarial regulation keeps pace with these changes.

In response, the Financial Reporting Council (FRC) has issued a new version of the technical actuarial standard on pensions, TAS 300 version 2.0, which was effective from 1 April 2024.

TAS 300 continues to adopt a principles-based approach and to allow for proportionality when applying the standard. Some amendments have been made to align TAS 300 with the new version of TAS 100, which actuaries will already be familiar with, but the main areas where the standard has been changed are in the sections on actuarial factors and bulk transfers, and there are new provisions on capital adequacy for superfunds.

Actuarial factors

The provisions have been expanded in relation to the frequency of actuarial factor reviews, so that practitioners must advise on the circumstances under which factors should be reviewed. There is also a new requirement about the timing of factor reviews relative to the funding valuation, so that, where relevant, trustees or other decision-makers can consider in conjunction with the valuation the potential financial impact of future changes to factors.

With the introduction of pensions freedoms having given members more choice over how they take their benefits, the revised standard sets out expectations for considering the impact of actuarial factors on members. When advising on commutation factors, the standard now includes a requirement to compare these with other relevant bases.

In addition, there are new provisions that apply when advising on cash equivalent transfer values, including one about expected future changes to investment strategy, as many schemes now have an intended journey plan.

Bulk transfers and superfunds

Over recent years there has been significant growth in the buyout market, and other endgame solutions, including superfunds, have been developed. This has led to a need to review the TAS 300 provisions in relation to bulk transfers.

To help clarify where TAS 300 applies, the FRC has updated the definition of a bulk transfer to make explicit that it is a transaction that severs the link between the scheme and the liabilities being transferred. So, for example, a buyout is a bulk transfer but a buy-in is not, although TAS 300 will apply when advising on a buy-in if this is expected to lead to a future buyout.

To reflect the wider range of potential endgame solutions now available and help trustees and employers make well-informed decisions in this environment, practitioners will be required to consider and communicate credible alternatives to a potential bulk transfer, and to consider and communicate how members will be impacted by a bulk transfer.

Since there are many risks to be considered when contemplating a bulk transfer, including covenant and legal matters, actuarial advice alone will not be sufficient to enable trustees and employers to make fully informed decisions. The standard therefore introduces a provision that practitioners should understand how third-party input on which they rely affects the output of their work.

Superfund transactions have now become a reality, with the first two deals having taken place. High quality actuarial advice is essential for a superfund transaction, and so new provisions have been added relating to superfunds to ensure that models used are fit for purpose and that users of actuarial information are aware of the uncertainty involved.

What next

In its review of TAS 300, the FRC has deferred consideration of the provisions on funding and financing until the new legislation on funding and TPR's revised Code of Practice are in place, which is expected to be later in 2024.

The FRC is continuing with its review of sector-specific TASs, and is considering responses to its consultation on a new standard, TAS 310, to apply to work on collective defined contribution pension schemes.

Written by FRC project director, actuarial policy, Mark Harris

Purposeful run-on

Is surplus extraction the way forward for DB schemes, asks Chloe Whelan

Summary
• Purposeful run-on (PRO) has emerged as an alternative endgame for defined benefit (DB) schemes, focusing on surplus extraction.
• The regulatory landscape, although poised for change, lacks clarity, presenting challenges for trustees, sponsors and members.
• Proponents of PRO envision benefits for pension savers and the broader UK economy, with potential for enhanced member benefits and investment in productive assets.

With the government consultation on defined benefit (DB) surplus extraction coming to a close this month, significant regulatory changes for endgame options seem all but certain. However, the scope and extent of these changes remain unclear.

Many pensions decision makers may have hit pause as they wait for the regulatory environment to evolve; others see potential for run-on to surpass buyout as the endgame option of choice.

These impending regulatory changes may unveil exciting innovations that enhance member benefits, incentivise sponsors and even benefit the UK economy as a whole. However, there are still challenges and considerations that must be considered.

How run-on can be made more attractive

The government has flagged its intention to reform the DB endgame landscape, making it more attractive for schemes to invest in the UK. Similarly, Labour has said, if it's successful at the

next election, it will tackle "cultural and regulation-induced risk aversion" in the pensions landscape.

Much of this rhetoric targets purposeful run-on (PRO) – running on a scheme not for self-sufficiency or on the road towards buyout, but for the explicit purpose of generating and using a surplus.

For instance, in March it was announced that the authorised surplus payment charge will be reduced from 35 per cent to 25 per cent, with the aim of making surplus extraction more attractive for sponsors.

"That change certainly moved the needle. It incentivises sponsors to keep their DB scheme running beyond the point of buyout," says Pensions Management Institute (PMI) president, Robert Wakefield.

However, two key stakeholders still need to be brought on board.

Insight Investment head of solution design, Jos Vermeulen, says: "Trustees have been trained to be highly risk averse. They need clear regulatory practice that emboldens them to choose run-on.

"On the other hand, members need to be kept informed. They need communication to let them know that running on is secure."

Vermeulen adds that if the regulatory environment develops in these ways – sponsors are incentivised to keep DB schemes running, and trustees and members are assured about the security of run-on – he believes most DB schemes will choose this option.

"From our perspective, why would a scheme choose buyout when the regulations for PRO may become much more favourable," he says.

"In the world of pensions, time is your friend. While you wait to see how regulations develop, your membership matures and you have time to draw down outstanding risks, meaning buyout becomes more affordable."

Hymans Robertson head of corporate consulting, Leonard Bowman, took a more moderate position, saying he believes a "non-trivial minority" of schemes may choose PRO.

"I suspect there'll be a substantial minority that decides their projected surplus is large enough to justify running on," Bowman says.

"I don't see some huge transformation occurring, but I think the discussion will lead some schemes to make a different decision than they may have a few years ago."

"To conduct a purposeful run-on, you need scale to access the upside but you also need to understand the downside"

Initial estimates support the substantial minority view. Pension management consultant Isio, for instance, says it expects around 40 per cent of schemes by asset size to invest beyond full funding levels in the next 10 years, returning around £100 billion in surpluses to sponsors and members.

However, as notes Bowman, the current pace of regulatory change may have unintended consequences by creating an air of instability among DB stakeholders.

"When I talk to senior decision makers, they are concerned by consistency of policy," he says.

"Changes in the tax rate, for example, are welcome but what boards want to know is how the tax rate will change in 10 years, when their modelling shows they'll have a substantial surplus to utilise.

"That's what will help stakeholders feel confident going down the PRO route. They don't need to know what the letter of the law will be, but they want to know what the goal will be."

The schemes considering PRO

There is a specific subset of schemes for which PRO may be a good fit – namely larger, well-funded schemes with strong sponsor backing, which have both the financial and administrative security to run a successful run-on strategy.

"With buyout, part of the cost is funding the profit of the insurer," says Wakefield.

"For larger schemes, it may be possible to mimic the activities of an insurer in terms of scale and administration. In that case, why spend extra money on buyout when you can keep it within a scheme?"

Schemes considering PRO must also have the security to absorb potential risks, such as by being funded on a low dependency basis. LGIM head of endgame solutions, Matthew Webb, says: "To conduct a PRO, you need scale to access the upside but you also need to understand the downside. From a trustee's perspective, you need to be strong enough for the downside to mean you're no worse off – you can still execute a buyout if you need to.

"If you're 120-130 per cent funded, your sponsor is really strong and you have a lot of security, those downside risks diminish."

Practicalities of PRO

With the regulatory framework yet to be formalised, surplus extraction remains relatively uncharted territory. Corporate discussions about the topic are still rare but gaining attention.

Currently, focus rests on gauging internal receptiveness towards the concept.

Aon head of alternative endgames, John Harvey, says: "Initiating such discussions requires high-level, conceptual dialogue between trustees and sponsors to establish a potential framework for surplus management – when you will consider extracting surplus and under what conditions.

"This sets the stage for subsequent analysis to explore how surplus may build up. Finally, you have to determine how

to use that surplus, the options for which will be determined by further regulation."

Stakeholders envision two avenues for using surpluses: Sharing between sponsors and members – particularly during high-inflation periods, when discretionary increases are welcome – and bolstering associated defined contribution (DC) schemes. The former holds potential for win-win outcomes, where companies are incentivised while members receive enhanced benefits.

According to some commentators, these incentives to keep DB schemes running are broadly beneficial for the UK economy.

Vermeulen says: "If the government makes the regulatory landscape more attractive for PRO, it's a winning scenario for all.

"Surplus extraction is a fantastic opportunity for DB members, because during the next cost-of-living crisis, it can be used to fund discretionary benefits. Surplus can also be used for DC pensions, which are heavily underfunded, meaning a greater likelihood of a stable retirement for the next generation.

"It also allows DB to invest in productive UK assets – research and development, infrastructure – which benefits society as a whole."

Challenges of running on

A major challenge of PRO is the risk-aversion that is so endemic to the DB landscape – particularly while the regulatory environment remains unclear.

Webb says: "The risk we have is, given the personal responsibility of trustees, how can a trustee justify letting money leave the system if, in the future, it turns out that wasn't a good idea?

"Trustees would need to demonstrate the thought process to justify that course of action. As long as there is no code of practice, no regulatory statement, that will be very difficult."

Regardless of the regulatory environment, there is still the personality factor – some stakeholders simply do not have the appetite for PRO.

Bowman says: "What is their appetite to live with the unknown? Some companies have strong covenants, their surplus feels real and the potential for it to go away feels remote. They may think, 'Let's run with this strategy.'

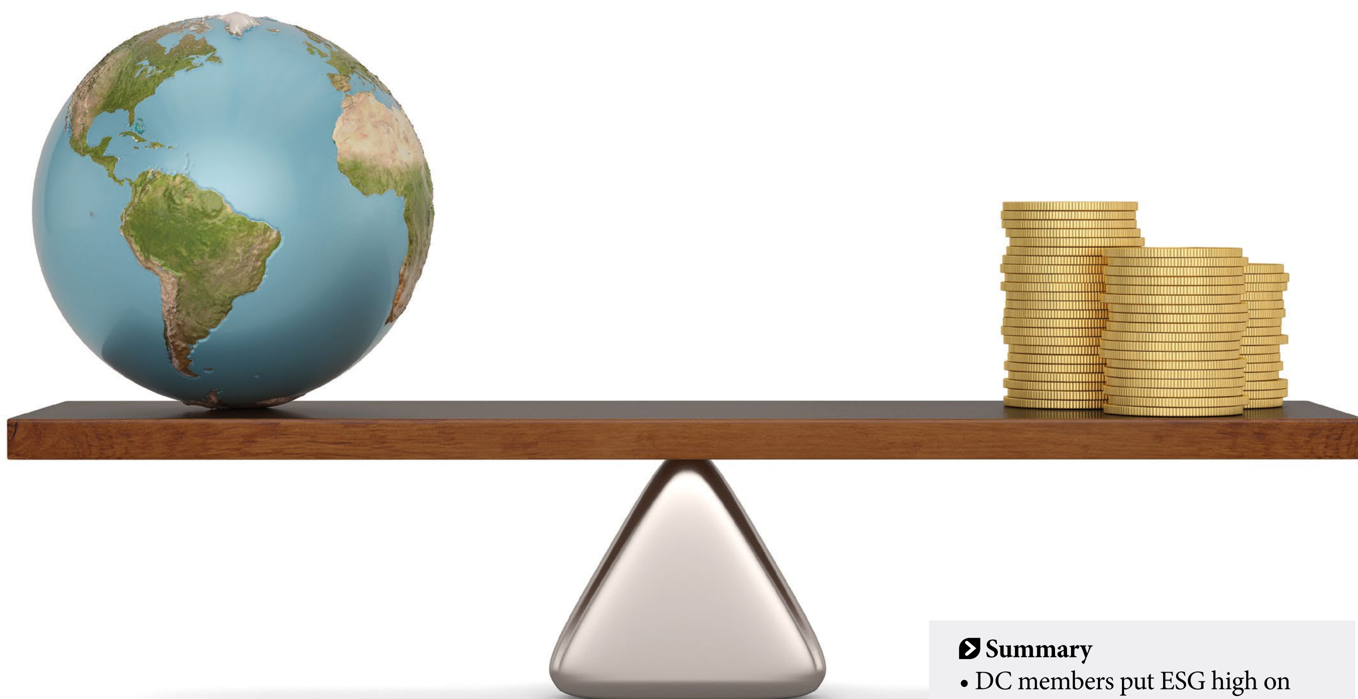
"There are other companies who believe DB pensions have been the bane of their lives for the past 20 years. They may simply want it off their balance sheets so they can focus on their core business."

As always, the security of members' benefits must come first.

"First and foremost, members should get the benefits to which they are entitled. That has rightly been the mantra of our industry for decades," Bowman says.

"These regulatory changes may mean we can achieve more for members. That's the exciting part."

Written by Chloe Whelan, a freelance journalist



A delicate balance

Lynn Strongin Dodds looks at the balance between the desire for DC schemes to increase their sustainable investments, and the hesitancy to pay the higher fees of illiquid assets to do so

Summary
- DC members put ESG high on the priority list but not everyone is willing to pay additional fees if it is in an illiquid strategy.
- Private markets in general are seen as not only complex but expensive.
- Liquid, cheaper passive products tied to a benchmark are the most popular investments.
- The government is hoping to change attitudes with its Mansion House reforms and value for money framework.

Although a sustainable agenda is important for defined contribution (DC) schemes, not everyone is willing to pay extra if it is within an illiquid strategy. They are typically more expensive, and investors seemingly prefer the low cost, liquid passive variety favoured by default funds. The UK government would like to change their minds, but it could take time.

Reports show the different sides. For example, a Legal & General Investment Management DC study, which canvassed 4,000 UK DC members late last year, found that despite nine in 10 schemes feeling financially squeezed, environment, social and governance (ESG) investing was still a high priority. In fact, 65 per cent reported that inflation had made them think harder about the need to invest in climate solutions and sustainable food production, in order to increase the UK's long-term economic resilience.

In addition, three quarters would be willing to pay higher fees for increased exposure to ESG private market assets, such as renewable energy infrastructure and affordable housing. The caveat is the funds have to deliver the performance goods, although these views are more popular with baby boomers where only 7 per cent said they were willing to dig deep into their pocket irrespective of returns. The figure rose to 22 per cent for their Gen Z cohort.

By contrast, WTW's latest *DC Pensions and Savings* report revealed that only a quarter of UK schemes were interested in enhancing their investment in ESG strategies if it meant shelling out additional fees. The remainder were reluctant or, simply, did not know if it was the right thing to do. A similar percentage expressed the same views on private markets across the board. Only 26 per cent were willing to trade-off higher charges for increased access to illiquid assets. The survey polled 122 of the FTSE 350 companies and 140 other leading UK employers.

A race to the bottom

Their hesitancy is perhaps not surprising. As Natixis Investment Management lead on the UK DC business, Nick Groom, points out, all funds generally need to have an ESG story, so in private markets this means energy transition, renewables,

social and place-based housing, and then natural capital for biodiversity. "Some of these are hugely capital-intensive projects, or difficult to reach, they may well be great stories for the members, but they come with complexity and risk," he adds. "They also have liquidity profiles that do not suit the daily nature of DC, and it is for this reason that due diligence is far more important, and where a portfolio manager makes his money."

Investors have also been spoilt by the downward trajectory of costs over the past 10 years. WTW shows the average charges for DC pension schemes slid by 20 per cent, from 41 basis points (bps) in 2014 to 33 bps today. "We are seeing many of our clients implement ESG strategies, including many into their default funds," says WTW senior director, DC investments, Anne Swift. "Fees are generally not an issue because they are benchmarked to an index and the management is straight forward."

Hymans Robertson partner and head of DC trustee consulting, Rona Train, agrees, adding that over recent years, there's been a 'race to the bottom' for many DC schemes on fees. Most default strategies have a large proportion of their assets invested in passive investment strategies, which means that most strategies come well below the current charge cap of 0.75 per cent.

"In our view, low fees do not necessarily equate to good member outcomes," she says. "We, as a firm, are playing a key role in shifting the emphasis from cost to value within DC schemes. At the end of the day, what we're looking to achieve are the best long-term outcomes for DC members."

Mansion House reforms

This is exactly the aim of the government's Mansion House reforms introduced last July. It is hoping to unlock up to £50 billion in high growth companies by encouraging DC schemes to cast their nets wider to include unlisted equities, private markets and illiquid assets. To date, nine of the UK's largest pension providers with about £400 billion in combined assets, have pledged to invest at least 5 per cent of default funds into unlisted assets, such as private equity, or early-stage companies by 2030. This compares to the industry's current average of 0.5 per cent.

The government is also hoping its value for money framework will also provide an impetus. Launched in 2021, occupational DC schemes with assets worth less than £100 million have been required to complete a detailed VFM assessment and report their conclusions to The Pensions Regulator (TPR), including whether they propose to consolidate or make improvements if they do not provide good value for members.

Last year, a new and stricter version was put on the table, which could see schemes be closed if they fail meet these objectives or in turn make any improvements. At the moment, it is going through the consultation process and the industry is waiting for the latest update from the Financial Conduct Authority, TPR and the Department for Work and Pensions, according to Mercer head of sustainable investment for UK and Europe, Brian Henderson.

"Until the guidance is made clear, there is a concern that the long-term nature of illiquid assets, including those that are sustainable, may fall foul of well-intentioned short-term performance league tables," he says. "One approach is to look at performance net of fees and hope DC schemes get rewarded for taking on the higher costs of investing in illiquid assets."

"There needs to be more education about the importance of investing in private assets overall and how they can improve outcomes as well as provide sustainable solutions"

Increasing momentum

However, Legal & General head of DC, Jesal Mistry, believes there is momentum across the regulatory gameplan. "Over the past year, a number of new policies have been introduced including reforms to drive value for money in DC pensions, the removal of performance fees from the charge cap for occupational DC schemes and facilitating greater consolidation to create larger pots of capital," he adds. "All of these changes are designed to deliver a DC pensions market with the scale and long-term incentives to prioritise value over cost."

Mistry notes though that legislation is only one part of the equation. It also requires a change in mindset. "It's critical that the industry moves away from the current culture of 'low cost at all costs' and towards considering overall value for money," he adds. "This is all about finding the right balance to deliver the best possible outcomes for members. The DC market has tended to focus almost exclusively on reducing costs. Keeping fees in check is important, but there's a risk that driving down fees at all costs stifles investment innovation and limits the opportunities that DC members can gain access to."

Franklin Templeton head of UK retirement, Lee Hollingworth, echoes these sentiments. He believes there are two factors that will influence a change in behaviour. One is where schemes reach a scale where they can explore alternative asset classes to improve their member outcomes. The second is regulators pressing for governance processes to move from a cost to a value focus, through their new value for money framework that will place a greater emphasis on the net investment returns being achieved.

"Behavioural change will typically take time to embed itself within the value chain," he adds. "Change will happen incrementally, with schemes first making small allocations to private markets, increasing these allocations in response to industry demand and in time schemes will compete based on net investment returns rather than price."

Swift also believes that there needs to be more education about the importance of investing in private assets overall and how they can improve outcomes as well as provide sustainable solutions. WTW is also working with clients to help them better understand the government's value for money framework and the focus on outcomes and not just the cost.

Although the debates and discussions will continue, all agree that smaller trust schemes will eventually congregate to become master trusts and be equipped to tackle the issues of investing in illiquid markets from an ESG perspective. They are already researching opportunities in private markets with a sustainability focus, including carbon trading.

Written by Lynn Strongin Dodds, a freelance journalist

New thinking

As part of *Pensions Age*'s financial literacy special focus, Jack Gray speaks to Money and Pensions Service new CEO, Oliver Morley, about his plans for the service and the efforts to improve financial literacy levels in the UK

Oliver Morley

Congratulations on your appointment as CEO of Money and Pensions Service (Maps)! What are your targets and plans for your tenure?
Thank you!

For me, in my previous roles, it became clear to me how vital Maps is as part of the national infrastructure for helping people to improve their financial wellbeing. I want to see a Maps that works brilliantly, effectively, and gets help to those who need it when they need it.

To achieve this, I look forward to working alongside our key sector and industry stakeholders. We can't change the world of financial wellbeing single-handedly and I'm looking forward to working in partnership with other expert leaders in the field to work towards our goals.

What is your assessment of the current level of financial literacy in the UK?
We understand that there are varying degrees of financial literacy in the UK and when we look at different groups and demographics, we can dive deeper into this.

Looking at children specifically, our research tells us that financial literacy could be improved. This is clear with stats showing that less than half of UK children have been taught about money and that thousands leave education each year without sufficient money skills.

Following on from this, we know that just over half (55 per cent) of young people aged 16-17 are unable to correctly read a payslip, which is cause for more work to be done in this area.

In 18–24-year-olds, 39 per cent need debt advice and 30 per cent often use a credit card or overdraft to borrow money, to buy food, or pay bills.

On pensions, for example, Maps research shows that more than half of people don't know what happens to their pension when they die. This is just an example, but I often would sit with even the greatest of pensions experts and realise that they didn't really understand their own pension that well!

Using combined data from Maps' *2022 Financial Wellbeing Survey* and our *Debt Needs Survey*, we can deduce a number on stats related to adults and their financial wellbeing.

We found that 39 per cent of adults (21 million people) don't save regularly, 50 per cent of adults with bills or credit struggle to keep up with their commitments, and 16 per cent of adults (8.5 million people) need debt advice.

What role does Maps have in improving financial literacy in the UK?
Maps certainly has a key role to play making impartial money guidance accessible to all, and I especially look forward to working closely with our many partners to help people right across the country feel more able to manage their money.

As part of working with key partners, Maps is especially keen to work with our partners in devolved nations to ensure that we are delivering the appropriate services in areas where need may vary due to a vast array of circumstances.

The work we do only matters if it makes a positive difference to people's lives across the UK, so for financial literacy, we have unique methods of reaching these goals and different measures for success.

Do you have any plans to improve financial education/literacy as the new CEO of Maps? If so, what are they?
At Maps there is an enormous amount of work taking place to improve the financial education of everyone in the UK, and I'm particularly proud of the way in which the organisation adapts its tools and information to continue to meet ever-changing needs of consumers and businesses.

Changing financial landscapes means that Maps, and our consumer facing brand MoneyHelper, must continue to adapt to ensure that we are providing the most up-to-date information and guidance that will help inform people on their money and finances.

In spring this year, we launched a new tool that gives advice to people when they have been refused credit. This action has come about from Maps' research and understanding into the area

and helps to deliver our wider mission of supporting those who are particularly in the most need of financial aid.

Previous research has shown that thousands leave school without sufficient financial education, and to help improve the financial literacy of children, Maps has recently launched guides that will support teachers in delivering improved financial education.

The *Children and Young People's Financial Wellbeing Survey in 2022* indicated that children and young people who do receive a meaningful financial education are more likely to be active savers, have a bank account that they use, and be confident with money management.

Through our education guides, we hope to see an uplift in the financial literacy in children and young people in the future.

Our devolved nations team worked especially tirelessly to ensure that these guides were adapted to meet the specific needs of children and young people in Wales, Scotland, and Northern Ireland.

Outside of developing financial literacy in children and young people, Maps delivers additional financial literacy support to businesses through its Money Guiders programme.

This programme provides free, ongoing professional development to organisations or practitioners who have money conversations with customers in need. Maps enables organisations to develop skills, share knowledge, and improve lives for businesses, employees, and customers.

Maps is working all-year-round to improve financial literacy for everyone from children and young people to businesses across the UK.

Can the industry signpost tools that Maps provides to members to enhance financial literacy, and which tools would be the most beneficial for this?
Maps is hugely keen to work alongside other industry stakeholders to help to improve the financial well-being of the UK. We can't do this on our own and working in partnership with industry stakeholders is critical to our success in tackling this issue. We have, in partnership, launched a number of tools that are aimed at helping people.

Maps and MoneyHelper's Midlife MOT is one especially that I and the team would welcome other organisations signposting to.

The tool will help people with their financial literacy and wellbeing, from midlife well into retirement.

"One of the most important things the industry can do to improve financial literacy in the UK is work together"

Additional tools that might be beneficial for organisations within the industry to signpost to include, but aren't limited to, Talk Learn Do, a tool to help parents and carers teach children about money, our Bill Prioritiser, which helps put your bills and payments in the right order if you're struggling to meet payments, and our Retirement Adviser Directory, which helps people find an impartial adviser to support in making the best decision for your retirement.

What other steps can the industry be taking to improve financial literacy in the UK?
One of the most important things the industry can do to improve financial literacy in the UK is work together.

At Maps we already work with a number of organisations and charities to deliver the most effective support for those in need, and we encourage other organisations to do the same.

Work that we are already aware of in this area can include initiatives such as Pay your Pension Attention Campaign, which is a great example of cumulative work done by the Association of British Insurers (ABI) and the Pensions and Lifetime Savings Association (PLSA).

The fantastic, combined effort of these industry experts is helping to boost pension awareness and engagement.

Maps is also joining forces with other players in the space to improve financial literacy in the UK. We have only recently announced ourselves as lead partners within the 2025 Fintech Pledge, being the lead partner to deliver support with bill payments and management.

The Fintech Pledge brings together the fintech industry and its strategic partners to help UK consumers build their financial resilience, and at Maps we are hugely proud to be part of this exciting initiative.

Prior to joining Maps, you were chief executive of the Pension Protection Fund (PPF). What are transferrable skills in relation to financial education between the two roles?
I like to think that having worked at the PPF, as well as having had a number of additional roles within the private and public sectors, I have gained somewhat of a unique blend of experience, which I'm bringing to Maps as the new CEO.

My experience at the PPF has certainly given me an established relationship with key pensions industry stakeholders, which I'm certain will support the Maps team as we work to deliver the Pensions Dashboard Programme, including our very own MoneyHelper dashboard over the next three years.

I am hugely excited to see where the next few years of Maps will take us as we work to deliver our important objective of increasing financial literacy and wellbeing for everyone in the UK.

Written by Jack Gray

DB innovation: Consolidation as an emerging endgame

Following the recent announcement of superfund Clara's second deal, and proposals for a public-sector consolidator, Chloe Whelan looks at the innovation occurring in the DB consolidation space

Summary
- Consolidation, including commercial and public sector models, helps streamline defined benefit schemes for efficiency and cost reduction.
- However, consolidation also presents challenges given its lower level of security compared to buyout.
- The entrance of new consolidator models forces competition in the endgame market, which may ultimately benefit members.

With the announcement of a second deal from Clara Pensions, as well as of a highly anticipated public sector consolidator, attention has turned towards consolidation as an increasingly viable endgame option. However, concerns remain about the ability of consolidators to achieve scale, as well as their comparatively lower provisions in terms of member security.

Even with these concerns in mind, consolidation has thrown the endgame market into flux with increased competition. Defined benefit (DB) pension schemes find themselves with fresh options for both alternative and traditional endgames, which ultimately has the potential to improve member outcomes.

Understanding consolidation

Consolidation is a broad term used to describe several kinds of DB strategy. Generally, it involves delegating some or all responsibilities within a scheme, with the aim of achieving economies of scale, improved governance and/or lower running costs.

"Consolidation is a word that's used to describe five or six different things," says Dalriada Trustees managing director, Chris Roberts.

"There's a spectrum of consolidation, from governance consolidation all the way to superfunds at the higher end of complexity. That means it can be customisable depending on a scheme's needs."

Commerical consolidation

In commercial consolidation, a premium is paid to a consolidator, which becomes responsible for the provision of members' benefits. Thus, it offers sponsors and trustees a full risk transfer at a lower price compared to buyout.

Commercial consolidation has generated significant hype since the UK's primary provider, Clara Pensions, announced two deals in quick succession between November 2023 and March 2024. Furthermore, Clara CEO, Simon True, has claimed to have another £10-15 billion worth of deals in the pipeline.

Clara's second transaction, a £600 million bulk transfer with Debenhams Retirement Scheme, was seminal for two reasons.

Firstly, it was the first consolidation involving a scheme that had been through Pension Protection Fund (PPF) assessment. This restored benefits for all 10,400 members who previously were expected only to receive PPF compensation levels. Secondly, as part of the deal, Clara agreed to inject £34 million to provide increased certainty on the journey to buyout in five to 10 years' time.

Thus, this deal proved the potential of commercial consolidation to improve member benefits without cutting off future access to buyout.

Ndapt managing director, Marcus Hurd, says: "We talk a lot about innovative solutions in the industry but often they're just tinkering with existing models. This was truly a new way of doing things.

"For the members, it was a huge positive. The presence of a second deal was also helpful because proof of concept is one thing, but trustees needed to feel

comfortable that this can be executed in multiple different scenarios."

However, TPT Retirement Solutions CEO, David Lane, says it may take time for confidence in commercial consolidation to grow.

"It's about understanding," he says.

"Clara has only been authorised for a year or so and it'll take the average trustee – and, in particular, the average member – time to get their head around it."

Public sector consolidation

Earlier this year, the Department for Work and Pensions announced its intention to contribute to the consolidation market by setting up a public sector consolidator (PSC). This option, which is forecast to be operational by 2026, is expected to be more affordable compared to commercial options but still involve a full risk transfer.

The PPF shared its initial proposals for a PSC, aimed at providing attractive pricing, terms and member experience to schemes of all sizes. The PPF also expressed its desire not to infringe on the commercial market, such as by refusing to offer scheme-specific benefits – instead, it will offer members full benefits through several standardised structures.

Barnett Waddingham partner, Richard Gibson, says the PSC was proof of a "momentum shift" in the consolidation market.

"There is much more interest in consolidation as an option," he says.

"We have many parties including our own government looking to put their hands in their pockets to contribute. This has moved from a grand idea into something very real."

There is, however, a drawback. The PSC is expected to focus on run-on, allowing it to invest in productive UK assets for the long term. This sets it apart from one of Clara's key selling points, in that it will not be a bridge to buyout.

However, concerns have been raised about the ability of the PSC to achieve scale, which would be essential for long-term investment strategy.

DB master trusts

Finally, DB master trusts offer a form of governance consolidation that maintains the link between a scheme and its sponsor. Under these agreements, some administrative responsibilities are transferred to the trust, which is governed by a single board of independent trustees, but each sponsor remains financially responsible for its own scheme.

"With consolidation, smaller schemes experience a revolution in terms of access to the benefits that are par for the course for larger schemes"

This relatively rarely used consolidation vehicle has begun to gain traction as a bridge to buyout, as potential cost and time savings may bring forward the endgame timeline.

Hurd says: "Master trusts can be a lot more efficient than a standalone scheme. They offer smaller schemes access to a much wider range of options than they might otherwise have."

Benefits and challenges of consolidation

The buyout market has become increasingly crowded, with just nine insurers aiming to serve more than 5,000 DB schemes. This environment causes pension providers to compete for insurers' attention, often to the detriment of smaller schemes.

As a result, consolidation allows smaller schemes access to benefits that previously were only associated with buyout, such as lower costs, economies of scale and risk transfer.

Gibson says: "With consolidation, smaller schemes experience a revolution in terms of access to the benefits that are par for the course for larger schemes.

"If this market continues to grow, these schemes could reap some of the privileges to which only larger schemes have previously had access. This means they will be able to run more efficiently at a reasonable price."

High levels of competition in the buyout market also requires schemes to undergo significant preparation to make themselves attractive to insurers. Consolidators, by contrast, may accept a lower level of organisation.

"If you go to an insurer, you have to be perfect on data, for example," says Gibson.

"One advantage of consolidation is that schemes don't have to be picture-perfect, which means it may be more practical for smaller schemes. Some consolidators may even help cleanse data on a scheme's behalf."

However, while consolidation comes at a lower price compared to buyout, it also provides less security. This means, thus far, it has been most attractive to distressed schemes where members' benefits were otherwise highly uncertain.

Lane says: "Insurers are rightly viewed as the gold standard in terms of security, but you're paying to have access to that.

"There is a trade-off with consolidation, in which trustees accept lower security but for a more accessible price."

Culture of innovation

Although consolidation is a newer endgame option, its impact on the DB market has been considerable. The entrances of these new players have forced greater competition among endgame providers, which may result in better member outcomes.

For instance, as Gibson notes, some insurers have responded to consolidation by lowering their requirements with regards to data cleansing and other administrative tasks.

"Insurers are being innovative. They have registered the potential threat posed by consolidation, which may challenge their legacy in the space," he said.

Roberts says innovation in the endgame market may help re-energise DB pensions for another generation.

"DB schemes play a crucial role in retirement planning for a large part of the workforce. It's important that we try to make them accessible again, try to find ways to reengage with DB for the longer term," he says.

"That's about making DB schemes sustainable, affordable and predictable. These innovations may give a longer lifespan to the DB idea."

However, as Hurd notes, take-up of alternative endgames requires tenacity on the parts of both consolidators and trustees.

"The pressure is on consolidators to make this option as compelling and easy as possible," Hurd says.

"Trustees also have to be bold and brave. If you're confident in what you're doing and you believe in it, it's time to take action and secure the best possible outcome for members."

Written by Chloe Whelan, a freelance journalist

Summary

- The DWP, TPR and FCA continue to work towards creation of a new value for money (VFM) framework, based on real value for members and savers, rather than costs borne by them and by sponsoring employers.
- The existing value for members regulatory guidance is only partially effective. A new framework will focus on investment performance and quality of service as well as costs and charges. Schemes and vehicles offering poor VFM will be expected to consolidate into larger schemes or master trusts.
- Further work is needed to finalise framework details, particularly around areas including data requirements, evaluating assessment outcomes, investment strategies and whether consolidation will definitely deliver better VFM for members.
- A timetable for implementation is set for 2027, but this depends on the passage of new legislation.
- Whatever the final form of the framework, its most important result must be a focus on value for members and savers, not just on meeting new compliance requirements.

Defining 'value'

David Adams reports on the efforts of regulators and the industry to create a new framework to measure and report on value for money

Value in pension provision is about much more than the bottom line. Following a joint consultation, in July 2023 the Department for Work and Pensions (DWP), The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA) published a joint response document outlining revised proposals for a new value for money (VFM) framework. At its heart is the need for employers, scheme trustees, the Independent Governance Committees (IGCs) and pension providers to focus not on short-term costs but on longer-term value.

Current value for members assessment rules mean DC scheme trustees must assess whether a scheme's costs and services provide good value for members, and publish this assessment in the annual Chair's Statement. Smaller schemes (sub £100 million) must complete and publish an enhanced version. But not all schemes or providers are in scope, or follow this guidance. In 2022, only about 24 per cent of all DC schemes were meeting TPR requirements, according to its own research.

The DWP, TPR and FCA propose a phased introduction of a new VFM framework, focusing first on default arrangements in workplace pensions, with work on more complex issues, including the decumulation phase, collective DC provision and non-workplace pensions, to follow.

The proposed framework will require trustees and IGCs to consider value through investment performance, service, and costs and charges and report assessment outcomes every year.

"It will provide a transparent, standardised means by which schemes can holistically assess these factors, evidence VFM outcomes and the actions they are taking to improve value provided to savers," says a TPR spokesperson. "This will help … the industry to focus upon value and ensure consolidation occurs where in the best interests of savers."

Assessment of investment performance will be based on gross performance by age cohort and years to retirement. Reporting periods of one, three and five years are proposed, plus 10 and/or 15 years if data is available. More controversially, a forward-looking metric is also proposed; as are quantifiable metrics for quality of service. Overall VFM must be compared against at least three other schemes, including two large schemes (over £10 billion). A red/amber/green (RAG) system will denote assessment outcomes, with red-rated schemes expected to consolidate if possible.

The introduction of a VFM framework for trust-based schemes will require primary legislation. The FCA could introduce new rules for contract-based schemes more quickly, but both regulators and government have said they want consistency in approaches to all DC schemes or vehicles. The FCA will consult on how the VFM framework

"Employers *[must]* continue to ensure value for money is delivered for members following consolidation"

will be used by contract-based schemes in 'spring 2024'. (A date had not been announced at the time of writing, but the consultation is widely expected in May or June.) Papers published by the government following the March 2024 Budget suggest it wants the new framework up and running in 2027.

A good start

The industry has given these revised proposals a cautious welcome.

"We welcome the overall ambition around data transparency, standardisation and a more objective process for evaluating value for money overall, not just cost," says Hymans Robertson head of DC trustee governance consulting, Claire Kapitan.

"I think the proposals are good, but the sense I'm getting from the industry is that more development is needed," says Pensions Policy Institute (PPI) head of policy research, Daniela Silcock. "There needs to be more clarity on quite a few things."

There are concerns over the proposed metrics for investment performance, including use of a forward metric. "If you're looking at a growth phase for a default option, *[investing in]* equities may drive performance, but what is the risk attached to that?" asks Zedra client director, Sam Burden.

"It looks like a lot of investment performance data to gather," says LCP principal, Tim Box. "I can see we might have a whole new cottage industry of VFM consultants."

There are concerns that the RAG scoring system will be too simple: Schemes will need to justify and contextualise their judgement, but headline verdicts could be misleading and damaging. There are also concerns about creating genuinely meaningful and consistent qualitative metrics for quality of service.

Some insights into the practical impact of these sorts of disclosure requirements can be gleaned from work that pensions law firm Sackers has been doing with prominent IGCs running contract-based schemes, coordinating an anonymised value for money initiative that has effectively created a VFM group study for those schemes.

Sackers partner, Jacqui Reid, who leads the project, says one insight is that when attempting to measure value qualitatively, "people answer questions in different ways … so how do you know you're comparing apples with apples?"

Another drawback of the proposed framework is the lack of focus (at present) on the decumulation phase. The joint consultation response document suggests that as the VFM framework evolves it will "complement work on decumulation by enabling pension savers to better understand the value of different services and products in the decumulation market".

Reservations have also been expressed about how use of the VFM framework will interact with the government's desire for pension schemes to invest in illiquid assets such as infrastructure. Certainly, larger schemes or vehicles will find it easier to make such investments.

"The proposed *[VFM]* framework will require trustees and IGCs to consider value through investment performance, service, and costs and charges and report assessment outcomes every year"

Aegon head of pensions, Kate Smith, highlights the diversity of available illiquid investments and the fact that they may not produce a return very quickly. "A one-year return is not an adequate timeframe to … *[determine]* good value," she says. "It needs to be at least five years."

In addition, while moving away from a narrow focus on costs should enable a greater degree of investment diversification and sophistication, some schemes may feel they should copy the strategies of those schemes or vehicles deemed to be offering greater value for money. "Will that be the right thing to do for members?" asks Mercer principal, Ken Anderson.

Unresolved issues

Anticipated consolidation within the DC market is supposed to help improve member and saver outcomes – but there will be a need to ensure that this actually is the case.

"We are pro consolidation when it's in members' best interests … *[but]* we're concerned that some value assessment measures are very burdensome on some schemes," says Pensions and Lifetime Savings Association (PLSA) head of DC, master trusts and lifetime savings, Alyshia Harrington-Clark. "We might see consolidation not because it's in the interests of the member, but because schemes are regulated out of the market."

TPR is already running a small pilot for a VFM framework with a small group of schemes. Sixteen per cent of sub-£100 million schemes participating in the pilot have concluded that they are not offering good value for money, so will wind up.

Kapitan stresses the need for employers to continue to ensure value for money is delivered for members following consolidation of a scheme into a larger master trust or another vehicle. "Smaller employers are less likely to monitor arrangements on an ongoing basis," she says. "There's a risk … that they don't hold the provider to account and demand that they're delivering value for staff."

Finally, there is the question of how long it will take to implement the new framework. New regulation for trust-based schemes will require new legislation, but we are now within months of a General Election. There is cross-party consensus on VFM, but we cannot be certain momentum will be maintained by whoever forms the next government.

Whenever it is implemented, TPR summarises its ambition for the new VFM framework to be "to ensure all trustees approach the assessment of value in a consistent way, so all savers can feel assured they are receiving value for money"; and for "consideration of saver value to be integrated into every decision trustees make".

"It's going to be a good step forward," says Burden. "It brings that public disclosure and transparency. It also focuses the minds of trustee boards and governance committees, so they're really thinking about value for money."

But that focus must be led above all by what real value means for members and savers, says Anderson. "If you've got metrics upon which a scheme is being assessed in the public domain … you are going to end up with some schemes focusing on those metrics, rather than thinking about what is most important for their members," he warns. Whatever else value means, it must be tied to that purpose.

Written by David Adams, a freelance journalist

Vidett professional trustee and client director, Kevin Dolan

Aiming high

Vidett professional trustee and client director, Kevin Dolan, explains the role the trustee firm played in helping enhance members' outcomes following a corporate restructuring of Communisis

Please tell us about Communisis and its recent restructure.
Communisis specialises in the provision of transactional communications, procurement services and marketing execution to customers across the fast-moving consumer goods, retail and regulated markets.

The group eventually went into administration in December 2023. Parts of it were acquired by Paragon, saving 581 jobs, although sadly 638 staff were made redundant.

What was the situation with the pension scheme?
The Communisis Defined Benefit Pension Scheme, with over 2,000 members, had a substantial funding deficit and only limited security from the employer's US parent company, OSG Group. The parent itself was also encountering financial difficulties having, in October 2023, revealed it was to enter a Chapter 11 restructuring process for a second time. Vidett was engaged as sole trustee for the scheme.

The sponsoring employer was encountering financial difficulties in a sector that had experienced significant rationalisation over the past decade. It was unable to continue trading without further assistance from its customer base, which included large global financial services brands, or otherwise.

What was Vidett's solution?
Given the employer's financial position, as a trustee Vidett faced significant challenges in attempting to optimise the outcome for members, especially when it became clear that the US parent was embarking on a financial restructuring of its debt burden and keen to divest itself of the UK operations.

Time was of the essence. Vidett entered into lengthy discussions with the numerous stakeholders involved, including the group's global chief restructuring officer, its lender group and US/UK lawyers, the customer base, The Pensions Regulator, the Pension Protection Fund (PPF) and the various UK professional advisers.

Vidett worked closely with these parties over several months to explore a range of options that would enable the business to move forward on a more sustainable footing, including a whole or partial sale of the businesses, whilst always seeking to achieve the best outcome for the scheme and its members.

What was the outcome?
After detailed negotiations, Vidett procured a significant cash injection from the Chapter 11 proceedings, as well as a security package that should result in a significantly improved return for the scheme as part of an insolvent restructuring.

As a result, members are expected to receive benefits in excess of what they would have received were the scheme to formally enter the PPF.

What was essential to this highly successful outcome was Vidett's ability to negotiate with numerous parties; manage a large and diverse stakeholder group; obtain relevant advisory input; and have a good understanding of the restructuring and insolvency processes in both the US and UK.

As a result of Vidett's work, returns to the scheme have been considerably enhanced with an agreement that should result in a much-improved outcome over the longer term for scheme members.

Sustainable investing: A change in attitudes?

Abigail Williams explores whether the recent withdrawal of some large asset managers from the Climate Action 100+ initiative is part of a broader trend and, if so, what this could mean for pension schemes' sustainable investing agendas

Summary

- There has been a withdrawal of some major US asset managers from the Climate Action 100+ initiative.
- Some observers point to the importance of assessing whether asset managers' stewardship activities remain aligned with pension funds' own sustainability objectives – with more direct control over investment stewardship activities, or even a search for new managers, cited as valid options.
- Several observers point to continued support for initiatives like Climate Action 100+ as an effective tool to address climate change.

The recent withdrawal of major US asset managers from the flagship climate initiative Climate Action 100+ – the world's largest voluntary investor engagement initiative of its kind – is arguably a substantial setback to global investor engagement on climate change. But are these withdrawals part of a broader trend? And, if so, what does this climate-focus regression from asset managers mean for pension schemes' own sustainable investing goals?

Withdrawals

In February, J.P. Morgan Asset Management and State Street Global Advisors both left Climate Action 100+, the global investor coalition pushing companies to rein in climate-damaging emissions, while BlackRock said it has transferred its membership to its international arm, limiting its involvement.

According to *Reuters*, the decisions together remove nearly $14 trillion of total assets from efforts to coordinate Wall Street action on tackling climate change, and their withdrawal came after Climate Action 100+ asked signatories to take stronger action over laggards, such as to engage with policymakers and to publish details on their talks with companies towards the goal of getting them to lower emissions to zero on a net basis by 2050.

The changes, however, were "not consistent with our independent approach to proxy voting and portfolio company engagement," said State Street spokesperson, Randall Jensen, as reported by *Reuters*.

Meanwhile, *Reuters* stated that J.P. Morgan's fund arm said it had decided not to renew its membership of Climate Action 100+ after building up its own investment stewardship capabilities, and BlackRock said it is no longer a member of the Climate Action 100+, but rather has shifted its membership in it to BlackRock International.

"As BlackRock made clear when signing up as a member of Climate Action 100+ in 2020, at all times the firm maintains independence acting on behalf of clients, including in choosing which issuers to engage with, and how to vote proxies," the company said in a press release. It also said it would add a new engagement and proxy voting option to give clients a way to prioritise climate goals.

According to *Reuters*, BlackRock's move effectively removes $6.6 trillion, or two-thirds of its total assets, from the pool represented by Climate Action 100+.

Shortly after these asset managers' departures, Pimco also announced that it was leaving the initiative, followed closely by Invesco.

Commenting at the time of these exits, Climate Action 100+ stated: "We know that the political pressure some investors are facing in certain markets is pushing investors to carefully consider how to best manage climate risks in their portfolios.

"However, despite the challenging backdrop in some markets, the initiative has the backing and support from hundreds of investors globally, including asset owners and managers. Sixty new signatories with approximately $3 trillion in AUM have joined since the launch of phase two alone, thereby further highlighting the strong ongoing demand for investor-led climate action.

"Importantly, Climate Action 100+ is a voluntary initiative that investors are free to request to join or withdraw from at any time."

CLIMATE FUNDS

Concerns

According to Morningstar director of investment stewardship research, Lindsey Stewart, the pressure on US asset managers participating in collaborative climate initiatives has certainly increased over the past couple of years, as conservative state administrations have "sought to defend conventional energy businesses from what they perceive as a risk of reduced access to finance for major local industries".

"These parties claim that participation in initiatives like Climate Action 100+ are inconsistent with US fiduciary duty requirements and may raise anti-trust concerns.

"Although such claims aren't without contention – and there is evidence that Climate Action 100+ signatories have continued to take an independent approach to their engagement and proxy voting activities – it seems that several managers have felt continued participation is no longer worth the political risk," he says.

"At least for now, the trend seems to be confined to the US, but continued support in Europe cannot be taken for granted, as we currently see rising pushback against the impact of compliance with increasingly stringent sustainability regulation," he adds.

Elsewhere, UKSIF head of policy and regulatory affairs, Oscar Warwick Thompson, says it is "deeply concerning" to see that the 'politicisation' of environmental, social, and governance (ESG) investment considerations in the US is having "a material effect on the willingness of some US firms to talk publicly about their sustainable investment approaches, and in some cases pressuring firms to scale back their involvement in prominent investor-led climate initiatives".

"ESG analysis of investments and portfolios does not seek to forego financial returns, it offers an extended framework for risk analysis which encompasses the future viability of business models. It is a useful mitigation of the risks of economic short-termism," he says.

For Warwick Thompson, it is clear that climate and environmental factors are financially material considerations that should be taken into account by investors – a position that, in the UK, has been underlined by the Financial Markets Law Committee's (FMLC's) review of fiduciary duty for pension scheme trustees, published in February 2024.

"The FMLC paper has assisted in dispelling the misconception that climate and sustainability factors are not financially material. This review has delivered much-needed clarity in this area, but more is needed to provide reassurance and legal certainty to pension schemes," he says.

"The expectations set by asset owners will have a very important role to play. We would encourage asset owners to be clear and vocal in their expectations of their fund managers when it comes to considering climate risk and membership of collaborative investor-led initiatives such as Climate Action 100+, and encourage their managers to stay in the tent," he adds.

Indeed, in December last year, a number of pension providers, including Scottish Widows, London CIV, Merseyside Pension Fund, Environment Agency and Smart Pension, signed an open letter backing an "urgent call" for increased adoption of pass-through voting by asset managers.

In the letter, the coalition acknowledged that asset managers wield "significant influence" over how public companies are run, arguing that their actions impact corporate governance "profoundly".

However, it argued that "regrettably there has been continued evidence of a divergence between the voting behaviour of appointed asset managers, when compared with our investment principles and the expectations of our beneficiaries".

According to the letter, this disconnect was especially noticeable regarding ESG issues, where some asset managers are regressing rather than progressing on their expectations of portfolio companies.

"The continued anti-ESG rhetoric has now made it impossible for global asset managers to fairly represent the opposing views of their investors," the letter continued.

"Some asset managers have already taken steps to enable their investors to choose how they want to vote. More asset managers should offer flexibility, ensuring capital owned by investors is voted in accordance with their stated values."

Recent advances in technology have also made client-directed voting possible, the coalition pointed out, granting asset managers the ability to afford the same voting rights to clients across both segregated and non-segregated mandates.

In Stewart's view, although sustainability-conscious asset owners may be disappointed by the Climate Action 100+'s departures, it remains important to "assess whether their asset managers' stewardship activities remain aligned with their own sustainability objectives, whether or not

those managers have signed up to any particular initiative".

"If not, and if there's no sign of any change in approach, they will need to consider exercising more direct control over investment stewardship activities or perhaps even seeking new managers," he adds.

Long-term value

Phoenix Group (a Climate Action 100+ member) head of stewardship, Valeria Piani, believes that the consideration of climate risks in investment decisions is an intrinsic part of institutional investors' fiduciary duties towards clients and beneficiaries, "regardless of where they are positioned in the investment value chain". In her view, taking action to manage these risks is necessary to "preserve long-term value in the best interests of pensioners".

According to Piani, in this respect, collaborative initiatives, and Climate Action 100+ specifically, have demonstrated to be an effective tool to foster focused dialogue, provide and receive feedback, get corporate management attention and save companies' time to engage with shareholders and bondholders.

"Collaborations also allow for peer exchange, sharing of expertise, learning and best practice for investors – while expecting investors to act independently and comply with relevant information exchange laws," she says.

"Phoenix Group would always question the departure of asset managers from initiatives such as Climate Action 100+ if this indicates a decreased commitment to the decarbonisation of the economy that is very much needed to limit catastrophic transitional and physical costs," she adds.

Piana also points out that Phoenix has set out clear expectations of its asset management partners and selects, monitors and appoints them "following a tailored ESG assessment process, which covers the consideration of climate risks and opportunities in integration, engagement and voting activities in addition to investors' participation in industry initiatives and collaborative engagements".

"We also encourage our asset owner peers to set their clear expectations to support this important initiative, which builds its success on scale and professional knowledge," she says.

Meanwhile, the National Employment Saving Trust (Nest) senior responsible investment manager, Katharina Lindmeier, observes that climate change is one of the biggest risks facing Nest members, particularly because it impacts "not just their way of life but also the amount in their pension pot".

"It remains important to assess whether *[pension schemes']* asset managers' stewardship activities remain aligned with their own sustainability objectives"

"It's a systemic risk that investors need to be proactively managing," she says.

In recognition of these risks, Lindmeier observes that everyone has a role to play in tackling climate change and confirms that Nest regularly speaks with its fund managers on the topic, "beyond just managing our mandates and helping us achieve our portfolio wide, net-zero targets".

"We'll continue to emphasise to our fund managers the need for immediate action on climate change," she adds.

Looking ahead

Looking ahead, Warwick Thompson warns that barriers for participating in collaborative climate change initiatives remain for some firms, including "litigation concerns for members of those initiatives in some jurisdictions" and "competition law uncertainty regarding agreements between investors and businesses aimed at environmental goals".

"In the UK, we welcome the steps taken by the Competition and Markets Authority (CMA), which has helped to place the UK in a leadership position in the ongoing debate around antitrust risks and sustainability practices," he says.

Moving forward, Warwick Thompson argues the Financial Conduct Authority (FCA) should now address outstanding competition concerns for investors and collaborate at the international level, including at the International Organization of Securities Commissions (IOSCO). He believes that addressing these barriers will facilitate the continued success of investor-led initiatives on sustainability.

"The FMLC's recent report on pension scheme trustees' fiduciary duties very helpfully reiterates that trustees should consider what more they require from their fund managers – and other groups like investment consultants – in order to help fulfil their fiduciary duties. This includes trustees assessing the extent to which they are aligned with their managers on how sustainability and climate change have been evaluated and considered in investments," he adds.

Piani believes that Climate Action 100+ and collaborative engagements remain valid options for investors to share the workload of effective stewardship within the boundaries of anti-trust and concert laws.

"Companies can highly benefit from these collective dialogues too and take the opportunity to collect feedback from the market in a coordinated and efficient way. The climate crisis is a collective crisis, which needs collective action. Beyond individual company dialogues, we also support the updated strategy of the second phase of Climate Action 100+, which focuses on dialogues across sectors and themes," she adds.

Written by Abigail Williams, a freelance journalist

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Introduction

It's been 11 years since we first launched our Pensions Age Awards and what a whirlwind of a journey it has been! The awards have continued to go from strength to strength and this year we welcomed over 700 people in the stunning Great Room of the JW Marriott Grosvenor House on London's famous Park Lane.

There is certainly never a dull moment in pensions, with new regulations, reform and a never-ending stream of consultations all becoming the norm rather than the exception, and all against a backdrop of global political uncertainty, and a cost-of-living crisis, yet this industry fights back with passion, innovation and a desire for delivering to its members, whatever the challenges.

Congratulations to all of this year's worthy winners and many thanks to all our sponsors and guests, without whom the event would not be possible. We hope you enjoy reading our summary of a fantastic night!

Francesca Fabrizi, Editor in Chief

The judging panel

Robert Branagh
CEO
London Pension Fund Authority (LPFA)

David Butcher
Managing Director
Communications and Content

Michael Clark
Trustee Director
Independent Governance Group (IGG)

Melanie Cusack
Trustee
Merchant Navy Ratings Pension Fund and Client Director, Zedra Governance

Jerry Gandhi
Director
C A P Services

Mohsin Harhara
Head of Pensions
Skanska UK

Louisa Harrold
Client Director
Zedra Governance

Alison Heppenstall
Founder and Director, Climate Action for Associations (CAFA); and Managing Director, b2b and B2.Media

Vince Linnane
Chairman
Moorlands Human Capital

Ian McQuade
CEO
Muse Advisory

Julian Mund
Chief Executive
Pensions and Lifetime Savings Association (PLSA)

Richard Parkin
Head of Retirement
BNY Mellon Investment Management

Richard Poole
Legal Director, Pensions & Employee Benefits
Royal Mail Group

Matthew Swynnerton
Partner
DLA Piper

PENSIONS Age AWARDS 2024

The Pensions Age Awards 2024: Celebrating a commitment to excellence in UK pension provision

LifeSight (WTW)

BTPS

Johnson Matthey in partnership with Gallagher

Brightwell

Essex Pension Fund

Rolls Royce

LCP

DC Pension Scheme of the Year
WINNER: *LifeSight (WTW)*

DB Pension Scheme of the Year
WINNER: *BTPS*

Pension Scheme Communication Award
WINNER: *Johnson Matthey in partnership with Gallagher*

Pensions Administration Award
WINNER: *Brightwell*

Best Investment Strategy Award
WINNER: *Essex Pension Fund*

Pension Scheme Innovation Award
WINNER: *Rolls Royce*

Pensions Consultancy of the Year – Sponsored by Aviva
WINNER: *LCP*

Pensions Provider of the Year
WINNER: *Standard Life*

Fiduciary Management Firm of the Year
WINNER: *Goldman Sachs Asset Management*

Pensions Technology Firm of the Year
WINNER: *Procentia*

At retirement Solutions Provider of the Year
WINNER: *Aviva*

Independent Trustee Firm of the Year
WINNER: *Independent Governance Group (IGG)*

Pensions Law Firm of the Year – Sponsored by Hargreaves Lansdown
WINNER: *DLA Piper*

Pensions Accountancy Firm of the Year
WINNER: *Cooper Parry*

Active Manager of the Year
WINNER: *Border to Coast Pensions Partnership*

Equities Manager of the Year
WINNER: *Royal London Asset Management*

Fixed Income Manager of the Year
WINNER: *Legal & General Investment Management*

Alternatives Manager of the Year
WINNER: *M&G Investments*

Alternatives Manager of the Year – Specialist
WINNER: *GLIL Infrastructure*

Emerging Markets Manager of the Year
WINNER: *Artisan Partners*

Property Manager of the Year
WINNER: *AlphaReal*

Standard Life

Goldman Sachs Asset Management

Procentia

Aviva

Independent Governance Group (IGG)

DLA Piper

Cooper Parry

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The Great Room, Grosvenor House Hotel
Park Lane, London

Border to Coast Pensions Partnership

Royal London Asset Management

Legal & General Investment Management

M&G Investments

GLIL Infrastructure

Artisan Partners

AlphaReal

State Street Global Advisors

Partners Group

PIC (Pension Insurance Corporation)

Hargreaves Lansdown

Capita

LDI Manager of the Year
WINNER: *State Street Global Advisors*

Multi asset Manager or Provider of the Year
WINNER: *Partners Group*

Risk Management Provider of the Year
WINNER: *PIC (Pension Insurance Corporation)*

Pensions Communications Award
WINNER: *Hargreaves Lansdown*

Innovation Award
WINNER: *Capita*

Innovation Award – Investment
WINNER: *Schroders Capital*

Innovation Award – Technology
WINNER: *Intellica*

Administration Provider of the Year – Sponsored by Intellica
WINNER: *Trafalgar House*

Master Trust Offering of the Year
WINNER: *Standard Life*

Sponsor Covenant Provider of the Year
WINNER: *XPS Pensions Group including Penfida*

Factor Investing Offering of the Year
WINNER: *Russell Investments*

Sustainability Provider of the Year
WINNER: *Legal & General Investment Management*

Diversity Award
WINNER: *Scottish Widows*

Cashflow Driven Investment Manager of the Year
WINNER: *AXA Investment Managers*

Pensions Marketing Campaign of the Year
WINNER: *Fidelity International*

Pensions Age Thought Leadership Award
WINNER: *ITM*

Personality of the Year
WINNER: *Geraldine Brassett, Senior Consultant, WTW*

Schroders Capital

Intellica

Trafalgar House

Standard Life

XPS Pensions Group including Penfida

Russell Investments

Legal & General Investment Management

Scottish Widows

AXA Investment Managers

Fidelity International

ITM

Geraldine Brassett, Senior Consultant, WTW

LifeSight by WTW

DC Pension Scheme of the Year

LifeSight (WTW)

The DC Pension Scheme of the Year award went to LifeSight (WTW). Receiving the award was Jelena Croad. Olivia Richardson, Perspective Publishing (right) and host Hal Cruttenden (left) presented the award.

Defined contribution (DC) pension provision has evolved beyond recognition in the areas of investment, communication and scheme design. This award rewards those DC schemes that have developed their proposition with a clear focus on what really matters – meeting member needs.

This year's worthy winner of the DC Pension Scheme of the Year award was LifeSight (WTW), which impressed the judges by demonstrating a "clear focus on meeting member needs, using impressive tools to improve member outcomes". Congratulations to LifeSight!

LifeSight prides itself on helping members achieve their retirement goals and this shone through, said the judges, in so many areas, not least the important area of investment. With sustainable investment a key focus for the master trust, LifeSight uses tilts and exclusions to help it invest in trailblazers and avoid laggards, and is committed to reaching net zero by 2050.

LifeSight also demonstrated innovation in its investment strategy, recognising the increasing role smart beta can play in helping members meet their investment needs, while keeping a keen eye on keeping investment charges down.

LifeSight also demonstrated innovation via its online tools. For example, its interactive ageOmeter shows members how decisions they make today, such as increasing contributions, can significantly impact their retirement outcome; while its online benefit statements are accompanied by personalised action-focused videos to bring the retirement journey to life. LifeSight also boasts its own app which members log into, on average, once a week, while personalised nudges encourage people to act at relevant times in their lives.

In addition, LifeSight, said the judges, "clearly strives to support its members by engaging with them and listening to feedback to ensure it is meeting their complex and diverse needs".

Its member listening lab has over 3,000 members on hand to share their views, while member surveys help it understand what new features they would appreciate. LifeSight also provides real-time support, including assistance through webchat functionality; while its recently launched money coaching service allows members to access guidance sessions with a money coach to discuss finances and goals.

Finally, LifeSight has a diverse governance structure, with trustees drawn from a range of backgrounds, to include retail, investment management, fintech and more.

All in all, this master trust showcased excellence, innovation and a refusal to stand still in this key area of pensions – congratulations again to the team at LifeSight!

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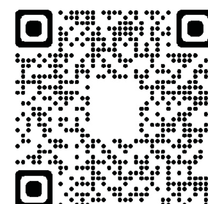

LifeSight.com

Brightwell

Pensions Administration Award

Brightwell

The Pensions Administration Award went to Brightwell. Receiving the award were Dave Tomlins and David Cheetham. Natalie Tuck, European Pensions (right) and host Hal Cruttenden (left) presented the award.

This category aims to award the pension scheme that continues to keep administration as a key consideration, proving it has the needs of the member at the heart of its offering.

This year's worthy winner was Brightwell, whose passion for administration excellence shone through in its entry. Brightwell, noted the judges, "demonstrated a refusal to settle for anything but the best for its members" and stood out in a plethora of ways.

Brightwell has undertaken a major transformation in its member service in recent years. After the insourcing of administration in 2018, it saw significant improvements in its client's (BTPS') member satisfaction. However, it's online services were still lacking, while it also saw the need to improve its call centre.

In 2019, the call centre was brought back onshore and, in 2021, Brightwell introduced Procentia's IntelliPen pension administration software, a new website and a personalised member portal for BTPS. These changes transformed its administration offering even further, and empowered the members in so many ways that previously were not available to them.

But Brightwell's determination to improve didn't stop there. In April 2023, Brightwell established a fully in-house contact centre, resulting in further improvements in the member experience. The contact centre and administration now function as one team, meaning members' first point of contact is an expert. This has resulted in a 10-point improvement in first contact resolution, and a six-point improvement in post-contact member satisfaction scores.

All in all, members are receiving a better and faster service with shorter turnaround times for a number of key initiatives, with member satisfaction surveys highlighting the impact these changes have made on the member experience.

Over the past year, another key focus for Brightwell has been investing in its people, recognising that its people are key to maintaining a high level of service to members. For example, it has launched the Pension Academy, which offers colleagues a formal programme of technical training, pensions knowledge and on-the-job training.

Brightwell proved to the judges that every initiative it has undertaken has been driven by a desire to improve services to its client, their members, and beneficiaries. Indeed, BTPS' CEM global pension benchmarking service quality score has risen from 48 to 82 over five years, while BTPS' own member satisfaction score has increased from 63 per cent in 2018 to 87 per cent in 2023.

Brightwell are clearly deserving winners of the Pensions Administration Award. Congratulations!

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Essex Pension Fund

Best Investment Strategy Award
Essex Pension Fund

The Best Investment Strategy of the Year award went to Essex Pension Fund. Receiving the award was Kelly Armstrong, Sara Maxey and Holly Gipson (centre). Sophie Smith, Pensions Age (right) and host Hal Cruttenden (left) presented the award.

Getting the investment strategy right is one of the biggest challenges a pension scheme has to overcome, particularly given the current economic environment. With the Best Investment Strategy Award, *Pensions Age* recognises the pension schemes that have implemented an investment strategy that sets the standards for the industry to follow. A massive congratulations to this year's deserved winner – Essex Pension Fund!

The judges described Essex Pension Fund's submission as: "An impressive entry that showcased investment expertise and a true understanding of meeting pension needs today." The pension fund stood out from the crowd through its ability to thrive in an uncertain environment, providing reassurance and outstanding service to its stakeholders, while also being a dedicated responsible investor.

The fund's Investment Steering Committee recently agreed the updated Investment Strategy Statement, reflecting recent developments the fund had made regarding its investment strategy and responsible investment policy, and a clear roadmap to its net-zero 2050 goal.

Its business plan, which incorporates the investment strategy, impressed the judges by delivering year-on-year net added value in terms of cost/performance compared to the fund's peers, within appropriate risk/return parameters, and the eight-year net return of 10.2 per cent, which was above the Local Government Pension Scheme (LGPS) median of 8.8 per cent. This generated £896 million net added value of the period, with the fund value reaching a record high of £9.67 billion as at 31 March 2023.

Thanks to its innovative and responsive investment strategy, Essex Pension Fund showed why it is this year's deserved winner of the Best Investment Strategy Award. It experienced a long period of investment performance above what was expected, which secured its position as a leader within the LGPS as it prepares to transition to a low-carbon economy and reach its net-zero ambitions.

As a responsible investor, Essex Pension Fund impressed with its stakeholder engagement, listening to them and swiftly adopting policies to better ensure their values and actions were aligned, and that the fund's investment strategy was proactive and future facing. This demonstrated the pension fund's ability to fulfil its primary responsibilities as a public sector pension scheme while supporting the drive for a better future for all by strengthening its ESG priorities, which will help ensure people can have the retirement they want in a sustainable future.

Congratulations again to the worthy winner of the Best Investment Strategy Award – Essex Pension Fund!

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LCP powering possibility

Pensions Consultancy of the Year

LCP

The Pensions Consultancy of the Year award went to LCP. Receiving the award was Ian Farrand. Victoria Panormo, Aviva (right) and host Hal Cruttenden (left) presented the award.

The Pensions Consultancy of the Year award recognises the pension/ investment/actuarial consultancy firm that shows a true dedication to its clients and an unrivalled understanding of their needs.

This year's winner clearly demonstrated its value with the Pensions Age Awards judges, who praised LCP for "an outstanding entry, which showcased how the consultancy firm has worked hard in a range of ways to meet its clients' ever-evolving requirements".

The judges were impressed with the success LCP has enjoyed in recent months. Over the past 18 months alone, the firm has won over 70 new actuarial clients or additional projects on existing clients, while in the last financial year, LCP has seen a 26 per cent growth.

LCP was also the lead adviser to RSA Group on the largest de-risking transaction to date. The sponsor-led buy-in, covering two schemes, covered 40,000 members and £6.5 billion of liabilities.

The past year has also seen LCP, said the judges, demonstrate itself as "a true leader" in influencing the management of DB schemes, through its proposal for creating a new opt-in system for well-funded DB schemes, which has gained considerable traction in the industry; while another high point was when LCP partner, Jonathan Camfield, was invited to present to the House of Lords and House of Commons select committees on the topic of LDI reform, following LCP's publication of several thought pieces on the gilt crisis.

LCP also impressed the judges with the launch of a group to explore the gender pension gap, highlighting the firm's dedication to improving overall pension provision. The group produced a report that explored current issues around the gap and recommendations for the government, employers, and the pension industry. This is in addition to the production of multiple relevant and insightful webinars, podcasts, reports, blogs and bulletins on a range of issues.

Finally, the judges were pleased to see how LCP works hard to put both its clients and staff first – its 2022 client survey showed impressive overall satisfaction levels; while its regular staff survey results have led to it being granted the People Insight's Outstanding Workplace award. Couple this with strong client testimonials, and it's easy to see why LCP is such a worthy winner of this year's Pensions Consultancy of the Year award!

LCP powering possibility

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Standard Life
Part of Phoenix Group

Pensions Provider of the Year

Standard Life

The Pensions Provider of the Year award went to Standard Life. Receiving the award were Jess Williams and Ross Willmott. Michael Clark, Independent Governance Group (right) and host Hal Cruttenden (left) presented the award.

The Pensions Provider of the Year award celebrates those firms that have moved with the times and have displayed excellence in the area of pension provision. This year's winner, Standard Life, impressed the judges with its presentation showcasing holistic financial solutions and strong supporting evidence of success.

2023 was a significant year for Standard Life, and it was evident to the judges that this firm is constantly striving to evolve in so many ways – by continuing to invest in leading-edge technology to improve holistic financial wellness; being involved in pioneering research, such as its 2023 *Beyond the Great Retirement* and *Retirement Voice* reports; working hard to improve pensions inclusion and equality; constantly driving forward the ESG agenda; keeping in touch with members to help ensure member satisfaction; and working tirelessly to improve member outcomes.

Additionally, this outstanding entry showcased the launch of three sector firsts last year. These included the development of pioneering immersive training for frontline colleagues, to help them support the most vulnerable; an accreditation programme with the Pensions Management Institute (PMI), aimed at improving trustee diversity and capability; and an enhanced Client Analytics tool.

Standard Life also displayed, said the judges, "innovation that produced results". For example, its Client Analytics online tool has been combined with member tools and communications in order to bring to life the PLSA Retirement Living Standards (RLS) and prompt insight/action from employers. Furthermore, Standard Life last year further improved its member app/dashboard – a 'one-stop shop' for members, giving them access to tools, information, insight and guidance they need to achieve their short- and long-term financial goals.

Member service, support and protection, for the whole breadth of its member base, also shone through in so many areas of Standard Life's submission, for example, its Helping Hands Champions are a specifically trained team aimed at supporting vulnerable customers; while Standard Life is also clearly focused on supporting DEI, as evidenced in so many ways, not least through its Trustee Accelerator programme with the PMI – a two-year course that brings fresh/diverse thinking by training those without pensions industry experience to become trustees.

In terms of addressing the gender pension gap, Standard Life runs webinars about women's financial futures, a women's innovation forum to improve retirement outcomes for women, and in-house initiatives which are increasing diversity and pension equality; and it also clearly has a passion for driving the ESG agenda, as a group investing >£1bn in social housing/cleantech in 2022, and holding companies it invests in to account through stewardship.

With such a plethora of initiatives, it's hard to even outline all the areas which impressed the judges about this entry – congratulations to the team at Standard Life for raising the bar so high!

Standard Life
Part of Phoenix Group

1 in 4

are losing sleep over their finances

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1 in 4 say financial worry is causing sleepless nights and poor mental health – yet 6 in 10 aren't looking for help.

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Goldman Sachs Asset Management

Fiduciary Management Firm of the Year

Goldman Sachs Asset Management

The Fiduciary Management Firm of the Year award went to Goldman Sachs Asset Management. Receiving the award was Christy Jesudasan, co-head of UK & Ireland Institutional Business. Jerry Gandhi, C A P Services (right) and host Hal Cruttenden (left) presented the award.

Fiduciary management (FM) services are now firmly embedded in the UK pensions space, with its various formats, such as implemented and delegated consulting, catering to the varying needs of pension schemes.

Therefore, the Pensions Age Fiduciary Management Firm of the Year award recognises the company that meets its clients' evolving needs, while helping them navigate tricky investment markets over the past year.

Impressing the judges with its expertise in this challenging sector, and its clear dedication to supporting its clients, *Pensions Age* is delighted to announce Goldman Sachs Asset Management as the 2024 Fiduciary Management Firm of the Year!

Bringing together traditional and alternative investments, Goldman Sachs Asset Management provides clients around the world with a dedicated partnership and focus on long-term performance. Goldman Sachs Asset Management has been providing fiduciary management services to UK pension schemes since 2015, having provided this service to US and Dutch schemes for many decades. As of December 2023, it oversees more than $2.6 trillion in assets under supervision.

The asset manager prides itself on designing and implementing investment solutions that meet the complex and diverse requirements of DB pension schemes. And, despite its already impressive credentials, Goldman Sachs Asset Management has still continued to innovate, with 2023 being a monumental year for its UK FM business.

In 2023, Goldman Sachs Asset Management enhanced its proprietary CDI tools and product innovation. This included implementing bespoke cashflow matching and providing detailed analysis on cashflows, along with utilising the tools for its insurance clients to build portfolios that are appropriate for DB schemes' endgame/buyout readiness.

Over the past year, Goldman Sachs Asset Management has also provided its FM clients with opportunities to participate in, and gain from, the climate transition. This it has achieved through thematic public equity exposures, ESG integrated infrastructure managers, and private infrastructure investments.

Goldman Sachs Asset Management is proud to say that all its clients are performing in line with their long-term objectives, with all Goldman Sachs Asset Management's FM clients having maintained their liability matching hedge during the turbulent time of Q4 2022, and the growth portfolio performance had been additive over the past 12 months.

The result is Goldman Sachs Asset Management achieving appointments across the board from small, medium and large UK DB pension schemes, onboarding £23 billion in assets in 2023 – a record in UK pensions outsourcing history.

Congratulations to a very worthy winner!

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Goldman Sachs Asset Management

gsam.com

Goldman Sachs Asset Management brings together traditional and alternative investments, providing clients around the world with a dedicated partnership and focus on long-term performance.

Your Performance, Our Priority.

Our Fiduciary Management team harnesses the resources and expertise of Goldman Sachs to support pension schemes, their trustees and the sponsoring employer. We have been providing fiduciary management services to UK defined benefit pension schemes since 2015. Our fully customisable offering includes growth-oriented and sustainable investment strategies, cash-flow matching and end-game solutions.

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Pensions Technology Firm of the Year

Procentia

The Pensions Technology Firm of the Year award went to Procentia. Receiving the award were Suzannah Baker and Steve Donkin. Richard Parkin, BNY Mellon Investment Management (right) and host Hal Cruttenden (left) presented the award.

Effective and reliable pensions technology is essential for the successful running of any pension scheme. This award recognises those firms that are leaders in the field of pensions technology, and ultimately reward who is the best of the best in this competitive and dynamic category.

This year's winner was Procentia, which impressed the judges with "a very strong submission demonstrating significant development across several areas in the UK and overseas, setting them apart in the pension's technology space". Congratulations to a worthy winner.

Procentia is a global pensions software company, widely known for its award-winning IntelliPen administration and management platform. The firm services over 3.7 million pension scheme members, highlighting its ability to provide effective pension technology solutions to the pension industry.

IntelliPen was launched in 2004 as the first fully web-based administration and management platform. Its modular system streamlines processes from new member registration to retirement, delivers up to 90 per cent time and cost efficiencies, and is the only software solution that offers a 'one system, different views' approach. In 2019, BT Pension Scheme Management (now Brightwell) acquired a majority stake in Procentia.

Clearly an established player in the pensions arena, the judges were particularly impressed by Procentia's continued development and refusal to stand still. Over the past year (2022-2023), Procentia was appointed by British Airways Pensions to provide a software platform for its 85,000 members, and introduced three new pension risk transfer products to the North American market.

Alongside this, Procentia delivered a pioneering, fully online self-service retirement process for one of its major clients, enabling their members to control their financial security and plan for retirement without administrator support.

Other developments in 2023 included the introduction of an AI-based Identification and Verification process; developing IntelliPen into a Cloud Native system; and the development of an integrated 'Intelli-ISP' product, providing frictionless connectivity to the pensions dashboards ecosystem.

The software company is currently exploring how AI can be used further to benefit its clients and members.

Add to all of this, Procentia clearly puts clients and members at the heart of its offering – it has been voted the number one UK Pension Administration Software Provider for two years running in an industry survey, and received strong client testimonials to back this up.

These are just some of the many reasons why Procentia was voted this year's winner – this firm is clearly dedicated to its clients and is passionate about using technological innovation to support them. Congratulations again to Procentia!

Innovating PenTech since 2002

Our award-winning pensions administration and management solution is changing the way schemes provide lasting value for their members.

"Partnering with **Procentia** reinforces our commitment to providing excellent pension services, which is paramount to delivering the right member outcomes using **state-of-the-art technology**.

It will launch **a new era of online services**."

Vinny Ehzuvan, CEO, BA Pensions

IntelliPen®

Intelligent software that puts your **administrators** and **member experiences** at the heart of your pension scheme.

Find out what we can do for you

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hello@procentia.co.uk
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'Pensions Technology Firm of the Year 2024'

AVIVA

At retirement Solutions Provider of the Year

Aviva

The At retirement Solutions Provider of the Year award went to Aviva. Receiving the award was Dawn Anderson. Lucie Fisher, Pensions Age (right) and host Hal Cruttenden (left) presented the award.

This At-Retirement Solutions Provider of the Year award aims to recognise those firms that have shown a true dedication to improving the retirement experience of their members and have worked hard to help those entering the retirement phase make the most of their pension pot.

This year's deserving winner was Aviva, for impressing the judges with its understanding of the at-retirement space and for the excellent work it has done to empower and educate members in this challenging, yet key, area of pension provision.

Aviva, one of the UK's leading insurance, wealth, and retirement businesses and one of the largest providers of corporate pensions in the UK, impressed the *Pensions Age* judges with its development of multiple cutting-edge tech tools, developed to help members make retirement goals and work out a way to achieve them.

For instance, the 'Shape my Future' tool is an online planner to show how much a member's ideal lifestyle may cost and how they can plan their savings to achieve that goal. There is a range of tools available for Aviva clients to educate them on making the most of retirement.

In addition to the suite of tech offerings, Aviva has conducted over 1,000 financial education sessions to demystify topics like retirement planning and the cost-of-living crisis. The 'My Retirement, My Way' seminar, just one example of the sessions the firm runs, covered financial goals in retirement, saving and taxation. As many as 87 per cent of attendees felt motivated to act after this seminar.

Aviva, recognised by the judges, strives to do the best for all its members in the run-up to retirement, including providing written communications several years before retirement to engage with members to review their investments and prompt them to start thinking about how they'll take their benefits. It also sends wake-up packs and reminders to encourage members to get in touch to discuss their options.

Research conducted by Aviva on under-40s workplace pensions revealed that 80 per cent of surveyed members expect a lower standard of living in retirement. To combat this, the firm also launched a retirement forecasting tool for members to see if they're on track for a decent level of income in retirement. The forecasting tool also allows members to set personalised goals.

These are just several of the many ways Aviva has demonstrated its expertise and passion in the at-retirement space. Congratulations to a worthy winner!

AVIVA

Aviva Workplace Pension

Workplace pensions that deliver

Crafted by our expert industry professionals, our workplace pensions give a wide range of options. From flexible investment and retirement options for employees to administrative simplicity for employers, we've got it all in hand.

The value of investments can go down as well as up. Employees may get back less than has been paid in.

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LGIM

Fixed Income Manager of the Year

Legal & General Investment Management

The Fixed Income Manager of the Year award went to Legal & General Investment Management. Receiving the award was Lisa Purdy. Jerry Gandhi, C A P Services (right) and host Hal Cruttenden (left) presented the award.

Fixed income has evolved from a sleepy asset class into a dynamic and diverse option for UK pension funds today. This award recognises those firms that have not only displayed innovation in this area to take advantage of the opportunities out there, but also have the performance numbers to prove their expertise. Huge congratulations to the winner of this year's Fixed Income Manager of the Year award – Legal & General Investment Management (LGIM).

Commenting on LGIM's well-deserved win, the judges said: "This firm showcased excellence in the fixed income space, and a true understanding of the dynamic role fixed income can play in the pensions arena."

Over the past year, LGIM has supported defined benefit (DB) schemes navigate the volatile investment and geopolitical landscape, working closely with them as they look to the future and build resilience to market shocks. The judges were impressed by LGIM's advocacy for schemes to diversify sources of liquidity and return, helping schemes deal with cashflow challenges. Its clients were kept up to date through the firm hosting a range of trustee education seminars, conferences and roundtables, ensuring they were as well-informed as possible to have a positive impact on their long-term success.

LGIM clearly understood the importance of stable returns, with its flagship liquid bond fund, the L&G Absolute Return Bond Fund, a great example of this. The fund exhibited greater stability than traditional credit strategies and equities, particularly during the large market moves in the third quarter of 2022, while remaining highly liquid throughout.

The judges were impressed by LGIM's ability to incorporate ESG factors into its new product launches, with its L&G Net Zero Short Dated Global Corporate Bond Fund, launched in February 2023, providing schemes looking for lower duration exposure to global credit opportunities to mitigate rate volatility with another investment choice. The fund has an explicit net-zero objective and aims to drive improvements in climate and ESG outcomes.

LGIM's belief in driving net zero and its responsibility to help pension schemes in the face of a challenging investment landscape proves why the firm is the deserved winner of this year's Fixed Income Manager of the Year Award.

Its wide range of fixed income opportunities offer both diverse sources of liquidity and stability to pension schemes, while retaining the potential for returns in excess of cash. Massive congratulations again to LGIM on a richly deserved win!

You choose the endgame, we'll build the bridge

Buyout, run-on or both? Whatever your scheme's preferred destination, we'll help you construct the way forward.

Experts in endgame
lgim.com/bridge

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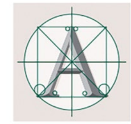


Emerging Markets Manager of the Year
Artisan Partners

The Emerging Markets Manager of the Year award went to Artisan Partners. Receiving the award was Camelia Gelan. Ian McQuade, Muse Advisory (right) and host Hal Cruttenden (left) presented the award.

Investing in emerging markets has become a popular option for pension funds, and for good reason given the value it can bring to a portfolio. Still, only those who truly understand the nuances of investing in these dynamic markets can take advantage of the compelling opportunities on offer, while simultaneously avoiding potential pitfalls. This is why the Emerging Markets Manager of the Year award is such a prestigious accolade and only the most sophisticated experts are sent home with the trophy.

This year's winner demonstrated excellence and dynamism in the emerging markets arena, coupled with innovation, new product development and a demonstrable commitment to its pension fund clients. Congratulations Artisan Partners!

With $150.2 billion in AUM as of 31 December 2023, Artisan Partners is an independent investment management firm focused on providing high value-added, active investment strategies to clients globally. It has a decentralised boutique structure, where each team operates independently. This model allows individual portfolio managers to focus exclusively on their alpha maximisation responsibilities, free from any administrative concerns.

In particular, Artisan Partners is committed to developing products for pension funds. Since launching into the British market in 2010, the firm has experienced strong demand for its products and now offers a range of actively managed emerging markets investment strategies.

Late in 2021, Artisan Partners hired Michael Cirami, Michael O'Brien, and Sarah Orvin from Eaton Vance to build a new emerging markets debt investment franchise, named EMsights Capital Group. After a period of operations set-up and team building, the franchise launched the Artisan Emerging Markets Debt Opportunities and the Artisan Emerging Markets Local Opportunities strategies, alongside a global fixed income strategy, Artisan Global Unconstrained.

This newest investment franchise, EMsights Capital Group, is working well under Artisan's distraction-free investment environment. Since inception, the Artisan Emerging Markets Debt Opportunities Strategy has outperformed its index by 682 basis points as of 31 December 2023, while the team's Global Unconstrained Strategy has outperformed its benchmark since inception by 525 basis points as of 31 December 2023 (net of fees).

Lewis Kaufman and his Artisan Partners Developing World Team takes a unique approach to emerging markets investment and the Artisan Developing World Strategy has outperformed its benchmark by 542 basis points since inception through 31 December 2023, net of fees. Meanwhile, Tiffany Hsiao of the Artisan China-Post Venture Strategy has seen her portfolio outperform its benchmark by 196 basis points since inception, net of fees.

Also, Maria Negrete-Gruson and her Artisan Partners Sustainable Emerging Markets Team stand out against peers based on the fact that almost every member of the investment team was born, raised and/or educated in emerging markets. They take a very personal approach to emerging markets investing, and the team's longevity in the space is truly unique. Every member of the team is also diverse in terms of gender or race.

Well done Artisan Partners, a worthy winner!

Artisan Partners

Firm Founded: 1994

Autonomous Investment Teams: 10

Strategies: 25

High Value-Added Investment Strategies

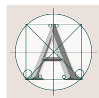
Artisan Partners is a global investment management firm that provides a broad range of high value-added investment strategies to sophisticated clients around the world. Each strategy uses an active, disciplined approach that leverages the original thinking of our investment teams.

Experienced Investors

We are a talent-focused business. Since 1994, the firm has been committed to attracting experienced investment professionals with a disciplined approach and a strong track record of success.

Autonomous Investment Teams

We have a strong philosophical belief in the autonomy of our investment teams. We believe autonomy promotes original research and amplifies the creative perspectives that lead to value creation.



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STATE STREET GLOBAL ADVISORS

LDI Manager of the Year

State Street Global Advisors

The LDI Manager of the Year award went to State Street Global Advisors. Receiving the award was Rob Scammell, VLK, Stephen O'Leary, SSGA, Danielle Bowkett, SSGA, Claire Li, SSGA. Robert Branagh, London Pension Fund Authority (right) and host Hal Cruttenden (left) presented the award.

Understanding what liability-driven investment (LDI) really means and applying it to the benefit of pension scheme clients requires true skill and understanding, especially in light of the growing scrutiny surrounding LDI. This award therefore aims to reward the providers that excel in the LDI space despite the challenges it may present.

This year's winner was praised by the judges for demonstrating dynamism and excellence in its approach to LDI and a clear understanding of the important role LDI can play – congratulations to all of the team at State Street Global Advisors (SSGA) on a very well-deserved win!

A disruptor in the UK LDI market, SSGA has continued to innovate and challenge the status quo over the past year, growing its core LDI team with two new experienced hires in 2023.

The results from this work are clear, as SSGA were this year appointed to manage a multi-billion-pound portfolio by Van Lanschot Kempen (VLK) for their UK pension fund fiduciary management clients.

Quick to get to work, SSGA has already transitioned most of VLK clients from their incumbent arrangements, often transitioning multiple accounts in a single day, demonstrating its ability to deliver on the new and more efficient solutions.

This partnership also extended to VLK's work with Clara Pensions, which resulted in the UK's first DB pension consolidation transaction, for which its LDI portfolio played a key role.

SSGA also worked with VLK to ensure that it continued to stand out from the crowd over the past year, making use of the latest technology to deliver increased transparency to clients and react to the markets evolving needs.

Working closely with Charles River, which State Street acquired in 2018, the group was able to leverage existing capabilities to build a best in class, all-encompassing LDI system.

It also worked in partnership with VLK to improve its current segregated offering, after the 2022 gilt crisis highlighted the need for clients to receive more up-to-date information about their portfolios.

This work has allowed the group to increase the frequency of its reporting and improve its level of transparency, now providing fully up-to-date and automated daily reporting to some clients.

And SSGA's existing partnership with those in the technology space mean that this work is only set to continue, as the group works to continuously enhance and improve the functionalities to deliver better outcomes. Congratulations again to all at SSGA!

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Cost and process of changing your LDI manager

Why change your LDI manager?

Schemes change their liability-driven investment (LDI) manager for various reasons. Paramount among them is the choice of lower fees. Schemes also seek to benefit from an improved level of service, better-quality and timely reporting, and a deeper level of engagement with their LDI provider.

More recently, we have seen an increase in schemes choosing State Street Global Advisors as their LDI manager. Improved portfolio efficiency, better-quality and customized reporting, and lower fees could be some of the ways clients have benefitted from switching to State Street Global Advisors, with minimal disruption or transition costs.

State Street Global Advisors' ambition is to disrupt the existing LDI industry through its innovative and technology-led approach to LDI portfolio management and meet the ever-changing needs of pension schemes in volatile markets.

Get the transition right

Through our relationship with Van Lanschot Kempen Investment Management, our dedicated transition project management team have been able to transition clients quickly, efficiently and at minimal cost. We have moved clients with pooled and segregated exposures—portfolios that have derivatives and repo positions—for little or no transaction cost and with no out-of-market exposure.

In collaboration with the investment consultant, we can model the current exposure of the LDI mandate with the incumbent manager and propose trading or transfer of assets that would replicate the existing level of hedging against the liabilities to create a new LDI portfolio.

To this end, we will first determine the suitable transition period depending on the amount of trading needed. Throughout the transition, our LDI team will provide regular updates on the progress. Finally, upon completion, we will provide a report on the transition, with a detailed review of the portfolio before and after trading.

We would be happy to talk to trustees in detail about how our experience, quality of service, pricing, and portfolio management technology can help with managing their scheme.

The usual concerns

Common client concerns while changing the LDI manager often focus on the market risks and transaction costs involved. Let us look at some of these considerations:

Pooled fund investors

- A common dealing date can be agreed upon between the incumbent manager and State Street Global Advisors to avoid any out-of-market exposure.
- If holdings are in unleveraged and leveraged gilts, or index-linked gilt funds, the transition can usually happen without transaction costs.
- Transition of swap-based funds may incur some transaction costs, but, where of benefit to the mandate, there could be a move from swap to gilt-based funds to alleviate the transaction cost of entering new swaps. This may also make sense from the perspective of relative value, as well as reducing basis risk, if the scheme has gilt-based liabilities.
- Depending on the size, the transition can be spread across multiple dealing days to minimise transaction costs and market impact.

Segregated mandates

- State Street Global Advisors can often simply step in on the account managed by the incumbent manager at no cost to the client.
- We have a dedicated and experienced team of specialists that handle in specie events, ensuring that unleveraged LDI assets can transition at no cost or with out-of-market exposure.
- Where the portfolio includes derivatives, there are several approaches to help avoid out-of-market exposure and minimise or eliminate costs depending on the type of instrument and legal agreement; for example:

1. Cleared swaps can be ported at the clearing house with no out-of-market exposure
2. Depending on the nature of the legal documentation, it is possible to novate bilateral swaps to a new account, with no out-of-market exposure or transaction costs.
3. Transition of repo portfolios can also be completed with no out-of-market exposure, either through aligning roll dates with the incumbent manager or, where necessary, executing back-to-back trades with a broker (with no transaction cost or change to underlying trade terms).

Why choose State Street Global Advisors?

While there may be one-off costs related to transitioning to a new manager, they could quickly be outweighed by the benefits made available to the scheme. We outline a few of them below:

Portfolio Efficiency:

As part of the transition, the collateral efficiency of the portfolio can be reviewed and, where appropriate, improved. Many of

the clients who we have onboarded have seen such improvements in collateral efficiency help reduce portfolio leverage and deliver material savings in terms of ongoing funding costs.

An example is a portfolio that recently transitioned across to our LDI team. Its new design involved switching into more collateral-efficient bonds at each five-year tenor point across the curve, resulting in a reduction of leverage, hence saving the client over 15 basis points on exposure annually in funding costs (at prevailing funding rates, as of 15 March 2024).

Improved Level of Service:
LDI remains a complex part of client portfolios. We offer a tailored service and speedy analysis that clients may not get with their incumbent managers.

With the increased volatility in the rates markets over the last two years, clients have welcomed the timely insights from our portfolio managers to discuss the impact of market moves on their portfolios, but also our ability to facilitate transitions and changes in their mandates.

Improved Reporting:
We offer daily access to LDI portfolio valuation and analytics reports, including all the information available to our portfolio managers. Along with clients and their advisors, we can build bespoke daily reports in a format that best suits their requirements. These reports are complemented by our comprehensive weekly and monthly reporting, providing clients all the details relevant to their portfolios, including stress test analysis and, importantly, performance and attribution reporting.

Lower Fees:
Schemes may benefit from paying lower management fees by considering other LDI providers. The savings here could very quickly dwarf any transition costs.

With the One State Street solution, our schemes can benefit from the efficiencies and pricing of operating all services from asset management to custody as one relationship. Clients may also benefit from our scaled global asset management business across cash, fixed income and equity.

Technology-led Portfolio Management:
We have a technology-led approach to portfolio management. At the heart of this enterprise is the Charles River Investment Management Solution (CRIMS), a system designed to manage every aspect of a LDI mandate, including portfolio management, trading, compliance and collateral management, allowing us to not only manage portfolios accurately and with scale, but to also provide state-of-the-art, timely reporting to clients, including performance attribution.

STATE STREET GLOBAL ADVISORS

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Marketing Communication

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Risk Management Provider of the Year

Pension Insurance Corporation (PIC)

The Risk Management Provider of the Year award went to PIC. Receiving the award was Matt Richards. Matthew Swynnerton, DLA Piper (right) and host Hal Cruttenden (left) presented the award.

Risk management at the top of pension schemes' agendas, as they take stock and possibly reassess their endgame strategy as a result of a changing investment universe.

Therefore, the Risk Management Provider of the Year award celebrates the provider that has best assisted pension schemes navigate these choppy waters, and has provided innovative solutions to truly help pension schemes to manage, or remove, their risks.

This was a hugely competitive category, yet once again, this firm proved itself a worthy winner due to the complex transactions it has undertaken over the past year, combined with its high levels of customer satisfaction, and focus on diversity and inclusion.

Congratulations PIC, the winner of the Risk Management Provider of the Year award for the second year in a row!

At half year 2023, PIC had insured 339,900 pension scheme members and had £44.9 billion in financial investments, accumulated through the provision of tailored pension insurance buyouts and buy-ins to the trustees and sponsors of UK DB pension schemes.

2023 also saw PIC complete the UK's largest ever bulk annuity transaction, securing a buy-in with the trustees of two schemes sponsored by RSA Group, insuring in total c.£6.5 billion of liabilities and covering the pensions of 40,000 members.

PIC uses its power and influence to put its investments to good use. For instance, in total PIC has invested £11.4 billion directly into the UK's economy, up to end of 2022.

In the first half of 2023 its investments included funding the UK's first reservoir for more than 30 years, completing its second investment to support the UK's Government Property Agency, and investing in its third retirement community.

The past year also saw the third year of PIC Academy, an early careers talent development programme that recruits based on applicants' potential rather than academic achievement, resulting in a formal qualification in business administration and 18 months' work experience.

PIC also took part in the #10,000blackinterns industry programme, which aims to recruit 10,000 black students or recent graduates into paid internships within the finance industry, for the fourth year running.

The firm also maintains strong links with its policyholders, holding live management Q&As and face-to-face events, having welcomed 30,000 attendees since 2011.

It is therefore no surprise that PIC received a 99.3 per cent satisfaction score as at June 2023, along with record pension payments of £1.1 billion for a six month period.

Congratulations for the second year to PIC, once again a richly deserved winner!

We're proud to pay Ken's pension every month...

...and to have secured the pensions of 339,899 more people like him.

At PIC, we have a simple purpose: to pay the pensions of our current and future policyholders.

Ken is one of them. When he retired, he still had plenty of wind in his sails, so he volunteered to help the next generation of British sailors to grow and thrive. He can do that thanks to the pension he receives on time, every time.

PIC has so far paid £13.6 billion in pensions to policyholders like Ken, with customer satisfaction levels of 99.3%.

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pensioncorporation.com/proud

Scan here to watch Ken's story

PROUD TO PAY OUR POLICYHOLDERS

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Schroders capital

Innovation Award – Investment

Schroders Capital

The Innovation Award – Investment award went to Schroders Capital. Receiving the award was Tim Horne, Head of UK institutional defined contribution, Schroders. Megan Davies, Perspective Publishing (right) and host Hal Cruttenden (left) presented the award.

Innovation has been rife in the UK pensions space, be that in the area of investment, product design, de-risking or any other area. This particular award aims to reward those providers in the investment space that have truly added value to the pensions sector with its originality and innovation.

The judges said the winning firm has worked hard to use its exceptional and long-standing investment expertise to develop an innovative solution to meet the needs of today's pension savers. Congratulations, Schroders Capital, winner of this year's award.

Schroders Capital has a long-held belief that investment innovation is key to driving desired outcomes for DC pension savers, which has recently demonstrated by its two Long-Term Asset Fund (LTAF) launches.

Schroders Capital's, and the UK's, first LTAF was launched in spring 2023, Climate+ LTAF – specifically designed for the DC market – which is a global multi-private asset, climate impact solution, created to capture the investment opportunity in private markets driven by climate change. Climate+ is a diversified, semi-liquid, multi-private asset portfolio that brings together expertise across asset classes and geographies and provides multiple levers for the potential to generate alpha.

The firm then launched a second LTAF, and the UK's third, in February 2024, Schroders Greencoat Global Renewables+ LTAF – managed by Schroders Greencoat, the renewable infrastructure business of Schroders Capital. This LTAF was developed to help DC savers generate the potential for better outcomes, alongside a realisation that renewable energy, with its potential for long-term returns, differentiated risk profile, diversified nature and its demonstrable sustainability benefits is well-suited for DC members.

Schroders Capital has demonstrated its innovative spirit through both of these fund launches, which also enable DC investors to access private assets. In addition, both LTAFs aim to contribute positively to climate change and support the transition towards net zero economies. Sustainability and impact underpin all that Schroders Capital does. With deep in-house expertise and market leading impact investing know-how, Schroders Capital seeks to make investment that both it and the clients are proud of.

Furthermore, in understanding that true innovation brings simplicity, DC schemes can invest in both LTAFs through a life platform like any other traditional asset class. All of this makes it clear to see why Schroders Capital has been crowned this year's winner of the Innovation – Investment Award. Worthy winners!

Schroders
capital

BUILDING CHANGE

How do you find an impact investment partner in private markets with the specialist knowledge and capability to implement innovative strategies with impact outcomes?

At Schroders Capital we have been building a market-leading* impact framework leveraging BlueOrchard's track record and expertise in impact investing. This framework covers Private Equity, Private Debt & Credit Alternatives, Infrastructure and Real Estate.

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*Source: Bluemark Practice Leaderboard 2023

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Trafalgar House

Administration Provider of the Year

Trafalgar House

The Administration Provider of the Year award went to Trafalgar House. Receiving the award was Daniel Taylor. Hannah Blomfield, Intellica (right) and host Hal Cruttenden (left) presented the award.

High quality administration is key to the smooth running of any pension scheme, and those providers who offer strong administration services to the market are invaluable. This award aims to celebrate those providers who bring excellence and accuracy to this vital role – congratulations to this year's worthy winner, Trafalgar House.

Trafalgar House is a specialist third-party pensions administrator that prides itself on setting the highest standard of pensions administration by any recognised measure. This year's judges were particularly impressed by the way the firm demonstrated outstanding performance in terms of accuracy and speed, while also seeking to continuously improve member and client service, and foster growth of the team.

2023 was a phenomenal year for Trafalgar House, having acquired 45,000 new members to its portfolio, seeing revenues increase by 18% per cent enjoying 100 per cent client retention, and hitting 100 per cent of its service targets. It also achieved a client satisfaction score of 4.56 out of 5 and service quality score of 4.73 out of 5.

A key highlight which also impressed the judges was the launch of Trafalgar House's Client Resource Hub – a one-stop-shop digital platform that allows pension performance numbers to be found quickly, offers how-to guidance and FAQs, and supplies real-time service updates. The hub has transformed how stakeholders get information from their administration service proving how Trafalgar House brings excellence and accuracy to its role as an administration provider.

ESG is an important topic in the pensions industry and, for Trafalgar House, its commitment to ESG shone in 2023 in a number of ways, having rolled out a film, 'Purposeful Pensions', a deep-dive into how it is shaking up administration. Trafalgar House is also a certified Living Wage employer, has become a Stonewall Diversity Champion, has achieved carbon neutrality, and has launched an ESG apprenticeship scheme. Its Investors in People (IIP) ratings are also up by 10 per cent and staff turnover is down by 4 per cent due to the firm's efforts towards creating an inclusive and nurturing workplace.

Additionally, Trafalgar House has worked hard to engage and educate the pensions space, for example launching a comprehensive guide to cybersecurity, offering strategies for managing the upcoming pensions dashboards, and examining the trust deficit in Great Britain.

With impressive statistics, clear innovation, strong client testimonials and a true passion for improving pensions administration, Trafalgar House proved itself this year's worthy winner.

Trafalgar House

Expert pensions administration that puts your members first

Administration | Communications | Trustee Management

"Clients and members clearly believe in the quality of work Trafalgar House do for them, and the evidence suggests this often goes **above and beyond expectations**."

- Tony Barritt, Managing Director
Investor in Customers

www.trafalgarhouse.co.uk

Standard Life
Part of Phoenix Group

Master Trust Offering of the Year
Standard Life

The Master Trust Offering of the Year award went to Standard Life. Receiving the award was Donna Walsh. Alina Susca, Charity Times (right) and host Hal Cruttenden (left) presented the award.

Master trusts are now a well-established and essential offering in the UK pensions arena, as pension funds continue to look for ways to control their costs without compromising on quality and governance. This award recognises those who are ahead of the game in this space.

This year's winner impressed the judges with its "outstanding submission, featuring deal highlights and innovation, whilst being backed up by strong testimonials".

Part of the Phoenix Group, Standard Life, noted the judges, always aims to put the member first, and works hard to remain one of the industry's most progressive master trusts through not only securing assets, but also securing financial futures, supporting vulnerable members, and so much more. In 2022 alone, Standard Life's master trust won over £2.5 billion of assets, including one of the largest workplace scheme transfers to have been tendered in the UK market in recent years.

Its place in the market as an effective master trust that works hard to understand its clients and members, and develop its offering accordingly to meet their diverse needs, is undeniable.

Innovation is also at the heart of Standard Life's offering and, in 2023, this firm, said the judges "showcased this in leaps and bounds" with highlights such as launching a retirement-only section of its master trust; developing a drawdown-to-drawdown solution enabling transfer-in of crystallised assets; and providing innovative member engagement/communication tools to support holistic financial wellness.

Standard Life also launched a pioneering Trustee Accelerator Programme in partnership with the Pensions Management Institute, designed for people from diverse backgrounds in order to bring fresh ideas and perspectives to the market, as well as an innovative vulnerable customer programme to protect members.

Additionally, exceptional client service is key to the Standard Life offering. In a 2023 survey of 503 master trust members, 90 per cent rated the call experience 'excellent/good'; and of 2,951 master trust members in an additional survey, 93 per cent rated their online dashboard experience 'excellent/good'.

Add to all of this a plethora of pioneering research, including its Retirement Voice report; transformative enhancements to its Client Analytics tool; the commissioning of an independent DEI maturity assessment across its business; regular webinars and events, and so much more, all the while striving to provide strong member outcomes with a keen eye on value for money and ESG, and it's easy to see why Standard Life was this year's winner of the Master Trust Offering of the Year accolade.

Congratulations to the team at Standard Life!

Standard Life
Part of Phoenix Group

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XPS Pensions Group | PENFIDA

Sponsor Covenant Provider of the Year Award

XPS Pensions Group including Penfida

The Sponsor Covenant Provider of the Year award went to XPS Pensions Group including Penfida. Receiving the award Elen Watson, XPS Pensions Group. Vince Linnane, Moorlands Human Capital (right) and host Hal Cruttenden (left) presented the award.

An area of growing importance, the Sponsor Covenant Provider of the Year award aims to highlight firms that have been able to demonstrate a true understanding of this key area and stand out from the crowd.

The judges were truly impressed with this firm's entry, showcasing a number of high-profile deal highlights that were backed up by strong testimonials. Congratulations to all of the team at XPS Pensions Group and Penfida!

Following the group's acquisition of Penfida in 2022, this firm was able to demonstrate a range of impressive covenant work undertaken over the past year. This includes supporting a major UK retailer's transformational business project, efforts to save a steel business from insolvency, which saved 175 jobs and 500 members' pensions, and advising a scheme after numerous restructurings had left the sponsor's covenant materially eroded.

In addition to this, XPS Pensions also provided covenant advice on the UK's largest bulk annuity transaction, when the RSA UK pension schemes agreed a £6.5 billion buy-in with the Pension Insurance Corporation.

Demonstrating its dedication, XPS and the Penfida team went above and beyond the norms of a standard counterparty review, including more due diligence on the insurer, sensitivity analysis and an assessment of the exposure to potential risk events.

XPS has not rested on its laurels though, and work is continuing at pace to evolve the group's advice offering to schemes of all sizes using technology and analytics.

Making the most of the emerging technology available, XPS is also developing a new holistic approach to covenant assessment that links investment, funding and covenant risks in real time.

This comes hot on the heels of the group's new Focused Scope covenant solution, launched in October 2023, which aims to help smaller, less complex schemes to assess their covenant position and prepare for the new DB Funding Code.

And these efforts have been reflected in the group's performance: XPS had a great 2023, as revenues surged by 28 per cent year-on-year, while the covenant team grew from 4 to 22 staff after the Penfida acquisition.

Efforts to cement its position as a thought leader have also continued, as XPS recently welcomed its 1000th registration on the group's digital learning platform, XPS Arena.

Congratulations again to all of the team at XPS and Penfida!

XPS and Penfida would like to thank the Judges of Pensions Age Awards

About XPS Pensions Group

XPS Pensions Group is a leading independent pension consulting and administration business focussed on UK pension schemes. XPS combines expertise, insight and technology to address the needs of over **1,500 pension schemes** and their sponsoring employers on an ongoing and project basis. We undertake pensions administration for over **one million members** and provide advisory services to schemes and corporate sponsors in respect of schemes of all sizes, including **81** with assets over **£1bn.**

To find out more about our award winning service, visit **www.xpsgroup.com.**

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Russell Investments

Factor Investing Offering of the Year

Russell Investments

The Factor Investing Offering of the Year award went to Russell Investments. Receiving the award was Chris Adolph and team. Michael Clark, Independent Governance Group (right) and host Hal Cruttenden (left) presented the award.

Factor investing played a key role amid volatile markets over the past year, and this award recognises the firms that have a true understanding of the role factor investing can play in pension portfolios today and have demonstrated a true expertise in implementing this dynamic strategy. Massive congratulations to this year's winner of the Factor Investing Offering of the Year Award – Russell Investments!

The judges said Russell Investments truly understands the role factor investing can play in the pensions sector and works hard to meet the needs of the pension fund space. They were impressed by the firm's ability to support its clients in achieving their holistic objectives, with its factor strategies helping smooth client returns through volatile markets.

Russell Investments factor investing offering provides cost efficiency as well as important diversification relative to active managers. The firm has proved its commitment to effective factor investing through recent investments in factor research and development, which enhanced integration of key criteria for schemes, and client education, helping schemes understand how Russell Investments can incorporate factor strategies to support their objectives.

The judges were impressed by Russell Investments' ability to work with its clients to provide a fully flexible end-to-end solution, helping to identify portfolio challenges, design innovative tailored strategies to these issues, and implement efficiently. This end-to-end competency meant Russell Investments stood out from the crowd.

Russell Investments also displayed innovation through the launch of two new cashflow-driven investment strategies during the year for clients looking to run self-sufficient portfolios.

The firm continued to prove itself as a market leader in ESG integration through the expansion of the number of standalone SFDR Article 8 Funds to 19. During the year, Russell Investments enhanced its in-house Intelligent Credit strategy, which has performed well in distressed markets, to decrease the carbon exposure compared to the benchmark and again outperformed in a period of negative total returns for global bonds.

Russell Investments further proved why it fully deserved its award win through its equity factor portfolios, with its custom factor strategies providing its portfolio managers with the flexibility to control risk exposures and access diversified sources of return. It utilised a temporary, bespoke factor strategy in its flagship Emerging Markets Equity Fund, alongside the fund's existing Active Positioning Strategy, which provided systematic and diversified large cap value exposure.

Huge congratulations again to Russell Investments for winning the Factor Investing Offering of the Year!

What role does factor investing play in markets today?

Following a year of volatile markets, maintaining smooth client returns in pensions has not been straightforward. However, factor investing has proven to be an effective strategy, offering a blend of cost efficiency, diversification, and performance potential

At Russell Investments, we've recognised the significance of factor investing in supporting pension portfolios, which has recently been underscored by receiving the Factor Investing Manager of the Year 2024 award from Pension Age.

Updated strategies

Key to our factor investing strategies has been cementing our expertise across multiple asset classes. In equities, we blend custom factor strategies with active management to manage risk and access diversified returns, adjusting our approach in response to market dynamics. For instance, we recently shifted exposure within global equities from U.S. Value to U.S. Quality.

In fixed income, our Intelligent Credit strategy emphasises low turnover and cost efficiency while addressing carbon exposure concerns. In currency markets, our factor strategies, including the Absolute Return Currency Strategy, deliver stable returns at a lower cost than active management, enhancing diversification and downside protection within portfolios.

Crucially, in an industry where returns are harder to come by and where investors are looking for marginal gains, factor investing can be an effective alternative to active management across a number of strategies and asset classes, freeing up cost to be spent elsewhere.

New solutions

The key to providing a holistic service to clients is to have a range of customisable solutions. In 2023, we made substantial investments in factor research and development to broaden our offering, focusing on integrating criteria such as cash flow matching and Environmental, Social, and Governance (ESG) considerations.

We've launched two new cashflow-driven investment strategies for clients looking to run self-sufficient portfolios. Our "Buy & Maintain" Funds are compliant with Sustainable Finance Disclosure Regulation (SFDR) Article 8 and use fundamental and quantitative approaches to provide customised payoffs, adherence to a net zero glidepath, and lower cost.

While still relatively new product offerings, we've seen demand from pension schemes for these solutions as they look to invest sustainably while maintaining a stable cash flow. We have seen this demand arise from both an ethical and returns perspective, with members wanting to support the global energy transition, while recognising the return benefit of investing in sustainable organisations now (rather than having to pivot portfolios in the future).

ESG integration

We continue to work on integrating more ESG data into our factor-based strategies and have expanded our capabilities to include more ESG-focused factor strategies for use in funds with net zero alignment and sustainable investment universes.

Key to our ESG integration has been leveraging technology capabilities in the form of our Enhanced Portfolio Implementation (EPI) solution. The centralised nature of the platform means we can express ESG objectives efficiently across our multi-manager funds. This has allowed us to expand our SFDR Article 8 Fund range to 19, ensuring clients have access to the best ESG-focused options available.

In today's climate, where investors are looking for marginal gains while remaining sustainably-focused, investment managers cannot rest on their laurels when it comes to supplying a holistic range of services and solutions. As a provider in this space, while we have had a productive year, we know that our job in servicing clients is far from finished.

The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Past performance does not predict future returns.

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SCOTTISH WIDOWS

Diversity Award

Scottish Widows

The Diversity Award went to Scottish Widows. Receiving the award was Louise Whyte. Sophie Smith, Pensions Age (right) and host Hal Cruttenden (left) presented the award.

The Pensions Age Diversity Award goes to the pension provider that has shown a true understanding of the importance of diversity in today's climate, either in the way it has shaped its business, its product offering or otherwise.

This year's winner was Scottish Widows, a firm which, said the judges, "understands the different aspects of diversity in the pensions space, as well as its importance, and has worked hard to become a true leader in this key area".

The diversity category has become one of the most competitive at the Pensions Age Awards, making it more challenging for the judges to pick a winner. This year's judges, however, were particularly impressed that, rather than rest on its laurels, being one of the UK's biggest financial services providers, Scottish Widows works hard to try and understand the diverse nature and needs of its significant customer base, in order to help it deliver a product and service offering to reflect this diversity.

Scottish Widows also produces helpful industry insight in this arena – its 2023 *Retirement Report* explored the challenges some groups face when saving for retirement, including people living with disabilities, ethnic minorities, and the LGBTQ+ community; while its popular *Women in Retirement* report has, for many years, looked to expose the disparity in pension savings between genders. Alongside this, it produces thought leadership articles to assist HR teams to tackle this important issue. Scottish Widows' submission also outlined its detailed ED&I strategy and framework, which goes above and beyond regulatory requirements and is embedded in so much of its business – to include trustee board diversity, product design, member support, communication and more.

Scottish Widows Master Trust regularly engages with its members on a range of topics, including most recently a survey investigating ethnicity and disability; while its annual member survey provides valuable insight to allow the Scottish Widows Master Trust Trustee Board to benchmark if its ED&I approach is representative and in the best interests of members.

The provider has also implemented inclusive communication to encourage diversity and inclusivity, while, in an age of vast technology development, it has also worked hard to adapt to the times through digital inclusion, striving to use technology and innovation to make its services as inclusive and accessible as possible.

Congratulations to Scottish Widows – a firm that truly understands the many facets of diversity and its relevance across so many parts of the pension offering.

Pensions for everyone

Scottish Widows' industry-leading ED&I approach is helping customers save for their retirement and winning awards. Sharon Bellingham explains why it matters more than ever

Equity, diversity and inclusion (ED&I) will mean different things to each of us, in a personal capacity as well as professionally – but essentially it's all about fairness, respect and representation and ensuring everyone has access to the same support and opportunities.

In pensions, embedding ED&I is as much about social responsibility as it is fairness; it is incumbent on us in the industry to ensure savers are part of well-run pension schemes that support their best interests, no matter who they are.

At Scottish Widows, we work hard to really understand our customers and deliver improvements to reflect their circumstances and needs. Being part of a purpose-driven organisation such as Lloyds Banking Group means that our customers benefit from our group-wide customer inclusion and vulnerability strategy and significant investment. We also have access to one of the largest data sets in the UK, second in size only to the NHS, which grants us unique insights spanning far and wide across the nation.

ED&I very much runs through our DNA, and we operate an inclusive everyday philosophy. All our colleagues benefit from ongoing training and support, focused events, and insights from our considerable data pool; learnings from our networks and third-party partnerships are also invaluable.

EDI in action

Data from our annual Scottish Widows Retirement Report, Women and Retirement Report, and Master Trust Member Survey also helps us to understand and shape the support we offer. Everyone has abilities, and limits to those abilities – providing colleagues with the skills and capabilities to consider accessibility needs results in designs that benefit people universally.

Building digital inclusion is crucial to helping customers manage their money and stay in control of their finances, and we offer alternative support for those who may not be comfortable with digital technology or lack access. Our Be Money Well online hub and free digital helpline serve as valuable resources to bridging gaps and providing answers to questions.

Our record and share functionality allows customers to tell us once about their circumstances, whether that's via a contact centre, in a bank branch, or one of our digital entry points. It allows us to support vulnerable customers across all LBG products with just one notification; this includes pension bereavement notifications, most of which come to us through our group bank branches.

Our English Not First Language initiative means we can now help people in 137 languages at the touch of a button, with Ukrainian, Russian, Spanish, and Polish among the most requested. If a colleague speaks the customer's first language, they can do that if it makes the experience easier.

And we've referred over 600 customers so far who are affected by cancer for help as part of our Macmillan Support partnership; and with their permission, we refer customers we identify as being potentially financially vulnerable to Citizens Advice so that they can access grants, food banks and get advice.

The Scottish Widows Master Trust has also made significant progress by embedding a wide-ranging ED&I framework, already above and beyond the regulatory guidance and working to clear actions.

There's no one-size-fits-all approach to ED&I, of course, but everyone can make a start. The end result is well worth it for members.

Written by Scottish Widows Master Trust lead and scheme strategist, Sharon Bellingham

LGIM

Sustainability Provider of the Year

Legal & General Investment Management

The Sustainability Provider of the Year award went to Legal & General Investment Management. Receiving the award was Rita Butler-Jones. Melanie Cusack, Merchant Navy Ratings Pension Fund and Zedra Governance (right) and host Hal Cruttenden (left) presented the award.

Pension funds are highly aware of the important role sustainability plays today. This award recognises the providers that are leading the way in this crucial and increasingly sophisticated field. Congratulations to this year's deserving winner – Legal & General Investment Management (LGIM).

LGIM has led the way in the area of sustainable investment for many years, ever since ever since it challenged the use of Thalidomide in the 1970s. Yet it refuses to rest on its laurels, and strives to raise the bar, which is what made this entry stand out from the rest. In a highly competitive category, this firm, said the judges, displayed "several innovations that showed a superior understanding and expertise in this hugely important area of investment".

The number of ways LGIM displayed its commitment to sustainability over the last year were manifold, noted the judges, from continuing to invest with impact; displaying robust stewardship of members' assets; improving its client service and communications to meet the diverse needs of its client base; and fighting to end ethnic pensions inequality.

Specifically on the investment side, some notable figures impressed the judges – LGIM, for example, increased its impact-invested AUM to £1.1 billion in one of its key default funds. Additionally, its Clean Power (Europe) Fund, in partnership with NTR, raised €390 million in the first close in April last year. It also launched a green real estate index strategy, created a new ESG score that specifically applies to real estate assets, and further enhanced its proprietary ESG scores – all evidence to the judges that this firm is always striving to improve.

LGIM was also able to show tangible results - in one of its DC defaults, for example, the holdings in positive selection strategies increased from 7% to over 10%. Meanwhile, its small caps index fund has now moved to an exclusionary approach.

The judges also noted impressive results on the stewardship side, with LGIM's Investment Stewardship team the highest-rated managers for engagement by FinanceMap, who scored >75% in each section of the latest UN PRI report. It also boasts an effective Climate Impact Pledge engagement program with its investee companies, and last year expanded its Climate Impact Pledge to over 5,000 companies – a five-fold increase from the previous year.

Add to this a plethora of research campaigns and reports, podcasts, partnerships with community centres, and so much more, it's hard to deny this firm has worked hard to stay ahead of the rest. Congratulations to a worthy winner.

Inaction is NOT an option

LGIM is committed to creating a better future through responsible investing

We're proud to partner with **Lewis Pugh, UNEP Patron of the Oceans**, and share his ambition to help tackle climate change.

At LGIM, climate change is a major ESG theme underpinning our approach to responsible investing.

We believe inaction is not an option.

Read our ESG latest research:

lgim.com/esg-pensions-research

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Investment Managers

Cashflow Driven Investment Manager of the Year

AXA Investment Managers

The Cashflow Driven Investment Manager of the Year award went to AXA Investment Managers. Receiving the award were Claudia Sanchez and Sebastian Proffit. Shannon Woods, Charity Times (right) and host Hal Cruttenden (left) presented the award.

Cashflow driven investment (CDI) has gained a greater prominence than ever in the UK pensions space. This award recognises those firms that are leading the way with this key investment strategy.

The judges said this year's winner put forward a well-structured submission, demonstrating strong capabilities across portfolio and risk management, ESG implementation and reporting, and liquidity management. Congratulations to AXA IM!

Over the course of 2023, AXA IM adapted its client portfolios to the new market realities, following a turbulent 2022. In the credit world, the main component of CDI strategies, this means avoiding downgrades to high yield defaults. Showcasing its skill in this area, AXA IM has avoided 100 per cent of the downgrades to high yield across every one of its CDI portfolios in 2022 and 2023.

Furthermore, AXA IM has had zero defaults since making the strategy available to third party clients in 2012, demonstrating its ability to protect client capital. In another example of this, its CDI portfolios saw less than 1 per cent credit turnover over 2023 (to 31 October), preserving client capital through lower trading costs and demonstrating credit resilience.

The topic of climate risks is never far away in pensions dialogue and AXA IM differentiates itself in this area with its combination of its experience in both fixed income and climate analysis. For example, in June 2022, AXA IM added a decarbonisation objective to its flagship pooled Buy and Maintain fund, which has seen its carbon emissions reduce by 18 per cent (June 2022-September 2023). It has also hit its climate-related goals in its £2.1 billion pooled CDI fund (AXA Long Term Credit Fund) and across its CDI segregated accounts.

As de-risking plays an ever-important part in the UK pensions space, AXA IM has helped numerous clients get buyout ready. This includes reshaping portfolios to be insurer-friendly, selling assets for cash and doing ex-specie transfers to insurers. Over the year, AXA IM also ran several client trustee and adviser training sessions, engaging with clients on a wide range of pension and sustainability topics.

This holistic approach combining its expertise in CDI investment, differentiated ESG approach and client education makes it clear why AXA IM was crowned the winner. Richly deserved!

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itm
Solution delivered...

Pensions Age Thought Leadership Award

ITM

The Thought Leadership Award went to ITM. Receiving the award Maurice Titley. Francesca Fabrizi, Pensions Age (right) and host Hal Cruttenden (left) presented the award.

The Pensions Age Thought Leadership Award aims to recognise those firms, pension funds or associations that are leading the way with their thought leadership and industry research in the UK pensions space, at a time when innovation and insight is needed more than ever to meet the challenges facing UK pension funds today.

This year's worthy winner was ITM, a firm that truly stood out in a competitive category. The judges praised this impressive entry for showcasing "thought-leadership in leaps and bounds in relation to a hugely important topic facing schemes today and into the future", and for demonstrating that it "truly understands what the market needs".

ITM focused its entry for this year's Thought Leadership Award on the extensive work it has done towards helping the industry tackle the pensions dashboards challenge, highlighting to the judges that this firm is "both relevant and innovative, and cares about the market being able to meet the needs of its members".

Given the challenge behind pensions dashboards lies in building a technological infrastructure that links members' data inputs, data held about the member by every pension provider, and the government sponsored Central Digital Architecture, ITM teamed up with Equisoft to create a third party integrated service provider (ISP) solution, Pension Fusion.

The judges were particularly impressed by the solution in that it "goes beyond" the offerings of other ISP providers, as ITM has used its extensive understanding of both pensions administration and technology to develop an impressive matching functionality that is needed to help ensure the market gets the most out of the upcoming pensions dashboards.

ITM then went on to put its matching functionality through rigorous testing, partnering with clients to use real active and deferred membership data of several large DC schemes and smaller DB schemes. The results initially matched 90.8 per cent but after a further test of a range of criteria against the remaining members it drove the find rate up to 99.26 per cent.

Off the back of this, ITM looked into reasons why matching might fall short, and what can be done to help address this, releasing a thought leadership research paper, Getting to the heart of matching, for pension trustees, providers and administrators. The paper was endorsed by key industry stakeholders, and has influenced guidance from industry bodies, highlighting the way that ITM is a leader in thought leadership.

Congratulations to ITM for winning such an important accolade.

ARE YOU READY FOR PENSIONS DASHBOARDS?

For every pensions provider this requires a proven mechanism to connect and member data that is complete and accurate enough for matching!

DATA

We're already working with many providers to help them understand where their member data will struggle with the matching demands of dashboards - having good TPR scores alone is not enough!

Our data readiness service models your scheme data's performance and analyses any discrepancies. We then provide you with pragmatic solutions to improve the data - these suggestions will help you avoid an administration overload when members contact you about not being able to view their pensions on dashboards.

CONNECTION

Pension Fusion, the ISP solution we've developed with our partner Equisoft, is already live and being used by our clients. Join the in-house teams, TPAs, Master Trusts and insurers who are configuring their schemes, testing interfaces and deploying our advanced matching functionality to understand how their data will interact with dashboards.

Pension Fusion was the first ISP to connect to the Pensions Dashboards Programme (PDP) ecosystem back in 2022, which means you can be sure that it will work. And we provide a continual, secure connection 24/7, as required by PDP.

If you'd like some help, please get in touch with the pensions dashboards experts:

info@itm.co.uk www.pensionfusion.com

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The pensions/gilts relationship

Summary
• Gilts and pensions go back a long way – they have an interdependent relationship, with pensions historically owning the bulk of gilts, and gilts historically making up a large proportion of schemes' asset allocations.
• The 2022 mini-Budget caused anything but mini problems, driving up yields and shaking up schemes to reveal vulnerabilities in the liability-driven investment practice.
• Prior to the crisis, allocations to gilts had already been slowing.
• These may yet slow further, as the shape of, especially DB, pensions continues to change.
• But the long-term relationship between gilts and pensions looks set to continue into the future, as gilts provide a useful hedging tool for pensions.

UK government bonds – or gilts – have long played an integral part in pension strategies. We look at the place they hold in today's evolving industry, and the effects of the 2022 gilt crisis on pensions

Back to bond basics
'Gilts' is the name given to UK government bonds. They are called gilts because they traditionally offer gold-standard security (the risk of default being vanishingly small), and because, once upon a time, they were printed on paper that was literally gilt-edged.

UK gilts are issued by the Debt Management Office (DMO) on behalf of HM Treasury and are listed on the London Stock Exchange. Like corporate and other government bonds, gilts are effectively a loan to the issuer; investors lend money to the government, and in return receive interest on their investment.

There are two kinds of UK gilts, conventional and index-linked. DMO defines the former as "a liability of the government under which it guarantees to pay the holder of the gilt a fixed cash payment (coupon) every six months until the maturity date, at which point the holder receives the final coupon payment and the return of the principal".

Index-linked gilts, on the other hand, offer "semi-annual coupon payments and the principal repayment are adjusted in line with the UK Retail Prices Index (RPI) with a lag". Coupons and the principal paid on redemption of index-linked gilts are adjusted to take into account inflation since the issuance of the gilt.

Gilts have long played an important part in pensions, and vice versa. According to Bloomberg Intelligence, just over 20 years ago, almost two-thirds (65 per cent) of all gilts were owned by pension schemes and insurers. However, as the shapes of pension schemes change and defined benefit (DB) schemes move towards their endgames, approaches are changing. Bloomberg Intelligence says the proportion of gilts owned by pensions has now fallen to below a quarter (24 per cent).

Mini-Budget, maxi impact
While gilts have long had a reputation for providing stability, the market faced a rocky patch in September 2022. The so-called mini-Budget announced under then (briefly) Prime Minister, Liz Truss, and her chancellor, Kwazi Kwarteng, shook the markets, provoking a run on sterling, along with dramatic volatility in the UK gilt market. Gilt yields soared, and pensions with liability-driven investment (LDI) portfolios felt the strain.

As a report by J.P. Morgan, published in May 2023, put it: "In less than three days in September 2022, 30-year UK gilt yields rose more than 1.60 per cent. For UK DB pension schemes, the size and unprecedented speed of this increase created a perfect storm – since these schemes typically manage their liquidity based on bond yields rising by 1 per cent over a period of a week or more."

Commenting on the events, J.P. Morgan's head of sales for trading services, Eileen Herlihy, said: "The magnitude of this market move went well beyond the contingency plans that most institutions had in place. They had to quickly generate appropriate collateral to meet sizable margin calls on interest rate swap and FX forward positions." Indeed, some schemes were even obliged to sell off gilts to generate that cash.

Reflection and restoration

If the 2022 crisis exposed a level of vulnerability in certain pensions schemes, it also led schemes to take a long and careful look at their situations, says Schroders head of LDI solutions management, Phil Howard. He says: "In the past 18 months, there's been a great deal of reflection on the LDI arrangements that schemes had in place during the gilts crisis, how these arrangements performed and whether they remain fit for purpose. This topic is polarising and the outcomes schemes experienced vary."

Long-term relationship

While the gilt market, and the economy as a whole, underwent an undeniably wobbly time in 2022, there has nonetheless been an element of stability to be found in the relationship between pensions and gilts. Short-term strategies may have called for a quick rethink, but in the longer term, there is still a firm place reserved for gilts in pension scheme strategies.

Columbia Threadneedle Investment managing director, head of solutions CPM, Simon Bentley, says: "The role of gilts has not materially changed within pension scheme investment strategies since the 2022 gilt crisis," In fact, he says: "They remain core to schemes' liability hedging strategies and with the increase in long-dated yields that occurred in the 12 months following the crisis, we have seen lots of schemes top-up hedging allocations to capitalise on both increased funding ratios and more attractive yields."

And while the Pension Protection Fund's *Purple Book* does show that allocation to gilts has fallen – according to the latest edition, DB holdings in gilts went down by around £230 billion from March 2020 and the same month in 2023 – this appears to be down to underperformance of gilts compared with other asset classes, because of their long duration profile and the increase in yields since the start of 2022.

> **"Gilts are likely to remain a core allocation for liability hedging reasons"**

Indeed, BlackRock head of EMEA LDI research, Phil Smith, says reductions in gilt allocations are "more a function of the mechanical performance effects". He adds: "We do see pension schemes increasingly de-risking from growth assets into spread generating assets such as corporate bonds and securitised assets, but typically this is not at the expense of gilts."

Gilt-edged future?

A combination of evolving needs, particularly for DB pensions, and shifts in UK gilt yields means that changes were already occurring before the big 2022 bump in the road. According to the Office for National Statistics (ONS), holdings in both long-term conventional and index-linked gilts fell by over 10 per cent for private and public sector DB and hybrid pension schemes from 31 March 2022 to 30 June 2022. Between March and September 2023, direct holdings in central government bonds and cash equivalents fell by £38 billion (10 per cent) and £9 billion (13 per cent) respectively.

Some anticipate that the flow of capital into gilts from UK pension schemes will continue to slow – arguing that those schemes that are already well-hedged have less of a need for them, while others may well be pursuing buyout. But there is also an expectation that the duration of gilts will shift, potentially creating greater appetite. In March, the DMO announced it would offer £265 billion in government bonds for the 2024/25, up from £232 billion in the 2023/34, the second highest issuance on record (the highest being during the pandemic), and the greater proportion of those are short and medium duration.

And, Bentley says, other industry movements might create a different emphasis for pensions, but fundamentally gilts will remain a useful, even essential, tool. "There has been a lot of talk of schemes shifting their long-term objective to 'run-on' to target a surplus which can be shared amongst stakeholders," he says. "Even if we see a meaningful industry shift in this direction, gilts are likely to remain a core allocation for liability hedging reasons. Where schemes target a surplus, we anticipate them retaining a high hedge ratio via gilts and/or swaps and seeking incremental excess returns in a risk-controlled manner through allocations to credit-like assets."

There may have been some rifts, and there may be more ahead, but it seems that pensions and gilts will continue to need each other. "Looking forward, we anticipate pension schemes maintaining high hedge levels and therefore gilts continuing to be a significant and core holding within pension portfolios," says Bentley.

Written by Sandra Haurant, a freelance journalist

A little saving makes a big difference

Laura Blows speaks to Nest Insight director of research and innovation, Jo Phillips, about its research and trials to help increase people's savings levels

Please could you explain your 'opt-out' payroll saving research programme, and why you decided to launch it in 2021?

It's estimated that one in four UK adults have less than £100 in savings. Financial shocks – a major appliance breaking, school shoes needing replacing or an unexpected bill – can hit at any time. An emergency savings pot allows people to pay for unexpected expenses without having to turn to high-cost credit.

Yet, it can be hard to get started with saving. Forty-six in every 100 employees eligible for sidecar savings in the Nest Insight pilots said that they thought that the savings tool would help them, but only one in 100 went on to sign up.

Building on the learnings from workplace pensions auto-enrolment, Nest Insight wanted to explore whether taking an opt-out approach to workplace emergency savings would support more people who want and need to save to get started. Opt-out approaches can overcome some of the barriers that get in the way of people starting saving – things like inertia, low confidence and low trust in financial services.

In an opt-out payroll savings model, employees automatically start saving into their own accessible savings account through regular payroll contributions unless they choose not to. If they want to start saving, they don't need to do anything. Everything is done for them. Only people who don't want to save have to take action. An opt-out payroll savings approach preserves individual choice, while also making it easier for people to get started with short-term saving.

We've now trialled opt-out workplace savings approaches with three UK employers – SUEZ, the Co-op and Bupa Care Services and the results have been striking. When employees are supported to save via an opt-out approach we see participation boosted by around 50 percentage points. Up to seven in 10 employees start saving when it's made easier via an opt-out rather than an opt-in approach.

How does this latest programme fit in with Nest Insight's previous sidecar/Jar offering?

Nest Insight has piloted different innovative workplace savings models with eight employers and three different savings providers, creating access for around 150,000 workers. These real-world pilots all test variations of offering a payroll-contribution accessible savings account in the workplace, either on an opt-in or opt-out basis and in some cases with an automatic rollover to pension saving once a certain emergency savings balance is reached – often called a 'sidecar' design.

The first of these trials was of a sidecar savings model. From 2019 onwards, we piloted and evaluated a hybrid savings tool called Jars that was designed to help employees build up emergency savings and, once a savings target has been reached, to then put more aside for retirement on top of their normal auto-enrolment pension contributions. Jars was introduced at five UK workplaces – Timpson, ITV, Step Change Debt Charity, BT and the University of Glasgow. It was offered to over 80,000 employees through Salary Finance and the Yorkshire Building Society.

More recently Nest Insight has launched three further pilots:

- In November 2021, all new joiners to SUEZ were enrolled into a workplace saving account with TransaveUK, unless they said they didn't want one. They were compared to everyone who joined SUEZ in the year prior to this who had access to the same account if they signed up throughout their employment.
- In September 2022, we launched two further trials with Wagestream, a financial wellbeing benefit app, and two of their employers, Bupa Care Services

and the Co-op. Employees signing up to Wagestream were randomised to either opt-in, opt-out or active choice (where rather than a default, employees have to make an active decision) mechanisms to save. As at SUEZ, all employees have access to the same saving options and could choose to save or not save.

How did you come to work with these companies for the trials?

We share all our learnings widely, including with employers. SUEZ is committed to supporting the financial wellbeing of their employees and expressed an interest in the workplace savings programme. SUEZ were keen to explore how to support their employees with saving and we worked with them and their credit union TransaveUK to design the pilot.

How did the savers initially respond? What feedback did you receive, both in terms of comments and in terms of initial opt-out rates?

Employees have been very positive about the opt-out savings approach. A survey conducted with Wagestream members experiencing opt-out payroll saving suggests over 90 are happy or neutral about being offered payroll saving in this way. Also, over 95 per cent of employees experiencing opt-out payroll saving at SUEZ said that they want their employer to continue to offer it.

We have also run interviews with employees experiencing opt-out payroll saving. Comments we have received include:

- *"I think it's a very important benefit not just for the financial wellbeing of employees but also for the mental wellbeing as it acts as a safety net to reduce further stress."*
- *"Now I have savings. I've never had savings before, that's a nice feeling. My financial situation is improving… I thought it was a good idea. I never would have sorted it out myself – it was all done for me."*

Were there any concerns that savers may have reduced their saving into their workplace pensions to instead contribute into this savings programme?

We have seen no cannibalisation of workplace pensions saving. We've monitored this for over 18 months at SUEZ and find that the addition of an opt-out payroll savings scheme doesn't impact workplace pension opt-outs or savings levels.

"Up to seven in 10 employees start saving when it's made easier via an opt-out rather than an opt-in approach"

What have you discovered so far from these trials?

At SUEZ, we've been trialling opt-out payroll savings for two years and the Co-op and Bupa trials have been running for about a year.

The rich and robust evidence base built from across these trials tells us that workplace savings schemes can be powerful, but can only achieve their potential when offered under an opt-out basis.

We have found that participation when employees have to sign up to save is very low. However, when employees are supported to save via an opt-out approach we see participation boosted by around 50 percentage points. Up to seven in 10 employees start saving when it's made easier via an opt-out rather than an opt-in approach.

We now know that when opt-out workplace savings schemes are put in place, barriers to getting started with saving, including inertia, low confidence and low trust in financial services are overcome.

We found that employees typically save £40 or more a month. They save persistently because the money is saved automatically before they 'feel' it in their pocket. Employees build savings, actively use them when they need them, and then replenish their savings pots again. Also, having savings gives people peace of mind, reduces anxiety and boosts confidence. Finally, we found that workplace auto-saving is additive to people's contributions to their workplace pension scheme.

Will the employers continue to offer this savings tool even after the trials end?

SUEZ recycling and recovery UK, Bupa Care Services and the Co-operative Group have all expressed an interest in continuing to offer opt-out payroll savings schemes when the trial ends. All three are also thinking about how to overcome the current regulatory and legislative challenges that mean, at present, it can only be offered to a subset of their workforces. Wagestream have also included opt-out payroll saving in their extended employer offering with the potential to reach three million frontline workers.

And what are your future aims?

It's clear from our research that opt-out payroll savings approaches have enormous potential to boost the financial resilience, mental health and productivity of millions of people. We have a huge opportunity here. For the most part these approaches are currently untapped.

We're currently working with industry and policymakers to explore how opt-out payroll savings approaches could be scaled – how to increase access to workplace savings solutions, including to employees working for smaller organisations, how opt-out payroll savings approaches could be widely implemented, and whether there's an opportunity to build emergency savings into the future evolution of pensions auto-enrolment in the UK.

UK equities: Looking good?

Are UK equities an attractive enough investment (both for the short and long term) for pension schemes to buy into the government's drive for them to increase allocations?

There has been much negative publicity around UK equities over the past couple of years, some of it deserved, some of it not. Yes, the FTSE 100 lacks the growth of the Nasdaq, and getting growth firms to list in the UK has recently been very difficult, but there are two good reasons to buy UK stocks now. First, income: The profile of pension fund investors and UK stocks is a great match.

Many of the FTSE 100 constituents are mid to late-stage firms that generate significant amount of cashflows. As such, they are in a great position to return this cash to shareholders in the form of dividends. The dividend yield on the FTSE 100 is currently close to 4 per cent, a great level of natural income for pensioners, who want a rich and dependable income stream. Second, UK stocks are cheap. The FTSE 100 trades at a price to earnings ratio of just over 10x. Historically this number has been closer to 15. Some of this is explained by the lower growth potential certainly. Nevertheless, it seems as though the negative sentiment around UK stocks is creating an opportunity for shrewd investors.

Morningstar European market strategist, Michael Field

It's a national pastime in the UK to look on the gloomy side of things and it seems when it comes to the economy the media can't get enough of it. However, whisper it quietly, things are starting to improve. This is even before we see the inevitable interest rates cuts later this year as inflation falls to around the target level of 2 per cent.

What is the evidence for this? The Asda Income tracker is at a two-year high thanks to falling inflation, robust wage growth and tax cuts. This is all feeding through to higher levels of consumer confidence and business confidence is also at its strongest level since 2017. Peaking rates and falling inflation are usually positive for equities. Just don't expect to hear this widely reported in the mainstream press.

Another common misconception is that the UK market is made up of cyclical, capital-intensive, 'old economy' companies. Scratch beneath the surface and you will find plenty of exciting companies aligned to the global mega-trends of digitalisation, energy transition and altering demographics.

The UK market is also renowned for its global leadership in corporate governance standards. Unlike many global companies, UK corporates have been quick to have their carbon reduction targets validated by the Science Based Targets Initiative (SBTi) and employment practices aligned to the Living Wage foundation.

So, we have a portfolio of good-quality companies in an improving economy that has falling inflation and possible interest rate cuts trading at valuation levels below their 20-year average. Recent M&A activity shows that global private equity and international corporations are seeking to take advantage, so why shouldn't UK pension holders?

AXA Investment Managers portfolio manager, Nigel Yates

We do not believe that UK equities are attractive enough for UK pension funds to have a meaningful allocation. In general, DB schemes invest in 'risky' assets only insofar as they need to, and due to improved funding levels, they need less and less such assets. To that end, we cannot foresee a scenario where a specific allocation could be justified to the asset class, outside of an allocation to global equities. This is regardless of the government's drive to encourage investors.

Van Lanschot Kempen head of client advice, Arif Saad

Does supply of capital create its own demand? The government is clearly hoping is does, but the lesson from a decade-plus of quantitative easing is that throwing money at a problem without accompanying reform achieves a poor return on capital at best and, at worst, creates imbalances due to an inefficient allocation of capital. The performance of UK equities, whether measured by FTSE 100, FTSE 250 or MSCI UK SMID has been lacklustre when measured against other regions, raising an obvious dilemma for trustees who find themselves being pushed towards an asset class they would otherwise look to avoid.

Independent Governance Group trustee director and head of investment, Pavan Bhardwaj

It is important to remember that the UK is a relatively small part of the global economy and stock market. Specifically, the UK makes up around 3-4 per cent of both the global economy and the global stock market. This already limits the allocation to domestic stocks for investors that prefer a diversified global approach.

We must determine whether the UK market warrants an overweight position relative to its proportion of the wider global market. The FTSE100 has underperformed the wider global market over the past 20 years. Smaller UK companies have performed more favourably but are generally of higher risk. Generally, we believe the increased risks of an overweight UK allocation outweigh the potential gains and opportunity cost of holding a more UK-focused portfolio.

It is widely reported that the UK stock market could be undervalued and that the exodus of domestic investment from UK institutional investors may have contributed to its decline. Furthermore, global equity indices are becoming more concentrated towards US tech stocks. An overweight UK position may present a short-term opportunity for investors. However, pension scheme investors are in it for the long haul, which makes this argument somewhat less compelling.

Maybe the case for the UK market needs to become more convincing for investors to provide the sentiment it pleads.

Quantum Advisory senior investment analyst, John Plenderleith

UK equities haven't been favoured investments for either local or global investors over the past decades. Their performance has lagged global indices and UK investors have reduced their over-exposure to their domestic market – a so-called home bias. These reductions have served UK investors well from a performance perspective and have fundamentally reduced idiosyncratic risk via geographical diversification.

However, this has not served UK companies well. The lack of a willing domestic market has made capital harder to source, with a number of the UK greatest successes relying wholly on international investors. The government is right to identify that addressing this issue would serve the UK economy and its population. As the government has accepted, compulsion is not the answer. However, nor are small scale initiatives. Labelling opportunities as the 'Great British …' is for bake-offs and reality shows, not the vehicle for genuine economic change.

The way forward to achieve these laudable aims is for the government to create an environment where its inherently attractive to investing the UK, whether that's via UK equities, credit markets lending to UK companies or UK venture capital. This requires a stable environment from both a regulatory and tax perspective, with any new initiatives bringing simplicity rather than more complexity.

Isio partner, Ed Wilson

We think UK pension schemes should be considering increasing their exposure to UK equities, irrespective of the government's agenda to promote domestically focused investment. After years of selling pressure as investors have sought to reallocate overseas, UK equities are now very attractively valued in both absolute terms and relative to the US market. We would urge pension schemes to be ambitious in their allocation decisions by taking a multi-cap approach that can best harness the opportunities available, as opposed to being overly focussed on the relatively narrow group of companies that make up the FTSE 100. Valuations are even lower amongst UK mid-, small- and micro-cap companies, whilst long-term growth prospects are often superior. As a result, we expect this area of the market to do best over the long term.

Premier Miton UK Value Opportunities Fund fund manager, Matthew Tillett

Pensions history

April: All change

April is a significant month in pensions administration. Some scheme rules specify an April to April scheme year for the purpose of calculating pensionable or final pensionable pay or pension increases. Other schemes have used April as a cut-off date each year for admitting new members or making changes to membership categories.

And of course all schemes are used to implementing legislative and tax changes in April. The Pensions Act 1995 for example, arguably the biggest change to occupational pensions administration in this country, came into force in April 1997. Or think of the administrative complexities of saying goodbye to contracting out after 38 years in April 2016, the abolition of the Lifetime Allowance in April 2024 or the prospective increase in the normal minimum pension age due in April 2028.

April is also pensions increase month for state and public sector pensions. The state pension is due to increase this April by 8.5 per cent, and public sector pensions by 6.7 per cent (proportionately less for pensions in payment for under a year) necessitating pages of guidance and explanation.

Efficient administration to cope with changes like these is obviously key, but historical records show that good record keeping has always been essential. The London Metropolitan Archives' collection includes 23 volumes of pension records, starting in 1893 for employees of Billingsgate fish market, giving name, position, wage, weekly contribution and monthly totals for each employee. And all without computers…..

Pensions Archive Trust director, Jane Marshall

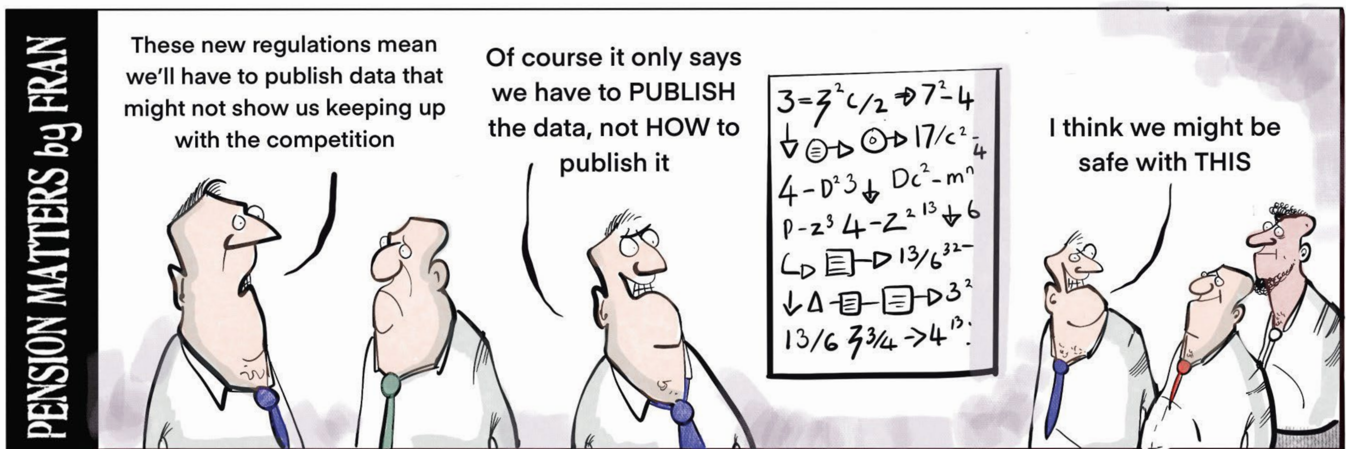
www.pensionsarchivetrust.org.uk/our collections

The bright side

***Pensions Age* takes a closer look at some of the recent good news stories in the pensions industry...**

The Pensions Regulator (TPR) and the **Pension Protection Fund (PPF)** faced off in a charity football showdown, with TPR proving victorious with a final result of 5-3. The match was held to raise money for charity partner, Lives Not Knives, to help support their work with vulnerable young people in Croydon and London. The youth-led charity works to prevent knife crime, serious youth violence and school exclusions by engaging, educating and empowering disadvantaged young people and helping them to enjoy their lives and improve their future prospects.

PPF team captain, Joe Swindlehurst, said: "Despite the result, the PPF v TPR game couldn't have gone any smoother! Thanks to everyone who donated and helped organise the event from both the PPF and TPR. The money raised for Lives not Knives is the main reason we got involved in this event, so to see us raise over £500 is incredible!"



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Location: Hybrid working with regular attendance at the Edinburgh office
Salary: Up to £85,000 dependent upon experience

ASSISTANT ASSOCIATE - EARLY CAREERS, PROFESSIONAL SERVICES
Location: Hybrid working (3 days from home, 2 in your local office)

PENSION GROUP LEADER (COMMUNICATIONS)
Location: Gloucester
Salary: 37,261 - £42,503 per annum

PENSIONS MANAGER - EMPLOYER ENGAGEMENT
Location: Lewes
Salary: 55,187 - £60,123 per annum

PENSIONS & BENEFITS ANALYST
Location: Hybrid/London
Salary: 60,000 - £70,000 per annum

SENIOR PENSION GOVERNANCE CONSULTANT
Location: Manchester, with partial homeworking
Salary: dependent on experience

PENSIONS ADMINISTRATOR
Location: Relocate to Malta to work on a hybrid basis
Salary: Excellent

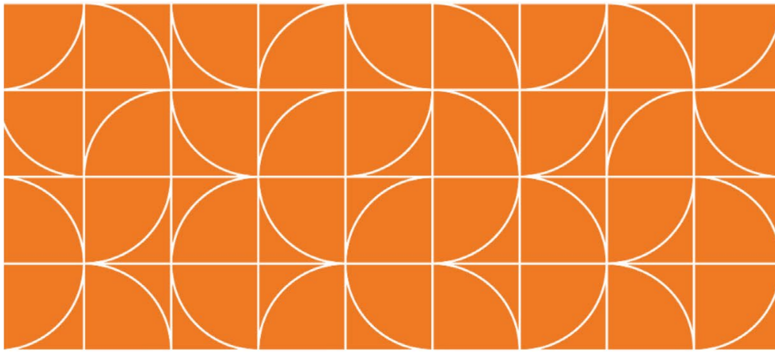
PENSIONS TECHNICAL SPECIALIST – PUBLIC SECTOR SCHEMES
Location: Hybrid Working – Greater Manchester
Salary: Dependent on experience

SENIOR PROJECTS GMP ADMINISTRATOR
Location: Offices UK wide with hybrid or remote work available
Salary: c.£40,000 per annum

PENSIONS IN-HOUSE SUPPORT SPECIALIST, HOMEWORKING* (1 DAY PER MONTH IN OFFICE), FULL-TIME
Location: Homeworking, with 1 day per month in office
Salary: 44,000 p.a.+ bonus + flex benefits + very good pension

HEAD OF GROUP PENSIONS
Location: Hybrid/Cambridge office c.2 days per week
Salary: DB Pension scheme, 41 days holiday

APPOINTMENT FOR INDEPENDENT INVESTMENT ADVISER



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Ref: 80917 MV

Pensions Administrator
Hybrid/UK Wide/or Remote **to £30000 per annum**
Develop your technical knowledge within this friendly Pensions Administration team, while supporting the service delivery to both clients and individual members. Ref: 80845 MV

Pensions Administrator
Relocate to Malta **to €30000 per annum**
Join one of the world's leading International Pensions providers in its Malta division. You will be working alongside a host of top international investment companies and will gain excellent experience in the financial services and investments industry. The ideal candidate will relocate to Malta to work on a hybrid basis. Ref: 80880 MV

UNIVERSITY OF CAMBRIDGE

Head of Group Pensions
Hybrid/Cambridge c.2 days **£attractive**
DB Pension scheme, 41 days holiday
Exceptional opportunity to lead pension strategy, policy, engagement, and operations on behalf of the University of Cambridge. Ref: 80673 SB

Pension Director Operations & Comms
Hybrid/Scotland c.2 days per week **£6 figure**
Exceptional senior in-house appointment with a highly skilled team supporting a £multi-billion Pension Fund. Ref: 79999 SB

Professional Trustee
Hybrid/London or Manchester 2-3 days **£6 fig package**
Superb opportunities with this highly reputable Professional Trustee business, for skilled Pensions professionals seeking a progressive career move. Ref: 70402 SB

Risk Transfer Pensions Manager
Hybrid/Offices Countrywide **£excellent**
Join an innovative and market-leading Risk team. We are seeking highly motivated candidates with a strong analytical skill set.
Ref: 80809 BC

Benefits Analyst
Hybrid/London **to £70000 per annum**
Ensure the benefits strategy and processes remain competitive, cost-effective, and compliant across programmes in Europe and the Middle East for a Global Organisation. Ref: 80964 JW

Trustee Consultant
Hybrid/London **to £65000 doe per annum**
Exceptional opportunity for a skilled Pensions professional as part of an in-house function managing a £multi-billion Pension scheme.
Ref: 76138 BC

Pensions Dashboard Project Manager
Hybrid/Manchester **£in line with experience**
Excellent opportunity to be part of a Pensions Dashboard Operations & Delivery team. Ref: 80958 BC

Pensions Team Manager
Hybrid/Bristol **to £50000 per annum**
Rare opportunity to take your Pensions Projects experience forwards with this long-established Pensions Consultancy. Ref: 80839 NMJ

Senior Pensions Plan Accountant
Hybrid/London/West Midlands/Scotland **to £48000 per annum**
Superb opportunity to join an award-winning consultancy and be part of a friendly and highly skilled Pensions accounts team. Ref: 74657 MV

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In-house Pensions Mgr. Support c.£45-£46K
Home-based, 1 day a month in office DB15708
A newly created role for a large in-house outsourced pension department to move into a pension support role, leading long-term into management. The role encompasses roll your sleeves up work through to exciting projects. PMI study supported.

In-house Pensions Project Mgr. £DOE
2 days Office (Surrey)/3 days Home DB15736
You will be a Project Manager who understands Pensions, or you could also be a Pension's Specialist who is a Project Manager, but you must be able to manage projects first and foremost and able to complete a 12-month contract.

Pensions System Analysts £45-£50k
2 days Office (Herts.)/2 days Home DB15477
Joining this major in-house pension scheme, your role will be to capture, investigate and resolve system issues, whilst also dealing with the maintenance and development of the Pension's administration system. Day-to-day work through to projects.

Pensions Administrator £25-£30k
1 day Office (London)/4 days Home DB15699
This small friendly in-house team are seeking a Pensions Administrator with experience of administering DB & DC pension schemes from joiners to leavers, who is also confident on the phone, & self-motivated to work mostly from home.

In-house Pension Admin. Roles Up to £40k
Northern Office 3 days/2 days Home DBHRS
Our client has junior to senior pension admin roles available, with the option of either a 36 or 40-hr working week. The latter being for those who are keen to earn more (and learn more!) each year. DB past experience preferable, DC still considered.

DC Pensions Technical Specialist £DOE
Surrey office at least 2 days per week TD15740
This role is for an enthusiastic, highly engaging and driven professional keen to make a difference and deliver exceptional service to clients and members. You must have excellent knowledge of DC pensions in particular an understanding of legislative and regulatory changes and the impact these have on administration.

Business Solutions Architect £DOE
Flexible CE15720
This is a key hire for the business during a time of new business success and company growth. You will provide strategic guidance and oversight for the successful coordination of technology and the application development strategy.

Benefits Technician £DOE
London/Hybrid, Flexible Hours TD15725
Enjoy the buzz of working in the City whilst retaining a couple of days per week working from home! This employer values an excellent work-life balance – with a 35-hour week, flexible working hours, generous holiday allowance, excellent pension contributions & even yoga at lunch-time. DB admin experience essential.

Pension Trustee Consultants £50-£90k
North West England/Home CE15551
Do you have an excellent grounding in UK pensions and ideally have experience of working with Trustee Boards, providing specialist governance support? If so, this could by your next exciting challenge.

Pension Calculation Analyst £40-£55k
Flexible Working Arrangements CE15738
You will take a leading role in defining and developing standard calculations and developing a process to ensure that new calculation requirements align with the operating model. Very good Excel and communications skills are required.

Scheme Events Pensions Admin. £DOE
Flexible Working Arrangements CE15623
You will work within a dedicated and specialised team; delivering various annual and scheme events such as benefit statements, actuarial valuation work and also pension increase exercises. A great opportunity for you to develop your skills.

Snr. Administrators & Team Leaders £DOE
Surrey/Yorkshire/Herts. ***Hybrid Working*** TD15589
Excellent opportunities available at this large Consultancy where you will take on more advanced calculations and complex schemes (DB and/or DC) and play an active role in mentoring and checking the work of the Pension Administrators. Vacancies in BAU and Project team.

Contact Craig English (CE)
craig@abenefit2u.com
07884 493 361

Contact Dianne Beer (DB)
dianne@abenefit2u.com
0207 243 3201 / 07747 800 740

Contact Tasha Davidson (TD)
tasha@abenefit2u.com
0208 274 2842 / 07958 958 626

Are you a Hiring Manager in need of urgent resource to clear a backlog or take ownership of a project? We have a growing list of excellent contractors who are specialists in Scheme Administration, GMP & Data Projects and Project Management. For information about how temporary staff can help you meet critical deadlines please contact us now to find out the simple process of bringing quality contractors on board!

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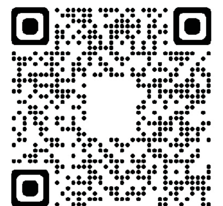

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