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June 2025

PENSIONS Age

The leading pensions magazine

Pension Investment Review: *What's been confirmed in the government's final report and how has the industry reacted?*

AI in pensions focus: *How can pension schemes harness the power of AI, and what might the impact be on trustees?*

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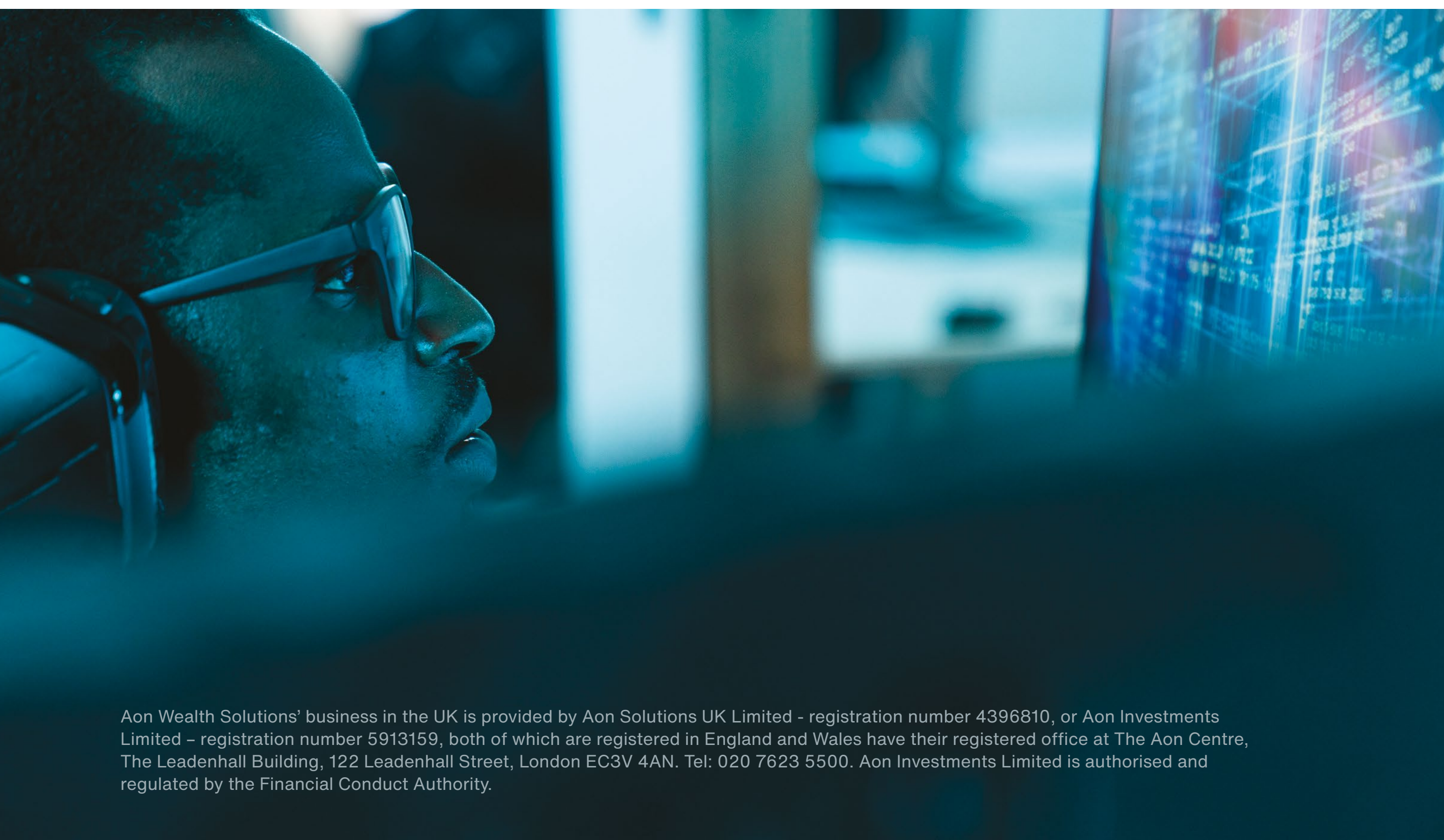

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Editorial Comment

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We all make dozens if not hundreds of choices everyday, whether it's a simple decision, or one of those difficult ones that keeps you up for nights. Choices are often a great opportunity, but they can also be incredibly challenging.

I, for one, hate choices. That may sound ridiculous, but I am the sort of person who will antagonise over even the most basic dilemmas, both before and after a decision has been made – so choosing a Friday-night takeaway can often take some time.

My partner, on the other hand, loves an impulse purchase – research be damned! We balance each other well, but if we're being honest, both of our approaches have drawbacks, and the ideal option likely lies somewhere between these two extremes.

But in reality, most people aren't the ideal – especially not when it comes to some of the more complicated and difficult to understand decisions – such as those surrounding pensions.

The amount of choice in pensions has only grown, with the 2015 Freedom and Choice reforms opening the doors for savers to make their own decision on how they take their pension.

Despite industry concerns, the experience in the 10 years since has shown that many savers are taking sensible decisions – and the number of pensioners driving round in Lamborghinis has not been nearly as high as were led to believe it could be.

But choices within pensions are growing even further, as savers now face queries about a seemingly never-ending list of issues, whether it's how their pension is invested, how they'll deal with potential tax changes surrounding pensions, or how they'll be able to take their pension once they do reach retirement.

With so many choices, it can create an element of overwhelm for savers too *[as our feature on page 47 discusses]*.

And, despite the complex issues facing savers in their retirement decisions, most are still choosing not to take advice, with research from the Financial Conduct Authority revealing that just 8.6 per cent of savers received regulated financial advice on their investments and retirement planning in the past year.

Instead, more than a third (37 per cent) used information or guidance to help them with their retirement planning, including 17 per cent of adults who used government-backed guidance services like Citizens Advice, MoneyHelper or Pension Wise.

Whilst these are helpful services, perhaps the first line of defence for many are their pension scheme trustees – who are there to help make many of the more difficult decisions – balancing tricky issues such as the need for good returns with the need for a good world for savers to retire into. Our piece on page 44 looks at the importance of trustee decisions in more detail.

But this system requires trust in our trustees, and trust that the pensions industry will take advantage of the best opportunities available to boost member outcomes.

It seems fitting then that we are looking at the theme of choices at a time when trustees are currently facing what industry experts have branded an "unprecedented" threat to their own ability to make choices on behalf of members, as the government announced plans to introduce a reserve power to set binding asset allocation targets.

The government said it is confident that it won't need to use this power *[read more on page 10-12]*, but the fact that it has included the legal backstop at all has ruffled feathers in the pensions industry – particularly given years of calls against mandating pension investors.

Consultations are all well and good, but both savers and the industry need genuine choice, not just the illusion of choice.

My local council was recently caught out, after an announcement on plans for some new parking charges were shared on their website – the day before the public consultation on the decision was set to be launched.

Cue the typical outrage on the local Facebook groups, and a quick apology from the council in question, but the damage was done, as many in our community now believe that local leaders simply aren't listening to their feedback.

It's important the pensions industry doesn't start to experience a similar frustration, and whilst we increasingly hear about the government holding roundtables with industry representatives, feedback from these sessions needs to be genuinely heard and taken into account.

The optimist in me says it could end up being a success story for both sides, but we will have to wait and see what today's choices mean for tomorrow's savers.

Oh and for any readers who haven't yet spotted, this was written by the new deputy editor at *Pensions Age* – Sophie Smith. Congratulations to me!

Sophie Smith

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Theme: Choices

VFM: Herding into harm's way?

News, views & regulars

Features and columns

Continued on page 6

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Features & columns

Continued from page 5

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Dateline - May 2025

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

7 May The Pensions Regulator (TPR) published updated guidance to help pension schemes make third-party applications, including those to appoint an independent trustee.

7 May Brunel Pension Partnership confirmed that it is working with its partner funds to explore options for the next stage of its future, after the government rejected the pool's proposed business case and invited the funds to pursue mergers.

9 May The **Bank of England** reduced the base rate from 4.5 per cent to 4.25 per cent, in a move that was "welcomed" by most pension schemes due to strong funding positions.

9 May The **Wales Pension Partnership** (WPP) announced plans to launch a new investment company pooling the assets of 22 local authorities' schemes, in a move that is expected to deliver growth across Wales *[read more on page 66]*.

12 May The **Work and Pensions Committee** (WPC) wrote to the Pensions Minister, Torsten Bell, to highlight a number of industry concerns and queries over recent pensions dashboards progress.

13 May Seventeen of the largest UK workplace pension providers expressed their intent to invest at least 10 per cent of their DC default funds in private markets by 2030, with 5 per cent of the total allocated to the UK. Building on the Mansion House Compact, the new voluntary initiative, the **Mansion House Accord**, is expected to unlock up to £50bn of investment for UK businesses and major infrastructure projects.

14 May TPR called for the introduction of a retirement 'sat-nav', after industry research revealed that the majority (70 per cent) of savers fully withdraw their DC pension savings without professional advice or tailored guidance *[read more on page 15]*.

14 May The **WPC** questioned pension industry leaders and finance think tanks on pension funds' UK investments and how to boost them, revealing concerns that a focus on cost in the pension sector in regard to the value-for-money (VFM) framework could undermine long-term value for members.

15 May The **government** launched a consultation on a range of proposals relating to the Local Government Pension Scheme (LGPS) in England and Wales, covering issues such as the gender pensions gap, forfeiture concerns, and opt-out rates *[read more on page 14]*.

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

15 May Several UK pension providers backed the launch of the **Emerging Markets and Developing Economies (EMDE) Investor Taskforce**, an industry-led initiative looking to unlock private investment to help tackle climate change.

19 May TPR launched an innovation support service to reduce "unnecessary" regulatory barriers to pension innovation by enabling early, transparent discussions with pensions innovators. The regulator has two focus areas, administration and member experience, particularly in the decumulation phase, as well as investment and new scheme models.

21 May The **Department for Work and Pensions** (DWP) reiterated its plans to unlock DB pension surpluses, after industry analysis revealed that scheme funding levels have hit a record high, with three in four DB schemes now in surplus and deficit payments down by over £10bn a year *[read more on page 13]*.

21 May TPR called for industry collaboration to tackle the UK's "unfinished" pension system, as it rolled out new regulatory approaches and support ahead of the delivery of upcoming legislative reforms in the Pension Schemes Bill.

22 May The **Public and Commercial Services Union** announced that it is preparing to ballot its members at MyCSP to decide whether they should take strike action.

22 May The **DWP** identified 12,379 underpayments between 8 January 2024 and 31 March 2025, totalling around £104m in arrears for those affected by Home Responsibilities Protection (HRP) State Pension underpayments. According to the update, the average arrears paid was £8,377 between 8 January 2024 and 31 March 2025.

22 May The **Financial Services Compensation Scheme** (FSCS) lowered its annual levy expectation for 2025/26 to £356m, £36m lower than its forecast in November.

24 May The **Financial Conduct Authority** (FCA) launched a consultation seeking views on proposals to improve the way regulated firms report customer complaints to the regulator, and the changes to the associated complaints reporting rules.

27 May The **government** published research commissioned by HMRC, which asked questions about attitudes to salary sacrifice and tested employer reactions to three different ways in which the benefit could be 'hypothetically' cut back *[read more on page 16]*.

28 May The **government** shared its response to the 2024 Options for DB Pensions consultation, confirming that it is looking to make changes to DB surplus rules, and is also continuing to consider a consolidator for DB schemes, run by the Pensions Protection Fund.

29 May The **government** shared the final Pension Investment Review report, confirming that it will take a reserve power in the Pension Schemes Bill to set binding asset allocation targets. The report also confirmed the March 2026 deadline for LGPS asset pooling, with a backstop power set to be taken in the Pension Schemes Bill to protect the interests of LGPS members and local taxpayers *[read more on page 10]*.

Govt shares 'game changing' Pension Schemes Bill

The government confirmed plans to move forward with a number of reforms as it shared the much-anticipated bill

The government published the Pension Schemes Bill, estimating that around 20 million people could stand to benefit from the reforms.

The bill is designed to help working people plan for their retirement by making pensions simpler to understand, easier to manage, and drive better value over the long term, as part of the government's broader Plan for Change.

It is also intended to create a more efficient, resilient pension landscape, and lay the foundation for the second phase of the pension review to examine outcomes for pensioners and set out how to develop a fair and sustainable pensions system, ultimately benefiting both individual savers and the broader UK economy.

Chancellor, Rachel Reeves, said the bill is a "game changer, delivering bigger pension pots for savers and driving £50bn of investment directly into the UK economy".

This was echoed by Pensions Minister, Torsten Bell, who argued that the government is now "ramping up the pace of pensions reform".

"Workers deserve to get better bang for each buck saved, and these sweeping reforms will make sure they do," he said.

The bill includes plans to:
- require DC schemes to prove they are offering value for money;
- introduce a small pots solution by bringing together small pension pots worth £1,000 or less into one scheme;
- introduce new rules creating multi-employer DC scheme "megafunds" of at least £25bn;
- require all schemes to offer default routes to a retirement income;
- consolidate Local Government Pension Scheme assets into six pools;
- introduce increased flexibility for DB schemes to safely release surplus funds;
- allow the PPF to reduce its levy;
- confirm TPO as a competent court';
- lift restrictions on DB surplus access.


Editorial credit: Alexandros Michailidis / Shutterstock.com

"Pension saving is a long game, but getting this right is urgent so that millions can look forward to a higher income in retirement."

The bill builds on the government's final Pension Investment Review report, in which it confirmed that it is looking to require all multi-employer DC pension schemes and Local Government Pension Scheme (LGPS) pools to operate at megafund level, managing at least £25bn in assets by 2030.

This was based on evidence from Australia and Canada, which suggested that this size allows pension funds to invest in big infrastructure projects and private businesses, boosting the economy and potentially driving higher returns.

Indeed, the government estimated that by 2030 these schemes could be saving £1bn a year through economies of scale and improved investment strategies.

As a result, an average earner who saves over their career could see a £6,000 boost to their DC pension pot at retirement through the creation of megafunds.

However, the government has responded to industry concerns, revealing that schemes worth over £10bn that are unable to reach the minimum size requirement by the end of the decade will be allowed to continue operating, as long as they can demonstrate a clear plan to reach £25bn by 2035.

"After reviewing the evidence and responses to the consultation, we have decided to have a transition pathway which will allow additional time for schemes to reach scale," the government stated.

To access the transition pathway, providers will need to make an application to regulators in 2029 and there will be a specified timeframe for regulators to respond with the outcome of their decision.

The government said that it will look to set out the specific requirements for the transition pathway in secondary legislation following further consultation with industry and regulators.

Schemes who cannot reach the scale requirements (by 2030 or 2035) or access the transition pathway will no longer be able to participate in the auto-enrolment market and will be expected to consider wind up or consolidation.

The government will also legislate to require providers or master trusts at scale to demonstrate they have, or are building, an investment capability commensurate with scale.

In addition to this, the government confirmed that DC schemes will be given more freedom to move savers into better-performing funds, as it will introduce a contractual override mechanism for the bulk transfer of assets where it is in savers' interests.

The government suggested that both the contractual override measures and the value-for-money (VFM) framework are expected to be operational from 2028, after which it will establish a Ministerial-led review to examine the available evidence and explore why any default arrangements remain outside the expected main scale default arrangements.

The government will also provide for a legislative underpin to be able to tackle any remaining fragmentation as needed.

An 'unprecedented' threat

This is not the only legal underpin set to be included in the Pension Schemes Bill, as the government also announced plans for a reserve power to set binding asset allocation targets.

"When it comes to pensions, size matters, so our plans will double the number of £25bn plus megafunds"

Mansion House Accord revealed

Seventeen of the largest UK workplace pension providers have expressed their intent to invest at least 10 per cent of their DC default funds in private markets by 2030, with 5 per cent of the total allocated to the UK.

The Mansion House Accord involves the "vast majority" of the industry, as signatories to the new commitment include: Aegon UK, Aon, Aviva, Legal & General, LifeSight, M&G, Mercer, NatWest Cushon, Nest, Now Pensions, Phoenix Group, Royal London, Smart Pension, the People's Pension, SEI, TPT Retirement Solutions and the Universities Superannuation Scheme (USS).

Building on, rather than replacing, the Mansion House Compact, the new voluntary initiative is being jointly led by the Association of British Insurers, the Pensions and Lifetime Savings Association and the City of London Corporation.

The initiative is expected to unlock up to £50bn of investment for UK businesses and major infrastructure projects, with around £25bn expected to be released directly into the UK economy by 2030. The government suggested that this investment could support clean energy developments across the country, delivering greater energy security and helping to lower household bills, as well as delivering growth finance to Britain's science and technology businesses. The government argued that pension savers will also benefit from the commitment to invest in private markets, pointing out that comparable Australian schemes invest significantly more in private markets and domestic companies than UK schemes.

Some pension funds have also indicated privately that they will go beyond the targets agreed through the accord, which could lead to even more direct investment in the UK economy and has been particularly welcomed by the government.

Whether the goals of accord will prove achievable is yet to be seen, however, as the agreement itself clarified that the commitments are contingent on a number of "critical" enablers, including a broader shift from cost to value, as well as the successful delivery of the proposed value-for-money (VFM) framework.

The accord also highlighted the need for a "pragmatic" well-sequenced approach to the scale tests proposed by the government in a way that ensures competition and innovation in the market. Alongside this, the accord stressed the need for a strong pipeline of UK investment opportunities, which the government agreed to facilitate.

This is intended to provide additional certainty that individual schemes will not lose business by investing in private markets, which offer the potential for higher returns but are expensive to invest in upfront.

This has already prompted concern within the industry, as LCP warned that while many of these reforms could help to drive improved member outcomes through lower costs or accessing a wider range of investment options, the threat of government intervention to 'mandate' how pension schemes invest members' money is "unprecedented".

"Trustees draw on professional expertise to draw up an investment strategy which will best meet the needs of members, and this should never be over-ridden by the political priorities of the government of the day," LCP partner and head of DC pensions, Laura Myers, said.

This was echoed by Pensions and Lifetime Savings Association (PLSA) chief executive, Julian Mund, who warned that any government intervention to direct how savers' money is invested is risky.

"If the government doesn't create the right environment with a suitable pipeline of investment opportunities, it would involve downside risk for scheme members. Trust in the system could also be impacted. Trustees are there to do what is best for savers," he added. "Any reserve power on mandation must be drafted with extreme caution."

Govt confidence remains

However, speaking to *Pensions Age* about the final report, Bell said he is "not anticipating using" the backstop power, stating that he was "confident" the government would not need to mandate.

"Everybody's on the same path. I think we're seeing that right across the industry. My view is that we should all be clear that there's a really strong shared sense of purpose," Bell said.

However, he emphasised that this

needs to be done in the "right way", acknowledging that different schemes will take different views.

"You will definitely see differences in the asset allocation within private assets, just like you do within public assets. That's what you should be seeing," he continued.

"There will be different choices about how much they're doing that directly, how much they're doing that with their bodies, how much they're doing that in collaboration with each other. I think all of us should be very confident that the whole industry is moving in the direction."

Making the LGPS 'fit for the future'

The government will also be looking to accelerate the push for scale in the LGPS, introducing a backstop power in the Pension Schemes Bill to protect the interests of LGPS members and local taxpayers where necessary by directing an administering authority to participate in a specific investment pool.

In addition to this, local investment targets will be agreed with LGPS authorities for the first time, which is set to secure £27.5bn for local priorities.

The government had already begun to communicate its plans for LGPS reforms ahead of the final report, as six of the eight LGPS pools were given the greenlight on their pooling plans, including the Wales Pension Partnership, LGPS Central, Northern LGPS, Border to Coast, Local Pensions Partnership and London CIV.

The final report has since confirmed that assets currently split over 86 administering authorities will be consolidated into six pools – which industry experts highlighted as an indication that there is "no possibility" that ACCESS or Brunel Pension Partnership will be given the chance to meet the government's criteria.

And work is already underway, as PLSA director of policy and advocacy, Zoe Alexander, said that funds and pools are "working hard" in the background to make a success of this process.

However, Alexander suggested that the timeline for delivering and implementing the changes is "overly ambitious".

Barnett Waddingham head of public sector consulting, Barry McKay, echoed this, suggesting that "time is short" for funds deciding which pool to join.

McKay also argued that the new backstop power represents a "material shift in the relationship between central and local government".

And whilst McKay acknowledged the preference for pool membership to be determined voluntarily, he argued that, due to time constraints, "it's conceivable that decisions won't be finalised by 31 March 2026".

However, Bell again said that the government is not hoping to use this power. Instead, he emphasised that this decision is up to the individual pools, confirming that while the government will support the process, it will only step in as a "backstop" if necessary.

Written by the *Pensions Age* team

The wait for phase two continues

The government said it will share further information on the timings and terms of reference for phase two of the pension review in "due course", after it failed to provide updates on the next step for the second phase in its final Pension Investment Review report.

Pensions Minister, Torsten Bell, previously suggested that he would provide an update on the timings around phase two of the review, which is expected to focus on adequacy, in the final Pension Investment Review report.

However, the final Pension Investment Review report has now been published, with no mention on the next steps for phase two of the review.

Asked by *Pensions Age* whether he could provide any further updates, the Minister said that he was unable to confirm the exact timings, but confirmed that he would be sharing updates "in due course".

"We'll be setting out the terms of reference and the approach for the next phase of the pension review in due course," he stated.

However, the Minister stressed that the "industry would not be waiting forever", again indicating that reports that have said it will be expected in the far future were "garbage".

But whilst industry experts have broadly welcomed the government's plans to encourage scale as part of its push to encourage greater investment in UK productive assets, adequacy concerns have continued to grow.

Isio head of DC investment, Helyne Slade, for instance, said that "whilst investment performance is a key growth engine for DC pots, we mustn't forget that the single biggest factor driving member outcomes is the amount paid in, which these proposals don't look to address".

In particular, industry experts have repeatedly emphasised the need for the government to push ahead with auto-enrolment reforms in order to address growing adequacy concerns.

However, auto-enrolment reforms are seemingly on hold as the industry awaits the launch of phase two, as when previously asked whether the government would be looking to take forward the Private Members Bill to extend auto-enrolment to lower earners and younger workers, which gained Royal Asset after passing through parliament in 2023, Bell stated: "I want to consider wider questions in the round about the future of the pension system, and that's what Phase two is going to be doing."

Govt sets sights on DB surpluses

The government has provided further insight on plans to unlock DB surpluses in its response to the options for DB pensions consultation

Whilst DC reforms have dominated much of the recent industry conversations, the government has also been upping its focus on the potential role of DB pension surpluses in driving UK investment.

The Department for Work and Pensions confirmed that it plans to include measures to unlock DB surplus funds as part of the Pension Schemes Bill, suggesting that this could unlock more than £160bn in UK investment.

This is thanks to recent funding improvements, as industry data showed the funding levels for DB pension schemes are currently at their strongest ever financial position, with the number of DB schemes sufficiently financed tripling since 2010. This had a knock-on effect on the additional payments businesses have had to pay to plug pension deficits, which have fallen from £16bn in 2010 to under £5bn in 2024.

The government has since shared further insight into these plans as part of its response to the consultation on options for DB schemes, revealing that whilst the proposals were "broadly welcomed" by respondents, there was particular support for introducing a statutory power for the modification of scheme rules over a statutory power for making payments.

Given this, the government confirmed that it will look to amend the existing framework for surplus extraction from DB schemes to remove barriers to extraction, while maintaining stringent funding safeguards to protect member benefits.

As part of this, it will first introduce a statutory resolution power for trustees of schemes to modify their scheme rules, the use of which will be at the discretion of the trustees, who the government said remain best placed to make decisions in the context of their individual scheme circumstances.

However, the government said that it is considering amending the threshold at which trustees are entitled to share surplus with the sponsoring employer from the current buyout threshold to a threshold set at full funding on the low dependency funding basis.

Further details on this will be shared in the draft regulations, which the government confirmed it will consult on.

In addition to this, the government is looking to amend section 37 of the Pensions Act 1995 to clarify that trustees must act in accordance with their overarching duties to scheme beneficiaries, which will remain unchanged. This is intended to provide "robust" protection to scheme and was highlighted as the most important safeguard for member interests.

Other proposals will not be taken forward, however, as the government revealed that industry responses had raised concerns over the potential unintended consequences of changes to the tax regime intended to facilitate increased surplus sharing, as well as the proposed 100 per cent Pension Protection Fund (PPF) underpin, which would have allowed schemes to purchase 100 per cent protection from the PPF in exchange for an additional "super levy".

Given these concerns, the government confirmed that while it will continue to consider the wider tax regime for surplus extraction, the rate of taxation applicable to surplus extracted from DB schemes will remain at 25 per cent.

The government also agreed that an opt-in 100 per cent PPF underpin is appropriate due to the high cost and moral hazard concerns, arguing that this underpin is not needed to encourage schemes to extract surplus.

However, the government is still considering introducing a consolidator for DB schemes, run by the PPF, as it argued that while commercial buyout providers offer a solution for many DB schemes, this may not work for every scheme.

"A small, focused government consolidator, administered by the PPF, could offer an alternative solution for schemes and has the potential to help to address a fragmented pensions landscape," the government stated.

Despite this, the response acknowledged that there is evidence that the market is rapidly changing, confirming that it will therefore consider how a consolidator could complement rather than compete. It will not be legislating for the consolidator in the forthcoming Pension Schemes Bill.

Written by Sophie Smith

Govt outlines LGPS reforms as it looks to boost benefits and tackle inequality

The reforms are designed to improve fairness and address "key issues that have been neglected for too long"

The government has launched a consultation on a range of proposals relating to the Local Government Pension Scheme (LGPS) in England and Wales, covering issues such as the gender pensions gap, forfeiture concerns, and opt-out rates.

The Ministry of Housing, Communities and Local Government explained that much of the consultation focuses on equal access to the scheme and its benefits, as the government looks to improve fairness and address "key issues that have been neglected for too long".

In particular, the consultation is gathering views on plans to address survivor pensions and death grants, in order to fix historic discrimination and ensure equal access to the scheme, regardless of the sex of the eligible member and those they leave behind on death.

Due to issues with the existing regulations, there have been instances where those in same-sex marriages and civil partnerships receive a more generous pension entitlement than those in opposite-sex marriages and partnerships.

However, the proposed reforms are intended to remove all discrimination on the basis of the sex of those affected.

The consultation also contains proposals to address the "significant" gender pensions gap in the LGPS, with a focus on access to the scheme benefits for women.

Whilst the government acknowledged that many of the causes for gender pension gaps may lie in how society is structured and go beyond the LGPS, it argued that there are still steps that it can take to make progress now.

In particular, the government outlined plans to return to the approach used for authorised unpaid absences in the LGPS before 2014, where authorised unpaid absences under 31 days were automatically pensionable for all members.

Currently, authorised unpaid absences under 31 days in the LGPS are not automatically pensionable, with the exception of sickness, ordinary maternity and adoption and paternity leave.

Instead, when the member returns to work, they can choose to buy back the pension lost during the absence.

However, the government said that evidence from the LGPS Scheme Advisory Board suggested that most who take authorised unpaid absence do not buy back the pension lost.

And this process "disproportionately penalises women", as it is mostly women who take such unpaid leave, with data from SAB showing that across two example funds, 90 per cent of unpaid leave is taken by women.

Given this, the government has called for a return to the approach used for authorised unpaid absences in the LGPS before 2014, where authorised unpaid absences under 31 days were automatically pensionable for all members.

Both employee and employer contributions would be made, based on the member's lost earnings, and pension would continue to be accrued, in order to make catching up with small gaps in pensionable service the default option.

The government also outlined measures that would make the LGPS in England and Wales the first public service pension scheme – of which 74 per cent are women – to make the last 13 weeks of statutory maternity pay automatically pensionable.

The consultation also outlines proposals related to people who opt out of the scheme, as the government said that it believes the LGPS is a good scheme and views the number of members who opt out with concern.

To gather more information on this issue, the government proposed systematically collecting data about how many members are making this choice, and why, with plans to publish a Gov Form alongside the new opt-out form that administering authorities should be using when a member opts out.

The proposals also aim to tackle some long-standing issues with forfeiture in the LGPS, which can be used to remove benefit entitlements for those who have been convicted of crimes that bring public service into disrepute.

Written by Sophie Smith

TPR launches innovation hub

The Pensions Regulator said that the new support service will help reduce regulatory barriers to pension innovation

The Pensions Regulator (TPR) has launched an innovation support service to reduce regulatory barriers to pension innovation by enabling early, transparent discussions with pensions innovators.

The regulator has two focus areas, administration and member experience, particularly the decumulation phase, and investment and new scheme models.

The support service will have a range of offerings, including discussion sessions that will allow innovators to discuss the early stages of developing a new pensions idea or solution with one of TPR's experts.

TPR explained that this informal first stage can support innovation development and how it might need to regulate it.

Additionally, TPR and the Financial Conduct Authority (FCA) will work closely together to avoid duplication and to give pensions innovators access to the FCA's innovation test service.

TPR will also streamline the process for supporting emerging models other than the pension models it already supports, such as superfunds.

Based on research from TPR that identified common challenges faced by pensions innovators across the industry, the service will facilitate connections among these innovators through collaborative events.

Additionally, user testing revealed that blogs, reports, and information on best practices in pensions innovation are well-received, as they clarify TPR's position on issues like targeted pensions support and guided retirement.

TPR chief executive, Nausicaa Delfas, said: "Our new innovation support service will provide an environment for innovators from across industry to collaborate and test their ideas, streamline our approach and reduce unnecessary regulatory barriers."

TPR said that improving data quality is the first step towards delivering innovation and is a key regulatory priority.

This launch was outlined in TPR's plans for 2025 and is part of the regulator's previous pledge to reduce unnecessary regulatory burdens and improve data sharing as part of the government's broader plans to cut the administrative cost of regulation on business and drive economic growth.

TPR also recently published its final response to its Statement of Strategy consultation, in which it confirmed plans to launch a 'submit a scheme valuation' digital service, which trustees will use to complete and submit their statement.

The consultation, launched in March last year, set out measures designed to support trustees in planning and managing their DB scheme funding over the long term, as required under the new DB funding regime.

Under the requirements, trustees are asked to complete a statement of strategy alongside their actuarial valuation, which sets out this long-term funding strategy and their approach to managing associated risks.

TPR previously confirmed, however, that it would share statement of strategy templates to minimise the administrative burden on trustees, including separate templates to reflect that schemes will have to provide slightly different information depending on whether they have reached the 'relevant date', or whether they are taking a fast track or bespoke approach.

TPR has since shared its final response, which confirmed that it will launch a 'submit a scheme valuation' digital service. TPR said this was a recognitiion that, as it requests more data, the method it establishes to collect it should be as efficient as possible, limiting the burden on trustees and aiming to meet the needs of those who will be using it while developing the new service.

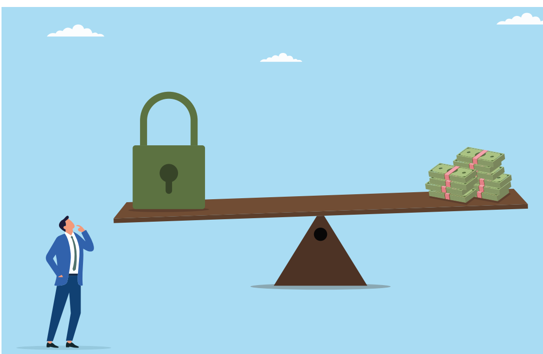
In particular, TPR highlighted the diversity of DB schemes and has adopted a proportional approach, requesting less information from smaller schemes to reduce administrative burdens.

The Statement of Strategy emphasised the importance of long-term planning and risk management, encouraging trustees to set clear objectives and strategies for achieving low-dependency funding. Barnett Waddingham principal, Mark Tinsley, welcomed this, suggesting that "the new tool will allow for much-needed automation and simplification to the process, significantly reducing the workload compared to alternatives that would have required more manual intervention".

Written by Paige Perrin

Govt research raises concerns over future of salary sacrifice

This comes amid renewed interest in salaray sacrifice pension options, as employers look to mitigate rising national insurance costs



Industry experts have raised concerns that the government could be considering changes to salary sacrifice, after it shared research commissioned by HMRC looking at employer attitudes towards three different ways in which the benefit could be hypothetically cut back.

The research found that employers were positive about salary sacrifice in the current system and thought it helped to retain employees as part of the overall benefits package.

Employers were most negative about the second option proposed in the research, which involved removing national insurance (NI) and tax breaks for salary sacrifices. Some employers said this would eliminate the benefits of salary sacrifice and were unsure whether they would continue offering salary sacrifice for pensions in that scenario.

The suggested reform most favourably viewed was a capped salary sacrifice, which allowed for smaller amounts of sacrificed salary.

However, the research clarified that all of the hypothetical scenarios explored were viewed negatively by employers, and it was just the extent to which they led to a reported definitive change in employer behaviour regarding pensions that varied.

"Generally, employers indicated that changing the pension system could inevitably cause confusion and risk people becoming more disengaged with pensions," it said.

However, LCP partner, Steve Webb, said that HMRC's commissioning of research to test employer responses to potential changes to salary sacrifice indicated a "significant risk" of cuts in the forthcoming Budget.

"It is very revealing that HMRC has paid for research into the likely response from employers if salary sacrifice for pensions were to be scaled back," he said.

And although the research was commissioned under the previous government, Webb argued that the desire to raise additional revenue is, if anything, even more acute today.

"With a Chancellor reportedly looking to make up a multi-billion pound hole in the public finances in her Autumn Budget, this research suggests that changes to salary sacrifice are firmly on the agenda and likely to be considered as a potential revenue-raising measure," he stated.

The Society of Pension Professionals (SPP) also warned the government against any changes to the current salary sacrifice arrangements, arguing that the extra tax burden would hit members and their savings "very selectively".

"Many in non-contributory schemes, or schemes where employer contributions start from a higher base, would be better off, whereas those who receive a lower employer contribution and seek to remedy that with a salary sacrifice would be worse off," SPP Tax Group chair, Steve Hitchiner, explained.

"More often than not, those whose employer contributions start at a lower amount will be moderate and low earners."

And any changes to salary sacrifice arrangements could be particularly unpopular amid the upcoming hike in employer NI contributions (NICs), as industry analysis suggested that many employers are looking to adopt salary sacrifice to mitigate rising NIC costs.

Recent analysis from Penfold, for instance, revealed that interest in switching to its salary sacrifice pension solution jumped by 800 per cent year-on-year. In addition to this, it revealed that there was a 688 per cent increase in employer's interested in switching to its salary sacrifice pension solution since the last quarter.

As well as renewed interest, contributions to Penfold pensions via salary sacrifice grew by 160 per cent year-on-year and 53 per cent quarter-on-quarter, marking the sharpest quarterly growth since early 2022.

The sharp increase in enquiries to Penfold echoes broader changes in the market, as figures from the CIPD revealed that 85 per cent of very large employers and 61 per cent of large companies now offer salary sacrifice pensions.

Written by Callum Conway and Sophie Smith

Calls for private sector dashboard timeline grow

The ABI argued that without an established timeline, firms are unlikely to launch their own dashboards within this parliament

The government should "urgently reaffirm" its commitment to enabling a thriving market of private sector pensions dashboards, the Association of British Insurers (ABI) has said, warning that relying on a single, state-owned dashboard could fall short of industry expectations.

The ABI said that while the government-backed MoneyHelper dashboard is a welcome step, users now expect app-based, integrated digital experiences.

Given this, the ABI's report, *Unlocking Pensions Potential: The Benefits of Private Sector Dashboards*, argued that unless pensions dashboard data is available through services that people already use, its visibility and convenience will be limited.

The report also highlighted the risks of inaction, as the ABI warned that offering pension information without the power to act may cause people to resort to less secure methods or be pushed towards unregulated sources of guidance.

However, it suggested that private dashboards could equip users with the information and tools to take action regarding their pension, through simple administrative changes such as updating personal details, as well as making changes to contributions, accessing their pension, or consolidating pots.

Further rule changes could also enable private sector dashboards to go "much further" to help consumers, by offering regulated financial advice and, in future, targeted support, the ABI said.

But further commitment to a successful private sector pensions dashboard market is needed to deliver this, as the ABI argued that the government needs to instill industry confidence with an indicative timeline to allow companies to plan to build these platforms.

"Given that private sector dashboards are projected to take around three years to develop, establishing timelines is crucial," it warned. "Without this, firms are unlikely to be able to launch their own dashboards within this parliament.

"An indicative timeline will enable providers to plan effectively, ensuring a clear path forward, including securing the required development funds to introduce dashboards and post-view services into their digital estates."

And whilst the current focus is on the MoneyHelper dashboard, the ABI argued that the private sector dashboard builds can continue in parallel with completion of connection to the central architecture.

The ABI therefore urged the government to publicly reaffirm its commitment to enabling private sector dashboards, and to provide an indicative timeline for application windows and key milestones.

It also encouraged the government, to work with regulators so that savers are able to take action with their pensions after using a private sector dashboard, in an environment that is safe and useful.

ABI policy adviser, Emily Mae Collins, said: "Private sector dashboards would be perfectly placed to complement the MoneyHelper dashboard.

"While MoneyHelper's dashboard will fundamentally change how people view and engage with their pensions savings, private dashboards will provide the tools to act.

"Integrating dashboards into the apps and services consumers already use can dramatically increase reach, and support people to understand their pension in the context of their wider finances.

"Before long, the rules should also enable people to make changes and do so safely - whether that's saving more, consolidating pots, or accessing advice and new forms of support.

"Together, public and private sector dashboards can ensure that everyone, no matter where they are in their pensions journey, has the resources they need to plan for a better retirement."

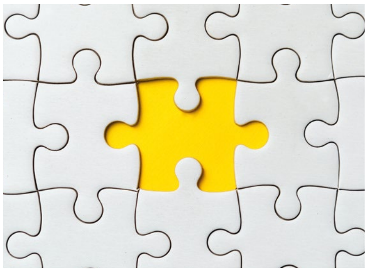
Written by Sophie Smith

Keeping track of the pensions dashboards connections

Both the first and second deadlines in the Department for Work and Pensions' (DWP) pensions dashboards staged timeline guidance have now passed, with a number of larger occupational pension schemes having been asked to connect by 31 May 2025.

And the number of pension providers that have completed their connection to the pensions dashboards ecosystem has continued to grow ahead of the latest staging deadlines. *Pensions Age* brings you the latest updates...

Connnector progress continues...



The Pensions Dashboards Programme's (PDP) latest progress update revealed that work to connect volunteer participants, which many providers will use to connect to the dashboards ecosystem, has continued at pace.

The report confirmed that all 20 of the volunteer participants have begun their connection journeys, and five have now completed the process – one of which has since been revealed to be Royal London.

Broader work is still needed, as 15 out of 20 pensions dashboards volunteer participants are still to complete their connection journey.

However, the PDP's latest update showed that five have now completed integration testing, which is thought to be the longest part of the process, and are in the final stages, while many others are close to entering this stage.

The report confirmed that a few participants are also ready and waiting to begin integration testing as soon as a slot is available.

Despite the delays, PDP also emphasised that it was confident all pension providers and schemes in scope would be able to connect by the regulatory deadline of 31 October 2026, suggesting that, as it stands, the remaining cohort of participants could realistically complete their connection journeys in summer 2025.

And pension providers follow suit...

• Isio connected its first pension scheme to the pensions dashboards ecosystem.

• Fidelity International confirmed that it successfully connected approximately 85 per cent of its clients' data to the pensions dashboard ecosystem.

The group said it is also "confident" that it will meet the deadlines for its remaining clients in the months ahead.

• The Aon MasterTrust confirmed that it had completed its connection to the pensions dashboard ecosystem ahead of the 30 April 2025 target date.

• Barnett Waddingham announced that it connected its first client to the pensions dashboard ecosystem, using their chosen Integrated Service Provider (ISP) Equisoft.

Following the milestone, the consultancy confirmed it has nearly another 200 clients in scope for connection between now and the final connection deadline of 31 October 2026.

• Moneybox confirmed that it had also connected to the government's pensions dashboard ecosystem ahead of the 30 April 2025 deadline.

• Aegon confirmed that it connected its largest schemes to the pensions dashboards ecosystem, in line with the timetable set by the DWP.

The remaining schemes will be connected over the coming months in line with their connect-by date.

The next upcoming pensions dashboards connection deadline is 30 June 2025, and will cover:

- Money purchase schemes used for automatic enrolment (1,000 to 4,999 members)
- Master trust schemes that provide only money purchase benefits (1,000 to 4,999 members)
- Any remaining money purchase schemes (5,000-19,999)
- Schemes without money purchase benefits, excluding public service and parliamentary schemes (5,000-19,999)
- Hybrid schemes (5,000-19,999)

News in brief

***Pensions Age* summarises some of the latest news in the pensions industry, including the latest product launches, climate commitments and best practice guidance...**

A changing market

The past month has seen a number of key acquisitions, rebrands and new offerings announced in the pensions industry:

• Intellica acquired Cosan Consulting for an undisclosed amount. The acquisition will bring together Intellica's data and platform solutions with Cosan's strategic consulting, and is expected to help the combined organisation to deliver smarter, faster and more integrated solutions to clients across the pensions industry.

• TPT Retirement Solutions revealed plans to launch its own collective DC (CDC) scheme, making it the first provider to publicly declare its intention to enter the multi-employer CDC pensions market.

• Phoenix Group is taking steps to make it easier to change its name, with reports indicating that it is planning to switch to the Standard Life brand, a company it acquired in 2018. Despite reports, a source close to the group said a rebrand hasn't been submitted to the board yet and there is no certainty on timelines for when the board will be given the opportunity to approve a name rebrand.

• Railpen announced the sale of its third-party pension administration business to Broadstone, covering over 20 pension schemes, and more than 110,000 UK members.

• Royal London agreed to acquire Dalmore Capital, a UK-based infrastructure asset manager, subject to regulatory approval.

De-risking momentum continues

Despite a growing focus on run-on, several pension risk transfer transactions were announced over the past month:

• The Morrisons Retirement Saver Plan completed a £270m buy-in with Aviva, securing the retirement benefits of over 32,000 deferred members of the RSP Section of the scheme. In addition to the buy-in, Aviva underwrote a winding-up lump sum exercise covering around 30,000 members.

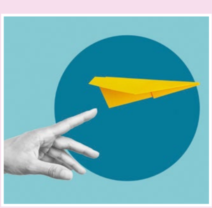
• The trustees of the Andrew Limited Pension and Life Assurance Plan secured a £63m buy-in with Aviva, securing the pensions of all 570 scheme members.

• The AQA Pension Scheme completed a £120m full scheme buy-in with Rothesay, covering the benefits of 471 pensioners and dependants as well as 398 deferred members. WTW was lead adviser on the deal, with legal advice provided to the trustee by Mayer Brown and to Rothesay by Gowling.

• The Cancer Research UK Pension Scheme has agreed a £280m buy-in with Standard Life, covering the benefits of 2,800 members.

• The London Waste Limited Pension Scheme has completed a £22m buy-in with Royal London, securing the retirement benefits for around 200 members.

Growing support for savers



The past month has seen a renewed focus on the support available to pension savers, with a number of new product launches announced:

• People's Pension launched a new tool to help savers understand the long-term impact of pension transfers. The Pension Consolidation Calculator enables savers to compare charges across different pensions, see long-term savings projections and understand how slight percentage differences between charges affect retirement outcomes.

• EQ Retirement Solutions launched a member communications and engagement service designed to enhance the firm's existing solutions for public and private sector schemes, and long-term savings and retirement providers.

• Pathlines, in collaboration with Guiide and Invesco, launched a new tool to provide non-advised DC savers with guided support to help them self-manage their drawdowns. The tool will initially be available to anyone over 50 who is not accessing their pension, although it will later be expanded to other savers.

• Isio announced that it is looking to develop tools to help trustees and employers communicate the benefits of dashboards to members, fostering engagement and financial literacy.

Appointments, moves and mandates


Louis Petherick

Nucleus has appointed Louis Petherick as group chief risk officer.
Petherick will join Nucleus at the start of August, and his appointment is subject to regulatory approval. He is an experienced chief revenue officer (CRO) with an extensive track record of operating at executive level across various financial institutions, spanning traditional financial services organisations, digitally led companies, and wealth management firms. Petherick joins Nucleus from Brooks McDonald, where he was group CRO for two years. Before this, he was CRO at FNZ UK and spent five years at AJ Bell, where he was CRO and an executive board member.


Sachin Patel

Hymans Robertson has appointed Sachin Patel as head of corporate defined benefit (DB).
In his new role, Patel will lead the team to support corporate clients as they navigate the vast array of complex issues and decisions they face for their DB pension schemes. Patel has been at Hymans Robertson since 2014. He is currently the head of corporate DB endgame strategy and a lead consultant in the corporate DB pensions team. He also has extensive experience helping corporates tackle day-to-day issues with their DB pension schemes and planning their endgame journey within an increasingly varied and evolving DB pension landscape.


Lizzy Buss

Carne Group has announced the appointment of Lizzy Buss as managing director for business development.
Buss will be responsible for engaging with institutional investors, including existing and potential clients, as part of Carne's UK growth strategy. In particular, she will focus on the growing long-term asset fund (LTAF) market, with more fund managers looking to transform their in-house fund operations by fully outsourcing their authorised corporate director to a specialist provider. She will also support other regions, including Ireland, Luxembourg, Switzerland, the Channel Islands, and the Cayman Islands. Buss joins Carne from MUFG Investor Services.


Femi Bamisaiye

Nest has appointed Femi Bamisaiye as chief technology and operating officer.
The role is a new addition to Nest's executive team, aimed at evolving the service it delivers to its members through customer-centric technology. Bamisaiye was previously chief information officer (CIO) at Aviva's UK general insurance business, and brings extensive experience in digital technology transformation, customer-centric technology strategies, and operational resilience. He has also held senior management regulatory accountability with responsibility for technology services and strategy, cyber security, change delivery, outsourcing and operational resilience.


Oke Eleazu


Maria Herrero-Bullich

Scottish Widows has confirmed the appointment of Oke Eleazu and Maria Herrero-Bullich to its Independence Governance Committee (IGC).
Eleazu, a customer service and digital transformation specialist, replaces Clare Goldie-Scot, who will step down in the coming months after five years. Eleazu started as an accountant with Legal & General and later managed Prudential's defined benefit (DB) and defined contribution (DC) administration. Eleazu was also instrumental in establishing ManyPets, a general insurance provider with a digital-first focus, where he held senior executive positions. Meanwhile, Scottish Widows insurance, pensions and investments chief customer and digital officer, Herrero-Bullich, has been appointed to the IGC as a provider-nominated member, succeeding Emma Watkins, who stepped down at the beginning of March. In her current role since April this year, Maria has been responsible for Scottish Widows' customer strategy to grow market share, improve customer outcomes and increase lifetime value. Herrero-Bullich has also held several leadership positions in the insurance industry, growing digital business across motor, home, life and business insurance. She previously worked at Aviva, where her roles spanned strategy, transformation and managing its digital businesses on price comparison websites and direct channels. Scottish Widows IGC independent chair, Anna Bradley, said: "Oke and Maria bring expertise of customer-first approaches from across multiple sectors which will bring a new dimension to the IGC discussion. We are very excited to have them on board."


Roland Derks

Aviva Investors has appointed Roland Derks as global high-yield portfolio manager alongside other internal appointments.
Derks' appointment represents the latest addition to the firm's fixed income team, following the recent additions of head of fixed income research, Gita Bal and co-head of high yield, Fabrice Pellous, earlier this year. In his new role, Derks will report directly to Pellous. He has over 15 years of investment industry experience, having held various portfolio management roles at Goldman Sachs over the last decade, including convertibles portfolio manager and high yield portfolio manager. He also held analyst roles at Nomura and Deutsche Bank earlier in his career. This appointment comes alongside two new internal appointments as sector leads within the fixed income research team. In the newly created roles, Carmen Altenkirch will become the lead for sovereigns and emerging market corporates, whilst Martin McCudden will be the lead for consumer and technology, media and communications. Aviva Investors head of capital opportunities group and co-head of emerging market debt, Aaron Grehan, said: "We are very pleased to have Roland join our team, as we continue to build upon our existing expertise across the high yield market, as well as the broader capital opportunities group. The addition of Fabrice as co-head of the high yield team earlier this year has already strengthened us in this area, and the appointment of Roland is another step towards ensuring we have a market-leading team in this part of the market."


Ryan Hubley

Dalriada Trustees has appointed Ryan Hubley as sales and business development lead.
Hubley joins from Independent Governance Group (IGG), where he has worked since 2021, most recently as business development manager. Before joining IGG, Hubley worked in business and client development for a range of legal firms, including K&L Gates, Dentons and Reed Smith. Trustees' managing director, Shehzad Ahmad, said: "Ryan's appointment marks a valuable addition to our team. His deep understanding of the pensions landscape and his track record in business development will make him a real asset to our team."


Dave Whitehair

The defined contribution investment forum (DCIF) has announced a new chair and vice chair.
The not-for-profit research group has welcomed Dave Whitehair as its new chair and Lindsay Nickerson as vice chair. Its previous chair, Mark Austin, will now become the immediate past chair of the group and remain on the board until the end of 2025. Whitehair is the director of institutional at Lombard Odier Investment Managers and has been a long-standing voice around the DCIF's table. Meanwhile, the DCIF said Nickerson would bring a "consultant's perspective". She joined Nordea Asset Management after spending a decade at Aon.


Rajeev Mehta

LGPS Central has appointed Rajeev Mehta as programme director.
In his new role, Mehta will support the pool as it implements changes in line with the government's 'fit for the future' consultation on the Local Government Pension Scheme (LGPS). Mehta brings wide-ranging experience delivering strategic and regulatory change across the investment industry, focusing on finance transformation and innovation in real assets and private markets. Commenting on his appointment, Mehta said: "There is a tremendous opportunity to make a meaningful impact through well-governed, purposeful programme delivery, and I look forward to it."


Charlie Stewart


Imran Rahim

Independent Governance Group (IGG) has hired Charlie Stewart and Imran Rahim to its business development team.
Stewart joins IGG as client growth manager and brings nearly a decade of experience in investment consulting and portfolio strategy across the pensions sector. His expertise spans client advisory, technical strategy, and business development. Rahim is IGG's newly appointed business development manager, with over a decade of hands-on experience across professional services, technology, and the public sector. He is an expert in business development strategy, stakeholder engagement, and implementing tools and approaches.

VIEW FROM TPR: Understanding value in decumulation – A turning point

A TPR-sponsored Pensions Policy Institute report explored how the retirement income market can better support DC savers as they transition from saving to spending.

With the government's Guided Retirement proposals on the horizon, we wanted the report to spark a conversation on what 'value' means in decumulation.

The findings confirm a familiar but urgent picture: more people are retiring with DC pots, yet too few get the support they need. Annuities continue to decline, advice and guidance remain underused, and many savers default into full cash withdrawals – often without long-term planning.

The report identifies five key challenges: The lack of consistent default decumulation structures; low uptake of guidance; data fragmentation; innovation gaps; advice-guidance boundary uncertainty.

Early signs of innovation– such as digital tools, bucketing strategies, and hybrid income products – are emerging.

We are working closely with government and other regulators to align reforms across trust and contract-based schemes. Our goal is clear: to ensure all savers can access well-designed, value-for-money retirement solutions tailored to their needs. A Guided Retirement duty is an opportunity to provide products and services suitable for different savers and our innovation design service will help get new ideas off the ground.

The Pensions Regulator
Making workplace pensions work

TPR policy delivery lead, Gareth Norcott

VIEW FROM THE PLSA: Mansion House Accord

The launch of the Mansion House Accord was a landmark moment in a pivotal year for pensions policy.

UK pension schemes already invest billions in UK growth assets. The accord demonstrates the collective ambition of the DC sector to do even more. It recognises that investing in the UK has broader societal benefits and signals that schemes are confident that the UK will provide the right opportunities, consistent with fiduciary duty.

The scale of investment unlocked by the accord could provide capital to exciting industries such as artificial intelligence, green energy and life sciences.

It could upgrade our ageing infrastructure network, help build social housing and, through venture and scale-up capital, develop technologies like carbon capture, cleaner fuels and advanced materials that will take us into a greener, brighter future.

The government, in its turn, has committed to build on the action it has already taken to remove barriers for pension schemes and ensure there is a strong pipeline of investable opportunities.

With everyone playing their part, there is great potential to boost retirement outcomes for savers while providing funding that supports a more dynamic, prosperous and liveable UK.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

PLSA director of policy and adequacy, Zoe Alexander

VIEW FROM THE PMI: The resilient pensions industry

I have worked in the pensions industry for over thirty years and I'm not alone in this.

Pensions is an industry which people often find themselves working in without necessarily setting out to do so. However, due to the ever-evolving nature of the industry, you never get the opportunity to sit still and get bored.

At times, it seems like some of the governing powers of the industry may take this for granted and are always pushing for something else. Whilst we all support continuous improvement, we would probably like some time to make sure things are done in a controlled and measured way. While it is rare that we ever get the opportunity to approach things in such a way, as an industry we always deliver.

In all my years in pensions, no matter what is put the way of the industry, either by statute or by regulations, we always manage to deliver.

At the moment we are submerged in GMP equalisation, pensions dashboards connection and an unprecedented number of scheme buyouts. On the surface it all looks too much, but the dedicated people who work in the administration, actuarial, investment, systems, technical, law, audit, de-risking and regulatory areas will make sure it all happens.

Let us take a moment to pat ourselves on the back on what is always achieved.

PMI

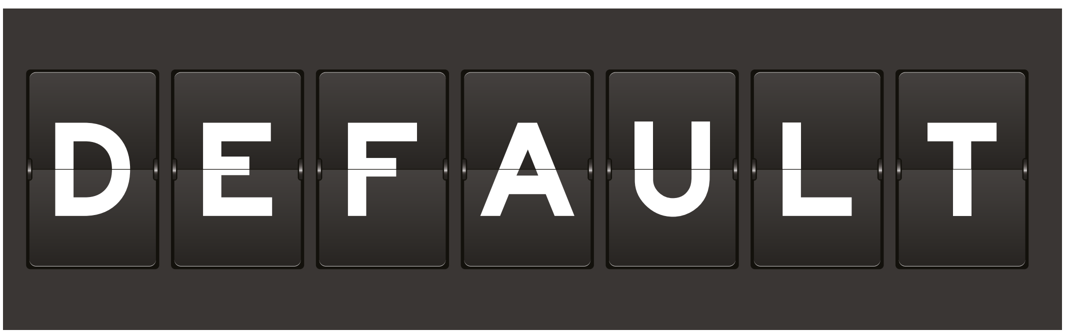
PMI president, Robert Wakefield

Soapbox: It's a default… or is it?

There has been a lot of change in the industry this month, with several policy announcements, including the Pensions Schemes Bill and the final Pension Investment Review report, increasing industry debate on a wide range of topics.

From regulatory updates to shifts in market sentiment, industry stakeholders are grappling with the pace and scale of reform, as the bill begins its journey through parliament.

One topic I've noticed being discussed at conferences, featured in articles and even mentioned in my own discussions with industry experts is DC occupational schemes offering a default retirement solution.



The Pension Schemes Bill, which was announced as part of the King's Speech last year and has now been released, includes a change requiring all trust-based DC schemes to provide retirement products, such as a default retirement income solution.

Recent research from XPS Group suggested that low member engagement is the "biggest hurdle" to implementing an effective default retirement solution, with 37 per cent of pension professionals citing this as the primary challenge.

Additionally, the Pensions Policy Institute (PPI) published a paper last month exploring the issues around default retirement solutions and what is currently happening in the market.

The PPI pointed out that in the accumulation phase, there is auto-enrolment as a default, but in decumulation, no similar system exists.

Given this, the PPI suggested that a potential structure for defaults could be a blended approach that combines existing products over a staggered period – for example, starting with a flexible drawdown solution and later transitioning into a more stable income, such as an annuity.

Savers deciding how to take their pension face a complex challenge, given the options available, the likelihood that their pensions are in multiple places, limited awareness of their total pension savings and low levels of financial literacy in the UK.

Currently, research suggests that there are two behavioural defaults. The first is withdrawing a pension from the system completely, while the other is entering drawdown by default after taking the 25 per cent tax-free lump sum. This suggests that many people aren't making active choices when it comes to their pensions.

That said, the Association of British Insurers director of policy, long-term savings, health and protection, Yvonne Braun, recently told a Work and Pensions Committee meeting that default retirement is a "misnomer," as some degree of active choice is always required.

"It's not like auto-enrolment and being enrolled into a savings pot. There always has to be an active choice by the saver and we shouldn't dismiss engagement and choice in favour of default," she said.

And as cliché as it is, there is no one-size-fits-all solution for savers. Every person's needs and income levels are different, so why would their desired retirement outcomes be the same?

A default solution, therefore, needs to be flexible and adaptable, with the ability to be tailored to each saver's needs.

However, I am optimistic that both the Financial Conduct Authority's (FCA) Advice Guidance Boundary Review and Targeted Support proposals could help address some of these concerns.

That said, we need to be realistic. UK savers are not great at seeking out advice. Research from the FCA shows that 8.6 per cent of savers received regulated financial advice on their investments, pensions and retirement planning in the past year.

Ultimately, while a default retirement solution may help guide disengaged savers, it must reflect the reality that retirement needs are deeply individual.

Flexibility, adaptability, and a supportive regulatory framework are key to ensuring solutions work across a range of circumstances.

Real progress won't come from nudging people into a fixed path, but from offering options that evolve with their lives and empowering them to make confident, informed choices.

As legislation takes shape, the focus should be on building systems that support informed decisions without locking savers into rigid paths.

Written by Paige Perrin

VIEW FROM THE AMNT: The missing person in the room

In reply to pensions-based government initiatives, UK productive finance being one, trustees often discuss in workshops, symposiums and conferences that the government needs to explain its current position. However, it is rare that the event organisers actually invite the civil service, who could do that, to our events.

Instead, we go through a dance similar to that of the seven veils; the event organiser will remember that they know someone who knows someone who has the ear of someone in government! On this flimsy connection, we build up a statement of case, which could take some weeks, and by the time we have finished, we will have found a professional advisory firm that will be prepared to use their government connection to raise this at a more senior level.

A by-product of this mechanism is that one professional firm will now have superior knowledge on the said issue and they can begin another round of workshops, symposiums and conferences to explain away or work on the new problem, after talking to the government; and so, our pensions industry magical merry-go-round continues from subject to subject.

Bearing in mind that we do not have the time to work our way through the chorography described above, possibly several times in any three months, I raise the question: Why don't we just invite the civil service to present the government initiatives on day one of our workshops, symposiums and conferences? It would save time, trustee frustration and probably fees!

AMNT co-chair, John Flynn

VIEW FROM THE ABI: Mansion House Accord

The Mansion House Accord sparked anticipation and debate, with concerns such as: Does it mean more risk? Why aren't providers already investing these proportions in private assets? Is this mandation by the back door?

Investing in private assets involves different and higher risk as well as higher reward; it also increases diversification, making pots more resilient to shocks.

Pension providers can't invest in private assets as much as they'd like due to several barriers: The relentless focus on minimising cost as opposed to increasing long-term value; the misalignment of the charge cap regulations; and insufficient supply of UK private assets. The accord depends on the government delivering on critical enablers that remove these barriers – otherwise, this level of investment won't happen.

Nor will it happen unless it's in savers' interests. The accord is voluntary and subject to fiduciary and Consumer Duty. In contrast, mandation would compel investments regardless of consumer outcomes.

Seventeen signatories committed to this ambition, and their decision is accountable to investment committees, trustees, independent governance committees and, above all, consumers. Their aim is delivering better outcomes. That's how they should be judged.

ABI senior policy adviser, long-term savings, Maria Busca

VIEW FROM THE PPI: Does our pensions system work for low earners?

If you are a typical worker in the UK, then you will be automatically enrolled into a pension scheme. But what if you are not a typical worker?

Currently, employers do not need to automatically enrol workers who earn less than £10,000. When this rule was first made, the logic was that if you earn so little, then you probably need all the money you can get right now, and you can rely on state pension or benefits in retirement if needs be.

However, PPI research has revealed that this rule excludes many workers who could safely contribute towards a better pension. These could be young people living with their parents, new mothers with a high household income, or people gradually winding down for retirement.

Meanwhile, the £10,000 barrier genuinely protects other low earners – perhaps those who are prevented from earning more by poor health or caring responsibilities, or who do not have safety nets like family, savings, or their own home.

We know some of these groups, but we don't know how people move between them. Someone who is a low earner for a few years may have different needs from a lifelong low earner. Until we have accurate information about this, many low earners who could benefit from automatic enrolment may be unnecessarily excluded.

PPI policy analyst, John Upton

Royal London Asset Management head of ABS, Jeremy Deacon

Podcast: A look at asset-backed securities

Royal London Asset Management head of ABS, Jeremy Deacon, chats about asset-backed securities (ABS) in our latest *Pensions Age* podcast

"There still is a complexity premium that exists within asset backed securities (ABS)," Royal London Asset Management head of ABS, Jeremy Deacon, states.

Speaking on *Pensions Age*'s latest podcast, he explains that "a lot of the conversations we have when we sit down with potential investors are around issues that the market faced from the 2008 credit crisis".

However, "the credit crisis was a very specific part of the ABS market, not the whole market, and the market has evolved massively since then. When you look at underlying performance, it's incredibly robust and strong, given that you're getting a spread pickup from similarly rated assets, be that corporate or other types of assets, so there is real potential value within the strategies for investors".

Deacon highlights how, compared to fixed income, ABS are much more macro led.

"If you look at pools of ABS, whether they're mortgages, car loans, credit cards, it's the underlying macro reasons as to why the loans might default or why individual people will become delinquent or default. That's usually around unemployment or interest rates, and then life events that might happen. They're more removed from asset-specific stories than you might see in a corporate bond such as, for example, Trump potentially putting tariffs on auto manufacturers. ABS are distinct in that way; they're incredibly robust and resilient to delinquency and default," he says.

Deacon also highlights how ABS "generally have a lower correlation to other asset types, albeit that they are a spread product, so they will move as spreads move around in other asset classes. But there's a lower correlation with other asset classes".

These are some of the reasons why Royal London Asset Management has recently expanded its ABS offerings.

Having joined in September, along with other colleagues as part of a new private assets group, Deacon and the team saw an opportunity to grow ABS for both internal and external clients.

As a result, two ABS strategies were launched in March – a senior ABS strategy and a mezzanine ABS strategy. "What we saw the opportunity to do was launch much more into the floating rate, asset-backed market with the launch of these two strategies," Deacon explains.

It has certainly been an interesting time to launch the new strategies, occurring just before Trump announced his tariffs, which caused credit spreads to widen.

"Launching into a period of volatility actually worked very well for us," Deacon says.

"It played very much into our hands. We saw it as quite an opportunity to deploy the capital that we initially have."

He explains: "ABS is a global market, with a big market in the US, big market in the UK and, to an extent, Europe, and a big market in Australia.

"So, when you see spread widening on a general scale, you can look to take advantage of different sectors and different geographies. A general widening helped us massively in the senior fund sectors, which moved out 10-20 per cent cheaper."

In less volatile times and from a general performance point of view, areas like residential mortgage backed securities are going to be the bedrock of these new ABS strategies, Deacon states.

In terms of regions, Deacon highlights Australia as currently a relatively cheap market, and in terms of sectors, the "little bit more controversial" area of auto ABS, which "could now be cheap and have appeal".

Ultimately, Deacon says, "there is real potential within the strategies for investors that spend the time to understand those underlying issues".

In association with ROYAL LONDON ASSET MANAGEMENT

This is an edited summary. To listen to the podcast in full, visit pensionsage.com

VIEW FROM THE PPF: Our new DEI strategy

At the Pension Protection Fund (PPF), diversity, equity and inclusion (DEI) is central to who we are and how we work. As a public body, we understand that the impact of our decisions reaches far beyond our walls. That's why creating a workplace that reflects the communities we operate in and where everyone feels respected, valued and empowered is so important to us.

Building on the progress made under our 2020-2025 Diversity & Inclusion Strategy, we're proud to have recently launched our new DEI strategy for 2025-2028. This places greater emphasis on equity and introduces two new areas of focus: social mobility and LGBTQ+ inclusion.

We recognise that not everyone starts from the same place in life and that people often face more than one barrier to opportunity. By focusing on equity, and understanding that different people need different support to thrive, we aim to deliver true equality of opportunity and ensure everyone can contribute their best.

Our original focus on gender, ethnicity, and disability remains a priority, and we've seen real progress in those areas. But we know we must go further. Exploring social mobility will help us better reflect our communities and access a wider talent pool, while deepening our awareness of LGBTQ+ experiences will ensure all colleagues feel safe and supported.

This strategy is more than a plan, it's a commitment to continuous improvement. As we take the first steps towards achieving the key outcomes of our three-year strategy, we are certain that this is not just the right thing to do, but key to the ongoing success of the PPF.

Pension Protection Fund

PPF chief governance, risk and legal officer, Dana Grey

VIEW FROM PASA: The data, the wave, and the tide

PASA has always advocated that data deserves better. Data merits its own long-standing working group at PASA, and crosses over every other working group we run. Our guidance, more recently, has focused on treating data as a strategy, not a project.

It's been easy to worry about each incoming wave and not know if the tide is going in or out. Spending our time trying not to drown under projects: GMPs, McCloud, consolidation, de-risking, pension scams, cyber threats, dashboards – and lose sight of the ultimate goals of looking after savers and improving their outcomes.

It's encouraging to see our regulator set its sights on the north star through a Digital, Data and Technology strategy, with the headline missions to reduce regulatory burden and protect savers. Furthermore, it has recruited sensibly too, attracting experience from other sectors. Reading between the lines of the strategy headlines, you can also see this is a regulatory mission recognising the future isn't set, but it is fast paced.

Timing is everything, and this strategy lands just as our industry has gathered to share data for the common benefit of its savers through dashboards. Now's the time to catch this rising tide to see how great data, technology and collaboration can reduce regulatory burden and increase saver protection.

PASA assess | aspire | achieve

PASA board director, Chris Connelly

VIEW FROM THE ACA: Pension Schemes Bill

At the time of writing, my expectations for the 'bumper' Pension Schemes Bill are big and we are optimistic that we will see significant steps taken in improving outcomes for sponsors and members.

First, on surplus release, we are hoping to see a free-standing override to scheme rules to allow trustees and sponsors to release surplus on an ongoing basis, creating a level playing field across all schemes. This is together with principles that underpin a flexible regime that builds on scheme specific funding and incentivises schemes to develop long-term sustainable plans for investment and surplus release with appropriate safeguards for members' benefits. I am hoping the government's consultation response includes setting the scene for regulations and The Pensions Regulator guidance that brings clarity to trustees and sponsors to conclude how and when surplus release is appropriate.

Second, I would love to see government intervention on the Virgin Media issue ideally to enable retrospective certification of previous deeds and also help to remove a barrier to successful implementation of new surplus flexibilities.

Third, I am expecting to see new requirements for DC schemes to have in place an income-based default solution for members coming up to retirement. I am hoping that this will bring about a new world of collective risk-pooling arrangements that support longer term investment strategies to deliver materially better outcomes for current and future savers.

Fourth, superfunds should, at long last, be put on statutory footing and make sure a deeper market is encouraged to support endgame options for DB schemes.

ACA ASSOCIATION OF CONSULTING ACTUARIES

ACA chair, Stewart Hastie

Protecting growth in uncertain markets

How protected equities can support member outcomes in volatile markets without abandoning growth

The sharp market swings of early April 2025 were a timely reminder of how quickly volatility can return and reinforces the importance of pension schemes managing downside risk without sacrificing long-term return potential. Global equities dropped by more than 10 per cent within days following the announcement of sweeping US tariffs, with volatility spiking to levels not seen since the Covid pandemic. Markets then rebounded sharply following news of a 90-day pause in the tariff roll-out.

Events like these highlight a key question for DC schemes: How can trustees help members remain invested through turbulent markets without exposing them to unnecessary risk? This is particularly relevant in DC schemes, where members are directly impacted by market fluctuations, especially in the years approaching or following retirement.

Protected equities in lifecycle glidepaths

In DC default strategies, the mid-to-late accumulation phase (typically the 10 to 15 years before retirement) presents a unique challenge. Members still need meaningful growth to build up sufficient pension pots, but they also become more exposed to market timing risk as their retirement horizon shortens.

Traditionally, this phase has involved a gradual shift away from equities into diversified growth funds (DGFs) or bonds. However, in recent years, DGFs have struggled to deliver consistent risk-adjusted returns and typically at higher fees compared to passive alternatives.

The use of long-duration bonds as a derisking tool has also shown limitations. During the 2022 UK gilt crisis, long-dated bonds saw sharp price declines at the same time as equities – a correlation that also occurred with US Treasuries in April 2025 as a result of a rapid change in monetary policy expectations. These instances show that bonds may not always deliver the diversification benefits assumed in traditional glide paths.

Protected equities offer an alternative. By maintaining equity exposure with built-in downside protection, schemes can reduce the need for early de-risking, support more stable outcomes and better align with members' long-term retirement goals. Furthermore, in a modern lifecycle glidepath, protected equities could complement investments in private markets – protected equities focus on reducing losses during sharp market downturns, providing liquidity, defensiveness and cost efficiency, which help balance the illiquidity and return potential of investments in private markets.

Protected equities in decumulation

The relevance of protected equities extends beyond the accumulation phase. As more members access flexible drawdown, they remain exposed to sequence risk – the danger of withdrawing income during a market downturn, which can permanently affect retirement outcomes.

While cash-heavy or capital-guaranteed strategies can offer members safety, they may fall short in delivering the long-term returns needed to address inflation and longevity risks. Protected equities provide a middle ground, offering growth potential with embedded downside risk management. This may support improved income withdrawals, helping members balance income needs with capital preservation.

Structural considerations

The Berenberg Protected Equity strategy was designed specifically for DC platforms with daily liquidity and pricing. Listed options over broad-based equity exposure offer transparency and the protection is embedded at the fund level, ensuring all members share the same exposure. Unlike tactical hedging, the strategy is systematic and forward-looking, with pre-defined protection.

Conclusion

With market uncertainty likely to persist, DC schemes need strategies that support growth while managing the risks that matter most to members. Protected equities offer a compelling option. Whether incorporated into life-cycle defaults and/or as a decumulation solution, they provide trustees with a way to address market volatility without compromising member outcomes. In today's environment, that balance has never been more important.

Written by Berenberg head of UK asset management sales, Phoebe Nguyen, and head of multi asset solutions, Philipp Loehrhoff

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A view from the top

People's Partnership proposition director, Kirsty Ross, talks pension reform, puzzle pieces, and her peak-sized passion for helping people save for retirement

What's your employment history (including jobs outside of pensions)?
I started doing a paper round, then did various summer jobs through school and university including good old McDonalds. These taught me a lot about how to balance work/life/study which stood me in good stead for landing a graduate job as a trainee actuary – eventually leading to my role now as proposition director at People's Partnership.

What's your favourite memory of working in the pensions sector?
My standout memory is the day that pension freedoms were announced. It was relatively early in my career but, even then, I really felt the significance of what this was going to mean for our customers and pensions. We are a decade on now and we are still solving some of the challenges introduced that day!

If you did not work in pensions, what sector do you think you would be in instead?
Something with a bit of action – emergency services stand out as an obvious candidate. There is a parallel there – being able to help people in their time of need is one of the reasons I love the job I'm in today. With retirement being one of the most significant financial events of people's lives, I feel privileged to be able to ease the burden for savers.

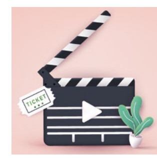
What was your dream job as a child?
I liked to imagine I'd be a mountain guide, helping people live out their dream of scaling some of the world's highest peaks. In a way though, through my job, I am helping our seven million members live out their dreams in other ways – so you could say I am already doing my dream job!

What do you like to do in your spare time?
What's spare time? I have two small kids alongside a busy job so, to be honest, I don't get a lot of it. When I do, I try to look after my mental health through exercise and fresh air – it makes such a big difference to my quality of life.

Do you have any hidden skills or talents?
I always have some home decor project on the go, and I like to think I'm OK at DIY. To draw another pensions parallel, I do find it much easier when I have the right tools on hand, and the same can be said about planning for retirement.

Is there a particular sport/team that you follow?
I'm Scottish and I do like to get behind Scotland when we do well in any type of competition, but unfortunately, that doesn't happen very often! The Olympics is more my vibe; I love the way it brings everyone across the world together in celebration of sporting achievement.

If you had to choose one favourite book, which would you recommend people read?
Trainspotting – if you can read that book then you have a better chance of understanding my deep central Scotland accent.



And what film/boxset should people see?
So many to choose from! My answer here is heavily influenced by my mum who introduced me early in life to some lovely films about different characters muddling their way through life together – for example, *Benny & Joon* or *As Good as It Gets*.

Is there any particular music/band that you enjoy?
Biffy Clyro – Puzzle album onwards. I have a jigsaw puzzle piece tattoo on my arm inspired by this album.

Who would be your dream dinner party guests?
The *Selling Sunset* team – I'd love to get all the gossip from the show and their dinner parties look like so much fun. Otherwise, it would be a selection of inspirational women – friends and colleagues who I admire, mixed with some sportswomen and singers/actresses.

Do you have a favourite quote or saying?
There is a famous mountain guide called Ed Veisturs who said "Getting to the top is optional. Getting down is mandatory". It serves its purpose on the hills, but I also love how it highlights the importance of focusing on long-term goals over quick wins.

Virgin Media – help is on its way

Matthew Swynnerton considers the implications of the DWP's recent announcement and the TPT litigation on the Virgin Media case

On 5 June 2025, the DWP announced that the government will introduce legislation to deal with issues arising from the Virgin Media v NTL Pension Trustees judgment.

The DWP has acknowledged the industry uncertainty that has arisen from the July 2024 Court of Appeal judgment upholding the High Court ruling that a failure to obtain a section 37 written, actuarial confirmation (Confirmation) in relation to an amendment to a salary-related, contracted-out scheme invalidated that amendment in relation to both past and future service rights. As a result, where defined benefit schemes have made amendments between April 1997 and April 2016 affecting salary-related contracted-out rights, and there is no evidence of a Confirmation having been provided, those amendments will be void for past and future service. The ruling was a landmark decision of industry-wide significance.

A cross-industry group, including members of the Association of Pension Lawyers, the Association of Consulting Actuaries and the Society of Pension Professionals, has been working with the DWP for some time in the hope that it would intervene in the form of overriding regulations. Hopes were raised in February this year when Hansard reported Torsten Bell indicating he was aware of the issue and that the DWP was actively considering it.

The recent DWP announcement shows that was not mere lip service. It states that the legislation will give affected pension schemes the ability to retrospectively validate amendments by obtaining written actuarial confirmation that historic benefit changes met the necessary standards.

It remains to be seen when the legislation will be passed (we understand this may be in the Autumn) and what form it will take when it is.

In the meantime, schemes that are currently in the process of buying out face a dilemma – should they pause the wind-up until the legislation is passed so that they can address any Virgin Media issues and ensure that the correct benefits are insured and minimise residual risk?

Ongoing schemes, many of which had been adopting a "wait and see" approach in relation to DWP intervention, may now want to review their schemes' governing documents for s.37 Confirmations in order to identify which amendments may need to be retrospectively validated once the Regulations have been passed. Notwithstanding the proposed legislation, uncertainties arising from Virgin Media will inevitably remain: Which amendments do trustees need a certificate for? What can they do in relation to amendments where the actuary is unable to retrospectively validate the amendment?

Help in relation to some of these issues may also be on its way in the form of a significant High Court judgment, expected this autumn. The Pensions Trust (TPT) litigation lasted an epic six weeks back in February and March and covered some of the key issues emanating from the decision in Virgin Media.

The Pensions Trust is an industrywide scheme, established in 1946, for non-associated employers primarily in the charities, voluntary and social housing sectors. A huge and complex scheme with an unusual structure, it has over 50 'schemes' established for the employees of one employer or group of employers. The claim was brought by the trustees of The Pensions Trust in 2023 and the Court has been asked to determine several issues relating to its administration and the construction of certain governing provisions. The issues and questions put before the Court were so numerous that they were divided into five groups and tried as distinct mini-trials.

One of those mini-trials relates to points arising from the decision in Virgin Media. Key questions examined by the Court included the following: What constituent elements of a pension are subject to the requirement for a Confirmation for an alteration of them to be effective? Which specific examples of amendments require Confirmation? Does closure to accrual require Confirmation (note that it may not be possible for an actuary to retrospectively validate such an amendment, if in scope, unless this type of change is specifically addressed in the new Regulations)?

It is also worth noting that The Pensions Trust trial will consider questions unrelated to Virgin Media but still of significance to the industry. These include the effective introduction of amendment powers, the scope of fetters on amendment powers, pro-rating of pension increases and revaluation, severance, and the nature of pension 'rights'.

We expect the judgment to be truly wide-ranging and it promises to be a tour de force of notable, recent and historic pensions judgments. Will the TPT judgment and the new legislation be the knights in shining armour trustees have been hoping for? We will have to wait until the autumn to find out.

Written by DLA Piper partner, Matthew Swynnerton, and knowledge lawyer, Megan Sumpster

In association with DLA PIPER

people's pension

YOU BACK PEOPLE. WE BACK YOU.

- We have more than £30 billion assets under management
- We give back nearly £3 million every month to members
- We have £23 billion invested into climate aware investment strategies

Now that's a pension with purpose.

FIND OUT MORE

Adapting with purpose, leading with stability

As industry change gathers pace, newly reappointed chair of the trustee board, Mark Condron, looks to a bright future with People's Pension

I am delighted to be continuing as chair of the trustee board and very excited about what the next five years will bring. It's a period of rapid transformation, and stability is vital. I think my re-appointment demonstrates the importance we place on the changes being made over the next few years. We want to stay focused on the service we provide, as well as developing new technology and services to help members make better financial decisions. I am determined that we use our scale and influence to help shape a more effective UK pensions system. Our size gives us a unique opportunity to make a real difference. We are already giving back nearly £3 million a month to our members, and I look forward to seeing that grow in the future.

As a trustee board, we have recently taken several significant strides forward, including:

• Value for members – We have developed a framework that ensures we carefully consider all aspects of value. It's not just about low charges, but high-quality investments, fair and transparent charges and excellent customer service, supported by technology and tools to help members manage their money.

• Investments – We have appointed the People's Partnership investment team to provide investment advisory services. This reflects fantastic progress in developing in-house capabilities.

• Our trustee board – We have increased the size of the board and introduced new skills, particularly around technology and cyber.

There are some major shifts on the horizon, and we have made excellent progress in areas such as dashboard readiness, governance, data quality, transfer guidance, responsible investment and more. We've joined forces with other leading schemes setting out clear expectations regarding climate stewardship, called for reforms to create a more transparent pension landscape and signed the Mansion House Accord.

The origins of People's Pension are well known; we started out largely as an auto-enrolment provider. We now have almost seven million members and over £30 billion under management and are aiming for £60 billion by the end of 2030. We have evolved into one of the leading pension providers in the market. However, at our heart, we will always give priority to fairness for members, increased transparency and taking the complexity out of pensions.

Our biggest challenge? I think it's adequacy of retirement savings, closely linked with trust and complexity. Despite industry efforts, I am unconvinced we have improved widespread understanding of the importance of retirement planning. This has worsened with the cost-of-living pressures. Even if people understand the importance of saving, some simply cannot afford to do it because of other financial pressures. Against that backdrop, it reinforces our belief that we have an obligation to protect members' savings in every way.

I am excited to see how technology can help savers in the future. We are only scratching the surface on the use of technology in our industry, and I can't wait to see the increased pace of innovation in the months and years ahead.

I look forward to the next five years with People's Pension, particularly the pace of change and the benefits that can bring. As an industry, we need to translate the big ideas on investments, consolidation and value into a reality. We have made incredible progress recently by signing the Mansion House Accord, launching our new Pension Consolidation Calculator and increasing our internal capabilities. However, this is just the beginning. As a pension provider whose profits go toward helping people build better lives, not rewarding shareholders, we have true purpose. We will continue to put our members first by removing obstacles and simplifying their pension journey.

In association with people's pension

Diary: June 2025 and beyond

PLSA Local Authority Conference
16-18 June 2025
Wyboston Lakes, Bedfordshire
Taking place at a brand-new venue for 2025, this conference aims to bring together everyone involved in the LGPS to make connections and turn challenge into opportunity. The programme will cover critical topics including pooling, local investment, surplus management, recruitment and retention, the triennial valuation and divestment challenges, offering delegates the chance to discuss the best ways to solve practical issues affecting local authority funds.
plsa.co.uk/Events/Conferences

Pensions Age Northern Conference
26 June 2025
Park Plaza, Leeds
The Pensions Age Northern Conference returns to Leeds again this year, offering pension funds and those working in the pensions sector the opportunity to learn and network alongside their peers at possibly one of the most dramatic times in UK pensions history. Join us in Leeds to hear from leading associations, providers, investment specialists and peers, and catch up with industry friends.
pensionsage.com/northernconference/

European Pensions Awards
3 July 2025
London Marriott Grosvenor Square
Now in its 18th year, the European Pensions Awards were launched to give recognition to investment firms, consultancies and pension providers across Europe that have set the highest professional standards to best serve European pension funds over the past year, as well as recognise which European pension funds are leading the way. The shortlist has now been revealed and bookings for the awards ceremony and gala dinner are now open at:
europeanpensions.net/awards/

PLSA Annual Conference 2025
14-16 October 2025
Manchester Central, Manchester
This event will bring together pension professionals for a programme of world class keynotes, roundtable discussions and educational sessions. The conference will see the discussion of every aspect of pensions, from communications and engagement, to investment and regulatory updates. There will be networking sessions allowing attendees to connect with peers, share insights, and discuss collaborative opportunities. More details to come in summer 2025.
plsa.co.uk/Events/Conferences/

Visit www.pensionsage.com for more diary listings

Don't forget...

Dashboards connections continue

30 June 2025

The next pensions dashboards connection deadline, covering auto-enrolment schemes (1,000+ members), master trust schemes (1,000+ members), and any remaining large money purchase and hybrid schemes (5,000+ members)

gov.uk/government/publications

VIEW FROM THE SPP: The unknown cost of government pension delay

As 12.5 million people in the UK undersave for retirement, a delayed pension adequacy review raises important questions. While today's retirees are relatively well off, the same may not hold true for future generations including those without DB provision, navigating housing pressures, student debt and gig economy instability.

With an understandable reluctance to increase employer costs following National Insurance hikes and wider economic uncertainty, alternative solutions must be explored. Auto-escalation of contributions, or phased approaches for new hires, could help boost savings without hurting business.

Automatic enrolment has proven a success, but today's workers face more personal risk than those with DB schemes of the past. Poor investment decisions, or no decisions at all, can leave savers exposed.

Worryingly, self-employed workers are falling even further behind. Only 20 per cent are paying into a private pension, compared to 60 per cent in 1998. Integrating pension saving into the self-assessment system could help close the gap.

To reverse the trend, we must think bigger: A joined-up approach to savings, extending enrolment to younger and lower earners, better default decumulation pathways, and the modernising of communication to suit today's diverse workforce.

Above all, financial education is key, from an early age. If people truly understood the consequences of under-saving, they might act sooner.

THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

SPP council member, Matt Masters

A week in the life of: Eversheds Sutherland partner and head of pensions, Jeremy Goodwin

I always wanted to be a pensions lawyer – well – once I'd worked out (in my training contract) what one was! It's the combination of, crucially, the real-life focus on individual people – the members, linked to the genuine joy of finding the best solutions for clients in such a hugely complex area, and the pleasure gained from working with others in the pensions industry. These days, I'm head of Eversheds Sutherland's international pensions team. My days are taken up with a great blend of client work and meetings, industry work through various committees, and team management.

Monday

Up early for a 7am pilates class – trying to stay fit! Then to the office for my first client call of the week, with the client and actuaries to prepare for a pensions court case later this year to clarify the meaning of some pension scheme rules. Then a catch up with Heather, my amazing PA, to go through the arrangements for the week's meetings and calls – always a tricky juggling act! The day ends at about 8pm having been working on client calls and advice at my (open plan) desk in London.

Tuesday

I sit on the Society of Pension Professionals (SPP) DB committee, and enjoy its work hugely. My day starts with an SPP sub-committee meeting, looking in detail at the government's pensions consolidation agenda. Then I'm off to a trustee meeting in the afternoon, with a client I've known for many years. They've a strong covenant and are looking at whether to buyout or run on. I then meet the chair of trustees that evening for a drink and catch up – a good time to get feedback and to discuss possible next steps for the scheme.

Wednesday

Up early for a trip to see our excellent Manchester pensions team led by Ele Lovering. Having worked as a pensions lawyer in London for over 25 years, it's great as head of pensions to see the brilliant pensions work being done across all our offices – across the UK and internationally. Ele and I talk about our recruitment plans for Manchester and for Leeds – recruiting people at the right level and calibre is always a challenge. After this, a meeting with one of our teams working on a tender for the work advising a large DC master trust trustee, to go through the pitch materials and to discuss any possible improvements. I head back to London late that evening, working on the train on a presentation I am giving later in the month.

Thursday

Seeing a client for breakfast – always a good time to catch up with people. Then off to meet a sponsor client to discuss their planned merger of their DB and DC schemes – the DB scheme has a funding surplus, so they are thinking about what to do strategically. Then back to the office for a call with our Dutch pensions team to discuss internal training for our global team about their recent PensionsEurope report on decumulation. It's key in my role to make sure that great pensions 'know how' is spread throughout the team and onto clients, so everyone can benefit from this. That evening, a few of us head over to a consultant's offices for a roundtable discussion on dashboards.

Friday

I enjoy working from home once a week – a chance to combine working with seeing my family and Ivy, our black lab. I like to start work quite early – about 7am, but then will be done by about 6pm on Friday. The day brings the highly enjoyable mix of client work and Teams calls. The highlight is a call with a large trustee client about the secondment of one of our junior lawyers into their pensions executive. Most of my team have done secondments – I believe they are a brilliant way for us to learn how to give really practical advice. The working week ends with a cold beer before taking Ivy for a walk – bliss!

Implementing the General Code

Crowe UK pension funds director, Stuart Henderson, reveals the findings of its 2025 Governance and Risk Management survey, which explored how the General Code is being implemented by pension schemes

On 27 March 2024, The Pensions Regulator issued a new Code of Practice (the Code) that merged 10 of the existing codes into one. The Code covers The Pensions Regulator's expectations of those charged with governance on what a well-run scheme should be. It builds on the 'effective system of governance' (ESOG) concept and the own risk assessment (ORA) requirements on schemes with a clear timeline of when the Code is expected to be complied with.

Our 2025 Governance and Risk Management survey took a temperature check of how UK pension schemes are applying the requirements of the Code, and in particular any gaps identified and progress over cybercrime resilience.

Gap analysis

Under the requirements of the Code, a scheme's first ORA will need to be prepared and documented, within 12 months from the last day of the first scheme year that begins after The Pensions Regulator has issued the Code. So, the first schemes that are affected have a 31 March year end and will need to prepare and document the first ORA by 31 March 2026. From the responses received, it is encouraging to see that 86% of respondents have already completed a gap analysis.

The key areas that were highlighted by the gap analysis are missing policies and documentation, and cyber weaknesses. From the analysis, 35% of respondents only had one area highlighted, 22% had two areas and 26% had three areas *[see box below]*

The challenge for trustees will be embedding the process and ensuring that these areas are kept up to date. This will support the delivery of their overall scheme objectives and obligations and discharge their duty to have an ESOG in place.

ESOG and the ORA

In essence, an ESOG ensures that a pension scheme is not just operating, but doing so effectively, efficiently and responsibly. It provides a framework for trustees to fulfil their duties and obligations, and for the scheme to meet its legal and regulatory requirements.

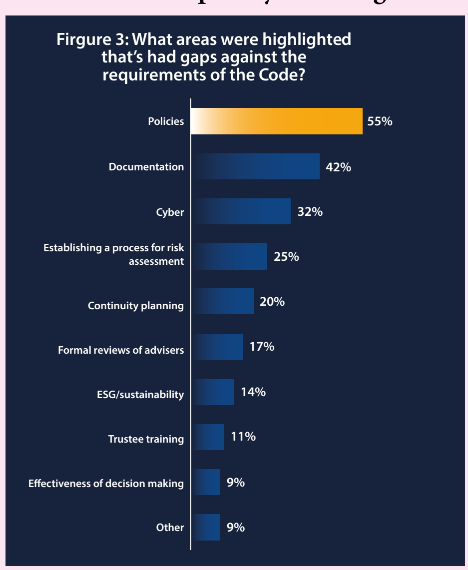
It is encouraging that 88% of respondents understand the requirements of the ESOG, however the clock is ticking for the remaining schemes, and this should move to the top of their agenda.

It also encouraging to see an overall 54% of respondents having already started the preparation of the ORA and that 91% of respondents are confident that they will develop an ORA in time for their respective deadline.

Under the Code, there is no requirement for an independent oversight for the assessment of scheme controls during a risk assessment. However, the Code does detail various methods which trustees should consider in obtaining appropriate evidence that would feed into the ORA.

One of the methods is to appoint an internal auditor. When asking respondents on their views on who fulfils the role of internal auditor for their

General Code: Gap analysis findings



In the 2025 survey we asked which areas were highlighted as part of the gap analysis. The figure opposite shows that policies, documentation and cyber featured the most. From the analysis, 35% of respondents only have one area highlighted, 22% have two areas and 26% have three areas, which matches our analysis that we completed back in 2020, which found that over 80% of trustees believed their existing processes covered many of the requirements of the Code. The challenge for trustees will be embedding the process to ensure these areas are kept up to date and that the Code assists them in achieving their overall scheme objectives and obligations, and also that they discharge their duty to have an effective system of governance in place.

pension scheme, and how this compared to the last time we asked back in 2020, we have seen a shift from schemes that do not consider this to be necessary to the appointment of a third-party organisation. This has been both at the large and medium size scheme level.

The challenge for schemes will be how trustees obtain assurance that the controls and procedures are operating as expected, without the use of some sort of internal audit function where resources are limited.

Cyber

The Pensions Regulator has broadly defined cyber risk as the risk of loss, disruption, or damage to a scheme, or its members associated with using information technology. Risks can arise not only from the technology itself, but also from the people using it and the processes supporting it. It includes risks to information (data security) as well as assets, and both internal risks (for example, from staff) and external risks (such as hacking).

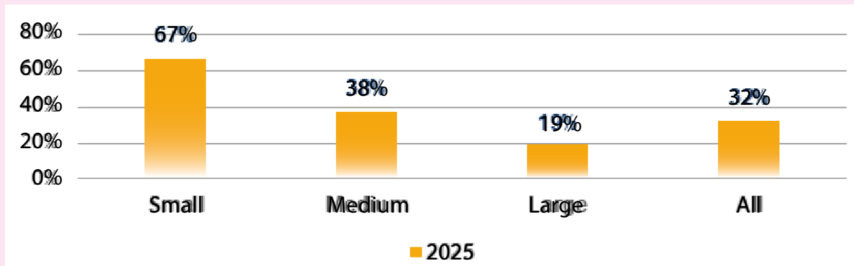
Under the requirements, trustees need to:

- understand their scheme's cyber risk;
- ensure that those handling data or managing technology on their behalf have controls in place to reduce the risk of incidents occurring and their impact; and
- manage incidents that arise.

Cyber-attacks have been seen increasingly in the press recently with the reported attacks on M&S, Harrods and Co-op. Pension schemes are attractive to hackers given the large amount of data held in the administration systems. It is therefore concerning that although larger schemes show a positive trend in the identification of key operations, IT systems and information flows vulnerable to cybercrime, the overall trend is that schemes have not gone through this process. Therefore, it is likely that a proportion of schemes are not managing their cyber risks effectively.

Number of pension schemes using the sponsor's cyber incident response plans

Cybercrime is increasing year on year. Despite the prevalence of cybercrime and the potential impact on pension schemes, we are aware that there is still a small proportion of pension schemes that do not have a cyber incident response plan in place. However, of the schemes that do, 32% of schemes do not have their own policy with the assumption that it is covered by the employer's policy (see below) We would question whether the employers cyber incident response policy is suitable for the pension scheme operations.



We note that most pension scheme activities have been outsourced to third-party providers, and as a result a significant proportion of a scheme's cybercrime vulnerabilities will be outsourced too. The responsibility for managing cybercrime risks cannot be outsourced and remains a key part of the trustees' obligations. Despite this, 18% of all schemes have still not assessed the vulnerability of their third-party suppliers to cybercrime. The figures range from 22% for small schemes, 33% for medium schemes and 6% for large schemes.

These results are concerning, especially given that cybercrime has been ranked as the top risks for both DB and DC schemes in our survey.

Trustees' assessment of cyber risk, controls and response plans should be reviewed regularly. Normally, this means at least annually and more frequently if there are substantial changes to the scheme's operations (for example, a new IT system or a change of administrator). Therefore, it is concerning that although all the large schemes have at least received some form of cyber awareness training, this maybe out of date and this progressively gets worse the smaller the scheme.

Cybercrime is increasing year on year. Despite the prevalence of cybercrime and the potential impact on pension schemes, we are aware that there is still a small proportion of pension schemes that do not have a cyber incident response plan in place. However, of the schemes that do, 32% of schemes do not have their own policy with the assumption that it is covered by the employer's response plan *[see box above]*. We would question whether the employers' cyber incident response policy is suitable for the pension scheme operations, especially given that only 40% of schemes have not actually received scenario-based training.

Conclusion

Progress is being made in meeting the requirements of the Code, however from the results of our survey show there are still areas of weakness which will need to be addressed over the next year, to ensure that Trustees meet their obligations.

Visit Crowe UK to view the full survey report and get in touch with our dedicated team.

Written by Crowe UK pension funds director, Stuart Henderson

In association with Crowe

For Professional Clients Only

How Cyber Resilient is Your Pension Scheme?

What should you be doing?

How do you compare to others?

Are you meeting TPR's expectations?

With increasing regulatory and member expectations, it can be challenging to know where to start, or what to do next. Aon's market-leading team of pensions cyber specialists have been delivering specialist pensions cyber advice since 2017.

Whether you're just starting on your journey or heading for best in class cyber resilience, benchmark your scheme's current approach against your peers and TPR expectations with Aon's Cyber Scorecard.

It's completely free to any UK pension scheme and can be used to support your Own Risk Assessment.

Visit **aon.com/cyberscorecard**

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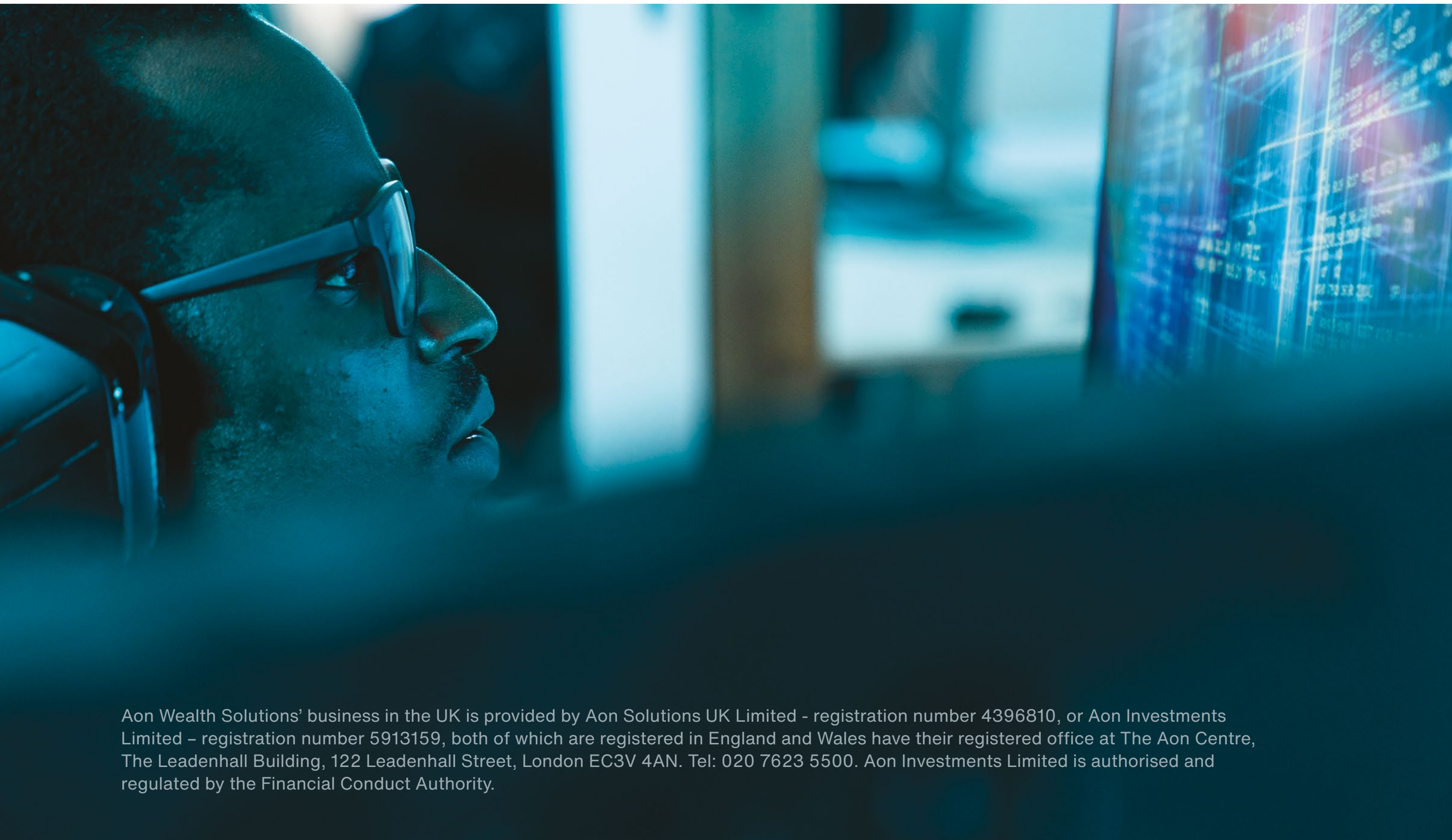

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Cyber insurance focus:

Protection for your scheme

Aon associate partner, David Burwell

AON Sponsored by

Cyber insurance for pension schemes

Cyber risk is a growing concern for the pensions industry. Aon associate partner, David Burwell, explores the challenges trustees face in securing adequate cyber insurance coverage

Cyber risk continues to be a hot topic in the pensions industry and many schemes are working on managing this risk following updated guidance from The Pensions Regulator and the requirements of the General Code.

While most schemes have now developed a trustee incident response plan, and may have reviewed the cyber controls of their key providers, a recurring question asked by trustees is: "What about cyber insurance?"

Why is cyber insurance difficult?

Cyber insurance has been a tricky issue for the pensions industry. Trustees may want protection, and cyber insurance has been available to companies for many years, but a standard cyber insurance policy may not adequately meet the risk profile of pension schemes.

Corporate cyber insurance policies tend to focus on attacks on, or breaches of, computer networks owned or operated by the company. Pension schemes almost invariably outsource some, or all, of their operations to third-party providers. However, this does not remove their responsibilities as trustees. If a third-party computer system is compromised or becomes unavailable, or if data is leaked or corrupted, trustees will be expected by scheme members and regulators to respond rapidly and appropriately, irrespective of where the incident arose.

Until recently, trustees have looked either to Pension Trustee Liability (PTL) insurance or a cyber insurance policy taken out by their sponsor to cover some of these risks. Neither are attractive options for pension schemes:

• **PTL insurance** can provide broad cover for claims made against a pension scheme and its trustees, whether that arises from a cyber incident or not. However, it will not cover the scheme's own costs in responding to a cyber incident and will not cover any situation where there is no claim against the trustees.

• **A sponsor's corporate policy** sometimes includes cover for the pension schemes and should cover both first and third-party losses. However, it may be limited to cyber incidents affecting the sponsor's own computer networks. If the trustee is not a named policyholder then claims may be rejected. These policies can also be subject to large deductibles, meaning that an effective recovery will depend on the employer being willing and able to fill that gap.

Regardless of the existence of insurance, a pension scheme would seek to recover their losses from the third-party service provider if that provider was the cause of the incident. But this will be dependent on the terms of the contract which may be subject to limitation of liability clauses – particularly in the absence of fault – as well as on the provider's willingness and ability to pay. In any event, there is likely to be a substantial and unwelcome delay before matters are resolved.

A pension-specific solution

After many years of pension schemes being unable to secure effective cyber insurance, the insurance market now offers policies, underwriting approaches and cover levels that match the risk profile of pension schemes. These policies can be structured to include:

• **Breach response:** Cover for the costs incurred by a scheme in responding to a cyber incident or data breach. Where the incident affects the scheme's (or the trustee's) own computer systems, this may include the costs of restoring the system and its data. It will also include costs incurred by the scheme in response to the incident, starting with legal and technical advice and extending to the costs of taking the required action, such as notifying scheme members and providing credit monitoring or similar services.

A policy is also likely to include access (via a 24hr helpline) to the insurer's established panel of cyber response specialists to ensure that no time is lost in taking appropriate action.

• **Increased costs of working:** Where the costs incurred by a scheme are increased because of a cyber incident or data breach, for example if manual processing is required for a time, the cyber policy can also respond.

• **Liabilities:** Cover for the cost of claims made against the scheme and its trustees following a cyber incident or data breach. If these costs are also covered by a PTL insurance policy, consideration should be given to areas of overlap and which policy should respond first.

Cyber policies will not generally provide comprehensive cover for loss of assets, for example where funds have been misdirected following a cyber-attack or phishing event. Typically, a scheme will

need a dedicated crime policy if trustees want to insure against these risks as well.

Understand your scheme's cyber VaR

Trustees are typically comfortable with the concept of Value at Risk (VaR) and have been using this as a metric to quantify investment risk for many years. Most schemes will have a good idea of the level of downside risk they are exposed to from a 1-in-20-year investment shock and will have established processes for monitoring this. This concept can equally be applied to operational risk, such as cyber risk, and this is something lots of schemes are doing right now. This involves reviewing potential losses that the scheme might incur in a major cyber incident, to compare to any protection that is already in place and the willingness of the scheme (or sponsor) to accept that risk.

- If a scheme is planning to arrange cyber insurance for the first time, we recommend completing this type of assessment as a first step. That should include assessment of the key cyber incidents to which a scheme is exposed, including quantifying the potential loss in a range of circumstances, from a low impact incident through to a high impact incident.
- Identifying which risks are insurable and what type and level of cover is suitable.
- Establishing what contractual and insurance protections are already in place.

As well as being essential to establish the need for cyber insurance, such an assessment helps trustees to better understand the overall level of cyber risk they are running and is one of the often-overlooked requirements of the current TPR guidance.

> *"Understand the potential impact of a cyber incident on your members, the scheme, and where appropriate, the sponsoring employer. The impact assessment should cover multiple elements, such as operational, reputational, and financial impacts."*
>
> *The Pensions Regulator, December 2023*

The good news is that this is not a complex or costly exercise. For most schemes, this will be a fraction of what is currently spent on other areas of governance or risk management, and a fraction of the annual cost of cyber insurance.

Once trustees fully understand their cyber VaR they can make an informed decision on whether cyber insurance is the right option for them. Even if the financial cover is not the driver, access to the specialist support and advice in the event of an incident can be invaluable. A helpful analogy is that of car insurance: All drivers will want their policy to cover the cost of replacing their car after an accident. However, the thing they may value most immediately is the emergency cover or replacement car that comes with the policy while they get back up and running.

An emerging area

Cyber insurance is still an emerging area for the pensions industry and trustees need expert advice to navigate the issues involved. Most schemes do not yet understand the financial exposure to a serious cyber incident and may only have limited support in place if something happens.

After many years of having no adequate access to cyber insurance, the market is responding to demand and there are viable options for trustees to consider, including access to support when you might need it the most. If you have not already explored this, now is a good time to do so.

Written by Aon associate partner, David Burwell

In association with AON

Meeting the pensions industry's cyber protection needs

***Pensions Age* speaks to Aon associate partner, David Burwell, about the benefits of a cyber incident insurance policy specifically tailored to the needs of pension schemes**

We've all seen the spate of cyber attacks on businesses in the news lately. I'm sure most schemes will be concerned about a data breach at their third-party administrator. However, won't the costs of a cyber incident in that scenario be picked up by the scheme's provider?

For schemes outsourcing their administration, typically there will be some contractual protection about what might happen in the event of a serious data breach or a cyber incident. To some extent, if there's a big problem, the schemes can fall back on those contractual protections, but by no means will it cover all scenarios.

There is likely to be some additional costs that a scheme will likely have to pick up itself. So, the first thing is to understand what the full range of costs might be and who will bear them in which scenario.

You mentioned how contractual protection may not protect schemes against all the costs of a cyber incident. Is this where cyber insurance may help? Please could you explain how cyber insurance can protect schemes should a cyber attack occur? What circumstances are typically covered by this sort of policy?

Cyber insurance is supposed to capture as many as possible situations as can be envisaged by the scheme. Now, clearly, it's not going to be able to capture every single scenario under the sun. It is designed to capture some of the credible worst-case scenarios that a scheme might face, and that might be an incident impacting the scheme itself, or an incident which originates from a third party.

Additional advisory fees can be significant, particularly if you need to bring in specialist legal counsel, technical expertise or prepare additional member communications. These are all costs that very well could fall to the scheme. Actually, a lot of the value from the insurance policy comes from access to these specialist services that the insurer can provide.

Have many schemes already taken cyber insurance? Isn't this just something for the largest schemes?

It is a very new product; until very recently, there wasn't a cyber insurance policy designed for a pension scheme that a trustee board could buy. Instead, cyber insurance has been directed at corporates or similar institutions, which have a more typical business operating model than a pension scheme.

But now cyber insurance for pension schemes is available, it is something that all schemes should consider. We think it is appropriate for schemes of all sizes, because we think cyber is a ubiquitous risk that all schemes need to take steps to protect themselves against.

Cyber insurance can be affordable for schemes of all sizes but it may not be suitable for all. There will be several variables that impact the cost, but individual schemes can explore those and work out whether it would be a viable option for them, or whether they should continue to effectively self insure.

To expand on the cost element of that, I imagine cost may well be the main barrier preventing schemes from taking out cyber insurance. What might a typical cyber policy cost, and what kind of variables in the policy could affect the cost?

The market is still developing and the different flavours of this policy will evolve over time.

The variables may be things such as the amount of excess a scheme is willing to take on, and the maximum level of cover.

Also, the amount of additional services will impact the cost. For instance, how many additional specialist advisers might need to be on hand, given the size of the scheme and its complexity.

In terms of pricing these sorts of poli-

cies, we think that an annual premium might be in the region of £10,000-20,000 for up to £1-2 million of cover.

Other than cost, what else should schemes consider when weighing up the pros and cons of taking out cyber insurance?

The main thing for schemes to think about is their ability to withstand a major cyber incident.

Trustees may find that they have levels of cover and protection in different places. So although the simple question might be, can I not just insure this away, the answer is 'it depends', not just on the cost and the services you're effectively getting, but also where there might be cover already in place in the scheme's existing policies.

A scheme might have, for example, a trustee indemnity insurance policy. They might also have some contractual protections with third parties, plus some level of cover under the sponsor's cyber insurance policy.

So, the first thing to do is really to understand the level of risk the scheme is running and then conduct a gap analysis to see where there is still exposure in the event of a cyber incident.

From there, a scheme can determine where it makes sense to plug the gaps with a specific pensions cyber insurance policy.

So, if there is a very strong sponsor for a well-funded scheme, then just from a financial point of view, the policy might not be suitable. Or, if the scheme can already access the additional services that the policy would provide through the sponsor, such as technical expertise.

However, I think for most schemes, the premium price of having this extra cyber incident protection through an insurance policy is not going to break the bank.

Also, given that many trustees are thinking about managing schemes into their endgame, financial risk and investment risk is less important as they are well hedged.

Instead, attention is on operational risks, and the number one operational risk for most trustee boards will be cyber risk.

So, the option to insure that risk and have access to all those bells and whistles that come along with that policy is probably a sensible spend for a trustee board. It provides peace of mind and having a policy like this is good governance for trustees.

Why has it taken so long for the market to provide a cyber insurance policy tailored to the needs of pension schemes?

We have been giving cyber governance and advice to pension schemes for around eight or nine years. From day one, trustees were asking us what can be done about cyber insurance, whether they could simply buy a policy that insures the scheme. Unfortunately, that product just hasn't been out there to buy until now.

I think that was due to a slight knowledge gap in the insurance industry as to how pension schemes work and operate. Underwriters found it difficult to get to grips with how pension schemes operate, with their questions more geared towards traditional corporates.

Therefore, we have had to work very closely with brokers and underwriters to develop a cyber insurance product and I'm pleased to say the market can now offer a policy that is appropriate for pension schemes.

In association with AON

Back on track?

A number of public sector pension schemes have continued to face delays as a result of the McCloud remedy, but there has been recent progress. *Pensions Age* reports

The government has suggested that recent delays in formal civil servants receiving their occupational pensions as a result of the McCloud fallout have now been resolved, with the My Civil Service Pension (MyCSP) portal back at contractual performance levels.

In October 2023, system and process changes were implemented to rectify the pension position of those members impacted by the McCloud judgment, a legal ruling impacting approximately 420,000 Civil Service pension members.

However, Cabinet Office Parliamentary Secretary and MP for Queen's Park and Maida Vale, Georgia Gould, recently admitted that this had a "significant impact" on business as usual 'retirement quotes' and 'finalisations' as the new systems and processes went live and were embedded over the following months.

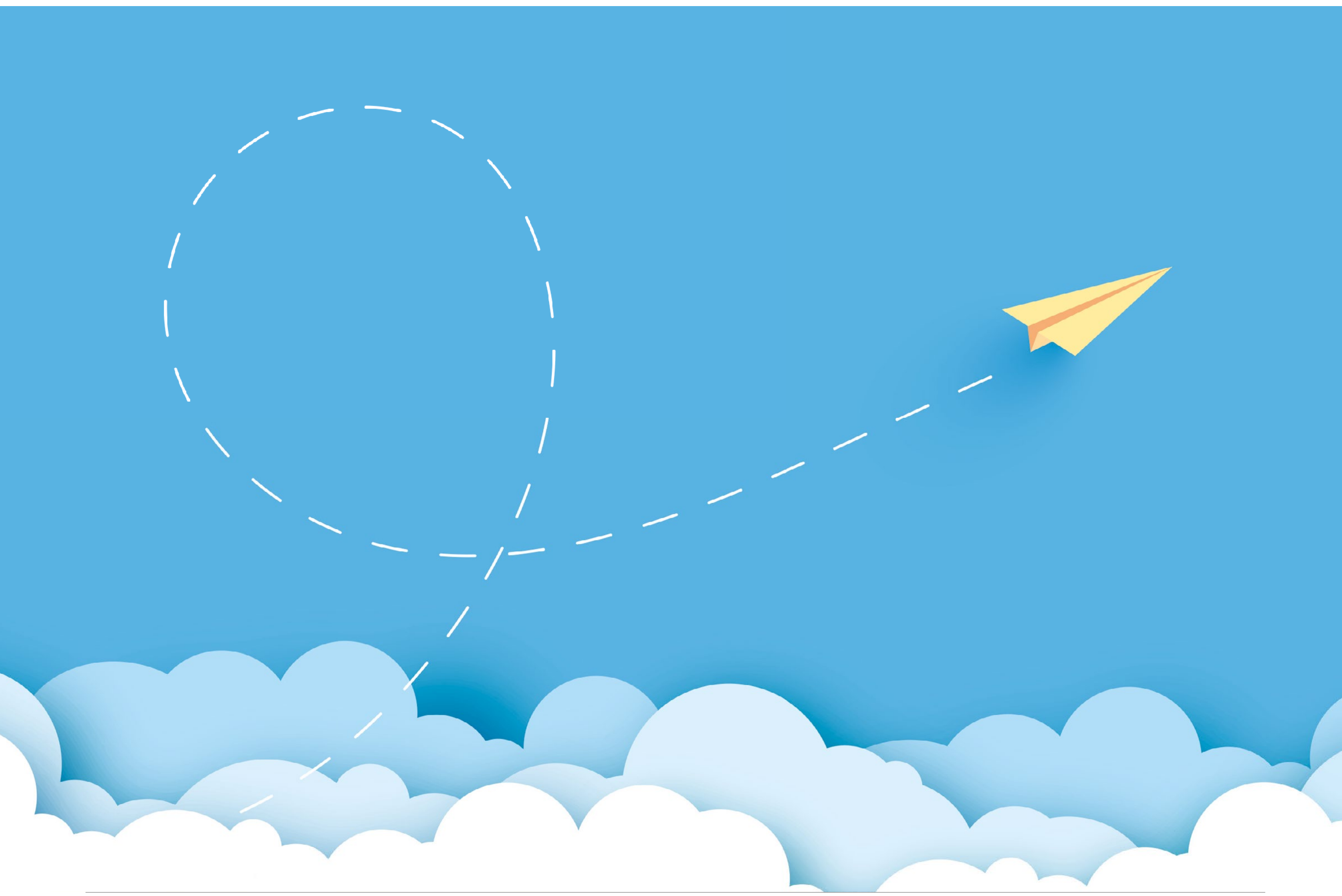
"This led to a dip in performance in providing retirement quotes and paying lump sum payments at retirement," she continued. "The delay in lump sum payments for some members was up to 20 days; however, monthly retirement benefit payments were not affected and paid on time."

But Gould confirmed that the Cabinet Office, as scheme manager, has worked closely with MyCSP to rectify this position and return to meeting contractual performance levels, confirming that this was achieved at the end of September last year.

"For the past six months, up to and including March this year, MyCSP is back to achieving over 99.7 per cent of their service level agreements," she revealed.

"We continue to monitor performance carefully and work to ensure that any complaints or errors are identified and addressed as quickly as possible."

Other public sector schemes are still



Broader McCloud issues still being addressed

Whilst the government previously suggested that it was moving ahead with the "final steps" in the McCloud remedy back in 2023, broader work to deal with the fallout from the 2018 court ruling.

In particular, HM Treasury recently had to update the Treasury Directions for the Public Service Pensions and Judicial Offices Act 2022 regarding the McCloud remedy.

The act provides a remedy for public service pension scheme members affected by discrimination that arose when public service pension reforms were introduced in 2015.

Treasury Directions specify how powers under the act are to be used by public service pension schemes.

HM Treasury said the 2025 directions made "minor technical amendments" to the Public Service Pensions Directions 2022.

The updated directions came into force on 30 April 2025, and extended to England and Wales, Scotland and Northern Ireland.

The amendments focus specifically on 'Part 2: Chapter 1 schemes' – schemes other than judicial schemes and local government schemes.

The announcement followed an exchange between HM Treasury and the Government Actuary's Department, in which HM Treasury public spending group director, Nick Donlevy, queried the impact of the proposed changes on interest rates.

In response, government actuary, Fiona Dunsire, concluded that the revised directions should deliver the underlying policy intention and that making the proposed amendments would not affect the overall approach to choosing interest rates.

"The only change which is not an amendment to better meet the underlying policy intent is the one to allow schemes to aggregate payments across tax years rather than scheme years when calculating some interest payments," she added.

facing delays and issues surrounding the McCloud judgment, however.

The Teachers' Pension Scheme, for instance, has faced fire over delays to cash equivalent transfer values (CETV) calculations, which have caused knock-on delays for some savers, including in relation to divorce.

In addition to this, the government recently confirmed that there would be a delay in the production of NHS Pension Scheme remedial service statements, after technical complexities impacted delivery timelines.

In a written statement, Minister of State for Health (Secondary Care), Karin Smyth, confirmed that technical complexities, some of which extend beyond the NHS Pension Scheme, have affected delivery timelines for statements.

She stated: "The NHS Business Services Authority, as the scheme administrator of the NHS Pension Scheme, is prioritising the delivery of remediable service statements.

"However, in order to ensure that affected members receive robust statements that enable informed decision-making, I have agreed to a revised delivery plan for these statements with the authority, which it is communicating with affected members.

"The revised delivery plan prioritises members based on their likelihood of facing financial detriment as a consequence of the discrimination.

"Government acknowledges that the revised timelines mean many members will receive their statement later than anticipated and that this will have an impact, especially on those retired members who will financially benefit from their choice."

The remediable service statements are required as part of the McCloud remedy, with schemes required to provide affected members with the statements, setting out how their choice of pension benefits, legacy or reformed, will affect the value of their pension benefits.

Members who have already retired must also be provided with a remediable service statement to allow them to make their benefit choice retrospectively.

Whilst the governing legislation requires that a statement is provided to each affected member on or before 1 April 2025, the new delivery plan has extended this by varying lengths for different members, ranging from three months to 20 months.

But Quilter NHS pension expert, Graham Crossley, warned that the delays are making financial planning difficult for many individuals, and could lead to "missed opportunities" to use full allowances.

"And these opportunities are lost unless the government introduces exceptional measures, such as extending carry forward rules to five years instead of three," he continued.

"The revised delivery plan prioritises members based on their likelihood of facing financial detriment, but the extended deadlines mean many members will receive their statements later than anticipated."

Given these concerns, Crossley urged the government to consider taking "urgent measures", including extending the carry forward rules and providing immediate remediable service statements for those needing transitional tax-free amount certificates.

"These steps are crucial to ensure that affected members can make informed decisions about their pension benefits without further delays," he said.

Written by *Pensions Age* team

A moving target

Callum Conway looks at how the role of trustees is changing and what this might mean for pension schemes

Once seen as cautious stewards of scheme governance and investment, trustees in 2025 face a far more complex decision-making landscape. In both DB and DC schemes, trustee boards are being asked to make faster, more technical strategic decisions on everything from endgame pathways and decumulation design to cyber controls and administrator performance.

As trustees' responsibilities grow, expectations from regulators, members, and the government are also rising rapidly.

"Ten years ago, the focus was on full funding and distressed employer covenants," says Dalriada Trustees managing director, Charles Ward.

"Today, it's endgame planning, surplus extraction, and long-term run-on options."

Several forces have driven this expansion, one of which is an intensifying regulatory agenda. Over the past five years, trustees have had to respond to The Pension Regulator's (TPR) General Code, tighter governance expectations, environmental, social and governance (ESG) disclosures, an updated value-for-money (VFM) framework, and more.

For example, TPR's new guidance on third-party appointments, published in May 2025, suggests that trustees could now be responsible for documenting and justifying complex outsourcing decisions in greater detail, including appointing independent trustees. Under previous guidance from TPR, trustees did not have clearly stated powers or a defined process for making third-party applications.

Meanwhile, the improved funding of DB schemes – three in four are now in surplus – has accelerated de-risking decisions. The UK bulk annuity market recorded a record-breaking 293 deals in 2024 alone. Against this backdrop, TPR has stated that it expects most DB

Summary
- The role of trustees is rapidly changing, driven by increasing regulatory and government pressure.
- Many pension schemes are increasingly turning to professional trustees for expertise and support.
- Technology is key to facing these challenges but must be supported by good quality data.

schemes to move their focus from deficit recovery to endgame planning. At the same time, the government has "set its sights" on unlocking surplus funds.

Spence & Partners head of risk transfer, Martyn Phillips, argues that there's been a material shift in endgame options, driving the need for trustees to make more nuanced, timely decisions.

He also highlighted the potential impact of political factors, such as the "drive for productive finance", which seeks to encourage pension schemes to invest in the UK to support economic growth and to improve returns on pension scheme investments.

"We are awaiting the Pension Schemes Bill for some clarity," he adds.

Meanwhile, DC trustees face their own regulatory overhaul. Under the Mansion House Accord, 17 major pension providers have committed to allocating at least 10 per cent of their default DC funds to private markets by 2030, with half of this investment directed towards UK assets such as infrastructure, unlisted companies, and renewable energy projects.

This will require trustees to justify why they are or aren't investing in such assets, balancing potential returns with liquidity, cost, and complexity.

The reforms also advocate for the consolidation of smaller pension schemes into larger megafunds, which means trustees may need to consider merging with larger entities.

Finally, the introduction of the VFM framework, closely linked to the Mansion House agenda, will standardise how trustees assess investment performance, costs, and service quality and require them to provide clear evidence that investment decisions are in members' best interests.

Independent Governance Group head of co-trusteeship, Nicole Mullock, suggests that the recent Mansion House reforms could be one of the biggest pieces of regulatory guidance that will impact trustees' decision-making.

Ward adds that for DC pensions, a multi-year period of systematic change is "just starting".

He continues: "It is easily possible that by 2030, DC trustees will have implemented pensions dashboards connection, the VFM framework, restrictions in the size and number of default funds, a guided retirement duty, and automatic consolidation of small pension pots.

"DC trustees will not only have to decide how to implement these initiatives but will need to decide on sequencing, dependencies and prioritisation."

"The recent Mansion House reforms could be one of the biggest pieces of regulatory guidance that will impact trustees' decision-making"

The government has also signalled its intent to introduce the new guided retirement duty in the upcoming Pension Schemes Bill, which will require trustees to either offer or partner with a provider of decumulation services.

However, Hymans Robertson head of DC trustee consulting, Rona Train, says a "lack of clarity" has left trustees in a difficult situation.

"Many are looking to give more support to members at the point of retirement," she explains, "but don't want to implement something that they may need to change if it doesn't meet the criteria of the 'default decumulation' when this is announced."

This confusion reflects a broader trend: According to Aon's 2023/24 Global Pension Risk Survey, 47 per cent of trustees say the pace of regulatory and risk management change is making it harder to take informed decisions.

So, with trustees facing growing responsibility, oversight and choices to make, are they equipped to keep up?

In response to these mounting challenges, many pension schemes increasingly turn to professional trustees for additional expertise and support.

Isio's 2025 professional independent trustee survey has revealed that the 10 largest professional trustee firms are now responsible for £1 trillion of pension scheme assets, as they represent almost half (43 per cent) of DB pension schemes.

As pressure on trustee boards has arguably never been higher, professional trustees are being brought in to bring pace, clarity and governance expertise where the traditional model is struggling to keep up.

Echoing this, Phillips argues that the complex challenges facing trustees have been a "material catalyst" for a "historic" increase in professional trustee appointments onto DB scheme trustee boards. "They bring a depth of experience and expertise in helping trustee boards navigate their way through challenges and in setting, monitoring and adapting endgame strategies for these schemes," he adds.

Mullock agrees, claiming that the appointment of professional trustees on many boards has helped drive strategy, manage risk, and maintain effective value-added relationships with sponsors.

The positive impact of sole trustees was highlighted through a recent survey by Hymans Robertson, which found that they had "embraced" TPR's General Code, using it to innovate their in-house governance approaches and ensure they can be held to the highest account for governance.

Alongside professional trustees, technology is undoubtedly playing a vital role in helping schemes navigate the evolving pensions landscape.

TPR's Digital, Data and Technology Strategy, published in October 2024, says technology has the power to reduce unnecessary regulatory burden, enable effective market competition, and benefit savers through industry innovation.

For trustees, technological improvements are already taking effect.

"There have been some very positive changes in the way that we operate and manage our trustee boards in recent years," Mullock says. "We are seeing boards using technology to help improve pace, with quicker and more efficient decision making. There is certainly more focus on governance and risk management."

It's a view echoed across the industry, with trustees increasingly leaning on digital tools to support better oversight, collaboration, and responsiveness in a fast-moving landscape.

"AI technology should help trustees to make better decisions for members," says Ward, noting its role in everything from data cleaning to investment insights.

Indeed, a Pensions and Lifetime Savings Association (PLSA) survey found its members expect pension funds to have widely adopted AI by 2035 to enhance member engagement and communication strategies (79 per cent), detect and prevent fraud (75 per cent), improve data security (72 per cent), personalise retirement planning (63 per cent) and allow customisation of investment strategies (59 per cent).

However, as chair of the Standard Life Master Trust Company board, Helen Dean, warns, innovation means managing new risks too: "AI opens up tremendous possibility… but sitting alongside that are cyber security, fraud and privacy risks that need to be mitigated."

The PLSA states that pension schemes must adopt robust processes and strict protocols to mitigate data breach risks, cyber-attacks, regulatory non-compliance, financial loss and other saver harms.

It also emphasises that, given the UK pensions industry's stringent regulatory environment, which demands human accountability, AI is unlikely to take on end-to-end decision-making responsibilities in the foreseeable future.

In the meantime, high-quality data is essential to mitigate the risks that a digitalised pensions world brings and prepare schemes for new developments such as pensions dashboards.

PwC UK head of pensions, Gareth Henty, says that one of the primary issues trustees face is ensuring that scheme data is accurate, complete and accessible, claiming that "many schemes, especially legacy ones, are grappling with outdated systems and inconsistent data".

Echoing this, Vidett professional trustee, Julia Yates, claims: "The lack of good data, access to it or quality has been a problem for trustees for some time… even a 'simple' data cleanse is not easy, and unknown risks of data are a concern to all trustees and sponsors."

"If data and the associated risks are not understood, the liabilities that it could pose, any risks from the service levels around data access or quality and ownership, then this absolutely needs to be addressed today," she adds.

Looking ahead, trustees can expect even greater scrutiny while their decision-making burden grows. New regulatory frameworks – including the General Code, VFM assessments, and changes to DB funding requirements – are set to reshape oversight and governance expectations.

As Capital Cranfield professional trustee, George Emmerson, says, the General Code is "changing the landscape" for how a holistic view of the scheme is managed and reported.

"It brings together all parties more formally, agreeing long-term strategy and short-term deliverables," he explains.

Alongside this, the Pension Schemes Bill will add further pressure, with measures such as the proposed guided retirement duty introducing new responsibilities, particularly for DC trustees. At the same time, the continued growth of consolidators and evolving decumulation strategies are pushing trustees into new and unfamiliar fiduciary territory.

As schemes prepare for these challenges, "attention to detail is critical to ensuring a smooth and efficient de-risking journey," stresses Standard Life managing director of DB Solutions, Kunal Sood.

"As the pace of change accelerates," he continues, "trustees are under pressure to balance these factors while safeguarding member outcomes and managing residual risks."

However, despite a complex and fast-moving pensions landscape, trustees appear not only aware of the scale of the task but also willing to rise to it by embracing new tools, growing their boards, and staying focused on delivering for members.

Written by Callum Conway

Will offering more flexible, personalised choices of retirement income options or designing effective default pathways – or a bit of both – provide the best outcomes for pension scheme members? David Adams looks at efforts within the industry to harness both the power of choice and the power of inertia

Summary
• The two biggest changes in pensions during the past 15 years were based on two very different ideas: making active choices (the pension freedoms) and inertia/default-based processes (auto-enrolment).
• With more people set to be relying on DC pensions for a greater share of their retirement income, there is a need either for services and solutions that enable people to take informed decisions, or for defaults that deliver decent outcomes, throughout both the accumulation and decumulation phases.
• Policymakers are likely to focus on these issues during the next few years in an effort to improve outcomes overall.
• Providers are already developing useful solutions for guided retirement, which may incorporate both informed choices and some default options.
• Use of technology will be important in delivering those solutions, alongside information, guidance and regulated advice.

Choices, choices

The two most significant changes made to pensions during the past 15 years have been based on two very different aspects of human behaviour: the desire to make active choices and the desire to sit back and let someone else look after us. The introduction of the pension freedoms in 2015, allowing DC scheme members and savers much more choice about how they use their pension pots, has been appreciated by many people during the past decade. But even more significant, so far, has been the way the power of inertia has been harnessed by auto-enrolment, which has brought millions more people into workplace pensions without them needing to lift a finger.

Arguably, inertia has worked a little too well, with many auto-enrolled workers seemingly uninterested in their pensions and happy to let their retirement planning be guided entirely by defaults. But in the years to come, defaults may be more widely used to decide what happens after retirement too. That will work well for some, but others will end up with worse outcomes than they might have experienced if they had accessed guidance or regulated advice, and taken more active decisions about their pension savings. The question for the industry, scheme trustees and managers, employers and policymakers is: What is the best way to use both freedom and defaults to achieve the best outcomes for as many people as possible?

That question is becoming increasingly important as more people rely on DC pots to provide most or all of their pension savings. A reliance on inertia during the accumulation phase may mean default lifestyle investment strategies based on an assumed retirement date prevent as much of a saver's pot being invested in growth assets as might otherwise have been the case.

"People need to be thinking about what their retirement age will be and how they plan to take their pension, then that should shape their investment strategy as they're coming up to retirement," says Hargreaves Lansdown head of workplace saving analysis, Clare Stinton.

Employers, providers and scheme trustees or managers all have roles to play in helping individual scheme members engage with their pensions during both the accumulation and decumulation phases. The midlife MOT concept, as offered via the Money and Pensions Service (Maps) MoneyHelper toolset and by various providers, can be useful particularly for those in their late 40s, their 50s and early 60s. But scheme members of all ages may benefit from encouragement from a provider, an employer or policymakers to engage with their pension.

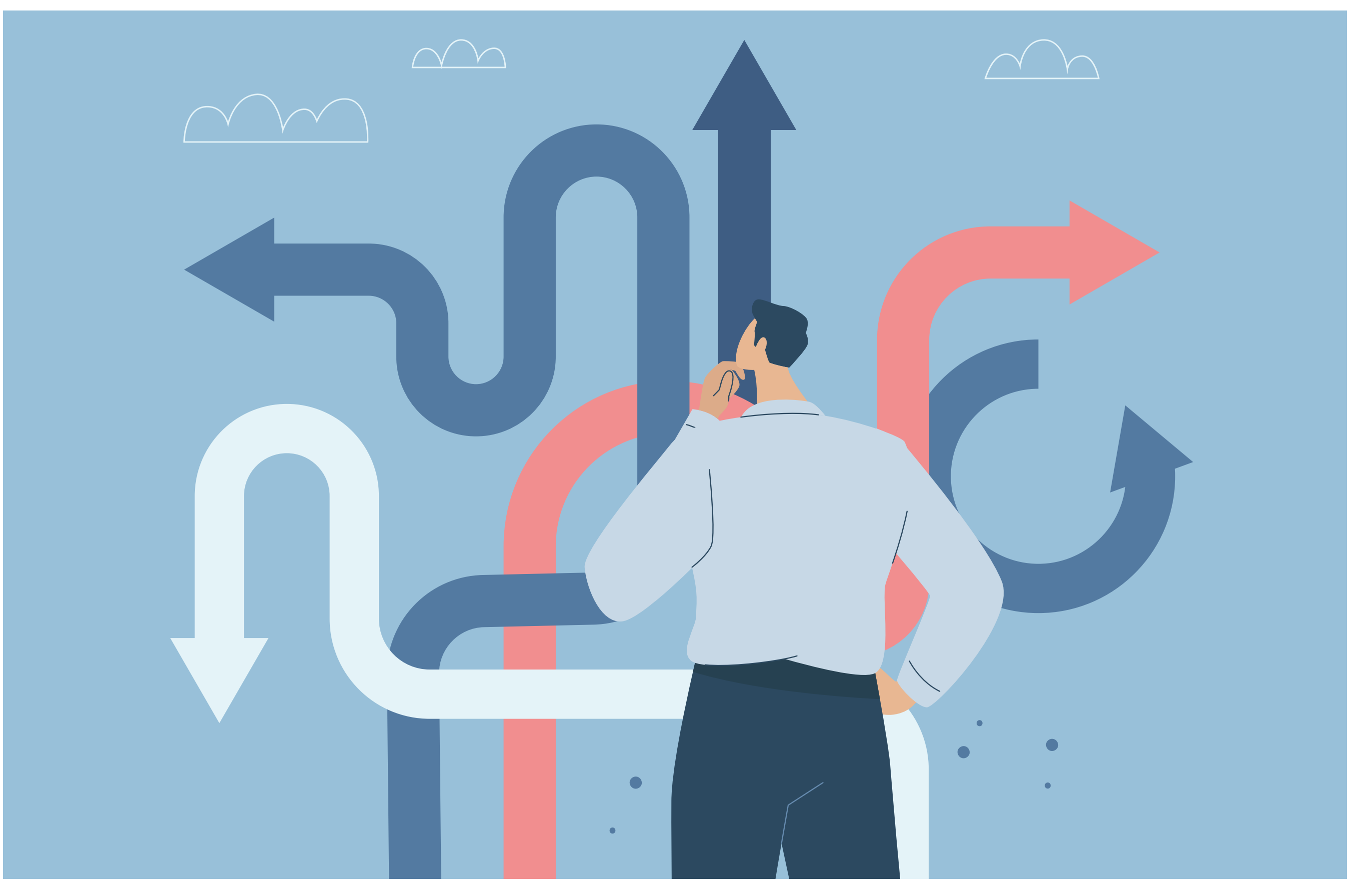
"At decumulation you need people to be informed enough to be able to make good decisions, or you need default decumulation solutions for the people who aren't very engaged," says Hymans Robertson head of DC corporate consulting services, Hannah English.

Guided retirement

We know the government is aware of these issues. They have already announced a new requirement for providers to deliver a default decumulation solution – but more flexible options will lead to better outcomes for some individuals, if they can be given the information and support they need to be able to make good choices.

A May 2025 report by the Pensions Policy Institute, sponsored by The Pensions Regulator (TPR), concluded that a "fragmented and inconsistent" guidance and advice landscape leaves too many DC savers unsure what to do, increasing the risk of uninformed and poor decisions. It also confirmed that 70 per cent of people accessing DC pension pots using the pension freedoms do so without taking regulated advice or tailored guidance.

"We want to avoid savers being left to make complex, high-stakes decisions on



their own," says TPR interim director of evidence and external risk, Sarah Tune. "This requires the industry to focus on providing more help and guidance to make sure savers can access the right user-friendly retirement products for their circumstances.

"We recognise that there may be a risk that savers will have to engage with an excessive choice, which could lead to inertia, confusion, or poor decisions. However, TPR believes there is an opportunity, through better use of digital tools and more flexible products designed around savers' needs, to stop the system falling short at the decumulation stage."

This would include a government-backed guided retirement concept, offering "a structured, supportive approach to managing their pension income without overwhelming them with too much choice," says Tune. "A small number of curated pathways based on common retirement goals could reduce decision fatigue while still allowing for personalisation."

Tune notes that there are some promising innovations already visible in the industry, "with providers looking at bucketing strategies, default decumulation solutions and combinations of flexible and guaranteed income to better reflect evolving saver needs".

People's Partnership proposition director, Kirsty Ross, says it wants to use "information and transparency to enable people to make well-informed decisions". It has created a change comparison tool to help its customers make better informed decisions when considering consolidating pensions.

Other providers are developing more flexible decumulation solutions. Examples include a new tool launched by Pathlines with Guiide and Invesco in May, which offers DC pension savers who have not taken regulated advice extra support on planning how to use drawdown; and Aviva's guided retirement service, which splits a scheme member's savings into three pots - for flexible income, guaranteed income and occasional spending.

"You've got flexibility, but we suggest a recommended amount of money that will provide a level of income we think it is prudent to take during the drawdown years," explains Aviva wealth policy director, Emma Douglas. The guaranteed income pot can be used at an appropriate time to buy an annuity.

"It is our responsibility as an industry to ensure that we're not relying on engagement alone to deliver good outcomes"

Technological assistance

The full roll-out of the pensions dashboards will also help.

"Dashboards will be really important for the member, to help them understand what they've got," says English. "But dashboards will also help providers and trustees [creating and managing] default decumulation options."

Other new technologies will also help delivery of both default and flexible decumulation solutions.

"Digital platforms are making retirement planning more accessible through modelling tools and engaging educational content," says Tune. "Developments in data collection, integration, and AI have the potential to help trustees better understand saver segments and provide tailored services. But it is clear more innovation, particularly in the design of retirement income defaults, and co-ordinated action is needed from industry." TPR has launched an innovation design service, to help providers improve functions including scheme member communications and apps, as well as guided decumulation products.

Meanwhile, the number of people using various different guidance services and regulated advice will both surely rise as more people approaching retirement need to decide how to use multiple, and larger, DC pots. Maps' Pension Wise guidance service is also now accessible online, alongside face-to-face and telephone based versions of the service.

Aviva and the charity Age UK both advocate use of a later in life version of the mid-life MOT: a mid-retirement MOT, offering retired people additional financial guidance and support. Elements of such a service might also be delivered efficiently using digital technologies.

Maps senior pension policy and proposition manager, Adam Gifford, thinks technology may help widen access to regulated advice in future. "The great hope is that it can reduce some of the costs and the problems accessing to advice that are holding people back," he says.

So, it seems that both government-backed services and the pensions industry will continue to use both flexibility and defaults. Some DC scheme members and savers will use the freedom to try to achieve an optimum outcome through informed decisions – while others will trust default solutions that provide a decent outcome and perhaps also allow further engagement and flexibility at a later stage.

"It is our responsibility as an industry to ensure that we're not relying on engagement alone to deliver good outcomes," says Ross. "We've got a collective role to play in designing retirement journeys that support good customer outcomes, regardless of how actively engaged those customers are."

"There isn't a silver bullet – it's got to be a mixture of policy, product innovations and new ways of delivering guidance," says Gifford. "If you bring all of those elements to bear you've got the potential to improve outcomes for people."

Written by David Adams, a freelance journalist

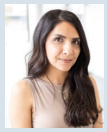
In association with

Tech roundtable

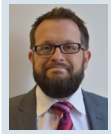
MODERATOR

Chair for the discussion: Phil Clark, Client Director, Zedra
Phil is a professional trustee with Zedra. He works with a range of predominantly DB pension schemes, as well as funeral trusts and group life trusts. His appointments incorporate chair positions, co-trustee roles and sole trustee cases. His focus is on working collaboratively with sponsors to achieve the best outcomes for members, through a combination of strategic planning and attention to detail. Phil has particular expertise in DB funding and investment strategy, but his work as a trustee covers all aspects of running DB and DC schemes.

PANEL

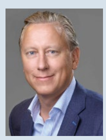


Bahea Izmeqna, Chief Product Officer, Smart Pension/Keystone by Smart
Bahea has an extensive international career in fintech with experience across the Middle East, Africa, Europe and Asia. She brings a wealth of experience to her role as chief product officer at Smart, where she oversees technology, product and solutions, with a particular focus on the development and strategic enhancement of Smart's cutting-edge platform, Keystone. She is a regular contributor to industry press and a speaker at key events.



Chris Paul, Director of Product, EQ Retirement Solutions
Chris' role covers the product management of EQ Retirement Solutions' technology, third-party administration and outsourcing solutions. He has worked with insurers as well as public and private pension schemes. He spent his early career working for technology vendors but his time at EQ has enabled him to widen his focus to look at how to deliver change effectively in complex operating environments.

Tom Porter, Strategy Director and Partner, LCP
Tom leads LCP's technology and analytics solutions to help its clients solve real world problems across a wide range of industries including pensions, health, energy, insurance and investment. Tom has led the development of all of LCP's pension technology, including administration and actuarial systems, as well as all member-facing technology for its DB and DC clients. He also supports pension schemes and providers to develop their technology strategy. Tom is also LCP's strategy director.



Peter Roos, Chief Commercial Officer, Lumera
Peter is a chief commercial officer at Lumera based in London. He has a passion for bringing the Lumera platforms to Europe through clients and partners. He previously has held several leading positions in the Swedish life and pensions market. He has a strong background in business development of pension schemes and has also been sales director for the second largest intermediary firm in Sweden. Peter earned a Master of Business from Uppsala University.

Rhys Williams, Director, Quietroom
Rhys is a familiar face in financial services. His career as a writer, strategist, consultant, coach and public speaker spans almost three decades. Rhys walked into the nascent Quietroom in 2006. His devotion to making money more meaningful, passion for learning and uncanny knack for bringing out the best in people have helped mould Quietroom into the dynamic, purposeful business that it is today. Rhys has inspired countless companies to change for the better and now sits on Quietroom's board of directors.

Paul Yates, Product Strategy Director, iPipeline
With over 30 years' experience in product, strategy and business development leadership roles, Paul's focus is on driving business strategy and transformational growth, providing a portfolio of innovative technology solutions for advisers and providers to drive down costs in the advice, sales and servicing processes. Technology is more important than ever in the distribution of financial services and iPipeline delivers next-generation solutions, driving the financial services market forward and enabling advisers to provide timely advice to all customer segments.

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Tech roundtable

The power of digital

Our panel of experts considers how the pensions space can make the most of the exciting developments in technology, while keeping a close eye on the associated risks

Chair [Phil Clark]: We all know how important technology is in pensions. Certainly, as a trustee, when we're dealing with market volatility or changes in regulations or all the other things that come up daily, we can potentially lose sight of why we're all here – and that is to serve our members and get the best outcomes for them. It will be great to have a discussion today around how technology can help us achieve that.

Technology of course is already being used in pensions to help serve our members. But are we going far enough and fast enough on this front?

Rhys Williams: I'm very interested in the communication and engagement section of today's discussion. Our business is all about making pensions – along with other areas like investment and insurance – more accessible to people.

In answer to your question, I feel that we are lagging behind some sectors that, like pensions, are also very technical, are also very regulated, that can also be known for being quite cautious and conservative.

Take digital-first banking and mobile banking, for example. There are experiences that people are getting used to in those sectors – the same people who are members of our pension schemes; experiences that are superior to what they are getting in pensions. And it's not that these sectors are offering anything dramatically whizzy, but they offer the pure basics such as 'can I understand my situation with my numbers and know that the figures are reliable, and therefore can I trust the information I'm getting?'

So, in answer to the question of whether we are going far enough and fast enough in pensions, my feeling would be no.

Bahea Izmeqna: I agree with your point about banking – people using banking technology are those same people in our pension schemes; so, I don't think the issue is a lack of trust in technology per se, at least not from the member's perspective. The real challenge is whether members see value in spending time on that technology. We need to better translate its use into a clear value-add for them. That's what I believe is missing in our current approach to technology in pensions.

The second part to this relates to automation and technology on the back end – this is where most of our operations are still very manual. At Smart Pensions, we are trying to get to 95 per cent automation on the back end, which is certainly ambitious but, in my view, if we focus it correctly, with a customer-centric lens, we can focus on creating more value. Once value's there for the end user, they will value the technology.

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Paul Yates: I would say that there is a huge differential between the various schemes and providers in the pensions space, and the technology that members get – some are using built-in technology, possibly from the 1980s! Then there are other, newer schemes and providers that are doing a much better job. There's a massive difference in the range of experiences members are receiving out there.

Chair: DB versus DC is a key differentiator here.

Yates: Yes, and some of the issues are historic – some have built their systems out and have created this pension onion, and it's got more and more layers around it, so it has become harder and harder to change it and make it agile.

Then others have come in with newer things – they've come in and said, 'right, we want a system that will automatically, self-digitally move through the process', and that creates a completely different experience because you're coming at it from a different starting point.

Chair: It's almost an advantage coming late to the market.

Yates: Well, it's like building a house, then adding extension after extension. At some point, it looks more like a block of flats, but it doesn't have the foundations for that; and you can't change it very easily.

It's very difficult for people to change systems, so there aren't a lot of people wanting to do it or able to do it easily.

That means we've got some people getting poor experiences and some people getting better experiences.

If you go to an IFA and ask to transfer some schemes, for example, they might tell you it's going to take six months; whilst others can do it quite quickly.

Tom Porter: Let's unpick why this is happening. The DB landscape is very different to DC. In DB, we have 50 years of legacy – every scheme has been set up differently, with different structures and benefits. The data you're holding is different; the calculations required are different. For a long period of time, there have been a range of administrators in the market and, at a certain point, we moved to a largely outsourced third-party model, which meant a change of providers many times over the years which, in some cases, led to a terrible mess, lots of pensions miscalculations and related challenges.

Also, because we went through a long period of member experience not being the top priority for lots of schemes, and because they had deficits that they were worried about, there was pressure on admin pricing. So, we had pressure on admin pricing, a huge amount of complication delivering it and, also, some providers may have only had a scheme for one, two or three years before they would lose it, or it might be bought out, which meant what we saw was very little investment in systems to try and solve these challenges.

Then we got to a period where, in the DB landscape, they decided to offer more options and more flexibility of when members retire, which is also different for every scheme. So if you're trying to provide a nice user-friendly experience for members, the reality is it's hard for providers to do that.

You mentioned six months for a transfer – and yes, there are members in the country who, if they ask for a transfer value now, that will go to the administrator, who will then go to the actuary for calculation. Bear in mind also, there are still some actuaries and schemes that will be doing that calculation by hand – that will then go through the checking process, go back to the administrators, be typed into a letter and sent back – it's not surprising it takes so long! Because of the complexity that's been introduced in the DB landscape, it is harder to make this stuff more efficient. We're now starting to see a bit more appetite for people paying for administration, getting good quality, because of better data, which is why we're now starting to see some innovation in the admin space and better member experiences online. But it's taken decades to get to that being a priority.

Across the back of that, fundamentally, even if you get a great member experience and get it online, the interaction level you're getting with a DB pension is low. It's a number that's largely fixed, that you don't need to look at every week or month or year even.

Chair: Yes – members don't have much flexibility with it; it's largely beyond their control.

Porter: Yes! But the DC landscape is entirely different. There are very few excuses for us not to make that more live and more engaging. It's much more homogeneous across the piece in terms of what the options are and what the pot looks like.

You've also got live information you can engage people with. I know they might take wrong decisions off the back of looking at it too often, and seeing it go up and down with the market behaviour, but at least there's something interesting there to talk about and to try and convey; whereas, in the DB landscape, it's a number that doesn't change, that you can't get access to and, if you want to do anything about it, it can take months!

Williams: I recently sat on a panel of disrupters in financial services, and I was the only person in the room who was in the pensions world. I asked the question, 'you are 10 to 20 years ahead of us, so how did you get here? What did you do? What could you tell somebody who was behind you in the journey?'

They said, 'we've had lots of conversations with lots of people in pensions and the difference between us and them is that we trust our customers', which I thought was interesting. There is a mindset in the industry that we don't want people to check their pensions regularly, we don't want people to do things with it, because the risk of getting it wrong is so great. I do think that cultural underpin affects a lot of the decisions that we make in pensions and that's not just on the tech side of things.

Chair: Education of the consumer is key to that. A lot of pension scheme members are almost scared of their pension because they don't understand it, so they shy away from doing what they need to do.

Peter Roos: All countries in the western world are on a journey. Everyone has the same demographic challenge – as we get older and healthier, we need more money at retirement. There are different ways to address this – you can pay more in i.e. the employer can pay more or members can pay more; you can try to reach for higher returns, which everyone tries to do; or you can be more efficient about things and charge less.

For example, in Sweden, the fees for a workplace pension have been reduced from about 1.7 per cent of accrued capital every year to about 16 basis points. That applies a lot of pressure to an industry. To be able to survive in that industry, you need to be efficient about things. They concluded about 30 years ago that administration is not a competitive area – either you're efficient about it or you're not.

Linking this to the origins of Lumera, it's about sharing a code base, developing things together to be as efficient as possible, to stay competitive and stay in that market.

Do lower charges have an impact on higher outcomes? Yes, it's easy maths. If you reduce fees, members can receive, if they are in their twenties for example when they start saving, a 25 per cent higher outcome, just by reducing fees!

Chair: Does that level of fees give you, as a provider, sufficient capital to invest in the technology to improve member experience?

Roos: Yes, but you have to look into a crystal ball, because it takes years to do transitioning like that. And the pressure to do so won't really happen until everything is transparent. It all starts with transparency. If individuals start seeing exactly what they're supposed to get as final pay, they see the charges, what everything costs, they can compare and they can change. They can vote with their feet. That's where healthy competition comes from, the pressure starts there to improve.

The reason we came here to the UK was the value-for-money (VFM) directive – we could see the pressure was on to improve things in the UK, so that was our signal to come.

Chair: Chris [Paul], do you think we are going fast enough?

Chris Paul: We have talked already about the different markets – DB and DC. In DB you've got, as we said, a legacy of old complex schemes and a lot of organisations that are potentially struggling to keep up with the demand.

When The Pensions Regulator surveyed them, 65 per cent of

administrators have increased their investment in administration technology or automation over the last two years. But, as part of that, they're having to spend on supporting dashboards, spend on GMP equalisation, spend on their journey to buyout.

So, while we're all highlighting these great automation tools they should be using, they're having to put the fires out in the back garden. In fact, they also called that out – 58 per cent of administrators identified the complexity of legislative and regulatory changes as one of the top three challenges in delivering high-quality administration.

Saying all that, in DB, there are things coming along that are going to improve that piece.

In DC, we are moving from a world where charging 1.5 per cent was the norm, to a world of 15 basis points, so that's a driver for automation.

Coming back to the education point, the more educated somebody is about something, generally the better the experience they have with it. That's what we've seen when we've surveyed members. If they understand their pension, they generally like the service they get from us.

Artificial intelligence (AI)

Chair: Are we taking advantage of AI as quickly as we could be doing in the industry?

Porter: There is lots you can do.

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We worry about how fast we go in this industry in terms of taking up different technologies. In terms of AI directly answering members' queries and giving them that service, we will get there – it may take a bit longer in our industry for people to get happy with that compared to some others, but we'll get there. The technology is basically there now.

The focus this year across all industries is very much on the agentic capabilities – how we can use agent-based processes to improve efficiency. There are some interesting opportunities there. Where you've got lots of legacy, we currently focus on how to rebuild the system and make it more efficient, which is the right way to do things.

There is a now a way of turning that around and saying, 'we've got administrators doing these manual jobs, can we help them by automating some of their work?' It's a veneer on top of all the legacy issues we've had in pension schemes for the last 50 years and trying to take that process and automate it. It is early days and we're working with a few people on this as well, but we are close to a point where we could, quite quickly, start cutting through a lot of the legacy. That helps on the DB side more than the DC side. I hope, on the DC side, we'll see the more member-facing engagement and efficiency come through quite quickly.

Yates: If you look at what some of the general insurance companies are doing with agentic, one after the other they're coming in and saying, for example, 'we have teams made up of three biologicals and eight agentics'. They give them all names, and they've all got different personas, so they'll have an actuary, for example, and you can actually create teams that scale up massively to solve problems.

They can use these to then roll round and answer quite complex queries from members, because they'll use these agents to do that. There's always a human team also that sits there looking at them but some of these things will really change things quite dramatically.

Williams: When I think about the biggest advantage of AI, for any business in any sector, it is doing the work that we don't like doing, that we're bad at doing, and clearing away that layer of cost to unlock value.

You can unlock value in terms of reduction in fees, and I respect that point of view. But there's a balance between that and investing in the things that we know that matter to members.

Coming back to what we were saying about dashboards, GMPs, buyout, and so on, the improvements in data that come from those regulatory initiatives is key. We've improved our data to move away from risk, but it has also created long-term opportunities – look at all the things we can now do with that data that we couldn't do before! That's how I view the whole AI subject.

Yes, we can strip out layers of low value activity or layers of cost, but the other way of looking at it is to say, 'what does this make possible that we couldn't do before?' That's what excites me more than anything else.

Izmeqna: For me, having started the journey of AI on the DC side, I look at it from both sides. There is cost saving, yes – this is more of a benefit on the admin side, leading to quicker service at the back, for example. The end user doesn't see it, they only get the benefit of hopefully a faster service at lower cost.

Then there is the other side to it which, again, comes back to where our end user is today – our end user deals with this AI technology already in other markets, has that AI knowledge today. It's not something they are lacking, it's something we're not offering in the pensions space.

Thinking about AI from an end user perspective, about predictive analysis, finding the anomalies around what is going on, that's where I think AI might excite the end user.

We're so far from that today, but if we want to do a revolution, we need to think about what's next, not the basics. For me, automation is the basics. When we think about AI, we need to think beyond the basics; we need to think about how AI can be used to get the output that other industries are providing.

Risks of AI

Chair: What about the risk of errors and reputational risk? Can AI do everything we want it to do without increasing that risk of errors?

Williams: At the moment, the risk of errors would be high, but the ways of cutting down that risk are relatively simple. They're labour intensive but, what you have to do to minimise the risk of giving a wrong answer is quite simple. You need to have a strategy for how you're going to minimise things like hallucination – which is obviously a risk across large language models; it going beyond its guardrails and those sorts of things – but it's all eminently doable.

When I think about it practically in our work, AI is only as good as the content it draws from – either the content it's been trained on, or the content it's allowed to go to in order to answer

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questions. In our experience, if you get that base content right, the answers you get at the end are staggeringly better. Also, the art of the prompt in between – so, what are the instructions that you're giving that model when it goes to try and find that information.

Chair: How is Lumera using AI to drive improvements?

Roos: We have several installations, for example, within data quality, reading forms, claims processes that you need to authorise rather than dealing with on a daily basis.

I would say it's not necessarily about doing the stuff that we don't want to do but, in the back office, where we mostly operate, we should do exactly what we're best at but faster.

For example, a migration of a business line can take six months with the data quality and implementation and everything else. If we can do that in two months, they can close down the legacy technology faster, and it will save them money. And I think AI might be the answer to the main question of 'are we going fast enough?' I think we can go a bit faster with AI as a technology.

Member engagement

Chair: How can we use AI to drive member engagement and get members to think about their pension more?

Paul: I boil it down to three questions from a member perspective: How much do I need when I retire? How much do I have? How do I make up the shortfall? Those are the three simple questions.

To be able to answer those questions, you need to be mathematically literate. You then need to have some level of financial literacy above that. Then you can start talking about your pension or, in the world of diverse instruments now, talking about your 'retirement provision', (because it's probably not going to be just about your pension – it's going to be your pension, your equity release, your other investments, other income streams and so on).

If you're a pension provider, you're advising a small company scheme, for example, where do they start trying to tackle that problem? Do they start running maths lessons? So, I think we need to be careful what piece of it we're trying to solve.

In terms of where AI can help the member, you can have chatbots where the members can get their questions answered quicker, you can do the back-office stuff quicker, you can have the equivalent of a chatbot interface over a knowledge base so that back-office administrators can do their job quicker. They are a few examples.

There is also the piece around offering lowercase advice versus uppercase advice. With generative AI, I think the FCA would be very wary about trying to tackle that at this point.

Porter: I feel that there's a real tension between the industry wanting to be very careful about the technologies available, and the fact that they already exist and people are using them. You can already talk to ChatGPT now. You'll be able to videocall with someone who looks like an adviser or therapist or anything else quite soon.

Also, the knowledge base it draws on for general pensions topics is pretty good. It doesn't know about your pension, your situation. But if you want to have a conversation on what you should do in retirement, it will fall outside the guise of FCA regulation and advice, but it'll be used heavily by people in this country. So, we need to work out whether we have this very, very strong borderline between what this sector does and how it operates and what reality is out there and what people are going to be using day-to-day. It's inevitable that a lot of people will be using AI for their personal advice situations very soon, if not already, and we need to work out how we combat that.

Is it that we need to be publishing the right information about our products in the right format, so that it can be used by these tools? We accept the fact that anything from then on isn't to do with us and is not our risk and everything else, but at least they're getting the experience that's more reliable than it would be if we didn't have that information out there.

Yates: Another issue is, if we want to explain to the younger generation what retirement will look like in 40 years' time, the reality is we don't know what it will look like – today people tend to retire at a certain age, around the age of 67 for example, but that may not be the case in the future, being fixed to an age, so having tools or systems that are trying to look ahead has its own issues.

For example, many people in the Nordic countries are not retiring at normal retirement age anymore, many of them flex work.

Retirement planning should be about giving options. It's about the options you're providing at a point in your life so you can make decisions and decide what to do. That is key to whatever technology we're going to do – it needs to be explaining that you have options, rather than telling people 'this is your retirement fund, this is the amount you

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need,' because people don't get it, they can't quite visualise 40 years into the future what they will need.

Chair: And waiting until 65, or whatever the age is, to consider those options is far too late. How can we use technology then to wake people up to thinking about their retirement?

Yates: The question should be, do you want a life where you have options at that age? If you want to retire, fine; if you don't, you don't. Or do you want a life where you have to carry on working until you're 80?

Izmeqna: People need to start making decisions around retirement or pensions in general at an early stage, not at 50, or 45. That's a bit too late to change the output. If it is not technology that can drive people's attention, what could it be?

We are in a world where technology is driving everything around us. If it is not through these nudges through technology, and AI, and scenarios – which are easy for people to access and understand – then what would it be? Because we don't have enough experts available to explain pensions to people. We need to expand and scale. And to expand and scale, you need tools that are readily available at any time, day or night, to allow people to do it.

Policies-wise we are holding back, but the reality is, people have access to AI already and are using it. I use ChatGPT in a lot of the things that I do, making decisions, seeing options.

We also need to understand the market we are in – when you do your ISA decision-making, you go through multiple websites, comparison sites, etc, to see which one gives you the best option. Why is pensions not the same? It's because pension providers do not provide the same capability as an ISA provider – we lack something there; that's why the end user does not have the right knowledge to make the right decision in pensions.

Roos: There are several examples around Europe of what works and what doesn't work. Right now, we're at a stage where the complete picture for me as a member is not really clear in the UK. That has to do with the need for an up-and-running pensions dashboard. What no one did in Scandinavia was add in the extra layer, but it's very easy, for example, if you have the dashboard, and if you provide that data, your complete version of that data, to commercial players around the market, you will have action. Because if there's a commercial benefit of me giving you advice, preferably digital advice (because after all it's 2025), that will drive member engagement, and it will drive informed decisions and that will work.

It's dangerous, yes, but it will work. So, before the technological revolution, to have everyone making informed decisions, get the dashboard right and get it structured in the right way.

Pensions Dashboards

Chair: Does everyone around the table see dashboards as a potential gamechanger when it comes to member engagement, but also in driving an increase in the use of technology?

Izmeqna: It's a start. It's not a revolution itself; it's a start for people to have access and a view and the start of more questions to come to the table.

But what else needs to be ready in parallel in order for this to work in the way that we want it to? If we're talking about a world where AI exists, we can easily start the work around what ethical AI means, start to address the concerns that we have about the usage of AI. We need to look at what ethical AI means and start shaping the policy around ethical AI – what it can and cannot do in parallel with the dashboard.

Porter: Having everything in one place with the dashboard is a great starting point. On the DC side, having all your DC pots there that you can add up to give you a planning tool, that works. DB is a whole other minefield as always and the numbers on the dashboard may not be that useful to people and may be misinterpreted, but at least they'll know they have a pension.

There is also a real opportunity with the dashboard to provide – for what is an increasing majority of people who only have DC – a good starting point for the next evolutions of dashboards to start doing more financial planning . I know there's been a lot of reticence about being able to do anything actionable through dashboards, but that has to change at some point.

Chair: Do we think that will come? We need to walk before we can run, but how quickly do we think dashboards can then evolve to become more useful?

Yates: You must first make sure that it's there and it's accurate and people can see it. A lot of people don't even know what they have so, number one, this will create the ability for people to at least discover what they have. Then they can go and do something about it.

Porter: The launch is going to be so critical. We are not sure on dates yet but, when it goes live, there will be a Martin Lewis show, and the image

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of the dashboards early on is going to be critical because, if everyone checks theirs and word spreads around, and that starts off well, then we can bring further improvements as to what you can do with it over time, which could be a really big gamechanger for the industry.

Chair: How much interest will there be in companies launching commercial dashboards off the back of the central dashboard?

Roos: It depends on who you ask. If you ask the insurers with the largest amount of accrued capital, they're not keen on too much movement in the market. But the early adaptors and new entrants are, of course, very keen on having a dynamic in the market.

Williams: Everybody likes transfers in and nobody likes transfers out!

Roos: Exactly, but it is healthy competition.

Paul: I think that competition has been there already, which has led to the drive from 1.5 per cent to 15 basis points, for example. The number of providers administering DC pensions is contracting and contracting – although you've got a few new startups who are grabbing market share.

Dashboard challenges

Chair: Clearly dashboards present opportunities for technology providers, but challenges too?

Izmeqna: The data quality for the dashboards is super important, to be able to produce the right output. Is everybody keen to have a dashboard? Certainly, smaller parties, digital-driven DCs will be keen to have that dashboard and to drive value out of it – and maybe commercialise it because there's a great opportunity to do that and give a better view for the end user of their pensions.

But garbage in means garbage out – if the data quality is not as good as we need it to be, you will have an inaccurate output. If you automate inaccurate data, you will get an inaccurate output. That's the biggest challenge that the dashboard brings.

Chair: DB schemes still have work to do in terms of their data. Is that true for DC as well?

Izmeqna: I think, even for new schemes, not everybody keeps their details up to date. Addresses are wrong, and you don't have that communication stream with the end user to make them think, when they change address for example, 'I need to change the address on my pension app also, not only my banking app'.

Porter: For DC it'll be a matching question, won't it? For DB, they'll log onto the pensions dashboard and see a number, then however, they will go along to e.g. our member dashboard and see a different number, as we will be providing them with the number of what they can actually take as their pension. That's going to be a challenge for lots of organisations that are trying to provide a helpful, 'what pension can you take if you want to retire next week', which is not what the dashboard asks you to show.

So, there are going to be a lot of communication challenges around DB that will potentially eat up a lot of administrator time, which we will need to deal with.

But engagement generally will be good. So, while there'll be some pressure on the industry, hopefully we'll come out the other side of it with more engaged DB and DC memberships.

Paul: A lot of our customers are DB clients. As part of the dashboard rollout, clients are already asking 'how many additional people are we going to need in the contact centre when it goes live?' It's a tricky question. As technology providers, our clients are going to see a significant

shift in the number of different requests they receive – where they used to get five DC transfers in a day, suddenly they may get 50! We're also seeing demand in the market for a member-facing DC consolidation journey.

Williams: This is exactly where the conversations we have been having today join up. To give a parallel example, if you have a health problem, you can go to the NHS website, which is a good source of reliable information. But it doesn't know you, it doesn't know your family history, it doesn't know your medical history. So, you have an answer that is context-free.

When you're talking to the people who are responsible for that information within the government digital service, they're not looking at AI as a content-generating opportunity. They're looking at AI as an integration opportunity, so basically asking 'what is AI fantastic at?' You don't want it to write the books in your library; you want it to fetch them. You want it to go and find the right book from the right shelf on the right subject on the right day as quickly as possible.

So, they're using it to tag information, to organise information and to join it all up in the background.

That kind of thing in pensions is a dream for us at the moment but, because of AI, it can become possible.

Chair: But are we capable of moving quickly enough? As a trustee, what happens after the launch of dashboards is as much of a concern as getting connected to them. We've

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talked about how important it is for it to be a successful launch, but if people raise queries off the back of accessing dashboards and then it takes ages for the industry to reply, that's going to be ineffective as a launch. Are we going to be ready in potentially two years' time to deal with that?

Izmeqna: At Smart, we're planning on the dashboard being a success and are looking at what will follow in terms of behaviour off the back of it. More transferring? We are looking at how we support that part. More queries? We are looking at how we can scale up using technology without cost, off the back of the success of the pensions dashboard.

All the services that you're providing today will increase if the pensions dashboard is a success, so you need to be planning ahead for that. That work needs to start today.

You need to be thinking about how you can scale up to be ready for that increase in the number of transfers, the number of queries – maybe utilising AI, maybe utilising normal automation in different ways, not necessarily AI, but manual operation will not work at a time of high demand, if the pensions dashboard becomes successful.

Yates: And it's not just transfers over, as you said, it's also going to be the queries – with increased engagement comes more questions. That's just a natural statistic.

Roos: We are very engaged in that work, and we hope the dashboard will be dynamic, and it will solve a lot of issues.

We have had dashboards in the Nordics and the Netherlands for many years – we need to just pull the trigger in the UK. Yes, there will be errors. Yes, you will have calls. But the reality is, a very small part of the population actually cares. Even with dashboards, 92 per cent of the population just don't have a clue about this conversation, even if 8 per cent do. Slowly but gradually the data becomes better, the customer journey becomes better and better, but we need to get started.

Chair: That 92 per cent statistic is startling! I find it surprising that the percentage of unengaged members is still that high.

Roos: Yes, it is, and then you have to engage them – how do you do that? That's why I say that if you add a commercial feature to it, all of a sudden you don't have to look it up yourself or find the details. Someone will do it for you because they're interested in selling something, like another life insurance or whatever it is. Sometimes that's a good thing. So, for a lot of people that really do need to save something or plan ahead in their life, if someone connects to them and sells them something it's not the end of the world. It might actually be something positive if that happens.

Yates: But what we're giving them is more information. We're not giving them any insight. And more information in their lives is probably not what they're looking for.

Porter: I referenced Martin Lewis earlier, but he's having a huge impact in terms of engagement on these kinds of topics across the country.

He will be there at the dashboards launch, whenever it is, and he'll be on all the news channels talking about it. I think we will see more engagement with dashboards because of him than would normally be the case for the government rollout of a new tech solution.

It will be interesting to see what he says about what you should do next, because that'll have quite an impact on the queries everyone gets – if he goes on TV and says you should contact all of these providers and ask for a quotation, we need to be ready for that.

Chair: Are we going to be ready for that?

Porter: If we get five years of queries in 24 hours, no. But we don't know the details yet of what the launch will look like. Maybe there'll be some short phasing in. If we do see really high engagement and everyone comes to it, there will be a message put out by all the major administrators saying, 'there's been a huge influx of queries, we'll get back to you as soon as we can'.

Izmeqna: But then there will be an urgency for more automation, more AI and then it's about catching up. We need to plan for that now.

Paul: I don't see it as a cliff edge, if it does go badly wrong at the very start.

You'll still have other opportunities to signpost to the dashboards in the future – for example, at benefit statement season, we can also prompt people to look at the dashboard. We will be able to go back to it and refer back to it in other engagements.

For example, in the DB world, where we administer the Civil Service Pension Scheme, we use opportunities like Pension Awareness Week, and the sending out of annual benefit statements, to improve engagement and we get great traction on some of those initiatives, which leads to better education and a better member experience.

It will be fantastic in the DC world when you can say, 'you've got this amount in our pot, have you gone to look at your other pots?' So, whilst I'm hoping

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it won't be a failure, one way to look at it is if demand outstrips supply perhaps that's a sign of successful marketing.

Izmeqna: Also, it's important to remember, if the dashboards don't work immediately and you get an error page on the website, for example, you won't be stopping any daily activity like if a bank is failing and the card doesn't work, or you got to the shop to pay and the card doesn't work.

What you will lose instead is trust in pensions, rather than really losing value. It's the consumer trust that you will lose. You're not impacting their day-to-day life; you're really impacting the trust that you've been working on.

Williams: And the hardest thing in the world of communication is to shift an opinion that someone already has. If someone thinks you're outdated, they're looking for evidence that you are. And it is a moment of truth when you can either prove that or disprove it.

Key takeaways

Chair: What would be your one key takeaway message from today?

Paul: I would say it's good as an industry to challenge ourselves; to ask, are we doing enough? We also need to be aware of the challenges providers and schemes face. Finally, the overriding piece I would take away is that there's an underpin of sorting out data. If you sort out data, it just brings benefits across all the other challenges we've talked about. Then the other piece is an additive – with better education, better deployment of technology, we get better outcomes.

Roos: Can technology help solve things like the pension crisis? It's one of the most important pieces in doing so. Helping the industry become more efficient and stay competitive when cost pressures and pressure to be more efficient comes around. And it will, due to more competition and more transparency in the UK workplace pension industry.

Chair: Maybe competition isn't necessarily always the best thing for member outcomes, because it drives down costs and drives down investment?

Roos: Well, the key word there is 'healthy' competition.

Porter: We've been talking for 90 minutes, and I don't think we've really disagreed on anything. We've all got the same view of what the challenges are, what needs to be done, what could be done. And so much I see across the industry, with different schemes, is around 'what can I do as a scheme to improve better comms? What can I do as a scheme to improve this journey?'

The reality is, we've all got the same fundamental problem of engagement in our sector. So, the solutions need to be cross-sector, not scheme-by-scheme. If we just think about things more holistically, if we started talking with a more similar voice, using the same kind of structures for information, I think we'd begin to get that cohesiveness of message as an industry and start seeing that benefit coming through to members as well.

Yates: My view is that we're so busy with the here and now because we've got so much on. One concern is, are we thinking expansively enough about what the future of the retirement industry is and what technology will be needed? Otherwise, we could end up saying what we want to do is try to access Netflix from a VHS player. That's the sort of world we could end up with, because so much is changing. Longevity is driving everything in a different way and it's driving everything quite considerably – we just need to really, really think about where we're going, as well as where we are now.

Izmeqna: For me the main takeaway is that we need to focus more on how we can solve the bigger problem, which is engagement and early advice or early knowledge base for the end user and the member. Because that will drive everything and it will drive the change.

Williams: The thing that I have underlined three times in my notebook is this: Whatever our opinions are about whether the dashboard could be a success or not, we should plan as if it's going to be brilliant. Because think about what are the good things that people are going to do that we wish they would do today, and then create the services that those people need. Then, even if the dashboard isn't as successful as we hope, we've created a load of services that people need. That can't be a bad thing.

Chair: I am reassured about how everyone recognises what the key challenges are. I completely agree that engagement with members, individuals, to get them thinking about pensions is the most important challenge. It's not just a pensions industry problem, it's a national ticking timebomb that in 30 years' time we're going to have so many people that just can't afford to retire, given the transition from DB to DC.

So, it is reassuring that everyone sees it as a concern. But if everyone does their own thing to try and close that gap, it won't be enough. Everyone needs to come together and work together and that starts from the government.

Equal pensions for all

Fifteen years after the Equality Act, the LGBTQ+ community still faces lower pension outcomes and financial confidence. As part of Pensions Age's year-long focus on diversity, equity and inclusion (DEI), Alice Guy considers what the pensions industry can do to help close the gap

Summary

- The Scottish Widows 2025 retirement survey highlights lower pension savings and financial confidence among the LGBTQ+ community.
- These lagging pension savings reflect lower average earnings and insecure work.
- Targeted research, inclusive financial guidance and tailored advertising could help reduce these disparities.
- Expanding auto-enrolment could significantly improve outcomes for low earners, including individuals in the LGBTQ+ community.

Despite progress towards improving equality and inclusion in the workplace, retirement savings for many in the LGBTQ+ community remain insufficient.

The Scottish Widows 2025 retirement report reveals that nearly half (49 per cent) of LGBTQ+ individuals are on track to fall below the PLSA minimum retirement living standard, in contrast to 38 per cent of other participants.

Scottish Widows head of pension policy, Pete Glancy, says LGBTQ+ people face a unique set of challenges throughout their financial lives: "While everyone is different, this can range from lower average earnings, either on their own or as a couple, to life milestones that are trickier and more expensive to meet, like starting a family. With these considerations, retirement savings can fall down the priority list."

Lower pension savings

Insufficient pension savings are in part due to the lower and more precarious earnings faced by the LGBTQ+ community, who continue to face barriers in the workplace.

Travers Smith partner, Daniel Gerring, says: "Pensions gaps tend to reflect earnings gaps. And earnings gaps tend to reflect wider attitudes and barriers in our society. There are often intersectional factors too. Tackling LGBTQ+ and broader inclusion and equality in workplaces can only help to improve earnings. Tackling financial inclusion can only help to improve pensions participation."

LGBT Great CEO, Matt Cameron, agrees that lower pension values reflect earnings disparities. "LGBTQ+ people, particularly trans people and people of colour, are statistically more likely to face barriers to employment and progression, leading to lower lifetime earnings and, by extension, pension contributions. Legal recognition of same-sex relationships has only become recent in historical terms, and past inequality in survivor benefits still impacts some couples' retirement security today."

Less financial confidence

Worryingly, Scottish Widows' research also finds that financial confidence is lower on average in the LGBTQ+ community. Over half (55 per cent) of the LGBTQ+ community aren't confident in managing their pensions, while a quarter say that they don't know how to access financial advice, and more than a third – 36 per cent – admit they haven't thought about what retirement would look like.

Cameron believes that historic discrimination continues to cast a long shadow. "Due to historical mistrust of financial institutions or feeling excluded from traditional financial advice, LGBTQ+ people may be less likely to engage with long-term financial planning, including pensions. Tailored financial education and guidance for LGBTQ+ people can help close the advice gap and increase confidence in financial planning."

Stadium Wealth, director and financial planner, Matt Campbell, agrees that LGBTQ+ clients often don't identify with what financial planning or pensions have to offer. He describes a recent client who found many financial planning websites off-putting, showing for example a heterosexual couple and articles that didn't resonate with their life.

Potential for improved outcomes

Despite these challenges, significant opportunities exist to improve outcomes for the LGBTQ+ community. Glancy says that the key is for the government, employers, and the industry to work together. "Collective action by the government, UK employers, the financial services industry, and retirement savers themselves is needed to tackle pension inequality and close the existing gaps.

"The LGBTQ+ people we spoke to in our research tended to be younger, early on in their careers, and while the level of preparation is concerning, what they do have is time on their side. And this is crucial when building a retirement pot that will see you through later life. We know the more people engage, the better their retirement outcomes will be, and the earlier, the better."

How can the pensions industry help improve outcomes for the LGBTQ+ community?

Over the past two decades, the pensions industry has made positive strides in supporting the LGBTQ+ community, driven by wider societal progress in rights and awareness.

LGBT Great CEO, Matt Cameron, says: "The equalisation of survivor benefits in public sector schemes and the introduction of same-sex marriage rights have removed some structural inequalities. There is a growing effort to tailor financial wellness programmes to be more inclusive, supported by charities and advocacy groups." He adds that there is a growing awareness of intersectionality. "The industry is beginning to acknowledge the overlapping identities that can compound disadvantage (e.g., race, disability, sexuality), allowing for more nuanced approaches."

Scottish Widows head of pension policy, Pete Glancy, agrees that there are many positive changes in the pensions industry. "The work of groups like O:pen, which connects professionals of all sexualities and gender identities in the pension industry, is fostering a more inclusive and diverse environment, which will bring about real change not just for the industry, but also for pension savers themselves. The Pensions Regulator has also published guidance on improving equality, diversity and inclusion across pension schemes. But undoubtedly, there is more that needs to be done, to make pensions truly inclusive to all and bridge the gaps that exist."

Targeted research

Travers Smith partner, Daniel Gerring, argues that the industry needs more targeted research to understand how to support underrepresented groups.

"The pensions sector has been making much better progress in the DEI space for a few years now. However, there is much work still to do. What steps are the financial and pensions industries doing to reach, and engage with, under-represented groups? What research is being undertaken? Which communication styles and methods are being tested? And, importantly, who is involved in doing this work? If we don't involve people from under-represented groups in designing the solutions, then those solutions are less likely to be effective."

Representation and inclusive marketing

Another potential barrier is the lack of representation when it comes to financial role models, influencers, marketing literature and financial guidance.

Cameron comments: "While we are seeing more LGBTQ+ leaders in finance and pensions speak openly about their identity, they remain under-represented at senior levels. Their visibility is crucial in inspiring younger professionals and signalling that inclusion is a priority.

"The industry should actively celebrate LGBTQ+ achievements, not just through awards, but by embedding stories and voices in wider communications and events throughout the year."

Stadium Wealth, director and financial planner, Matt Campbell, says that it's crucial for providers to be inclusive in their literature, "giving people examples of other people who look like them or are in a similar situation they can identify with". He also suggests advertising directly to the LGBTQ+ community, so they know there is a relevant offering.

Expanding auto-enrolment

With lower average earnings in the LGBTQ+ community, increasing pension contributions by expanding the scope of auto-enrolment could be the most significant factor in improving pension outcomes.

Glancy says: "We have, for a long time, called for an increase in scope of auto-enrolment to include lower income bands, on a voluntary opt-out basis. Almost a quarter (23 per cent) of LGBTQ+ people say they have a low or unreliable income compared to a UK average of 13 per cent, so we know schemes like this would help those most at-risk of poor outcomes in retirement."

Written by Alice Guy, a freelance journalist'

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Summary
• The UK DB pension risk transfer market has shifted from insurer capacity constraints to consistent oversupply, driving record transaction volumes.
• Increased insurer participation has boosted competition, innovation, and accessibility, particularly for smaller schemes.
• Trustees face more complex choices, balancing competitive pricing with a growing emphasis on member experience and post-transaction support.
• The market is being further reshaped by technology, superfunds, and upcoming regulatory reforms, including surplus access and consolidation options.

A wealth of choices

With the UK DB pension risk transfer market undergoing a substantial transformation, the market dynamic is changing, and trustees are increasingly facing more choices in a competitive environment. Paige Perrin explores this trend and what impact it is having on the UK DB pension sector

The UK DB pension risk transfer market is undergoing an unprecedented transformation reshaping the landscape for trustees and insurers alike.

After years of being a supply-constrained environment, the market is shifting to one where insurer capacity now consistently exceeds demand.

Recent research from Hymans Robertson confirms this, showing for the first time in several years that insurer supply exceeds scheme demand.

The consultancy also revealed that, in 2024, the UK bulk annuity market hit a record high, with nearly 300 buy-in transactions completed and over £47 billion in total premiums written.

This surge in capacity is occurring at the same time as increased funding levels, with The Pensions Regulator's (TPR) 2025 Annual Funding Statement highlighting that 54 per cent of schemes are now in surplus on a buyout basis.

This figure rises to 76 per cent on a low dependency basis and 85 per cent on a technical provision basis.

Together, these factors indicate a move towards a better-funded environment, marking the beginning of a new era for pension schemes filled with opportunities and potential complexities.

A shifting market

This shift can be attributed to several key drivers, including the influx of new entrants into the market, increased funding levels, and the ongoing transition from a DB environment to a DC landscape.

LCP partner, Imogen Cothay, says: "Trustees have never had so much choice when it comes to risk transfer. With 11 active insurers in the buy-in market, insurer innovations and an increasing array of alternative endgame solutions, the current market is empowering trustees to pursue strategies that are more tailored and ambitious than ever before."

The pension market is also witnessing a growing number of schemes actively considering their endgame options as a result of improved funding levels and a significant rise in the number of schemes now in surplus.

This shift has not only empowered trustees to explore a broader range of risk transfer solutions but has also intensified competition among insurers.

Increased insurer capacity, for example, has led to more favourable pricing, marking a major transformation in the market.

Aviva bulk purchase annuity (BPA) distribution director, Jamie Cole, highlights this trend: "The competition has also driven a long period of price improvements as insurers have developed increasingly sophisticated approaches to deliver value to trustees."

Beyond price

As competition intensifies and drives pricing improvements, trustees are also placing a growing emphasis on securing accurate and transparent buy-in pricing, allowing them to confidently assess whether the pricing received truly represents value.

This evolving market has also encouraged innovative deal structures, including deferred premiums for schemes with illiquid assets and in-specie asset transfers to reduce disinvestment friction, both of which are becoming increasingly considered in tailored deals.

At the same time, non-price factors, like member experience and post-transaction support, have also become important considerations.

Several industry experts highlight the consideration of non-price factors as a substantial difference in the new market.

Capital Cranfield professional trustee, Darren Masters, calls balancing price and non-price factors a "key challenge" in deciding where to place a risk-transfer transaction.

"While the new competitive environment may lead to better pricing, there is significant weight given to non-pricing factors such as administration capabilities, data management, member experience, insurer operational and financial risk, and contracting flexibility," he continues.

Cothay adds that this "growing need" to innovate across both pricing and non-pricing factors is fuelled by the rising number of insurers in the market.

However, BESTrustees professional trustee, Russell Baird, emphasises that although competitive pricing is important, what matters just as much, if not more, is "the long-term security behind that price."

"That means rigorous due diligence on insurer strength, governance, operational resilience, and their ability to deliver for members over decades – not just at the point of transaction," he continues.

Given this, Baird urges trustees to actively challenge the process, stating: "Time to completion is still too slow in many cases, and the transition from buy-in to buyout is still often more complex and lengthier than it should be.

"Trustees need to be confident in pushing for clarity, responsiveness, and innovation. That means having meaningful, constructive conversations with insurers – not just accepting what's offered, but exploring the art of the possible."

However, Hymans Robertson head of risk transfer, Lara Desay, believes there is a "stronger focus" on post-transaction activity and the ability to be able to progress this phase of a wind-up project more quickly.

"We are seeing insurers seek ways to develop their offering in that space including speeding up the work and creating efficiencies in that space as a way of enhancing their proposition," she says.

Member experience has also significantly benefited from these evolving market dynamics.

Cole highlights a "growing emphasis" on placing member experience at the "heart" of risk transfer strategies.

"From clearer communications to more personalised support post-buyout, schemes are recognising the importance of maintaining trust and transparency throughout the process," he adds.

WTW de-risking team managing director, Shelly Beard, echoes this, highlighting that trustees are placing a "strong weighting" on insurers who they have confidence can offer a positive member experience post-buyout, and who are investing heavily in this area.

This trend is reflected in insurers' commitment to continuously improve and innovate their offerings.

Just Group director of commercial DB solutions, Rob Mechem, adds that for some trustees, the quality of member experience has surpassed price and is a "key decision-making" factor in decision-making processes.

In terms of the types of innovations in member experience, Cothay notes that some insurers are using "interactive online platforms, enhanced communication services and in-person engagement events", helping members understand benefits and engage with them directly.

Canada Life UK managing director for BPA, Shreyas Sridhar, doesn't see this trend of increased focus on enhancing member experience changing anytime soon, as he expects insurers to "continue to innovate, be creative and offer flexibility to provide solutions that meet the needs of pension schemes".

However, Beard warns that in terms of member experience offerings post-buyout, trustees need to make sure that they continue to undertake "detailed due diligence" on insurers.

Pension professionals also warn of potential administrative strain following transactions, particularly during the transition to buyout.

Several insurers have responded to this by investing in automated workflows and expanding post-transaction support teams to meet growing demand efficiently.

In addition, the market is increasingly valuing non-price factors, leading to greater choice, particularly for smaller schemes.

"Increasingly, we are seeing schemes of all sizes approach the market due to recent improvements in funding positions along with greater insurer focus on smaller transactions," Sridhar explains.

Smaller schemes (under £100 million) previously faced limited options, but the entry of new insurers into the market has proved beneficial.

"For smaller schemes, the most exciting development is the rise of streamlined, standardised transaction models. These are designed to reduce friction, cut advisory costs, and make execution faster and more accessible," Baird explains.

He adds that the "openness of insurers to dialogue and increased flexibility in structuring deals and willingness to tailor solutions to scheme-specific needs" is a "major step forward", particularly for smaller or more complex schemes that previously "struggled to get airtime".

However, Cothay says that despite new entrant insurers focussing on the medium and smaller end of the market as they "establish their footing", going forward they have "ambitious" growth plans.

Legal & General managing director of UK pension risk transfer, John Towner, also emphasises that even the new entrants are not all competing for the same size transactions.

He says that with increasing volumes of schemes coming to market, insurers all have "plenty" of opportunities and importantly, trustees and sponsoring companies have more choice than ever before.

"That we are seeing new entrants as well as increased capacity from long-standing providers, is a testament to a healthy and vibrant market," Towner says.

This competition, according to Baird, has influenced trustee transaction timing, enabling well-prepared schemes to act more quickly.

"But for others, particularly smaller schemes, the real benefit is the ability to pause, prepare, and engage more strategically. That's why early engagement and structured planning are essential," he says.

Emerging trustee priorities

Industry experts also indicate that the shift in the market has put other considerations higher up on trustees' agendas, including environmental, social and governance (ESG) and regulatory considerations.

ESG considerations are playing an increasingly influential role in decision making, with heightened awareness of insurers' investment practices and long-term stewardship as part of the selection criteria.

While the growth of the market offers clear advantages for smaller schemes it also introduces challenges.

Desay points out that by 2025, some insurers may not meet targets, leading to an excess supply of insurers relative to pension scheme demand.

Although competition is intensifying across both the mega (over £1 billion) and smaller scheme segments, Masters highlights concerns that aggressive pricing could raise questions about insurers' capital adequacy and the security of member benefits.

In practice, however, he says the risk is minimal due to the "strong" regulatory framework governing insurers, along with their comprehensive risk management strategies, such as stress testing, asset diversification and reinsurance.

"Trustees have never had so much choice when it comes to risk transfer"

Cole echoes this: "Regulation plays an important role in maintaining high standards in the industry and ensuring that all parties remain focused on the best outcomes for scheme members.

"Healthy competition is essential to drive innovation and broaden choice for members and trustees."

Future plans

The future of the UK DB pension risk transfer market is being shaped by significant developments around surplus funds and ongoing government reform.

Following improved funding levels, an increasing number of DB schemes are now in surplus, sparking fresh interest in unlocking these funds to support broader economic growth.

The UK government has recently concluded its consultation on options for DB pension schemes.

In its response, the government confirmed plans to introduce reforms that would make it easier for companies to access surplus funds in DB schemes.

These reforms are designed to provide clearer guidelines and greater flexibility, subject to trustee approval, enabling companies to unlock and reinvest these surplus assets more efficiently while maintaining strong protections for scheme members.

Alongside these plans, the rise of superfunds like Clara is expanding the risk transfer landscape beyond traditional insurance routes.

These types of transactions offer schemes with complex objectives or constrained sponsor situations with new, tailored endgame solutions.

While these developments create exciting opportunities, advisers caution trustees against complacency in this favourable environment.

Preparation, data quality, and governance remain critical, as timing missteps or lack of readiness could result in missed opportunities or weaker engagement from insurers.

Technology is also expected to drive meaningful improvements across the market.

Mechem notes that insurers are increasingly leveraging technology to boost capacity, refine pricing, speed up execution, and automate administrative processes after transactions.

He also suggested that these innovations can improve service delivery and member experience.

As the UK DB pension risk transfer market continues to evolve, trustees are increasingly empowered to make decisions that balance competitive pricing, member experience, and long-term resilience.

With a record number of schemes entering surplus, a growing pool of insurers, and wider reform on the horizon, the market is not only more accessible – but more sophisticated.

Trustees now have the ability to influence results in ways that were previously inconceivable just a few years ago.

Written by Paige Perrin

Getting the green light

Wales Pension Partnership (WPP) representative, Anthony Parnell, discusses the WPP's plans to establish a new FCA-regulated investment management company, and how the pool is looking to inject further funds into the Welsh economy

The focus on Local Government Pension Scheme (LGPS) pools has been growing in recent years, having been one of the main focuses of the government's recent Pension Investment Review.

As part of this review, the government consulted on, and has since confirmed, plans to consolidate the LGPS assets that are currently split over 86 administering authorities into six pools.

The government had already begun to communicate its plans for LGPS reforms ahead of the final report, as six of the eight LGPS pools were given the greenlight on their pooling plans, including the Wales Pension Partnership (WPP).

Speaking to *Pensions Age*, WPP representative and pensions manager for Carmarthenshire County Council, host authority for the pool, Anthony Parnell, confirmed that the group's submission had been accepted, with the Pensions Minister, Torsten Bell, writing to the pool to confirm that the proposals had met the government's criteria and overall ambition.

In an extract of the letter seen by *Pensions Age,* the Minister wrote: "It is clear WPP has embraced the ambition to create a standalone LGPS investment company to deliver for your eight partner authorities and for the benefit of Wales as whole."

And Parnell says that the pool was "really pleased to get the greenlight" from the government, arguing that this represents "an evolution really of [the pool's] current model".

"It's all systems go now for us to set up our own investment management company," he says, continuing: "We're currently engaging with the Financial Conduct Authority (FCA) regarding the application, which will be submitted towards the end of September.

"So we haven't been established yet as a regulated vehicle, but we are still on target to meet the government deadline of setting the company up by March 2026."

This is made easier since it is a continuation of the work the pool was already working on.

"We're not starting with a blank sheet of paper," Parnell explains, emphasising that the group already had much of the foundations, such as its pool operator, Waystone, and its investment manager, Russell Investments in place since 2017.

"So this is the next evolution, which we had already said in 2016 to government that we would potentially look to build ourselves anyway."

Instead of creating a new stream of work entirely, the government's recent proposals have sharpened the WPP's focus, as Parnell says that it has given the pool a specific deadline to work towards.

"It is a tight timeline," he acknowledges, emphasising however, that the pool is "working really hard to meet it".

"It is a challenging timeline, but it has given us the opportunity to put real focus on that work," he adds.

And progress is already being made, as whilst WPP previously announced in March 2024 that around 74 per cent (£18.5 billion) of its assets had already been pooled, Parnell says that this proportion is now closer to 80 per cent.

This is primarily due to further investments in private markets, as Parnell explains: "We have now basically set up and have launched nearly all our private market offerings – private credit, infrastructure, private equity have all launched, and we're just finalising the legal terms for the real estate funds with Schroders and CBRE.

"These final components are due for launch late summer, probably September," meaning that the pool will be able to increase its real estate focus in future too.

And the pool has already begun to make investments that show its commitment to supporting local and productive finance, as hoped for by the government.

In particular, the WPP recently announced that it had made a £6.5 million investment for the redevelopment of a coal fired power station into a sustainable energy site, creating 300 new full-time jobs during construction driving economic growth and prosperity for the community.

The site, once a coal fired power station, is being repurposed to provide up to 460 megawatt hours of electricity storage capacity for the National Grid and bring a retired rail line back into service to deliver materials, saving nearly 8,400 heavy good vehicles from the local road network.

The Department for Work and Pensions (DWP) said that the investment "embraces" the spirit of change the government has asked to see from LGPS pools, with the wider pooling process for the UK's world-class LGPS set to conclude in March 2026.

The WPP confirmed at the time that this is "one of many projects that we have in our investment pipeline and will be unveiling over the next 12 months".

Indeed, Parnell points out that the pool has also recently done some affordable housing projects with Pluto Finance within Wales, alongside a recent investment in the Gresham House forestry project.

"We have also got some further projects on the table within our private credit and private equity offerings and infrastructure... so we're gradually increasing our focus and investment in Wales," he continues.

And all of these investments are also set to help support the pool's environmental, social and governance (ESG) goals, as Parnell says that "the majority of the infrastructure projects we'd like to do have an ESG focus".

"It's not just the environment and the governance, but the social side is just as important," he adds. "So we look at the community benefits of doing investments... whether it's jobs, the community environment or wider things like that.

"So it's really important when managers bring propositions to us that there is a community benefit to them."

As part of this, WPP has committed to working with local businesses to invest in communities, as it looks to support growth in the Welsh economy in particular.

Parnell highlights the recent Investing in Wales event, sponsored by Schroders in partnership with the Development Bank of Wales, as the start of this work, suggesting that the pool is now "really gaining momentum working with businesses and communities across Wales to fulfil [its] objectives and to help grow the Welsh economy".

He also stresses that different areas of Wales covered by the WPP were well represented at this event, confirming that there were organisations and companies from across Wales.

"So there's no regional focus," he emphasises, "we're looking all across Wales".

"We're very keen to keep that local focus on Wales and keep the engagement at all levels really, even though setting up the investment management company will change the governance structure, we will still have these decision making and engagement with all the stakeholders stay in place – we're keen to keep that going."

But Parnell also emphasises that despite a focus on Wales, "local for the WPP means the UK".

Indeed, the WPP's Real Estate Investment proposition is set to feature a UK Core Real Estate pillar, as well as a Local/Impact Real Estate pillar, which will develop an investment programme utilising fund investments and direct asset investments in UK Impact strategies, with at least 50 per cent of assets located in Wales. This is alongside an international real estate pillar.

Whilst broader debates about whether the latest package of reforms will be enough to trigger the type of investment the government is looking for continues, Parnell says there is already an increasing role for pension funds in supporting economic growth. "I don't see the current regime hindering us as pension funds... we're quite happy with the direction we're going, which can be seen by our increase in local investments," he says.

Written by Sophie Smith

We believe that the concept of 'adequate levels of savings' could do with a rebranding and new lease of life. However, we are aware that the current financial market is leading to fiscal constraints for firms and individuals, with current levels of tax not having been seen since the 1970s. We understand that it's going to take time to get back to good levels of adequacy for retirement – via regulation changes, employer innovation and using the DC route. However, with long-term real yields now at 2 per cent p.a., a level not seen for a long time, and with the typical DB pension scheme contribution for future service having fallen by over 50 per cent in the past five years, now could be the time to take a closer look at dynamic DB accrual to provide adequate benefits, at least for an element of pension. Alongside appropriate benefit discretions, this should enable shared ambition and growth investments with minimum balance sheet risk. In an unexpected twist, DB pensions could have a renaissance; it is being talked about within the industry with run-on options only further cementing this belief.

However, a concept that deserves the greatest recognition, and feels undervalued, is a clearer path to adequate DC contributions, via the option for a savings 'sidecar' (as advocated by Nest Insight). Taking it a step further, as happens in different areas of the world and South Africa in particular, is enabling pensions to lend to savers to help them get on the property ladder. This merits a closer look.

Hymans Robertson head of pensions policy innovation, Calum Cooper

Taking another look

The pensions industry is a complex beast, with many products and concepts implemented over the years to benefit both the sector and its savers. Yet, which good ideas have perhaps not been given the recognition they deserve? *Pensions Age* asks, what warrants a new lease of life?

The one product that springs immediately to mind is tontines, which are products that pool mortality risk between their members. Like an annuity, they provide an income for life, but unlike an annuity, the members retain the financial upside from mortality risk pooling rather than the insurer and, by living longer, members can expect their income to increase meaningfully over time. Tontines could remove the worry for people that they live longer than their savings and, properly structured, could solve the pensions problem for individuals, corporate schemes, taxpayers and governments alike.

When widely available, tontines outsold annuities by many times, as the concept behind them is very understandable to the public, namely that they pool some of their retirement assets with people like them (age, sex, nationality etc), and if a member is to pass away, those assets are shared appropriately between the remaining members in their tontine pool rather than being opaquely retained by annuity providers.

Cartwright Pension Trusts outsourced chief investment officer, Ian McKnight

Since the introduction of pension freedoms, people will often say they don't want an annuity. But when asked what they would like from a retirement income product, they list factors like certainty, simplicity, an income that will last as long as they do – all of which describe an annuity.

However, we need to be cautious with how rejuvenation of annuities is framed. Historically, men with larger pension pots often bought single life level annuities without guarantees to get higher initial income. On death, their spouses would receive no benefits and, given women are more likely to work part time due to caregiving responsibilities or the impact of menopause, may not possess independent pension funds.

February 2025 Association of British Insurers data showed a rise in joint life and escalating annuities, which is encouraging. Perhaps high inflation has shown the value of escalation. But for some, higher income will always seem more attractive and could be to the detriment of their dependents.

The most suitable retirement income option will depend on specific needs, and while annuities aren't for everyone, there are circumstances where they can offer advantages. It's important that they are considered as part of the retirement planning process. Many want complete flexibility with their retirement income, while for others, buying an annuity offers them the comfort of a guaranteed income. For those people initially opting for drawdown, that may not be the final decision.

According to the Financial Conduct Authority Financial Lives survey, published in May, 3.8 million retirees worry that they won't have enough money to last retirement. So, as people get older, some may be keen to introduce a form of guarantee that covers basic living costs and may provide comfort and reassurance, while leaving the rest invested for extra flexibility. But it's important that those in a couple understand the implications of single life annuities.

Many people who have retired, or will be retiring soon, could have some

DB pension. This may provide enough, alongside their state pension, to guarantee essential spending in retirement. But as the years go on, fewer people will have any DB pensions. So, we may see the return of annuities, or more innovation in this space, for that mixture of guaranteed and flexible income in retirement.
Royal London pensions and tax expert, Clare Moffat

Salary sacrifice is 50 years old and needs a rebrand to 'salary exchange'. It's weathered changes in government, frequent rate changes, tax reforms and iterations but it's still here, providing one of the best levers an employer can pull to create cost savings or increase employee benefits.

The objective has never changed – to provide savings for both employer and employee.

The word 'sacrifice' is dated and misleading, contributing to the lack of take up and perception.

There is no material sacrifice, it is an exchange. Gross salary is reduced, and take-home pay is either maintained or increased because of the exchange.

Either employers cut costs and employees take home more in their pay (and get the correct tax relief at outset) or employers increase their employees' pensions contributions and employees have more going in, month on month. We know this can make over £20,000 difference over 25 years, for someone on a salary of £35,000, for example, helping support pension adequacy.

A rebrand (not just for pension salary exchange) would help present a more dynamic, modern solution for cost control and employee benefits.
Scottish Widows retirement expert, Susan Hope

Even though pension saving is a long-term journey, big short-term falls in investment markets make individuals nervous and perhaps reluctant to contribute more to their DC pension arrangements. This is especially true for younger individuals who would benefit most from paying in more at a younger age.

Like many DC pension funds, with-profits funds invest in a diverse range of asset classes but what distinguishes with-profits funds from other funds is smoothing that aims to reduce the volatility and funds grow at a steady rate. This can help with re-gaining the confidence of individuals who would no longer be exposed to big falls in values. It can also assist with long-term planning as more certain returns will mean you have more of an idea as to what will be the value of your fund when you eventually retire and again hopefully encourage individuals to contribute more before it is too late.
Quantum Advisory partner and actuary, Stuart Price

One concept in the pensions landscape that urgently needs revitalisation is value for money (VFM). In its current form, it is too often treated as a tick-box exercise – something that can be deferred or diluted – rather than a genuine measure of member outcomes. The emerging framework – yet to be finalised and some years from being fully implemented – risks being overly complex and susceptible to manipulation, rather than driving real accountability.

We continue to see employers, often under the guidance of advisers, selecting or retaining master trust providers with long-standing records of underperformance, and the impact on members is not marginal. Some providers being recommended don't even meet the average benchmark, raising serious questions about how VFM is being interpreted and applied in practice.

It's time to return to first principles and not just wait for the new framework to be published. Performance net of fees should already be a central pillar of any VFM assessment. A framework that is transparent, outcomes-focused, and rooted in long-term member benefit would not only elevate industry standards, but can deliver significantly better outcomes for members.
SPP DC Committee member and SEI DC managing director, Steve Charlton

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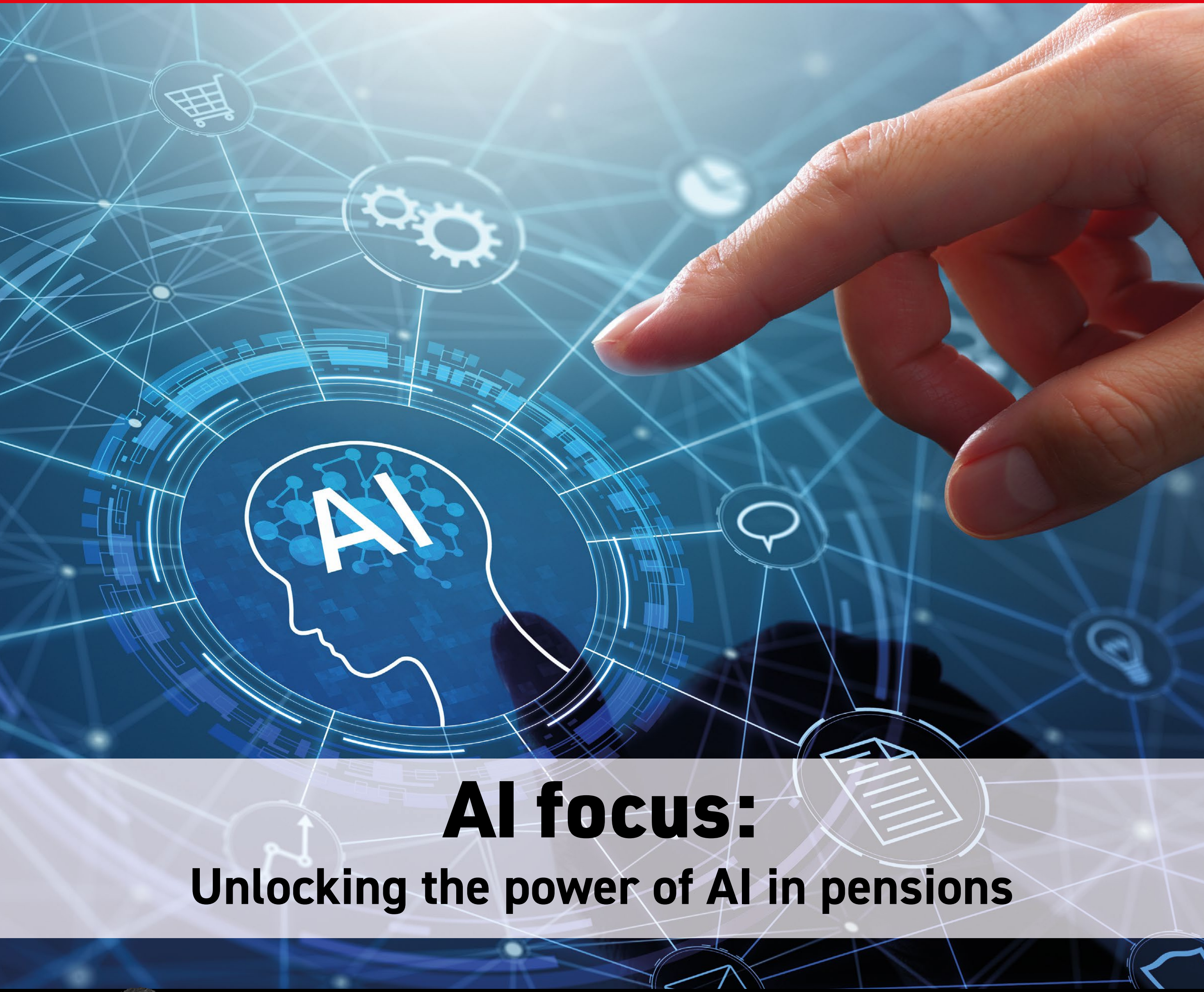
AI's future within the pensions industry: *Capita Pension Solutions managing director, Chris Clements, reveals Capita's vision for AI in the pensions sector* **p72**

Trustees and the AI crossroads: *The industry is transfixed by the potential of AI, but how could this realistically impact the role of pension scheme trustees?* **p74**



AI focus:

Unlocking the power of AI in pensions

Capita Pension Solutions managing director, Chris Clements

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AI's future within the pensions industry

Capita Pension Solutions managing director, Chris Clements, reveals Capita's vision for AI in the pensions sector

Is AI the panacea for pensions? Technology is advancing at an unprecedented pace and for pensions, it has the potential to transform the way we deliver services to our members and clients.

I hear too often in the industry that pensions are complex and need to be looked at differently. Whilst I accept that pensions are one of the most complicated financial products to manage (for trustees, administrators, employers and even members), the potential benefits that AI could bring are enormous. However, it's important that this technology is deployed in the right way and does not become a 'flavour of the month' idea that the industry forgets about when the 'next big thing' comes along.

Our investment in AI

At Capita Pension Solutions, we're investing heavily in 'digital pensions', with AI a part of this investment. AI will be transformational for the industry and free up our most valuable resource, our people, to do what they do best – help our members and clients.

Partnering with technology hyperscalers such as Microsoft, ServiceNow, Salesforce and AWS, we're developing efficient, ethical and impactful solutions that will underpin our operations to support better outcomes for our clients. Living by our principle to use AI to 'amplify humans', we're enhancing roles by removing repetitive tasks and streamlining workflows, so our people are empowered to work smarter and have more time for creative, human-centric tasks.

As Capita's chief AI and product officer, Sameer Vuyyuru, says: "Our strategy is to evolve Capita by building on our strengths and focusing on what we do best. We aim to deliver unparalleled value through technology and human ingenuity, benefiting our clients, people, and society. By transitioning to applied AI, we can achieve significant benefits for our clients, their customers, our people, and investors, positioning Capita as the best implementor of responsible human-in-the-loop AI."

Capita AI Catalyst Lab

We launched the AI Catalyst Lab earlier this year, a dedicated team focused on identifying, testing, and scaling AI solutions that drive measurable business outcomes for both Capita and its clients, including in the pensions sector.
By embedding AI into structured workflows internally, Capita aims to achieve accelerated service delivery, optimised operations, and new efficiencies. The Lab's initiatives are projected to enhance decision-making and improve overall service quality.

AI Apprenticeships

We support our employees in upskilling in AI through various initiatives, including AI apprenticeships in partnership with Multiverse, which have already enrolled over 100 colleagues. We also offer Copilot Bootcamps designed to enhance AI literacy and responsible use of AI tools. These programmes are crucial as they empower employees to leverage AI effectively, driving innovation, efficiency, and improved service delivery for clients.

Pensions & Technology

Why are pensions complex?

Before considering how AI can help, it's useful to recognise why pensions are complex to manage. Very few products or services have the lifespan of a pension, and ultimately it is this longevity that creates complexity. Examples of how complexity manifests itself include:

- Each pension scheme will have a unique set of rules, often with several sections;
- There are many 'tranches' of accrual with different benefits/legislation applying to each;
- Keeping records updated as individuals change jobs, homes, names and other personal circumstances;
- Changes in legislation and policy; and
- Macro world events.

These examples demonstrate that rather than being resistant to AI, the pension industry needs to embrace it – AI has the potential to remove a lot of the complexity of running a pension scheme.

Pensions have been called the 'laggards of tech'. Whilst there is some truth in this, it's not entirely fair. Capita Pension Solutions turned 50 last year and when I reflect on how much has changed over that time, it's clear that the industry has made progress, but too often it has not happened as quickly as it perhaps should or could have done, and, as an industry we've not been pro-active in the way we use technology. Whilst we no longer use manual records and actuaries are no longer calculating benefits on paper, technology should be playing a bigger role in 2025 than it currently does.

The complexity is creating the AI opportunity

It's precisely because of this complexity that AI has the power to become transformational for pensions. Its power is in taking the complex, analysing it, and providing the results in super-fast time. However, I do believe that pensions must take the 'human in the loop' approach – it's too complex to rely on AI alone and pensions are very emotive and personal – they need human interaction.

AI will revolutionise the way pensions are managed. The key benefits will be enhanced efficiency, accuracy, and a much deeper personalised service for scheme members.

The ability to create 'agents' using AI is transforming the way we work across all areas of our business. Below are my thoughts on its future uses.

1. Streamlining administrative processes

AI is being employed to automate routine tasks such as data entry, form processing, and member queries. This reduces human error and frees up valuable time for pension administrators to focus on helping members and trustees. Machine learning algorithms will be used to predict and flag anomalies, helping colleagues with processes and reviewing and summarising scheme rules. We are developing agents to help with:

- automating labour intensive tasks
- autonomous email resolution
- project management
- member interaction

2. A truly personalised experience

AI will help us provide members with a truly personalised engagement experience tailored to each individual. From how information is presented, to recognising vulnerabilities and language selection, AI has the potential to drive better engagement, create personalised modellers and react to changes in circumstances, rather than the generic segmentation that is currently the norm.

3. Enhancing engagement

AI-powered chatbots and virtual assistants are improving communication between the scheme and members. These tools can handle a wide range of enquiries, provide real-time information, and guide members through complex processes. This leads to higher member satisfaction and engagement, as individuals receive timely and accurate support.

4. Predictive analytics for longevity and liabilities

AI has the power to support trustees and advisers in their decision making, making them both quicker and more effective – for example it will be able to predict longevity and other demographic factors that impact pension liabilities. By analysing historical data and trends, AI models can estimate future obligations more accurately, helping pension funds to better manage their financial positions and ensure long-term sustainability.

AI and pensions – a bright future

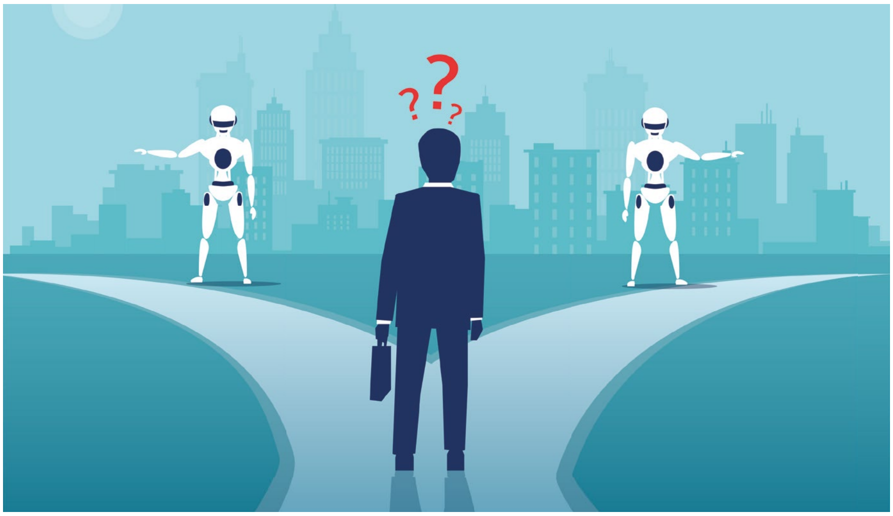
AI has the potential to transform the pensions industry and at Capita Pension Solutions we are committed to being at the forefront of this technological revolution. As AI technology continues to evolve, we can expect to see even more innovative applications that will further enhance the efficiency and effectiveness of pension management – the possibilities are endless.

In conclusion, safe and ethical AI is playing a crucial role in modernising the pensions sector and ensuring its adaptability to future challenges. We are all at the start of the AI journey and we are empowering our colleagues to identify opportunities to use it across the business. I am excited about the journey ahead and the potential of AI to transform the industry, and am personally committed to leveraging this technology to deliver better outcomes for our clients and members.

Written by Capita Pension Solutions managing director, Chris Clements

In association with Capita

Trustees and the AI crossroads



Summary
- A growing number of trustees, and other parties in the pension industry, are already using AI but mostly for back office and administrative tasks.
- Regulators and associations are dedicating more resources to AI and how it could impact the pensions industry, with these being continually published.
- Concerns around AI are less to do with taking trustee jobs, but instead around scams, data security and other similar issues.
- Though AI can support trustees in what they do, the consensus is humans must stay involved due to the empathy they have towards members and their retirement needs.

The industry is transfixed by the potential of AI, but how could this realistically impact the role of pension scheme trustees?

AI is being increasingly discussed in the industry, and across all financial services, with many firms fascinated at what this technology could potentially bring. Last year, The Pensions Regulator (TPR) launched its Digital, Data and Technology Strategy – or DDAT – which set out a five-year plan to renew its capabilities in emerging technology. AI is a key part of this with TPR predicting this could "reshape" the pensions landscape, as it is already starting to impact trustees daily.

"AI presents a unique opportunity to deliver efficiency and improve member experience within pensions; however this has to be using AI to amplify humans," says Capita managing director, Chris Clements. "AI will help automate repetitive tasks, freeing up humans to add value to human-centric tasks.

"Trustee boards of all schemes will be looking at AI integration – administrators and advisors should be discussing their plans with clients, setting out their AI strategy and explaining how it will help create a better outcome for all stakeholders."

This is already playing out. A recent survey by the Society of Pension Professionals showed the majority (87 per cent) of pension professionals confirmed their firm uses AI. Use cases currently include minute taking, transcription, data gathering and research. These are early days though and Independent Governance Group trustee director, Roger Mattingly, sees AI as currently being in the "foothills".

"The potential for it to be used for trustee and governance is huge in terms of member communications, managing risk and detecting bespoke and systemic risks," says Mattingly. "It will morph from here exponentially, I'm sure."

Preparing for AI

Along with its DDAT strategy, TPR is planning to establish a working group with industry experts to help the pensions space unlock AI's potential. TPR DDAT executive director, Paul Neville, says this will focus on providing actionable resources for the industry, and follows its recently launched 'innovation support service'.

"We expect it will remove unnecessary barriers by fostering early, open dialogue between TPR and innovators, concentrating on two main areas: Enhancing administration and member experience – particularly during the decumulation phase – and supporting innovation in investment strategies and new pension scheme models," explains Neville. "A key foundation for this innovation is improving data quality, which we have identified as a top regulatory priority."

The PLSA is also doing a lot of work in this field, working closely with TPR and the government with plans to produce educational resources and guides later this year around AI. Policy lead, Krista D'Alessandro, reveals the PLSA has a dedicated team working on this, and the need for greater education is required given the trepidation she sees in the industry.

"At a recent event I attended, there was a trustee breakfast, and it was interesting to hear a lot of them speak hesitantly about AI," says D'Alessandro. "There are varying degrees of comfort with the technology. From our perspective, AI is coming, and we want to ensure trustees are prepared."

Fear and loathing in pensions

Like with any new technology, AI is being greeted with its fair share of confusion, distrust and even outright fear. Daniela Silcock, director at Daniela Silcock Pensions Research, highlights that trustees are using AI for basic tasks but concerns around confidentiality, accuracy and clarity remain.

"Trustees on the whole are quite a cautious bunch – there's a lot of fear of AI, especially among older people and the majority of trustees are over 50 so change might take a while," says Silcock. "There's a cultural element among trustees who tend to be risk averse."

In agreement is HS Trustees managing director, Bobby Riddaway, who doesn't see trustees as the ones driving AI engagement, but this coming from schemes' service providers.

"The trustee role is to govern the scheme with experience and professionalism, so I don't see AI taking over here," says Riddaway. "I don't think AI will flourish in the foreground – it will in the background with providers of consulting, governance and/or administration services."

Looking to the future

Despite the excitement, it is still unclear how AI will actually integrate with pensions and the role trustees play. In addition, some parts of the industry have been slow to adapt to technology which raises questions about how realistic the AI integration is. Clements sees this as "entirely" feasible and points to the fact many trustees have had to adapt before: "Trustees have always had to consider new ways of working, including how technology can help, and AI will be part of this continuous journey.

"We're just at the start of the AI journey in pensions but we're already beginning to see the benefits. Therefore, I am confident that it will flourish in pensions, helping to remove some of the complexity, but most importantly delivering better outcomes."

Getting to this point will require more than just technological developments, and Neville sees a role to be played for strong information architecture, governance and understanding of the responsible use of AI. Specifically, Neville says the "digital literacy and openness" of trustees will play a key role.

"Trustees, and their advisers, should ensure they continually identify, assess and manage any risks from adopting new technology," adds Neville. "The use of AI should not produce discriminatory outcomes. Any technology adopted by schemes should have clear, appropriate lines of ownership and accountability with a process for decisions and outcomes driven by AI to be contested. It is critical trustees are aware of their cyber and data security responsibilities."

Who's in charge?

AI concerns inevitably bleed through to an erosion of human control and concerns around job losses. Such fears have abated in some areas, and trustees is one such field – instead, there is a growing acceptance that AI will help support trustees in what they do. Some remain wary, and Mattingly argues it is imperative for the government, regulators and industry bodies to stay visible and in control.

"The ability to create a more forward-looking pensions system is huge, but it will require human judgement along the way," says Mattingly. "My plea is for the government, regulators and the pension industry to get together as a matter of urgency and create serious guidelines and protections because this can go one of two ways.

"My nervousness is the threat going forward when it goes to the next level – if thought hasn't been given to this level, then what chance do we have at the next level?"

Administrative tasks are one thing, but an age-old debate about man vs machine has raised questions as to whether or not AI could replace trustees. Experts are not entertaining this and instead argue this will highlight the value human beings bring to a role.

"The human element is key," says D'Alessandro. "Trustees, and their fiduciary duty, are paramount within all of these conversations and in all of our thinking. We have done a lot of thinking about ethical AI and ensuring, with the integration into pensions specifically, it is done with the saver in mind."

The end-saver is key. AI would look at a spreadsheet of members and see numbers, whereas a human trustee would understand each number is a human beings with real retirement needs.

"It's essential to have that human-to-human contact and communication," says Mattingly. "The benefits [of the technology] are there but there can be too much emphasis and reliance on AI, and this needs to be balanced to make sure this does not become a clinical relationship."

However, while Silcock concedes that AI does not have empathy, she objectively asks why this couldn't change one day.

"If you program [AI] correctly it would provide a more empathetic response," says Silcock. "AI could do it better than us. It won't be distracted, have personal biases and so forth. Where do the ethics lie?"

Written by Jon Yarker a freelance journalist

In association with Capita

Richard Poole

Pensions reflections through a legal lens

After a distinguished legal career specialising in pensions and employee benefits, Richard Poole sits down with Francesca Fabrizi to talk about the highlights of his journey, the challenges he has overcome, and his thoughts on the future of UK pensions

Congratulations on your recent retirement after a successful career in pensions. Your most recent role was as Royal Mail legal director, pensions & employee benefits. Please tell us about your professional career to date, and how you got into pensions?

I worked in the oil and the engineering industry before becoming a lawyer. I decided to go to university to study law when the manufacturing work was going offshore. My first seat as a trainee solicitor was in a commercial team that dealt with corporate pensions issues and transactions. Basically, I just fell into it and never left.

My initial interest in pensions started when Robert Maxwell bought shares in the company where I worked at the time (before Royal Mail). The pension scheme – like many others at the time – had a large surplus. I spent the weekend studying the trust deed and rules to see whether he could access the surplus. He moved on to other targets eventually.

What would you say were the biggest challenges you faced over the years?

Finding time to do everything!

The busiest time for the pensions team and our advisers was probably when we were working on the transfer of assets and liabilities to government ahead of Royal Mail's privatisation and then further changes to the pension schemes at the same time. Persuading people in the industry to go for collective defined contribution (CDC) comes a close second. Colleagues at Royal Mail and across the industry deserve a lot of recognition for helping to shift opinion and create the UK's first CDC pension scheme, but of course it would not have happened at all without the hard work of our friends at the Department for Work and Pensions and HMRC.

And what were the biggest highlights?

Looking back, I'm pleased that we managed to secure and then keep the DB scheme going for so long, despite the mounting cost of contributions. It was sad to see it close, but it became unaffordable. There have been too many other transactions to count but I always enjoyed working with our in-house administrators. They have been on the receiving end of multiple changes but always get the job done. They are a great team and do a good job for the trustees.

The CDC scheme is a real achievement, and I am looking forward to seeing whether other employers come up with their own designs. Multi-employer CDC schemes are attracting a lot of interest, as well as decumulation-only schemes. It's good to see industry giving more thought to member outcomes and choices at retirement. People want pensions!

How have you seen the UK pensions landscape evolve over the years?

Improved funding has returned the conversation back to where I started – what to do about pension surpluses. In the background, almost everything else has changed. I'm really pleased to see the industry has become much more diverse at every level. There's more to do, but I think that is very positive.

It's good, also, that contributions to DC schemes are getting a lot more attention. We moved everyone to the top tier of contributions as the default in our DC scheme, which has now closed for the move to CDC. Inertia worked very well then as it did for auto-enrolment. It would be great if we could get contributions up across the UK too.

What do you think we need for the pensions industry to flourish going forward, such as less red tape, more use of artificial intelligence (AI), more industry collaboration, improved financial education and so on?

We all talk about member engagement and how difficult it is to get it right. I don't think that there is an answer that fits all situations. The best engagement is sometimes found when you just stand up in a room and let people ask questions and try to keep it simple. There's not enough time to do a one-to-one with everyone in a large organisation, but group sessions and online presentations can help. Hopefully, AI may help with some of that.

What I would really like to see is a legal duty on trustees of all schemes to ensure that every member gets access to tailored advice at retirement. I just do not understand why this is not more common – I would argue that ensuring members make informed choices at retirement is part and parcel of their fiduciary duty.

Finally, what would you say to a young person thinking about going into the legal and/or pensions profession?

Go for it – it's hugely rewarding, and a lot of fun as well as hard work! You will meet some lovely people, especially in pensions. There are a lot more in-house pension lawyers now than when I started in 1999, so there's a bit more flexibility too.

There are so many people in pensions who will go out of their way to help if you ask them. But, be prepared to help others out when you can too. Pensions is still quite a small industry, and personal relationships are very important when you need to get things done.

Written by Francesca Fabrizi

Summary

- The FCA's proposed red/amber/green 'traffic light' rating system for rating the value for money (VFM) for DC default funds has led to concerns that this may result in default funds 'herding' together into similar investment strategies.
- Herding concerns include asset allocation capacity constraints and dampening innovation.
- There already is a degree of herding within DC default strategies.

VFM: Herding into harm's way?

Laura Blows considers whether the FCA's proposed value-for- money (VFM) rules – specifically its 'traffic light system' – run the risk of DC schemes' default investment strategies herding together

Farming and the UK pensions industry aren't known for their similarities, but they do currently have one thing in common: Managing herding concerns.

But while farmers grapple with the best approaches to herding, the UK DC pensions sector is increasingly worried about herding generally occurring within its default investment arrangements.

But why the concern now? It begins in August 2024. This is when the Financial Conduct Authority (FCA) launched a consultation on its proposed rules and guidance for the value-for-money (VFM) framework for contract-based pension schemes.

This included a suggested red/amber/green (RAG) 'traffic light' rating system within the public VFM disclosure of workplace DC schemes' default investment strategies.

A 'red' assessment will signify poor value and a scheme in danger of wind-up, 'amber' will mean there's room for improvement, and green will signify that the scheme provides VFM.

"Schemes not scoring green could face severe consequences; amber-rated schemes must improve by a deadline and close to new employers, while red-rated schemes must transfer members to better arrangements. Pension schemes will want to do all they can to score green and avoid these serious consequences," AJ Bell head of public policy, Rachel Vahey, warns.

Following the flock

"It has been suggested that the new VFM framework could increase the likelihood of herding. This is because the VFM framework will lead to every default arrangement being assessed, including its investment performance, against three other default funds – two of which must be from large organisations," Aegon UK managing director, investment proposition, Lorna Blyth, explains.

"If there is material underperformance over a period of time still to be clarified, the arrangement could be forced to close to new employers or, if no improvement, wind up and consolidate. This increases the risks of taking an investment strategy that is significantly different from your peers, which could create a stronger herding instinct."

While VFM involves showing that scheme charges are low, service quality is high, and investment performance is consistently good, "a key component is workplace schemes must measure themselves against their peers, other workplace schemes", Vahey says.

"There's a risk schemes will avoid doing things differently, in case they stand out from the crowd and jeopardise their green rating. Instead, schemes are more likely to herd towards uniform offerings lacking distinction," she explains.

While supportive of robust VFM systems, Hymans Robertson head of DC investment services, Alison Leslie, warns that herding may occur in this market if the framework to assess schemes inadvertently promotes some behaviours more than others.

"For example, if the VFM framework is unduly penal to schemes who invest differently and the returns from that investment take time to be achieved. For example, private market investments are, by their very nature, long-term investments and therefore short-term comparisons against private markets may not be appropriate. It doesn't mean one scheme is doing the right thing and one the wrong, the timeframes and investment opportunities are different, therefore the comparisons should not be the same. Care has to be taken when designing frameworks that compare apples with oranges," she explains.

This potential herding may occur in various ways. According to Quantum Advisory investment consultant, Joe Condy, herding may occur through investors replicating the investment strategy of other investors, "out of the fear of making the wrong decision themselves, which may lead to irrational decisions", or by focusing solely on fees and 'herd' to the cheapest available fund options on the market, or to the best performing fund over recent years, "without considering other important factors".

Within DC pensions, 'herding' might involve investors implementing investment strategies that look similar to the competition in their peer group, Broadstone senior consultant, Richard Sweetman, says.

"This might be in terms of the 'design' of the default investment approach, for example the length of the lifestyle glidepath or the type of retirement income being targeted, and also in terms of the asset allocation of the funds being used in terms of the percentage allocated to equities, bonds, private markets etc," he explains.

In a practical sense, herding may occur into asset classes that are perceived as safe or popular, such as government bonds, large-cap stocks, or real estate, the Investment Association senior policy adviser, pensions and institutional market, Imran Razvi, says.

"There's a risk schemes will avoid doing things differently, in case they stand out from the crowd and jeopardise their green rating"

As the Australian 'super' pensions market has been considered an indicator of the direction of travel for the UK DC sector, it is interesting to see that its "small number of very large super funds have, over time, started to converge in terms of asset allocation and investment", Leslie says.

While Australia is "often cited as the international example of where herding takes place", this is "generally at the smaller end of the market where smaller superfunds have tended to align with the industry benchmarks to minimise risk of failure", Standard Life head of investment proposition distribution, Callum Stewart, says.

"From our recent on-the-ground research, we found that larger (i.e. scaled) superfunds were predominately operating in pursuit of best long-term net outcomes," he adds.

Whilst not proposing a mirror framework, the VFM consultation did make reference to the Australian system, LifeSight at WTW head of investment, Andrew Doyle, notes.

However, there are mixed lessons to be learned from that market, he states.

"While increasing scale and rooting out underperformers can help improve member outcomes, this approach has also made Australian providers highly peer-aware, changed behaviours, and arguably stifled innovation to the potential detriment of member outcomes in other ways," Doyle explains.

Razvi also notes that research of other countries, such as the Netherlands and Chile, has found evidence supporting herding behaviour in the asset allocation of pension funds.

Examples can also be found closer to home, with corporate DB schemes, "where the regulatory framework has encouraged de-risking, the use of LDI and ultimately a concentration of DB holdings in parts of the gilt market", he says.

And within DC, "with most workplace default funds currently taking largely passive approaches, there is already a degree of commonality across workplace defaults", Blyth states.

Also, "many providers that have underperformed the peer group in recent years are currently redesigning and re-launching their default funds, with most moving to designs and asset allocations that are closer to those of the top performing providers," Sweetman says.

Condy highlights that "there is such thing as intentional herding i.e. 'follow the leader, leader…'. But spurious, i.e. unintentional herding is also possible, where investors do critically consider their decisions, but end up with the same conclusion".

"One example of the latter is the rise of passive investing in DC pension schemes, particularly equity allocations. Some may call this herding. Some may say that the decision makers recognised that the stock market is highly efficient and beating benchmarks is a very difficult game, with very little success overall. And ultimately, over the past 10 years, this has resulted in good outcomes for members overall. The vast majority of active equity managers have indeed underperformed their benchmarks."

So, as it is already occurring in some form across UK pension strategies and beyond, does the proposed VFM framework potentially increasing investment herding really matter?

Herd mentality

It does, according to Leslie, as systemic risk could inadvertently be created.

"If schemes are invested in one geographical area or in one asset class and the money follows towards that, on any failing in that area, it affects all schemes and all members. You can also create capacity crunches, particularly in private markets, where supply does not meet demand," she warns.

"Herding is a cause for concern because it can lead to market inefficiencies and financial instability. It can result in a concentration of investments in certain asset classes, which has the potential to create market bubbles or crashes due to rapid and unpredictable price movements," Razvi says.

He gives the example of the 2022 gilt market shock, "where the concentration of DB pension funds in the long-dated and index-linked gilt markets resulted in a negative price spiral as many investors sought to exit their positions at once, without there being sufficient demand on the other side to absorb these sales".

"Even if herding leads to investments in 'good' high-quality assets, it can still create systemic risks due to the concentration of funds in a few asset classes. For DC pension funds, herding can result in a lack of diversification, increasing the risk of adverse outcomes during market crises," he adds.

Blyth agrees that herding could drive up valuations, "causing asset bubbles, which could result in widespread impact on returns if these assets face a downturn".

"However, this needs to be seen in the context of global markets, where UK pension fund money is invested alongside other global institutions. It is unlikely that UK DC pension fund money on its own, which the Office for National Statistics estimates at £830 billon, will drive systemic financial risks," she adds.

Even if the worst market impacts of any herding are avoided, "it still implies a reduced degree of investment innovation amongst pension schemes. This is because the incentive to herd, which for example in the UK might be caused by efforts to avoid a red or amber rating, outweighs any benefit to innovating in investment strategies", Razvi says.

"If all pension providers choose the same investment approaches, then all members will achieve the same returns and outcomes – this is fine if returns are good but could be a risk if returns are bad"

The fear of standing out does tend "to result in managers unwilling to back their ideas. It leads to small risk positions and overall leads to average performance for everyone. While this may sound good, the result is that it drives out active decisions and most of the productive finance that the government is driving for investment into needs active management", HS Trustees managing director, Bobby Riddaway, says.

As Sweetman notes, "if all pension providers choose the same investment approaches, then all members will achieve the same returns and outcomes – this is fine if returns are good but could be a risk if returns are bad".

Condy agrees that trustees/providers might fear going out on a limb and seeking value for clients (net of fees) at the risk of looking more expensive in comparison to peers and underperforming cheaper options. "This has the risk of stifling innovation, but on the other hand simple investment strategies that members understand is not necessarily a bad thing," he says.

Riddaway mentions another risk, that if the RAG boundaries are set so that schemes only take on risk or innovation within those boundaries and "they may tone down risk to stay within the boundaries, thus artificially constraining innovation".

How the traffic light system is implemented is therefore likely to be a key factor for whether, and to what degree, investment herding is to occur. Blyth highlights that "if the rules are too draconian, focus too much on short-term performance, and/or have little tolerance for temporary underperformance, the temptation to follow the pack will be higher".

"This could mean greater focus is placed on returns over the short term, with schemes being afraid to innovate. This could result in members receiving the 'average' return, rather than benefiting from an investment strategy which seeks to maximise returns over the long term.

"On the other hand, if the rules are more pragmatic and allow for some departure (underperformance) without any cliff-edge consequences, or if those ultimately deciding on a RAG rating can consider contextual factors such as investing in different asset classes, then the likelihood of herding is reduced," she says.

Reaching new ground

The space for nuance within the rules is required, as schemes' different membership demographics, beliefs and preferences are an important factor when deciding an investment strategy, Condy says.

"If trustees/providers adopt similar strategies, without giving due

regard to these factors, this may cause suitability issues. To mitigate the risk, the framework for assessing VFM should incentivise and reward long-term thinking and differentiated investment strategies that are bespoke to the membership demographic, rather than focusing on cost-efficiency and short-term performance.

"If some element of acknowledging the risk/return features of the design/asset allocation and the provider's objectives for the strategy can be reflected in the traffic light scoring then that would go some way to overcoming the natural tendency to look at headline performance only," he adds.

Particularly as devising an investment strategy is tricky, as Vahey acknowledges.

"Trustees and providers need to walk a fine line between avoiding excessive risk associated with unproven assets, while also making sure they don't take too little risk either. The FCA and DWP need to look again at the proposals to avoid unintended consequences. Adopting a wider range of scores, instead of just three [RAG ratings], would remove the cliff-edge between making the grade and falling by the wayside," she says.

"A more balanced approach, recognising schemes won't score perfectly each year, will encourage them to adopt braver and more innovative investment strategies, as well as different service and support solutions, without the Sword of Damacles hanging over their heads," Vahey adds.

Razvi highlights that "since performance is measured on a relative basis, herding resulting in an outcome where all schemes are rated green would not be helpful to customers in selecting a scheme. That's why we have proposed that schemes should be judged against whether they are delivering on their own stated investment objective, rather than how they compare against other schemes in the market".

While NatWest Cushon director of policy and research, Steve Watson, is very supportive of the government's VFM framework, he would like to see forward-looking returns incorporated into the VFM framework and traffic light system.

"If a VFM framework incorporated future returns, schemes would have more latitude to be creative with their investment strategies. This would drive differentiation: They can be ambitious and more adventurous, particularly with the likes of private market assets," he explains.

The hints so far are that the FCA is carefully listening to industry concerns as to how to implement the VFM framework.

When asked at the PLSA Annual Conference in October if there was scope to evolve the traffic light system, particularly given industry concerns around the stark step between amber and green ratings, the FCA head of asset management and pensions policy, Nike Trost, agreed that there was.

A framework that will drive action is required, she said, adding that "it should be a simple framework, but does it have to be red/amber/green? Not necessarily".

Whatever form the VFM framework may take, "provided the overarching aim and requirements to provide value for members from the investment approach equates to maximising net long-term returns, we believe it will be challenging for schemes to herd around overly cautious approaches," Stewart says.

"This, in our view, could support better focus on net return drivers and collective learning, and this shouldn't be a cause for concern, if the overall aims and outcomes are improved across the industry, and if the regulatory framework supports, rather than stifles, innovation.

"In principle, this may support a positive form of herding over the longer term rather than short term. i.e. in the short term we may expect more innovation, and in the long term we may expect more 'positive' herding as the industry develops consensus views from experience."

Mitigating the negative risks of herding, while maximising value for members? That'll do.

Written by Laura Blows

Striking the right balance

Lynn Strongin Dodds considers how global events and market volatility are impacting investors' decisions between an active versus passive approach

Over the past few years, passive funds have stolen a march on their active counterparts but, as market condition have changed, they are coming back into favour. However, institutional investors are treading cautiously, continuing to focus on cost and their acumen to generate returns across these more turbulent markets.

There is no question though that volatility spikes and uncertainty are the perfect breeding grounds for active managers but, as Hargreaves Lansdown head of fund research, Victoria Hasler, notes, time will tell as to whether they can prove their mettle. "Markets rallying and selling off indiscriminately are tricky in the short term, but the hope is that good managers can use this volatility to better position themselves for the long term," she adds. "At some point, though, we need investors to get back to rewarding the good companies. With markets still very jittery, it may take a bit of time to really tell who the winners are."

One of the biggest changes is the role that geopolitics is playing in investment decisions. In the past, many active managers adhered to Warren Buffet's well entrenched philosophy of ignoring them but this is much harder given the ongoing conflicts in the Middle East and Ukraine, as well as President Trump's vacillating tariff policies.

"For a long time, the wisdom of active managers was that geopolitics did not matter and that the focus should be more on cashflows," says WTW global head of manager research, Chris Redmond. "The real question today is whether it is different this time around? We can't take it for certain that we will return to a rules-based world order."

As a result, there is a sharper focus on both performance as well as "avoiding the blow ups," says TwentyFour Asset Management partner and head of sales, Alistair Wilson. "In the past, managers were able to beat the index more consistently and make bolder choices. That is not the case today and the opportunities are more niche and in different asset classes such as fixed income and multi asset credit."

Royal London Asset Management head of multi asset, Trevor Greetham, echoes these sentiments. He believes that active managers can build resilience to shocks by casting the net more widely when deciding which asset classes to include in a fund. "Active tactical asset allocation between and within asset classes can be particularly beneficial in shorter, more pronounced business cycles," he adds. "Different asset classes offer their best returns at different times. A disciplined model-based framework allows the manager to take advantage of this phenomenon, rather than passively rebalancing exposures."

To date, the asset class that is causing the most buzz in the active sphere is fixed income as well as the ability to align pension funds' objectives with risks in areas such as market structure, credit deterioration, dislocations, sustainability

Summary
- Active management is slowly coming back into favour especially in fixed income and small cap stocks.
- Passive management will continue to dominate large cap equities as it is difficult to beat the benchmark.
- Geopolitics has come into sharper focus due to the impact world events are having on markets.

and dispersion. This is not always the case with index tracking strategies. Also, there has been widespread disappointment with the higher fees and systematic underperformance of many of their active equity cohorts.

Morningstar's Q1 Europe Open End and ETF flows report reflects these trends. It showed that active funds enjoyed their strongest quarterly gain since 2021 and fifth consecutive quarter of inflows. Bond funds led the charge, amassing €264 billion in the past year while equities, which collected €79 billion, accounted for the bulk of the passive inflows. Overall, passive funds continued to grow, comprising nearly 30 per cent of total net assets in Europe, a milestone already surpassed in the US fund market.

"It is very difficult for managers to outperform a benchmark such as the S&P 500," says Morningstar director of research, Monika Calay. "These trackers are widely followed, and investors are using them for their core allocation. Fixed income fund managers adopting active strategies are having a higher success rate due to the changing macro-economic environment."

Invesco head of client investment solutions for EMEA, Georgina Taylor, agrees that attitudes have shifted with the higher rates. In the past, she notes that bonds were seen as largely defensive plays, but fund managers have become increasingly dynamic, taking duration and credit risk to generate additional alpha.

This does not mean the end of active equity management. "One of the problems is that many active managers have been under pressure to keep up with an increasingly concentrated benchmark" Taylor adds. "Now that the benchmarks are less concentrated, active managers have more freedom to express their views and be rewarded for them."

The most interesting prospects are in the smaller cap universe because active managers have a better chance of adding value. This is underscored in Morningstar's US Active/Passive Barometer Report for 2024 which showed this group boasted a 43 per cent success rate compared to their average passive peer and 37 per cent against mid and large cap active managers.

Although the 37 per cent figure represents a four-percentage point increase from 2023, the long-term record of the US large-cap equity active market demonstrates their challenges. Only 7 per cent of these funds survived and outperformed their average passive rival over the decade through December 2024. This contrasts with the 22 per cent and 26 per cent success rates for active mid- and small-cap managers, respectively.

Against this backdrop, it is no surprise that investors are looking beyond the US stock markets which have dominated flows over the past few years due to the strong returns of the magnificent seven – Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla. Different regions as well as sectors are now on the investment radar screen.

For example, State Street Global Advisors managing director and the Europe head of investment strategy & research, Altaf Kassam, points to "Europe as a ripe hunting ground because it is less concentrated than the US and there is more dispersion. On a fundamental basis, active managers should be able to find pockets of opportunity in emerging markets especially among smaller companies. However, in both cases it is not just about stock picking but also looking more at the different sectors and countries in terms of the impact the tariffs will have."

Adoption of active management also differs between defined benefit and contribution schemes, according to Mercer partner and head of UK wealth strategy, Tessa Page. She notes that DC members may not be in the scheme long enough to benefit from active management while the cost pressure is also a significant factor. "Everything in a portfolio has to earn the right to be there," she says. "For DB schemes, there is a greater focus on liability management, and we are seeing a more blended approach between passive and active. It depends on every asset class. For example, you can't be passive in private markets where we are seeing greater interest from pension funds."

Page also believes that pension funds need to do their homework when selecting an active manager "It's important to select the right manager," she adds. "They need to kick the tyres to understand what their process is and whether it aligns with their objectives."

In many cases, there is still a divide between the fundamental stock picker and quantitative manager although there have been moves with varying degrees of success to combine the two. The former involves analysing a company's financial health while the latter relies on data and mathematical models. Whichever path is taken, the goal, according to RBC BlueBay Asset Management portfolio manager, Neil Mehta, is to have access to the best information, separate the good from the bad news, and analyse the policies and politics.

"Active managers should also be more aware of social media and adapt to the new environment," he adds. "However, they should also go straight to the source and have more direct dialogue with policy makers."

Looking ahead, there is a lot of talk about hybrid products such as active exchange traded products and enhanced indexing strategies which systematically capture market returns while aiming to leverage well-rewarded factor premiums for additional benefits. Redmond believes they are more suited to retail investors and that institutional investors will opt for a more balanced mix in terms of styles, risk profiles, and returns.

Written by Lynn Strongin Doods, a freelance journalist

Summary

- LTAFs were first announced in 2021, but it was in 2023 that the Mansion House reforms brought them into realisation.
- The aim of LTAFs was to improve access to investment in illiquid assets not usually readily available to pensions – thereby opening a funding stream for important areas like infrastructure.
- Since Schroders launched the first FCA-approved LTAF, the sector has expanded with over 30 now registered.
- New launches are emerging all the time, including those with a specific focus on areas such as the climate or innovation.
- In spite of concerns related to illiquidity, with the increase in scope of LTAFs and the reassurance of a sound regulatory framework, these vehicles look set to become a mainstay of scheme portfolios.

LTAFs: The new kids on the investment block

The beginnings of the Long-Term Asset Fund (LTAF) only go back to 2021, yet their popularity is undeniable. Sandra Haurant finds out what the future holds for this new vehicle

The beginnings of the Long-Term Asset Fund (LTAF) go back to 2021, when the Financial Conduct Authority (FCA) announced that this new category of open-ended fund would bring about efficient investment in long-term, illiquid assets, such as private equity, private debt, real estate and infrastructure. Today, there are dozens of LTAFs on the market. But while they began to take shape a few years before, it was the 2023 Mansion House reforms that saw the creation of the LTAF in its current form, says WTW's associate director, private markets, Toby Seely. "At that stage, LTAFs were particularly targeted at DC pension schemes – which had historically found it challenging to access certain asset classes – in order to boost UK pensions savings."

The first LTAF approved by the FCA was launched by Schroders in March 2023, and its primary focus was providing DC investors access to a wider range of the firm's private assets capabilities. On its launch, Schroders' head of UK institutional DC, Tim Horne, said: "Private assets have the potential to help DC investors achieve their aims of a good outcome in retirement. The LTAF regime has been specifically designed to provide a regulated fund structure that provides a framework to invest into these assets."

It's a new vehicle, but already a popular one, says WTW's Seely. "Initial uptake has been strong, with many large DC schemes increasing their allocation, while seeking greater diversification and inflation-linked returns," he says.

And the trend looks set to continue. "Recently, a number of large workplace pension providers have signed the Mansion House Accord, expressing an intent to invest up to 10 per cent of growth assets in private markets by 2030, with half of that allocated in the UK, demonstrating momentum in increased private markets allocations," he says.

So far, so good?

There are already many ways in which LTAFs have made access to private assets simpler for DC pensions, says Schroders' UK institutional client director, Ryan Taylor: "The ability to allocate across a range of asset classes including venture capital, private equity, infrastructure, real estate, private debt and natural capital, and provide an element of liquidity required by DC schemes, has made them the solution of choice for most pension schemes."

So, just what is it that works well for pensions? "There are a number of factors that have appealed to pension trustees when deciding to use an LTAF to access private assets," says Taylor.

"First and foremost, has been the range of investment options available for them to choose from."

Seely agrees, adding that this broadening of range brings with it the benefit of diversification and the potential for protection from inflation.

"Assets like infrastructure and real estate can offer long-term stable cash flows that hedge inflation risks. Private equity allows investors to benefit from larger parts of a company's growth journey than public markets," he says.

Then there is the perennial question of fees, which are, says Seely, "generally lower for LTAFs than creating a diversified portfolio of primary fund commitments". Using co-investment can drive fees down even further, he adds. What's more, access to LTAFs via trusted fund platforms is improving too, making it increasingly simpler for DC schemes.

Perhaps one of the more comforting aspects of LTAFs is that they come under stringent regulation. "LTAFs are regulated by the FCA, and hence fall under the same consumer protection awarded to more common pension fund structures," says Taylor.

Regulatory framework is reassuring for trustees, regulators and end savers, he says, comprising as it does of "an FCA-authorised structure with built-in governance, liquidity management and valuation processes".

It's not just DC schemes that have moved towards LTAFs, Taylor says: "The semi-liquid nature has also appealed to some corporate DB pension schemes with several years to end-game, and who still desire the characteristics of private assets, but in a more liquid structure than they have perhaps allocated to historically."

Built-in flexibility

Structural flexibility has become one of the prime benefits of the LTAF but, according to Seely, there are trends emerging in the shapes adopted by providers.

These include evergreen structures which, Seely says: "Allow for ongoing subscriptions and redemptions (subject to notice), which align well with DC schemes' need for daily pricing and periodic liquidity." The feeder fund model is also popular – here, managers create "feeder structures" which allow for investment through existing platform arrangements.

LTAFs may also be built as multi-asset or single-strategy vehicles.

"Both of these are available and serve different needs. Single asset-class vehicles focus on providing exposure to the distilled features of the given asset class focus e.g. private equity's focus on accessing unlisted investment opportunities, participating in the growth journey of a company through value creation and providing higher risk and return characteristics," Seely explains.

"Infrastructure might focus, on the other hand, on assets that provide yield-like cashflow dynamics, may have some form of asset backing or government funding and sit lower down the risk/return spectrum."

The liquidity question

While LTAFs can't offer daily liquidity, a quarterly liquidity structure offers redemption windows at given times (with notice periods), and these elements are becoming standard, Seely says.

Indeed, as Taylor points out, one of the great benefits of LTAFs is "the liquidity provided by the quarterly dealing cycle, which fits in with the pension scheme's operational processes such as fund rebalancing and life-styling, and so on".

And, Seely says, most LTAFs have a "liquidity mechanism", whereby they "hold a portion of assets in a highly liquid asset type, whether that is cash, money market funds or listed equities".

What's more, he adds: "DC schemes, particularly large master trusts, can utilise the semi-liquid nature redemption terms that some of these vehicles offer, to ensure liquidity is carefully managed across their portfolio," he says. "This is something which is not easily achieved if accessing illiquid assets through a conventional drawdown fee model where capital can be locked up for 10 years or more."

Still, the question of illiquidity is one that needs consideration; it can cause understandable concern among trustees. "Despite safeguards, LTAFs may face pressure if redemption demand spikes during market stress and liquidity mechanisms are not adequately managed," Seely says. "Education by providers is extremely important to ensure investor understanding."

The future for LTAFs

Where next for this burgeoning fund? Platforms are already making it simpler to get into LTAFs, and Taylor thinks this trend will continue. "The ease with which LTAFs can be added to provider platforms and included in the default strategy for most DC pension schemes means that LTAFs will be the preferred solution for investing in private markets over the next 12 months," he predicts.

And as demand grows, so too will choice. The FCA fund register shows more than 30 LTAFs in operation today, and Seely believes there will be many more LTAFs, with a push for those focused on "specific themes such as energy transition, social infrastructure, or blended finance". In fact, Schroders now has three LTAFs aimed at pensions, one with a focus on renewables, one on climate and one on UK innovation. And in April this year, Scottish Widows, too, announced plans to launch a new open-architecture LTAF.

Still, given the lack of track record so far, Seely acknowledges that there is work to do. "As a relatively new structure, trustees may remain cautious without in-depth data on performance, liquidity and investor experience," he says.

LTAFs look set to become a mainstay of pension schemes' strategies even so, Taylor says: "As well as the investment opportunity, the ability to provide consistent reporting across a range of asset classes and support trustees with their climate and de-carbonisation targets will make them a natural fit for most schemes."

Written by Sandra Haurant, a freelance journalist

A matter of trust

A recent survey has revealed a 'concerning' decline in public trust of the pensions industry. *Pensions Age* asks: What is needed to improve people's perception of the pensions industry?

I'm in my 20s and work in the pensions industry, and I see the trust gap up close – not just in data, but in conversations with friends and peers. Most of them switch off the moment pensions come up. It's not apathy, it's disconnection. The way we communicate just isn't cutting through.

We talk about engagement like it's a tick-box – more statements, more log-ins, maybe an explainer video. But that's not enough. Real engagement means relevance. Younger people want to know how pensions fit into their actual lives – alongside student debt, saving for a deposit, or building some financial security.

If we can't show how pensions support those goals, they'll stay at the bottom of the priority list. And if people don't see value, why would they trust the system? It's not about dumbing things down, it's about making it meaningful.

Trafalgar House client relationship associate, James Milan

The pensions industry has never had a good image. Wendy Cope in her take-down of poets claimed: "They're mostly wicked as a ginless tonic and wild as pension plans." The annual changes in public trust as recorded in recent survey results look statistically insignificant, but the public has never been enthused by pensions. It sees the pensions industry as a riot of acronyms and abstract nouns delivered by anoraks if you're lucky and spivs if you're not.

However, the public does see pensions as important. This makes for a good base for improving trust. If we can learn to express ourselves and the benefits we offer more clearly, and put up better guardrails against get-rich-quick schemes, we may not glitter in the public's imagination, but we can give the burnished glow of copper-bottomed safety.

These are not new challenges for the pensions industry, but they are challenges that we have yet to meet. We need to work on this.

However, we should not be downcast that pensions don't have a glamorous image. We should be aiming for steadiness. Let poets aspire to be mad, bad, and dangerous to know.

Zedra client director, Alastair Meeks

To address the decline in public trust, it is essential that savers are well supported to understand and engage with their savings.

The responsibility lies both with the industry to communicate in an accessible way and with members to engage with their savings and have a clear understanding of the choices available to them for retirement. Developments, such as dashboards, will facilitate this by providing features like estimated retirement income for all the schemes a member may have been part of over their career.

Moreover, the industry must keep pace with consumer trends and the growing appetite for digital services and clarity. Ensuring the accuracy and efficiency of the information provided will further bolster trust. By embracing, and catching up with these changes, the pensions industry can foster a more transparent and engaging environment for savers, ultimately improving their perception and confidence in the system.

Isio head of trustee services, Andrew Goddard

To build and maintain trust, the industry must focus on being accessible to consumers and encourage meaningful engagement. This includes providing relevant education and guidance at the right times, particularly where customers are non-advised, and being there when customers need us most. Pensions are often perceived as complex, so the industry needs to go the extra mile to keep things as simple as possible, cutting out jargon and helping individuals understand the key points.

The pensions landscape has dramatically shifted with the introduction of auto-enrolment and pension freedoms. The government also makes frequent changes to pensions tax rules, which can also lead to a lack of trust in the stability of pensions. But by guiding customers through ongoing changes, the industry can build trust, and support individuals to make informed decisions about their financial future.

Aegon pension director, Steven Cameron

The introduction of pension dashboards is a watershed moment. If executed well, these dashboards will revolutionise trust in pensions by automating the tracking of old pensions, freeing individuals from this lifelong burden. However, dashboards should be part of a comprehensive strategy to enhance education and engagement in pensions – a shared responsibility for the government, employers, and the pensions industry.

Secondly, the expansion of collective defined contribution (CDC) pensions through master trusts marks a significant leap forward. This innovative design offers private sector workers much-needed confidence about likely amounts and longevity of their retirement incomes, in exchange for their DC savings. Crucially, CDC pensions will relieve pensioners from making complex financial decisions about their savings during retirement. These advancements promise to bolster trust and provide greater security and clarity for pension holders, paving the way for a more stable and predictable retirement landscape.

Finally, it is essential to limit future changes to pensions. The annual speculation about changes to pension taxation undermines public trust. The government must endorse our current system to provide certainty to the public.

Aon head of UK retirement policy, Matthew Arends

Public trust in the pensions industry will only improve when providers consistently put the needs of savers first – with action, not just words. We believe transparency, simplicity, and efficiency are essential to restoring public confidence.

One of the central issues is pension transfers – a fast-growing feature of the DC pensions market. As people accumulate multiple pension pots throughout their working life, driven by auto-enrolment and more frequent job switching, they then seek to simplify their pension savings through consolidation.

Many consumers are facing pension switching delays, damaging trust and the reputation of the financial services industry, and harming consumers. Many providers still use outdated, paper-based processes, leading to transfers that can take months, or even years.

We don't accept that this is just 'how pensions work'. If banks can switch current accounts in seven days, there's no reason why the pensions industry can't do better than the current status quo. Legacy providers must modernise, embrace digital solutions, and be held accountable for their performance. Legislation needs to drive this outcome.

Consumers expect and deserve better from the industry entrusted with their hard-earned retirement savings. That starts with treating them as valued customers and removing unnecessary friction from their pension journey.

To rebuild trust, the industry must show – not just say – that it is on the side of savers.

PensionBee chief business officer UK, Lisa Picardo

As an industry, there are real opportunities to improve the service we provide to the membership. The standards and turnaround times should be improving year on year but, in truth, have they really improved dramatically decades on decades? The average levels provided to scheme members has to improve. You only have to look at the press every weekend and there are always pension issues cited in the comment sections of various newspapers or criticism of the industry.

The industry has done a fantastic job of working together to combat pension scams, and this has to continue, but are there additional opportunities to bring the learnings from that success to better engage with members? There has to be a better way for the industry to effectively monitor performance for accuracy rather than just turnaround times. We have to be better at communicating with members, beyond the statutory requirements.

AI has its benefits, and I expect dramatic leaps forward in the future, but for now, would you rely on it to give correct and sensible advice? We are the experts in the field, and our knowledge and experience can answer both the questions that members ask and also give responses to questions they simply don't know they should be asking. Doing this as a matter of routine does ensure that we seek and gain trust from members.

Only by providing excellent service to members, communicated in the right way, at the right time, can we really change the perception they have of the pensions industry.

Cartwright Pension Trusts pensions consultant, Rob Chandler

Pensions history

Perspectives differ

America's great hymn to freedom, the Star-spangled Banner, celebrates the 'Land of the Free'. It was written to commemorate US military heroics – but in a war it started with the invasion of Canada. Perspectives differ.

And perspectives differ too on the suggestion that government should mandate pension fund investment in UK private markets (such as infrastructure) if voluntary commitments under the Mansion House Accord fall short of expectations.

In the early 1980s, with the prospect of a change of government, some large pension schemes were so fearful of interference in their investment decisions that they took advice on what they could do to mitigate the possibility. Most private sector employers which offered pensions then did so through final salary schemes. As PAT's Ross Goobey collection illustrates, they were only too aware of the impact of their investment policy on the cost and sustainability of the scheme, and commonly altered trust deeds containing restrictions on permitted investments to remove these restrictions and to extend the range of investments that the scheme might invest in.

Members of defined contribution schemes whose benefits are directly affected by the success or failure of scheme investments may have a similar mindset. It is one thing to decide to invest in a particular asset class as part of a balanced portfolio, but quite another to be told to do so. Or is using 'our nation's wealth to build an economic future for UK citizens' 'benefit' the right way to go? It all depends on your perspective.

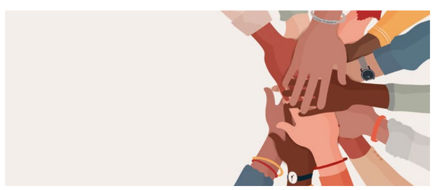
www.pensionsarchivetrust.org.uk/ourcollections

Pensions Archive Trust director, Jane Marshall

The bright side

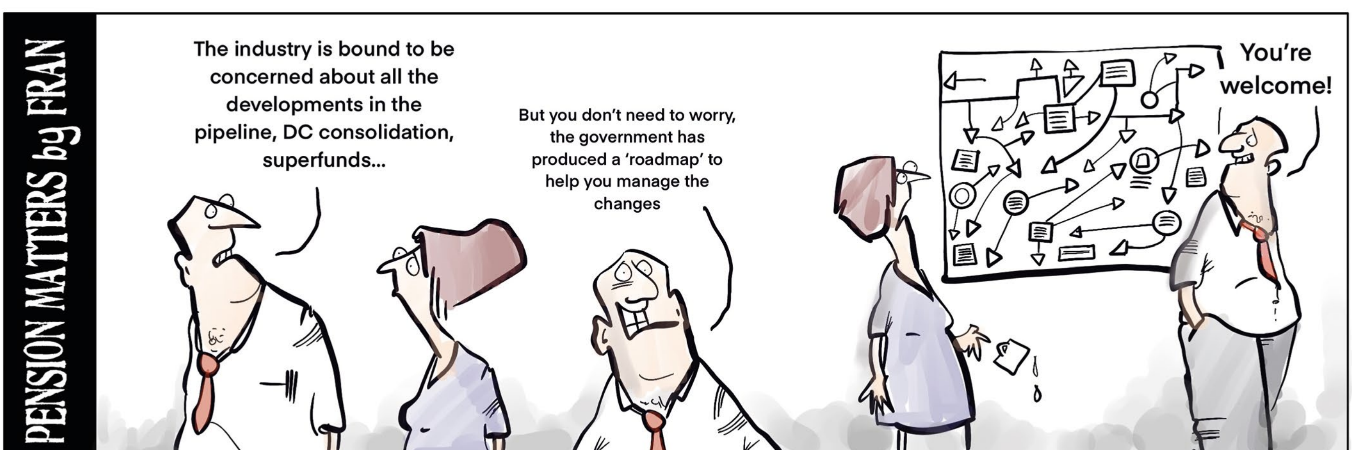
***Pensions Age* takes a closer look at some of the recent good news stories in the pensions industry...**

Phoenix Group marked Mental Health Awareness Week, emphasising the importance of the subject, and highlighting the work they're doing to help support their employees. Mental Health Awareness Week is an annual UK event that takes place from 12-18 May, in an effort to raise awareness about mental



health and promote positive wellbeing.

Dalriada Trustees partnered with Heka, an artificial intelligence (AI) tracing specialist, to locate previously untraceable victims of pension scheme fraud. Heka partnered with Dalriada to identify the contact details, life status, and next-of-kin analysis for previously untraceable victims for one scheme, with this work completed in just under two weeks. Work is now commencing for two other schemes Dalriada is working with, which are also eligible to receive compensation after the fraud compensation fund established that the members suffered material loss from fraud or dishonesty.



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Salary: Dependent on experience

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