M&As
Will the increase in M&As mean more progress or more problems?

Scheme governance
How trustees are ensuring schemes comply with the fast pace of changing regulation

Scams
The slow progress in changing the tax treatment of pension scam victims

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May 2023

PENSIONS Age

The leading pensions magazine

INSIDE:* *DC and Master Trust Guide 2023

Case study: *The RSA pension schemes' record-breaking £6.5 billion buy-in*

Working through the red tape

With so many industry reforms in the pipeline, why does actual action seem so slow?

INSIDE: Pensions Age Awards 2023 Winners Brochure

Editorial Comment

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

It felt apt that while working on this rules-and-regulations-themed issue of *Pensions Age*, I received a fine for my own spot of rule breaking.

Not for any criminal activity, I hasten to add; I just forgot to pay the toll for the Dartford Crossing. Congestion and sadly a pile up on the A1 resulted in my running late and forgetting to go online and sort the charge.

That delay may have cost me, but I hope the industry's own rules-related hold-ups do not result in a price to pay – monetary or otherwise.

"TPR is right in its recent urging to trustees not to lose focus on the data quality while waiting for the revised pensions dashboards timelines"

Our cover story this month *[see page 59]* notes the many reforms in the pipeline and the glacial pace of progress in implementing some of them. It cites concerns over resources for those spearheading the change and differences in opinion between regulators and government that can slow regulatory improvement.

And still, the delays keep coming. Just recently, The Pensions Regulator's (TPR) *2023/24 Corporate Plan* revealed a delay in the launch of the new DB Funding Code, from October 2023 until April 2024 *[see page 10 for more details]*.

While the DB Funding Code does at least still have a launch date in mind, there is no such luck with the pensions dashboards. Speaking at our Pensions Age Spring Conference, Pensions Dashboards principal, Chris Curry, confirmed there were no dates yet for dashboards' launch following its reset *[you can read more about our event in the June issue of Pensions Age]*.

With no date on the horizon, I recently heard concerns that dashboards may run the risk of being overtaken by technological advancements and changing saver behaviour. For instance, through the use of open banking, dashboards risk being old-fashioned before they even launch.

However, I doubt the reset will be that long, or that people's behaviour will change quickly enough, for that to be the case. Yet, TPR is right in its recent urging to trustees not to lose focus on the data quality while waiting for the revised pensions dashboards timelines.

After all, it's not as though there hasn't been a deluge of other rules and regulations in recent months to bed in, which may result in a 'out of sight, out of mind' mentality to dashboards from those managing pension schemes. Our page 48 feature explores just how trustees are managing to cope and comply with regulations, despite this considerable pace of change.

I appreciate the tendency to avoid a task until the deadline starts to weigh heavy overhead (for instance, I'm writing this very comment as the magazine is going to press and I simply can't put it off any longer). However, with the amount of change up ahead and their potential to create a capacity crunch, a sense of urgency needs to remain despite the slowed down/paused timelines to some upcoming regulations.

The delays to some much-needed reforms are not ideal, but they are the right thing to do if the result is meaningful change once launched, which does not require subsequent tampering – the last thing we want is more red tape. Just don't do a me and forget to do vital tasks while you wait. It'll cost ya in the long run.

Laura Blows, Editor

COVER FEATURE

Theme:
Rules and regulations

59

Working through the red tape

There are a number of ambitious plans set to transform both DB and DC pensions, yet progress for some has stalled. Gill Wadsworth explores how well the government and regulators are making their way through the processes required to achieve their goals

Features and columns

News, views & regulars

Continued on page 6

Features & columns

Continued from page 5

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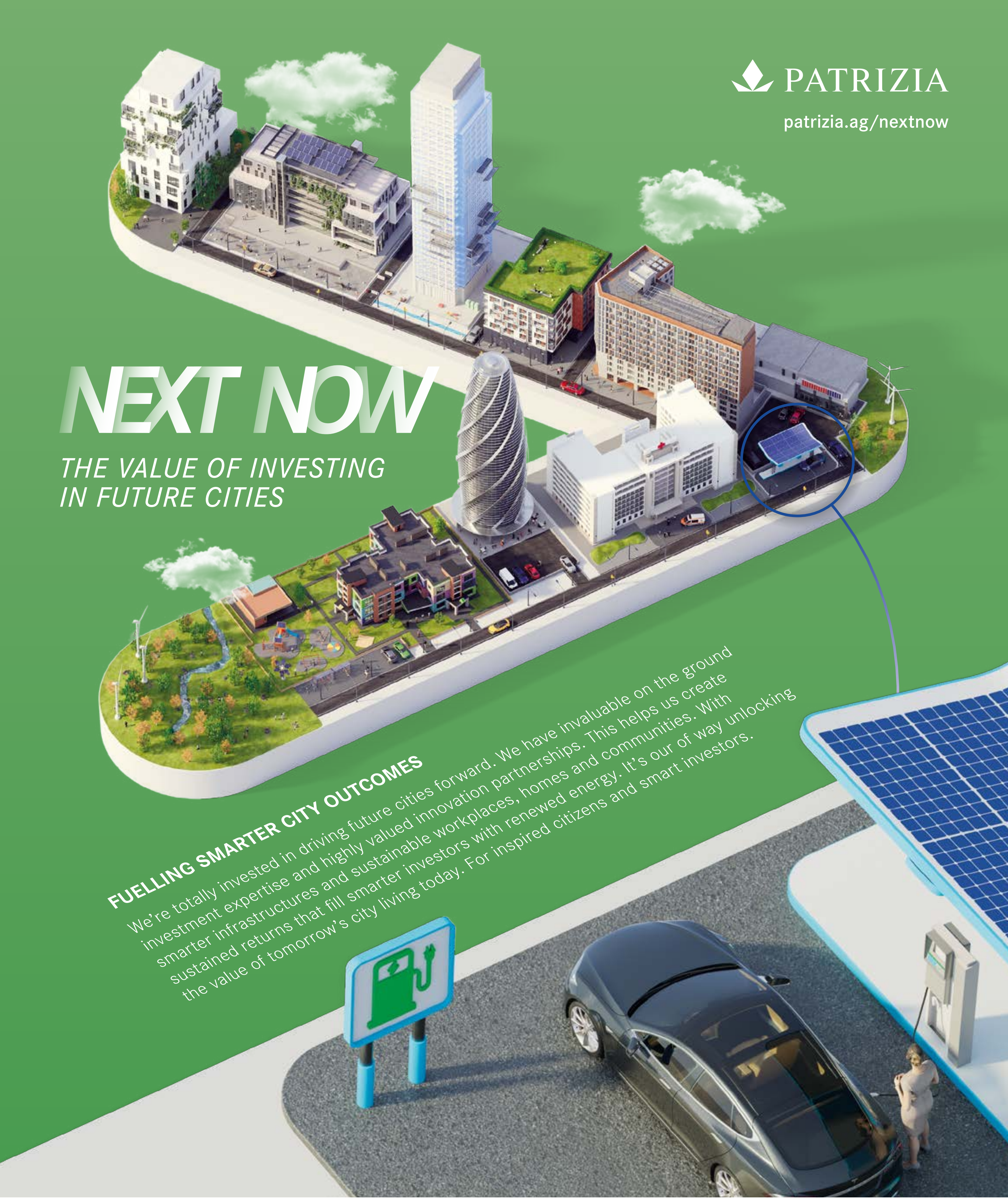
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Dateline - April 2023

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

3 April The Institutional Investors Group on Climate Change announced the launch of the **Net Zero Engagement Initiative**, which aims to support investors in aligning more of their investment portfolio with the goals of the Paris Agreement.

3 April BT Pension Scheme Management rebranded as **Brightwell** and announced its first external fiduciary management deal with the DB section of the EE Pension Scheme.

3 April Work and Pensions Committee chair, **Stephen Timms**, wrote to Pensions Minister, **Laura Trott**, to seek further updates on the steps being taken following issues around liability-driven investment (LDI) in late 2022.

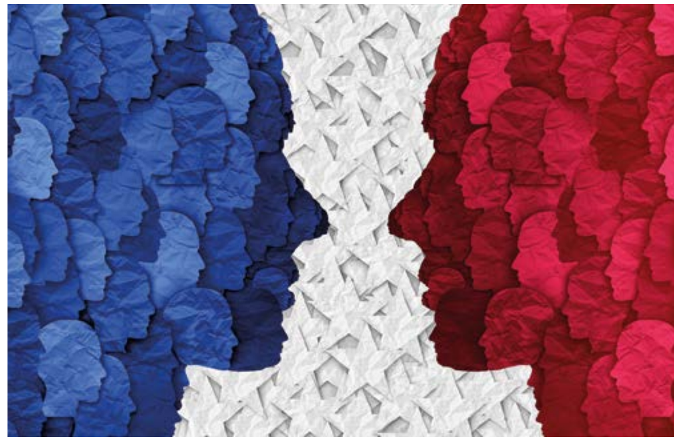
4 April Arthur J. Gallagher & Co completed the acquisition of the partnership interests of BCHR Holdings, Buck.

5 April Broadstone agreed to acquire UK-based actuarial and financial services consultancy, OAC PLC, for an undisclosed amount.

5 April The **Financial Conduct Authority** (FCA) published its *Business Plan for 2023/24*, confirming plans to accelerate four areas of its work over the next 12 months through further investment and increased resources, given the "changing economic picture".

10 April The **state pension** increased by a record-breaking 10.1 per cent, rising from £9,628 per year to £10,600 per year.

12 April The **Department for Work and Pensions** revealed plans to expand its mid-life MOT scheme, with more than 3,000 workers in Devon and Cornwall expected to benefit from the extended offering. Capita has been appointed to run the programme in Devon and Cornwall.



13 April Plans to abolish the lifetime allowance (LTA) were branded a "£1bn bung" by **Labour Deputy Leader, Angela Rayner**, after analysis from Labour suggested that working people with average earnings would have to work for 400 years before they would benefit from the tax cut. The analysis, based on data from the Office for National Statistics, showed that the average person approaching retirement age has an average of £107,000 in their pension funds, 1/10th of the amount they would need to have to benefit from the changes in the Budget.

13 April The **British Steel Adviser's Group** has dropped its legal challenge against the FCA decision to set up a redress scheme for former British Steel Pension Scheme members *[further details on page 15]*.

13 April The Pensions Regulator (TPR) authorised the UK's first collective DC (CDC) pension scheme, the Royal Mail Collective Pension Plan, in a "landmark moment" for UK pensions *[further details on page 10]*.

14 April TPR warned trustees of schemes with 100 or more members that enforcement action may be taken against them if they fail to publish their statement of investment principles or implementation statement.

15 April Chancellor, **Jeremy Hunt**, said that Britain's pensions industry is in need of "big reform" to ensure savers are getting good returns on their pension investments, according to reports by *The Telegraph*.

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

17 April University and College Union revealed that its members voted "overwhelmingly" to move ahead with pension proposals agreed with scheme employers, in a "historic victory" for the union *[further details on page 17].*

19 April A **coalition of eight pension investors** shared guidance for companies on how to take a 'meaningful approach' to including workers' voices at board level, including the potential use of workforce directors.

19 April An update from the **Office for National Statistics** revealed that the Consumer Prices Index rose by 10.1 per cent in the 12 months to March 2023, down from 10.4 per cent in February. While some industry experts highlighted the dip as welcome encouragement that inflation can be kept to manageable levels by the end of the year, concerns over the impact of "eye-watering" levels of inflation have persisted after inflation failed to fall to single-digit levels.

20 April The **Institute for Fiscal Studies** announced plans for a comprehensive pensions review, in partnership with the Abrdn Financial Fairness Trust, after research raised concerns around the "substantial risks" facing future generations of pensioners *[further details on page 16].*

20 April Speaking at the PMI's DC and Master Trust Symposium, **TPR** interim director of regulatory policy, analysis and advice, Louise Davey, urged trustees not to lose focus on improving data quality, despite the recent pensions dashboards reset.

21 April TPR's *2023/24 Corporate Plan* revealed a delay in the launch of the new DB Funding Code, from October 2023 until April 2024. TPR's Corporate Plan also stressed its commitment to value for money, warning that those schemes that can't provide good value for money must "improve or leave the market" *[further details on page 10].*

24 April TPR and the **FCA** published updated LDI guidance, following market volatility in autumn 2022 *[further details on pages 12-13].*

26 April HMRC repaid a total of £48.5m to people who overpaid tax when they flexibly accessed their pensions in Q1 2023, pushing the total repayments since the introduction of pension freedoms in 2015 past £1bn. HMRC confirmed that, from 1 January to 31 March 2023, HMRC repaid a total of £48,550,827, more than double the £22,317,529 repaid in the same period in 2022.

26 April The **Work and Pensions Committee's** call for evidence on DB pension schemes closed, receiving responses from a range of industry organisations and associations. Industry responses identified a number of potential areas for reform, with a number of orgnisations arguing that changes to the current regime are needed. The Association of Consulting Actuaries, for instance, said that, without radical change, it was sceptical that the DB regulatory framework will allow open schemes to 'thrive'. Similar concerns were raised by the Association of Professional Pension Trustees, with chair, Harus Rai, emphasising the need for the new DB Funding Code to support long-term investment for open schemes.

28 April The **Treasury's** consultation on the Long-term Investment for Technology and Science (Lifts) initiative closed *[further details on page 14].*

News focus

DB Funding Code delayed; CDC scheme authorised

The past month has seen a number of key regulatory updates, including the assessment and authorisation of the UK's first collective defined contribution pension scheme, the Royal Mail Collective Pension Plan (RMCPP). However, other areas have seen delays, with the DB Funding Code launch pushed back by six months

The Pensions Regulator's (TPR) *2023/24 Corporate Plan* has revealed a delay in the launch of the new DB Funding Code, from October 2023 until April 2024.

The new code aims to improve TPR's ability to ensure that savers in DB schemes get the money promised to them and enhance its ability to protect savers.

TPR previously suggested that the code was set to launch in October 2023, although industry experts argued that this timeline was "ambitious", with calls for the regulator to therefore delay the code.

The Pensions Minister also recently confirmed that the timing for the DB funding regulations would be somewhat dependent on an update from the Work and Pensions Committee, in order to reflect any recommendations around liability-driven investments (LDI).

Industry experts welcomed the delay, with Pensions and Lifetime Savings Association (PLSA) head of DB, LGPS and investment, Tiffany Tsang, arguing that this confirmation was "the optimum outcome for DB schemes, something the industry has been lobbying for".

She continued: "Not only will this extension allow for the minutia of the regime to be calibrated, it will also give schemes the much-needed time to prepare and carefully consider how they will comply. Although there is greater flexibility in the draft code, DB schemes should be given more latitude over how to define maturity and on the requirements of schemes as they approach low dependency.

"Not all DB schemes are the same, some are open, some are closed and all are at different levels of maturity, and not all employer covenants are the same.

"Therefore, it is important for the final regime to fully recognise this and allow schemes the ability to take different – perhaps even riskier – approaches where appropriate."

In addition to the update on the DB Funding Code, TPR emphasised its commitment to value for money in its *Corporate Plan* for 2023/24, warning that those schemes that can't provide good value for money must "improve or leave the market".

In line with this, TPR highlighted ongoing work with the Financial Conduct Authority (FCA) and the Department for Work and Pensions (DWP) to develop a value for money framework as a "key priority" for the year ahead.

It also confirmed that it will take regulatory action where needed, such as where schemes do not undertake value for member assessments or where unremedied shortcomings are revealed, and will look to step up its engagement with administration providers.

Alongside this, TPR confirmed that it is looking to lay the foundations for a significant increase in addressing quality outcomes in DC schemes, as well as increase its attention on tackling scammers through the Pension Scams Action Group.

Value for money also remained a focus looking longer term, as TPR confirmed that it plans to work with the DWP to explore options for better protecting value at decumulation for members of defined contribution schemes, highlighting this as demonstration of its commitment to enhancing the value for money savers receive.

The regulator also said that it will look to assess the feasibility of mandating that a professional trustee sits on each board or accrediting or authorising professional trustees, in order to lay the foundations for work with the DWP to progress the most suitable approach.

TPR chair, Sarah Smart, highlighted the latest *Corporate Plan* as demonstration of how TPR will continue to deliver on its commitment to protect saver outcomes, by pushing hard for ever-higher standards of trusteeship and governance and by fighting to beat scammers.

She continued: "A key theme in the plan is that we – working with our partners – expect schemes to provide good value for money. Those that can't, must improve or leave the market.

"We will continue to work closely with our partners and maintain a robust focus on our core activities that drive compliance with regulations."

The *Corporate Plan* also included plans to deliver a number of regulatory regimes for the assessment, authorisation and supervision of new models, such as DB superfunds and multi-employer collective DC (CDC) schemes.

This comes hot on the heels of TPR's authorisation of the UK's first pension scheme, the Royal Mail Collective Pension Plan (RMCPP).

Minister for Pensions, Laura Trott, highlighted the authorisation as a "landmark moment", arguing that this is "just the beginning".

"We have seen the positive effect of these schemes in other countries and our plans to extend our CDC framework will enable more pensioner savers to achieve the retirements they want," she continued.

Applications for CDC schemes officially opened in August 2022, after the Pension Schemes Act 2021 first introduced an authorisation and supervision regime for CDC schemes.

Under the regime, applicants are required to show they meet stringent criteria, including that those who run the scheme meet fitness and propriety requirements, have the right systems and processes in place, can show the scheme is financially sustainable and have robust member communications.

"We will ensure the industry has adequate time and the necessary technical information to prepare for any revised connection deadlines"

In related news, TPR has provided an update on its environmental, social and governance (ESG) non-compliance initiative, warning trustees of schemes with 100 or more members that enforcement action may be taken against them if they fail to publish their statement of investment principles (SIP) or implementation statement (IS).

TPR previously confirmed that it will be checking whether trustees of schemes with 100 or more members have published a SIP and IS as part of this compliance check, warning that fines of up to £50,000 could be imposed where the trustee is a corporate body.

The regulator also asked for trustees to provide a web address to their SIP and IS since 2022.

However, of the 220 DC schemes that should have provided a web address, only 180 did so. Of the 40 that did not, in the majority of instances, either the web address for the SIP and IS were missing or the addresses given did not work.

"This is a basic requirement and it's a vital way of trustees demonstrating they are protecting savers' retirement outcomes from risks," TPR executive director of frontline regulation, Nicola Parish, stated.

"We are monitoring the situation and expect to see compliance improve."

In the blog update, Parish also called on trustees to ensure they were aware of its expectations, warning that trustees failing to consider financially material ESG factors may be putting savers' pensions at risk.

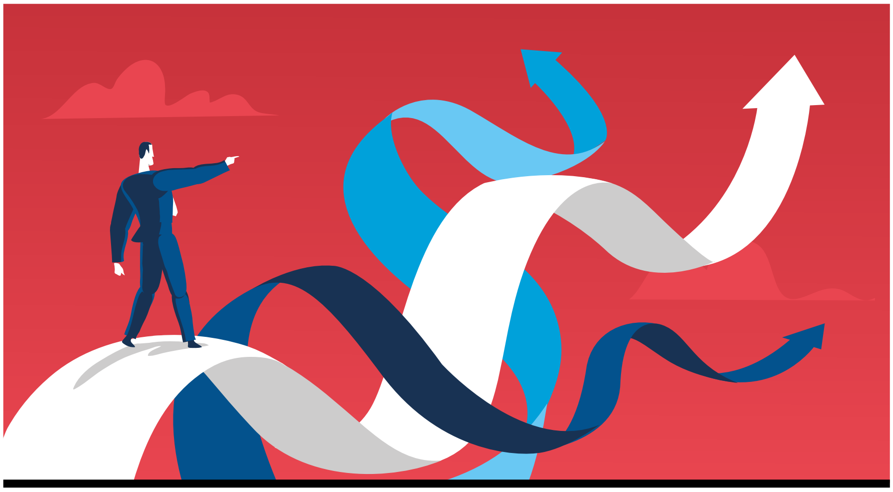
Parish also emphasised that TPR wanted to continue to improve the quality of trustees' governance and reporting of climate-related risks and opportunities.

"Most trustees appear to have made a reasonable effort to comply and have adhered to the spirit of the disclosures," said Parish.

"We expect reporting to evolve and improve as industry gains experience and data and analytical techniques develop.

"We will continue to support trustees in meeting our expectations, including producing updated covenant guidance relating to defined benefit schemes this year, which will include information on assessing climate impact on employer covenant."

Written by Sophie Smith and Jack Gray



TPR provides updated LDI guidance following 2022 market volatility…

The Pensions Regulator has published new guidance on the practical steps trustees should take to manage risks when using leveraged liability-driven investments (LDI), following market volatility in autumn 2022. The guidance is in line with previous recommendations from the Bank of England's Financial Policy Committee. The update from the regulators marked the latest in the LDI-saga, as industry professionals begin to look ahead at the future role that LDI can play in pension schemes' portfolios

The Pensions Regulator (TPR) has published new guidance on the practical steps trustees should take to manage risks when using leveraged liability-driven investments (LDI), following market volatility in autumn 2022.

In its guidance, TPR confirmed that it expects trustees to only invest in leveraged LDI arrangements that have put an appropriately sized buffer in place, clarifying that this must include an operational buffer specific to the LDI arrangement to manage day-to-day changes, in addition to the 250 basis points minimum to provide resilience in times of market stress.

TPR's new guidance also outlines specific steps trustees should be taking when investing in LDI, including where LDI fits within a scheme's investment strategy, testing for resilience, and setting, operating and maintaining a collateral buffer.

In particular, TPR emphasised the importance of having the right governance and controls in place to reduce risks, and to be able to react to events quickly, urging trustees to make sure there are processes in place for monitoring resilience.

It also said that trustees should understand what monitoring their advisers or the LDI managers perform routinely and put in place mechanisms to ensure they receive necessary and sufficient information to understand and be able to react to risks.

Although TPR acknowledged that LDI is technical in nature and trustees will need input from advisers, it clarified that trustees should also take steps to ensure that those advising or supporting them have the appropriate knowledge and experience to do so, and put the right controls in place around their services.

TPR interim director of regulatory policy, analysis and advise, Lou Davey, stated: "Many schemes use LDI as a tool to mitigate volatility risks and we continue to monitor the use of this type of investment. The unprecedented market volatility seen last September clearly demonstrated there is the need for stronger buffers, more stringent governance and operational processes and more oversight by trustees.

"Trustees must understand the risks they carry in their investment strategy, and only use leveraged LDI if appropriate. Our guidance provides practical steps to ensure they achieve this vital balance, and we expect trustees to use it."

Alongside TPR's update, the Financial Conduct Authority (FCA) published a series of recommendations for asset managers designed to increase resilience of LDI funds.

The guidance, which provides an update on the interim guidance previously shared by TPR, is in line with previous recommendations from the Bank of England's Financial Policy Committee (FPC), which urged TPR to take action "as soon as possible" to mitigate financial stability risks by specifying the minimum levels of resilience for LDI funds and LDI mandates in which pension trustees may invest.

Written by Sophie Smith

...Alongside updated LDI guidance from FCA

The Financial Conduct Authority (FCA) has also published guidance around risk management and operational arrangements for liability-driven investment (LDI) managers so that they can address risks to market integrity. The FCA also said it will continue to work with regulatory partners on implementing any further guidance issued by other authorities

Alongside The Pensions Regulator's updated guidance, the Financial Conduct Authority (FCA) has published a series of recommendations for asset managers designed to increase resilience of liability-driven investment (LDI) funds.

The report identified a number of "significant deficiencies" in the management of risk, including stress testing and scenario planning, stating that LDI managers are expected to complete and embed "as a matter of urgency", all necessary improvements to their operating practices.

In particular, the FCA said that it expects LDI to satisfy themselves that the choice of investment is suitable for the investor in the context of their intended outcomes and wider arrangements.

In addition to this, it confirmed that LDI managers should make any necessary changes to their operations to enable clients to be able to deliver collateral to their LDI vehicles within five days or sooner.

Furthermore, where this isn't possible, the FCA suggested that other liquidity measures should be put in place on these funds to reduce risk, such as buffers.

FCA executive director, markets, Sarah Pritchard, stated: "We have been clear that asset managers must take the necessary steps so that their LDI portfolios are resilient to future market volatility.

"Since September last year, we have been closely monitoring asset managers using LDI strategies as they make improvements and the sector is now much more resilient to potential risks, but there is more to be done.

"This guidance sets out what we expect in terms of risk management, stress testing and client communication, so that the necessary lessons are learned from last September's extreme events"

"This guidance sets out what we expect in terms of risk management, stress testing and client communication, so that the necessary lessons are learned from last September's extreme events. Many of these lessons will be relevant to firms beyond the LDI sector."

Industry experts have broadly welcomed the updated guidance from the FCA, with XPS Pensions Group highlighting a "clear theme of greater accountability" throughout the decision-making chain in relation to LDI.

"A higher bar is being set," XPS Pensions Group chief investment officer, Simeon Willis, stated, continuing: "It's clear that a siloed approach from investment manager or investment adviser, narrowly focused on their own role alone, is insufficient to meet expectations.

"Everyone involved in the decision chain should be demonstrating that they are considering the suitability of the investment for the end investor and the resilience of that investor's overall arrangements.

"This means LDI managers will need to be asking questions about what a client is trying to achieve by investing in the LDI fund, so it can satisfy itself and evidence that the fund is the best approach all round."

Adding to this, Isio investment advisory partner, Tim Barlow, highlighted the FCA's encouragement for asset managers to better understand their clients' liquidity waterfalls, and to ensure operationally clients are able to deliver collateral to their LDI vehicles within five days or sooner, as particularly pleasing.

"This is likely to lead to more schemes consolidating their LDI and collateral assets with a single manager, which in our view is ultimately a simpler, better and more cost-effective solution than many schemes currently have," he continued.

"We are also pleased to see that the FCA expects managers to have established a crisis response protocol which explicitly covers resourcing.

"The resourcing issues many LDI managers experienced during the crisis exacerbated the problem as it meant schemes were often required to make decisions with little or no information. Improvements here are critical to help schemes navigate the next crisis, whatever that may be."

Written by Sophie Smith

Chancellor says pension industry in need of 'big reform', as focus on productive investment grows

Chancellor, Jeremy Hunt, has said that Britain's pensions industry is in need of "big reform" to ensure that savers are getting good returns on their pension investments, confirming that work is underway to address these concerns. Despite the growing calls for UK pension schemes to support UK growth and private market investments, industry organisations have challenged the implied assumption that UK pension schemes, particularly DC, will be ideally placed to invest in these opportunities

Chancellor, Jeremy Hunt, has said that Britain's pensions industry is in need of "big reform" to ensure that savers are getting good returns on their pension investments, confirming that work is underway to address these concerns.

According to *The Telegraph,* Hunt suggested that DC schemes in particular will provide the "biggest opportunities to unlock investment into high-growth British industries".

The Chancellor also revealed that GlaxoSmithKline chairman, Jonathan Symonds, is currently providing informal advice on the best way to get higher returns on DC pension investments, and has joined the Chancellor's council of economic advisers, alongside four other economists.

According to *The Telegraph,* Hunt pointed to the pension systems in Australia and Canada as examples, explaining that the superfunds in these countries have the ability to make large-scale investments in a range of assets, compared to the UK's larger number of smaller schemes.

"Countries like Australia and Canada have found a way of making sure that they get better returns by consolidating their pension fund industry in a way that makes it easier for them to invest in unlisted and potentially higher growth vehicles and that's the thing I think needs to be worked on," he continued.

Hunt was also asked if pension schemes should be forced to invest in the stock market, as opposed to safer but potentially less rewarding bonds.

Commenting in response, Hunt stated: "It's not something I would instantly be comfortable with, because I think one of the strengths of the City is that we give financial institutions complete freedom to invest where they think they will get the best returns for the people whose money they're looking after.

"But we're looking at all these issues. My concern is that pensioners and future pensioners are not getting the returns that they could expect."

Hunt also previously argued that it would be "critical" to unlock DC pension fund investment in his Spring Budget earlier this year, with a consultation on plans for a Long-term Investment for Technology and Science (Lifts) scheme, which will aim to support DC investment into "innovative UK companies", currently underway.

However, the Association of Consulting Actuaries argued that the expectation that UK pension schemes, particularly DC schemes, can quickly and easily invest in technology and science venture capital is "concerning".

In its response to the Treasury's consultation on the proposed Lifts initiative, the ACA warned that it will take time for appropriate vehicles with the required liquidity and operational structures to develop, and for governance bodies to assess their quality and suitability.

The association clarified that while removal of performance fees from the DC change cap is helpful in removing some cost barriers, it does not mean that fees have gone away.

Written by Sophie Smith

British Steel Adviser's Group drops BSPS legal challenge

The British Steel Adviser's Group has dropped its legal challenge against the Financial Conduct Authority's decision to set up a redress scheme for former British Steel Pension Scheme members. Work around the BSPS was also highlighted in the *Wider Implications Framework Annual Report 2022*, as an example of the collaborative approach taken by the financial services regulatory family

The British Steel Adviser's Group has dropped its legal challenge against the Financial Conduct Authority's (FCA) decision to set up a redress scheme for former British Steel Pension Scheme (BSPS) members .

The FCA previously pledged to "vigorously" defend the scheme after the legal challenge was first made by a number of pension advisory firms, branding the action as an "attempt to delay the payment of redress that is due to some former BSPS members".

Under the scheme, over 1,000 customers who received unsuitable DB pension transfer advice are expected to receive redress, in an effort to put savers back in the financial position they would have been in had they not transferred.

The FCA therefore welcomed the decision to drop the legal challenge, reiterating its view that the challenge was "without merit".

The FCA stated: "This challenge has, in our view, been pursued unreasonably with little intention to go to trial so we are also pleased BSAG has agreed to make a substantial contribution to our costs. We have publicly warned and taken action against certain BSAG firms for making unsolicited offers to former BSPS members.

"Under the redress scheme, firms have to review the advice they gave former BSPS members to transfer out and pay redress to those who lost money because the advice was unsuitable."

The broader financial services regulatory family also recently highlighted the work to support former members of the BSPS as an example of its collaborative approach over the past year, stating that it is "proud" of the work undertaken on this.

The comments were included in the *Wider Implications Framework Annual Report 2022,* which looked to reflect on the first year of the refreshed framework, highlighting key achievements and changes that may be made going forwards.

The Wider Implications Framework was re-launched in early 2022 as a means for members of the financial services regulatory family, including the Financial Ombudsman Service, Financial Conduct Authority, Financial Services Compensation Scheme, The Pensions Regulator, and Money and Pensions Service, to work with each other on issues that could have a wider impact across industry.

In particular, the report highlighted seven issues that have benefited from the structured collaboration across the regulatory family, with the report stating that members are "proud of the work that has been done on these".

Work around the BSPS was one of these seven areas, given recent efforts to ensure consumers who were unsuitably advised to transfer out of the BSPS and suffered losses as a result receive fair redress, particularly considering the reluctance of former scheme members to complain.

"This challenge has, in our view, been pursued unreasonably with little intention to go to trial so we are also pleased BSAG has agreed to make a substantial contribution to our costs"

The report stated: "The members acknowledge that BSPS is ongoing and work is in progress, and are constantly sharing insight and adapting to new developments. Many steelworkers who were unsuitably advised to transfer lost life changing amounts of money and have been reluctant to complain.

"The consumer redress scheme will help to ensure that steelworkers who received unsuitable advice but who are reluctant to complain can access redress and members have worked together to ensure the process is as streamlined and accessible as possible."

Written by Sophie Smith

IFS announces plans for major pensions review

The Institute for Fiscal Studies (IFS) has announced plans for a comprehensive pensions review, in partnership with the Abrdn Financial Fairness Trust

The Institute for Fiscal Studies (IFS) has announced plans for a comprehensive pensions review, in partnership with the Abrdn Financial Fairness Trust, after its research raised concerns around the "substantial risks" facing future generations of pensioners.

The multi-year review will look to examine the effects of changing economic conditions and public policies on the future of financial security in retirement, including how these effects differ by gender, ethnicity and across the UK.

It will be led by three IFS directors, Jonathan Cribb, Carl Emmerson and Paul Johnson, with a series of reports to be shared over the next two years, before the main phase of the review concludes in summer 2025 with the group's concrete recommendations and options for reform.

The review will also receive input from a steering group, with members including former Chancellor of the Exchequer, Alistair Darling, former Secretary of State for Work and Pensions, David Guake, and former Pensions and Lifetime Savings Association (PLSA) chief executive, Joanne Segars.

Plans for the review were announced following concerns that recent policy successes could have "blinded" policymakers and industry to the risk that future generations will not fare as well, with concerns that too many are saving too little for retirement.

The research from the IFS revealed that 60 per cent of middle-earning private sector employees who are contributing to a pension are saving less than 8 per cent of their earnings, and nearly 90 per cent are saving less than the 15 per cent of earnings previously recommended by Lord Turner's Pensions Commission.

In addition to this, the IFS noted that almost all of this saving is coming in the form of defined contribution (DC) pensions, which leave individuals, rather than their employers, exposed to risks that may be difficult to manage well.

The IFS warned that those retiring with DC pots face considerable difficulty and risk in managing their finances through retirement, with risks around running out of private resources or savers being so cautious that they have a needlessly austere retirement.

The IFS also pointed out that an increasing number of those approaching retirement live in more expensive, insecure, private rented accommodation, warning that this could lead to a combination of a disappointingly low standard of living in retirement and/or greater reliance on housing benefit.

The review will also consider the impact of changing demographics and longevity trends, as the IFS noted that whilst higher state pension ages are a coherent response to the challenges of increased longevity at older ages, they pose difficulties for many.

The report also clarified that longevity improvements have not been as big as predicted a decade ago, warning that the higher the state pension ages rise, the harder it will be for some to remain in paid work until that age.

Specific concerns were also raised in relation to self-employed workers, as the IFS revealed that fewer than one in five of the growing number of self-employed workers are saving in a pension, compared to around a third when the Pensions Commission reported.

Given these concerns, IFS director, Paul Johnson, emphasised that "a fresh look at the UK retirement saving environment is long overdue".

He continued: "The past decade or so has seen state and private pensions deliver much better outcomes for many pensioners. But there is a risk this has bred complacency among policymakers.

"Automatic enrolment has brought millions into workplace pensions, but all too often at much lower rates of saving than the Pensions Commission thought would be needed. Despite the number of self-employed people growing considerably, many fewer of them are saving in a pension."

Adding to this, Pensions Review steering group member and Abrdn Financial Fairness Trust chair, Alistair Darling, said: "Whilst today, many pensioners are doing well on average and pensioner poverty has been cut drastically, we need a major review to avoid a future where too many won't have enough to live on in their old age."

Written by Sophie Smith

UCU members vote to back USS pension proposals

Issues around university pensions have made significant progress over the past month, after union members voted "overwhelmingly" to move ahead with pension proposals agreed with scheme employers

University and College Union (UCU) members have voted "overwhelmingly" to move ahead with pension proposals agreed with scheme employers, in what has been highlighted by the union as a "historic victory".

UK universities have faced 'unprecedented' strike action in recent years, following concerns that changes to the Universities Superannuation Scheme (USS) could result in a 35 per cent cut to members' DB pension.

Initially tabled in 2021, the changes to the USS scheme were agreed in 2022, following concerns that the deficit recorded in the 2020 valuation could result in "unaffordable" pension contributions for both employers and employees.

However, the latest monitoring update from the USS trustee revealed that restoring benefits to pre-April levels will cost less than employers are currently paying into the scheme, with UCU and Universities UK (UUK) having since agreed to prioritise this work.

In light of this, UCU held a two-week electronic consultation in which over 35,000 UCU members voted on the employers' commitment to prioritise the restoration of retirement benefits, with 85 per cent of members voting to move forward with this work.

Given this, the union has withdrawn the marking and assessment boycott at universities in the pension dispute.

Commenting on the news, UCU general secretary, Jo Grady, stated: "UCU members in their 10s of thousands have voted overwhelmingly to move forward with pension proposals agreed with employers, which will pave the way for the restoration of benefits.

"When we launched our pensions dispute, university vice chancellors doubted us, and government ministers criticised us.

"We were told it was impossible to win back a stolen pension but today UCU members have proven that it can be done, and we have taken a giant step towards a historic victory that will change lives."

Written by Sophie Smith

NEWS IN BRIEF

Broadstone agreed to acquire UK-based actuarial and financial services consultancy, OAC PLC.

The trustees of the **Deutsche Bank DB (UK) Pension Scheme** completed a £400m bulk purchase annuity buy-in with Aviva, securing pension scheme benefits for nearly 1,300 members.

The **Department for Work and Pensions (DWP)** invested around £4m to expand its mid-life MOT scheme, with over than 3,000 workers expected to benefit. As part of the extension, the DWP will be collaborating with private suppliers, appointing Capita to run the programme in Devon and Cornwall.

BT Pension Scheme (BTPS) Management rebranded as Brightwell and announced its first external fiduciary management deal with the DB section of the EE Pension Scheme. Alongside its new trading name, Brightwell will be opening its pensions management services to other DB pension schemes.

Arthur J. Gallagher & Co completed the acquisition of the partnership interests of BCHR Holdings, Buck.

A **coalition** of eight pension investors launched guidance for companies on how to take a 'meaningful approach' to including workers' voices at board level.

Several pension schemes announced plans to vote against the re-election of **BP** chair, Helge Lund, over concerns about changes to BP's climate commitments, including: Nest, Brunel Pension Partnership, Border to Coast, Local Government Pension Scheme Central and Universities Superannuation Schemes.

Sackers shared updated environmental, social and governance guidance for scheme trustees.

Appointments, moves and mandates


Tim Coulson

Canada Life has appointed Tim Coulson as managing director of bulk purchase annuities.
Coulson, whose appointment is subject to regulatory approval, will report to Canada Life chief executive, Lindsey Rix. He has spent many years working in financial services, most recently at Just, where he developed and led their DB de-risking business. Prior to this, he spent time at UBS, Paternoster and Prudential. "This is a really exciting time to join the business and take on a new challenge," Coulson commented. "I am eager to get stuck in and drive strategic direction at a time when the market demand for buy-in and buyout solutions is growing significantly."

Independent Governance Group (IGG) has appointed two new associate directors.
Katherine Ball and Vanessa Roberts join the group with nearly 50 years of combined experience across trusteeship, corporate sole trusteeship and scheme secretarial roles. The appointments mark the next step in IGG's growth, after Ross Trustees and Independent Trustee Service merged to create IGG in February, before acquiring Clarity Trustees in March. IGG CEO, Andrew Bradshaw, stated: "With an increasing focus on pensions and retirement, 2023 is set to be a year of significant change in the pensions world, meaning the need for excellent governance has never been so important. Their skills across governance and secretariat services will support our existing work on scheme governance well, and I can't wait to work alongside them as IGG continues to grow."


Simon Katte

LifeSight, WTW's DC master trust, has appointed Simon Katte as client relationship director.
Katte will be responsible for managing existing client relationships as well as taking on new clients. He joins from Legal & General Investment Management, and will report to LifeSight UK head, Jelena Croad. Prior to this, he held management and CRM roles at Wealth at Work and the Financial Conduct Authority. "We are thrilled to have someone with Simon's client relationship experience joining our team as we continue to invest in the high levels of service and engagement that clients and their members receive from LifeSight," LifeSight UK head, Jelena Croad, commented.


Kieran Harkin

Redington has announced the appointment of Kieran Harkin as managing director in its investment consulting team.
Harkin brings more than 20 years' experience supporting both DB and DC pension schemes, joining the team from Mercer, where he was head of Local Government Pension Scheme (LGPS) investment, advising funds directly, as well as overseeing the broader market proposition. Prior to this, he held a range of senior positions at firms including JLT, KPMG and PWC. In his new role, he will play a key role in the ongoing development of the firm's investment consulting capabilities.

The Pensions Administration Standards Association (Pasa) has appointed Heywood Pension Technologies as its expert partner for digital admin, the renamed eAdministration Working Group.
As part of the partnership, Heywood will lead the working group in creating guidance and content on 'what good looks like' for savers, trustees, and administrators, to help encourage the delivery of "robust and reliable" pension solutions. Pasa chair, Kim Gubler, also highlighted the repositioning of digital admin as demonstration of the importance of digital functionality to Pasa's future strategy. "The group will be developing best practice on how technology can be adopted to improve the saver experience, as well as exploring the impact of compliance within a digital environment," she continued. "Heywood is perfectly placed to lead the Pasa working group in creating clear guidance and content on 'what good looks like' for savers, trustees and administrators." Adding to this, Heywood chief operating officer and Digital Admin Working Group chair, Sian Jones, stated: "We're looking forward to creating thought leadership and leading the conversation on how all schemes and administrators, regardless of size, can deliver robust and reliable pension solutions by understanding and making best use of the technology available to them. Heywood and Pasa share a common vision to provide data-driven and technology enabled solutions for all workplace pensions. Data is imperative to the digital admin journey and Pasa has championed improving data across the industry for many years. We're excited to build on the improvements that have been, and continue to be, made by demonstrating how digital admin can move the industry and schemes into the future and improve savers' experience, engagement and efficiency."

DC master trust the National Pension Trust (NPT) has appointed Hub Financial Solutions to provide tailored support to its members taking key financial choices in the run-up to retirement.

The NPT is a multi-employer master trust run by XPS Pensions Group, while Hub is the corporate solutions and advisory subsidiary of Just Group. The NPT said that the need for guidance was "clear", pointing to research from Unbiased that found one in five people do not know how much they have saved in their pension and one in six over-55s have no pension savings. It hopes that the appointment of Hub will help its members achieve better retirement outcomes. Hub provides members that are accessing their pension savings with retirement guidance and support through a telephone helpdesk and Guided Annuity Service. These services will be offered to the NPT's 59,000 members across 178 employers.

Commenting on the appointment, NPT head, Paul Armitage, stated: "We know that retirement is complex for people and that they need help and support to make the most of their hard-earned pension savings. That's why we've teamed up with Hub Financial Solutions to help our members achieve better retirement outcomes through high-quality information and guidance, support from trained specialists and access to the most competitive annuity rates. We ran a rigorous selection process during which Hub Financial Solutions impressed us with their expertise, commitment to innovation and scalability." Adding to this, Hub director, Adrian Cooper, said: "We are looking forward to working with NPT now and in the years ahead to help many thousands of its members to a more secure and prosperous retirement."

Chris Martin

LCP has announced the appointment of Chris Martin as a principal.

Martin will lead LCP's data services team, with a focus on helping pension schemes prepare their data for successful insurance de-risking transactions. He joins as an actuary from WTW, where he has worked since 2010, spending the past six years as a data specialist in their project and data solutions team. In his new role, Martin will work closely with LCP's longevity de-risking team to help schemes get insurance-ready. "I'm excited to work closely with LCP's longevity de-risking team to deliver our clients a holistic service which will help them meet their objectives and ultimately achieve a successful endgame," he commented.

Stuart Bradbury

Broadstone has appointed Stuart Bradbury as its head of corporate services.

Bradbury initially joined Broadstone last year as a senior actuarial director and head of the firm's advisory business in Manchester, and has 20 years of industry experience. His appointment was announced shortly after that of Martin Speakes as a senior DC consultant. Speakes brings over 25 years' experience within the workplace savings and pensions industry, joining from Wealth at Work, where he was national business development manager. Prior to this, he also held senior roles at Fidelity International, Prudential and Guardian Financial Services.

Hymans Robertson has announced the appointment of three new equity members and eight partners.

Karen Fraser, Julie Hammerton and Paul Waters were promoted to the role of equity member, alongside eight promotions to partner: Darren Baillie, Christine Cumming, Nick Ford, Dan McMahon, Iain Pearce, Philip Pearson, Rob Sharp and Julie West. Commenting on the promotions from across the firm, Hymans Robertson senior partner, Jon Hatchett, stated: "Each of our colleagues who has been promoted will help lead our firm and build on its long history. More importantly, they will help us continue to fulfil our purpose – together, building better futures. We have chosen to promote colleagues from teams directly looking after clients, as well as those supporting our clients indirectly through keeping our business running smoothly."

Paul Kitson

EY has appointed Paul Kitson as a new partner to lead its UK Pensions Consulting business.

Kitson joins after a decade at PwC, where he was a UK partner advising some of the largest corporates and pension funds on a range of specialist areas. Prior to this, he was a managing director at Nomura, having started his career at actuarial advisers, WTW and Aon Hewitt. Commenting on his appointment, Kitson said: "I look forward to driving solutions that add value to pension funds, members and their corporate sponsors by supporting DB benefit schemes achieve suitable endgame destinations and encouraging growth in DC funds."

Soapbox: Putting trust in trustees

Speculation over the potential measures that the government could take in an effort to secure greater investment in British companies and infrastructure has grown over the past month, as think tanks, providers and various industry associations weigh in on the debate.

Recent comments from Chancellor, Jeremy Hunt, have been a key development in this, as Hunt suggested that the UK pensions industry is in need of "big reform" to ensure that savers are getting good returns on their pension investments. In particular, Hunt said that DC schemes will provide the "biggest opportunities to unlock investment into high growth British industries", pointing to the pension systems in Australia and Canada as examples of the benefits of consolidation in delivering large-scale investments in a range of assets.

These comments are perhaps timely given the different groups looking for a slice of the 'UK pension pie', as the government has faced growing pressure to encourage greater investment in specific areas.

The Capital Markets Industry Taskforce, for instance, recently argued that there is 'substantial opportunity' to deploy pension capital into UK economy, while former Pensions Minister, Ros Altmann, called on the government to require UK schemes to support green growth, infrastructure, and climate and nature protection.

The Chancellor's comments shone a new light on the issue, raising concerns that a reluctance to invest in these areas could be costing savers if pensioners and future pensioners are not getting the returns that they should expect.

Yet many in the industry remain wary of the push towards investment in UK companies and venture capital, with specific concerns raised around the illiquidity associated with private market investments, and mixed views on the true impact of recent changes to the regulatory charge cap.

And whilst these comments are timely given recent debates within the industry, these messages do not always translate in the same way to savers and wider public.

As context is lost, national headlines warning that pension schemes are not delivering good returns on savers' money risk damaging public faith in the industry further.

At the same time, savers face an increasing number of TikToks and Instagram videos encouraging them to opt out of pension saving altogether, and instead go direct to the stock market themselves, in an effort to reach these promised higher returns. Add in a cost-of-living crisis, and the idea of saving into a pension seems less and less favourable from a saver perspective.

Often when we are discussing the need to put trust in pension scheme trustees, it is in the context of savers, but it might be more apt to ask the government to have a bit more trust in those running these schemes. Pension schemes do have vast amounts of money at their disposal, but growing the economy and ensuring that the UK remains a competitive investment opportunity is surely the best way to naturally attract schemes' investment.

Written by Sophie Smith

VIEW FROM THE ACA: Long-term Investment for Technology and Science

Last month we provided feedback to the Long-term Investment for Technology and Science (Lifts) initiative and noted that when selecting investments, scheme governance bodies need to be confident that their investment arrangements will meet fiduciary duties and ensure that the best outcomes for pension scheme members can be delivered.

If Lifts meet scheme objectives and prove to be capable of offering attractive risk-adjusted long-term returns net of all costs and charges, when weighed up against alternatives, they will certainly have a place.

However, we raised several concerns:

- The expectation that UK pension schemes, particularly DC schemes, can quickly and easily invest in technology and science venture capital investments is concerning.
- Practical challenges remain around managing the illiquidity associated with private market investments. This was evidenced in September/October 2022 when the gilt market crisis triggered liquidity issues in a number of markets.
- The removal of performance fees from the DC change cap is helpful in removing some cost barriers but does not mean that fees have gone away. The member will still pay them, in most schemes, and governance bodies will naturally be cautious about adding complex investments with high fee levels.

This will act as a barrier to master trusts welcoming Lifts with open arms.

In our view, enabling investment in these opportunities by new CDC schemes, who can hold these assets over longer time horizons than individual DC savers, could be a positive development.

ACA — Association of Consulting Actuaries

ACA chair, Steven Taylor

Diary: May 2023 and beyond

PLSA Investment Conference

6-8 June 2023

EICC, Edinburgh

The PLSA's Investment Conference returns to Edinburgh in 2023, aiming to bring together the full investment chain to discuss the latest big-picture challenges facing schemes. The three-day conference is open to CIOs, trustees, investment board members, pension managers, finance professionals and advisers, and will provide insight into the major trends affecting UK investors and markets.

For more information, visit:

plsa.co.uk/events

PLSA Local Authority Conference

26-28 June 2023

DeVere Cotswold Waterpark, Gloucestershire

The PLSA's must-attend event for anyone involved in the Local Government Pension Scheme (LGPS), covering practical challenges and future opportunities in the ever-evolving landscape of local authority pensions. The conference offers a dynamic mix of plenary and breakout sessions and roundtables for specialist groups.

For more information, visit:

plsa.co.uk/events

Pensions Age Northern Conference

21 June 2023

Park Plaza, Leeds

The Pensions Age team is delighted to be returning to Leeds for our annual Pensions Age Northern Conference this June. Aimed at pension managers, trustees, FDs, CIOs, advisers, and all those working in the pensions sector, this one-day event offers delegates the opportunity to learn and network alongside their peers, and hear from industry experts on topics across the defined benefit and defined contribution space.

pensionsage.com/northernconference

European Pensions Awards 2023

6 July 2023

London Marriott Hotel

The European Pensions Awards, now in their 16th year, were launched to give recognition to and honour the investment firms, consultancies and pension providers across Europe that have set the professional standards in order to best serve European pension funds over the past year. The awards are free to enter and open to any pension fund or firm that serves European pension funds.

For more information, visit:

europeanpensions.net/awards

Visit www.pensionsage.com for more diary listings

Month in numbers

£22.1bn

The aggregate surplus of UK DB pension schemes fell by £22.1bn from £381.4bn at the end of February 2023 to £359.3bn at the end of March 2023, according to the Pension Protection Fund (PPF) 7800 Index.

75%

Three quarters (75 per cent) of UK adults don't know how much is in their pension pot, rising to a "worrying" 79 per cent amongst 55–64-year-olds, research from Standard Life revealed.

400 years

Plans to abolish the lifetime allowance (LTA) were branded a "£1bn bung", after analysis from Labour suggested that working people with average earnings would have to work for 400 years before they would benefit from the tax cut. The analysis, based on data from the Office for National Statistics, showed that the average person approaching retirement age has an average of £107,000 in their pension funds, 1/10th of the amount they would need to have to benefit from the changes in the Budget.

VIEW FROM THE SPP: Automatic enrolment – steps forward at last

It has been rather pleasing recently to see the Pensions (Extension of Automatic Enrolment) (No.2) Bill progress from the House of Commons to the Lords with cross-party backing and support from the Department for Work and Pensions (DWP).

If enacted, the bill would allow the DWP to make regulations to decrease the age at which workers can be automatically enrolled into pension schemes from the current minimum age of 22. A reduction to at least age 18 would be welcome and has been desired by many since the *Auto-Enrolment Review 2017*. Some may wish the DWP to go further and lower the enrolment age to 16.

The bill would also provide the DWP with a power to decrease or even abolish the qualifying earnings lower threshold (currently £120 per week, £6,240 per annum). This threshold helps set the minimum contributions that employers must make as only earnings above this threshold need be pensionable. A lower threshold means that pension contributions will be higher, with abolition meaning that earnings from £1 will be pensionable. It has the potential to make a step change in pension saving for lower earners and reduce the number of very small pension pots.

We hope that steps can now be taken soonest to consult and then bring in the regulations to make these changes. They may only be the first of a number of steps necessary to ensure good retirement outcomes for the public.

SPP Legislation Committee former chair, Mark Bondi

THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

View from the AMNT: Education, education, education

Tony Blair's battling cry, made at the Labour party conference in October 1996, was: "Education, education, education."

He went on to say that the Labour government's top priority "was, is and always will be to make Britain a learning society, developing the talents and raising the ambitions of all our young people".

Whether or not he succeeded in his aim I will leave for the reader to decide but I believe that most of us would still applaud the aim and ambition.

The word education is defined as 'the process of receiving or giving systematic instruction'. Often to signify our success in understanding such instruction we are award with a certificate. When I was 10, I received a certificate to commemorate my completing 25 lengths of a swimming pool. To me, this was a major achievement. I may not have gone on to win Olympic gold, but on the plus side, I never drowned. Accretion of knowledge is fine but, unless for purely academic purposes, the application of knowledge is the critical factor.

Pension boards recognise that trustees need to build a body of learning to enable them to undertake their duties; this can be accomplished by education, development and experience. Education is vital but needs to be accessible without barriers of cost and time. Sponsors and boards need to remove such obstacles or we all may drown.

AMNT member, Stephen Fallowell

AMNT Association of Member Nominated Trustees

View from the PLSA: Optimism that AE bill will become law before GE

The Gullis automatic enrolment (AE) bill is scheduled to have its second reading in the House of Lords. With backing from the Department of Work and Pensions (DWP) we may be months away from crucial AE reforms finally hitting the statute books.

Backed by the Minister for Pensions, Laura Trott, the bill will grant the Secretary of State the power to make two extensions to automatic enrolment (AE): Expanding to workers between the ages of 18 and 22 and removing the lower earnings limit (LEL) so people can start saving from their first pound of earnings. This is an important step towards reaching a pension savings system that achieves adequate incomes in retirement for savers, something the PLSA has long been calling for.

There are now millions of new pension savers compared to before the introduction of AE in 2012. As legislation continues to adapt, many more people will be able to better meet the costs of later life – when combined with the state pension.

However, there is more to be done to reach other under-pensioned groups, such as women, gig-economy workers, the self-employed and others. Also, for savers to reach an adequate income in retirement further reforms are needed so that over the next decade, once the cost-of-living crisis has passed, the minimum AE contributions should rise gradually from 8 per cent to 12 per cent, with the introduction of a 50/50 split between the employer and employee. In this way, no extra contributions will be required from employees until after 2030.

PLSA director policy and advocacy, Nigel Peaple

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

View from the PMI: Trustee understanding

We turn this month to the thorny issue of state pension age, but with a European twist.

With a state pension age of 62, France is a clear outlier in Europe; state pension age in Germany, Spain and the UK is currently 66, whereas in Italy and the Netherlands it is 65, and 67 in Belgium.

Faced with an ageing workforce and the future burden on projections for the French economy, President Macron has used Article 49.3 to push state pension age reform through the French National Assembly without a vote.

State pension age will increase from 62 to 64 by increments of three months for each year from September 2023 to September 2030.

Lovers of the musical *Les Misérables* will be aware of the French population's past record for making a stand.

This reform has triggered road blocks in Paris and other major cities, rubbish piling up in the streets as refuse collectors walk out over pensions reform, and mass strikes affecting the ports, buses and trains as the French population man the barricades.

In contrast, in the UK news that the state pension age will increase to age 67 between 2026 and 2028 and then increase to age 68 between 2044 to 2046 (subject to change) has in the main resulted in little more than raised eyebrows.

It will be interesting to see whether or not President Macron's government survives this pension reform backlash or whether they face the tigers that come at night.

PMI director of policy and external affairs, Tim Middleton

A week in the life of: Brightwell deputy head of member services, Andy Whitelaw

I joined Brightwell in 2015 when it was BT Pension Scheme (BTPS) Management. I started my career as an actuary, but my role at Brightwell has been focused on transforming member services (I prefer this term to 'pensions administration') for BTPS. With the launch of Brightwell, we are opening our capabilities to other like-minded defined benefit schemes, so it's a busy but interesting time here. We have offices in London and Chesterfield – which is where the member services team is based – and I split my time between these two with some working from home in the mix.

Monday

Monday is usually a day in the London office for me, which I enjoy and the commute helps me dust off the weekend cobwebs.

I use the morning to catch up with various members of the team face to face. I find out our latest round of GMP equalisation payments were made successfully to members who had previously transferred out, but we've had a 'red flag' transfer case where we suspect the member is being scammed – a mixed start to the week. Then a group of us work through some request for information responses for a potential client that need to be sent today.

In the afternoon, we have an internal dispute resolution procedure committee meeting, where we discuss several challenging individual member dispute cases. I find it fascinating listening to the discussions and seeing how different trustees approach the same case from different, but all valid, angles. Some healthy discussion later and agreement is reached on both cases. Back to my desk to catch up on emails then off home.

Tuesday

It's off to our Chesterfield office today. It's a seven hour round trip for me, so I like to go up for two days and stay overnight.

I catch the 8:03 from London and arrive at the office just after 10:00. As I walk through the office to find an empty desk to base myself, I get half a dozen "can I grab you for 10 minutes while you're up" comments. For me, this is ideal – I love days that involve talking to as many different people as possible and it makes the travel all feel worthwhile.

The afternoon is spent in a workshop as we work through the finer details for our 'online retirements' project that will allow members to validate their identity digitally and retire through the member portal with no paper and no manual intervention.

Come the evening, it's off to the Casa Hotel in Chesterfield for the night. It's generally a toss-up between the hotel gym and the hotel bar before dinner and an early night.

Wednesday

Wednesday evenings I always spend with my son, so if work permits I do prefer to work from home on a Wednesday so I have more time in the evening with him. Unfortunately, even in this fictional week that I have full control over, I've still failed to organise my week well enough to make that happen as I wake up in my hotel.

The hotel is only five minutes from the office, so I take advantage of the short commute and head in for an early start, after a hotel fry-up of course.

We have an all staff meeting where I give a strategy update following the recent launch of Brightwell.

In the afternoon, we have our internal continuous improvement forum, where individuals from across the teams will present proposed changes that they believe will improve our service to members. I enjoy this forum every week and love seeing the great improvement ideas that the teams put forward.

I'll leave the office around 15:00 so I can get back in time to spend the evening with my son, which usually involves watching and/or playing football. The work laptop stays well and truly switched off this evening.

Thursday

London office today. Various calls in the morning, including my quarterly update with the trade unions who represent the BTPS membership, and bi-weekly call with the scheme sponsor. It's a meeting with the Brightwell executive team in the afternoon to discuss priorities and budgets for the next financial year.

Friday

Work from home today. I had hoped to go for a run, but when the alarm went off, I decided an extra hour's sleep was a higher priority…

Fridays tend to be less busy in terms of meetings and calls, so are generally the time I will catch up with emails and do those bits of work than require quiet time like report writing. The week has flown by and now time to enjoy the weekend!

VIEW FROM TPR: Plans for the new DB funding regime coming into force

A key priority for TPR remains the delivery of our new DB Funding Code. Essential to this is making sure there is sufficient time to develop the regulations and code, and for industry to prepare for the new requirements coming into effect.

We expect the regulations and revised code of practice to come into force at the same time in April 2024 and we would welcome this.

Our second consultation on the draft code and approach to fast track was generally well received by industry and closed in March. We're now carefully considering responses to identify where we can be clearer, and where we can develop our thinking further, especially with our proposals on risk taking and maturity, low dependency and how open schemes can account for future benefit accrual.

We will finalise the code over the coming months to reflect these responses and the final regulations from DWP. We will continue to engage closely with stakeholders throughout this process.

We plan to consult on the information we want to collect as part of the new Statement of Strategy. Our focus is on getting the balance right between the Statement of Strategy being a useful tool for schemes and getting the information we need to regulate effectively, while not unnecessarily increasing trustee burden and cost.

Later this year, we plan to consult on our updated guidance on assessing and monitoring the employer covenant. The existing code and guidance remain in place until the new legislative requirements and the new code come into effect.

TPR's interim director of regulatory policy, analysis and advice, Lou Davey

VIEW FROM THE ABI: Predictable pensions policy?

Laura Trott announced her vision as Pensions Minister in January, centred around fairness, adequacy and predictability. While this shows the minister has the same intent as her predecessors, with a similar policy agenda, the narrative around predictability is new.

This focus may derive from concerns about the unpredictability of DC considering the market movements last autumn, when she had just arrived in post. There was an apparent solution on her desk: Expanding collective DC to master trusts and decumulation, to provide something that looks like a defined benefit pension but with targets instead of guarantees. But CDC isn't perfect in the predictability stakes, and it exemplifies some of the challenges with unpredictable policy: A fragmented system, where long-term objectives pull in different directions and short-term politics get in the way.

Examples of this are the political divide over the lifetime allowance, and speculation about the Chancellor's 'big reforms' to increase investment in certain asset classes. However these proceed, they must be centred on pension savers' interests. Pensions can't be predictable if policy isn't.

There is hope in the long-term policies recently backed by government with cross-party and cross-sector support, such as expanding automatic enrolment and resetting the Pensions Dashboards Programme, whilst firmly backing it.

ABI assistant director, head of long-term savings policy, Rob Yuille

VIEW FROM THE PPI: Intervene today to close tomorrow's pension gaps

We're all aware of the gender pensions gap. And understanding around the ethnicity gap is growing.

In 2022 women's private pension income was 64 per cent of that of the average and ethnic minorities had 62 per cent that of the average, although Pakistani, Bangladeshi and Black groups are likely to have had much lower. Covid-19 has exacerbated the inequalities experienced by vulnerable people – the gap for ethnic minorities has widened over the past few years. So how are we to provide immediate relief to people with low pension incomes today, and those who are likely to experience these tomorrow?

Interventions are available, at a cost, for helping those in retirement – the government could increase means-tested benefit payments for the poorest pensioners.

Helping tomorrow's pensioners may be more complex. Pension schemes report that some working-age people have stopped pension contributions because of cost-of-living rises. It will be vital to ensure that those who could be underpensioned tomorrow are enabled to contribute today. Requiring employers to contribute on behalf on lower income employees, who may not be able to afford it, is one possibility, though employers are likely to resist a move like this and so a negotiated settlement would be required. Whatever the approach, some policy moves will be necessary if we are to prevent today's labour market inequalities and economic pressures maintaining pension income gaps for women and ethnic minorities into the future.

PPI head of policy research, Daniela Silcock

Pensions dashboards – Using fuzzy matching for clear results

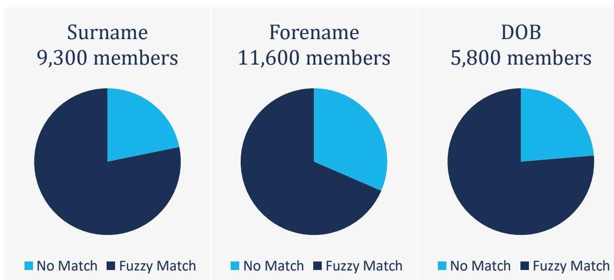
Now that the pensions dashboards has been 'reset', Ross Milligan explains how best to use this extra time to prepare

So, the pensions dashboards reset has given us more time to prepare – let's not waste it! We must ensure that this time is spent getting our data and processes in a position to facilitate both onboarding to dashboards and day-to-day delivery. An essential part of compliant delivery is matching, which involves identifying if dashboard users have entitlements in a specific pension scheme by matching scheme records to the details that users provide to dashboards.

Following on from from Pension Fusion's matching research report in September last year [1], we have developed our thinking on 'fuzzy field matching'. This is a process where various techniques are applied to check whether two almost identical data items are similar enough to be considered a reasonable match. This application can sometimes be obvious – matching 'Smith' to 'Smyth' and 'Nick' to 'Nicholas'. However, it can involve more complex techniques – comparing '09/03/1978' to '03/09/1978' or picking up where surname and forename are held the wrong way around.

To demonstrate the importance of fuzzy matching, let's look at the results from tracing exercises we ran on a test population of real schemes' data for 190,000 members. Whilst tracing is generally performed to obtain updated addresses, it can also provide updated or corrected names and dates of birth. The charts below show the breakdown of three key data items where the traced data differed from the data held on the administration system *[see figure A]*.

figure A



In these figures, you can see that the matching logic picked up that the differences were close enough to be a fuzzy match in around 75 per cent of the cases. In the majority of cases, the other two data items were an exact match, though this still leaves over 2,000 members with at least two data items impacted.

This shows the value of using fuzzy matching as part of a scheme's 'matching criteria' – the set of data elements that schemes use to compare against the user data received from dashboards.

Bear in mind that this analysis does not include NI numbers, as there was no secondary source available to verify against, so the findings probably underestimate the number of members who could be matched by applying fuzzy matching logic. Unlike the other data items shown, NI numbers will not be verified or required when the member submits their data to dashboards. So, errors can originate on either side of the matching process, meaning matching criteria that include a fuzzy field match on NI number can be particularly helpful.

The recently released additional PASA Data Matching Convention guidance on Possible Matching [2] gives examples of how fuzzy field matching is particularly well suited for Possible Match responses. This guidance also shows the importance of the three data items used in our analysis (surname, forename and DOB) for matching, not least because these are all expected to be verified when provided by dashboards for matching.

The PASA guidance also discusses the key considerations that need to be applied when considering how well matching criteria will operate, and how to use fuzzy matching together with exact matches to ensure our matching policies are neither too lax nor too restrictive. Applying fuzzy matching logic in a safe, measured manner, will improve member experience of pensions dashboards dramatically.

Written by ITM technology innovation analyst, Ross Milligan

In association with itm Solution delivered...

1: Pension Fusion – Pensions Dashboards: Getting to the heart of matching - https://www.pensionfusion.com/news/pension-fusion-release-large-scale-pensions-dashboards-research-matching
2: Pensions Administration Standards Association – Pensions Dashboards Working Group – Addendum: Data Matching Convention (DMC) Guidance - https://www.pasa-uk.com/guidance-2/pasa-dmc-guidance-matching-without-a-nino-and-possible-matching-final-formatted/

Hitting an ace

Sophie Smith sits down with Standard Life DB solutions and reinsurance managing director, Kunal Sood, to talk about his hidden talent speaking Swahili, his top dinner party guests, and the importance of living while working

What's your employment history (including jobs outside of pensions/ financial sector)?
I started my career as a trader at UBS, where I stayed for nine years. I then joined L&G Retirement and later moved to Standard Life, where I am responsible for driving the continued growth of our market-leading bulk purchase annuity (BPA) business. However, most memorable are all the jobs I had during my school years. I had a number of odd jobs including one at Tesco and another as pizza chef at a small Italian takeaway. I thought the independence I gained earning a salary was brilliant.

What's your favourite memory of working in the pensions sector?
It's been a wonderful experience working in this sector with so many talented, considerate and thoughtful people. Most memorable was a comment made by a trustee of one of the schemes we de-risked. He was thrilled about the outcome for his members, which is always rewarding, but what we didn't realise was that he was also a member of the scheme, so he was especially pleased.

If you did not work around pensions, what sector do you think you would be in instead?
I studied computer science and absolutely love technology so I would hopefully be building something cool and edgy!

What was your dream job as a child?
I imagined myself as a surgeon, fixing people. Something I likely got from my mother who spent many happy decades as a doctor fixing people, before enjoying her retirement.

What do you like to do in your spare time?
With two children there isn't much to spare! I do enjoy letting them lead me here and there, playing some sport or another, swimming, colouring and painting and just seeing what the day brings.

Do you have any hidden skills or talents?
I speak Swahili, or at least used to, but I am pretty rusty at the moment.

Is there a particular sport/team that you follow?
Tennis is a favourite and Wimbledon is especially great fun. This year might have quite a few surprises with the old greats exiting and a new breed of player coming in.

If you had to choose one favourite book, which would you recommend people read?
The 100-year-old man who climbed out of the window and disappeared by Jonas Jonasson for a funny take on world history.

And what film/boxset should people see?
SAS Rogue Heroes was very entertaining. Definitely one to watch.

Is there any particular music/ band that you enjoy?
I'm sadly still stuck on 80s pop.

Who would be your dream dinner party guests?
Trevor Noah would be brilliant. His 'real life' take on comedy is very smart, down to earth and illuminating. I also think someone like Jimmy Wales would be great, as I think the story behind setting up something like Wikipedia would be incredibly interesting.

Is there an inspirational quote/ saying you particularly like?
'Retirement is when you stop living at work and start working at living.' No idea where that's from but keeps reminding me to keep living while working.

Written by Sophie Smith

Summary
• HMRC previously said that it would look to work on the Work and Pensions Committee's recommendations around the tax treatment of pension scam victims, yet industry experts have seen little to no change in HMRC's approach.
• Whilst primarily a legacy issue, the cost-of-living crisis has meant that the risk of savers falling victim to a pension scam, and in turn potentially facing large and unexpected tax bills, has grown.
• The recent Dalriada-led tax tribunal has been highlighted as a key example of the unfairness of HMRC's approach, with experts suggesting that a tax amnesty in this case could have saved significant costs, both to the schemes and HMRC itself.

Breaking the impasse

Two years on from the Work and Pensions Committee's recommendations around HMRC's tax treatment of pension scam victims, Sophie Smith looks at the slow progress made and renewed calls for action

Pension scams are often devastating for savers, but to add insult to injury, the Work and Pensions Committee's (WPC) 2020 inquiry found savers can also face unexpected and large tax bills.

WPC's inquiry heard that HMRC was "unrelenting and uncompromising" in the pursuit of unauthorised payment charges, with various concerns raised around the tax treatment of scam victims, whether in relation to the direct impact on savers, or the potential reluctance to report for fear of further tax charges.

Given this, the committee urged HM Treasury to recognise that, in some clearly defined circumstances, where the saver has been the victim of a crime and made no financial gain from the early access, it may not be in the public interest to demand payment of tax due.

It also encouraged HMRC to make greater use of its discretion to support victims owing large tax bills and do its utmost to provide them certainty.

The government response in July 2022 said that HMRC was "happy" to work with pension schemes to improve the clarity and accessibility of guidance. And further progress has since been made, with HMRC reviewing and updating its guidance, for instance Transferring to a UK Pension Scheme, to increase awareness and understanding around the purpose of pension scheme registration. In line with WPC's recommendation, HMRC has also since re-joined Project Bloom, now known as Pension Scam Action Group.

Yet whilst WPC had made recommendations around the potential for a withholding approach to tax, HMRC has since found that the overwhelming view from industry was that such an approach would be punitive and was not viable.

And concerns remain, as Pension Scams Industry Group (PSIG) chair, Margaret Snowdon, says there has been no concession from HMRC or Treasury on this issue so far.

The push for progress

Dalriada Trustees accredited professional trustee, Sean Browes, echoes this, stating that there has been no meaningful change in either legislation or HMRC's approach.

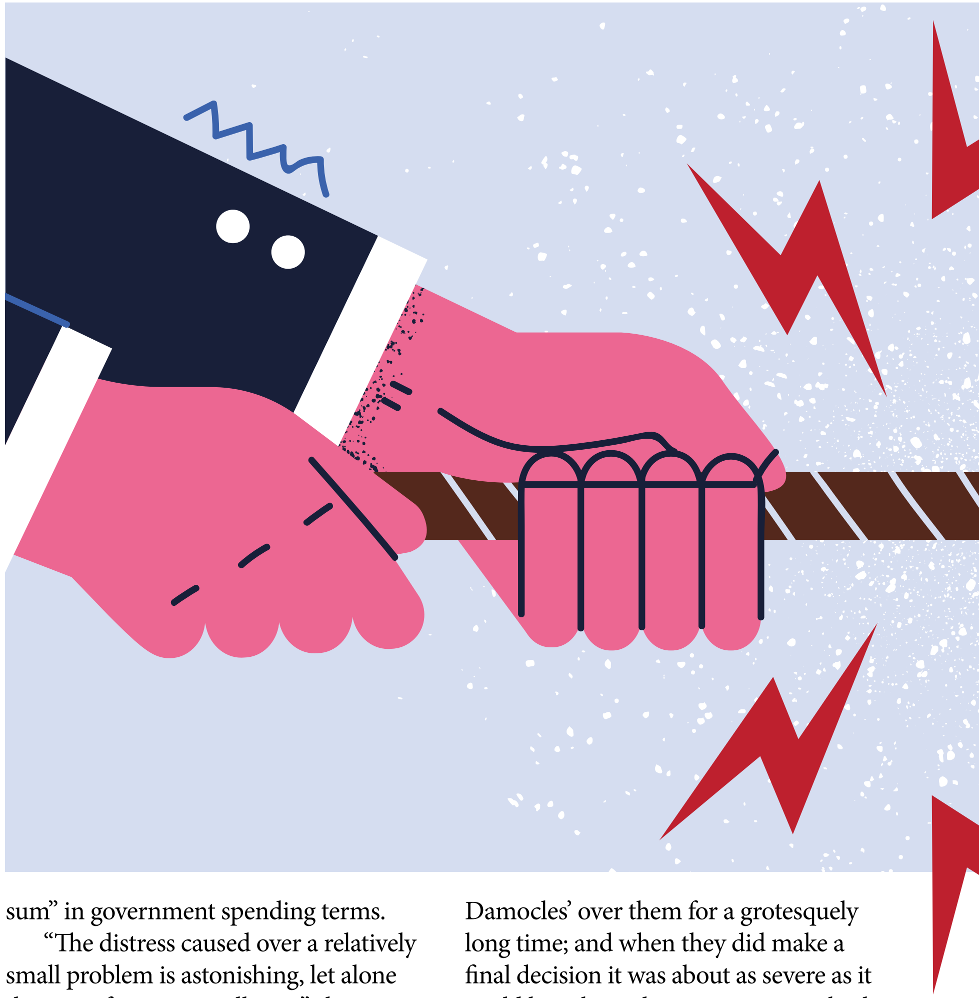
This is not an isolated view, as People's Partnership director of policy, Phil Brown, says that while significant steps have been taken to improve protections for savers against fraud, it's very clear that a lot more focus must be given to ensuring that victims of some pension scams are not liable for tax penalties.

Despite the widespread industry calls for change, Snowdon says that while officials at HMRC are prepared to listen, they refuse to budge from their position.

"They see themselves as mere tax collectors and consider that victims broke the law in transferring to a scheme that practiced pension liberation, regardless of the lack of members' knowledge or understanding on pensions or that they had been misled by advisers," she says.

Adding to this, Transparency Task Force founder, Andy Agathangelou, argues that "HMRC has shown itself to be morally bankrupt by the way it is handling the tax treatment of pension scam victims".

"And that's despite the tireless efforts of campaigners," he continues, emphasising that his own efforts with then Prime Minister, Boris Johnson, amounted to "absolutely nothing; zilch; diddly squat. It's as if HMRC just will not be moved – it is being bloody-minded about the whole thing".



Making allowances

The level of discretion that HMRC has to waive tax charges lies at the heart of this issue, as while the WPC's inquiry into pension scams acknowledged that the position taken by HMRC is legally correct, it argued that the department often lacked empathy or understanding of the impact of its demands on victims, and could exercise greater discretion.

The government's response later clarified that HMRC's discretionary powers are limited, with a commissioner, advised by a Pensions Governance Group, considering exercising these powers when they apply.

Yet confusion on this issue persists, as Snowdon notes that while HMRC says it has no discretion in applying tax penalties, at other times it claims to apply discretion to waive charges under certain conditions, like financial hardship.

Given this, Browes says that greater clarity on where and when HMRC can (and ought to) exercise discretion is needed, emphasising that legislation is there to prevent abuse of the advantages enjoyed by legitimate schemes, so "there is no need to water that down".

However, Snowdon warns that fair use of discretion is not a viable solution, arguing that legislative change, albeit small, may be needed, in particular, a small change to the Finance Act 2004, as previously proposed in PSIG's 2019 paper to the Economic Affairs Committee, which specifically limited the change to victims up to 2014, "so would not be open-ended as government is determined to claim".

Snowdon also argues that cost should not be a barrier, with the same 2019 paper estimating a £20 million cost to dis-apply the tax penalty, a figure that Snowdon describes as a "pocket money sum" in government spending terms.

"The distress caused over a relatively small problem is astonishing, let alone the cost of trying to collect it," she says. "The finite population subject to the tax penalty and eligible for the potential 'amnesty' is small and declining – some have committed suicide, others have sold their property to pay the tax and many have suffered bullying tactics to force them to pay up. This treatment is against HMRC's own charter."

Indeed, Agathangelou says HMRC's charter is "empty rhetoric as far as its treatment of pension scam victims is concerned", arguing that HMRC is acting "grossly and uncaringly unfair".

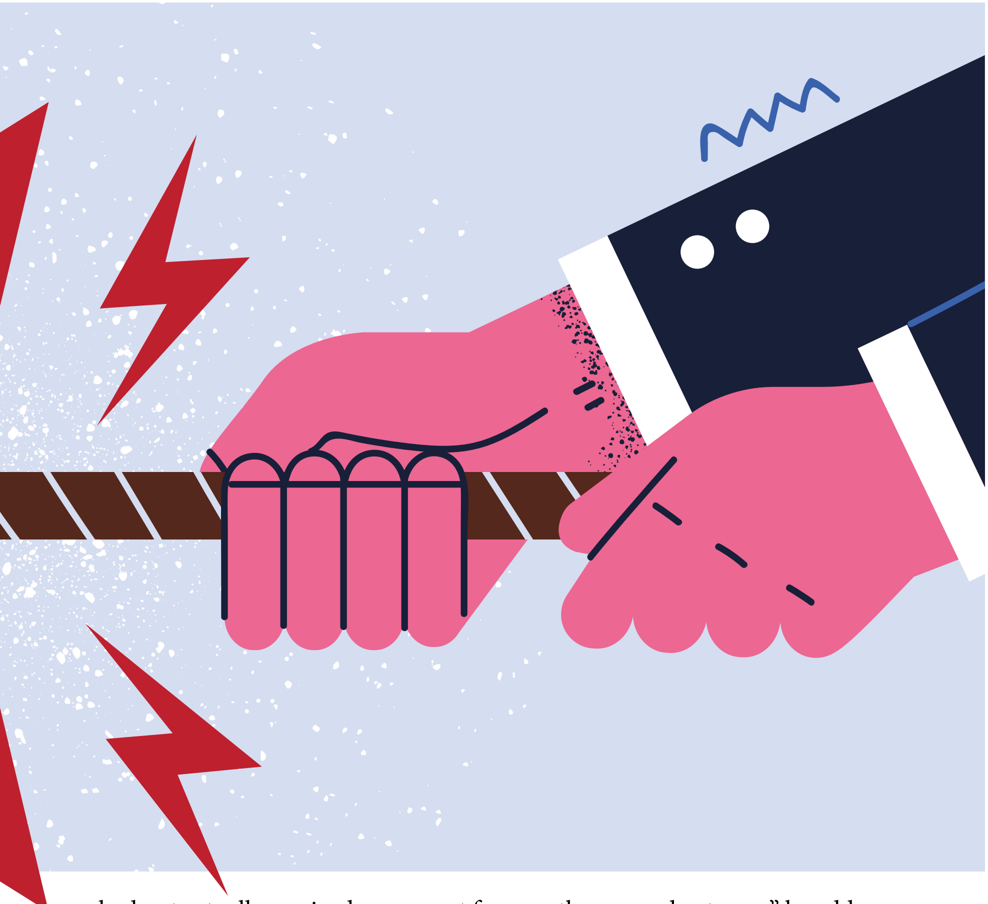
"A good example of that unfairness is how HMRC has treated victims of the Ark scheme," Agathangelou continues. "HMRC has taken over 10 years to make a decision about what the tax treatment would be, meaning that victims have been waiting with 'the sword of Damocles' over them for a grotesquely long time; and when they did make a final decision it was about as severe as it could have been, leaving victims in both financial and emotional shock."

Missed opportunities

In particular, the recent Ark case sought to clarify whether the loan arrangements under those schemes were unauthorised payments, with the tribunal concluding that the payments were unauthorised, whether or not a loan was received.

Speaking to *Pensions Age*, WPC chair, Stephen Timms, points out that the tax tribunal itself acknowledged that applying the law could result in unfavourable and, in some cases unfair, outcomes for members, yet members, who were victims of a scam, may still be liable for significant tax charges.

"It appears that one potential outcome may be that an individual could be liable to a tax charge even though they



had not actually received a payment from their scheme (on grounds that a payment is judged to have been made from their pension scheme to another one)," he continues. "The government should look again at giving HMRC discretion not to pursue tax charges in such cases."

Browes agrees, arguing that, in this, and similar situations, HMRC should be able to exercise discretion not to apply the 'strict letter of the law' nor be obliged to pursue payment of any tax due to the fullest extent possible.

If HMRC had been able, and willing, to consider an amnesty, Browes says that this could have saved the Ark schemes and members up to £12 million in tax charges between them, and could have saved significant costs, both to the schemes and HMRC, in running the appeal to the tribunal.

"Perhaps most significantly, it could have saved the members 10 years of stress and uncertainty as to the amount of tax they were due to pay," he adds.

However, Sackers partner, James Bingham, notes that this case has taken a long time to work through the system, and is therefore dealing with a historic issue that in some ways is quite far removed from where the industry is now.

"The past decade has seen a lot of change, in terms of the regulation and expectations on administrators, as well as the expectations placed on members when they're transferring benefits," he says. "We've seen the regime enhanced to provide protection to members and avoid these sorts of situations arising, so I think we all would hope that these issues will be less likely to occur in the future."

Browes agrees, pointing out some significant industry developments since the Ark schemes were set up, including TPR's Scorpion campaign in 2013, the change in the transfer regulations last year and the recently issued updated PSIG guidance.

"There is now much greater awareness of the risk of pension scams and that any attempt to 'liberate' your pension will result is significant tax charges," he says. However, Browes warns that scammers and scams will evolve, arguing that the emphasis should be on promoting regular messaging around the risk of scams.

The fight continues

And Snowdon stresses that while this particular issue is primarily historical, the current cost-of-living crisis may tempt people to transfer their pensions into 'dodgy' arrangements so that they can get access to pension cash.

Bingham agrees that the risk is greater amid the cost-of-living crisis, acknowledging that whilst the pensions industry is in a better position that in the past, scammers have continued to evolve to stay one step ahead.

In the meantime, the fight for change continues, as Snowdon says "now that government appears more stable, I will again be raising the issue with parliamentarians and peers to see if we can get it on to the agenda again. I am considering raising a petition to help highlight the issues and if enough interest, could prompt a debate in Westminster. PSIG is also working with the Pension Scams Action Group's Victim Support stream and we hope to apply pressure via that."

Agathangelou also pledges to continue work in this area and to work with others to find answers as to why changes haven't yet been seen.

Commenting in response to the concerns, an HMRC spokesperson said: "We recognise that individuals may have lost money by entering these types of arrangements. We do not tax pension savings lost to fraud. However, we will tax amounts that individuals release, or attempt to release, from their pensions where this is not authorised in law."

Written by Sophie Smith


FOR PROFESSIONAL CLIENTS ONLY
After the storm.
The “perfect storm” of autumn 2022 has passed – however, the experience of how schemes navigated it, and how they are now placed, varies significantly.
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After the storm – the future for UK defined benefit pension schemes: *In the autumn of 2022, the pensions market was rocked by the UK government's mini-Budget. Now that the thunder has subsided, DB pension schemes are assessing ongoing risk – with some facing a difficult future* ***p32***

Uncharted waters – steering DB schemes after the mini-Budget storm: *With the 2022 mini-Budget storm behind us, schemes with all types of funding arrangements must pay attention to their goals. Crises and threats to funds may emerge differently in future and there is a lot to learn from* ***p34***

DB focus:

Weathering the storm

BlackRock managing director, head of UK institutional client business, Gavin Lewis, and Capital Cranfield professional trustee, Joanna Matthews

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After the storm: The future for UK defined benefit pension schemes

In the autumn of 2022, the pensions market was rocked by the UK government's mini-Budget. Now that the thunder has subsided, DB pension schemes are assessing ongoing risk – with some facing a difficult future

The UK's mini-Budget of September 2022 set in motion a chain of events that radically changed the funding positions of UK defined benefit (DB) pension schemes. The then Chancellor of the Exchequer's ambitious spending package was designed to boost growth and increase productivity after a period of relative decline, which was exacerbated by the global pandemic and the outbreak of war in Ukraine, which saw the onset of rising inflation. This, however, led to a market rout, plummeting bond prices and a rise in the cost of borrowing.

This in turn plunged many schemes into significant disruption. An unparalleled rise in gilt yields saw the value of long-dated gilts decline, creating a 'doom loop' for pension funds that used government bonds to hedge their liabilities.

As more and more DB schemes were forced to sell gilts to raise capital due to falling gilt values, prices fell further, until the Bank of England began to purchase long-dated gilts, easing the pressure.

Although the passing storm has, ironically, improved the funding levels of many DB schemes, it leaves sponsoring companies and scheme trustees with questions. How should they act to mitigate scheme risk? Is there a credible path to scheme buyout and should they take it? Should they stay the course alone?

As we evaluate the long-term impact of the 2022 Great Gilt Storm, the industry needs to focus on the challenges ahead. In particular, it must assess the journey for schemes with different characteristics and provide solutions that give trustees more options and a better outcome.

The why of LDI

As the pension crisis of 2022 unfolded, attention focused particularly on the role of liability-driven investment (LDI) strategies, and the use of collateral and leverage within schemes.

LDI is designed to help pension schemes balance their assets against liabilities that can fluctuate due to factors including longevity risk, inflation risk and interest-rate risk.

These strategies use physical bonds and derivatives such as swaps to manage interest-rate and inflation risk. To protect against fluctuations in values, pension schemes are required to post collateral to guarantee against loans, often using long-dated gilts (pension schemes' collateral requirements increase as interest rates increase).

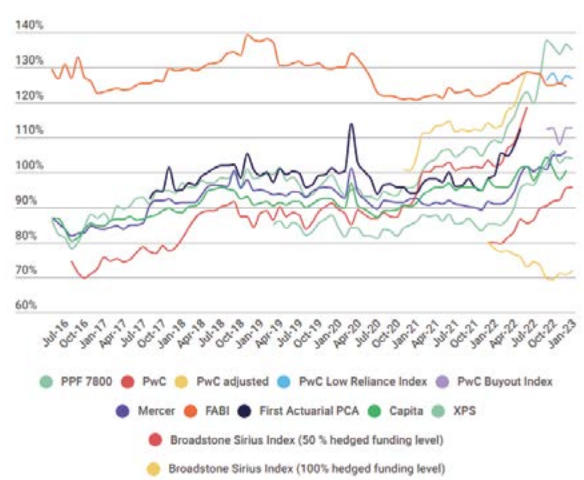
The use of LDI has been a net benefit to pension schemes. The British Telecom Pension Scheme stated that at its last valuation the £8 billion deficit would have been £7.6 billion higher in the absence of the LDI hedging programme, requiring BT to pay 'significant additional contributions' *[Source: BT Pension Scheme Management (BTPSM) LDI0037, November 2022]*.

As trustees digest the effects of the 2022 mini Budget on their schemes, there are important technical lessons to be learned about the use of collateral and leverage, as well as new challenges to be faced in a changed pension landscape.

The aftermath

The events of September 2022 have significantly changed the position of UK DB schemes, largely for the better. The aggregate surplus of the 5,215 schemes in the Pension Protection Fund 7800 index increased by £60.7 billion to £374.5

Funding Levels of UK Defined Benefit Pension Schemes



Sources and explanations: **PPF 7800**: 5179, all schemes; **PwC**: Scheme-specific, all schemes. Discontinued in June 2022. **PwC adjusted**: Alternative assets and assumptions. Discontinued in June 2022. **PwC Low-Reliance**: Discount rate assumption of gilt yields plus 0.5%. **PwC Buyout**: All schemes based on PwC's indicative market pricing. **Mercer**: Accounting, FTSE 350; **FABI**: Best-estimate, all schemes; **First Actuarial PCA**: Accounting, all schemes. Discontinued May 2022; **Capita**: Accounting, FTSE 350; **XPS**: Gilts+0.5% for all schemes; **Broadstone Sirius** indices monitor how various pension scheme strategies are performing on their journeys to "low-dependency" or self-sufficiency and is based on Broadstone clients using its Sirus platform.

billion at the end of September 2022 compared with the previous month. *[Source: Pension Protection Fund]* Although much of this increase can be attributed to the rise in interest rates, which has lessened the value of pension scheme liabilities more than the value of assets, there are a range of other factors that influenced scheme outcomes.

Schemes that did particularly well shared the following attributes:

• A prudent view of the amount needed to set aside to be used as collateral, significantly more than pre-crisis stress tests suggested

• A clearly set out liquidity waterfall showing the order in which assets were to be sold to meet or top up collateral requirements

• A clear governance structure with executives empowered to take quick action without approvals from investment committees or the trustee board

• Schemes that utilised an OCIO provider fared better due to their ability to efficiently make decisions and implement

• Strong investment expertise and training on the trustee board and investment committees pre-crisis

• Clear stakeholder management and communication at all levels of governance, particularly with the pension scheme sponsor

Stormproofing for the future

Having weathered the storm, trustees are left navigating changed landscapes, with more questions still to answer.

They are left with more illiquid assets in their portfolios than perhaps they would like, with many schemes actively looking to sell illiquid assets and others wondering whether to sell at a discount or hold on for longer.

The reality is that future shocks or crises that threaten DB pension schemes are unlikely to unfold in the same way as in 2022. Trustees must, as always, pay close attention to policy as well as wider economic developments. But central to success is avoiding a response that is narrow and unable to adapt.

Written by BlackRock managing director, head of UK institutional client business, Gavin Lewis, and Capital Cranfield professional trustee, Joanna Matthews

In association with

BlackRock.

Uncharted waters – steering DB schemes after the mini-Budget storm

With the 2022 mini-Budget storm behind us, schemes with all types of funding arrangements must pay attention to their goals. Crises and threats to funds may emerge differently in future and there is a lot to learn from

Pension scheme trustees are still navigating uncharted waters after the events of autumn 2022. Sponsoring companies and scheme trustees must reassess their options for the coming years. This is especially true if they now find themselves with a larger percentage of illiquid assets in their portfolios.

Evaluating what worked well and what didn't during the mini-Budget pension crisis will ensure schemes are in a better place. This applies whether they want to continue on a self-sufficient basis or transfer risk via a buy-in or eventual buyout.

There is the danger that, instead of focusing on the challenges ahead, the industry dwells too much on the mini budget storm, focusing on narrow asset classes in a move that may not be in the long-term interest of scheme members.

The state of play

Whilst each pension scheme's circumstance is unique, it is possible to divide the UK DB market into three broad categories.

The first group encompasses schemes that are well-funded and intend to operate on a self-sufficient basis, or at least with low dependency on additional sponsor contributions.

These portfolios are less focused on growth and deficit recovery. Instead, they focus on predictable cashflows. Some will have in-house expertise and be able to access the full spectrum of investment opportunities across public and private markets.

The second group includes schemes that are well-funded but are seeking a path to buy-in or eventual buyout. Buyouts are often considered the gold standard for schemes who can afford them, because this strategy transfers both the risk and the legal obligation to meet scheme liabilities.

However, there are limits. The

buyout market currently has a capacity of £45-£60 billion per annum against the demand of transferring £200 billion of liabilities over the next three years. Insurers are confident that this capacity will increase *[Source: Lane Clark & Peacock LLP, 27 October 2022].*

The third group are schemes with a difficult path ahead. Some may have a significant deficit, meaning they are a long way from self-sufficiency or buy-in. Others may have extra challenges stemming from governance issues or covenants in need of change.

This is likely to be made more difficult due to a macroeconomic environment characterised by greater volatility in inflation and asset class returns. Given the regulatory requirements, any LDI strategies used will require more collateral after the events of last autumn.

Setting a course

Whichever situation schemes find themselves in, taking stock of the new pension landscape is vital. Most pension trustees and schemes feel they have managed the pension crisis comparatively well, but complacency is always dangerous.

All schemes will benefit from studying the factors that helped some endure the resulting volatility better than others. Success factors included having a clear liquidity waterfall – delineating the order in which assets were to be sold to meet collateral requirements – as well as a prudent view of the amount needed to be used.

Investment expertise and a clear governance structure also allowed schemes to perform well under pressure.

Even the most successful schemes, those in the first category mentioned above, will have much to learn from studying these factors. By considering what improvements can be made, they can be prepared should a similar crisis occur again.

All schemes, regardless of their current funding state, should also revisit their investment strategy to ensure it still meets the trustees' objectives.

Those in the second two categories, whether seeking buyout or facing an uphill struggle out of a deficit position, have further work to do.

Well-funded schemes in search of a credible path to buyout can take steps to reduce their costs and increase their competitive advantage to increase the likelihood of success.

Strategic moves could include attempting to access strategies that maintain funding levels while creating buyout-ready portfolios compatible with the requirements of insurers.

Reshaping portfolios to achieve risk and cashflow profiles consistent with self-sufficiency and low dependency could also make a potential buyout more likely.

For schemes facing a more difficult journey, understanding how to manage risk, either reducing the liability hedge or taking more risk on the return seeking portion of the portfolio in the hope of increased returns. Managing the subsequent trade-off between return-seeking assets and meeting collateral requirements is vital. They will need also to work out how to prepare for their scheme's conclusion while recovering its deficit.

Help needed

To meet the changing needs of UK defined benefits after the storm, the entire industry will need to work together to consider the appropriate changes needed regarding scheme governance, asset allocation and portfolio reconstruction.

Many schemes have a difficult journey ahead and all have questions in need of answers. Partnership and innovation from all participants in the pensions and investment industry will lead to better outcomes for pension scheme members, whatever their 'post storm' position.

Written by BlackRock managing director, head of UK institutional client business, Gavin Lewis, and Capital Cranfield professional trustee, Joanna Matthews

In association with BlackRock.

Summary
• Most DB schemes will have a cap on inflationary increases.
• The decision to offer discretionary increases often lies with the scheme sponsor rather than trustees.
• Trustees will need to have a clear communication strategy in place to explain below-inflation increases to members.

A question of discretion

Should defined benefit scheme trustees and their sponsors award discretionary increases to pensioners? Maggie Williams explores the pros and cons

With RPI inflation running at an eye-watering 12.6 per cent in September 2022 and CPI not far behind at 11.1 per cent, retired defined benefit (DB) pensioners will be feeling the pressure of the cost of living as much as the rest of us.

But while employees can put pressure on their employers to pay higher wages, when it comes to pension increases pensioners are entirely at the mercy of their scheme's rules, along with the discretion of trustees and sponsors.

Years of low inflation came to a screeching halt in 2022. During those years, trustees would have been able to make pension increases in line with RPI or CPI with few concerns. Pensioners who are entitled to inflationary increases would also have become used to seeing their payments go up accordingly in line with RPI or CPI.

This year will be different. Trustees and sponsors will need to make difficult decisions about whether to award costly inflation-matching increases. "Trustees are very sensitive to this situation," says Sackers partner, Fuat Sami. "They have members' best interests in mind and they are aware that the cost of living is hitting pensioners' standard of living."

But, while trustees may want to support pensioner members as best they can, the decision is not entirely in their hands.

"The way that benefits are linked to inflation will vary between schemes," says Hymans Robertson partner, Laura McLaren. "Most private sector DB schemes that allow for inflation-linked benefit increases cap these at 5 per cent or lower, and some may have elements of pension accrued before 1997 that receive no guaranteed increases."

"With inflation running relatively low until now, this is an area that may not have been considered for many years. In most cases there will not be a well-articulated policy in place," adds McLaren.

Awarding a discretionary increase above a cap will also depend on scheme rules. "Trustees will need to know who has the power to award discretionary increases," explains Zedra Governance client director, Melanie Cusack. "Sometimes trustees alone can make that decision, but more typically it also involves the sponsor. And, even if trustees have that power, they should check with the sponsor as this could affect wider funding decisions."

Convincing sponsors to fund discretionary increases is likely to be a tough battle. "Employers also have to focus on their current workforce and how they are struggling in the current environment. They need to be seen to be acting fairly, and former employees may be lower down on their priority lists," says Sami.

WTW head of UK corporate pensions consulting, Bina Mistry, explains that, despite the sensitivity of the topic, "we are seeing significantly more schemes considering a review of discretionary increases, or at the very least trustees making requests for a review".

However, the outcome is rarely falling in pensioners' favour. "Schemes and sponsors that are awarding discretionary increases are in the minority," says Mistry. "Sponsors and trustees have to think carefully about their funding positions, past practices and future strategy. There are also accounting considerations for sponsors as discretionary increases could result in an unplanned hit to corporate profit and loss figures."

"Of the few schemes where we are seeing some consideration of discretionary increases, there are usually scheme-specific circumstances at play," says McLaren. "For example, discretionary increases might have been awarded historically, or the scheme is very well-funded with a strong sponsor."

A question of surplus

A rare positive outcome from late 2022's market instabilities was the improvement in many scheme's funding positions. Schemes targeting buyout got closer to their goal, and some even found themselves in surplus. Could that provide a source of funding to top up pensioners' incomes?

"This is a tricky conversation for trustees," says Cusack. "Where schemes have become better funded or in surplus, should they use that money to top up pension payments, or work towards an existing end goal such as buyout?"

Where schemes are planning to buyout, a lot will also depend on their position in that journey. "If a scheme hasn't yet committed to buyout but plans to do so in the future, they may not know the costs involved. They might not want to commit to discretionary increases until that picture is clearer," adds Cusack.

"Focusing on buyout is likely to be a stronger target for many DB schemes," confirms Mistry. "While schemes are genuinely considering increases, the current funding regime and The Pensions Regulator's focus on strengthening positions will mean schemes need to be cautious."

"Schemes with buyout targets may be less inclined to add to their liabilities before they reach that point. Any discretionary benefits that the trustee and company want to insure with surplus at the point of buyout will need to be codified and these will then become guaranteed," adds McLaren.

The strength of the employer covenant is another factor to consider. "Unless there is a strong employer covenant, a discretionary increase could impact the wider strength of the scheme," says Sami.

"Where schemes have become better funded or in surplus, should they use that money to top up pension payments, or work towards an existing end goal such as buyout?"

Balancing buy-ins

As part of their de-risking journeys, many schemes will have carried out buy-ins for tranches of their pensioner populations, but McLaren says trustees should still be able to manage discretionary increases in the same way for all groups. "It's unlikely that members within the same scheme would be treated differently just because the trustees have secured their benefits with an insurance policy. After a proposed buy-in transaction the trustees will still retain the right to exercise their discretions in line with the scheme rules."

However, she cautions, "it could create some mismatch between the benefits insured and the benefits paid to members that would need addressed if the scheme was to move to buyout in future. If members have routinely been awarded discretionary increases, it would typically be reasonable to take this into account when deciding what benefits to secure."

Breaking the news

Many pensioners will have become used to receiving annual increases in line with inflation, so a 5 per cent or similar cap could come as a shock. "We will see pensioner members coming to trustees and asking about inflation without wider knowledge of the scheme's position," says Mistry. "Trustees will need to make sure they have done their due diligence and know how they will respond to members' questions."

"Communications are going to be very important and there is a balance to achieve between being transparent with members and not causing unnecessary concern," says Cusack. "Pensioner members will be feeling stretched, but are unlikely to have the bigger picture around the sponsor's and scheme's other priorities such as buyout and securing benefits in the long term."

"Trustees will need to be more sensitive in their letters about pension increases than they have been in the past," confirms Sami. He recommends: "Be clear about the level of increase that is being paid, and why. Explain the trustees' duties and how increases are being paid in line with scheme rules. Some trustees may want to pre-empt enquiries and explain their decision before the increases are applied – but that is going to be a decision for individual schemes. Others might prefer to remain silent and address members' questions on a case-by-case basis."

With many trustees, sponsors and pensioners dealing with the prospect of below-inflation pension rises for the first time in many years, deciding whether to award a discretionary increase above scheme rules will be a challenging question for most DB schemes. The outcome has potential long-term consequences for scheme funding, but in the short term it will also require careful communications with members, as they struggle to make ends meet.

Written by Maggie Williams, a freelance journalist

Catherine Lewis La Torre

The start of a new relationship?

Laura Blows speaks to British Patient Capital CEO, Catherine Lewis La Torre, about the increasing efforts to encourage UK pension schemes to invest in venture capital, an asset class not traditionally considered for their portfolios, and the role this investment could play in driving the UK's economic growth

Please could you provide an overview of British Patient Capital (BPC)?
British Patient Capital (BPC) is the UK's largest domestic investor in venture capital. Our mission is to enable long-term investment in innovative companies across the UK, led by ambitious entrepreneurs who want to build successful, world-class businesses.

With more than £3 billion to invest, we do this via three programmes: The £2.5 billion core funds and co-investment programme; the £200 million Life Sciences Investment Programme (LSIP) established to increase the availability of later-stage finance to high-potential UK life sciences companies; and Future Fund: Breakthrough, a £375 million fund co-investing in high-growth, R&D-intensive UK companies operating in breakthrough technology sectors. Across all activities, BPC invests on a commercial basis to deliver competitive returns to the UK taxpayer.

In the recent Spring Budget, Chancellor Jeremy Hunt extended BPC's mandate to 2033, with total commitments including capital from institutional investors, now more than £10.7 billion since launch. What will this mean for BPC's work going forward?
The Chancellor's decision will allow us to keep backing the innovative companies that will drive the UK's economic growth. The decision to extend BPC's mandate until 2033, and the agreement in principle to recycle our capital to fund new investments, gives us the certainty to plan for the future, and means more high potential companies will be able to access the long-term, patient capital they need to scale up. I'm proud of the role BPC has played over the past five years catalysing billions of pounds of private sector investment into venture capital.

A recently published independent evaluation, commissioned by the British Business Bank and undertaken by SQW, found that investments by BPC are a driving force for innovation in the UK, enabling companies across frontier science, disruptive technology and deep tech solutions to access finance more quickly and at a larger scale. BPC-backed firms are likely to generate economic benefits of £5.1 billion by 2030/31.

However, for these solutions to truly scale over time, there is more work to do to address the later stage funding gap. There is substantial dry powder within the BPC programme, which will be deployed, supporting the next generation of businesses in the coming years, and supporting the venture capital ecosystem across the UK.

In a 2019 report from your parent company, British Business Bank, *The Future of Defined Contribution Pensions,* it stated that there were both opportunities and challenges for defined contribution scheme investment in venture and venture growth capital. What would you say these opportunities and challenges are?
There is a strong case for high growth, innovative UK companies to be supported by investment from defined contribution pension schemes. The findings of our report showed that a 22-year-old new entrant to a default fund following a 'lifestyle' strategy could achieve a c.7-12 per cent increase in their total retirement savings by investing in venture and venture growth capital. At the same time, we are seeing a significant shift in sentiment from savers looking to better understand where their pension pot capital is going and the difference that their investments make to local and global economies. Performance potential plus the tangible benefits that venture and venture growth capital bring to small businesses is something defined contribution pension scheme sponsors should therefore carefully consider.

There are, however, legitimate

challenges around perceived high costs, high risk and complex management structures that need to be resolved for wider take up of the opportunities the venture and growth asset classes offer for retirement savers. There is already work being undertaken at an industry level to address these questions, such as efforts to improve the quality and availability of industry-level data on historic returns.

BPC, as part of the British Business Bank, is working closely with government on the productive finance agenda. We are in regular dialogue with industry groups and with other investors as part of this collaborative engagement.

What role can BPC play in assisting pension schemes' with their ESG considerations?

As the leading LP in UK venture capital, we are committed to driving positive change in how ESG is considered within investment and encourage other LPs, including pension schemes, to do the same. British Patient Capital has adopted the Institutional Limited Partner Association (ILPA) diversity template as an integral part of its due diligence. In accordance with this template, we promote the necessity for diverse teams with the general partners we back and attempt to spread best practice on this issue because we know that diversity is a critical success factor for high performing teams.

In February 2023, British Patient Capital also became a signatory of the government's Investing in Women Code initiative, committing to support the advancement of female entrepreneurship in the UK by improving female entrepreneurs' access to finance in the venture capital sector. As one of the first institutional LPs to do so, we hope others will follow suit and sign up to this important commitment.

The British Business Bank is committed to leading industry standards on environmental considerations, including membership of the UN Race to Zero campaign. In addition to observing and reporting against these industry standards, BPC strives to drive collaboration with other investors to increase the pace of the transition to net zero.

The Spring Budget also included plans for a Long-term Investment for Technology and Science (Lifts) initiative. How, if at all, will BPC interact with this initiative, or initiatives like it?

The government has published an invitation to provide feedback on the Lifts proposals, which includes the potential for government investment into successful bids, as well as potential investment collaboration with British Patient Capital, leveraging our investment capabilities and market access.

This is an important initiative, with the potential to unlock billions of pounds of additional investment for the UK's fastest growing and most innovative companies, while also enabling the UK's pension savers to benefit from the value created by UK innovation. We look forward to supporting government in the next phase of the Lifts initiative, and on its wider package of ambitious measures to unlock DC pension investment into innovative firms to be announced in the autumn.

With the push towards pensions consolidation, what role could this increased scale have in the take up of pension investment in patient capital (from both a DB and DC perspective)? And with the LGPS as well, as the government has announced plans for a consultation for their further consolidation?

With increased scale, pension schemes will benefit from lower administrative costs and higher efficiencies when investing in the venture capital and growth equity asset classes. Pension schemes in the UK are highly fragmented and pooled vehicles can deliver key benefits of scale and diversification, as well as providing centralised management and administration processes. A few, large schemes have the infrastructure and capital to independently develop bespoke mandates with fund managers. However, this is likely to be challenging for smaller schemes.

Looking longer term, once these developments have bedded in, what role do you see patient capital playing within UK DB and DC pension scheme portfolios?

In the UK, pension funds (both public and corporate) contribute less than 10 per cent of the capital committed to the UK venture capital market. In the US, that figure is more than 70 per cent. As developments in how pension funds allocate their capital take shape, there is great potential for schemes to both diversify their portfolios and capture additional value for savers. Historically, a lack of patient capital has held back many firms from scaling up, dampening their ambition and preventing them from reaching their full commercial potential. Pension funds can play a significant role in addressing that funding gap to the benefit of their retirement savers as well innovative, high-growth companies that are dependent on patient capital to scale up.

Written by Laura Blows

Investment focus:

Adapting to a changing world

Wellington Management fixed income investment director, Paul Skinner, and DC account manager, James Myhill

FOR PROFESSIONAL INVESTORS ONLY

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A new path for bond investing

Paul Skinner and James Myhill explore the changing nature of fixed income investing

Today, fixed income investors must operate in a very different environment with profound implications for how fixed income and, in particular, credit portfolios are managed.

How has the landscape for fixed income markets changed?
The low-rate, low-yield environment of recent years has given way to a completely new landscape for fixed income. Back in 2020, if you were an investor in government bonds, there was a fairly good chance you'd be receiving a negative yield – essentially paying to buy government debt, while even in better-yielding sectors total returns were challenged. Fast forward to 2023, and bonds benefit from higher rates and, in the case of credit, attractive spread levels.

2022 saw central banks implement an enormous shift in monetary policy to control inflation, and we expect this trend to continue. Looking forward, we think that this new regime of higher inflation, increased volatility and more restrictive monetary policy will remain intact.

This new environment creates real opportunities for long-term fixed income investors particularly in the credit space – provided they can navigate it successfully as, compared to the past decade, this is unfamiliar terrain.

What do fixed income investors need to consider in this new environment?
The new macroeconomic regime we are entering into will come with a new set of characteristics, all of which will affect how we look at bonds. Our macro team expects higher and more volatile inflation, greater interest rate volatility, more restrictive monetary policy, increased dispersion, especially within credit, and further periods of positive correlation between bonds and equities. Those are a lot of opportunities – and risks – to navigate.

How should fixed income investors approach this regime shift?
The rulebook hasn't been torn up, but in this environment, we think the considerations for successful fixed income investing have been somewhat rewritten.

1) Rethink the role of bonds. More volatile inflation will challenge static or passive bond investing. More dynamic and diversified allocations may be appropriate. Considering the full spectrum of fixed income, looking across government, the credit risk spectrum and securitised debt, can give investors a better chance of attaining the important bond attributes of liquidity, yield and uncorrelated returns to equities.

2) Turn volatility into a potential advantage. Given the likelihood of increased volatility and dispersion, we think success will be more aligned with an active approach. Fixed income is more cyclical than is often assumed. Specifically, the removal of central bank support has reconfirmed our view that credit is a cyclical asset class, and that being nimble is key to navigating a quickly changing environment. We expect huge dispersion in how individual credits will navigate the coming cycle.

3) Access multiple perspectives. Success in the new environment will depend on an investor's ability to identify relevant information. Access to multiple perspectives – across a range of regions, specialities and lenses – makes this more likely. Remember that issuers of credit also rely on public or private equity financing – as a manager of both equity and fixed income, we believe an investment manager with access to information from both sides of the capital structure may be able to make more informed investment decisions. We also believe ESG factors can have a significant impact on long-term performance, particularly as dispersion among investment-grade issuers increases.

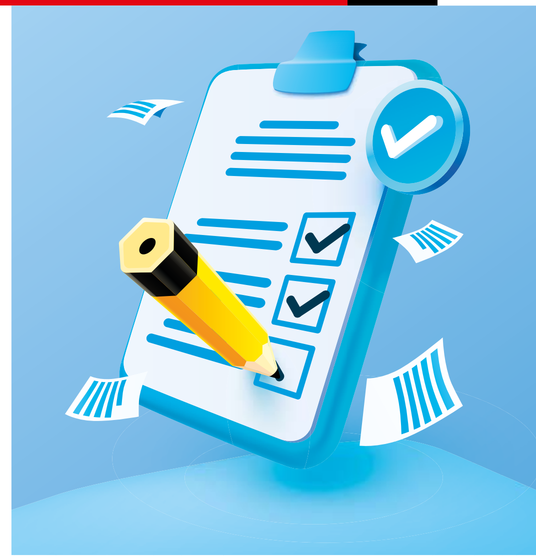
4) Keep a close eye on liquidity. Recent events in the UK have once again demonstrated the vital importance of ensuring fixed income portfolios have liquidity profiles that are appropriate for a more volatile market.

What should investors look out for over the next 12 months?
The coming year is going to be quite interesting for bond markets. We do not expect a deep recession, but we do not believe that central banks have conquered inflation. This means we probably have a longer but shallower recession to come and that bond yields may remain elevated, perhaps for longer than the market assumes. As a result, credit returns may be healthy as corporates deleverage their balance sheets in a slow, but not catastrophic, economic environment. If rate surprises wrongfoot the market, we expect further volatility – bringing with it opportunities for active managers to outperform.

To find out more, visit: https://www.wellington.com/en-gb/institutional/capabilities/defined-contribution-plans

Written by Wellington Management fixed income investment director, Paul Skinner, and DC account manager, James Myhill

In association with WELLINGTON MANAGEMENT®



Beyond the tick box

Abigail Williams explores the effect of TCFD reporting on pension schemes

The Pensions Regulator's (TPR) recent review of the first round of Task Force on Climate-Related Financial Disclosures (TCFD) reports identified several areas for improvement. So, with the next round of TCFD-aligned reporting requirements upcoming and further Paris-aligned disclosure requirements introduced from October 2022, what are the key considerations for pension scheme trustees and what improvements are still needed to address TPR's reporting concerns?

Promoting better engagement

For UKSIF's head of policy and communications, Oscar Warwick Thompson, some areas for improvement identified by TPR in its recent review are welcome, including its encouragement for schemes to 'consider new ways to effectively communicate the content of TCFD reports to scheme members'. That said, he observes that TPR and schemes will need to work together to "promote this trend, and to consider how decision-useful disclosures can be highlighted and drawn to the attention of those members with a particular interest in climate change risks".

"We hope to see a more consistent approach adopted in time, which should help ease the understanding of schemes' approach to addressing climate risks, recognising that for many schemes, they will be at the very start of their TCFD reporting journey. There is potential we hope for reporting to be used more and more as a tool to promote better engagement between schemes and their members," Warwick Thompson says.

He also welcomes TPR's recognition of the importance of avoiding a compliance and 'tick-box' mentality, and observes that, in some respects, a key outcome of reporting against TCFD is an awareness that the process is "sometimes less about the final report, and more the new thinking and internal processes facilitated within firms, as they have engaged in this reporting".

Elsewhere, Pension for Purpose research analyst, Cameron Turner, points out that one key recent development is the mandating of portfolio alignment metrics, which moves reporting requirements "beyond backward-looking metrics and focuses minds on aligning portfolios with decarbonisation goals, rather than just emissions statistics, which may not decrease linearly, especially given the data will improve over time".

"TPR has been vocal about its awareness that sometimes scenario analysis projections to investment returns may not be accurate to the likely world we will see with three or four degree-warming. They have said they will be lenient with initial reports, but they are likely to get stricter over time with the outputs. Our analysis found that standardisation is needed for pension funds to get more value from scenario modelling," he says.

Areas for improvement

For LCP head of responsible investment, Claire Jones, the most important areas for improvement mentioned by TPR are: The interpretation of the information presented – reporting on the 'so what' – and giving specific examples of activities during the reporting year, as well as greater focus on actions to mitigate climate risks, because "reporting is not an end in itself". In her view, although the requirement to provide evidence of what has already been done through reporting is useful, it is the 'doing' that is more important.

"The essence of TCFD is the identification, assessment and management of climate-related risks and opportunities, with the desired outcome that those risks and opportunities are better managed, leading to better outcomes for scheme members," she says.

"It's important not to get bogged down in the detail of the requirements and lose sight of that overarching aim. TCFD is not a one-off exercise. The requirements are ongoing and improvements are expected over time. Trustees, advisers and investment managers are all on a journey to better understand and manage climate-related risks and opportunities," she adds.

Turner stresses that trustees need to plan well in advance and think about the timeline for TCFD report preparation, as well as their data sources, who will prepare the report, and how much work will be outsourced, for example to managers or consultants.

"They also need to consider how the report might help inform their investment approach to climate action. It could be argued that the regulations focus too much on 'what are my portfolio emissions?'" he says.

"Instead, trustees should look at how they are going to decarbonise the world, as well as the fund. This means looking at their portfolio alignment and engaging with climate laggards to improve this metric, and considering investment in climate solutions to positively contribute to global decarbonisation," Turner adds.

In terms of improvements needed moving forward, he argues that, although it may not be TPR's concern, TCFD reporting requirements should also include a focus on climate solutions to encourage capital to flow towards them. There is currently no specific requirement for funds to outline their investment in climate solutions, meaning that some investments, for example those in renewable energy that may initially be carbon-intensive, "would show the fund to look worse in their emissions statistics".

"As a result, we have seen funds looking to include carbon emissions that are offset and avoided in their carbon accounting methodologies. It can be problematic at this stage of global decarbonisation if funds can use this approach to mask the emissions of underlying investments," he says.

"There should also be a focus on 'impact and dependencies,' which focus on the portfolio's impact on climate change and the dependencies of the portfolio's investments on the avoidance of climate catastrophe, rather than just risks and opportunities," Turner adds.

Lack of clarity

Jones predicts that a lot of improvement should occur naturally as expertise, data and tools improve and points out that much effort is being put into this across the industry.

"Data is raised as a concern, time and time again. As data gaps are filled and the quality of data improves, we need to turn our attention to ensuring that the metrics collected, and the way they are presented, are decision-useful and genuinely inform the actions taken by trustees and their investment managers. The current requirement for four metrics, whilst challenging, gives only a very limited picture of the risks and opportunities," she says.

"Climate scenario analysis, particularly the realism of the results for higher temperature scenarios, is another widespread concern. The modelling will improve, but will inevitably always have limitations due to the real-world complexities and uncertainties. Trustees and their advisers therefore need to focus more on narratives and qualitative insights, ensuring that these are consistent with the latest climate science," she adds.

As identified in the TPR review, Warwick Thompson observes that data quality does remain a challenge across the investment chain and confirms that UKSIF "continues to have questions over the decision-usefulness of certain data and data sets, particularly on sustainability factors beyond climate change alone".

"The work of the UK's Taskforce on Social Factors is promising in this respect. One main objective for the taskforce will be to actively highlight high-quality data that can be leveraged by trustees and others to assess material social risks and opportunities on behalf of beneficiaries. This will be important as schemes and other investors are expected to report on social considerations and their social impacts increasingly," he says.

"Appropriate sequencing of reporting requirements is also an important consideration. Good underlying corporate disclosures continue to be absolutely critical to facilitate schemes and other investors' ability to evaluate their holdings, and fulfil their reporting obligations. The continued lack of clarity in the UK on its upcoming approach to corporate disclosures is an issue that needs consideration swiftly," Warwick Thompson adds.

Reporting framework

Climate change continues to be an important area of focus for independent asset manager Wellington Management, and the company remains aligned with the TCFD's mission to improve and increase reporting of climate-related financial information. In this context, Wellington Management climate transition risk analyst, Julie Delongchamp, observes that inadequate data and the absence of a standardised framework for disclosure can hamper investment teams' ability to 'evaluate the impacts of climate change, positive or negative, on client portfolios.'

In September 2019, Wellington Management issued what it refers to as the 'Physical Risks of Climate Change (PROCC-1) framework,' a how-to guide for companies to disclose their physical risks to climate change, and Delongchamp notes that some of its ESG and investment analysts have used this in its engagements with companies.

"A couple of years later, we published PROCC-2 as a public call for all companies to disclose the physical location of owned or operated assets. This PROCC-2 framework was supported by CDP, IIGCC and Ceres, and we have referenced this in our consultations with regulators and standard setters such as EFRAG, ISSB, and SEC," she says.

"As more data and disclosure becomes available, we are working diligently to incorporate it into our investment dashboards in order to help inform the decision-making ability of various investment teams across our platform. Our integrated approach to climate research has resulted in climate science research collaborations and the expansion of our proprietary climate risk technology and tools to help investment teams assess physical and transition risk and to synthesise data and insights at the portfolio level," she adds.

Written by Abigail Williams, a freelance journalist

Pension forfeiture rules

Following London Mayor Sadiq Khan's requests for convicted murderer and former Met Police officer, Wayne Couzens' pensions to be forfeited and for pension forfeiture rules to be strengthened, Matthew Swynnerton explains the current rules and regulations to be navigated in achieving these goals

Wayne Couzens stripped of Met police pension; London Mayor Sadiq Khan calls for CNC pension removal

In a letter seen by *Pensions Age* to Secretary of State for the Department for Energy Security and Net Zero, Grant Shapps, dated 1 April 2023, Mayor of London, Sadiq Khan, called for Wayne Couzens to be stripped of his Civil Nuclear Constabulary (CNC) pension, having already secured the forfeiture of Couzens' Met police pension.

In 2021, Couzens was given a whole-life sentence for murdering Sarah Everard while employed by the Met Police, having since lost his bid to reduce his sentence at the Court of Appeal.

In the letter, Khan stated: "I applied for and obtained from the Home Secretary a certificate of forfeiture in relation to Couzens' pension with the Metropolitan Police Service (MPS). I note that Couzens joined the Civil Nuclear Constabulary (CNC) in 2011 as a constable. When he transferred to the MPS in 2018, he did not transfer his pension service. It remains there, and is not covered by the pension forfeiture certificate I was able to obtain as it sits outside the normal police pension regulations.

"It is my understanding that Couzens has approximately seven years' pension service with the CNC and is entitled to a deferred pension. I understand that the UKAEA, overseen by your department, is the pension authority for the CNC Combined Pension Scheme of which Couzens is a member. Whilst I understand the pension forfeiture arrangements are not straightforward, I seek your assurance that you will take all possible steps to ensure that Couzens is stripped of his pension. This is what the public would rightly expect…."

In Khan's letter to the Home Secretary, Suella Braverman, on 24 February 2023, also seen by *Pensions Age,* Khan called for the pension forfeiture rules to be strengthened, so that a criminal offence does not have to be committed 'in connection' with their service in order for an officer to lose their pension.

Wayne Couzens, prior to his conviction, was a Met officer and had previously worked in the Civil Nuclear Constabulary (CNC), guarding nuclear sites. Upon conviction, his Met pension was forfeited, and there are calls for the administrators of the CNC scheme to also forfeit his CNC pension.

Regulation 6(1)(c) of the Occupational Pension Schemes (Assignment, Forfeiture, Bankruptcy etc) Regulations 1997 makes clear that any public service occupational pension scheme can be forfeited where (i) the member is convicted of an offence committed in connection with their service as a public servant, and (ii) a Minister of the Crown certifies that the commission of that offence has been gravely injurious to the interests of the state or is liable to lead to serious loss of confidence in the public service.

With regards to the second criterion, on 3 April the government gave a statement that they support the recommendation that Couzens be stripped of his CNC pension. The legal question, therefore, is whether the offence was committed in connection with his service. It is certainly arguable if "his service as a public servant" covers the entirety of the service period, i.e. from starting at the CNC until the end of his time at the Met. There is a serious possibility, however, that it will be interpreted as the service to which the pension relates, meaning that there would have to be a connection between the crime and the CNC service. Interpreted this way, the legal basis upon which the pension can be forfeited is a lot less obvious.

Along with needing a legal basis, there must also be a power in the CNC scheme rules to allow the administrator to act. At Rule 10.04(3)(b) of the CNC scheme rules it is made clear that it must be "an offence in connection with any employment *to which this scheme applies*" (emphasis added). This means that, even if the Forfeiture Regulations are interpreted widely, the administrators may not be empowered to take the action.

Some have suggested that, should it not be possible to forfeit the pension, the rules on forfeiture should be expanded. It is possible that this would now face hurdles by way of the European Convention on Human Rights, especially Article 1 of Protocol 1, the right to protection of property, which would need to be considered, including the impact on the innocent dependents of the convicted individual.

Written by DLA Piper partner, Matthew Swynnerton

Keeping up with rising governance standards

As trustee boards tackle new legislation and prepare for more on the horizon, Niamh Smith explores how trustees are ensuring schemes comply with regulation, despite the ongoing pace of regulatory change

Summary
- To stay ahead of regulatory change, trustees should look at trends to anticipate future changes to regulation.
- External support is available to help trustees keep with new requirements through the form of advisers and resources.
- Failure to comply with regulation can result in financial repercussions and damage to reputation.

Recent changes to pensions law have increasingly extended trustees' responsibilities, and the ongoing pace of regulatory change suggests the list of their duties will continue to grow.

As trustees continue to deal with various major external factors for schemes, such as high inflation and market volatility, keeping on top of the changes is proving a time-consuming task.

Look forward first

Ensuring schemes are keeping up with the unrelenting pace of change is even more challenging for smaller schemes than larger scheme and master trusts.

Smaller schemes tend to be less well-resourced and contain fewer trustees, so it is difficult to dedicate the time and resources required to stay on top of the regulatory changes. Sackers senior counsel, Naomi Brown, says "it's basically a full-time job" for trustees to keep up with all.

As a result, schemes require a team of trustees able to spend more time studying and implementing the new regulation, says Brown.

She added: "It's not just the pace of change that makes it difficult – it's also the volume, breadth, and complexity. This is one of the reasons we are seeing such a significant shift towards professional trustees for whom pensions is a day job."

In comparison, master trusts can stay ahead of change as they are often involved in industry-wide working groups and regularly provide input to regulatory changes before they are implemented to ensure they are fit for purpose.

Furthermore, larger schemes and master trusts have prevailed as the vanguard and early adopters of change because they have greater resources dedicated to studying scheme requirements.

"We're lucky to be part of a big insurance company, so we have a whole team of people looking at regulatory changes," says Aegon Master Trust chair, Ian Pittaway. "Their job is to look at the regulations, work out what's happening, and how it affects the trust."

Such personnel can also look at the trends happening across the pensions industry to anticipate the next change and advise trustees in advance.

This will ensure new requirements and regulations come as no surprise and trustees are well prepared to stay on top of changes, explains Cushon Master Trust chair, Roger Mattingly.

"It's important to be as forward-looking as possible. This means keeping ahead of potential regulatory change by constantly analysing what is happening across the current defined contribution landscape," says Mattingly.

However, not everyone recommends this approach. Pinsent Masons partner, Christina Bowyer, says the law firm warns trustees to avoid relying heavily on attempting to continuously stay ahead of new regulations.

Instead, trustees would benefit more from a targeted training session once the regulation is finalised rather than regular detailed updates on a requirement that is still evolving, says Bowyer.

"Although it can be interesting to follow developments step by step as they unfold, when it comes to new regulations, it could make more sense to sit back until the position is clear, so you only spend time getting to grips with the detail once," she adds.

Seek existing help

Trustees from both smaller and larger schemes can benefit from industry-wide collaboration to ensure they are not overwhelmed with the pace of change.

The Standard Life Master Trust scheme collaborated with advisers and the scheme sponsor when assessing the recent Taskforce for Climate-Related Disclosure (TCFD) requirements.

The scheme's chair, Richard Butcher, explains that the scheme benefited from collaboration as it provided valuable insights because directors bring their own expertise and industry connections to the table.

"This creates a collective competence which, along with our interactions with the regulator, allows us to form a holistic view of not only the regulatory developments, but how to best implement solutions that benefit our members," says Butcher.

Of course, this can be expensive. Trustees should not be deterred by the cost of advisers, but should "lean on the experts", urges Brown. "This is likely to incur costs, but advisers can help cut through the technical detail and provide scheme-specific guidance. They are also likely to have dedicated teams of people keeping their ear closely to the ground, so you don't have to."

Trustees of schemes of all sizes can also use the resources provided by regulatory bodies to stay abreast of changes and ensure their interpretation complies with requirements.

The Pensions Regulator (TPR) provides a 'Trustee Toolkit' to provide a detailed overview of the rules, which newly appointed trustees must adhere to.

The regulator also issued guidance in collaboration with the Financial Conduct Authority (FCA) to educate trustees on requirements and legal definitions. These free resources can be a particularly useful tool for smaller and less well-resourced schemes.

Brown says Sackers recommends trustees access the resources provided but to remember that the information is generalised and must be adapted to properly suit individual schemes. "Make the most of the free stuff," says Brown. "There are lots of free alerts, updates and seminars/webinars out there. Signing up is a great start but you still need to read/watch them and, as they will be generic, you will need to check how they apply to your scheme."

"It's not just the pace of change that makes *[keeping up with regulatory reform]* difficult – it's also the volume, breadth, and complexity"

Comply or face consequences

Trustees must ensure schemes are conforming with regulation to prevent costly repercussions, as failures to comply can incur fines and even trigger legal proceedings and penalty notices.

This is particularly the case as the Pension Schemes Act 2021 extended TPR's powers to penalise and issue sanctions to trustees and managers for failing to meet regulations.

For example, TCFD reporting became mandatory for larger schemes and master trusts from October 2021 and smaller schemes from October 2022.

Trustees must now document their policies on material financial considerations, including climate change, in line with the TCFD framework.

A complete failure to publish a TCFD will attract a mandatory penalty of at least £2,500, with other penalties subject to the discretion of TPR.

The regulator also has new powers to issue compliance notices and penalties to trustees and managers for failing to comply with pensions dashboard requirements.

Under new regulations, TPR also now has the option to issue penalties of up to £5,000 to individuals and up to £50,000 in other cases for any instance of a single compliance breach.

However, the risks of failing to comply with regulation stretch beyond financial repercussions as the impacts on reputation have proven to be extremely damaging to business operations.

A damaged reputation can lead to commercial ramifications and drive customers to competitors as employers are likely to leave and new employers choose not to join the scheme, says Pittaway.

"The master trust world is very competitive," he says. "We're competing with other master trusts for business and if you have a reputation of being slapdash for not complying with regulations, then pretty soon, in the commercial market, people won't give you any business."

Regaining a positive reputation is difficult as members' confidence in the scheme must be regained and trustees will be required to undertake expensive and time-consuming corrective actions.

Ultimately, failing to comply with regulation also runs the risk of failing to meet the key objective of a scheme as regulation is introduced to protect customers.

Butcher says member outcomes must remain central to decision-making as schemes could miss an opportunity to better protect or improve member outcomes by failing to meet regulations. "The intent of regulatory change is generally aligned to this goal," Butcher adds. "If we were to be non-compliant then we could risk failing in this key objective."

Written by Niamh Smith, a freelance journalist

DC and Master Trusts Guide 2023:

The journey to optimal solutions

Featuring:

- What is driving DC schemes' push into master trusts and what should these schemes be looking at when preparing to move over?
- How to help more people save enough for a financially secure retirement
- How the support that master trusts offer to members after they retire will become a crucial differentiator in the near future
- Company profiles

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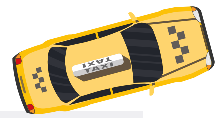


The direction of travel

The rise in DC schemes moving into master trusts has been incredible in recent years. But what is driving that push and what should these schemes be looking at when preparing to move over?

Summary
- The number of scheme members in master trusts has rocketed in recent years.
- Many schemes are moving because of burdensome regulation, with cost also a factor.
- Moving to a master trust is a great time to improve engagement with members.

The volume of DC schemes moving into master trusts has risen from a trickle into a torrent. Figures from Aviva say that in 2010, 200,000 people were saving for retirement in a master trust. But last year, says The Pensions Regulator (TPR), that figure was 20.7 million.

It is a trend set to continue. Varying figures abound, but predictions from Aviva and Smart Pension posit that the market will grow between 20 per cent and 25 per cent each year for the next half decade, with research from Broadridge indicating that assets held under master trusts will reach £461 billion by 2029.

The change has been a conscious choice from regulators, says Scottish Widows master trust lead, Sharon Bellingham.

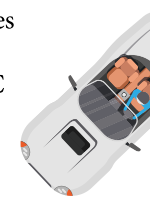
"In recent years," she says, "we have seen a clear and stated ambition from TPR to encourage the smaller and less well-governed schemes to consider if they demonstrate best value for members. The new TPR tone of voice has been backed up by regulatory activity and continuously evolving disclosure requirements. As a result, trustees and employers are now seeing a growing call on time, effort, and cost; the smaller, employer-sponsored, single-trust schemes cannot always afford the significant budgets that larger schemes may be able to resource more readily."

It is a view echoed by Aon head of DC solutions for the EMEA region, Tony Pugh, who points to the expense of compliance and the administration now required of schemes.

"If you are a large employer running a large scheme yourself," he says, "there's a lot of resources and costs there. You're also going to be paying multiple fees, which gets very expensive. There's also a lot of risk because of the regulatory burden and the focus being put on DC schemes."

The moves have also pushed DC to the top of the agenda, says Eversheds Sutherland legal director, Amanda Small. "The regulations around share statements and value for money reports were the catalyst for smaller schemes to look at what they were doing, bringing DC schemes to the top of the agenda."

Pugh reckons another element is at play. "There's also an element of employers looking at DC schemes after they've closed off their DB liabilities. Quite often, a large employer will have a DB section and a DC section in their pension arrangements. After they've sorted out the massive risk that comes with their DB sections, that becomes a trigger for them to look at their DC schemes."



The impact of new regulation

The past six years has seen multiple new

laws and regulation come into force, from the Pension Schemes Act 2017, through The Occupational Pension Schemes (Master Trusts) Regulations of 2018, the Pension Schemes Act 2021, and The Occupational Pensions Schemes (Collective Money Purchase Schemes) Regulations 2022, all of which have pushed the move for DC schemes into master trusts.

Eversheds Sutherland principal associate, Helen Tabiner, says that the regulations have been made to support and buttress a conscious direction of travel.

She says: "There's a long-standing industry feeling that smaller schemes are being pushed into master trusts to give members a better experience. The regulatory environment is quite thinly stretched at times so it's helpful from that perspective because it means that there are fewer schemes to keep an eye on."

But those speaking to *Pensions Age* say that the one with most impact had been the value for money assessments, which came into force in October 2021.

Under that legislation, schemes with less than £100 million in assets, in operation for under three years, with a year-end that fell after the end of 2021, are required to assess their schemes against three others in terms of costs and charges, net investment returns, and administration and governance, and present their findings in their annual chair's statement.

Says The People's Pension: "If an assessment reveals members are receiving poor value for money, trustees are required to take steps to rectify this. This could include winding up the current scheme and consolidating members' assets with a different scheme if current arrangements can't be improved."

The impact of the value for members reports has been keenly felt, adding a heavy burden onto trustees.

"These things run up to 50 pages," says Pugh, "and they never get read by members. They're also expensive to produce. That's a lot of well-intended, but tick-box regulation. There were many who have been shamed for having small, immaterial technical inconsistencies in their statements, so we've ended up with a lot of people asking why they would do this when they could just transfer to a master trust."

Where this leaves the sector

The upshot from all this movement is that the pension sector will be left with smaller schemes, with the landscape dominated by the larger players. The question is: What will come next?

Bellingham lays out a particular scenario. She says: "Whilst the number of single-employer trust arrangements will continue to fall, some will remain. A handful of 'mega' schemes will remain – those with significant scale and a robust operating model that can support good member outcomes. It is likely that these schemes will be supervised by TPR more closely. We may even see the current master trust supervisory regime being extended to cover the remaining single employer trust arrangements."

There has also been a groundswell of bigger schemes moving into master trusts, says Pugh, who says that schemes with assets of up to £1 billion are looking at the sector.

Bellingham takes up this point. "It's not just the small, poorly governed schemes that are attracted to the fully outsourced master trust model," she says. "Even the larger well-governed schemes find that master trusts offer a compelling solution, with some master trusts providing considerable flexibility and tailored solutions."

She points to the TPR's latest *DC Trust* survey findings that show bigger schemes consolidating at the greatest pace.

She adds: "The total number of non-micro schemes, including hybrid schemes, has declined by 11 per cent. The survey also shows that the number of non-micro schemes, including hybrid schemes, has fallen by 67 per cent since the introduction of auto-enrolment in 2012. Given the consolidation activity, most master trusts aren't relying on acquisition for growth in the short term."

What DC schemes should be doing

For DC schemes looking to make the move, there are still barriers, particularly around the smaller and older schemes. There will be legacy complexities that needs addressing around schemes still having valuable guarantees promised decades ago that are significantly higher than they are now. These are also likely to be expensive for employees and trustees to resolve.

Ultimately, the approaches taken when transferring to a master trust will differ from scheme to scheme.

"When we get a proposal to present terms," says Pugh, "some employers have had bad admin and are looking for something better. Some have unengaged members and want to improve on that. And a lot of it is about cost. We had a scheme a year ago that was paying £1 million a year in costs. They found they could save on that by moving. Another factor is that everyone wants ESG, which is something that needs to be developed but which people don't want to pay for."

Preparation is key, says Standard Life Investment head of master trusts, Donna Walsh. "Schemes need to scope out the transition. They need to agree a plan and see what their advisers can bring. They also need to make sure there's enough time for the move. Data is important. They need to see what shape it's in."

But most important, she says, is communicating it to the members. "That's critical. You need to bring them on the journey with you. Moving to a master trust is a fantastic opportunity to increase engagement. But it must be done all the way through, not just at the point of transition."

Written by Pete Carvill, a freelance journalist

The retirement income challenge

Donna Walsh considers how to help more people save enough for a financially secure retirement

It's common for people to neither save nor plan enough for their retirement. And these problems could get even worse – unless we act quickly.

Half of the working-age population are projected to have an income below £21,000 per annum (the PLSA moderate level), when they retire, according to recent government figures *[see Figure 1]*.

Worryingly, this projection might under-estimate the severity of the problem. These figures assume that home ownership continues at similar levels in retirement to existing levels (just under 80 per cent). Yet how many of us believe this is likely?

The Joseph Rowntree Foundation, for instance, says the proportion of households headed by older renters has doubled in the past 15 years. Meanwhile, the decline of home ownership among young adults is well documented.

Married to this widespread trend of not saving enough, is a broad lack of retirement planning.

In 2022, almost three-quarters (72 per cent) of people did little or no retirement planning, according to our *Retirement Voice 2022* report[1]. Since then, the cost-of-living crisis appears to have exacerbated social inequality further, increasing the risk of some members of society being left even further behind when it comes to retirement preparedness.

In light of these challenges, as an industry should we focus on:

1. Building on the success of auto-enrolment, which is predicated largely on inertia?
2. Encouraging employers to voluntarily contribute more?
3. Working even harder to boost member engagement levels?

Given that one size does not fit all, surely, we must do all three.

Let's look at these areas of focus in more detail.

Building on the success of auto-enrolment

Auto-enrolment has been brought back into the spotlight, after the UK government backed legislation to expand savings into workplace pension schemes.

The private members' bill will give ministers powers to lower the age at which employers must put workers into a pension scheme from 22 to 18. It also paves the way to abolish the 'lower earnings limit' that lets companies make no pension contributions on the first £6,240 of a worker's income.

We support the aims of the private members' bill, as they will help to raise retirement savings levels. By themselves, however, they will not be enough to help most people save for a financially secure retirement.

The broader question, of course, is whether total default contributions should increase from 8 per cent to 12 per cent – and, if so, when this might be practical in light of the squeeze on household incomes? We anticipate this being a key pensions question for policymakers and the industry in years to come.

Encouraging employers to voluntarily contribute more

Employers can play an important role in ensuring that the right foundations are laid for their employees' retirement. Indeed, this is an area where we believe employers can differentiate themselves in terms of talent recruitment and retention, while also improving the long-term financial wellbeing of their workforce.

This is why we support the Living Wage Foundation's Living Pension standard.

The Living Pension is a voluntary savings target where employers can help workers, especially those on low pay, build up a pension pot that will provide enough income to meet basic everyday needs in retirement.

Figure 1: Half of working-age people are projected to not achieve a moderate retirement standard

Percentage of UK population projected to not reach each PLSA retirement standard when they retire

Cohort*	PLSA Minimum	PLSA Moderate	PLSA Comfortable	Total**
All individuals	12%	51%	88%	34.7m
2020s	14%	53%	87%	5.6m
2030s	13%	53%	88%	8.3m
2040s	12%	55%	89%	6.6m
2050s	10%	48%	88%	8.1m
2060s	10%	45%	86%	6.2m

Source: GOV.UK
*Decade when reaching State Pension Age
**The total number of individuals in the population

The Living Pension savings target is 12 per cent of a worker's annual salary, with the employer contributing at least 7 per cent.

The Living Pension savings target can also be implemented as a cash amount of £2,550 a year, based on 12 per cent of a real Living Wage worker's salary. The employer would contribute at least £1,448. Under auto-enrolment, by comparison, a Living Wage employee working 37.5 hours per week would have £1,201 going into their pension each year (with £450 coming from the employer).

Working even harder to boost member engagement levels

Auto-enrolment has normalised regular pension saving largely through inertia. But inertia has its downsides, with many people insufficiently engaged with their long-term savings.

Our *Retirement Voice 2022* report indicates that those who do a great deal of planning, or just a little, have a more positive outlook on their future. Yet many people still do no retirement planning, with around 50 per cent of people finding information on retirement planning "overwhelming".

Here, we believe the Pensions and Lifetime Savings Association's (PLSA's) Retirement Living Standards can help. The standards help people to picture the lifestyle they want when they retire, and understand what it might cost.

Standard Life members can see how their pension savings are projected to measure up against the PLSA Standards by using our retirement calculators and tools on the app or on their online dashboard. And employers can see the proportion of their employees on track for each Standard using our online Client Analytics tool.

These Standards to help people picture what retirement can look like for them. But what influences how people think about retirement?

To understand how different cohorts think about pensions and retirement, we entered a three-year joint research initiative with the Organisation for Economic Co-operation and Development (OECD), with diversity, equity and inclusion a key focus.

The OECD's first paper explores potential influences on the ability and willingness to save for retirement. Their analysis shows that income, employment status, age, gender and ethnicity may influence how people perceive saving and risk-taking.

These factors can also influence people's confidence in making financial decisions, the aspects of retirement they consider positive or negative, the financial commitments they expect in retirement, their attitudes towards planning for retirement, and the sources of guidance they are likely to use.

Understanding such differences can shed light on how the design of retirement savings and engagement techniques could improve to target different populations and ensure that their preferences are taken into consideration. Ultimately, we hope this will boost engagement levels and improve outcomes.

Holistic view of finances

Of course, retirement will seem long way away for many, and people may have more pressing financial concerns or decisions to make. Seeing their whole world of money on one screen can help.

This is where our tool Money Mindset comes in. It connects bank accounts, savings, credit cards, mortgages, loans, investments, pensions and more to provide a truly holistic view of members' finances.

Once the accounts are connected, the system can provide smart and actionable nudges to help members make small financial changes and keep their finances on track. Money Mindset can also provide spending insights, budgeting and forecasting tools to encourage healthy spending habits.

By bringing their financial life into one place, Money Mindset can help people to:

- Gain more financial awareness and control
- Make better financial decisions
- Engage with their pension plan
- Feel less financial stress

We all know that financial concerns don't exist in isolation from other areas of life, whether this is our physical health, mental health, or productivity at work.

For instance, a third of employees said that financial stress/money worries in the past year had a severe or major impact on their mental health and sleep, according to the 2022 PwC *Employee Financial Wellness Survey.* Three-in-ten employees said it had affected their self-esteem; while almost a quarter (23 per cent) said it had affected their physical health.

This is why we believe that giving people better control of their spending and financial plans helps them not just with their finances – but also to lead fuller happier lives.

Remember, the value of a pension can fall as well as rise. It's possible it could be worth less than what was originally paid in.

Written by Standard Life head of master trust, Donna Walsh

In association with Standard Life Part of Phoenix Group

[1] In August 2022, Standard Life commissioned an independent study that sought to understand consumer attitudes to pensions and retirement plans. The study questioned a total of 5,980 UK adults, with the data weighted to give a nationally representative sample by age, gender, region and working status. The sample included 1,000 interviews to boost Asian and Black ethnic groups to provide a larger sample for analysis. The research sample included UK adults aged 18–80 and covered a range by income, savings, region, gender, ethnicity, and other characteristics.

Master trust savers need a retirement support system, not just a drawdown option

The support that master trusts offer to members after they retire will become a crucial differentiator in the near future

Anyone who has ever attempted an endurance event, from a weekly Parkrun to my own personal favourite, a triathlon, will appreciate the importance of pacing. Start too quickly and you will have nothing left later in the race. Fail to manage your nutrition and hydration needs and you will struggle to keep energy levels up.

Managing defined contribution (DC) pension spending throughout retirement presents similar challenges. Members need to pace their spending, have access to suitable guidance and tools to sustain them, and put available funds to the best use across their long, and hopefully enjoyable, years of retirement.

Until recently, managing DC funds post-retirement was tomorrow's problem. Many retirees had defined benefit (DB) funds providing core retirement income. DC pots were mostly small and as a result many members opted to take them as cash.

Now, post-retirement is becoming a much more significant challenge for members and schemes alike. Members who retire in the coming years will have most, if not all, of their savings in DC schemes. The growing value of assets under management in DC schemes pays testament to this; The Pensions Regulator estimates that within the next 15 years, the value of DC assets will overtake those of DB assets and much of that growth will be in master trusts. At some point, individual members will need to rely on DC funds to sustain them through their later life. Is the master trust industry ready to support this?

From at retirement, to post-retirement

Employers, schemes and the wider pensions industry have already started to put more emphasis on support for members in the lead-up to retirement. Mid-life MOTs, signposting to guidance services such as PensionWise, and apps that help members frame pension savings as a standard of living in retirement, are some of the ways that schemes are responding.

We have also seen schemes become more proactive in offering at-retirement options. Aon's *2022 DC Pension Scheme and Financial Wellbeing Survey* found that two-thirds of schemes now offer some form of access, either direct or indirect, to a drawdown solution – double the number that were doing so in 2020.

Despite this progress, you could still be forgiven for thinking that retirement is a one-off event. To date, there has been little focus on helping members manage their money over the 20 to 30 years that they may spend in retirement. And between the ages of, say, 65 and 85, people's health, wealth and personal circumstances typically change radically. A decision that was appropriate at the point of retirement may need careful rethinking 10 or 20 years later.

Many members need help. Recent research from insurer LV found that 58 per cent of working adults say they do not know how to ensure that they will not run out of money in retirement, and data from the Financial Conduct Authority found that in 2021/22, 40 per cent of members took annual drawdown from their pensions at a rate of over 8 per cent. This is double the 4 per cent figure that is typically used as a benchmark for sustainable drawdown. This shows how master trusts must do more to help members, not just before and at retirement, but also throughout their later lives.

Innovative thinking for post-retirement

The good news is that the pensions industry is starting to respond to this challenge. The Pensions and Lifetime Savings Association's (PLSA) 2021 *Guided Retirement Income Choices* proposal included a framework of three elements to support DC savers in retirement: better engagement and guidance for members; improved decumulation solution design (including fixed and flexible income) and good governance to help schemes deliver guidance and better solutions for all savers.

Its 2022 follow-up, *Retirement Choices: The Evolution of Products and Support,* noted some schemes are considering options, such as blended retirement solutions, combining flexible drawdown early on in retirement with the certainty of consistent income from an annuity in later life.

According to the Pensions Policy Institute, annuity purchases have declined among younger retirees, but increased among those over the age of 75. This implies that savers seek the security of a consistent income as they get older but may want to retain more flexibility while they are younger.

However, these figures reflect the behaviours of older, potentially more

sophisticated savers who are also likely to be receiving DB pensions. We have yet to see how retirees dependent on DC will manage the balance between drawdown and annuities through retirement, potentially with little investment knowledge and limited access to financial advice. This new generation of DC retirees will need to rely on their scheme for ongoing support with decision-making and money management.

Retirement support systems for DC savers

To support those needs, master trusts need to offer broad retirement support systems, bringing together appropriate retirement products and income solutions, improved investment options, guidance on how to monitor money in retirement, and digital tools enabling members to take control of their own finances.

Here are four priorities to help build better retirement support systems:

Continue to find new ways to help members mix annuities and drawdown. There are many different theories about the optimal balance of certainty (annuities) and flexibility (drawdown) that savers need and how to package them to be manageable and affordable for members. The key is to provide access to all benefit options alongside the right support to ensure the right blend for individual members' own situations.

Create more flexible investment solutions. Post-retirement, members still need to plan for the short, medium and long term. Being able to split assets into two or three accounts within a single pot, based on day-to-day income needs, emergency savings and long-term investments to cover care or inheritance, could help members plan for the future and clarify how much money they can spend day to day. Further, as the rules around collective defined contribution (CDC) take shape and providers draw on the experiences of early adopters such as Royal Mail, this structure could open up innovative opportunities for alternatives to traditional drawdown and annuity purchase.

Improve financial wellbeing support. Good financial wellbeing habits, such as tracking spending and sticking to budgets, are just as important in retirement as in working life. Offering digital money management tools and information, both pre- and post-retirement, helps members improve their money management. Tools to help manage drawdown and keep withdrawals at an appropriate level are vital for retired members. Additional services, such as helping members make their money go further with everyday product discounts, also help. Good quality communications remain as important as ever – these should include seminars or webinars, annual statements with an estimate of how long current income might last, as well as prompts to reconsider options such as annuities.

Link everything together. Most retiring members will have built up workplace pensions in several different schemes, plus in other savings vehicles such as ISAs. By linking together pension schemes, bank accounts, savings accounts and other financial products through a single online dashboard, members can keep control of all their finances and plan more effectively for the long term.

Enabling members to support themselves financially through retirement is the reason that pensions exist. As DC pensions, and particularly master trusts, become the dominant source of retirement income, it is crucial that we put systems in place now for everyone to enjoy the best possible standard of living their savings can offer, throughout their retired life. Comprehensive, easy to manage post-retirement products, guidance and investment options are set to become a major differentiator both for master trusts and other types of DC scheme.

To find out more about the Aon Mastertrust contact us at talktous@aon.com.

Written by Aon DC Solutions Proposition Lead, Jenny Swift

In association with AON

Company Profiles

Standard Life

Standard Life is a brand that has been trusted to look after people's life savings and retirement needs for nearly 200 years. Today, we serve millions of customers, who come to us directly, through advisers and through their employer pension scheme, and we're proud of the consistent high-level of customer service we provide. Overall, people are living longer and we can support them at every step in their financial future – whether they're looking to maximise their long-term savings, explore options to have an income in retirement, or better understand financial wellness, we're here to help. We know we can't achieve this without doing our part to build a strong and sustainable future. It's why we are integrating sustainability into everything we do; from incorporating responsible investing into our solutions, to fostering an inclusive savings culture and improving financial wellbeing for all. We're part of Phoenix Group, the UK's largest long-term savings and retirement business. We both share an aligned ambition to help every customer enjoy a life full of possibilities.

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Summary

- Reforming pensions to ensure value for money for members is a key priority for policymakers and regulators.
- Stakeholders are concerned that regulators may lack sufficient resource to implement reform.
- Delays to the DB Funding Code and pensions dashboards could undermine DC overhaul ambitions.

Working through the red tape

There are a number of ambitious plans set to transform both DB and DC pensions, yet progress for some has stalled. Gill Wadsworth explores how well the government and regulators are making their way through the processes required to achieve their goals

The Pensions Regulator's (TPR) new chief executive, Nausicaa Delfas, faces a significant workload over the coming year, joining as she does in the midst of major reform which government says will restore pensions equality between defined benefit (DB) savers and their defined contribution (DC) counterparts.

TPR, along with the Financial Conduct Authority (FCA) and Department for Work and Pensions (DWP), will be at the forefront in delivering a raft of measures designed to improve value for money, which include

enhancing scheme disclosures; tackling challenges with small pots; extending collective DC (CDC); and reforming the charge cap to make it easier for DC schemes to invest in illiquid assets.

A consultation on the value for money framework closed in March and the eventual proposals will form part of Delfas's to-do list, which already includes implementing the DB Funding Code, delivering a pensions dashboard and tackling pension scams.

In this April's *Corporate Plan for 2023/24*, Delfas acknowledges TPR's "full and ambitious agenda", and says she "will continue to build *[TPR's]* organisational and digital capabilities, deliver value for money, and work collaboratively with our regulatory partners and stakeholders in the wider pensions environment".

Political pressure

Yet with such ambitious plans, the regulator, whose own stakeholder research revealed concerns about whether it is furnished with requisite resources to carry out existing enforcement activities, faces a challenging 12 months.

Dalriada Trustees professional trustee, Paul Tinslay, says regulators are under pressure from a Conservative government that faces calls for an early General Election. Indeed, an April 2023 Ipsos poll finds almost half of Brits think the country will have a new Prime Minister by the end of the year, with only 15 per cent satisfied with the way the UK is currently run.

Tinslay says: "Some of the reform is long overdue, and Laura *[Trott, Minister for Pensions]* may feel that she's got a limited amount of time to get some of this work done and make her mark politically."

But judging by TPR's inability to get the DB Funding Code over the line this year – it has been delayed until April 2024 – and with pensions dashboards still yet to manifest four years after it was supposed to be launched, industry commentators are sceptical about the likelihood of rapid reform.

Dalriada Trustees head of technical research, John Wilson, says: "Recent examples *[of delays]* include the consultation on the first draft of the single code of practice, and even more recently, the consultation on the second draft of scheme funding. The timescales were quite short for us to respond to those consultations on the premise that *[government]* wanted to bring changes in quickly. But in practice, that hasn't happened."

Under-resourced

Part of the failure to deliver on pension reform promises is, according to Wilson, a lack of available resources at the regulator.

Tinslay says there has been a significant increase in responsibilities at the regulator since its original incarnation as the Occupational Regulatory Authority, but there have not been commensurate increases in manpower.

"Obviously, the political entity that controls the purse strings also controls the extra work that the regulator has to do." He adds: "I have a great deal of empathy with *[TPR]* and support it in achieving what it is trying to do, which is ultimately improve member outcomes."

In this year's *Corporate Plan 2023/24,* TPR "commits to transforming the way we regulate" and has set up workstreams to ensure it has the right capabilities; people and skills; processes; and partnerships to maintain its "focus on enhancing and protecting savers' outcomes".

Hymans Robertson head of DC investment, Callum Stewart, says that while "more resources are always helpful to deliver seismic change", there is already evidence of positive change at TPR. "There has been a huge amount of recruitment at the regulator, and there has been an increase in the diversity of backgrounds and expertise of individuals employed. I've noticed positive movement and progress in terms of the level of engagement with TPR, and we're seeing more helpful guidance," he says.

Meanwhile, a TPR spokesperson tells *Pensions Age*: "We actively manage the resources we have available against the commitments set out in the corporate plan to ensure that we are able to deliver and also remain flexible within a continually shifting environment. We will continue to work closely with government on future legislation and will adjust the allocation of resource as required."

Coordinated action

A report from the Regulatory Reform Group, which looks at practical solutions to improve the UK's regulatory framework, published this April, notes that "strategic direction and clarity from government to regulators can be improved – for example, responsibility for pensions policy involves both DWP and HMT. Differences in opinion between regulators and government can slow regulatory improvement, stifling innovation and growth in the process".

It is clear then that since multiple regulators will be implementing the value for money framework, for it to succeed, several elements of DC must be considered simultaneously.

Dentons pensions partner, Eleanor Hart, says: "There is always a risk that stakeholders may be overwhelmed if there is too much change at once and there may be unintended consequences. But on balance, given that all these parts of DC are interlinked, it makes sense to have a holistic framework. It is also good for policymakers to be ambitious."

"We are doing the right things and heading in the right direction, but possibly just not at the pace we would like. Maybe too many consultations at the same time does tend to slow things down"

However, consultants and trustees are keen to keep delivering value for money as the top priority and wish to avoid distractions that corresponding consultations may cause.

Stewart says: "While there are other consultations happening at the same time, value for money is the anchor. I'd love to see all the guidance and regulations emphasise the importance of embedding that new value framework. If that's done successfully and in a helpful way, the impact of the other consultations and changes to regulations can be managed in relation to that goal."

Given the recent delays across both DB and DC pension reform, Tinslay says that while he welcomes multiple consultations, he hopes the volume of work does not cause further policy delays.

"We are doing the right things and heading in the right direction, but possibly just not at the pace we would like. Maybe too many consultations at the same time does tend to slow things down," he says.

Achieving outcomes

There is a sense of cautious optimism from the pensions industry about the likely success of the government's reforms.

Hart welcomes progress on CDC and believes reform may allow commercial providers to offer schemes that she says will make a "massive difference" to people's ability to save cost-effectively for retirement. But she questions the need for enhanced disclosures, which will be used to create DC league tables.

"Who are the disclosures for? They aren't for members because they aren't reading the current scheme information. Is this just a box-ticking exercise, or will it provide meaningful information for decision-makers?"

Tinslay is sceptical that it is possible to collect value for money disclosure across the entire DC universe and asks whether that undermines any subsequent league tables.

"Getting round to every employer to get this data is difficult. Say you gather 60 per cent of scheme data, which is better than nothing, we need to be clear that any league tables are based on that level, and that we don't have 100 per cent disclosure."

For Stewart, achieving a value for money framework is only the first step to achieving better outcomes for members, since it will be incumbent on providers and employers to ensure they are offering the best schemes.

He says: "'I'd like to see part two of the process focus more deeply on the stakeholders involved so we actually make *[value for money]* happen. We need to strengthen the guidance and the regulations around that, which is a move I would welcome with open arms."

Written by Gill Wadsworth, a freelance journalist

Clearing the hurdles

Pensions Age asks the industry about the regulatory requirements to be managed in the creation of pensions dashboards

The provision of pensions dashboards will play a considerable role in the journey to auto-enrolment and in helping members keep abreast of their pension pots. However, implementing pension dashboards also poses a sizable technical challenge for the industry. This is because it will require substantial investment in IT and data management to ensure GDPR regulations are met. Schemes should strive for 'Privacy by Design' from the outset when developing technology to ensure good data protection standards are there from the very beginning. Obtaining accreditations such as ISO27001, the international standard for information security as well as Cyber Essentials, the government-backed scheme, can help schemes remain compliant with GDPR.

TPT Retirement Solutions DC director, Philip Smith

The Pensions Dashboard Programme (PDP) faces several regulatory challenges that must be overcome for the initiative to be successful. While the General Data Protection Regulation (GDPR) feels like the most obvious hurdle, most funds, administrators, and employers already have the necessary frameworks and policies in place to handle this challenge.

Interoperability, data accuracy and matching are major challenges, and most communications from The Pensions Regulator, PDP and industry have focused firmly on these regulatory challenges. We fully expect most of these challenges to be resolved before dashboards go live.

All the focus is currently on getting funds and administrators ready for dashboards but at some point, the focus needs to shift to the member for whom dashboards are built.

Members may face several challenges themselves. Some significant challenges are accessibility, technical complexity, consumer protection and personal privacy. Accessibility may particularly be a challenge for individuals with limited digital skills or disabilities. Dashboards must be designed to be user-friendly and easily accessible to all individuals to ensure that everyone can access the information they need to make informed decisions about their retirement savings.

The Financial Conduct Authority (FCA) regulates the UK financial sector and is responsible for ensuring that financial markets operate fairly, transparently and that consumers are protected from potential harm.

The FCA published CP 22/25 in December 2022, where it consulted the industry on a variety of topics. This includes providing clear and transparent information about pension savings and investment options, as well as ensuring that individuals' personal and sensitive information is protected. This is the critical piece of regulation that needs to be finalised before PDP goes live.

In reality, we think that the focus of the industry needs to start shifting from getting data ready to be consumed by the dashboards infrastructure, to the consumers and the effect that dashboards will have on them and most importantly to ensure that their wellbeing is protected.

PensionSmith CEO, Jaco Wasserfall

To offer pensions dashboard services, providers will have to comply with the standards laid out by the Pensions Dashboards Regulations 2022 (2022 regulations). Alongside these, however, they will also have to comply with the Pensions Dashboards Programme's standards (PDP standards), the Financial Conduct Authority's regulation (FCA regulation) and the Data Protection Act 2018 (GDPR). But what do these prescribe?

2022 regulations
The 2022 regulations lay out the overall service expectations for the system. They require that the provider comply with the PDP standards. In addition, the user's dashboard process is laid out: The user consents to the dashboard accessing their data and submits a request to access it themselves. Other requirements include that the service must be provided as quickly as possible, without charge, and must include state pension information.

PDP standards
The PDP standards cover a large number of areas, including how data must be formatted and presented to the end user. This means that, when providers begin to think about the front-end of the dashboard, the PDP standards will apply. The PDP standards also include the technical standards, regulating the provider's technical architecture, and the security standards, included in the Code of Connection.

FCA regulation
The government has made clear that provision of a dashboard is a regulated activity under the Financial Services and Markets Act 2000, meaning that providers are regulated by the FCA. Providers will have to obtain FCA authorisation before providing any services and must report to the FCA regularly. Providers will have to comply with the FCA's principles, as well as the new regulatory framework, the consultation for which closed in February this year.

GDPR
The GDPR creates a number of obligations on any organisation that handles data. The user must be told of, and consent to, the purpose for which the data is being processed, and it can only be stored for that purpose, being deleted afterwards. Users must be given the right to access, update, and erase data. In essence, providers must have stringent policies in place to confirm the user's identity, seek their consent for the dashboard process, and ensure data does not get sent to incorrect parties (such as the wrong scheme) or leaked to third parties (such as data storage hosts).
DLA Piper partner, Matthew Swynnerton

The interaction between pensions dashboards and existing regulations does present some challenges for industry, and the need for trustees to adhere to GDPR is an obvious one. However, users will be asked to consent to the sharing of their data as a condition of use, and trustees will only be liable for members' data up to the point it is provided to front end dashboards – from then on the dashboard provider is responsible for how members' data is handled. Moreover, while allowing automatic access to members' data is a massive step change, if trustees are confident in the quality of their data and the robustness of their matching criteria, then they have little to fear. The identity verification service will arguably provide a tighter control than asking someone to verify information over the phone before releasing benefit data to them. If trustees are confident that their positive matches are correct (and – if they're unsure – are producing possible matches to ask for more information before deciding), then providing information via dashboards shouldn't give rise to an inordinate increase in data breaches.

The impact of dashboards on disclosure regulations is more of a challenge, particularly for defined benefit schemes where administrators would normally have two months to provide a deferred benefit statement, but will now have only 10 working days to provide value data if they can't automatically generate it for dashboards. And dashboards may also trigger an increase in transfer requests, where statutory deadlines and regulations make these particularly time sensitive cases. While nobody can predict how many people will be using dashboards once they're live, the strong possibility of the high volume of queries it will precipitate will be a huge challenge for those dealing with the day-to-day administration of schemes.
LCP senior consultant, Ella Holloway

Data security is a crucial concern when it comes to pensions dashboards, especially in light of regulations such as GDPR. While there are many factors to consider, the dashboards ecosystem itself is secure and not a major cause for worry as no personal data will be held in it. However, a key focus should be on connecting schemes to the dashboard ecosystem and ensuring that data is returned to the right members.

Working with an Integrated Service Provider (ISP) is one effective solution to potential data handling and cyber risks. ISPs have the expertise and resources to meet the Pensions Dashboards Programme's data handling standards and can ensure that data is handled securely.

To reduce the risk of returning data to the wrong member, schemes must prioritise ensuring they have up-to-date data to match against. This can also help reduce the number of partial matches and member queries. Data Protection Impact Assessments should be carried out in relation to data matching, as recommended by the Information Commissioners Office.

All parties involved in the dashboards ecosystem must take responsibility for ensuring compliance with data protection legislation, with commercial dashboard providers and pension schemes being examples of independent controllers successively processing personal data in a chain of operations.
Mantle Hosting head of proposition, Graeme Riddoch

Written by Laura Blows

PENSIONSAge

Fixed income focus:

Investments in an inflationary economic environment

Derek Steeden, Portfolio Manager, Invesco Solutions
Paul Jackson, Global Head of Asset Allocation Research

Adapting to meet a lower growth outlook

Derek Steeden and Paul Jackson consider how pension schemes' investment portfolios can respond to the changing economic environment

Following a year characterised by inflation, aggressive central bank hiking and geopolitical turmoil, it was clear to many that the outlook for 2023 would hinge on inflation. Specifically, had it peaked? And, if so, when would central banks start slowing, pausing and ultimately reversing rate hikes.

Some of the challenges in the banking sector underscore the policy tightrope that central banks face: They must think as much about financial stability as inflation. Further tightening means the risk of an earlier and potentially deeper recession. But if central banks do not hike rates, inflation moderation going forwards may not be satisfactory enough.

In turn, this would force the resumption of a more aggressive and/or lengthier tightening cycle, which could threaten financial stability further, prolonging the time before an economic recovery could start.

It will be 12-18 months before we know for sure whether the central banks got it right. In the meantime, an estimated £60-90 billion of defined benefit pensions will have been paid, a similar amount transferred to insurance companies and £30-50 billion new defined contribution assets invested[1]. How can pension schemes adapt?

Our base case scenario

Our views on asset allocation reflect our thinking that we're now in the 'contraction phase' of the economic cycle. The global economy, simply put, is entering a period in which economic output declines.

We think the US Federal Reserve interest rates will likely be lower in 12 months (even if they rise in the meantime), European rates little changed and that major Asian policy rates could be marginally higher.

Underpinning our projections for the next 12 months are the following views:

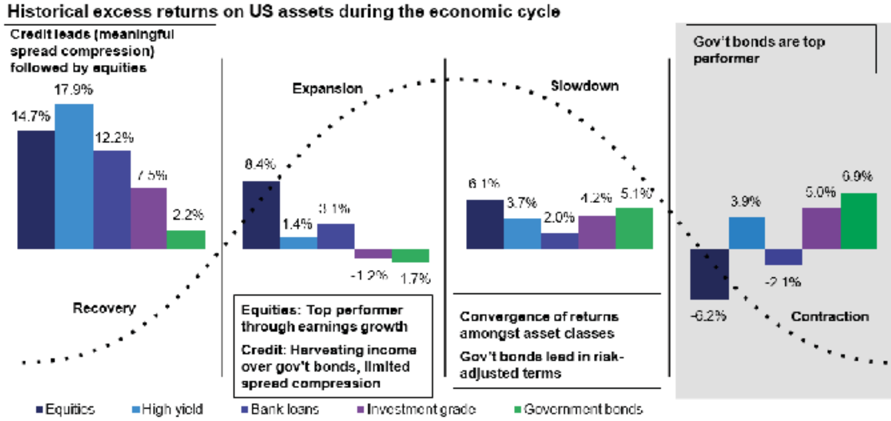
- Global economic growth continues to slide, with China an obvious exception
- Global inflation will fall but remain above many central bank targets
- Commodities struggle as the global economy slows (except agricultural products)
- The US dollar weakens as the Federal Reserve ends its rate increases

In this contraction environment equities have historically struggled, with government bonds performing strongly, closely followed by investment grade assets. Should recessionary concerns rise and interest rate expectations fall, defined benefit schemes' funding gains will fall and bulk annuity pricing rise (all else equal). Defined contribution members seeking to buy an annuity could see the income they can purchase fall from a combined equity fall and bond gain, with the impact more mixed for funds in steady state with a diversified mix of assets.

Alternative scenarios

We see three other potential challenges that could up-end our base case.

Historical excess returns on US assets during the economic cycle



Notes: Index return information includes back-tested data. **Returns, whether actual or back tested, are no guarantee of future performance.** Annualised monthly returns from January 1970 – December 2021, or since asset class inception if a later date. Includes latest available data as of most recent analysis. Asset class excess returns defined as follows: Equities – MSCI ACWI – US T bills 3 Month, High Yield – Bloomberg Barclays HY - US T-bills 3-Month, Bank loans – Credit Suisse Leveraged Loan Index – US T-bills 3-Month, Investment Grade – Bloomberg Barclays US Corporate – US T bills 3 Month, Government bonds – FTSE GBI US Treasury 7-10y – US T bills 3 Month. For illustrative purposes only.

Sources: Invesco Investment Solutions' proprietary global business cycle framework and Bloomberg L.P.

[1] *Source: Office for National Statistics as at 31 September 2021*

1) Deeper financial stability issues

The prolonged period of low interest rates shaped how many investors, especially some banks, measured risk. Resulting decisions will have been many and varied, but a common theme is that large and sudden changes in interest rate expectations were simply not in the data set – whether smaller US banks deciding not to hedge duration risk when investing customer deposits or pooled LDI funds when setting governance processes.

The US now has additional deposit guarantees to stem bank runs and the Bank of England have issued their advice on higher LDI liquidity buffers. But we suspect these may be a case of learning too specifically and central banks may not have foreseen all potential problems.

2) Persistent inflation

Our view that inflation is likely to moderate could be wrong. Limited and specific trade barriers such as semiconductors, grain and oil could become more widespread and permanent if geopolitical tension in Eastern Europe and between the US and China deepen. Aggressive interest rate hikes could become unavoidable despite the recessionary impact. We believe such a dramatic scenario would benefit the US dollar and US assets. We suspect that Asia (including China and Japan) could be sheltered to some extent under such a scenario due to their low inflation, thus allowing their equity markets to outperform.

In this scenario, exposure to real assets will be important. Index-linked gilt yields have risen dramatically in the last 12 months and now offer positive real returns at some maturities. Nevertheless, most DC and DB schemes aspire to growing assets above inflation. Real estate is a key source of real returns, but careful thought to the fund vehicle used is essential to manage liquidity risks as well as ensuring the client base is not overly concentrated towards pension schemes who might wish to exit at the same time.

3) Challenges around diversification

2022 may have been a poor year for traditional diversification, with a 60/40 equities/bonds portfolios having the worst annual performance for a century to October 2022. But we may not be out of the woods yet – if a second wave of interest rate hikes in 2024 do turn out to be required to tame inflation, bond and equity returns could again be simultaneously challenged.

In this environment, alternative investment strategies may be needed to enhance portfolio diversification, by increasing exposure to alternative sources of returns such as specialist underwriting, investment in harder-to-access fields or smaller enterprises.

For portfolios in decumulation, a close focus on sequencing risk is vital. Portfolios which continue to pay out through negative performance struggle to recover as the lower residual balance must work harder to recover the loss. Cash and short-duration investment grade assets are clearly a key part of the toolkit, but they are unlikely to keep pace with inflation and can simply bring forward the time at which losses are crystallised. Holding bonds to maturity can provide material defence against sequencing risk as mark-to-market movements are not crystallised, allowing the credit spread to be earned to maturity.

Whatever the future holds, we expect to see continued focus on appropriate governance for this new world, with a greater focus on simplification, specialisation and collaboration between stakeholders.

Written by Derek Steeden, Portfolio Manager, Invesco Solutions
Paul Jackson, Global Head of Asset Allocation Research

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Important information

This document is marketing material and is not intended as a recommendation to invest in any particular asset class, security or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication.
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A fixed role?

Lynn Strongin Dodds considers the role of fixed income within pension fund portfolios during the turbulent economic landscape

Summary
- The focus in fixed income is on high-quality bonds and liquidity.
- Pension schemes can be more selective as funding levels have improved.
- LDI and insurance rules limit illiquid credit but there are opportunities in private debt and multi-asset credit.

There is no doubt that fixed income has had a tumultuous ride over the past few years but 2023 has been hailed as the year of the bond comeback. However, the asset class has always been a firm fixture in pension fund portfolios. The difference today is an altered macro-economic picture and reappearance of geopolitical risk, which has made schemes look at different opportunity sets.

Mini-Budget impact

Surprisingly, perhaps not that much has changed in terms of fixed-income asset allocation over the past year, despite the mini-Budget from former Prime Minister, Liz Truss, which wreaked havoc on the markets. The latest *Purple Book* from the Pension Fund Protection showed index-linked bonds still accounted for the biggest proportion of total fixed income holdings at 47.8 per cent in 2022, followed by corporate bonds at 30.2 per cent and government fixed interest bonds at 22 per cent.

This year pension funds may tweak their bond holdings with a greater emphasis on liquidity and high-quality bonds. They have more breathing room because their coffers are in much better shape than in the past. Although rising interest rates can be challenging, on the whole they are positive for schemes as they reduce the size of future liabilities. This has put many DB schemes into an aggregate surplus and many companies have or are thinking of transferring their pensions funds over to the insurance sector in the shape of a buyout.

Analysis from XPS Pensions Group found that the aggregate funding level of UK pension schemes increased over February to 105 per cent. It said that the rise in gilt yields of 0.39 percentage points, to the highest levels seen since October's market turmoil, led to a decrease in the value of liabilities. In number terms, this translated into the accumulation of around £30 billion against long-term funding targets.

Last year, the outlook was not that bright as pension funds were caught by surprise by the impact of the unleashing of £45 billion of unfunded tax cut in the Truss mini-Budget. This triggered a massive sell off in government bonds. Spreads on 30-year gilts jumped by more than 100 basis points in a week to the highest levels in four decades, while liability-driven investing (LDI) funds sold a staggering £23 billion of gilts in three weeks. The Bank of England was forced to intervene and restore order to the market.

"By and large, UK DB schemes have seen improvements in funding levels where liabilities have fallen in value by more than assets last year and growth assets have had a reasonable start to 2023," says Mercer UK head of intellectual capital, James Brundrett.

New attractions

He adds that this has led to further de-risking into defensive and matching assets, such as investment-grade credit and UK government bonds. In fact, as the year has progressed, US and European investment-grade bonds are looking more attractive as a result of the pricing shifts that occurred during the banking crisis in March. They proved their resilience after the collapse of Silicon Valley Bank and the government engineered takeover of Credit Suisse.

This was not the case with lower-quality, high-yield bonds, where smaller issuers and private companies have fewer manoeuvres to employ if the underlying business encounters problems.

"The fact that real yields on index-linked gilts yields are in positive territory is of some comfort," he adds. "Also, there is an appetite for liquid credit, whether to help support collateral for liability hedging or to prepare for transitioning to an insurance company as many schemes can now afford to transact."

Pension funds are also now being required to hold more liquid assets as an operational buffer due to the LDI debacle last year. The Pensions Regulator (TPR) and Financial Conduct Authority recently issued guidance that said processes should be in place for meeting 'cash calls' if the buffer drops too low and this could be implemented by, for example, using a single fund, a pre-specified portfolio, or a waterfall of funds to raise cash.

TPR said when determining which assets to use, trustees should consider timeframes and be clear on the process of selling the assets, which could be delegated to an LDI manager, investment platform or fiduciary manager. It also said while LDI can help manage volatile funding deficits and support a scheme's journey to buyout, it also "requires you to maintain a certain level of liquidity to meet collateral calls, which may impact your ability to invest in illiquid assets".

In addition, insurance regulation can also act as a barrier. "In general, we are seeing pension funds move away from return-seeking assets and more to liability matching as they increasingly have an eye on buyout pricing," says WTW global head of credit manager research, Kate Hollis. Since the funding levels have improved the expected time to buyout has become shorter."

However, she adds: "Insurance companies are constrained by Solvency II, and it is difficult to predict which illiquid credit strategy each insurance company might invest in. Investment grade is more suitable if pension funds want to build a portfolio that will be accepted in specie by as wide a range of insurance companies as possible."

Lane Clark & Peacock has predicted that this year's buy-in and buyout volumes will break the £44 million record set in 2019, with high demand for both following an average around 15 per cent improvement in the buyout funding positions of DB schemes over the last year. It noted that pricing will continue to be attractive for schemes that are properly prepared.

Invesco portfolio manager, Derek Steeden, believes "many schemes no longer need LDI and can therefore run a much simpler strategy using inflation-linked bonds and long-dated credit, which offer both a yield above government bonds and hedging characteristics."

He recommends a global approach because the UK long-dated credit market is not big enough to absorb the demand.

"We invest buy & maintain credit portfolios globally, although we do take into account currency and monetary policy risks. For example, the Federal Reserve typically changes rates much quicker than for example the European Central Bank, which has been more measured. We look at dollar, euro and sterling markets in these portfolios," Steeden explains.

Looking ahead

Despite the restrictions, illiquid credit should not be off the table, especially if buyout is not the ultimate destination. As Steeden points out, it is not the end goal for all pension funds.

"There is a large dispersion of scheme situations – large, underfunded or open schemes want or need to continue to manage assets on a self-sufficiency basis and will use the opportunities in private credit such as infrastructure debt to target higher returns," he adds.

Brundrett also notes that outside of investment grade and sovereign bond markets, the banking failures, as well as the prospect of recession later this year and consequently market volatility, are presenting some interesting opportunities.

"Currently these may by in Additional Tier 1 banking debt (AT1s), but we think nimble strategies that are positioned to take advantage of dislocations will perform well and are proving popular with clients," he adds. "Such strategies include multi-asset credit and credit opportunity strategies in the private markets and the hedge fund space."

He also sees multi-asset credit (MAC) being attractive propositions. These funds invest across the sub investment-grade credit spectrum including high yield, bank loans, emerging market debt, convertibles and securitised assets (and AT1 debt).

"Whilst defaults are likely to increase as companies continue to face tough conditions, markets have been quick to price this in (with the yield on US high yield almost reaching 9 per cent last year) and we believe good MAC managers are well placed to navigate choppy waters and take advantage of volatility given the nimbleness of these strategies," he adds. "The current high inflation and rising interest environment is also favouring floating rate debt such as the bank loan element to MAC strategies."

Written by Lynn Strongin Dodds, a freelance journalist

In association with Invesco

Breaking records

RSA UK&I director of reward and pensions, Philip Exact, and Pension Insurance Corporation (PIC) head of origination structuring, Uzma Nazir, sit down with Jack Gray to discuss the RSA pension schemes' record-breaking £6.5 billion buy-in with PIC

Can you give a broad overview of the make-up of this record-breaking deal?

Uzma Nazir (UN): The buy-in was for two schemes sponsored by RSA Group, the Sal Pension Scheme (SALPS) and the Royal Insurance Group Pension Scheme (RIGPS), insuring in total c.£6.5 billion of liabilities and covering the pensions of 40,000 members.

Philip Exact (PE): The schemes' assets at end of January 2023 were £3.7 billion for the SALPS and £2.3 billion for the RIGPS. Together, the schemes have approximately 40,000 members, with around 21,200 deferred and 19,200 pensioners. Around 800 of these members are still employed by RSA, having joined before the schemes closed in 2002. The deal covered all members and all sections of both schemes, including members in the Isle of Man and Irish members with service built up before April 2006.

UN: It is the largest-ever bulk annuity transaction from pension scheme to insurer. Some of the transaction features that we addressed were:

Process – two large schemes, each with a separate trustee board and advisers, simultaneously insured with different benefit structures and different categories of members. As with any large pension scheme with a long history, benefits structure evolves over time and can be complex.

Complex asset structures – large schemes typically have complex asset strategies, which was the case here. This included significant amount of illiquid assets, which PIC and the client found solutions for. PIC were able to accept a majority of the assets as part of an in-specie transfer, which took careful planning and developing a robust asset transition plan.

Longevity swap – structure accommodated scheme's existing longevity swap.

Pricing – pricing agreed amidst unprecedented market volatility during the liability-driven investment crisis.

Asset lock – PIC provided an asset lock that closely matched the scheme's assets, removing risk of adverse market movements over the exclusivity period. As there were two schemes with different benefit structures, this required two separate asset locks to match the specifics of each scheme.

What were the primary benefits and challenges of this being such a large transaction?

PE: As the sponsor of the schemes, the primary benefits of the transaction for RSA were the removal of a substantial amount of risk from the balance sheet and the enablement of the release of capital. The transaction also removed the need for RSA to make annual deficit contributions. For RSA's Canadian parent company, Intact, there was an improvement to operating return on equity. For the trustees and pension scheme members, the transaction largely removed the remaining funding, longevity and investment risks from the schemes.

UN: The benefit of being a large scheme is the size is attractive to an insurer. In the case of RSA, this deal was higher than the total volume we wrote in 2022 across all deals and brings with it economies of scale across all of

PIC's internal teams. The challenges of a large transaction are much the same as the benefits – the size! Rising interest rates last year have led to many pension schemes, such as the RSA schemes, being fully funded and able to insure benefits, many years ahead of schedule. Being ahead of schedule means there are likely to be areas that need addressing quickly to lock into an insurance transaction, such as gathering data and obtaining a legally signed-off benefit specification, insuring non-standard benefits while ensuring Solvency II compliance, finding a way to unlock value from illiquid assets, which are not easy to sell in the short term – and given the size of the scheme was not trivial task.

These issues haven't really been present in the bulk annuity market to this scale until now, because most bulk annuity transactions have been in the planning for months and years ahead of coming to market in line with largely de-risked assets. Resolving these challenges requires an insurer who is innovative and a client who is collaborative.

Why did the trustee choose PIC as the insurer?
PE: The trustees of each of the schemes chose PIC following a competitive tender and completed an extensive due diligence process, including a review of its financial strength. In addition to financial strength, the trustees also noted PIC's focus on their current and future policyholders as a particularly positive characteristic during the selection process.

What made the scheme attractive to PIC?
UN: It was quite clear early on that the trustees and sponsor were serious about completing a buy-in and were very clear with us with what their objectives were. They said up front this needs to be an efficient and joined up process and they have a history of running other successful projects collaboratively in the past with both sets of trustees, the sponsor and advisers.

We really valued the open dialogue because it meant that when it came to designing the insurance or when hurdles arose, the trustees and sponsor as well as their advisers took stock, we met face to face and they gave us an opportunity to work with them to come up with solutions. The end result was a buy-in that met all of the trustees and sponsor objectives, resolved previously intractable problems and ultimately provided security to member benefits through the insurance regime.

"The schemes had well-tested contingency plans to cope with rapid interest rate rises; this enabled liquid assets to be realised in a controlled way"

What impact did the gilts crisis last year have on the transaction process?
PE: We started the process in June 2022 and were evaluating tenders with the trustees at the time of the LDI crisis. The schemes had well-tested contingency plans to cope with rapid interest rate rises. This enabled liquid assets to be realised in a controlled way and, as a result, the LDI crisis had little impact on the schemes' funding positions.

This meant the LDI crisis did not materially change the economics of the deal. We were conscious that external factors could impact the deal adversely and we therefore wanted to conclude the deal, and lock down pricing and risks, as soon as we were able to.

UN: The LDI crisis caused pricing volatility between the scheme assets and the PIC's pricing. The scheme was hedged largely using gilt assets whereas PIC pricing is linked to swap yields. The LDI crisis caused unprecedented differences between the gilt and swap markets, which caused this volatility.

After a period of monitoring and redesigning some of the asset strategy, we were able to lock our price to the scheme's assets, go exclusive with the scheme and reduce this volatility. The LDI crisis also caused illiquidity in asset markets, and some of the assets the scheme had intended to immediately sell were not possible anymore, so we helped in finding a different solution.

How much input was there from the sponsor during the process?
PE: The company and trustee boards have worked closely for many years to remove risk, when possible, and the trustees made clear they would be open to discussing moves to remove further risk over the medium term. The company accelerated these conversations by initiating the project when we saw a market opportunity emerging. RSA, with our parent company in Canada, were closely involved at every stage. RSA's engagement was critical given the need for substantial cash injections to bridge the gap between each of the schemes' assets and the cost of each buy-in.

UN: The sponsor was heavily involved at all stages of the process including engagement with PIC. The transaction was facilitated by upfront contribution from the sponsor of approximately £500 million.

What is the scheme's long-term de-risking strategy?
PE: The trustees have worked closely with the sponsor over several years to manage or remove as many of the risks as possible, and we'd already reached a point where the investment risks were low and some longevity risk had been insured. The deal we announced in February removed the most material of the remaining risks, successfully meeting all our key de-risking priorities.

Written by Jack Gray

> **Summary**
> • Passive funds – index funds or ETFs – follow the highs and lows of the markets. Over time, the highs tend to win out.
> • With active investments, managers or management teams aim to outperform the markets by making investment decisions allowing them to avoid low points and capitalise on upturns.
> • Passive strategies require fewer resources and are cheaper to run.
> • Active strategies have higher costs, in general.
> • A combination of active and passive strategies can be used to create a well-balanced portfolio for pension funds.

Active or passive investment – a role for both

While a long-running debate seeks to compare and contrast passive and active investment strategies, both have an important role to play. We take a look at how these strategies work, how performance can be gauged, and why there is space for both in pension scheme portfolios

Perhaps the prime example of a passive fund is an index fund, a portfolio designed and composed to mimic performance of a specific index – such as the FTSE 100 or S&P's 500. When the index rises, so does the portfolio's value. And of course, the same happens when it falls.

ETFs, created in the 1990s, frequently (but not always) track benchmarks, too. ETFs are effectively bundles of stocks that can be traded on the market in the same way that stocks and shares can be bought and sold. The value of ETFs can rise and fall all day, just like the price of a share, and, like shares, they can be traded at any time.

An ETF might follow a stock market index, specific bond market, commodities, specialist market, or almost anything else, for that matter. There are an awful lot of them – more than 8,000 different funds. And thanks to this simplicity, flexibility and diversity, the ETF market is huge, with around $10 trillion assets under management, up from $2 billion in 2002, according to analysts EPFR.

Passive positives

One of the key advantages that passive funds have is the simplicity of their structure. As Northern Trust Asset Management EMEA CEO, Marie Dzanis, says: "Passive strategies typically have greater transparency to fund holdings relative to active, meaning less complexity and monitoring required on the part of the pension fund manager."

Passive funds can also play a part when a pension fund needs to move out of one active fund and into another, Dzanis adds: "They can be implemented as tactical exposures to play market events or take a view, and can act as a transition vehicle to equitise cash and remain invested while due diligence is conducted on the desired end destination."

But the primary advantage is low costs. Morningstar associate director of passive strategies, manager research, Jose Garcia Zarate, says: "Given the long-term investment horizon on which pension funds work, and their need to carefully balance assets and liabilities, having a tight rein on ongoing expenses seems like a very good idea."

It's not surprising costs are lower; with no need for the stock-picking, research and analysis resources required for actively managed funds, fees can be kept to a minimum. What's more, says Zarate: "The issue of costs is also relevant when considering turnover, which is typically low for many passive funds." After all, they tend to 'buy and hold' stocks in a given index.

Going down

Dzanis says: "With exposure to market downturns, passives will fully participate in line with the index, meaning pension funds may have to engage in complimentary asset allocation or other risk management techniques and strategies to quickly adapt to changing market conditions or capitalise on opportunities." Active investment strategies, on the other hand, aim to produce better outcomes. Here, a manager, or a management team, works to manage investments so that the fund can beat its benchmark.

Cardano client portfolio manager, Nigel Sillis, says: "Active strategies are generally more expensive to implement than passive strategies, so it is important to be sure that you are getting what you are paying for." But, he argues: "Properly selected and structured active strategies can enhance portfolio diversification and improve portfolio risk/reward."

When selecting active strategies, says Sillis: "We look for return attributes that are differentiated, have a high tracking error and that cannot be produced by the market; a manager with an identifiable edge, a repeatable process and, where the manager's interests are strongly aligned with those of investors; and funds where the area of investment focus is sustainable, associated with inefficient market segments and exploits long-lasting thematic opportunities."

Market-beating managers

"The allure of alpha, compelling story and a star manager could be why active strategies can appear as attractive," says Dzanis, who adds. "The flexibility of active strategies potentially offers better management of interest rate risks and credit risks, which appeals to pension fund managers."

And there are certain asset classes that, traditionally, have been considered better suited to an active approach. "Compared to equity, fixed income is a more complex asset class," says Zarate. "Multiple pricing sources, and liquidity streams, and so on – all these make bonds a trickier asset class to understand, and this is why it is routinely highlighted as the asset class where active managers may have an edge."

But fund performance does not always bear this out, he says. Morningstar produces a semi-annual 'Passive/Active Barometer' which monitors and compares the performance of funds, effectively focussing on whether active managers are succeeding in beating passive strategies. "Technology and the wider availability of information is bringing a lot of light into the bond market," says Zarate. "The results of the active/passive barometer do not scream in favour of active bond managers, although as is the case for equity, there are some bond market exposures where they may still have an edge."

Active involvement

Some active funds place emphasis not just on the returns, but on the long-term effects for the companies on the receiving end of that investment. Baillie Gifford investment manager, Marina Record, says: "The emphasis that we have on the long term is important to the companies that we back. It frames their ambitions. It changes their notion of risk. The ability to plan over the long term empowers companies to go after the hardest problems and reduce risk by investing in teams, technology and science. This increases their chances of success and builds resilience to setbacks. Crucially, it also increases the scale of the opportunity and with it, the chances of becoming one of those rare and valuable companies that generate extraordinary, outlier returns."

Winning formulas?

Passive and active funds diverge in terms of fundamental strategies and costs, but how far do their returns differ? Do active managers manager to beat the markets? The Morningstar global equity index and global bond index both declined by 17 per cent during the 2022 calendar year. However, according to Morningstar's barometer, only 29 per cent of active equity manager survived and outperformed their passive equivalents in 2022.

Indeed, says Zarate: "For some market exposures, the case in favour of passive management is overwhelming and it makes little sense to try to find active managers who may beat the market, particularly over long periods."

In the balance

While it might be possible to compare the fortunes of active and passive strategies in a general sense, it's not always useful to attempt to draw clear conclusions – after all, not all asset classes require the same treatment. Sillis says: "There are large parts of the fixed income universe that are not suitable for active strategies (e.g. global government bonds, investment grade credit). Conversely, emerging markets, high-yield credit and loans offer more potential," he says. "Inappropriate use of active strategies in asset classes to which they are not well suited can have adverse cost/benefit effects."

Pitting active and passive against one another in a direct way has limited benefits, says Sillis. "For a pension fund, active and passive strategies can be complementary. They can be implemented alongside each other in a fund's portfolio."

Indeed, says Columbia Threadneedle Investments head of pensions and investment education, Chris Wagstaff: "The long running active versus passive debate has been poorly framed, with the two approaches to asset management having been incorrectly treated as being mutually exclusive." Instead, he says, we need "a focus on the ability to sustainably generate net value added; delivering sustained outperformance after fees and meeting desired investment outcomes is how the active/passive debate should be positioned".

Written by Sandra Haurant, a freelance journalist

PENSIONSAge AWARDS 2023

WINNERS BROCHURE

21 March 2023 - Great Room, Grosvenor House, Park Lane, London

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AWARDS BROCHURE & MENU
Gala Dinner and Ceremony: 21 March 2023

21 MARCH 2023
Great Room, Grosvenor House
Park Lane, London

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Introduction

This year we celebrated our 10-year anniversary of the Pensions Age Awards, which have gone from strength to strength. Over those 10 years, we have handed out trophies to hundreds of well-deserving winners across a range of disciplines, from pension consultancy, investment and technology firms, to leaders in administration, thought-leadership and diversity, to name a few.

Over those years, providers and pension schemes looking to enter the awards have often asked me the same question – what are the judges really looking for? And I usually narrow it down to three essential attributes: Excellence (be that in relation to performance, customer service or otherwise); innovation (but not for innovation's sake – innovation that makes a real difference); and a dedication to making the UK pensions arena a better place (perhaps in relation to a product offering, or what you are doing to educate or better inform your members). It's astounding how many entries tick all those boxes and so much more; and every year sees new ideas showcased, and passion never waning, whatever challenging conditions there have been over the years – and there have been many. So congratulations again to all our winners, and here's to the next 10 years!

Francesca Fabrizi, Editor in Chief

The judging panel

Robert Branagh
CEO
London Pension Fund Authority (LPFA)

Yvonne Braun
Director of Policy, Long Term Savings and Protection
Association of British Insurers (ABI)

David Butcher
Managing Director
Communications and Content

Michael Clark
Trustee Director
Ross Trustees, Independent Governance Group (IGG)

Melanie Cusack
Client Director
Zedra Governance

Jerry Gandhi
Trustee Director, Vidett;
Director, C A P Services

Alison Heppenstall
Managing Director, b2b, B2.Media;
Executive Director, Climate Action for Associations

Vince Linnane
Chairman
Moorlands Human Capital

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

Richard Parkin
Retirement and Pensions Consultant & Non-Executive Director
Financial Services Compensation Scheme (FSCS)

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

Matthew Swynnerton
Partner
DLA Piper

PENSIONS Age AWARDS 2023

The Pensions Age Awards 2023: Celebrating a commitment to excellence in UK pension provision


B. Braun Medical


Essex Pension Fund


Marks & Spencer


Pension Protection Fund


Smart Pension


Cushon


WTW

DC Pension Scheme of the Year
WINNER: *B. Braun Medical*

DB Pension Scheme of the Year – Sponsored by Intellica
WINNER: *Essex Pension Fund*

Pension Scheme Communication Award
WINNER: *Marks & Spencer*

Pensions Administration Award – Sponsored by Standard Life
WINNER: *Pension Protection Fund*

Best Investment Strategy Award – Pension Fund
WINNER: *Smart Pension*

Best Investment Strategy Award – Provider
WINNER: *Cushon*

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

Pensions Provider of the Year
WINNER: *Scottish Widows*

Fiduciary Management Firm of the Year
WINNER: *BlackRock*

Pensions Technology Firm of the Year
WINNER: *Heywood Pension Technologies*

At retirement Solutions Provider of the Year
WINNER: *Standard Life*

Independent Trustee Firm of the Year – Sponsored by Trafalgar House
WINNER: *Law Debenture*

Pensions Law Firm of the Year
WINNER: *Sackers*

Pensions Accountancy Firm of the Year
WINNER: *BDO*

Active Manager of the Year
WINNER: *Nordea Asset Management*

Equities Manager of the Year
WINNER: *Pictet Asset Management*

Fixed Income Manager of the Year
WINNER: *Aegon Asset Management*

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

Alternatives Manager of the Year
WINNER: *Nuveen*

Emerging Markets Manager of the Year
WINNER: *Robeco*

Property Manager of the Year
WINNER: *Alpha Real Capital*


Scottish Widows


BlackRock


Heywood Pension Technologies


Standard Life


Law Debenture


Sackers


BDO

21 MARCH 2023
Great Room, Grosvenor House
Park Lane, London


Nordea Asset Management


Pictet Asset Management


Aegon Asset Management


GLIL Infrastructure


Nuveen


Robeco


Alpha Real Capital


Insight Investment


Ruffer LLP


PIC (Pension Insurance Corporation)


HSBC Tomorrow Master Trust


K3 Advisory

LDI Manager of the Year
WINNER: *Insight Investment*

Multi asset Manager Provider of the Year
WINNER: *Ruffer LLP*

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

Pensions Communications Award
WINNER: *HSBC Tomorrow Master Trust*

Innovation Award
WINNER: *K3 Advisory*

Innovation Award – Technology
WINNER: *Cardano*

Innovation Award - Investment – Sponsored by Phoenix Corporate Investment Services
WINNER: *Natixis Investment Managers*

Administration Provider of the Year
WINNER: *Isio*

Master Trust Offering of the Year
WINNER: *TPT Retirement Solutions*

Sponsor Covenant Provider of the Year
WINNER: *LCP*

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

Diversity Award
WINNER: *Aviva*

Cash-flow Driven Investment Manager of the Year
WINNER: *AXA Investment Managers*

Pensions Marketing Campaign of the Year
WINNER: *Bravura*

Pensions Age Thought Leadership Award – Investment
WINNER: *CACEIS*

Pensions Age Thought Leadership Award
WINNER: *Capita Pension Solutions*

Personality of the Year
WINNER: *Jonathan Hawkins, Principal Business Consultant, Bravura*


Cardano


Natixis Investment Managers


Isio


TPT Retirement Solutions


LCP


Legal and General Investment Management


Aviva


AXA Investment Managers


Bravura


CACEIS


Capita Pension Solutions


Jonathan Hawkins, Principal Business Consultant, Bravura

DC Scheme of the Year:
B. Braun Medical

The DC Pension Scheme of the Year award went to B. Braun. Receiving the award was Peter Griffiths, Katy Hayes and Joanne Palmer. Francesca Fabrizi, Pensions Age (right) and host Suzi Ruffell (left) presented the award.

DC pension provision has evolved beyond recognition in the areas of investment, communication and scheme design, playing an increasingly important role in the pensions landscape as more and more savers become reliant on DC pensions.

This award therefore looks to reward those DC schemes that have developed their proposition with a clear focus on what really matters – meeting member needs. And this year's winner was praised for setting a high bar in the DC space, keeping a close eye on governance coupled with effective ways to improve member outcomes. Congratulations to all of the team at B. Braun!

Not one to rest on its laurels, B. Braun has worked to support its members and improve projected outcomes, continuously challenging itself to enhance its offering.

With a focus on supporting members from 'cradle to grave', B. Braun's Pension Management Committee (PMC) engages with members regularly, supported by a proactive Payroll and Benefits Team (PB&T), working to go above and beyond the standard support provided by Aviva.

During lockdown, the P&BT also provided webinars, virtual 1:1 sessions and pushed messages out using B. Braun's benefits app.

Alongside these broader efforts, B. Braun has taken targeted action to address possible gaps in member engagement, following concerns that those approaching retirement are faced with increasingly complex decisions.

As part of this, the firm introduced a two-strand engagement strategy, utilising resources such as pre-retirement seminars, and signpost to general support for those aged 50-64, while targeting additional resource via non-advice 1:1s for those over 64.

However, the scheme's research also revealed that there was a real risk that employees would not be able to afford to retire, with two-thirds of members remaining at the default contribution level, and just a minority of members on track to achieve their target outcome at retirement.

As a responsible employer, B. Braun took swift action, with the PMC agreeing that pension auto-escalation (PAE) could be one potential solution.

After securing approval and funding for PAE, B. Braun set its sights on making sure that members were engaged, in an effort to ensure that the scheme had the best chance possible at success.

The fruits of these efforts are clear to see, as the PAE has since had a significant impact on contributions and expected member outcomes, with 97 per cent of members exceeding the minimum auto-enrolment contributions by at least 5 per cent.

In addition to this, 83 per cent and 63 per cent of the scheme's low and medium affluence cohorts, respectively, are on track to meet their target outcome, rising to 87 per cent and 79 per cent when considering the final contribution increase in 2023.

With plans for further innovation and member support also in the pipeline, B. Braun was highlighted as a worthy winner by the Pensions Age Awards judges. Congratulations again to all at B. Braun!

B. Braun Medical Limited

B. Braun is one of the world's leading manufacturers of medical devices and pharmaceutical products and services. With over 66,000 employees in 64 countries, B. Braun develops high quality product systems and services for users around the world. With its constantly growing portfolio of effective medical care solutions, B. Braun makes a substantial contribution towards protecting and improving people's health.

Employees are the ambassadors of B. Braun and the driving force for success. In each therapeutic area, employees advise on finding innovative, efficient, and sustainable solutions to address the challenges our customers face. From workforce and bed shortages to infection rates – focusing on reducing system costs and improving both patient outcomes and hospital provider efficiency. Our goal is to ensure that our company in the future continues to shape, not just deliver to the healthcare market, and add real value to our customers.

B|BRAUN
SHARING EXPERTISE

Essex Pension Fund

DB Pension Scheme of the Year:
Essex Pension Fund

The DB Pension Scheme of the Year award went to Essex Pension Fund. Receiving the award was Daniel Chessell and Oliver Murray. Ross Heatley, Intellica (right) and host Suzi Ruffell (left) presented the award.

Despite an increasing number of DB scheme closures, it still makes up a huge percentage of UK pension provision and continues to play an important role in many savers' retirement plans.

Following a volatile year, this award therefore aims to highlight the DB scheme that has risen to the challenge facing the DB pension space today and serves as an inspiration to other schemes in the pensions marketplace.

With an increasing number of factors for DB trustees to be considering, the judges praised this years winner for demonstrating an impressive dedication to responsible investment, the development of new digital solutions and service delivery. Congratulations to the team at Essex Pension Fund on a very well-deserved win!

Despite recent market volatility, the fund's investment strategy remained resilient, with continuous efforts to place stakeholders at the heart of everything the fund does.

The past year has been a busy period for the fund, which transformed how it engages with stakeholders and introduced new ways to interact with feedback.

In particular, the fund introduced a new continuously renewing cyclic approach to engagement, ensuring that the fund proactively engages with stakeholders and constantly reviews, improves, and seeks constructive feedback on its endeavours.

Perhaps most notably, the fund undertook a full stakeholder consultation into its Investment Strategy Statement, and has since taken steps to put this member feedback into action with the launch of a new Responsible Investment (RI) Policy, including a commitment to reach net zero by 2050.

And work to meet this commitment is already underway, as the scheme has appointed a dedicated RI resource, formulated an annual RI plan, and agreed climate change objectives and metrics in line with the Task Force on Climate-Related Financial Disclosures (TCFD).

These efforts are proving fruitful, as the fund was also approved as a Financial Reporting Council (FRC) UK Stewardship Code signatory on its inaugural submission.

Climate has not been the only focus however, as the fund also worked to develop digital solutions and effective new ways of working to deliver outstanding service.

Initially adopted amid the pandemic, virtual meetings for the fund's Pension Advisory Board (PAB), Pension Strategy Board and the Investment Steering Committee and has many positive outcomes for the fund.

The scheme has also been able to introduce more flexible options for the PAB and introduced hybrid meeting options for these board members.

This digital focus has also extended to members, as the fund has introduced new features, including a pension modeller that scheme members can use to generate their own retirement forecasts.

The scheme has already shifted its messaging amid the cost-of-living crisis too, liaising with employers to highlight the option for flexibility and encourage scheme members not to opt out and lose important scheme protections and benefits.

A proactive and innovative pension fund that has responded quickly to address the rapidly changing landscape, congratulations again to all at Essex Pension Fund!

Innovating change by putting our stakeholders first

Essex Pension Fund is one of the largest funds in the Local Government Pension Scheme (LGPS) with more than 177,000 scheme members, including over 57,000 who are actively contributing to the scheme across more than 760 scheme employers. As part of a well-established and respected DB scheme we have a long history of working closely with our stakeholders to maintain the highest levels of service, but if one thing is certain in this industry, it's that change is never far away.

Like many organisations, the pandemic challenged us to quickly come up with new ways to interact with our stakeholders, and to rapidly adapt to changes without losing focus on our key responsibilities. Our successes in light of these unprecedented global challenges were a driving force for us to re-examine how we engage with all our stakeholders and started us on a journey of transformation, ensuring that we put our stakeholders at the heart of what we do.

We have changed how we seek, engage with, and review constructive feedback, and how we act on the results to develop innovative new ways to support, educate, inform, and most importantly build a relationship with all our stakeholders.

One of our most impactful actions was to conduct a full stakeholder consultation into our Investment Strategy Statement, which has led us to develop a new Responsible Investment (RI) Policy based on set of RI investment beliefs and priorities. We have also committed to achieving Net Zero by 2050 and became a signatory of the Financial Reporting Council (FRC) UK Stewardship Code on our inaugural submission.

Despite volatility in the market, the Fund's investment strategy has remained resilient, and achieved a record high of £9.6 billion as of 31 March 2022.

We have continued to expand our digital rollout and the number of scheme members choosing to use our Member Online platform has grown, with a take up rate of 34 per cent. We listen to what features our members want to use and have introduced new options, including a pension modeller which lets members create their own pension forecasts, and the ability for deferred members to complete their retirement online. These features help our members take control of their retirement planning while also reducing office workloads.

We continue to grow our digital content and regularly host a range of virtual pension surgeries and webinars to reach as many scheme members as possible, to help build their confidence in the LGPS and in their own retirement plans.

We also liaise with scheme employers and partner with them to promote the benefits of the LGPS as part of Financial Wellbeing and Pension Awareness initiatives across Essex, highlighting the option for flexibility with pension contributions to encourage scheme members not to opt out and lose important scheme protections and benefits during the cost-of-living crisis, whilst making continued membership a more affordable prospect.

Listening to our scheme employers, we have refreshed and expanded our digital Employer Hub so it can be better incorporated into their payroll systems and reporting processes, streamlining the secure transfer of information between organisations.

Essex Pension Fund is a proactive and innovative pension fund, and we respond swiftly to address the rapidly changing regulatory, governance and investment frameworks to ensure that we fulfil our primary fiduciary responsibilities as a public sector pension scheme, while maintaining the highest levels of service for our stakeholders.

Jody Evans, Director for Essex Pension Fund

Essex Pension Fund

Pensions Provider of the Year: Scottish Widows

The Pensions Provider of the Year award went to Scottish Widows. Receiving the award was Graeme Bold. Camilla Capece, Pensions Age, (right) and host, Suzi Ruffell, (left) presented the award.

The Pensions Provider of the Year award celebrates those firms that have moved with the times and have displayed excellence in the area of pension provision. This year's winner was Scottish Widows for what the judges recognised was an "impressive range of activities, with a focus on making pensions accessible to all; as well as a keen eye on ESG".

Scottish Widows put forward an impressive submission, showcasing a plethora of ways in which it continues to work hard to lead the way in many aspects of pension provision. Despite its long history, Scottish Widows refuses to stand still and continues to move with the times and evolve according to the shifting landscape and changing market needs.

Its submission highlighted its excellence in four key areas – pension awareness; inclusive digital experience; sustainable investment; and wellbeing.

On pension awareness, the judges were impressed with Scottish Widows' use of relevant and detailed engaging videos across a range of topics such as responsible investment and transfers; its involvement in effective campaigns, such as Pension Awareness Week; its partnership with other players in the market to bring important issues to the fore, for example pension inclusivity and equality; and its employer presentations including pre-retirement workshops, financial wellness events and more.

Scottish Widows is clearly focused on offering an inclusive digital experience which it strives to make accessible to all. Its app offers members a personalised experience; while a secure member portal offers useful tools such as retirement modellers and budgeting tools. Personalised welcome videos, video benefit statements and truly unique tools also demonstrate that Scottish Widows is using technology in effective and innovative ways to help bring pensions to life for its customers.

Sustainable investment is also a major focus for this firm, both in the way it educates and assists its clients on how to invest more sustainably – for example, with the development of a unique app feature which allows members to understand their personal sustainability investment impact – as well as the way in which it approaches its own investments, including a plan to halve the carbon footprint of investments by 2030. All of this, alongside multiple initiatives in the areas of diversity and inclusion, as well as a multi-pronged ESG framework, is evidence that Scottish Widows takes responsible investment seriously in so many ways.

Finally, of particular interest to the judges, is the work Scottish Widows is doing in the wellbeing space. It has relaunched its wellbeing assistance in response to the cost of living, which includes free guides, tips and tools on how to manage everyday spending, take control of accounts and start making financial plans. It also offers support to members during difficult times, as well as hosting on-site events aimed at helping members with their financial wellbeing.

These are just a few examples of the work Scottish Widows is doing to meet the changing needs of its members, and why this submission impressed this year's judges. Well done to Scottish Widows!

What have we learned from the rising cost of living?

Graeme Bold reflects on the challenges posed by rising living costs in a post-pandemic world

Considering challenging economic times in a post-pandemic world, it's clear to see that life has changed at pace. As the cost of living rises, consumers are facing tough choices on how to manage their finances, and so it's increasingly important for businesses to adapt to consumers' changing needs.

Our *2022 Retirement Report* tells us that four out of five people expressed concerns about making ends meet. So, consumers may be more likely to reduce non-essential spending. Due to the pensions' knowledge gap, without specific guidance, there is a risk that some view pensions saving as a non-essential expense. Despite this, we haven't seen major reductions in pension contribution, and few members are planning to reduce their contributions. In many cases, contributions have risen because of inflation-based pay rises. So, what can we learn from the rising cost of living environment and how can we help?

Cost of living isn't a pension-centric challenge, and being part of Lloyds Banking Group (LBG) means we can take a holistic view of member challenges. Our *2022 Retirement Report* tells us that 35 per cent of respondents have reduced spending on leisure, and 16 per cent have cut back on essentials. With this in mind, as the rising cost of living pushes more people into financial vulnerability, we leverage the access we have across LBG to spot emerging vulnerabilities. So, vulnerable customers only need to tell us once about their needs, increasing our ability to support members sooner. In fact, 75 per cent of vulnerabilities that we're aware of have come through other channels in LBG.

Improving education around pensions is key in deterring savers from making decisions that will make them financially vulnerable in retirement. Meeting members' changing needs has enabled us to innovatively engage members through our Expert Sessions videos, breaking down key topics into easily digestible content. We also relaunched our wellbeing assistance and created new cost of living content on our Be Money Well site, including guides on managing everyday spending. This is one of the most viewed sections within our app, showing people are actively seeking support. And of course, you can't beat face to face conversations, so after taking feedback from employers about what's important to them, we ran cost of living sessions providing tailored support. We know that members are keen to learn more, as a recent session found that 100 per cent of attendees were interested in attending future sessions. It's down to pension providers to educate members, and Pensions Engagement Season and Pensions Awareness Day provided great opportunities to educate people on pensions saving.

Our annual *Women and Retirement Report* demonstrates the importance of targeting demographics in a tailored way as people engage differently. Listening to members is key, and it's important not to assume how members will react. Despite the general increase in digital journey usage across all sectors during the Covid-19 pandemic, we didn't see members significantly change behaviour. For example, digital fund switching remained relatively flat during market turbulence. So, the Covid-19 pandemic told us we need to engage consumers beyond just pensions in a way that meets their personal needs.

Whilst pension contributions have been resilient across our customer base, savers may face further challenges as the cost of living increases, and regular expenses like mortgage payments rise. Education around pensions savings and broader finances is important, and even more so amid the rising cost of living. It's vital to respond to and help consumers in a way that meets their needs now, and in the future.

Scottish Widows Workplace Pensions Director, Graeme Bold

SCOTTISH WIDOWS

BlackRock

Fiduciary Management Firm of the Year: BlackRock

BlackRock's UK Fiduciary Management Team

Fiduciary management (FM) services are now rightly embedded in the UK pensions space, with offerings coming from various types of providers in the market. This category rewards the firms that truly add value to the pensions space, meeting the specific needs of their clients whilst also displaying strong performance. This firm met those credentials and more, with the judges commenting that they were impressed with the company's innovation in the area of sustainability and voting, coupled with its success in meeting clients' needs. Massive congratulations to this year's deserved winner – BlackRock!

BlackRock demonstrated the continued development of its proposition to best serve its clients through the creation of innovative solutions at the forefront of industry trends. The judges were particularly impressed with the firm's integration of environmental, social and governance (ESG) into alternatives, with BlackRock expanding and developing products that allow its clients to capture ESG opportunities across non-standard asset classes, as well as existing equity and bond ESG-integrated products. This included the creation of an innovative multi-asset illiquid solution specifically for its UK FM clients, which allowed smaller schemes access to previously impenetrable private markets.

Due to the success of the first fund, which had its final close in 2022, BlackRock is due to launch a second fund with a focus on sustainability.

BlackRock understands that it is the only fiduciary manager to incorporate illiquid assets in portfolios in this innovative way, again demonstrating why it is this year's winner of the Fiduciary Manager of the Year Award, providing its clients with several unique benefits.

Additionally, BlackRock has made significant steps in ESG integration in liquid alternatives. It designed an innovative ESG-oriented hedge fund portfolio solution, which includes baseline screens as the foundation and accesses best-in-class ESG alpha-orientated hedge funds.

BlackRock also showcased why it deserved to win this year's award with its BlackRock Voting Choice, which makes participating in voting index shareholdings easier and more accessible for its clients. Introduced in June for its FM clients, it allows FM clients to vote in line with their preferences and is an industry first, highlighting BlackRock's innovation abilities.

This is further demonstrated with BlackRock's Aladdin Climate, which allows its FM clients to translate climate risk into investment risk and take advantage of opportunities that come with the transition to a net-zero economy. It provides clients with better outcomes and increased choice to tailor their portfolios, showcasing BlackRock's impressive credentials in the fiduciary management space. Congratulations again to BlackRock for winning this year's Fiduciary Manager of the Year Award!

Pensions Technology Firm of the Year:
Heywood Pension Technologies

The Pensions Technology Firm of the Year award went to Heywood Pension Technologies. Receiving the award was Spence Lynch (L) and Mark Crump (R). Jack Gray, Pensions Age (right) and host Suzi Ruffell (left) presented the award.

As the pensions industry continues to modernise, effective and reliable pensions technology and data management is becoming more and more essential for the successful running of any pension scheme. The Pensions Technology Firm of the Year Award recognises the firm that is the leader in the field of pensions technology, and ultimately reward the company that is the best of the best in this increasingly important category. Congratulations to this year's worthy winner of the Pensions Technology Firm of the Year Award - Heywood Pension Technologies!

The judges said that Heywood Pension Technologies stood out from the crowd with an excellent entry with great supporting evidence and interesting case studies, which highlighted its impressive role in the pensions arena. More than 160 pension schemes across the public and private sectors use Heywood Pension Technologies software, highlighting its ability to provide effective pension technology solutions to the pensions industry.

Heywood Pension Technologies impressed the judges with its work with providers, which helped identify new solutions for managing and enhancing pensions to allow providers to meet the regulatory and administrative challenges they faced. This was demonstrated by the establishment of its new specialised data business: Heywood Analytics. This specialised area is focused on transforming the quality of pension data through the use of automated technologies, allowing pension providers to focus on improving members outcomes.

Heywood Analytics' effectiveness was showcased through the services it provides in improving employer data quality. Its innovative employer services solution, i-Connect, was developed with an automated exchange, which enabled employers to submit timely data and payments. The solution's effectiveness was demonstrated by Warwickshire County Council Pension Fund's 91 per cent reduction in data and payment submission breaches following the implementation of i-Connect.

Alongside the processing of data, Heywood Pension Technologies identified that pension providers face increasing regulatory and economic demands, with a need to make informed decisions on data quality, operational efficiencies, trend detection and regulatory commitments. Heywood Pension Technologies again demonstrated its ability to innovate through its business intelligence solution, Insights, which integrates directly with scheme pension data anywhere and anytime. It impressed the judges with its ability to empower teams to easily extract and readily present information, combining ready-made and customisable dashboards and reports.

The judges were also impressed by Heywood Pension Technologies work on improving sector outcomes during the year. This was demonstrated by its work as a pensions dashboards 'Alpha Partner Provider' and in helping the Pensions Dashboards Programme, including assisting the industry prepare for their staging dates by hosting and participating in online workshops, and offering providers free data cleansing reports. Congratulations to the deserved winner – Heywood Pension Technologies!

From retirement poverty to pensions prosperity: The data solution

With scheme data that could potentially span over a century, keeping up with the health of data and regulatory requirements has become a significant challenge for schemes. Additionally, the industry has struggled with disengaged members and high administrative workloads, leading to retirement provisions that are often lower than expected, or worse, retirement poverty.

However, with the approaching pensions dashboards, the post-DB/pre-auto-enrolment generation is starting to wake up to the reality of their retirement plans. As a result, the industry is facing increasing expectations from members, requiring schemes to adapt, and overcome many challenges. By embracing digital engagement, combating fraud, adopting automated administrative platforms, and communicating in a simple and effective manner, the pensions industry can reduce costs while delivering improved service to its members. And technology is the enabler.

But there is an elephant in the room that can support or curtail every single positive step forward: data.

Good data is key

It will have been hard to have missed the ‘clean your data’ messaging from regulators and industry bodies over the last year. With the Pensions Dashboards Programme reset, the continued message is that data cleansing and preparation should continue and not be delayed. Having complete and accurate data is the bedrock that supports everything, not just dashboards. Whether it is for rectification purposes, de-risking, communications, or simply getting more out of your automation. Unfortunately, the nature of pensions means that there is a substantial amount of old data, much of which is incorrect or missing, and difficult to manage. People have a habit of moving and not telling their scheme, resulting in email and phone number changes that can make it challenging to maintain accurate data. However, effective solutions are available for all of these issues, and many of them can be automated. Schemes can meet their duties and gain the benefits of achieving and maintaining good data quality.

Contrary to popular belief, achieving and maintaining good data quality does not have to be expensive or hard. Done well, it can be a positive process that delivers good outcomes for all concerned. As pensions are so important, it is essential to give members what they deserve.

Turning data points into good member outcomes

This is where Heywood can help. At Heywood, we understand the power of what good data can achieve, and that is why we developed proven data tools to help schemes find solutions for their data requirements. Whether it is de-risking activity, preparing for dashboards, or boosting member engagement, our award-winning Heywood Analytics platform integrates directly with scheme pension data, anytime, anywhere. The solution empowers teams to easily extract and readily present information, combining ready-made and customisable dashboards and reports so you can understand your data like never before. More importantly, it allows you to assess your data against a comprehensive set of validation tests, reaching beyond The Pensions Regulator checks needed for your scheme return.

We put you in control of your data and help you focus on delivering positive member experiences. But don’t take our word for it. One of our customers had this to say:

“We were able to access the data quality scores instantly via the Insights dashboard. We were then able to improve these scores. The dashboard is easy to navigate and clearly shows which members have failed in each category...being able to see the members drop off the failed category and the score go up gives the team a great sense of achievement. Being able to download the data quality score from the dashboard allows us to present the improved scores to our pension board in a clear and well-presented document.”

Good data quality is critical to the success of the pensions industry, and Heywood’s data tools can help schemes achieve and maintain it. Come and see what makes us award-winning. Visit our website to find out more: heywood.co.uk

Heywood Pension Technologies head of data services, David Rich

HEYWOOD
PENSION TECHNOLOGIES

At-retirement Solutions Provider of the Year: **Standard Life**

The At-retirement Solutions Provider of the Year award went to Standard Life. Receiving the award was Donna Walsh. Matthew Swynnerton, DLA Piper (right) and host Suzi Ruffell (left) presented the award.

Having traditionally been a pretty uneventful space, the at-retirement market has exploded in recent years, as providers create new products and services to help savers best utilise their pension pots for their individual circumstances.

Therefore, this award aims to recognise those firms that have shown innovation and dedication to improving the retirement experience of their customers and have worked hard to help those entering the retirement phase to make the most of their pension pot.

Blowing the judges away with its strong evidence of positive customer experience and impressive engagement growth, as well as its focus on vulnerable customers, is Standard Life!

Now part of Phoenix Group, the UK's largest long-term savings and retirement business, Standard Life is a brand that has been trusted to look after people's life savings and retirement needs for nearly 200 years.

Standard Life's long history may be in part due to continual adaptation to meet the needs of its customers.

It has used pioneering research, such as its 'Thinking Forward' thought leadership programme, to develop at-retirement solutions based on research and best practice.

Standard Life also entered into a joint initiative with the OECD to explore the issues of retirement income and diversity, equality and inclusion in savings, and its research centre, Phoenix Insights, has worked on the growing challenge of longer lives.

A Vulnerable Customer Centre of Excellence has been created, which used pioneering virtual-reality training, and sight simulation glasses and movement-restricting gloves, to help colleagues empathise with and better support vulnerable members.

Partnerships with charities and foodbanks were also established to provide customers with a diverse range of support.

Standard Life understands that, even with a cost-of-living crisis, its members still expect it to invest responsibly. In 2022 it transferred more than 1.2 million members, with over £15 billion of assets, to Sustainable Multi Asset solutions, and increased the number of self-select ESG funds in its master trust to nine.

Its research and customer engagement influences the products and services offered to customers. For instance, Standard Life's 'Plan your Future' retirement hub provides members with personalised saving journeys based on their current priorities, along with personalised videos and retirement calculators. The result is record digital engagement, with dashboard and app registrations up 41 per cent and 20 per cent respectively.

The past year also saw Standard Life launch Money Mindset – a free open-finance platform, allowing members to see their various banking/credit card/pension accounts in one place.

The focus is not just on digital though, with Standard Life investing further in its telephony guidance team, and last year also saw it become one of few providers to develop a retirement-only section in its master trust.

By using 'big picture' insights of member trends and needs to ensure it provides the products and support that pension savers really need, Standard Life has proven itself a worthy winner of this accolade. Well done Standard Life!

BDO

Pensions Accountancy Firm of the Year: **BDO**

The Pensions Accountancy Firm of the Year award went to BDO. Receiving the award was Stephen Corral and colleagues. Shannon Woods, Perspective Publishing (right) and host Suzi Ruffell (left) presented the award.

The Pensions Age Pensions Accountancy Firm of the Year award rewards those pension scheme accountants that recognise the needs of the pensions market and have tailored their services accordingly, with a focus on excellence.

This year's winning firm was described by the judges as "passionate about adding true value and has proved this by adapting its services where necessary to the changing needs of its clients across a range of areas". Congratulations BDO!

BDO provides tax, audit and assurance, advisory and business outsourcing services across all sectors, with over 7,000 people across 18 UK locations. It is rightly proud of its commitment to adapting its services to the changing pensions world, for it to provide clients with the best advice.

For instance, in 2022, BDO's pensions covenant advisory team helped smaller pension clients access covenant advice by introducing a low-cost 'small schemes' service. It also formed a Local Government Pension Scheme team to meet client demands for covenant advice arising from increased LGPS regulation and changes to exit debt legislation.

An Insurer Covenant Review was also launched to help clients entering bulk annuity arrangements, which are increasing in number due to gilt market movements.

It also used BDO's 'Rethink' model to help clients navigate supply chain issues, the effects of the Ukrainian crisis, high inflation, labour supply issues, and post-Covid forecasting challenges.

During 2022, the pension scheme outsourcing team expanded its services to include a new investment governance service. This includes monitoring monthly drawdown and redemption notices from investment managers and reconciling to custodian reports, reporting on the differences between the investment manager and custodian data for derivative transactions, and changing the reporting of movements in custodian reports to capture transfer value differences between investment managers.

Last year, the audit team globally deployed its Audit Process Tool (APT) to allow teams to share audit files in real time, and benchmarked large amounts of data to provide exceptions reports to trustees.

The audit team has also supported clients though the many regulatory changes of the past year, and helped firms implement enhanced IT operational systems to meet increased regulatory expectations.

Recent case law developments concerning the recoverability of VAT on pension scheme costs have narrowed down the issues, but have raised more questions. Therefore, BDO's tax team are helping its clients review their current structures and optimise VAT recoveries.

Also, its accounting technical team have supported clients in considering the accounting treatment of various pensions transactions, which plays a pivotal role in a company's assessment of the increasing number of pension scheme de-risking transactions.

BDO clearly has its clients at the heart of all it does and is passionate about building long-term relationships to its clients succeed. Clearly a worthy winner; congratulations again to BDO!


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BDO

Active Manager of the Year: **Nordea Asset Management**

The Active Manager of the Year award went to Nordea Asset Management.

The Pensions Age Active Manager of the Year award recognises the manager that has demonstrated true excellence in this space, coupled with an innovative approach to its investment strategy.

This year's winner, Nordea Asset Management, impressed the judges with its responsible investment (RI) credentials that, stated the judges, "set the bar high for others in the active management arena, and show a true passion and dedication for doing the best it can in the active management space".

Nordea Asset Management began its RI journey over 30 years ago, and hasn't stood still since, having established itself as a leader when it comes to investing responsibly, boasting RI assets under management (AUM) of €157 billion, which represents more than 66 per cent of the asset manager's total AUM of €237 billion (as of 31.09.22).

The judges were truly impressed with the firm's comprehensive RI framework, which comprises a wide range of approaches, coupled with the ongoing expansion of its team; the development of innovative technology to support its analysts; its active part in important investor initiatives; and its commitment to climate. All elements which, said the judges, reiterate how the firm is continually evolving to meet client demands and the changing world.

Nordea Asset Management boasts a dedicated team of ESG analysts, a team which continues to grow, including recent additions to the Active Ownership cluster.

It has worked hard to develop pioneering proprietary scoring models that are implemented on its ESG data platform, a platform which aggregates information from multiple sources and uses artificial intelligence features and analyst structured weights and formulas to generate up-to-date, forward looking and nuanced ESG scores.

Nordea Asset Management also takes an active part in multiple investor initiatives, currently active in 36 initiatives, and last year became a member of the Finance for Biodiversity Pledge initiative. As a signatory to this initiative, it is committed to collaborating, engaging and assessing its portfolio's biodiversity impact.

On the topic of climate specifically, Nordea Asset Management has been a founding member of the Net Zero Asset Managers initiative since 2020; and in 2021, co-developed the Net Zero Investment Framework of the Institutional Investor Group on Climate Change, a practical blueprint for investors to maximise the contribution they make to tackling climate change.

Additionally, the judges were impressed with Nordea Asset Management's launch of a new and innovative climate strategy in 2022 – the Global Climate Engagement fund, which looks at companies in sectors typically neglected by the market because of their carbon emission profile, but which can play a crucial role in energy transition, and where the team sees opportunities for real change through a structured engagement approach.

Finally, Nordea Asset Management showcased an example of an impactful engagement case, in relation to Hawaiian Electric, where it demonstrated how, by working closely with other major shareholders and the company itself, it has driven positive real-world change.

Congratulations to Nordea Asset Management – a worthy winner!

nuveen
A TIAA Company

Alternatives Manager of the Year: **Nuveen**

The Alternatives Manager of the Year award went to Nuveen. Receiving the award was Barry Lee, Director, Consultant Relations, Nuveen. Lucie Fisher, Pensions Age (right) and host Suzi Ruffell (left) presented the award.

With alternatives playing an essential role in UK pension scheme portfolios, this award aims to showcase those firms that have shown a true flair for extracting value from the alternatives space to the benefit of their pension clients.

And this year's winner clearly demonstrated its value after an exceptional year in 2022, with the Pensions Age Awards judges praising this firm for leading the way across several key areas of alternative investment with a focus on sustainability and innovation. Congratulations to all of the team at Nuveen on a worthy win!

The past 12 months were an exceptional year for both Nuveen and the broader markets, with a number of new innovations and enhancements to its offering announced throughout the year, alongside strategic acquisitions, including in the private debt space.

In particular, Nuveen worked hard to respond to growing client demand for innovative solutions in alternatives, enhancing its Real Assets platform, bringing together its private real asset capabilities and launching two new business units, to create a more streamlined proposition.

Placing client needs' front and central, the launches were announced after research found that over two-thirds of institutional investors are planning to increase allocation to infrastructure, natural resources investments and other alternative assets, as they seek to reduce climate-related financial risk exposure and align portfolios with the transition to a sustainable low-carbon economy.

The newly structured Nuveen Real Assets platform therefore includes real estate, farmland, infrastructure, timberland, agribusiness, and commodities, including two newly launched units: Nuveen Natural Capital and Nuveen Infrastructure.

In addition to this, the newly formed Nuveen Natural Capital has given institutions access to attractive investment options that directly impact the primary factors that sustain human life; namely, food and water, as well as security, which comprises housing, clothing and other necessities.

Looking to expand the alternatives opportunities being offered to clients, October 2022 also saw the launch of Nuveen Natural Capital's Global Timberland Platform, which seeks to provide investors with targeted exposure to sustainable timberland investments in core geographies, including the US, Chile, Uruguay, Canada, New Zealand, and Australia.

Nuveen also pioneered a new ESG frameworks in the industry, with the launch of its Natural Capital ESG Framework representing the culmination of more than 10 years of reporting on ESG metrics.

Of course no one firm can tackle the industry challenges alone, and Nuveen has worked across the industry more broadly to ensure that it is providing clients with the best possible expertise, partnering and collaborating across many stakeholders, including The Nature Conservancy, and Economics for the Environment Consultancy.

Congratulations to all at Nuveen on a well-deserved win in this incredibly competitive category!

Risk Management Provider of the Year: **PIC**

The Risk Management Provider of the Year award went to PIC (Pension Insurance Corporation). Receiving the award was Uzma Nazir. Richard Poole, Royal Mail Group (right) and host Suzi Ruffell (left) presented the award.

With risk management at the top of pension schemes' agendas and rapid funding improvements increasing market demand, de-risking propositions have flooded the market. This award therefore recognises the provider that has provided innovative solutions to truly help pension schemes to manage, or remove, their risks, with the judges praising this year's winner for standing ahead of the rest, showcasing impressive transaction highlights for 2022, robust performance and a keen eye on D&I.

Congratulations to the team at Pension Insurance Corporation (PIC)!

Having paid £1.3 billion in pensions over the year, PIC's bulk annuity deals have helped to secure the future of many savers' pensions. This includes a £1.1 billion full scheme buy-in with the EDS 1994 Pension Scheme and a £600 million buy-in that secured benefits for 8,900 members of the House of Fraser, Beatties & Jenner's Pension Fund.

Following recent market volatility and economic challenges, PIC has also looked to support communities, with direct investments in UK's economy totalling £2.2 billion, including a £200 million investment in a Build to Rent skyscraper in Birmingham.

PIC has also maintained its presence in the social housing space, announcing a fourth investment of £40 million (£130 million in total) in social housing provider, mhs homes, demonstrating its long-term partnership approach.

This was in addition to a new joint venture with Octopus Real Estate, Senior Living Investment Partners, marking its first investment into the UK retirement living sector. As part of the venture, the firm has committed to investing up to £200 million in equity to fund the development and operation of around 10 new retirement communities across the country, with the project expected to provide homes for around 2,000 older residents and deliver around £1 billion in gross development value.

And PIC is continuing to go from strength-to-strength, with new business premiums of £4.1 billion in 2022.

Alongside this, PIC has renewed its focus on diversity and inclusion, with the PIC academy, a development programme designed by PIC aimed at early careers talent, entering its second year.

The company has also continued to support broader industry efforts, taking part, for the third year running, in the #1000blackinterns industry programme, and leading on the cross-industry Mentoring Programme with the Institute and Faculty of Actuaries, now in its fifth year.

Keen to support its clients every step of the way, PIC is also the only insurance company to hold dedicated policyholder events, including both a live management online Q&A, and five face-to-face events across the country over the past year, which attracted over 2,700 registrations.

And the fruits of these efforts are clear, as PIC are holders of the Institute of Customer Services' Service Mark with Distinction, as well as the Plain English Campaign's Platinum status for policyholder communications.

Congratulations again to all at PIC!

isio.

Administration Provider of the Year:
Isio

The Administration Provider of the Year award went to Isio. Receiving the award was Girish Menezes and team. Georgie Gifford, Perspective Publishing (right) and host Suzi Ruffell (left) presented the award.

High-quality administration is a key cog in the smooth running of any pension scheme, and with so many additional administration challenges lately, on top of the day job, this award celebrates those providers who bring excellence and accuracy to this vital role.

According to the judges, the 2023 winner of the Administration Provider of the Year accolade "boasts market-leading technology, coupled with a true understanding of what is needed to serve the pensions market effectively". Congratulations Isio!

Created from what was KPMG's UK Pensions Practice in March 2020, Isio applies its years of experience with a new approach and way of thinking. Its aim is to deliver clearer, simpler advice in a more personal way, backed by technical expertise and underpinned by proprietary technology and an efficient administrative model.

2022 was a busy year for Isio, not least because it acquired Premier, making it one of the largest pension & benefit businesses in the country.

The year also saw higher volumes of GMP equalisation, buyouts and pressure to finalise pensions dashboard plans all adding to pension administrators' workloads.

In response, Isio built a cutting-edge GMP equalisation software platform that reconciles, equalises and rectifies GMPs, and plugs straight into its administration platform, helping projects to complete more quickly.

Several clients targeting buyout specifically transitioned to Isio, due to its principles of being 'standardised, automated and cost-effective'. As part of this transition, Isio often makes efficiency improvements, such as combining multiple payrolls into a single monthly payroll run.

Looking ahead to an upcoming industry challenge, Isio's efficient solution to pensions dashboards will provide an easy route for clients to connect and identify data, helping them to connect to the dashboards seamlessly.

Automation and standardisation are also used by Isio to deliver outstanding member service. Over 50 per cent of its member cases now arrive via Isio's enhanced member web service, offering immediacy to the contact process and vastly reducing turnaround times. At retirement guidance and modelling tools have also been added to the member web service, to help members receive the answers they need more easily.

Isio's successful goal of 100 per cent automation means that 75 per cent of its cases are completed within 48 hours, with BAU SLAs are running at 99 per cent on average.

As a result, most of Isio's new business comes through a referral from existing clients. It enjoys a 91 per cent employee engagement level, and has an average member feedback score of 9.2 out of 10.

Congratulations again to Administration Provider of the Year, Isio; clearly leading the way in pensions administration!

Five steps to 'friction-free' pensions administration

Pensions administration sits at the heart of the industry. High-quality member outcomes, advice for IFAs and efficient buyouts are all very dependent on pension administration being on point, every day.

We have had a 20-year race to the bottom, with pension administrators reducing prices, without a simultaneous investment in data quality, training or system development. The pandemic shone a spotlight on the industry and a number of inhouse teams and third-party administrators suffered the consequences of historic decisions. Poor performance, errors and irate members followed. Trustees, sponsors, consultants and administrators themselves, were distracted by expensive and time-consuming operational issues.

Trustees have learned from this experience and are now willing to invest in value. This is being further supported by The Pensions Regulator, who has been reiterating key messages around data quality and saver outcomes for some time. But what are the key building blocks to good quality administration?

Data

The foundation of administration is quality data. Historic paper files need to be scanned and data converted to digital. A comprehensive common and scheme-specific data audit needs to happen annually, covering all of the data required to be buyout ready, identifying accuracy, rather than presence. This gives trustees a true benchmark and basis for a data rectification plan.

Automation

Data enables automation. This goes far beyond calculations and must cover end-to-end workflow, straight-through-processing between internal / third-party systems, letters, reports and functions like member web. Automation reduces errors, speeds up transactions and allows administrators to focus on value-added services for members and trustees.

People

The invention of spreadsheets heralded the demise of the bookkeeper, but the rise of the data analyst. Similarly, automation moves pension administrators away from being processors, to delivering true value. This means supporting members at key life junctures. They can focus on designing, developing and supporting complex automated solutions. Knowledgeable pension administrators can support GMP Equalisation and end game projects, rather than manually calculating member benefits and putting letters in the post.

Analytics

Trustees don't need administrators to spend days pulling together a stewardship report and attending meetings to communicate what can be read off the screen. With automation, administration teams can focus on analytics. What do the numbers mean? What are the movements in transaction types and trajectory of the scheme? Where should trustees focus on, to maximise their spend, enhance member experience, or bring them closer to their end game?

Partnership

Finally, all of this depends on partnership. Trustees, sponsors, administrators and advisers need to come together to work as a holistic unit to invest in and improve the pension administration experience. It is unhelpful to expect any one of these parties to invest in and drive improvements without overall support. All parties need to come to the table with a singular vision of efficient pension administration service and the elements that need to come together to make this happen.

At Isio we call this 'friction-free' administration and our 'friction hunters' tirelessly identify and eradicate barriers faced by our administrators, members and trustees. This starts at take-on when we transition in a new client. However, our client relationship managers then take on this mantle, working alongside our trustee partners, our business analysts and systems team to continuously review and enhance the service. Some of this may be scheme-specific and require trustee commitment and sign off. Other services are business-wide and implemented across the whole client base as part of our R&D budget.

However, we always go back to looking at the issues through the lens of these five principles to have the building blocks in place for friction-free administration.

Isio Head of Administration and PASA Board Director, Girish Menezes

isio.

tpt Retirement Solutions

Master Trust Offering of the Year:
TPT Retirement Solutions

The Master Trust Offering of the Year award went to TPT Retirement Solutions. Receiving the award was Paul Murphy. Mark Smith, PLSA (right) and host Suzi Ruffell (left) presented the award.

Master trusts have taken the UK market by storm, as pension funds continue to look for ways to control their costs without compromising on quality and governance. In this rapidly evolving space, this award aims to recognise those who are ahead of the game in this increasingly important sector.

This year's winner was praised for working hard across both the DC and DB arena to keep its offering up-to-date and ever-evolving, continuously looking to offer its clients the very best service and empower its members. Congrats to all at TPT Retirement Solutions!

With over 425,000 members, around 2,600 participating employers and around £10.1 billion in assets under management, TPT Retirement Solutions has continued to go from strength-to-strength.

TPT always puts the member first, so when scheme engagement initiatives occur, it works quickly to respond to the increased member support required. For instance, it has introduced a new 'triage' contact centre to handle this extra demand.

This was just one of a number of efforts to improve the digital support for members, which also included encouraging members to register for online access, with over 63,000 account activations recorded over the year.

To help increase member engagement with their pension savings, the master trust issued over 84,500 personalised video benefit statements to active DC members, receiving an average member rating of 4.3 out of 5.

TPT also launched a new 'picture your future' video quiz, and an updated new-joiner journey, comprising a series of 'nudges' throughout the member's first year following enrolment to help them get to grips with their TPT pension and key actions to take.

The video, which was played more than 3,000 times in the first few months following its launch, uses gamification to bring the PLSA's Retirement Living Standards to life, providing members with the crucial foundation they need to help answer the all-important question: 'How much money will I need in retirement?'

By incorporating the standards into a fun quiz, which forms a natural part of the master trust's engagement and education journey, members are taken away from a 'maths' focus, and instead able to focus on the real, personal, impact of their decisions.

And TPT's efforts have proven fruitful, as the master-trust exceeded its service level agreement targets in 2022, achieved an independently assessed member satisfaction score of 83 per cent, where 87 per cent is considered 'world class', and achieved Investors in People Gold for the 12th consecutive year.

Despite runaway inflation, the master trust also protected its DB clients, achieving an improved funding position for the majority of clients.

Alongside this, DC members benefited from two new allocations to its default target date funds (TDFs): Private equity and sustainable opportunities, as well as a new Shariah-compliant Islamic Global Equity Fund.

Congratulations again to all of the team at TPT Retirement Solutions on a well-deserved win!

TPT Retirement Solutions

TPT was founded in 1946 as the first-ever pension fund for social workers who weren't entitled to local government pensions. Today, open to all sectors, our pioneering spirit remains.

DB: Our full-service DB Complete solution can deliver savings of up to 30 per cent in scheme-running costs, while providing sophisticated funding and investment strategies that would otherwise be inaccessible for smaller schemes.

DC: Improving member engagement is one of our top priorities, with a growing suite of digital tools – including our new 'picture your future' video quiz and pensions savings tool.

Our heritage means that responsible investing (RI) has long been imperative: We were the first UK provider to offer an ethical default option (launched 1989) and published our first climate change policy in 2013. This year we've added an impact allocation to our DC default funds, published our net-zero commitment and completed a multi-year strategic review of our RI approach.

tpt
Retirement Solutions

Sponsor Covenant Provider of the Year: LCP

The Sponsor Covenant Provider of the Year award went to LCP. Receiving the award was Francesca Bailey and Jonathan Wolff. Alison Heppenstall, b2b (right) and host Suzi Ruffell (left) presented the award.

The Sponsor Covenant Provider of the Year award is given to the firm that shows a true understanding of this ever important area of pensions, and stands out against its peers for its overall excellence.

LCP was a clear winner in this category, according to the judges, for "showcasing its impressive dedication to the covenant arena, and being in tune with the different ways a sponsor covenant provider can and should assist its clients, at whatever stage of the pensions journey they may be".

LCP to date has worked hard to develop its covenant team and now boasts one of the largest specialist, talented and diverse covenant teams across all employer benefits consultancy firms. Additionally, this team stands out from the rest by striving to treat each client as an individual, matching its technical and regulatory knowledge to their needs, whatever they may be.

"The Pensions Age Awards judges were impressed with LCP's innovative thinking in the covenant arena"

The Pensions Age Awards judges were also impressed with LCP's innovative thinking in the covenant arena, which has led to the delivery of optimal solutions to the market. This, coupled with its individual client approach, has meant the LCP covenant team can bring the best service possible to its clients, however complex their needs may be.

It was also evident to the judges that LCP understands that the uncertain economic environment can mean different challenges to schemes and sponsors, all against a backdrop of increased regulatory scrutiny, and it understands how to tailor-make its service offering accordingly.

Additionally, the LCP covenant team understands the need to integrate climate into pensions journey planning, recognising that climate is an increasingly important component to consider when assessing covenant and considering the risks to scheme journey plans.

Finally, the judges were impressed with LCP's valued contribution to the wider pensions industry, with the team often producing helpful publications and blogs, as well as free guidance, and regularly commenting on relevant industry issues.

By showcasing impressive case studies in its submission, as well as providing compelling named testimonials, LCP proved to the judges that it takes the role of sponsor covenant provider seriously and aims to always bring its very best to the market.

All in all, LCP's covenant team clearly works hard to support its clients, large or small, whether they are looking for regulatory or restructuring advice, strategy or transaction support or in relation to insurer risk reviews, and strives to offer the best service possible.

Congratulations to LCP; a worthy winner!

LGIM

Sustainability Provider of the Year:

Legal and General Investment Management

The Sustainability Provider of the Year award went to Legal and General Investment Management. Receiving the award was Stuart Murphy and team. Melanie Cusack, Zedra (right) and host Suzi Ruffell (left) presented the award.

The pensions industry is becoming increasingly aware of the important role that sustainability plays in today's world, with this award recognising the providers that are leading the way in this crucial and increasingly sophisticated field.

This year's deserved winner of the Sustainability Provider of the Year is Legal and General Investment Management (LGIM), which showcased that responsible and sustainable investing is at the heart of its business. Huge congratulations to LGIM!

The judges said the firm was the worthy winner of the Sustainability Provider of the Year Award as it demonstrated tangible action being taken in the sustainability space, with good examples of innovation and lobbying to make a difference.

LGIM's impressive approach is underpinned by Legal & General's (L&G) 'inclusive capitalism', which focuses on improving the lives of its customers and creating value for shareholders. The judges were impressed by the embedding of environmental, social and governance (ESG) culture, with LGIM demonstrating it is an actively engaged investment steward and a provider that tackles today's societal issues, from biodiversity to the gender pensions gap. It did this through voting on 180,200 solutions worldwide in 2022 and engaging with 571 companies. The firm was once again recognised by MajorityAction in its 2022 report for holding board members to account for insufficient progress on climate-related initiatives and governance best practices. LGIM also demonstrated its innovation and proactivity through its active engagement on emerging themes, such as anti-microbial resistance and biodiversity.

The firm's work on the gender pension gap also impressed the judges, including the creation of the L&G Pensions Equality Taskforce, which lobbies the government and regulators, brings industry representatives together and works with employers to call for companies and providers to disclose their gender pension gap and work to close it, for the government to being the minimum auto-enrolment age down to 16 and for the minimum earnings threshold to be abolished.

LGIM showcased investment innovation during the year, with the firm demonstrating why it deserved to win Sustainability Provider of the Year by constantly pushing to improve the sustainable outcomes of its investments and delivering results. This was demonstrated through the output of its renewable investments in 2022 being enough to power a city the size of Aberdeen, while its planned investment growth means it will be able to provide renewable energy to a population the size of Manchester.

The judges also highlighted LGIM's client servicing and communications, with the firm to provide schemes with 2.15 million members direct access to its team to give their views on upcoming annual general meeting votes.

Huge congratulations to the deserved winner of this year's Sustainability Provider of the Year Award – LGIM!

Earth song: Why pension investors are singing nature's praises

From water management to property, investing in biodiversity will change a broad spectrum of industries. We look at the green themes promising to shake things up – and what scheme members think

In 1970, Joni Mitchell famously warned us that "you don't know what you've got 'til it's gone." But today, biodiversity loss, the diminishing variety of living species on Earth – from plants and animals to bacteria and fungi – and its close relative, nature loss, are happening at unprecedented speeds.

There are multiple reasons why we believe we need to re-use what we have more efficiently, and extract what we don't less intensively. Some are well-documented: lowering carbon emissions and global warming or preserving the Earth's natural resources. Less well-known is that besides our ecosystem's environmental, health and emotional value, a partial collapse could cost 2.3 per cent of global GDP (or $2.7 trillion) per year.

While we at LGIM have been engaging with companies and governments on these issues since 2016, over the past year they have raced up the agenda. And we reflect our commitments in how we invest on behalf of our members. In 2023 so far, we've reflected the emerging themes of green real estate, cleaner water and sewage companies and sustainable packaging in one of our DC defaults, the Target Date Funds and Future World Multi-Asset Fund. Together, these funds have nearly 2.7 million members' retirement savings invested in them.

Green green grass of homes

We believe the real estate sector is critical in the fight against climate change and nature loss: 28 per cent of global carbon emissions come from building operations and 12 per cent from construction and maintenance, which may also contribute to natural destruction.

Standard carbon intensity metrics don't capture this well in our view. That's why LGIM has developed the Green Real Estate Score, which assesses relevant metrics, including the share of a company's total property portfolio with green building certifications; carbon across the life of the building; and the number of customer eco-efficiency programmes.

Since the beginning of 2023, we've added a new allocation to LGIM's Future World Global Real Estate Equity Index Fund into our DC defaults. The fund is tilted towards companies with a higher Green Real Estate Score, while also combining company engagement and screening of LGIM's Future World Protection List.

Chasing waterfalls

Attention to biodiversity and natural capital matters more in some sectors than others in our view. In the UK, for example, we have seen water utilities come into focus for leaks during droughts, exacerbated by climate change as well as too-frequent effluent discharge into rivers.

Last year, we integrated biodiversity metrics into LGIM's ESG tools, including our proprietary ESG Score. In 2023 so far, we've updated LGIM's proprietary ESG scores to include water for some sectors. In our Future World Multi-Asset Fund, we've added an allocation to Severn Trent.

Seeing the trees for the wood

Forests store approximately 662 billion tonnes of carbon and are home to between 60-80 per cent of Earth's amphibian, bird, mammal and vascular plant species. Reducing deforestation is therefore crucial in the fight against both climate change and biodiversity loss.

While metrics related to deforestation are increasingly available, we believe more needs to be done to standardise and broaden this data. Since the turn of the year, we've included deforestation in relevant sectors in our ESG Scores, and we also continue to gather member feedback. These inform our continued engagement on this and related issues such as recycled packaging with companies in key sectors, such as Kroger.

Mother nature's gone?

While we are still some distance from accurate and transparent metrics, the environmental and financial cost of waiting to act on biodiversity and nature loss is simply too high, which is why we are integrating these themes into our investments now. In our view making a real difference in preserving the earth's natural resources comes down to engagement with multiple themes: from real estate to retail. We know our members care about it too – which should be a win-win for providers and folk ballad fans, alike in our view.

Legal & General Investment Management co-head of DC, Rita Butler-Jones

LGIM

Diversity Award:
Aviva

The Diversity Award went to Aviva. Receiving the award was Laura Stewart-Smith and Kurtis Reece. Sophie Smith, Pensions Age (right) and host Suzi Ruffell (left) presented the award.

This award goes to the pension provider that has shown a true understanding of the importance of diversity in today's climate, either in the way it has shaped its business, its product offering or otherwise.

This year's Diversity Award winner clearly integrates diversity and inclusion throughout its processes and company culture is the 2023 – congratulations Aviva!

Creating a diverse, inclusive organisation is a fundamental part of living out Aviva's purpose of 'being with you today, for a better tomorrow'.

Aviva applies this purpose to its colleagues, customers, and community. Diversity and inclusion is embedded across Aviva and monitored through data, governance and accountability.

The company's people and culture demonstrates the inclusive nature of its workplace, which is reflective of its customers and communities across all levels, resulting in Aviva being recognised by customers as an inclusive insurer.

To support diversity and inclusiveness within Aviva's recruitment, its job adverts are shorter and to the point, asking for skills and experience critical to the job. It no longer asks for degree-level education (unless required for technical roles) and includes salary transparency for all roles.

There is a training programme for hiring managers, designed to mitigate bias in recruitment and selection, a specialist toolkit introduced to help neurodiverse individuals thrive, and a returners programme, focused on supporting people back into the business following a career break. Aviva's intern programme, now in its fourth year, focuses on diversity and intersectionality.

Once working at Aviva, support and leadership development is provided for ethnically diverse colleagues, as well as a sponsorship programme to accelerate the female pipeline into senior leadership roles.

Aviva has six employee resource groups for colleagues, including one providing support for people with visible and invisible disabilities, one to help carers and parents, one to celebrate cultural difference and one for the LGBT+ community.

Mental health awareness training is given to people leaders and anti-racism training is mandated to all colleagues. Optional inclusion training and webinars is offered on topics including menopause awareness and domestic abuse awareness.

The results of these efforts are shining through, with Aviva's gender pay gap continuing to reduce, with the number of female leaders increased from 28 per cent to 35 per cent in five years. Eighty-five per cent of Aviva's staff disclosed their ethnicity personal data, and Aviva is now ranked 27th in the Stonewall Employer Index.

Aviva is not resting on its laurels though, as its goal is for 40 per cent of its leaders to be female by 2024 (currently at 35 per cent) and 13 per cent of leaders to be ethnically diverse by 2024 (currently 10 per cent).

It is no wonder that the judges considered Aviva's approach to diversity and inclusion "outstanding", and highlighted how Aviva is setting the bar high for the rest of the pensions market.

Congratulations Aviva; a worthy winner!

With you today, for a better tomorrow

Creating a diverse, inclusive organisation is a fundamental part of living up to Aviva's purpose of being with you today, for a better tomorrow. It means being there for all our people, serving all our customers well, and helping to contribute to fairer, more equal communities.

That's why we're proud to be recognised as an inclusive insurer in these awards.

Aviva's ambition for our workforce is to reflect the customers and communities we serve. A diverse, inclusive workplace allows colleagues to be themselves and give their best. We are determined to keep challenging ourselves to do more to build a workplace – and society – that works for all.

Why diversity, equity and inclusion make business sense

Diversity and inclusion are important topics for all businesses. Research has shown many benefits of a diverse and inclusive workplace:

- Higher revenue growth
- Greater readiness to innovate
- Increased ability to recruit a diverse talent pool
- 5.4 times higher employee retention

Gathering diversity insights from our employees helps us to provide support to those from minority backgrounds and learn how, where and when we need to intervene. While we're always making progress, we recognise that overcoming the barriers standing in the way of a more equal workplace will take time and persistence. Nonetheless, we're confident we have the right plan to drive this change now and over the long term and remain committed to working towards a brilliantly diverse workforce at every level in Aviva.

Engaging employees in the agenda

Diversity and inclusion are increasingly important to everyone, so we encourage all businesses to engage with their employees to understand the importance of their inclusion needs and requirements and the difference that it makes. One way to do this is through employee resource groups.

At Aviva we have six employee resource groups – our Aviva Communities – who help us to become a more inclusive organisation. These Communities bring together a wide range of support networks from across the business. From mentor programmes and apprenticeships to social awareness campaigns, these groups help ensure that all our employees have an equal voice and are fairly represented.

Our communities are:

- Aviva Ability – developing a disability smart workforce
- Aviva Balance – supporting gender parity
- Aviva Carers – supporting carers and parents
- Aviva Generations – an intergenerational workplace
- Aviva Origins – celebrating cultural difference, including race, ethnicity, faith and belief, and social mobility
- Aviva Pride – being yourself at work, LGBT+

Magic happens when organisations values and principles align

Another way companies can hold themselves accountable for their corporate commitment to diversity is through supplier and partner diversity programs that promote diversity and inclusiveness within the sourcing process. Magic happens when organisations values and principles align, and at Aviva we're keen to work with (and support) clients, partners, and existing/perspective corporate clients in their diversity journeys, sharing thought leadership. We're also keen to support wider society and influence outside of Aviva.

We have, helped lead the industry in conversations around the gender pension gap by bringing into perspective that, based on our research, the gap starts to widen significantly from age 35. This indicates that women often make key decisions on careers and childcare, often opting to work part-time. Discover more about the gender pension gap at: https://www.aviva.co.uk/business/business-perspectives/featured-articles-hub/pension-gap/

If you want to know more about Aviva's diversity and inclusion journey, please speak to your usual Aviva contact

Aviva head of DEI and wellbeing, Debbie Bullock (she/her)

AVIVA

Cashflow Driven Investment Manager of the Year:
AXA Investment Managers

The Cashflow Driven Investment Manager of the Year award went to AXA Investment Managers. Receiving the award was Rachel Basarab-Horwath and Lydia Reeves. Olivia Richardson, Perspective Publishing (right) and host Suzi Ruffell (left) presented the award.

Cashflow-driven investment (CDI) has continued to rise in prominence in the UK pensions space. Its vital role in meeting DB schemes' objectives was even more evident in the recent LDI crisis, as well-designed cashflow strategies demonstrated their ability to support clients' needs for collateral calls while continuing to serve their overall purpose of paying member benefits. The winning firm's CDI strategy was an excellent example of this, with the crisis highlighting the effectiveness of its credit investment process and client-focused approach. Huge congratulations to the winner of this year's CDI Manager of the Year – AXA Investment Managers!

This award aims to reward companies that are leading the way in this key investment strategy and truly making a difference to pension schemes today, which AXA IM demonstrated in spades. The gilt crisis showcased the resilience of AXA Investment Managers' CDI strategy to reduce the impact of the crisis on its clients, while the firm also impressed with its dedicated client service that helped its clients navigate the period with minimal disruption.

As the crisis began, AXA IM's acted swiftly and provided market and portfolio-level updates, and raised all of the assets requested by its CDI clients to help them meet collateral calls. This efficiency was highlighted by the judges, who said that AXA Investment Managers' entry had shown its resilience even in challenging market conditions, combined with a bespoke approach to meeting clients' sustainability objectives.

AXA IM's commitment to sustainability was highlighted by its addition of a decarbonisation objective to its flagship pooled buy and maintain fund to help its clients reduce their carbon emissions. Furthermore, the judges were impressed by AXA IM's continued improvement in client value through innovative and bespoke climate-related analysis, including the creation of a carbon-intensity attribution 'waterfall' to pinpoint the drivers of decarbonisation in its portfolios and the company's continued improvement in reporting standards for all clients in line with changing requirements.

The firm's low trading costs were another reason that AXA Investment Managers was the highly deserved winner of this year's CDI Manager of the Year Award, with the company's portfolio construction and significant trading expertise saving its clients millions in trading costs during the gilt crisis. It also continued to deliver on its objectives of minimising downgrades and turnover levels to help protect its clients' capital. During the year, AXA Investment Managers avoided 100 per cent of the downgrades to high yield in its flagship AXA ACT Carbon Transition Sterling Buy and Maintain fund and across all of its CDI portfolios.

During what was a challenging year for the pensions industry, AXA IM was proactive and effective, meeting its clients' needs every step of the way. Congratulations again to AXA Investment Managers, worthy winners of the CDI Manager of the Year!

Now is the time to act on the lessons of the crisis

2022 was a turbulent year for defined benefit pension schemes. The list of challenges over the year was extensive: geopolitical instability, soaring inflation and interest rates, market volatility and the ongoing pressure to address climate change and biodiversity challenges, and this even before the LDI crisis that struck in September.

Defined benefit schemes need stable, predictable, affordable cashflows to pay members and to position for their endgame, whether that's a buyout or self-sufficiency.

How can this be achieved? We think now is the time to look back on the lessons of the crisis, clarify your goals for your scheme and make any changes you see as necessary to take account of these insights.

Are you making the most of your asset mix?

Before the crisis, credit was known for its growth, interest-rate hedging and cashflow delivery characteristics. As the crisis unfolded, and schemes were forced to sell holdings to fulfil liability-driven investment collateral requirements, credit's high relative liquidity became vital to schemes scrambling to raise the cash needed to meet counterparty banks' margin calls.

Schemes should assess how well their credit manager performed during the crisis, considering both their ability to raise cash at short notice and also the resulting trading costs. Were they responsive? Were they sufficiently diversified that heavy losses could be avoided?

Make sure your portfolio is ready for what comes next

The crisis highlighted the importance of being able to move quickly. It's vital to ensure you have a holistic view of your scheme's liquidity profile so that you are able to make changes nimbly when circumstances require. Clear and timely communication between credit and LDI managers, from valuations to risk exposures, is a simple and yet often overlooked necessity.

Post-crisis, with LDI leverage significantly reduced and requiring larger collateral buffers, credit's interest-rate hedging characteristics are even more appealing, and can help to reduce leverage within LDI portfolios and the operational risks that comes with it. More advanced techniques are also worth considering, such as using credit repurchase (repo) agreements or total return swaps to release liquidity from their credit portfolios while maintaining credit exposure and much needed cashflows.

Schemes should also be keeping ahead of the regulatory requirements around the move to net-zero emissions, as well as exposures to climate and nature risk, embodied in the Task Force on Climate-related Financial Disclosures (TCFD), and potential reporting requirements from the Taskforce on Nature-related Financial Disclosures (TNFD). For those optimising portfolios in preparation for a buyout, it's important to consider what potential buyers are looking for – they likely will have their own carbon transition and net zero targets to satisfy. While those looking for self-sufficiency need to consider emerging risks that could play out over time.

Embrace change where it's needed

The asset allocation of schemes could look quite different post-crisis. Illiquid assets will likely be reducing in favour of more liquid assets and equity allocations could be a remnant of the past for a well-funded UK DB industry.

Some tenets of scheme strategy should remain the same both pre-and post-crisis – namely to select the best manager for each section of your scheme allocation. Don't assume that one manager has equal skill in both areas or that the efficiencies of having a single manager outweigh the benefits of focused expertise. Credit management and LDI management, for example, are two completely different skillsets and asset managers should be judged on their respective skills in each area. Indeed, diversification is not just about asset mix, but also investment approaches and avoiding institutional 'group-think' across allocations.

The crisis was painful, but there are valuable lessons to take away. This is the point where trustees and their advisers should be putting these lessons to work. Even discounting the potential for another crisis event, the gradual evolution of markets makes it crucial to review your requirements and be confident your specialist managers are able to meet them.

AXA Investment Managers senior solutions strategist, Bruno Bamberger

AXA Investment Managers

Pensions Marketing Campaign of the Year: Bravura

The Pensions Marketing Campaign of the Year award went to Bravura. Receiving the award was Justine Pattullo. Vince Linnane, Moorlands (right) and host Suzi Ruffell (left) presented the award.

With the pensions sector needing to spread the word of the positive work and effective solutions to the wider industry, pensions marketing campaigns are of huge significance for its development. The Pensions Marketing Campaign of the Year Award therefore recognises the firms, pension funds or associations that have developed cutting-edge, relevant and effective marketing campaigns in the UK pensions space, which aims to raise awareness of their specific offerings to the market or of a particular theme. This year's richly deserved winner is Bravura – congratulations!

The firm's Pensions Dashboards Week campaign was described by the judges as relevant, timely and effective, and they stated that it showed this firm really thinks about how to make its marketing truly count. Pension dashboards represent one of the biggest transformations in pensions for a generation, highlighting the importance of the industry understanding the challenges and opportunities they will bring. The judges were impressed with Bravura's campaign's effectiveness in raising awareness, encouraging best practice and dispelling myths around connecting to the pensions dashboard ecosystem.

Taking place in early October, Pensions Dashboards Week contained innovative talks, webinars and Q&As that educated providers, schemes, third-party arrangements and wealth platforms about what is involved and required to connect to the dashboard ecosystem, a hugely important step for all involved in the development of dashboards.

Bravura was proactive in commissioning bespoke research from KGC Associates, which pinpointed the top concerns that pension administrators had when looking to connect. This enabled the firm to identify topics and themes to base its webinars and discussions on.

Bravura impressed the judges with its campaign's ability to activate a wide range of channels to encourage professionals to register for the sessions to help them connect to the dashboard ecosystem ahead of the relevant staging deadlines. Pensions Dashboards Week proved to be a huge success, securing 1,696 pre-registrations, with 743 going on to watch one of the five virtual sessions live. This helped the firm generate 293 new business leads which, alongside 88 prospects and 71 clients, totalled around a staggering £4.5 million in commercial opportunities, achieved through a spend of just £21,750.

Pensions Dashboards Week also helped shine a light on the unique issues that dashboards entail, and has been roundly praised by professionals, which was demonstrated through the numerous positive pieces of feedback received from pension professionals from across the industry. The judges were particularly impressed by the coverage the campaign received across the trade press and social media, reaching a combined total of 450,000 people. With a feedback score of 4.4 stars out of five from its audience, it is no wonder the judges selected Bravura as the winner of the Pensions Marketing Campaign of the Year – congratulations!

Five steps to effective Pensions Dashboards onboarding

Although every firm is unique in how it will approach connecting to the Pensions Dashboards Programme's (PDP) Central Digital Architecture (CDA), every single pension provider, scheme, or third-party administrator (TPA) will need to be fully confident their technology partner can onboard member data and avoid any unnecessary regulatory headaches.

We're urging firms to use the current reset to the PDP to advance their readiness and connection journeys while important decisions about deadlines and post-view services – like retirement modellers, advice tools and education – are finalised.

As one of the early participants, our scalable and secure pensions dashboards ISP, Dashboards Connect, is ready to connect to the CDA and, as we await confirmation of the new deadlines, we've created a handy guide to show you how we can get you dashboards-ready in five simple steps.

Step one:

As your chosen ISP, we will be responsible for connecting to the CDA. This means we'll be managing the registration process on your behalf – nice and easy for you.

However, there are two things you should do as part of your preparation. These are:

- Reviewing and understanding how our solution works (usually through a short demo).
- Deciding how you'd like to log your member data in our out-of-the-box solution – this includes the option of uploading member data in the specified CSV format, building custom APIs for direct access to your core registry system/data lake, or using a direct connection to Bravura's Sonata platform or Delta's ~Pro platforms.

Step two:

Next, we'll register all your details with PDP, add you to our existing endpoint within the CDA, and create the necessary accounts in the relevant environments. Crucially, this is where all your member data needs to have been cleansed and correctly formatted – and our friends at mypensionID and Target Professional Services can help you here.

We'll also provide guides, and if required training, explaining how our simple-to-use "compliance in three clicks" matching, defaulting, and easy contact-centre variation functionality works.

Step three:

Then, our team will help you set-up Dashboards Connect and test and confirm all services are correctly connected to the PDP's ecosystem. Importantly, this type of installation means you can easily add other microservices you might choose to deploy in the future, once post view services are confirmed.

In parallel, our experts will assist with your matching criteria configuration utilising the official PASA guidelines. This could be core, enhanced or extended matching, and once you've confirmed your chosen approach, you can begin testing.

Step four:

Now the initial configuration is complete, you just need to do the final checks on your data before you're ready to go live.

This will include User Acceptance Testing and System Integration Testing to ensure the service is integrated successfully with whatever administration system you have – whether you're uploading member data in the specified CSV format or building a custom API.

Step five:

The fifth and final step to your solution is going live. Just before you do, we may have to gain Service Acceptance from the PDP, depending on the latest regulatory requirements. And, once you're happy with every aspect of the solution – you're ready to connect.

Dashboards Connect enables you to do much of this ahead of time thanks to its "staging start date" function – which stops returns to CDA prior to that date and gives you peace of mind.

If you'd like to learn more about effective onboarding for pensions dashboards, you can get in touch with us today via contactus@ bravurasolutions.com

To get your data dashboards ready, we have also created an end-to-end solution with leading pensions data specialists mypensionID and Target Professional Services to help take the stress away when cleansing or formatting your member data. Contact us to find out more.

bravura solutions

Pensions Age Thought Leadership Award: Capita Pension Solutions

The Pensions Age Thought Leadership Award went to Capita Pension Solutions. Receiving the award was Stuart Heatley. John Woods, Pensions Age (right) and host Suzi Ruffell (left) presented the award.

The pensions industry may once have been considered slow and staid, but we know that's far from the case now. Therefore, this award recognises those firms, pension funds or associations that are leading the way with their thought-leadership/industry research in the UK pensions space at a time of great change for the sector, meaning innovation and insight is needed more than ever to meet the challenges facing UK pension funds today.

This year's worthy winner has helped drive forward the pensions industry's role in fighting for a sustainable future – congratulations Capita Pension Solutions!

As one of the UK's leading pension firms, Capita Pension Solutions provides pension and consultancy services to over 600 schemes, covering six million members.

During 2022, the importance of ESG to pension schemes was further enshrined in reporting requirements, with pensions schemes with assets over £1 billion being required to report in line with TCFD.

Even though none of Capita Pension Solutions' clients are impacted by this, for Capita Pension Solutions, the goal is for all pension schemes to be engaged owners. It set about ensuring that smaller schemes could become responsible stewards and ensure all was being done to ensure that the companies in which they invest are sustainable.

To educate and encourage clients, Capita Pension Solutions developed training that brings home the seriousness of ESG – initially focusing on climate change and the impact small schemes can have, and then moving onto the importance of biodiversity and a just transition.

As a result, a number of clients have now committed to a regular training plan and to receiving the second set of training on biodiversity. Employers have also been included in the conversation to ensure a coherent process for when their compliance with TCFD is required.

Also working within the industry, Capita Pension Solutions has taken part in conversations with the DWP, FCA, TNFD, TCFD, TPR and other participants in the pensions and investment arena, and is helping overcome some of the practicalities in the areas of biodiversity and stewardship. The outcome of this is aimed to be regulations that schemes invested wholly in pooled funds can efficiently and effectively implement.

Capita Pension Solutions has also joined the Investment Consultants Sustainability Working Group and increased its involvement with the Institute and Faculty of Actuaries (IFoA) by taking on the chairmanship of a working party into asset management, set up in the IFoA's sustainability research group.

In 2022, Capita Pension Solutions became an official signatory to the UK Stewardship code and UK PRI, and introduced a zero-tolerance procedure and supporting policy related to anti-racism and anti-discrimination.

Capita Pension Solution's impressive 2022 made it the clear winner for the Pensions Age Awards judges, not just for the company's own significant engagement on sustainability and ESG matters, but also for its dedication to going beyond minimum requirements and educating pension schemes of all sizes about their role in this investment transition.

Congratulations Capita Pension Solutions for helping lead the way towards a sustainable future!

bravura solutions

Personality of the Year:
Bravura principal business consultant, Jonathan Hawkins

The Personality of the Year award went to Jonathan Hawkins, Principal Business Consultant, Bravura. Francesca Fabrizi, Pensions Age (right) and host Suzi Ruffell (left) presented the award.

This award, nominated by *Pensions Age* readers, aims to recognise those individuals that have truly made their mark in the UK pensions space. An increasingly competitive category, this year's nominations included a number of influential figures, across pension providers, industry associations, and those working directly with pension schemes.

A breath of fresh air, this year's winner was praised for working hard in the pensions space to raise awareness of key areas in an entertaining yet informative way. Congratulations to Bravura's Jonathan Hawkins!

A key figure in the industry for more than two decades, Hawkins lives and breathes all things pensions. Having started in administration and support roles and created the tech behind one of the first UK commercial master trusts, Hawkins has a reputation for challenging the status quo.

Perhaps the biggest focus of his recent efforts have been around the industry attempts to grapple with the regulatory hurdles associated with connecting to the pensions dashboards ecosystem. Hawkins has stepped up to help the industry unite and ensure dashboards are delivered successfully to the benefit of all.

In particular, Hawkins spearheaded the launch of Pensions Dashboards Week in October, an initiative that represented a rare but real coming together of various pensions professionals, personalities and organisations to help the industry improve its knowledge about dashboards and the complexities involved in connecting to the ecosystem.

His social media presence has compounded his influential role in the industry. Hawkins' LinkedIn profile in particular has made a splash, showcasing his personality, flair and expertise in this highly technical, and increasingly important, area.

Hawkins hasn't relied only on pithy social media updates though, having also worked closely with the internal Bravura team to oversee the delivery of multiple research-based whitepapers, thought-leadership articles and webinars, including two myth-busting sessions with the Pensions Dashboards Programme and The Pensions Regulator.

While Hawkins has acted as a vital source of knowledge for his peers, his expertise has also been crucial in helping Bravura cement its name in the UK pensions market and, more importantly, create and showcase an ISP solution that addresses the most pressing regulatory and technological dilemmas currently posed by pensions dashboards.

A keen advocate for diversity of minds, he has also played a key role in the LGBTQ+ community and leads Bravura's Diversity and Inclusivity LGBTQ+ pillar globally.

A worthy winner in an extremely competitive category, congratulations again to Hawkins on being named this year's Pensions Personality of the Year Award!


ONCE THEY'VE GOT THEIR DATA DASHBOARD-READY TPAs, SCHEMES AND PLATFORMS CAN USE AN ISP TO CONNECT TO THE DASHBOARD ECOSYSTEM.
THAT'S AN INTEGRATED SERVICE PROVIDER, OBVIOUSLY, NOT AN INTERNET SERVICE PROVIDER.
ISPs WILL PROBABLY BE USING ISPs TO DO THAT.
WHAT ARE YOU THINKING?
I'M THINKING WE'RE GOING TO STRUGGLE TO EXPLAIN THIS...










Together, for better or worse?

Recent years have seen an increase in merger and acquisition activity within the pensions industry, among both pension providers and service providers. David Adams considers whether more M&A will mean more progress or more problems

Summary

• Recent years has seen market forces and regulatory change combine to encourage M&A activity within the pensions industry, affecting master trusts, pension providers, but also many of the businesses that provide services to support the pensions ecosystem.

• While consolidation can enable provision of better quality and more efficient services, some in the industry are concerned that it may have negative consequences, such as reducing competition or increasing the risk of conflicts of interest.

• Future regulatory intervention is certain to have a very strong influence on future M&A activity in the pensions industry. Finding a way to ensure the best outcomes for savers and scheme members will also be hugely important for the wider economy and society.

Recent years have seen market forces combine with regulatory change to drive mergers and acquisitions (M&A) in the pensions world. There has been consolidation among master trusts and other pension providers, but also among many of the businesses that serve the pensions ecosystem, such as consultants, administrators, professional trustee firms and technology providers. The question is, how can we be sure this sort of M&A activity will have beneficial, not negative, effects on retirement savings and pension benefits? Ultimately, of course, pensions are for the good of savers and scheme members, not just balance sheets and shareholders.

Consolidation within the master trust market has been driven in part by the natural shaking out of providers that have failed to acquire critical mass during their first few years of operation, as well as by tightening of regulatory requirements. For example, when in October 2022 master trust provider Smart Pension acquired the Ensign Master Trust, this was the seventh smaller master trust it had acquired in recent years.

"The focus of the *[Ensign]* deal is to deliver efficiencies and reduce the charges on members' pension pots," says Smart Pension group director of M&A, Paul Toon. "It starts with a cost-effective integration of Ensign and its benefits, enabled by Keystone, our cloud-based technology platform.

"We should expect to see a significant amount of growth and consolidation in the master trust market over the coming years," he continues. "More employers are using *[master trusts]* to reduce risk, lower costs, improve oversight and upgrade investment options. When it comes to single-employer schemes, the regulator's intent is very clear, so movement of single employer schemes to larger-scale master trusts is only likely to accelerate."

Workplace financial education and guidance provider Wealth at Work director, Jonathan Watts-Lay, sees consolidation among master trusts as a natural market development. But he fears it could have some negative consequences. "I'm concerned that a handful of master trusts might take over the majority of pension provision and a majority of people will end up being guided by default options the whole time," he explains. "I'm less worried about what happens during accumulation, but one of the negatives could be a lack of choice at the point of retirement, when the employer is no longer actively involved."

Another consequence of consolidation might be that responsibility for delivering pension benefits moves from a pension scheme or provider to an insurer, and then perhaps to a pensions consolidator. One such consolidator is Chesnara, which operates in the UK, the Netherlands and Sweden, and had £10.6 billion funds under management at the end of 2022, thanks to acquisitions such as that of Sanlam Life & Pensions UK during 2022.

"Appropriate consolidation should be good for this market," says Chesnara CEO, Steve Murray. "If you have people who want to look after these customers and assets, ultimately that should result in a good outcome for customers." He also highlights stronger regulatory oversight designed to protect the transfer of pension assets, which he claims will give individual savers/scheme members "a huge amount of protection".

"Consolidation can result in better quality in a smaller, appropriate number of organisations, but potential downsides include problems related to conflicts of interest; and a reduction in genuine competition"

Consolidation or predation?

There has also been plenty of M&A activity among service providers working for pensions schemes and funds. In January 2023, Isio (previously the pensions advisory arm of KPMG before its launch as a separate entity in 2020) announced its acquisition of Deloitte's UK pensions advisory business, Deloitte Total Reward and Benefits, subject to FCA approval. In April 2023, insurance and risk management company Arthur J. Gallagher acquired benefits and pension consultancy Buck; while Broadstone bought another actuarial and financial consultancy, OAC.

There has been consolidation in the independent/professional trustees space too. For example, in August 2022 Ross Trustees acquired Clark Benefit Consulting (CBC) Pension Services; then, in early 2023 Ross Trustees merged with Independent Trustees Services, creating a new trusteeship and governance provider: Independent Governance Group (IGG). This new business then acquired Clarity Trustees in February 2023.

Another service provider, Zedra, which serves wealth, fund, pension and corporate clients in 16 countries, has, in just over two years, acquired the advisory firm Inside Pensions, along with professional trustee businesses PTL, Caledonian Trustees, Clear Pen Solutions, AAA Trustees and Trustee Matters.

Zedra head of M&A, Marc Hedeman Joosten, explains the thinking behind the acquisition of Inside Pensions in 2021. "We saw an opportunity to add a business comparable to what we already had – offering secretariat, governance and trustee services – but *[while]* we already had a mix of multinational listed and non-listed companies, entrepreneurs, families and high-net worth individuals, we weren't really present in the pension space," he says. "We felt that what Inside Pensions was doing was very close to the services we were rendering in other countries to corporate clients."

He sees consolidation of professional trustee businesses as a natural consequence of increased regulatory obligations for scheme trustees. "The regulator has been producing new rules and regulations and it's clear that the liability for trustees and service providers is of a different nature than it was several years ago."

Technology matters

Another relatively recent change in the pensions industry that has helped drive M&A activity has been an increased emphasis on the importance of individuals' engagement with DC pensions. This has stimulated technology

and service innovation and encouraged some M&A activity, such as Link Group acquiring HS Pensions to improve its engagement and administration capabilities; while Wealth at Work has acquired employee engagement/communication specialist Landscape; financial wellbeing firm Employee Financial Wellness; and technology provider DBD Digital.

Watts-Lay suggests that one factor influencing its strategy has been a trend for employers to offer broader, integrated employee benefits packages. "A lot of employers now look at pensions as one element among many," he explains. "We bought communication and digital engagement agencies because employers were saying 'We want to create portals so people can get what they're used to getting in their consumer lives, where they can grab the information they need when they like."

Some fintech providers have shown an ability to alter business models in order to take advantage of new opportunities – and this has also helped to stimulate M&A activity. For example, Cushon, a fintech offering personalised savings services through a mobile app, acquired several master trusts, including the Creative Pension Trust, Calvus and the Northern Ireland Workers Pension trust – but then, February 2023, Natwest announced its intention to acquire an 85 per cent shareholding in Cushon (subject to regulatory approval).

Clearly, consolidation can result in "better quality in a smaller, appropriate number of organisations," as LCP partner, Alex Waite, puts it; but potential downsides include problems related to conflicts of interest; and a reduction in genuine competition.

"I don't think we've got there yet in the core markets," says Waite. He cites his own part of the pensions landscape, the actuarial marketplace: "I don't feel our market has got to the negative point; and it is positively benefitting from the positive points."

But he can see the potential threat posed by an increasing risk of conflicts of interest in the pensions industry as the number of market players decreases. One theoretical illustration he cites would be a major corporate transaction that required the services of multiple, separate corporate and pension scheme actuaries – all of which would need to be completely independent of each other, with no conflicts. For that reason, he suggests, "you don't want the market to get much smaller than it is now."

Regulatory influences

Naturally, the attitudes and actions of regulators, particularly The Pensions Regulator, will play a crucial role in encouraging or curbing M&A activity in the industry. The regulator has expressed positive views in relation to master trust consolidation in the past. It has not often been drawn on commenting on consolidation elsewhere, but it is likely to consider future interventions alongside its stated strategic priorities: security of savers' money, value for money, scrutiny of decision making, "embracing innovation" and "bold and effect regulation".

Murray thinks regulators could do more to enable helpful, positive consolidation among master trusts or more generally of pension schemes that may not be run or governed in an optimal way at present.

"I think there are books of business that aren't with their natural owners at the moment," he says. "*[Regulation sometimes]* creates a barrier to moving business from companies that might have thought being in pensions was a good idea ten years ago but now don't really want to be in the market."

Another potential risk Murray identifies is the possibility that a large organisation that acquires pension assets or insurance policies could seek to exploit a lack of pensions knowledge among the general population.

"One of the challenges everybody faces is that many consumers know less about their pensions and where they are invested than anyone would like," he says. "I think the danger is somebody could take the opportunity, through a default fund for workplace pensions, to benefit from that in ways that may not be in the best interests of customers.

"The regulator has put in measures that mean there's been good oversight of that, but for me, if you have a set of customer policies that are going to go through multiple consolidations, it feels like that produces more risk."

But for Toon, the drive to consolidation in the pensions industry, certainly within the master trust sphere, is inevitable and desirable.

"Consolidation has been the watchword of the pensions industry for years now – it is key to providing further value for members," he says. "But our industry has a tendency to move too slowly. We are concerned that some members remain in poor value legacy solutions, so don't feel the benefits of consolidation. All too often, we see consolidated schemes still run separately - with duplicate governance, the costs and organisational overhead associated with that, and customers stuck on old legacy platforms with the same proposition. Getting consolidation right is essential."

Whether or not you agree with all of the Smart Pension view of consolidation, that last assertion is surely correct: Getting this right is indeed essential, for the pensions industry and for the good of society and the economy. Consolidation is a fact of life in the pensions landscape and is certain to continue, so regulators and the wider industry must do everything possible to ensure it leads to the best possible outcomes for savers and scheme members.

Written by David Adams, a freelance journalist

DC and master trusts roundtable

Time for change

The Spring Budget announcements, investment trends, value for money and decumulation are amongst the topics discussed at our latest DC and master trusts roundtable

Chair: So, let's start with the Spring Budget. What do the announcements mean? Are they a bonanza for the industry?

Fairbairn: It could have been bonanza time, but the fact that the Labour party have said they are likely to reverse the abolition of the lifetime allowance (LTA) if they come into power (and they've got a good lead in the polls at the moment with an election in under two years) is going to really confuse people as to whether they can actually put more money into their pension pot or not. I think you've got a handful of people over 55 who could afford to put lots of money into their pension pots, up to the new annual allowance (AA) amount of £60,000 (an increase from £40,000), and then withdraw it before the next General Election. But longer term, I have my doubts that this Budget will lead to significant change without political will from all parties.

Breeden: It's not looking at the pensions issues in the round. Taking away the LTA does of course make life operationally easier but administrators still have the tax-free cash limit to deal with, which is going to cause ongoing issues. So, operationally, there may be some small wins and removal of complexity, as well as benefits for high earners, but it doesn't deal with the more important problems with the pension system, for example, women's pensions, or the inequality around tax relief.

Patel: The LTA impacts a relatively small number of people. I don't think it does a lot in trying to solve this problem that we have across the DC industry of helping the people who are going to be ultimately dependent on their DC benefits, as well as making sure that they've got enough money and enough knowledge actually to use that money wisely, to support their retirement lifestyle needs.

Walsh: There continues to be a lack of trust around the pensions industry, and this is not helped if the rules continually change. So how does this help with simplification, and going forward for scheme members, how can they keep up and understand the system, and plan for their futures? I agree with the points about the Budget changes focusing on higher earners and the few that it will impact. What we did like was the increase in the money purchase annual allowance (MPAA) from £4,000 to £10,000. We are seeing older people starting to dip into their pension while still working, and still benefiting from employer and employee contributions, so, the MPAA increase will help them, and also potentially encourage people to return to work.

Swynnerton: The uncertainty around the LTA and Labour's comments also creates problems for trustees and

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CHAIR

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

PANEL

Roger Breeden, Trustee Executive, BESTrustees
Roger joined BESTrusts in 2021 and specialises in workplace DC and master trust pension schemes. He has more than 40 years financial services experience, the majority of which was with Mercer where, most recently as a partner, he led the launch and successful authorisation of a master trust, establishing operational and governance systems and processes. He started his career as a personal financial adviser. His current appointments include a leading master trust and Independent Governance Committee (IGC).

Joanne Fairbairn, Client Director, ZEDRA Governance
Joanne is an experienced trustee and pension professional, with 30 years in the industry. She has worked at Mercer as an actuary and consultant, followed by senior in-house pension management roles at Tesco and Marks & Spencer. She currently acts as trustee for a range of schemes by size and sector, both DB and DC, as chair, co-trustee, or sole trustee. She is an accredited member of the Association of Professional Pension Trustees (APPT) and a DC Policy Committee member for the Pensions and Lifetime Savings Association.

Katherine Patel, head of DC responsible investment, Aon
Kath is a senior consultant in Aon's defined contribution (DC) consulting team and head of DC responsible investment. She works closely with several DC schemes, advising them on all areas of DC, including investment strategy and design, communications and scheme governance. She also takes a leading role in creating and delivering responsible investment advice as part of Aon's responsible investment team and plays a key role in supporting some of Aon's largest DB and DC clients in their responsible investment journey.

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

Maurice Titley, Director, ITM
Maurice leads ITM's propositions and innovations to meet the evolving needs of its clients. His role involves a deep understanding of technology, financial services regulation, and industry developments, so ITM can continually focus on solutions to support the biggest challenges in the industry. He also co-chairs PASA's Pensions Dashboards Working Group, which through creating guidance and raising awareness, provides insightful input to key stakeholders. Maurice has worked in financial services specialising in corporate pensions throughout his career, including roles at Watson Wyatt and Punter Southall.

Annabel Tonry, Executive Director, UK DC, J.P. Morgan Asset Management
Annabel, executive director, is a consultant adviser in the global consultant sales team at J.P. Morgan Asset Management, based in London. She has a specialism in defined contribution and also works with UK master trusts. Annabel sits on the advisory board of the Defined Contribution Investment Forum (DCIF). She joined the company in September 2010. Before joining J.P. Morgan Asset Management, Annabel worked for EFG International and for UBS in Madrid. She gained the Investment Management Certificate in 2012.

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

employers. It's a big communications challenge – what do they tell members who are asking about this? We are already starting to see those questions come through to our clients. We've seen queries from members who completed their retirement forms, but they perhaps haven't been implemented yet – can they reverse their decisions? We've seen queries from members whose pensions went into payment just before the Budget, asking if they can unwind them now and effectively retire at a later date.

Trustees need to be really careful about straying into financial advice territory, to only discuss, in a very generic way, what members' individual personal financial and tax circumstances might be. Which makes the communication challenge all the harder.

Chair: I think the vast majority of people that can benefit from the AA increase are actually in the public sector, which is ironic. The things that concern me are around a future Labour government, or any government making changes to the allowances. What is going to happen to those people that currently have lifetime protection, who decide to give it up so they can do more? Then, all of a sudden, it gets introduced again. Do they get to have lifetime protection at a different level or the same level?

UK investment

Tonry: I'm interested in the table's perspective on the government's announcement in the Budget for a Long-term Investment for Technology and Science (Lifts) scheme to support DC investment into 'innovative UK companies'. It does seem like there is an ongoing push from government to unlock DC funds to help support UK venture capital.

Breeden: Unless there's some angle on it that drives a better risk-adjusted return compared to overseas equivalents, then as trustees these investment opportunities have got to be assessed on an even footing.

Patel: We've done so much work over the past few years, decades, to move away from a very UK-centric style of investment to getting that global diversification. We know – especially after last year – how important diversification is. We have talked about the benefits of global diversification, and pretty much everyone is on the same page with that now, so let's not lose sight of why that's important.

VFM

Chair: That leads us on to the value for money (VFM) framework. Will the new VFM framework improve outcomes for members, and how do we actually shift the focus from cost to value?

Titley: Part of the VFM framework includes record-keeping assessments, and we've looked at better ways of benchmarking and improving the quality of the members' personal details that are held by schemes, such as the contact information, so that schemes can communicate properly with their members.

There's real value in terms of giving nudges to different types of individuals. We know from the work that we've done on the dashboards' preparation with large, multi-employer schemes like master trusts, that they have a particular challenge with the personal details of members that they hold. They have many employees enrolled, it's a transient workforce, and keeping track of member data can be really difficult. If improving that aspect can be brought to life, then there is value in that.

Fairbairn: If you think about the full member experience, it does include service, communications and engagement aspects. The risk is that we have become too focused on costs at the expense of administration and engagement. So, in principle, I agree with what the VFM framework wants to achieve.

However, I'm concerned about the scope of which schemes it covers. In phase 1, the framework covers the workplace schemes already covered by either independent governance committees or trustees of occupational schemes. But it doesn't cover personal plans where there is already the least governance and oversight. In my view, this type of arrangement should have been prioritised for setting a new value-for-money regime, instead of changing what we have in place, albeit not perfect, in the trust-based and IGC worlds.

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I can see why the service and communications criteria in the consultation are focusing on some easily measurable targets to try and make objective assessments across comparator schemes, but then you risk excluding some of the additional work that actually improves the member experience. With engagement it's particularly hard to compare what success looks like, because different schemes will have different demographics. For example, what looks good in engagement for an auto-enrolment scheme might be poor for a scheme with voluntary membership.

Patel: One bit of the framework that really stood out to Aon was the investment performance measurements. There are some elements in that that we had concerns with, like chain-linking to previous investment strategies. If you are trying to give people an idea of what a strategy looks like going forwards, if you've made changes, why link it back to a strategy you think was out of date and wasn't providing good value? It's potentially going to skew things in a more negative way and drive change, even though you've done things to improve the strategy for members.

Tonry: When you are thinking about good outcomes, which I find to be a very nebulous and slightly infuriating terminology, the thing that you are really looking for is income replacement. How much of my salary from when I'm working is going to be replaced when I am in retirement? I think the framework should be focused more on that income replacement measure, how many people in the default scheme are on track to receive at least the minimum income replacement in retirement?

Swynnerton: The lack of focus on governance in the framework is disappointing, and when you have a move from cost to overall value, that

inevitably is going to strengthen the case for consolidation. Whilst having fewer but larger schemes will be good for many members, for some they may already be in high-quality schemes and consolidation may cause those members to experience a sort of levelling down. There is a concern that we may be herding towards average.

Dashboards

Chair: Let's move onto dashboards. Okay, we've got the delay now, but what were the specific challenges on dashboards?

Swynnerton: The lack of clarity in relation to timescales for implementation has been a constant challenge. No one really knows exactly when it's going to happen, meaning it has inevitably dropped down the trustees' and administrators' priority lists.

Trustees have to make sure that data is robust and accessible, and digitised. They need to ensure data is secure and undertake data impact assessments, they need to liaise with their administrators, scrutinise their arrangements with the administrators and third parties as trustees are ultimately responsible here, so they need their legal advisers to look at their contracts, so that they understand how liability sharing works.

There's a lack of precedent here, isn't there, for something like dashboards in the world of pensions. Necessarily, there is a big regulatory regime underpinning all of this, which I think trustees haven't really focused on, partly because of the delays and the constantly shifting goalposts.

The Pension Schemes Act 2021 sets out the basic compliance duties, then that is overlaid by the Pensions Dashboards Programme's list of standards, and then The Pensions Regulator's guidance, with the prospect of significant fines for breaches. There's going to be a lot for trustees to get their heads around at a time when they are having to deal with lots of other issues.

Walsh: Whilst time is of the essence for many, I think it's vital to get the dashboards right first time for customers and not have something that isn't fit for purpose and ends up tarnishing the industry further.

Patel: One of the things that may be getting overlooked is how are schemes going to do additional communications to support members? It's going to be very prescriptive data that's included in dashboards, but there's actually not a lot of opportunity to put in extra explanations on what is being shown. It will be showing all these different kinds of numbers for DB and DC benefits; how on earth will people make sense of that? We think that's a real opportunity to add value to members. One of the other things is the potential increased risk for scams that comes from this. That's a major risk factor in our eyes: schemes need to make sure that they're prepared for that risk, that their members know how to identify a scam, that their administrators know what to do if there's a red flag transfer.

Breeden: With the dashboards delays, are we now solving yesterday's problem for some people? Will the market evolve to such a point that a lot of the tech-savvy members of the population will find their pension pots themselves, and there are fintechs out there that are already working in the open finance structure. By the time dashboards have launched, the market may have already overtaken their need for many. Does it then become the platform of last resort, rather than a showcase use of technology?

Fairbairn: It's clearly disappointing that there have been delays, but if it wasn't ready to provide a good experience to members, then it's right to delay. One of my biggest fears with dashboards is that something is launched, but when a member logs on and has a poor experience, they never try to log back on again. Instead they tell their family and colleagues that it isn't worth bothering with.

However, I don't think we should take our foot off the accelerator at all, despite the delay, and the good thing for trustees is that it's created a specific need to focus on our data. I think anything that helps to achieve that is good, in terms of checking what we're missing and writing to our members trying to fill the gaps.

Capacity in the administration market is a concern though. As trustees, we are very reliant on third-party administrators. I worry about the volumes of member queries that could follow the launch of the dashboards, and the ability of administration firms to handle the additional work.

Titley: In terms of schemes carrying on preparing, absolutely. I know everyone's been saying that, but if you were to look at that almighty project plan of everything that needs to happen to make pensions dashboards a reality, I would still stand by the fact that the work individual schemes have to do represents the vast majority of the effort, and is entirely under their control to do. Obviously, some schemes have got further than others, but there's an awful lot that really haven't done very much yet, to be honest.

There's an interesting point around dashboards to say if it's going to work, it needs to be something that acts as a self-improving system in terms of the quality, in terms of the personal details that are held by pension schemes. There are one or two data protection questions floating around, in terms of the extent to which schemes can take the data that they learned about their members through dashboards, and actually improve their own records.

DC schemes, particularly master trusts, have some of the biggest challenges in terms of dashboards, not least because they're also first in the line in terms of staging dates.

We've done exercises with master trusts looking at the quality and depth of personal details held. On average you will find for a master trust that hasn't done regular tracing, 25 per cent of the individuals have moved house. We also see other discrepancies in personal details. As an example, a typical scheme may have about 2.5 per cent of their membership who have incorrectly held dates of birth, where those dates of birth differ to what you actually see when you use tracing data sources, and that needs to be looked into.

The other challenge is in terms of calculating the pension values to show on dashboards. What do you do for individuals that are past their target retirement date, or individuals who might have taken out a lump sum. Should they be on dashboards at all? Should they not? Pasa is publishing some guidance soon in this area. Looking ahead to a post-dashboards world, hopefully we will be in a position where we've got a much more standardised and consistent way of doing projections for DC benefits.

Chair: The only other point with that is we have a bit of an issue with some employers in the middle of all this, who tend to overwrite data. I can think of some employers who consistently overwrite the members' personal phone numbers with the company phone number.

Titley: That's a really good point. For instance, when we do tracing for large open DC schemes, we find a surprisingly high percentage of active, still-employed individuals, that have changed address but that information hasn't come through, and it needs to be updated in employer records to avoid it being overwritten.

Consolidation

Chair: How do you think consolidation will affect the DC market, both at master trust and single-trust DC scheme levels? What challenges do employers and trustees face when single employer trusts transition to master trusts? What does it mean for a single employer trust to be 'consolidation ready'?

Patel: We expect there to be consolidation not only of the number of master trust solutions that are available, as that's already well underway, but also with the number of own-trust DC schemes. We expect to see a lot of those smaller schemes get swept up into that master trust bucket as well.

It's going to put more pressure on being competitive. Is there going to be more pressure on costs? If everything is close in terms of communications and other non-monetary benefits, then are decision-makers just going to look to that

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bottom line on costs? How can providers really express the additional value that each of those master trusts are offering in order to sell themselves? I think that's going to be interesting to see.

There could be more difficulty for hybrid schemes where members have both DB and DC benefits – how do you handle that confusion for members? DC schemes with underpins are also likely to find consolidation more difficult as well.

Swynnerton: Hybrid schemes present some of the biggest challenges that we try to help trustees navigate: Possible loss of final salary link, PCLS issues, impact on enhanced DB benefits linked to ongoing active DC membership and loss of tax protections (although loss of some of these protections may become less of an issue post-Budget). Trustees need to be mindful that scale does not necessarily equal quality and the transfer must be in the members' best interests. Even where investment options and fees in the receiving scheme are an improvement, it may still be hard to conclude that this is the case where a transfer has an adverse impact on hybrid members' benefits, unless the impact is mitigated.

Tonry: We would be keen to see that competition doesn't die out so we do not end up with a few very large players with not much room between them. Master trusts are being forced to play so much on cost, rather than their proposition. I know there are a lot of master trustees who are very frustrated with that, who would dearly love to do more with their investment proposition, but they're losing mandates on half a basis point, and very small mandates, so that is an ongoing challenge.

On the other side, there are a lot of very tiny DC schemes that probably would do a lot better to be within a master-trust structure, with better governance and better access to different kinds of investment offerings. The additional scale in DC does allow asset managers to price more aggressively on mandates in the alternative space, for example.

Walsh: We've seen lots of M&A activity already in the master trust space post-authorisation in 2019 and that will definitely continue. So we will be left with fewer, larger master trusts with the financial strength to continue to invest in their propositions, adapting to changing member needs. We are still seeing the trend of single-employer DC trusts going into master trusts.

We are also starting to see a secondary master trust market. Employers are starting to review their master trust providers now with service levels and member communication and engagement both key factors, so we are seeing movement there.

We are also starting to see some contract schemes looking to move to master trusts as well. So, the landscape is definitely changing on a number of different fronts and as expected, the flows are definitely moving to master trusts.

Titley: The other side of it is looking at the employer's payroll team, or admin team, whoever it is that is going to be interfacing with a master trust. Looking at the changes that they will need to make. There might be more significant things to think of than first come to mind. How are they going to manage the auto-enrolment side? Will that be managed partly by the master trust's technology, or will they be doing that for themselves? Their payroll system is going to have to support new interfaces, so there's quite a few things to think through on that front.

Fairbairn: So, I think consolidation is a good thing up to a point, but you could reach the point where there are not enough master trust providers left in the marketplace to really allow the VFM discussion to thrive, and also where innovation becomes less important. Because why innovate, if there are only three or four providers left in the market? You have your captive audience. I hope that we don't get to that point.

There's also scope for individual employer schemes to thrive in the future. I don't think we should assume that they're all going to move to consolidation. You can have good employer schemes where they subsidise the cost to members to provide better VFM for members, and of course, where they know their members, they can target communications and engagement far more efficiently and effectively than a master trust is able to do across the board.

Chair: By my calculations there are 37 master trusts and by the end of this year, you could argue that would be down to as low as 25.

Small pots

Chair: We'll move on to small pots. Which is the preferable solution to the small pots issue? And which is more likely? A default consolidator or a pot-follows-member (PFM) system? How much of a head start could the new pensions dashboards infrastructure offer as a solution to small pots consolidation?

Breeden: I think the idea of exchanging and having a default position where the individual doesn't have to do anything is the right way forward. Because as soon as you start asking people to make a decision, and fill in some forms, even if it's online, you start to lose that momentum.

It does need some legislation clearly, but to have a default position in the rules where if you leave one employer, and your pension pot is not a certain size, then it gets moved to your next employer or a consolidator, that's the sort of momentum we need to capture.

Fairbairn: We've been discussing this policy for so long that we need to start taking action, rather than discussing it for another 10 years. I don't think pension dashboards are going to be the answer. I expect we will find some consolidation as a result of it, but members already show a level of engagement by going on the dashboard to look at what they've got in the first place. Whereas the majority who are disengaged are the ones that need an automated route as soon as possible. My preference would be doing the PFM because, to find a consolidator, we could spend years debating who that consolidator should be.

Titley: I completely agree that the dashboards themselves are not the solution here, but the infrastructure underneath it is going to be really helpful. Because, if you think, it may be that only around 30 organisations will end up connecting to dashboards. Between them, they will hold members' personal data and pension values data across all onboarded schemes, and that will be really useful for PFM or consolidation.

Swynnerton: I'm not sure that there is necessarily an optimal solution for everybody though. I think it depends a lot on the nature of employment for individuals. So, consolidation obviously has the drawback of the need for more infrastructure and potentially new entities. PFM uses the existing system and is potentially easier to explain to members. However, when you've got somebody who moves employment frequently, or possibly has multiple jobs at any one time, then PFM seems less convenient and less workable. So for the gig economy workforce, consolidation may be the better solution.

Walsh: We favour the PFM solution for the reasons similar to the points raised around the table already. If the pot is under a certain threshold, it's most likely to be those people who are not particularly engaged. So, the solution needs to be developed on a no friction basis for the member and to be easy to understand to encourage engagement.

Tonry: This needs to be an automatic process. I think, sometimes, the pensions industry can get caught up in the idea that a solution has to work for every single member and for every single possible circumstance, and I don't think it's actually the right approach. I think the right approach is finding a solution which by and large works for most. So to have a threshold. If it's below that, it automatically either gets consolidated, or automatically moves to your next job.

Patel: On the default consolidator side, I think there are a number of different ways that this could work. But with PFM, we are in a very different employment market now. People tend to change their jobs every two to five years, and – we know working in DC pensions – that people are likely to be working for a very long time. Not everyone is going to have the luxury of retiring at 57. There might be this long period of flexible retirement where people carry on working through their retirement and are still building up these benefits.

Every time we do an investment transition or strategy change, we think so hard and carefully around the transition costs that members might have to incur as part of that movement of assets. Is it worth the changes? If a member is doing that every five years with their pot, what costs are going to build up over time? Is that worth it?

If you were doing PFM with movements of bigger pots of money over time, is that going to be a potential barrier to illiquid investments because you have to facilitate a lot of moving pots all of the time? So, I'm on the default consolidator side of the debate.

Alternative investments

Chair: Considering investments, let's look at alternatives in DC.

Patel: It's more likely going to be the big schemes and master trusts who go first on this. It would be naïve to say there aren't still challenges to these investments, such as availability on platforms, higher costs, and that friction about people getting on board with these higher basis point charges.

More generally, there is this cost

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versus value point. Over the past 10 years, we've seen this draw to passive: Cheap, passive approaches worked really well in that market environment, so why would you pay more for an active strategy that was delivering the same or less?

I think 2022 showed that that time of the market is over. There are definitely opportunities where more active, more expensive approaches – in both public and private markets – can add value, however, it's still a challenge to get decision makers on board with that. There is definitely a role for alternatives, but I think it needs scale and a shift in mindset in order to implement it.

Tonry: There has been the most positive interaction with looking at alternatives this year, and there are quite a few providers who are coming to market. So addressing that point around whether there are sufficient offerings, no, there haven't been previously, but there are a lot of us now who are thinking about how to build a solution that does actually work for DC. That is something that is very positive and is going to change this year.

I think the biggest barrier to it is less about platform availability and more about cost. Until we're reframing how trustees make their decisions around what is good value for money and what needs to go in, that's probably the biggest barrier.

Walsh: Phoenix Group in totality has a very high proportion of its c£260 billion of assets invested in illiquids, so the challenge is figuring out how to make the asset class available in the DC space? We are having similar conversations on illiquids with our trustees as we did on incorporating ESG factors into investment. It's a case of looking at the outcomes for members, and putting their interests first.

There are some challenges like the

treatment of performance fees, increased oversight from a governance perspective and looking at the valuations. If you've got a growing master trust, then the illiquidity won't be such a problem, but the clue is in the name – illiquids are illiquid, so if you do start to have a shrinking fund for whatever reason, you need to consider your treatment strategy for those illiquids. For example, do you have a higher proportion of those illiquids for the remaining members in your master trust or in your default fund? Or does the company decide to take them onto their balance sheet?

Breeden: It's ultimately going to be the markets and the long-term asset assumptions that drive any significant change. As a trustee, instinctively, I want to be able to offer members access to the widest range of capital markets. There's obviously a substantial amount of capital in private equity, and if we can get to a point where the long-term assumptions on the funds that are housing private equity are actually as good as or better than listed equity where the majority of DC assets are invested, then it will change.

So, it has to stack up against that for the investment advisers to come to us as trustees and say, right you need to consider this asset class, it gives you more diversification and the same or better risk-adjusted return, and I don't know whether that argument has been fully made when it's implemented in DC.

I think there's a little way to go. I think the passive managers have been pretty smart as well, because they've had more creativity around their offerings. They are responding to the ESG agenda with exclusions and tilts in the portfolio.

Decumulation

Chair: Finally, decumulation. Can members be expected to navigate the decumulation maze single handed, especially during this cost-of-living crisis? What role should trustees and providers play in supporting members to make decisions at this critical time?

Breeden: At the top end of the market, people with bigger pots are courted by wealth managers and IFAs, and then you've got a whole bunch of other online consolidators looking at the smaller end of the market.

They're getting their messaging out there early, and there's no point in starting to talk to a member via the wake-up pack, saying we've got a great retirement proposition, because by that time it's going to be too late and also, you've got five other workplace providers also hitting people with the same message in the same week.

Fairbairn: Decumulation is probably the most unresolved area of DC scheme management, in terms of how to help members make the right choices for themselves and their family. With decumulation, not only have you got the risk that lots of people may not be financially literate and don't understand all the options available, but also that decisions may still be needed in the later years of their life when many people will suffer with cognitive decline. How are you going to work out your drawdown amounts as an 80-year-old if you haven't got the mental capacity that you had as a 60-year-old? So, there are a lot of unresolved questions there, and I do think that both providers and trustees together should work on plans to help with this.

Titley: What I'd like to see is some kind of view that allows me to understand when the state benefit is going to kick in, because that will give me key information to plan decumulation. Obviously, there's a link to dashboards with that, how one could do that. Commercial dashboards are also going to be able to link across to modelling tools but there's going to be limits on this, and I think there are some issues around how master trusts might be able to provide their own dashboards for members at the moment, which is a technical point hopefully we will get resolved. But I think that's where it needs to happen.

And the one thing I've taken away from all of the things I've done with dashboards is that you realise it is all about the totals. You want to look at it as a whole.

Swynnerton: The issues at the decumulation stage include a lack of awareness of retirement options amongst members, especially those with smaller pots, underestimating longevity, lack of awareness of the need for financial advice, lack of knowledge of the impact of the economy, and just generally 'decumulation' is such a weird term that's crept in that none of us were using 10 years ago – it's quite a confusing term.

The cost-of-living crisis has made things worse by firstly pushing pensions down in terms of people's financial priorities and secondly making trustees and employers nervous of seeming tone-deaf by trying to communicate the importance of not missing out on employer pension contributions and tax relief when members and employees are worrying about cost of energy bills and buying food.

As a result of all of those things, trustees have defaulted to probably doing the bare minimum in terms of member advice, and that's understandable given the risks trustees face of straying into giving financial advice. So, what's the solution? It seems to be there must be a statutory requirement, whether it's for trustees or administrators, to actually assist members at retirement with their decision-making. That's how you get over the hurdle of trustee nervousness about delivering financial advice, and the problems linked to lack of awareness on the member side about what might be best for them.

Walsh: We have engaged with the regulators on that boundary between guidance and advice, which I think will be really helpful. I'm actually really excited by the opportunity in the retirement space. We are all about helping people to and through retirement. From our research we've found that 78 per cent want certainty of income in retirement, and around two-thirds say their ideal scenario would be to have guaranteed income for essentials and then more flexibility around their spend, which is not surprising, actually.

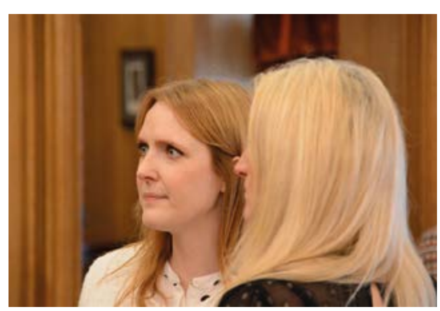
Therefore, I think you will start to see more solutions in the market combining guaranteed income and flexible spending in the retirement space. One of the things we're looking at is around offering pre-designed strategies to meet different member needs. Obviously, we've got pathways today but we're exploring building on the good work of pathways. They're great, but they only go so far, and we need think hard about how you take things to the next level to better meet members requirements.

Tonry: I think that we have ended up in a position where there is a whole raft of people who have a big enough pot that they need to think about what they are doing with it, but not big enough that it's interesting enough for the corporate IFA market, who are understandably very nervous about pots that are below £250,000. Advising on drawdown in those spaces, versus advising someone to take an annuity – there's a great deal of protection there, as the client is not going to come back in 10 years' time and say their money has run out, they've got that guaranteed source of income.

So, there is a gap right now, and there will be a lot of people falling through it.

Patel: I think work is starting to be done to put support in place, at least on the communication side, such as signposting to preferred IFAs, preferred drawdown providers and things like that. But in the long term that's not going to be enough and we need to see solutions come through on the provider side. I think one thing that's going to be really exciting is to see what happens around CDC and pooling, and whether that can bridge the gap between drawdown and annuities that's there at the moment. That might provide some element of certainty, but not necessarily all the way to annuity, and people can have a bit of flexibility alongside it as well.

Chair: It's not just about financial literacy and numeracy, and having people understand the numbers. We need to understand as an industry that the way we phrase and position data will drive member behaviours. So, we have got to be really careful how we position all this data we've talked about.



The domino effect

Following the government's removal of the lifetime allowance (LTA), *Pensions Age* asks what knock-on effects it may have for savers, and for the industry itself?

The removal of the LTA charge was, in theory, the easy step. The removal of the LTA from 6 April 2024 will be harder, given the integral nature of the LTA to the current pensions tax regime. However, once the LTA is removed it should simplify things for members and industry. Both changes will have various knock-on effects to watch out for, including:

•Impact on the tax-free cash an individual can take at retirement: Given the government has stated this amount will not increase in future tax years, then the benefit will slowly be eroded by inflation.

•Impact on the annual allowance: With the removal of the LTA charge, an individual taking benefits in excess of the LTA as a lump sum will now be taxed at their marginal income tax rate and therefore could fall into being subject to the tapered annual allowance.

•More flexibility for those with LTA Protections: Following the 6 April 2023 restrictions have been removed, which not only allow individuals to resume pension savings but could also make various bulk projects (e.g. buyouts) a little easier for industry.

•Swings and roundabouts for GMP equalisation: For past underpayments and future administration under the dual records approaches the abolition of the LTA charge appears to have no impact on savers or the industry.

SPP Administration Committee chair, Amit Shanker

The seminal and unexpected pension changes announced in the Spring Budget represent one of the most fundamental reforms to the single pensions tax regime since its introduction in April 2006.

Key amongst them are the abolition of the LTA recovery charge on tax relievable pensions output and significant changes to the annual allowance on tax relievable pensions input.

Whilst primarily designed to encourage people back into work where they have left employment due to reaching pension tax relief limits, the potential implications far-reaching and considerations for employers, trustees and members include the following:

• Reviews of remuneration and reward packages for higher-paid staff
• Employees who have ceased contributions due to LTA may want to resume them
• Review of life assurance arrangements
• Increased demand for one-off lump sums from higher MPAA
• Increase in regular and one-off contributions
• Updates of member communications and other documents
•The freezing of the PCLS threshold will effectively see a real terms reduction, year-on-year, of the tax-free cash allowance
• Addressing GMP equalisation (GMPE) through 'conversion' is now more attractive (if fixed protection ceases to apply)
• The risk of future government reversing the LTA abolition after next election.

Spence & Partners head of technical, research and policy, John Wilson

The recent Spring Budget announced that the tax charge on pension savings exceeding the LTA would be abolished from 6 April 2023. Individuals with valid enhanced or fixed protection applied for before 15 March (Budget day) can now accrue new pension benefits, join new arrangements or transfer without losing their protection or any rights to a higher PCLS.

The ramifications of these changes will be far-reaching. For example, in the context of GMPE, many schemes have, to date, been reluctant to seriously consider bulk conversion as a 'once and for all' solution for both achieving GMPE and ridding the scheme of GMP complexities entirely. The main barrier was the potential inadvertent loss of tax protections but, as of 6 April 2023, this looks to have fallen away.

Schemes considering bulk conversion will still need to navigate annual allowance issues, but there are likely to be ways to deal with this sensibly in practice. Trustees will also need to think carefully about the 'winners and losers' analysis from their actuarial advisers as it'll be far trickier to make assumptions in relation to members who are a long way from retirement.

Sackers associate director, Sonya Fraser

Up until 5 April 2023, the LTA had been frozen at £1,073,100 for three years. The maximum pension payable without tax charges was £53,655, some 55 per cent lower than the maximum pension under the original (£1.5 million) LTA, after adjustment for inflation. In other words, the maximum tax-efficient pension has reduced by 55 per cent in real terms since the LTA was introduced in 2006.

Although unquestionably a high-earner issue, this ongoing real terms reduction in the LTA would have impacted on an increasing number of long-serving middle earners in our public sector pension schemes including teachers, civil servants and NHS staff.

The removal of the LTA will be welcomed by savers, employers and the industry. It provides increased headroom for individuals who want to save towards their retirement, more flexibility for employers and it removes a little bit of complexity for the industry.

We expect to see a material increase in pension saving over the next two years at least, with individuals utilising unused carry forward allowances.

Although the 2025 General Election may bring in a Labour government who have pledged to reinstate the LTA, we note that what politicians say in opposition is often very different to what they do if they get into power!

On GMP equalisation, we expect an increase in the number of schemes opting for conversion which is welcome as it's easier to administer and easier to communicate.

Cartwright head of pensions strategy and scheme actuary, Jonathan Seed

The abolition of the LTA has removed some of the barriers to saving for the very highest earners. For some there is an opportunity to materially increase the amount they pay into pension and therefore the amount of tax they can save. For example, individuals with an adjusted income of £312,000 in 2022/3 had an annual allowance of just £4,000. If they contributed £4,000 to their pension they would have got tax relief of £1,800. If they have the same level of adjusted income in 2023/4 their annual allowance will be £34,000 – so they can get tax relief on an extra £30,000 of pension contributions resulting in an additional tax saving of £13,500.

However, these changes alone may not meet the government's objective of encouraging the over 50s back into the workplace, particularly for the very highest earners with an income of over £360,000. The annual allowance for these individuals will still restrict their pension saving to £10,000 a year tax free, despite the abolition of the LTA. This, combined with the freezing of the tax thresholds until 2026 acts as a real disincentive for the wealthy over 50s returning to work. A more effective mechanism for getting the over 50s back to work is likely to be general taxation.

Hymans Robertson senior DC consultant, Hannah English

Schemes and savers have new opportunities with the LTA charge now zero and with the LTA to be abolished in 2024. But given Rachel Reeves' comment that Labour would reintroduce the LTA there is uncertainty for schemes and savers. Nearly 90 per cent of respondents to Aon's recent webinar poll of scheme sponsors/trustees, stated that Labour's comments were influencing their response to the announced changes. If Labour was to reintroduce the LTA, there is considerable uncertainty as to how this could be achieved. I hope they would provide a new protected status for those who in good faith save more now.

GMP bulk conversion before retirement is a little easier when you don't need to worry about the LTA – although there are still potential annual allowance issues. However, ignoring tax as an issue, bulk conversion before retirement still has some tricky features. For example, the retirement age you assume potentially changes the outcome as to whether the man or woman is worse off, so many will stick to their original decision.

For GMP equalisation more generally, I would love to see the end of the retrospective LTA tests, but currently it looks like we may be stuck with those.

Aon senior partner, Lynda Whitney

Pensions history

You remember some days more than others….

On 17 May 1990, the European Court of Justice handed down its judgment in the celebrated case of *Barber v Guardian Royal Exchange*. Barber had been dismissed at age 52 and awarded a deferred pension at Normal Retirement Date, age 62. He complained that in the same circumstances a woman would have been entitled to an immediate pension.

The ECJ decided that the right to equal pay for men and women under European law included occupational pensions, and accordingly retirement conditions had to be equalised. The ECJ also held that service before 17 May 1990 could not be relied on to claim an equalised pension, but benefits in respect of service after that date had to be levelled up until pensions were equalised – the so-called Barber window. Lawyers differed on the impact of the decision and actuaries worried about the cost.

In its 1992 *Annual Report*, the ACA reported on a 'lively' seminar that had been held to discuss European developments. A representative of the EU Commission, discussing a proposed Pensions Directive, suggested that in some ways the UK pensions system was inferior to those elsewhere. And a leading pensions lawyer proposed a test case so that the European Court could answer questions ranging from the possibility that the Barber decision applied even before the UK had joined the EEC, to a detailed exploration of the UK Equal Pay Act. Some things never change.

www: pensionsarchivetrust.org.uk/our collections

Pensions Archive Trust director, Jane Marshall

Fun and games

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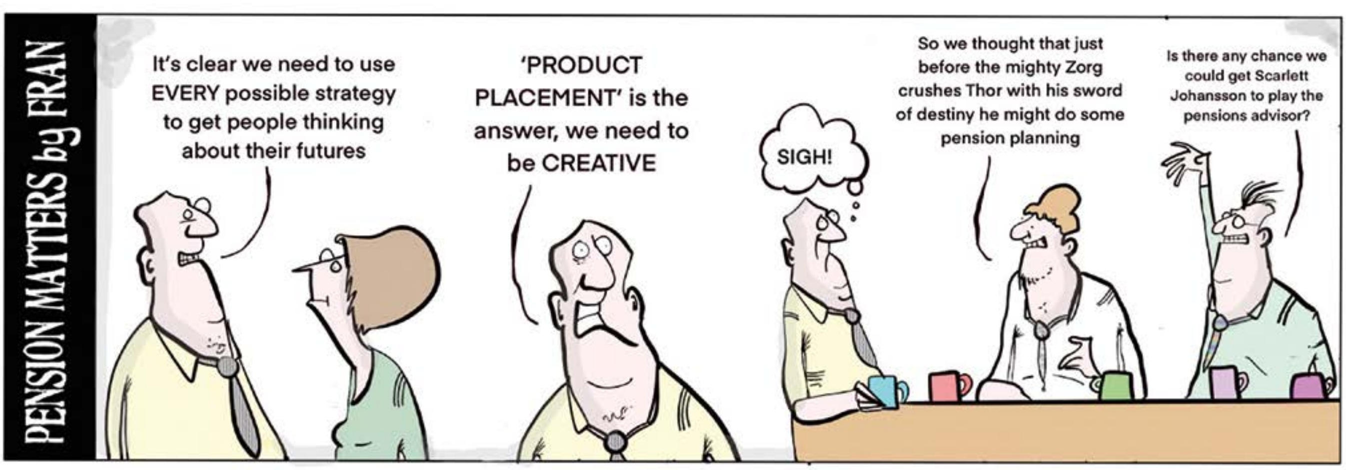
CONSOLIDATION
DASHBOARDS
FORFEITURE
GOVERNANCE
INCREASES
MERGERS
REFORMS
REGULATIONS
RULES
WINNERS

I know that face...

Answer at bottom of page



I know that face… Answer: Standard Life DB solutions and reinsurance managing director, Kunal Sood

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