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May 2024

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Statements
How useful are the list of reports, statements and submissions that trustees need to produce?

Advice/guidance
Searching for clarity over where the border lies between advice and guidance

Professional trusteeship
Is closer monitoring of professional trustees needed, or are the current voluntary requirements enough?

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The Pensions Ombudsman: *What TPO can do amid continually surging pensions complaints*

Incentives: *The arguments for and against pension providers offering cash incentives for savers to transfer between schemes*



A new direction

Is the time right for The Pensions Regulator to have new objectives?

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Editorial Comment

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

'It's better to ask for forgiveness than permission' is a mantra I like to live my life by – within moral parameters of course. My colleagues have seen evidence of this on many occasions, as have my bosses on far fewer occasions (as, sometimes, instead of relying on either forgiveness or permission, I'll switch to the 'ignorance is bliss' mantra for them – sorry bosses).

It's the pointlessness of red tape, the time taken for the procedures, and the hoops to jump through, that I can't stand. It's the often lack of consideration for nuance and of the differing needs for specific circumstances, along with the requirement to override common sense and independent thought, that frustrates me. It leads me to think 'sod it, let's just do it anyway' – especially when I know that both the 'official' route and the queue-jumping way will both lead to the same conclusion – my approach just speeds the process along.

"If we have to play by the rules, then it's imperative that we make sure the rules are worth playing by"

Maybe that's just a long-winded way of saying I'm an impatient person. It definitely shows that I'd make a terrible pension trustee, as a key skillset for a trustee must surely be to have patience, tolerance, and possibly an enjoyment for rules and procedures.

After all, the past few decades have seen layer upon layer of red tape wrapped around DB and DC schemes. But if we have to play by the rules, then it's imperative that we make sure the rules are worth playing by.

That's why, in this month's 'rules and regulations' themed issue of *Pensions Age*, we look at the long list of reports, statements and submissions trustees/pension managers need to produce for compliance purposes, and ask whether the cost and effort of this is really providing worthwhile benefits to scheme members *[see page 48]*.

Our cover story also explores whether The Pensions Regulator's focus on de-risking strategies is still appropriate in this new world of DB surpluses *[see page 38]*, and looks into the Work and Pensions Committee's proposal to shift the regulator's objective from protecting the Pension Protection Fund to focusing on future members.

Meanwhile, we explore some regulation that is already a practical hindrance, in our feature on page 54 about distinguishing between advice and guidance within member communications.

The pensions industry has expressed its frustration for many years over advice/guidance rules – that the fear of pensions communications tipping over from guidance to advice in the eyes of regulators is actually preventing members from getting all the information they need to make the most of their retirement assets.

This challenge has recently been exacerbated by the Consumer Duty requirements, which demand firms do more to help customers make well-informed choices.

Recently, the Financial Conduct Authority has focused on clarifying the advice/guidance boundary, but there is still much to do before the gap is closed between the two.

Despite my frustration with them, rules and regulations obviously have a vital role to play in ensuring pension monies are sufficiently managed and protected.

But we need to continually ensure that the regulations governing this industry evolve to the changing environment and remain fit for purpose – the purpose being to protect and assist the pension saver.

Otherwise, the problems created by out-of-date rules may result in people denying the pensions sector permission to manage their retirement savings, and the industry having to seek their forgiveness.

And the governance of people's pension money is one of the few areas where I certainly don't recommend a 'forgiveness first' approach.





Laura Blows, Editor

Don't let your data quality limit your ambition

A staggering £49.1bn of buy-ins/outs were completed in 2023. Adding £10.3bn of longevity swaps, and £0.6bn transferred to Clara in the UK's first superfund transaction, takes total pension risk transfer over 2023 to £60.0bn.

Insurers are increasingly assessing the data and benefits readiness of schemes. Working closely with LCP's market-leading Pensions Risk Transfer business, LCP's Data Services team helps schemes of all sizes, from multi-billion-pound schemes with complex cleanse programmes to smaller schemes with around a hundred members. Our goal is to ensure each scheme approaches the market in the best possible shape, and then to continue to support any post-transaction cleanse.



A CLEAR PLAN TO MANAGE RISK AND ENSURE NO FUTURE SURPRISES

Chris Martin, LCP's de-risking data lead has been working closely with the insurers, to understand their requirements. "At a basic level, insurers require clean and accurate data to price any potential transaction, but it goes further than that. Schemes who demonstrate that data and benefits readiness is front of mind are likely to be a more attractive proposition," he explains. "The key is having a clear plan to work towards and a closely controlled audit trail to manage your risks. In a multi-rectification project, careful phasing of the exercise is important, making sure that you don't double count any fixes, or unwittingly unpick a previous rectification, whilst prioritising the work that will add real value".



ENGAGING A SPECIALIST TEAM

Alan Casey, Head of LCP's Data Services team has advice for schemes who have risk transfer activity on the horizon: "We know schemes often put off data activity, because they are worried about the pressure it could put on in-house teams or will uncover things that they don't have capacity to correct. Coming to a specialist team, which includes actuarial, administration, project management and systems expertise can ensure work is completed efficiently, whilst protecting business as usual."



PUT DATA AT THE HEART OF YOUR JOURNEY PLAN

Paying the right benefits as they fall due to members is a key responsibility of any pension scheme. Therefore, data strategy should be at the heart of any good journey plan. Pensions Dashboards, member websites, GMP rectification and equalisation, in particular, have also alerted many Trustees to the value of high-quality data, meaning it's not only schemes looking to de-risk who should be thinking about data.



TAKE ACTION NOW

Don't let your pension scheme data hold you back. Put the following 3 steps into action:

- **Consider data specialists**, like LCP's Data Services team
- **Assess your data quality**
- **Create a data management plan.**

If you think we could help your scheme with its data quality, data strategy, or a benefit rectification issue, please contact us at data.services@lcp.uk.com

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Theme: Playing by the rules



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A new direction

Gill Wadsworth explores whether the time is right for The Pensions Regulator to have new objectives

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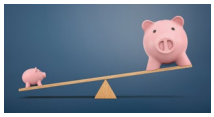
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EDF Energy pensions manager and fund secretary, Laura LeMay, and Knowa chief commercial officer, Aled Davies, tell Francesca Fabrizi how their collaboration has transformed the day-to-day management and governance of the scheme for the better



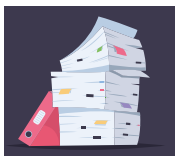
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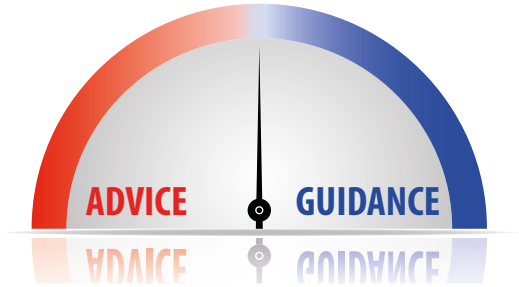
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Dateline - April 2024

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

5 April HMRC suggested that some members may wish to delay transferring their pension or taking benefits until amending legislation on the abolition of the lifetime allowance (LTA) is effective, prompting further concern from industry experts.

9 April The aggregate surplus of DB pension schemes increased from £442.3bn at the end of February 2024 to £455.5bn at the end of March 2024, according to the **Pension Protection Fund** (PPF).

10 April Former company director, Nicholas Marks, denied allegations he defrauded his workers' pensions, pleading not guilty at **Westminster Magistrates' Court.**

The Pensions Regulator
Making workplace pensions work

11 April The Pensions Regulator (TPR) shared the findings from its latest climate disclosure review, which showed that pension trustees are acting to address climate risks and opportunities, with more than 60 per cent of pension schemes included in the review having some form of net-zero goal with a target date of 2050 or earlier *[read more on page 16].*

12 April The **Department for Work and Pensions** (DWP) shared new guidance to help pension scheme trustees and managers prepare an annualised version of the accrued pot value for pensions dashboards.

15 April The **Work and Pensions Committee** (WPC) wrote to the DWP to raise concerns about the impact of state pension underpayments on divorcees, and whether the rules in place to help savers are working effectively.

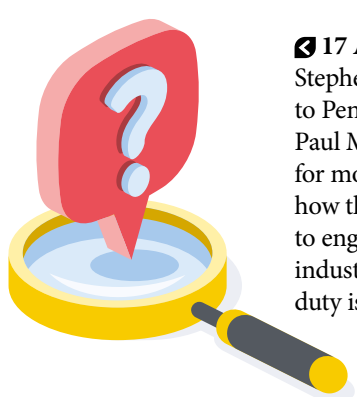
16 April Industry experts raised concerns over the extra work that **TPR's** statement of strategy proposals would require, questioning how useful this information would prove for the regulator, trustees, or members.



16 April Data from the **Financial Conduct Authority (FCA)** revealed that the total number of pension plans accessed for the first time in 2022/23 increased by 4.8 per cent to 739,535. The research also found that the number of savers taking advice had fallen, as just under a third (32.9 per cent) of plans accessed for the first time in 2022/23 were accessed by savers who took regulated advice, down from 33.4 per cent in 2021/22 *[read more on page 14].*

17 April Magistrates adjourned a prosecution case against former company director, Lee Bartholomew, fixing a new hearing date for 24 June 2024 at Brighton Magistrates Court.

17 April The **government** was urged to give **HMRC** the power to disapply tax charges in cases where losses were due to dishonesty by a third party, as the Enough is Enough campaign took to the streets of London to raise awareness for victims of financial misconduct.

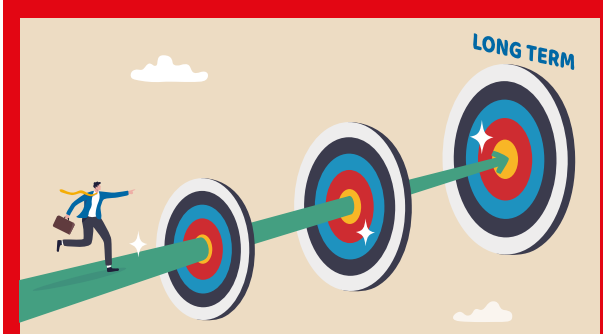


17 April WPC chair, Stephen Timms, wrote to Pensions Minister, Paul Maynard, to ask for more details about how the DWP plans to engage with the industry on fiduciary duty issues.

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

18 April Pensions Minister, Paul Maynard, revealed that the government is not planning to introduce mandatory accreditation for pension trustees for the foreseeable future. Speaking at the Pensions Age Spring Conference, Maynard also said that the government is committed to consulting on increasing minimum auto-enrolment pension contributions during the "mid to later part of this decade" *[read more on page 12].*

19 April The **government's** consultation on DB pension options concluded, but whilst industry experts broadly welcomed the government's plans to give DB pension schemes more flexibility to access surpluses, proposals to establish a public sector consolidator (PSC) received a more divided reception *[read more on page 10-11].*



24 April TPR urged DB pension trustees and sponsors to reassess their long-term objectives, after its Annual Funding Statement showed that half of schemes have exceeded their estimated buyout funding levels *[read more on page 13].* In addition to a focus on DB endgame options, TPR's statement included increased reference to climate risk, geopolitical instability, sustainability, and other environmental, social and governance considerations and their importance, including when thinking about longer-term strategy, and encouragement for trustees to consider sustainability when selecting an insurer. TPR also provided further insight into its expectations on discretionary increases, acknowledging that DB schemes are increasingly facing calls from employers to reduce or suspend contributions, as well as from members for discretionary increases, given that pension increases may not have kept pace with inflation.

24 April The **FCA** introduced a regulatory modification to allow firms to connect to the pensions dashboards digital architecture before 31 October 2026, even where they are unable to provide 100 per cent of their relevant scheme members' data *[read more on page 16].*

25 April TPR said that new DB pension models must offer both clear benefits and proper protections, raising particular concerns over a possible new offering to pay DB pensions to DC savers.

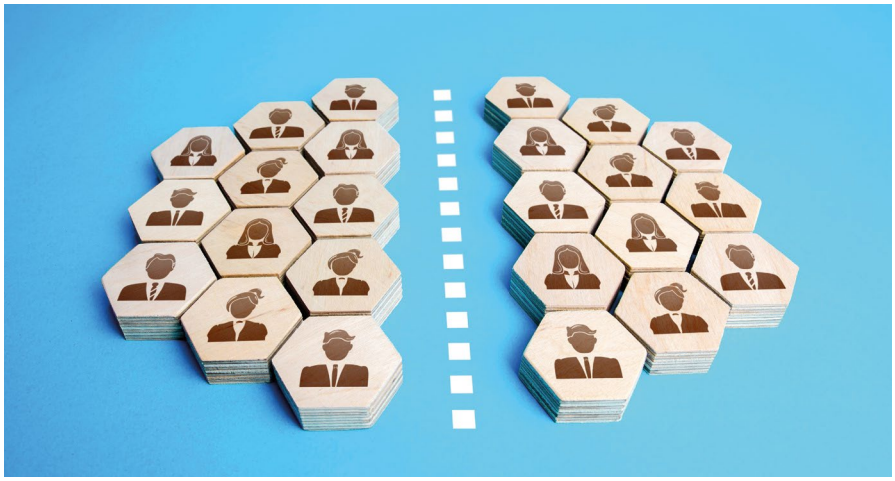
25 April The **Pensions Dashboards Programme** published its ninth progress report, highlighting the programme's progress in delivering the technical solution and facilitating connection for pensions dashboards, outlining the ongoing work that is being done to prepare for industry connection.



25 April HMRC revealed that it repaid a total of £42m to people who overpaid tax when they flexibly accessed their pensions in Q1 2024, with a record £198m in overpaid pensions tax repaid in the 2023/24 tax year.

30 April The **European Securities and Markets Authority** (ESMA) agreed new restrictions requiring British liability-driven investment (LDI) funds in Ireland and Luxembourg to be able to resist a rise in GBP yields of at least 300 basis points. The requirement was part of the ESMA's advice to the Central Bank of Ireland and the Commission de Surveillance du Secteur Financier on investment restrictions to ensure LDI funds' resilience.

News focus



Doubts raised over PSC proposals despite 'thumbs up' for DB surplus plans

The focus on emerging DB pension options ramped up amid the government's consultation on future DB options, with responses divided on the best route forward

The debate over the future of the DB pensions landscape continued in April, as the Department for Work and Pensions' consultation on plans to reform the DB landscape came to a close.

In particular, the government consultation was seeking views on plans designed to help make DB surplus extraction easier, as well as plans to establish a public sector consolidator (PSC) operated by the Pension Protection Fund (PPF) by 2026.

The plans to allow greater access to DB surpluses received a broadly positive reception, with TPT Retirement Solutions chief executive, David Lane, suggesting that these reforms could create a much greater incentive for schemes to consider run-on, serving as an alternative solution to an insurer buyout.

This was echoed by Brightwell CEO, Morten Nilsson, who said that, subject to the right checks and balances, affording pension schemes greater flexibility around surplus would be a positive step, as making it easier for surplus to be returned to sponsors may be helpful in giving them greater comfort on avoiding risks of overfunding.

Hymans Robertson head of pension policy innovation, Calum Cooper, also highlighted the reforms as a "once in a generation opportunity" for DB schemes to make decisions that will have a material impact on stakeholders and members.

However, Cooper clarified that it is "vitally important" that the possibility of putting accrued benefits at risk and sharing surplus should have minimum conditions.

There is also evidence of the industry's appetite for the changes, as research from XPS Pensions found that more than half (57 per cent) of DB scheme sponsors would seek to run on their scheme for surplus if the proposal was introduced.

In addition to this, three quarters (75 per cent) of trustees said they would be willing to manage and govern a scheme that runs on for surplus, despite "the perception" that trustees may not see this as being in line with their duties.

However, XPS found that although trustees and sponsors are willing to work collaboratively on run on, they had differing views on the protections that would need to be put in place.

Less than three quarters (74 per cent) of trustees felt that any new power to distribute surpluses should need to be agreed between trustees and sponsors, compared to 93 per cent of employers.

Sponsors and trustees also disagreed on how the surplus should be used, with 24 per cent of trustees believing the majority or all of any surplus should be refunded to the sponsor, compared to 60 per cent of employers.

In addition to this, analysis from Hymans Robertson suggested that trustees and sponsors of DB schemes smaller than £250m are unlikely to run on for purely economic reasons, after revealing that the cost of running a small DB pension scheme is four times the cost of running a large scheme.

Public sector consolidator proposals

Whilst the government's plans to relax DB surplus rules have been broadly welcomed, subject to member protections, the proposals for a PSC have received a much more divided response.

The Association of Consulting Actuaries (ACA), for instance, raised "significant concerns" about the proposed approach to eligibility for the PSC, particularly given the PPF's published initial views on the scale with which it envisages the PSC operating, warning that this could cause "significant disruption to the commercial settlement market".

ACA Pension Schemes Committee chair, Peter Williams, said: "For most DB schemes we believe that existing endgame options are effective and that insurance markets function well. We believe the government should focus on getting the superfund regime in place, including providing clarity on extraction of profit and when this can happen."

Indeed, the Society of Pension Professionals also cautioned the government against any measures that would "disrupt the well-functioning insurance market or stifle the development of the superfund market", recommending that government ensures the terms of any public consolidator are consistent with commercial superfunds.

In particular, the government has faced repeated calls from industry to extend any ability to standardise benefits to private sector consolidators, to ensure a level playing field.

In addition to this, the Pensions Management Institute (PMI) said it is not clear that a public consolidator will have any meaningful impact on overall investment in UK productive finance, despite being a key objective of this policy.

The PMI also said that it does not consider it appropriate that existing PPF funds be used to underwrite a PSC.

"It is very important to avoid increasing the burden for taxpayers by creating a public consolidator unless the case for doing so is clearly proven," PMI director of policy and external affairs, Tim Middleton, said.

These concerns were echoed by XPS Pensions Group, which argued that a consolidator underwritten by the taxpayer would also likely be more attractive to schemes than commercial competitors, thus distorting the existing market for such services.

"Significant care is needed not to disrupt the well-functioning insurance market or stifle the development of the superfund market"

It also argued that there is a lack of evidence for a need for a public consolidator, revealing that it has not encountered the barriers that the PPF identified in some schemes getting quotes from existing consolidators or exploring alternative endgame strategies.

However, the PPF suggested that up to 2,300 DB pension schemes could benefit from the additional choice a new PSC would provide, estimating that a new PSC could also 'unlock' around £10bn for UK productive finance.

In its response to the consultation, the PPF clarified that despite the welcome increase in the value of buyout deals and the advent of commercial superfunds, evidence shows many schemes don't have timely access to commercial solutions on reasonable terms, while other, less well funded schemes, remain locked out of the market altogether.

Indeed, the PPF estimated that up to 2,300 schemes, with total assets of £130bn serving 960,000 members, may struggle to obtain timely access to an appropriate endgame solution and could benefit from the additional choice the new consolidator would provide.

Despite the competition concerns raised by industry organisations, the lifeboat also stressed that, even at this upper limit of potential eligibility, this constitutes at most 10 per cent of the DB market by members and assets. This means that insurers and commercial superfunds would continue to serve the bulk (90 per cent) of the DB market.

Furthermore, whilst some have questioned whether a PSC would have any meaningful impact on overall investment in UK productive finance, the PPF argued that a new consolidator could, dependent on scale, help maintain a strong UK gilt market and increase investment in assets that support UK businesses and the economy.

Using its existing investment approach and asset allocation as demonstration of the potential approach that could be taken, the PPF estimated that the new PSC could, dependent on scale, risk budget and suitable underwriting, potentially allocate around £10bn to UK-growth supporting investments.

"Our maturity and capabilities mean we can operate this new, separate fund – providing more choice for schemes and a secure home for transferring members – without affecting the continued successful delivery of our existing functions," PPF chair, Kate Jones, said.

Written by Sophie Smith and Jack Gray



Pensions Minister shares key updates at Pensions Age Spring Conference

Addressing the Pensions Age Spring Conference, Pensions Minister, Paul Maynard, has provided further insight into the government's plans for trusteeship auto-enrolment, and more

Pensions Minister, Paul Maynard, has confirmed the government is not planning to introduce mandatory accreditation for pension trustees for the foreseeable future.

Addressing the Pensions Age Spring Conference 2024, Maynard said that discussions with the Financial Conduct Authority (FCA) had indicated that voluntary registers and upskilling appeared to be the "best next step forward", stating: "We're not yet going down the mandatory path, I think that's fair to say."

Maynard speculated that there may be a point in time, once the voluntary register and upskilling had "worked their way through the system", that there may be a need for a mandatory register.

However, he clarified that he did not think we were at that point yet.

"Equally, we are seeing more professional trustees emerging," he said. "We need to keep an eye on it; there are positives and there are negatives. I would rather do stuff through goodwill on a voluntary basis first and foremost; we don't need more regulation."

There had previously been rumours that the government was considering introducing mandatory accreditation for pension trustees, with Maynard refusing to rule it out in a session with the Work and Pensions Committee in January.

However, following discussions with the FCA, it appears that the government will not be pursuing mandatory accreditation for now.

Later in the conference, The Pensions Regulator (TPR) director of regulatory policy, analysis and advice, Louise Davey, said that the regulator wanted to improve its understanding of the trustee landscape, and would therefore be introducing a trustee register "in time" to help it achieve this.

She also stressed that pension trustees have "no excuses" for not knowing what is expected of them following the publication of TPR's General Code.

"We are very mindful of the impact of change on trustees, and we absolutely believe that trustees are the backbone of the pension system," she said. "But as consolidation increases across the market and we move towards fewer, larger schemes, the ask of trusteeship is changing."

In addition to the comments on trusteeship, Maynard said the government is committed to consulting on increasing minimum auto-enrolment pension contributions during the "mid to later part of this decade".

Maynard said: "We do need to consult further on the detailed implementation of any measures that increase contributions. I know there's great eagerness that we get on with this, but we have to do it in the right way at the right time. We are committed to doing so during the mid to later part of this decade."

Maynard also confirmed that the Department for Work and Pensions (DWP) is still working through the responses to its call for evidence on a lifetime provider model, and needs to "dig deep" into the industry concerns.

Maynard acknowledged that the call for evidence had generated a lot of interest, with "an awful lot" of responses.

"There have been so many that have come in that we are still processing the returns," he stated. "I recognise that concerns have been raised regarding the impact on individual savers, the impact on the role of employers in pension saving, and we really need to dig deep into that, understand what the unintended consequences might be, and how they might be resolved."

Maynard pointed to the ongoing issue of the proliferation of small pension pots, noting that the problem was not going to go away without changes, and the DWP wanted to assess whether changes such as pot for life were the best and only way to go about this.

Read more updates from the Pensions Age Spring Conference on page 28.

Written by Jack Gray

TPR reveals 2024/25 priorities in latest corporate plan

The Pensions Regulator has shared a number of key updates, publishing both its 2024-27 Corporate Plan and its latest Annual Funding Statement

The Pensions Regulator (TPR) has shared its 2024-27 Corporate Plan, identifying 22 key priorities for the upcoming three years.

Noting that the industry is in a "period of change", TPR's corporate plan emphasised that the industry is moving towards a landscape with fewer, larger pension schemes that deliver good outcomes for savers.

However, the regulator acknowledged that this "rapid" shift will also bring new risks for savers and the economy, with its latest corporate plan therefore outlining its plans to protect savers' money, enhance the pension system and innovate in savers' interests.

In particular, it said that the key challenge in 2024-25 will be embedding the new regulatory funding regime for DB schemes while also increasing attention on DC value for money, good governance and administration.

Looking further ahead, however, TPR will be increasingly shifting its focus from the DB funding regime, instead focusing on the delivery of the DC value for money framework, as well as tackling deferred small pots and working with industry to develop solutions to support savers into retirement.

TPR's Annual Funding Statement, published the same week, confirmed that TPR remains on track to share the revised DB code this summer, along with supporting documentation and a consultation on covenant guidance.

Given this, TPR said that it would be good practice for trustees to consider the steps they can take now to align with the funding code when it is published, and avoid having to make significant changes at the next valuation to be compliant.

TPR's Annual Funding Statement also urged DB trustees and sponsors to reassess their long-term objectives more broadly, after it found that half of schemes have exceeded their estimated buyout funding levels.

The statement showed that most schemes have seen "material improvements" in their funding levels, with a range of options in addition to buyout, including targeting surplus generation or consolidation, available.

"We would encourage trustees to consider all options and not just accept the status quo," TPR said, confirming that it is intending to publish guidance on DB alternative arrangements for consolidation later this year.

Despite the broader improvements, the regulator acknowledged that around a quarter of schemes are set to remain in deficit on a technical provision basis, encouraging trustees of such schemes to focus on achieving a recovery plan that is as short as reasonable.

TPR interim director of supervision, market oversight, David Walmsley, also stressed the need for "very careful thought" on some emerging DB alternatives, raising particular concerns over a possible new offering to pay DB pensions to DC savers.

In a blog post, Walmsley said that the regulator is seeing an increasing amount of innovation, highlighting consolidation as a specific "hot spot".

"We are keen to support new market propositions where they provide both a clear benefit to savers, and also have the right protections around them," he continued. "One cannot come without the other. That is why sometimes we have to sound a note of caution."

In particular, Walmsley said that one potential innovation proposition, a possible new offering to pay DB pensions to DC savers who transfer into it, needs "very careful thought".

"We, other regulators and government are continuing to consider whether a solution like this one could be supported, and we would not expect the market to develop further until this question has been resolved," he stated.

The comments follow the news that the co-founders of The Pension SuperFund have launched a new scheme, Pension SuperHaven, which will accept transfers in from individuals' pension pots and intends to provide members with a pension for life while sharing the investment performance of the scheme.

Written by Sophie Smith



Decumulation concerns persist as FCA reveals increase in pension withdrawals

New data from the Financial Conduct Authority has revealed that pension withdrawals continued to increase in 2022/23, with a growing number of savers failing to take advice before cashing-in their pension

Industry experts have stressed the need for a "robust" at-retirement framework to support savers, after data from the Financial Conduct Authority (FCA) revealed that the total number of pension plans accessed for the first time in 2022/23 increased by 4.8 per cent to 739,535.

The latest retirement income data, which covers the year from April 2022 to March 2023, revealed that uncrystallised funds pension lump sums saw the biggest increase in pension plans accessed for the first time, rising by 14.6 per cent to 41,571.

The percentage of customers using the different options to access their pension remained broadly constant, as the data showed that more than half (56 per cent) of all pension pots accessed were cashed out in full, compared with just over a third (36 per cent) in some form of drawdown.

Annuity take-up fell slightly though, as the data showed that 8 per cent of all pension pots accessed were used to buy an annuity, and the sale of annuities fell by 13.6 per cent, dropping from 68,514 in 2021/22 to 59,163 in 2022/23.

Despite the growing number of savers accessing their pension pots, the overall value of money being withdrawn from pension pots fell by 5 per cent to £43,199m in 2022/23, down from £45,638m in 2021/22.

Indeed, the FCA's data showed that the pension pots most likely to be cashed out in full are those of the lowest value, as around two thirds (137,000) of the 205,000 pots cashed out in full were worth under £10,000 and nearly nine in ten (184,000) were worth under £30,000.

LCP partner, Steve Webb, highlighted the findings as demonstration that "hundreds of thousands of people reach retirement each year with very small pension pots".

However, with dwindling numbers of retirees having DB pensions to fall back on, Webb argued that we "urgently need to boost pension pots to a size where it makes sense to keep them rather than cash them in".

"With every new set of figures we see the consequences of the government's delay in expanding auto-enrolment, and the need for urgent action to get Britain saving more for retirement," he said.

This has not been the only area of concern for industry experts, as Canada Life retirement income director, Nick Flynn, said it is "really disappointing" to see inertia continue to play a big role in retirement income decisions, with far too many people not exercising their right to shop around for not only the best rate, but also the right shape annuity.

The findings have also prompted broader concerns over how savers are making crucial retirement decisions, as the FCA revealed that just under a third (32.9 per cent) of plans accessed for the first time in 2022/23 were accessed by savers who took regulated advice, down from 33.4 per cent in 2021/22.

In addition to this, Quilter retirement specialist, Kirsty Anderson, pointed out that, despite the introduction of the stronger nudge to pensions guidance in June 2022, the latest figures from the FCA suggest that the number of people booking Pension Wise guidance appointments has also fallen.

"Our experience is that many customers looking to access their pension savings already have a good idea of the action they wish to take and often do not feel they need guidance, particularly where they have already received financial advice," she stated. "However, it is worrying that so many people who do not seek advice still appear to be opting out and going ahead without support. Taking guidance at this stage in life is a long way from becoming normalised."

Adding to this, Barnett Waddingham partner, Paul Leandro, said that while the FCA should not be surprised by the increasing levels of cash withdrawals from pension pots, they should be worried, warning that "pension freedoms opened up Pandora's Box".

He continued: "This is further evidence that we need to create a much more robust at-retirement framework. People need to be able to better visualise their income requirements in retirement, and there needs to be a tangible way to understand the knock-on effects of taking too much cash too early."

Written by Sophie Smith

PENSIONS Age CONFERENCES



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Pensions dashboards momentum continues to build

Preperations for pensions dashboards have continued to ramp up over the past month, with updates provided in a number of key areas

Pensions dashboards preparations have continued to build, as the Pensions Dashboards Programme (PDP) shared its updated data standards.

The mandatory standards, covering the data requirements for finding and viewing pensions information, aim to build a common set of message handling tools to receive and reply with data.

Other standards still being refined include technical, reporting and design standards, as well as a code of connection, which will be published once they have been tested with the volunteer participants building a direct route to connection *[read more on page 26].*

This is one of a number of recent dashboard updates, as the Department for Work and Pensions also shared guidance to help trustees and managers prepare an annualised version of the accrued pot value for dashboards.

The Financial Conduct Authority (FCA) also introduced a modification to allow firms to connect to the pensions dashboards digital architecture before 31 October 2026, even where they are unable to provide 100 per cent of their relevant scheme members' data.

However, the FCA said it would generally expect firms relying on this modification to be able to comply with all of the provisions from the date of connection in respect of at least 80 per cent of its relevant scheme members.

Written by Sophie Smith

TPR finds trustees are taking action on climate factors

The Pensions Regulator has shared the findings from its second climate-related disclosures review, revealing that trustees are taking action on climate issues



Pension trustees are acting to address climate risks and opportunities, with more than 60 per cent of schemes included in The Pensions Regulator's (TPR) latest review having some form of net-zero goal with a target date of 2050 or earlier.

Following the introduction of new climate-related disclosures for schemes with more than £1bn in assets under management in 2022, TPR undertook an analysis of a selection of reports in an effort to help raise standards.

This review found many examples of good strategic decision-making, as well as examples of trustee action on climate risk.

This included updates to DC default lifestyle strategies to include sustainable funds, and increased allocation to low carbon tracker funds or companies with 'high levels of green revenue'.

In addition to this, TPR found examples of trustees exploring opportunities such as forestry, green bonds or committing funds to private market renewables, and encouraging fund managers to engage with top carbon dioxide emitters.

But whilst TPR said it observed some good practice on scenario analysis, it also highlighted a number of areas of concern.

Given this, it said that future reports could be improved if trustees consider a qualitative analysis based on clear narratives while quantitative analysis is still developing in the market, and provide commentary on the challenges and limitations of the scenario analysis they have undertaken.

It also encouraged trustees to take into account the challenges and limitations of their analysis when drawing conclusions about their scheme's exposure to risks.

Written by Sophie Smith

VIEW FROM *Pensions Age*: Profits over planet

For this month's *Pensions Age* magazine, I wrote a piece that served as an update to the various ESG and sustainability initiatives from across the financial services sector *[see page 44]*. It included a section on the withdrawal or transfer of major US asset managers from Climate Action 100+, an investor-led initiative aimed at ensuring the largest corporate greenhouse gas emitters from around the world are taking action to reduce climate change.

The scale of these asset managers is enormous, with *Reuters* estimating that the decisions resulted in nearly $14 trillion of assets being removed from the initiative and the fight to combat climate change. While the asset managers defended their decisions, it seems odd that they reviewed their involvement in Climate Action 100+ after the initiative asked signatories to take stronger action over those falling behind on ESG expectations.

While there has been some anti-green political pressure in the US, large



asset managers should take a stance to support actions against climate change, despite the potential backlash. And when the time comes to show some real commitment, they need to show they are willing to do their bit. Therefore, the question has to be asked: Do they actually care about using their money and influence to make a difference? Or are they just trying to look like they are taking action against climate change?

This leads to an issue that is affecting the whole financial sector: Greenwashing. While Climate Action 100+ is a voluntary initiative and signatories should be commended for taking a stance, it does not mean much if they do not put their money where their mouth is. According to the National Aeronautics and Space Administration (NASA) the Earth's average surface temperature in 2023 was the warmest since record-keeping began in 1880. Even here in the UK, we have experienced record-breaking heat month on month.

Companies managing as much money as the largest asset managers really can make a huge difference in slowing the effects of climate change, an issue that means so much more than any profits or investment returns. The speed of change we are currently experiencing is scary, and the withdrawal from climate initiatives represents a step backwards in the fight to save the plant. While only a few have withdrawn to date, this could set a dangerous precedent for other major asset owners and managers. If this is the beginning of a wave of financial institutions scaling back their work on climate change, it could have a significant impact on our future.



Written by Jack Gray

NEWS IN BRIEF

Brightwell, the primary service provider to the BT Pension Scheme (BTPS), launched a full self-serve online retirement journey for BTPS members, in what is thought to be an industry first for a DB pension scheme.

Zedra launched a escrow solution designed for DB schemes targeting a bulk purchase annuity and with concerns about possible overfunding.

Aviva launched a streamlined bulk purchase annuity service designed specifically to support market access for smaller schemes, typically with assets of less than £100m.

Broadstone acquired credit risk and data analytics consultancy Vestigo Partners Limited in an effort to boost its credit risk and analytics capabilities.

WTW announced plans to launch a private equity-focused Long-Term Asset Fund, subject to approval from the Financial Conduct Authority, having already received commitments of over £450m in assets.

Accounting firm **Grant Thornton** was fined for failing to comply with the Regulatory Framework for Auditing in its audit of an unnamed local authority pension fund in 2020/21.

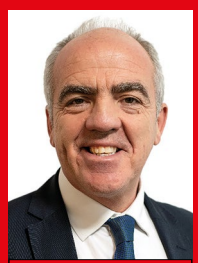
The People's Pension raised the expectations on its investment mangers in its newly published responsible investment policy.

The **Pension Protection Fund** updated its sustainability strategy key performance indicators for 2024/25.

Clara Pensions selected Broadstone as its third-party administrator.

Pension Insurance Corporation launched a streamlined service designed to support small pension schemes (with assets less than £100m) looking to complete buyout.

Appointments, moves and mandates



Andy Dickson

Engage Smarter AI has appointed Andy Dickson to the newly created role of market strategy director.
In his new role, Dickson will be responsible for developing the strategy to drive growth in the UK workplace pensions market. Prior to joining Engage Smarter AI, Dickson worked on strategic development projects with Aegon and Atlas (now SEI) master trusts. He previously spent 25 years at Standard Life Group within the group's DC corporate business and as an investment director within the asset management arm. He is a pension trade press contributor and a regular speaker at pension and investment conferences in the UK and overseas.



Priti Ruparelia

Independent Governance Group (IGG) has announced Priti Ruparelia as its new head of DC.
Ruparelia joined IGG in September 2023 with more than 25 years of experience, having previously headed up Legal & General's DC Relationship Teams. She has an extensive track record of bringing a member-focused approach to her work with trustees, employers and their advisers across DC contract, single trust and master trust arrangements. Ruparelia takes over the leadership of IGG's DC Centre of Excellence from Dianne Day, who is returning to Australia to continue her career in governance after 17 years as a professional trustee.



Darren Masters

Capital Cranfield has appointed Darren Masters as a professional trustee.
A qualified accountant, Masters joins after 18 years with Mercer, where he established and led its covenant consulting group, advising both trustees and sponsoring employers on covenant issues. In his earlier career, Masters worked as an insolvency specialist for firms including Clark Whitehill and Chantrey Vellacott.
Capital Cranfield managing director, Harus Rai, said: "Darren brings an outstanding industry reputation, and I am delighted to welcome him to Capital Cranfield. He brings a sought-after skillset that complements and further broadens the expertise across our wider team."



Sankar Mahalingham

Law Debenture has appointed Sankar Mahalingham as managing director of its pensions business. Mahalingham will replace Vicky Paramour, who decided to leave after 10 years.
Mahalingham has been a key member of the leadership team since joining Law Debenture in 2021 as director of Pegasus, Law Debenture's independent provider of outsourced pensions executive services.
Mahalingham is a pensions actuary by background, and has 25 years' of varied experience in the pensions industry. Mahalingham has held roles as a corporate adviser, scheme actuary and investment consultant, as well as working in-house as a global pensions director.

The Pensions Regulator (TPR) has announced two appointments to its board, naming Andrew Baigent as its new chief operating officer (COO) and Paul Neville as its permanent executive director of digital, data and technology.
Baigent, a chartered accountant and former finance director with experience in leading major digital change programmes, will be a member of TPR's Board and its executive committee from 4 June. Neville joined TPR as interim executive director of DDaT in October 2023 and has experience in digital, technology and business change across commercial and not-for-profit sectors.
TPR chief executive, Nausicaa Delfas, commented: "Pensions are at a moment of great change, and we are changing too, becoming more market-facing and outcome-focused. Andrew brings a wealth of experience managing complex organisations. This will be critical in making sure we continue to evolve and align our resources and talent behind initiatives that really deliver for savers. Paul has already made a positive impact at TPR helping us transform towards a data-led and digitally enabled regulator. His permanent appointment will help us deliver in the interest of pension savers now and in the future."
The appointments follow a number of interim leadership changes, as TPR announced that it had appointed Neil Bull as interim director of market oversight, Nina Blackett as interim director of strategy, policy and analysis, and Mel Charles as interim director of regulatory compliance. TPR also confirmed that Louise Davey will continue to be a member of TPR's executive team, leading the interim regulatory advice and analysis directorate. The permanent structure of TPR's organisational changes as part of its 'strategic shift' are expected to be in place by October 2024.



Ian Cornelius

Nest has announced the appointment of Ian Cornelius as its interim CEO, effective from 1 May 2024, following a short handover period from outgoing CEO, Helen Dean.

Cornelius recently worked at Skipton Building Society as interim group CEO, having previously been Skipton's commercial and strategy director for a decade. He brings 25 years of experience in senior executive roles with leading financial services brands to his new role at Nest. In his new role, Cornelius will also join Nest's board and take on the role of accounting officer. The appointment is expected to run for 12 months while a permanent CEO is recruited and onboarded, with an open process to appoint a permanent CEO set to run during 2024.

Commenting on the news, Nest chair, Brendan McCafferty, said: "I'm delighted to welcome Ian Cornelius as our interim CEO. Ian's expertise and insight will be very valuable as we build on our achievements and accelerate our purpose-driven plans that put our low to middle-income members at the heart of everything we do."

Cornelius added: "I'm excited to be joining Nest as it continues to develop. The organisation has a unique and purposeful place in the sector and I'm looking forward to supporting the next phase of its future."

Dean has since joined the Standard Life Master Trust Company board as chair to oversee the interests of its 300,000 master trust scheme members.



Claire Misata

Smart Pension has appointed Claire Misata as business development director.

Misata will lead relationship development with trustees and employee benefit consultants. She has over 25 years' experience in the financial services industry, joining from Northern Trust, where she was a client executive and managed a book of DB and DC clients. Prior to this, Misata held strategic relationship management roles at BNP Paribas, J.P. Morgan and Citi. Misata said: "This move feels like a natural evolution of my career in the custody and asset servicing sector and a great opportunity to leverage my extensive experience and skills in financial services."

Clara-Pensions has appointed Rebecca Wainwright as its new chief operating officer.

Wainwright joins Clara with 20 years' experience in the insurance sector and boasts a strong track record across strategy development and implementation, operational delivery, and governance. Her previous role was as director of heritage strategy, planning, and project delivery at Phoenix Group. Prior to that, Wainwright served as chief operating officer at ReAssure before its acquisition by Phoenix. She has also served as an ambassador for Everywoman and joins Clara with significant executive committee and board experience. Alongside Wainwright, Uravi Patel, Louise Ellisdon and Damien Pantling are also joining Clara, as senior legal counsel, pensions administration client relationship manager, and head of financial reporting, respectively.



Gertrude Sheta

Cartwright has appointed Gertrude Sheta to its bespoke specialist project team as GMPe project specialist.

Sheta joins from Aon where she was a project and solutions analyst for eight years. Prior to this she was an administrator at the Department for Work and Pensions. She has a range of experience, including audits of GMP reconciliation work, data modelling, trustee project reports, managing a project plan to ensure it is on track to deliver in time. Cartwright director of administration, Julie Yates, said: "Gertude is a highly experienced GMP specialist whose outstanding work on GMP reconciliation is well known."



Sheila Doyle

The People's Pension has appointed Sheila Doyle to serve on its trustee board.

Doyle, a senior executive with experience at large organisations, joins the six existing trustee directors to oversee the running of the pension scheme. She has more than three decades' experience in executive and board positions across organisations including Deloitte, BP, Royal Mail, IBM, and Deutsche Bank, and is a specialist in delivering change through the application of innovative digital solutions. As well as experience in professional services and other sectors, she also serves as a non-executive director for both NHS Supply Chain and London Ambulance Service.



VIEW FROM TPR: The success of enforcement action

Our AE teams take robust action, where necessary, to make sure employers meet their pension duties to staff.

Through the combined efforts of TPR and scheme providers, more than £500 million in missing contributions from savers' pensions has been paid into schemes since 2012. Our latest twice-yearly Compliance and Enforcement Bulletin shows we used these powers more than 75,000 times in the six months to December 2023, issuing more than 27,000 fines to non-compliant employers.

Our approach is data and intelligence-driven, targeting non-compliance wherever we find it, no matter where in the UK. To underline this, the bulletin includes a breakdown of AE enforcement data by locality for the first time, showing in more detail where fines were issued.

Our annual report revealed the impact of our enforcement activity, with £135 million in contributions recovered through combined efforts with schemes in 2022-2023. An additional £97 million was recovered for workers who had missed out on enrolment, including gig economy workers, and through our ongoing large employer engagement work, covering 1.6 million workers. Alongside this, we are also working with targeted employer sectors, already covering more than 780,000 workers. With future changes to extend AE to many more workers expected, we will remain robust and determined in our protection of savers.

The Pensions Regulator
Making workplace pensions work

TPR interim joint director for AE, Catherine Nicholson



View from the PLSA: Options for DB schemes

PLSA members are keen to have more options for DB schemes, both in terms of the funding of schemes and regarding the 'DB endgame' so we welcome the government's recent focus on this area via the Options for DB Schemes consultation.

Under the right protections, the proposal to allow easier release of scheme surpluses is a good one, especially if funds can be redirected to help fund higher contributions into sponsors' workers DC pensions.

Although 80 per cent of DB schemes are now in surplus, we wouldn't expect all trustees to make use of the mechanism, especially since scheme funding can go down, as well as up, during the course of the interest rate cycle.

Regarding the creation of a public sector consolidator, as we set out in our DB Task Force reports from 2017, consolidation brings benefits both in terms of efficiency and better governance.

However, we would prefer the government to press on with championing private sector solutions, such as DB superfunds and DB master trusts.

If the government decides to create a public sector consolidator, we think it should be limited to smaller schemes that may be commercially unattractive, be governed entirely separately from the Pension Protection Fund, and be under-written by the government.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

PLSA deputy director of policy, Joe Dabrowski



View from the PMI: Are we giving members the info they need at retirement?

Since the introduction of pension freedoms in 2015, people have been bamboozled by the wider choices available at retirement.

The term 'Lamborghini pensioner' was coined when retirees discovered that they could 'blow' their pension on a fast car. Pension freedoms meant that they could cash in their entire pension by transferring it into a single defined contribution pot and accepting the tax 'hit'.

In a lot of ways, we only add to the confusion. The bombardment of information at this stage can come from multiple providers – from insurers to third-party administrators. Their varying attempts at making their correspondence as clear as possible can be easily undermined by complex disclosure requirements, dense text and specialist terminology.

Maybe that's why most members zoom straight into the numbers when assessing their options. The problem is that this leaves them without a full understanding of how each option will affect their lives.

The answer is far from obvious to people outside the pensions industry. Pension Wise is unable to give advice. And many retirees are understandably reluctant to hand over a chunk of their finite pension to independent financial advisers.

The only answer is to embed financial education into every stage of people's lives – from the school to the workplace – reinforced by government-supported pension awareness campaigns.

There are schemes with great benefits and retirement options. But without member education and guidance, they may be wasting their time and money. We need to start now.

PMI president, Robert Wakefield

Diary: May 2024 and beyond

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

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

European Pensions Awards
4 July 2024
London Marriott Hotel
Now in their 17th year, the European Pensions Awards were originally launched to give recognition to the investment firms, consultancies and pension providers across Europe that have set the professional standards in order to best serve European pension funds over the past year and continues to do so. The deadline for entries has closed but bookings for the prestigious gala dinner are now open.
europeanpensions.net/awards/

Irish Pensions Awards
20 November 2024
The Round Room at the Mansion House
The 13th Irish Pensions Awards has continued to go from strength to strength, aiming to give well-deserved recognition to those pension funds, pension providers, advisers and pension professionals who strive to maintain the highest standards of excellence and professionalism in everything they do, despite the challenging economic and political landscape they find themselves operating in.
europeanpensions.net/irishawards

Visit www.pensionsage.com for more diary listings

Don't forget...

FCA anti-greeenwashing rules for firms
31 May 2024

The Financial Conduct Authority anti-greenwashing rules for all authorised firms becomes effective.

fca.org.uk/publications/



VIEW FROM THE SPP: Private market assets in DC pensions

The Mansion House Reforms created interest in private market assets through Long-Term Asset Funds (LTAFs). Members may now benefit from the additional return and diversification of private market assets unlocked by an implied upcoming regulatory change.

This wasn't followed up in the King's Speech or Budget – probably because the barriers to private market assets in DC and DB are not regulatory, but rather scheme scale and governance ability.

Scheme fiduciaries need the ability and resources to properly understand the types of private market assets they hold, including undertaking operational due diligence. They need the operational ability to manage the required cashflows, which will differ from scheme cashflows. The critical difference for DC is that these assets must be priced reasonably frequently to ensure fairness between cohorts of DC members. Nest is currently the only DC scheme in the UK that can do this, though given the regulators' drive for consolidation, we expect the larger master trusts will soon have similar capability.

At best LTAFs are likely to be a medium-term stepping stone while scale is built. But asset owners should ask a more pertinent question: "Given the change in interest rates and the dry powder in private markets, is now the best time to load up on illiquids?" It's the correct strategic answer, but the tactical timing needs careful consideration.

THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

SPP member, Dean Wetton



View from the AMNT: AMNT Conference and AGM – a snapshot

'You can do work or attend committee meetings but you can't do both' is a quote I often hear and is true, to some extent. Can this also be said for conferences? Possibly, however conferences allow both the imparting of information and, more crucially, an opportunity to interact with those from a similar background with comparable issues and, hopefully, solutions.

The March AMNT Conference was hosted by Schroders, who provided a welcoming ambiance, enabling both social and learning interaction.

The keynote of the conference was on trustees' obligations and reactions after the Mansion House proposals.

The keynote speaker gave the keynote address using medical diagnosis as a metaphor with, as he said, Doctor Hunt's prescription for productive finance. The Labour opposition seemingly following a similar route. However, our keynote was sceptical as to whether this 'cure' will ever be affected given the clear fiduciary duties placed on trustees.

Schroders head of public policy, Richard Fox, continued the theme, but not the metaphor, looking at government's need to plug gaps in public finance to enable UK productive finance. Richard also emphasised the need to put the pension member at the heart of any decision making irrespective of the type or nature of the fund. More detail on the conference can be found on the AMNT website.

AMNT Association of Member Nominated Trustees

AMNT member, Stephen Fallowell



VIEW FROM THE ABI: Pot for life and member choice

At the Autumn Statement, and then at the Spring Budget, the Chancellor announced that he would consult on giving savers a legal right to require a new employer to pay pension contributions into a pot of their choosing, paving the way for a move to having one pension pot for life.

On this subject, ABI research with WPI Economics found that those with lower savings could end up with lower performing defaults, while also potentially being hit with increased charges as they would lose the cross-subsidies from larger pots within the same scheme. This could potentially deepen existing inequalities in pensions, as it's more likely to impact those who are younger, on lower incomes, women, and people from ethnic minority backgrounds.

As part of the research, a survey of over 1,000 employers found that 65 per cent said it would be more difficult to assess the quality and value of a pension scheme for employees under the proposed reforms. Furthermore, 62 per cent expressed concerns that the reforms would lead to their employees getting worse pension outcomes.

This research reinforces our view that both member choice and pot for life proposals would be significant departures from the current automatic enrolment system where employers play a central role in the pension arrangements for their staff.

ABI

ABI policy adviser, long-term savings policy, Ben Infield



VIEW FROM THE PPI: Pension-related pledges

The next UK General Election will spotlight many issues, of which pensions could be a source of contention and concern. As the last Baby Boomers approach the state pension age, the UK must confront the challenges associated with an aging population, and the impact upon the state pension. This comes amidst concerns about the adequacy of younger generations' retirement savings.

One issue in particular is the 'triple lock', which guarantees that state pensions increase annually by the highest of three factors: Inflation, earnings growth, or 2.5 per cent. Recent statements from major political parties suggest a consensus to uphold the triple lock, although not necessarily definitive commitments.

Another issue is automatic enrolment policy (AE). The 2017 Automatic Enrolment Review proposed significant changes, such as eliminating the lower earnings limit so that contributions start from the first pound earned and lowering the eligible age to 18. These changes are scheduled for the mid-2020s.

In 2023 primary legislation enabled the changes, but the changes have not yet been introduced. It is generally believed that the current contribution rate at 8 per cent is too low for an adequate retirement, leading to calls to increase the contributions.

The Pensions Policy Institute is closely monitoring the parties' positions on these issues and the and will publish our analysis of the pension-related pledges contained in manifestos as the election approaches.

PENSIONS POLICY INSTITUTE PPI

PPI senior policy analyst, John Adams



A week in the life of: Engage Smarter AI market strategy director, Andy Dickson

I have only recently started my new role at Engage Smarter AI.

There is a financial advice and guidance gap in the UK that is huge, with around 25 million consumers unable to access or afford it, including most DC pension savers who have been auto-enrolled into the system. Making personalised guidance available to all pension scheme members cost effectively is a very real challenge for providers, multi-employer DC master trusts and large own trust DC schemes.

This is a perennial problem that I have been aware of throughout my career. I have contributed to many industry events and discussions on the topic, and sponsored research via the likes of the Pensions Policy Institute and the Defined Contribution Investment Forum, as former chair and member of the advisory committee. But it has remained a challenge.

Engage Smarter AI is a fast-growing fintech company. The firm contacted me after I completed my previous project at Aegon Master Trust as it was looking for support in developing its market strategy in the UK workplace pensions market.

Engage Smarter AI's innovative technology enables financial services companies and DC master trusts and schemes to bridge the financial guidance gap, allowing their customers and scheme members to make better financial decisions.

Utilising AI to bridge the engagement and guidance gap is something that really caught my focus and interest – so here I am.

Monday

Monday, and every day unless we are away, starts off with taking our two energetic Irish Setter dogs, Jimi and Juno, for walks around the nature reserve next to our house. It can rain in Scotland, so often a change of clothes can be required!

I work flexibly and part-time and have done so for quite a few years now. Monday is generally a non-working day and my wife and I usually look after our grandson.

I can't resist checking in on my emails though, as well as the Slack app the Engage Smarter AI team uses for internal chat.

Tuesday

First thing this morning, we have a Teams call with the COO of a major provider to outline the Engage Smarter AI capabilities.

Later, we meet with the head of pensions and benefits of a major employer who continues to run an own trust DC scheme. The employer uses a provider's administration and investment platform. They highlight their concerns over pension savings adequacy for a large segment of their employee base, as well as the inability to effectively communicate to the scheme membership on pension savings adequacy. Their trustee board shares this concern. It is agreed that we will liaise with their provider and reference their interest in exploring the ability to offer access to Engage Smarter AI's technology, as well as arrange an AI training session to the trustee board.

Following this meeting, there is an opportunity to attend a networking business lunch.

Wednesday

This morning, the team are presenting via an Eventbrite online event to an audience of pension scheme trustees, advisers and providers on AI developments for the pensions sector.

We then have our regular team catch-up to discuss market developments, business plans etc then use the time following that to prepare for follow-up meetings from previous activities.

Thursday

Today I am invited to attend an online roundtable run by The Pensions Regulator.

We also run a planning session with the Engage Smarter AI team and an external consultant to capture our key thinking and messaging, given the technical nature of AI. The output from this session will result in the production of a white paper on AI and pensions, to be published in the coming months.

Friday

I've always found that people are keen to exchange some chat on a Friday, especially via LinkedIn, as they are generally more relaxed and welcome some interaction, so I make the most of that this morning.

I also play the keyboard in a rock band for a hobby and tonight we have a gig at our favourite venue in Glasgow with around 250 coming. Gig days are always a bit nerve-wracking for me, especially just before getting on stage. Then it's time to experience what feels like the pinnacle of Maslow's Hierarchy of Needs: Self-actualisation, as we burst into our rock set.



VIEW FROM PPF: We want to hear from SMEs

It's a real privilege to pen the first of PPF's columns for *Pensions Age*, especially at a time when interest in DB pensions and the future role of the PPF supporting safe endgames has risen up the agenda.

In the past months, we've been engaging extensively with stakeholders on the Department for Work and Pensions' (DWP) consultation on DB options. The government plans to set up a new public consolidator, run by the PPF, for DB schemes that are unattractive to commercial providers.

To support the consultation, we set out our early thinking on how this new fund could be designed and operated and invited feedback.

We've sought to take a collaborative approach, working with industry and listening to their views. Some particularly valuable feedback came from our Small and Medium-sized Enterprise (SME) Forum when we met in March.

The forum meets twice a year and is open to all small DB scheme sponsors, trustees and advisers. These schemes make up the majority of the DB universe so it's important that we understand their views and how they can be supported.

The forum has sparked some lively and wide-ranging debates over its five-year existence! Our next meeting will be in the autumn, when we will be discussing big topics including next year's levy. If you represent an SME with a DB scheme and would like to join us, email externalaffairs@ppf.co.uk to find out more.

Pension Protection Fund

PPF executive director and general counsel, David Taylor



VIEW FROM PASA: Should administrators adopt elements of Consumer Duty?

The FCA Consumer Duty only applies to FCA-regulated pension scheme administrators or those undertaking administration for FCA-regulated firms. However, given the intent is to "set higher and clearer standards of consumer protection" and "put customers' needs first", all administrators should assess what they could adopt by way of best practice.

While there are four Consumer Duty pillars, only the last two are of relevance.

'Consumer Support' Pillar

· Explore communications channels: savers should have the choice to use post, telephone, email, digital platforms - and systems should record their communication preferences

· Record saver vulnerabilities, whether temporary or permanent, and where possible, provide on-demand support tailored to their individual needs

· Map customer journeys to identify pain points and introduce changes to make it as easy as possible for them

'Consumer Understanding' Pillar

· Review communications, focusing on those which could cause harm and/or material financial detriment, such as retirement quotations

· Test key communications by using software content analyses and consumer research to ensure the information provided can be easily understood

· Introduce facilities to make it easy for savers to give feedback in whichever way they chose to interact

· Capture MI to demonstrate customer understanding and monitor trends to identify future improvements

PASA assess | aspire | achieve

PASA board director, Emma Watkins



VIEW FROM THE ACA: Options for the DB landscape

In our response to the Department for Work and Pensions' (DWP) *Options for Defined Benefit schemes* consultation, we are supportive of the greater flexibility to allow surplus refunds but expressed concern at some of the wider aspects sought for a public sector consolidator.

Our view is that a statutory override allowing surplus payments to be made to scheme sponsors would be helpful, provided appropriate safeguards are put in place to protect the interests of scheme members.

Additional flexibility to make one-off payments to members without adverse tax consequences will also be of use.

In combination, these changes will likely make investing for surplus by DB schemes more attractive, with a view to sharing surplus between members and employers and may also encourage greater investment in growth assets. However, appropriate regulatory guidance for trustees will also be essential to encourage these behaviours.

On the public sector consolidator, for most DB schemes we believe that existing endgame options are effective and that insurance markets function well. Combined with the new funding regime for schemes that want to run-on, and commercial superfund solutions now emerging, most trustees already have the tools they need to complete their journey plans over coming years. We believe the government should focus on getting the superfund regime in place, including providing clarity on extraction of profit and when this can happen.

ACA ASSOCIATION OF CONSULTING ACTUARIES

ACA chair, Steven Taylor

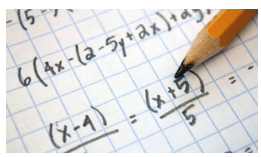


Strictly professional

PwC employer covenant and restructuring partner, Katie Lightstone, chats to *Pensions Age* about her work with pension trustees and her dream of being a ballroom dancer

What's your employment history (including jobs outside of pensions)?
My first job was as a waitress, which was excellent training for the juggling required to be a pensions adviser! My first office job involved admin work – funnily enough it was for an insurance company conducting a pensions mis-selling review. After studying maths at Oxford, I joined PwC in 2004 then had a spell in restructuring and insolvency before finding my home in pensions in 2009. I immediately loved the work and advising trustees from all walks of life – from postal workers to pilots and professors. I've been with PwC ever since, but I had a secondment to The Pensions Regulator (TPR) in 2014 and it's been fascinating to continue working closely with TPR's team on the Funding Industry Working Group, which has been supporting development of the new Funding Code for the past six years.

What's your favourite memory of working in the pensions sector?
I've worked with a lot of industry-wide pension schemes involving a wide range of organisations, from one man and a shed to global higher education institutions. Supporting trustees with sometimes hundreds of diverse entities in one pension scheme, building those relationships to enable solutions to the schemes' funding challenges and agreeing a recovery plan that works for all, that's something that always sticks out.



If you did not work in pensions, what sector do you think you would be in instead?
Studying maths can take someone into a lot of different areas. I worked in mathematical research for a while, but it wasn't for me. I could have enjoyed a career in restructuring, but I'm glad I found pensions.



What was your dream job as a child?
When I was younger my auntie had a professional job in London with a publishing company and I wanted to be a 'boss' like her but for that real 'dream' job, I learned ballroom dancing when I was younger, and I would have loved to have been a professional dancer on *Strictly!*



What do you like to do in your spare time?
I have a three-year-old so any spare time revolves around toddler activities – we love going to Wisley Gardens where my daughter can run wild, I can admire the plants and my husband can get a nice coffee and cake.



If you had to choose one favourite book, which would you recommend people read?
Everyone should read Khaled Hosseini's *A Thousand Splendid Suns* at least once, although given the three-year-old, Julia Donaldson's *Stickman* is more a favourite at the moment.

And what film/boxset should people see?
Gavin & Stacey – my husband is Welsh and he and his friends really do speak like that when they get together.

Is there any particular music/band that you enjoy?
1990's dance!

Who would be your dream dinner party guests?
My husband's dad, who I sadly never met, would be first on the list, ahead of Barack and Michelle Obama – and Kate Middleton, to hear what it's really like to join the Royal Family.

Is there an inspirational quote/saying you particularly like?
"The days are long but the years are short," is something I often remind myself of at the moment.

Written by Natalie Tuck



Chris Curry, Pensions Dashboards Programme principal

Podcast: Keeping on track

In the latest *Pensions Age* podcast, Sophie Smith talks to Pensions Dashboards Programme principal, Chris Curry, about the latest pensions dashboards developments and the work still needed to stay on track

"We remain very confident that the industry will have met the connection deadline of the 31 October 2026 and we are also confident that the vast majority will do it considerably in advance of that," Pensions Dashboards Programme (PDP) principal, Chris Curry, says on our latest *Pensions Age* podcast, as he reflects on the recent momentum seen around pensions dashboards.

"There isn't a set date for when we expect dashboards to be made available to the public, but we have said a little bit about what the approach is going to be in that space," Curry continues, confirming that criteria for this decision will include things like coverage, which is why the guidance and timeline is set so that the larger schemes go first.

"It's also about the safety of the system, the security and the ease of use as well – and all of that will depend on the testing we're going to start doing once we go live next year, which will all help to inform that decision," he says.

"But the more schemes we get joining sooner, the more likely we are to be able to utilise that user testing to identify any tweaks that need to be made and get in a position where we're confident that dashboards will actually be delivering people what they need, and that savers will be comfortable, confident and find it easy to use."

Further updates are expected to continue to roll out over the upcoming months, including work to prepare for the connection process itself, as Curry says that "there's always lots of work going on behind the scenes".

"We're currently working very hard on preparing the guidance on connection, including some of the standards, which include will include the code of connection and the technical standards," he says. "We're planning to bring all of this together in an online connection hub to make sure that everyone then has easy access to them, which we're looking to publish that later in 2024."

Curry clarifies, however, that the standards will continue to evolve after this, as PDP will be producing updates as testing continues, with some of this testing already underway.

He continues: "We're working very closely with our voluntary participants, those who are going to start testing soonest, and so rather than wait until we've got everything finalised and releasing them all in one go, we're actually doing a lot of iterative work at the moment.

"So we've already shared early versions of things like the data standards, which we've since subsequently published, but also the code of connection and the technical standards as well, to make sure we're getting on board their feedback and taking all of that into account before we then publish the final versions on our website and in the connection hub.

"That means that the key people who are really going to have to be doing this soonest are already engaged in what we're doing and already have sight of those early versions."

And Curry says that there is a lot that pension scheme trustees and providers can do in the meantime, particularly in terms of data cleansing and deciding on a matching criteria.

"I also think it's really important that the schemes make sure that they are starting to think about what they will do once they're connected to the dashboard system as well, how they're going to deal with the user inquiries that they might be getting," he adds. "So there's plenty of work that can be going on while we're still finalising those connection details."

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

Getting pensions dashboards ready

Bravura reveals how firms can prepare for its pensions dashboards connection in five simple steps

Although every firm is unique in how it will approach connecting to the Pensions Dashboard 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.

Following the recent DWP announcement confirming that a number of staging deadlines have been reduced – with 31 months of onboarding being compressed into just 18 months – we're urging firms to advance their readiness and connection journeys.

As one of the Early Participants, Bravura's scalable, safe and secure pensions dashboards Integrated Service Provider (ISP), Dashboards Connect, is ready to connect to the CDA once final standards are published, and 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 you 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 must do as part of your preparation. These include:

- Reviewing and understanding how our solution works (usually through a short demo, self-service tools and guides).
- Deciding how you'd like to load your member data in our out-of-the-box solution – this includes the option of uploading member data in the specified CSV format (or building custom APIs for direct access to your core admin system), or using the connection to Bravura's Sonata platform.

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.

We'll also provide videos, guides, and, if required, training, explaining how our matching functionality works. Don't worry though, we've kept this simple, explainable, and auditable.

Step three:
Then, our central onboarding team will support you configure the software, and test and confirm the connection between all services in the PDP's ecosystem.

You're in complete control to set up your scheme or provider data, signpost data, and other key information that your members will need to see on their chosen Pensions Dashboard.

In parallel, you can discuss and agree your choice of matching options – PASA has produced some excellent guidelines, and our solution fits seamlessly into these to make it a breeze to decide. For example, you could choose 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 Acceptance Testing and any System Integration Testing to ensure the service is integrated with your choice of administration system or data source – whether you're uploading member data in the specified CSV format or via an 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 then you're ready to connect.

Through the build and design, we've ensured Dashboards Connect is simple, scalable, clear and user-friendly so you can easily make the decisions and then get on with running your scheme or business. Our reporting and intuitive service dashboards mean that you can see what is happening in real-time, all the time – putting you in control.

As a company entrusted with providing systems holding over £3 trillion of assets, and messaging systems that communicate more than £1 trillion in deals each month – you couldn't be in safer or more competent hands to get you not just Pensions Dashboards ready, but ready, steady, GO!

If you'd like to book a demo or learn more about effective onboarding for pensions dashboards, you can get in touch with us today via contactus@bravurasolutions.com or the below QR code.

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Pensions Age Spring Conference: Meeting member needs now and into the future

Buy-ins, buyouts, data, dashboards, member engagement, value for money, scams and sustainable investing were just some of the hot topics of discussion at this year's Pensions Age Spring Conference, with a focus on enhancing pensions now and into the future, in a safe and cost-effective way

It was standing room only at this year's Pensions Age Spring Conference, which returned to the stylish Hilton London Tower Bridge, a stone's throw away from London's River Thames. The popular one-day event saw pension trustees, managers, advisers and pension professionals come together to enjoy presentations, Q&As, case studies, networking and more.

Experienced pension trustee and CAP Services director, Jerry Gandhi, did an excellent job of chairing the event and fielding the many questions from the floor, while the team at the Hilton kept delegates refreshed with delicious food and drink throughout the day.

Kicking off proceedings were our opening speakers, The Tracing Group founder and managing director, Danielle Higgins, and Smiths Group head of pensions operations, Sara Leacroft. Higgins began by highlighting the importance of accurate data when preparing schemes for buy-in and buyout, and stressed the potential costs of getting this wrong: "The quality of your data is paramount. It is critical for insurers so they can assess risk and set pricing," she emphasised.



Higgins went on to explain how The Tracing Group's offerings can assist schemes effectively with data cleansing on their journeys towards buy-in and buyout, with Leacroft bringing to life how the group has helped her pension schemes on their de-risking journey.

Leacroft explained: "Our objective was to clean the data. Did we achieve it? Yes. And better than that, we also saved money by reducing our liabilities by £50 million."

For example, she continued, "at the start of the project, we had over 6,000 missing addresses on each scheme. As a result of the work we undertook, the number of missing addresses has been reduced to under 1,000". The Tracing Group, she added, also helped them identity a significant number of deaths.

The data theme continued in the next session, this time with a focus on pensions dashboards and how schemes can and should be getting connection-ready. ITM sales and marketing director, Mark Adamson, and technology innovation analyst, Ross Milligan, explored two critical connection topics: Technology and matching. Together they took delegates through a detailed presentation looking at methods to help ensure schemes are ready, avoid strains on administration teams and facilitate engaged, satisfied members.

Adamson began by demonstrating what the dashboard journey might look like for Joe Public; explored the route to connection and compliance; explained the role of the integrated service provider (ISP), asking what makes a good ISP; while Milligan went on to explain in detail what matching is all about.

Commenting on dashboards' connection, Adamson concluded: "Connecting in good time is really important – we would strongly advise schemes not to wait until their connection deadline date, but to do it two, three, four (if they can) months ahead to ensure all is working OK, and that way they can make any further adjustments if they need to."

Member engagement was the next

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topic of discussion, as Landscape delivery and creative director, Ryan Sales, focused on how analysing website activity can help schemes improve their digital communications, reduce costs to serve, and help members plan for later life.

"Web analytics", he explained, "is a process of collecting, measuring, analysing and reporting web data."

He continued: "Consumer marketing uses sophisticated techniques and tools to measure the cost of a sale. We can apply similar techniques with our communications to measure engagement. It can help with finding out where visitors have come from before they visit the site, seeing what they look at when they arrive, seeing whether any sections of the site do not perform as expected, understanding their journey through the website, where they land and where they leave."

Sales went on to demonstrate ways in which this information can be used to help improve the member experience and concluded by outlining some simple steps to measure engagement, such as the importance of defining your engagement goals; mapping your goals to key performance indicators and member wants and needs; implementing the technical infrastructure to collect the necessary metrics; and analysing the data and taking action.

The first keynote speaker of the day was up next, as Pensions Minister, Paul Maynard, offered delegates a whirlwind tour of the government's current pension priorities; recent policy developments; and long-term vision for pensions.

He began by reflecting on the successes and challenges of auto-enrolment, emphasising that "auto-enrolment is a work in progress, a magnificent edifice that hasn't yet been topped off," and acknowledged that there is a "still a lot to do".

"We are committed to expanding the benefits of auto-enrolment, not just to young people, but helping all workers save for their retirement, lowering the eligible age, removing the lower earnings limit, and making sure that contributions are payable from that first pound of savings."

However, he stressed the need to do it "in the right way, at the right time", while also committing to raising minimum auto-enrolment contributions during the "mid- to later part of this decade".

Maynard went on to discuss the potential role of collective defined contribution (CDC) schemes, arguing that CDCs "clearly have a role to play – a new type of scheme, pooling funds, sharing risk across members, removing the need for lifestyling as savers approach pension age – and they can, on average, provide better returns for savers, allowing them to remain in more productive assets for longer, supporting economic growth more widely".

He also highlighted the importance of protecting savers from scams and fraudulent pension transfers; reflected on how the upcoming pensions dashboards will have the potential to "revolutionarily change the way members and future pensioners see their schemes in the round"; noted the challenges around decumulation; and stressed the importance of catering to the needs of members that don't engage, as well as those that do.

The mooted lifetime provider model was next referenced by Maynard, stating that he recognises "that concerns have been raised regarding the impact on individual savers, the impact on the role of employers in pension saving", and that "we really need to dig deep into that, understand what the unintended consequences might be, and how they might be resolved".

He continued by touching on the



value for money framework, across DC and DB schemes, and how the Mansion House proposals feed into this; acknowledged the problem of the proliferation of small pension pots; reflected on the ongoing debate around the extraction of pension surpluses; and so much more.

He concluded: "Our priority as a department and me as Pensions Minister is always, first and foremost, to safeguard scheme members' pensions, whilst ensuring we get assets working as hard as possible for all stakeholders but not undermining member security; we want pension scheme trustees and sponsoring employers to work together in the best interests of scheme members now and into the future."

After the coffee break, the theme of the day zoomed in on investment, with People's Partnership chief investment officer, Dan Mikulskis, taking to the lectern to ask: Why asset owners matter?

Mikulskis explored why asset owners are important institutions within the investment universe – why they need to exist, the important role they play and the impact they can have.

He explained where asset owners are located globally and also discussed two themes that have increased the importance of strong asset owners; the movement from active to passive investment; and from owning stocks to owning funds.

He also looked at how asset owners can have an influence; described how complexity is endemic in investing; and argued why simplicity is better as well as argued the case for scale.

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He concluded: "Asset owners matter, there should be more of them, but there aren't in the UK because we have a very fragmented system. Asset owners ask tough questions and address agency issues; and trends towards funds and toward passive have increased asset owners' importance. Finally, scale and simplicity are under-appreciated good things in investment."

State Street SPDR ETFs senior strategist, Ryan Reardon, was up next to offer a fascinating overview of the US economy in this election year when both policy expectations and politics are likely to impact portfolio allocations. He took a close look at investor positioning and discussed opportunities for investors to benefit from the diversification and liquidity in US equities.

He commented: "You may or may not have heard, but we are having an election this year in the US and I want to talk about the elections, but also what's happening in terms of growth, earnings, the baselines that are driving the US equity market and the broader economy. I also want to talk about ETFs – I understand that this room is probably not as actively trading the market on a day-to-day basis, but I want to talk to you today about why, especially in the context of, say, an election year, it is important to keep tabs on a day-to-day basis."

As part of his presentation, Reardon highlighted five surprises to watch this election year, such as any exogenous shocks to the presidential candidates, either due to medical, reputational, or legal issues; or geopolitical or macroeconomic shocks that may sway voter sentiment. He looked at the historical impact of elections on market returns, with research suggesting that US equity returns during an election year are not meaningfully distinct from non-election year returns, as well as fund flows during election years.

Keeping on the investment theme, Premier Miton Emerging Markets Sustainable Fund manager, William Scholes, turned the focus to the topic of sustainable investing in emerging markets and asked what the challenges might be for asset allocators investing in this space. He then went on to explore how those challenges be overcome; where sustainability and the journey towards net zero fits in, and what the outlook for sustainable investment in emerging markets is going forwards.

He explained: "The message I am keen to get across is, if you think about long-term compound investment in emerging markets and the best outcome for members, we think that embedding sustainability in the most holistic sense is absolutely paramount. Emerging markets is a cyclical asset class, but there are businesses that grow notwithstanding those cycles – and the way we approach that is to build all of that into the same investment process, not to think about sustainability considerations as an afterthought.

"We start with the first question – is what a company does sustainable? Second, are they managing their ESG risks appropriately? And lastly, can they earn a sustainable financial return?"

After a networking lunch,



sustainable investing continued as a theme as Cushon head of investment, Marc Barnett, looked at the challenge of decarbonising pensions and how schemes can ensure their portfolios are resilient to a range of climate scenarios. He explored questions such as why decarbonise a pension; what trustees' fiduciary duties are in this area; the potential risks with decarbonisation; what can be done to manage risk; and what the role of private assets can play in the decarbonisation journey.

"Fiduciary duty, I would argue, encourages decarbonisation only if it is additive to risk-adjusted returns; your portfolio decarbonisation can lead to unintended risks, like over-concentration of certain stocks, of certain sectors, and also short-term underperformance.

He added: "Portfolio decarbonisation should be considered holistically, across asset classes, so we are happy to hold some additional emissions in our equity index, while investing in natural capital. Considering holistically the carbon-price risk of your portfolio will enable you de-carbonise more effectively. Careful design of decarbonising portfolios is key, and private assets have a significant role to play."

In the following session, AXA IM director of UK institutional, Tim Banks, delved into the topic of sustainable fixed income, reviewing how the firm has helped clients implement climate change and more recently biodiversity into their fixed income portfolios to help meet their clients' financial objectives. He considered important questions such as how climate-related risks can impact a fixed income portfolio, and the role of engagement as a risk-mitigation tool, using a client case study to demonstrate the innovation that's in play with a view to mitigating the risks in client portfolios.

Banks finalised by looking at the

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past, present and future of responsible investment: "In the past we had ESG scores, fairly basic data and we had indices – we had basic alignment. Where are we now? We have forward-looking, name-based specific views in terms of carbon intensity; but we also have biodiversity scores, so we are looking at nature-based tracking.

"As a company, we are already, in our corporate accounts, reporting on nature-based footprint. TNFD comes hot on the heels of TCFD – we want to get ahead of the curve and we already incorporate biodiversity scores into the way we manage portfolios; and, in terms of tracking, in terms of data, in terms of engagement outcomes, we can see where we are headed and we are one of the players that would like to be at the vanguard of that."

The penultimate session of the day saw DLA Piper partner, Matthew Swynnerton, provide a legal round-up, including an update on recent High Court decisions on scheme amendment powers, and what the decisions mean for the pensions space. He also looked in detail at the pension scams landscape, an area "close to his heart" given his position as a legal adviser to the Pensions Scams Industry Group, as well as likely next steps, with the DWP expected to consult with the industry on changes to the regulations this year.

Swynnerton went on to look at the implications of the abolition of the lifetime allowance (LTA), and what effectively changed from 6 April 2024, when the LTA was abolished; and what it all means for trustees and employers.

"Trustees need to consider whether they need to make changes to their scheme rules. We have been undertaking these kinds of reviews for most of our customer clients to check whether there is any hard-wired LTA provisions or references in there that need to come out urgently following the changes. In the majority of those reviews, we have not found that many provisions that are immediately problematic, but quite a lot of references that are now redundant so should be tidied up."

He also looked at The Pensions Regulator's (TPR) General Code and, more specifically, the Effective System of Governance (ESOG) and Own Risk Assessment (ORA) and what trustees should be doing in relation to both of those.

He concluded with an overview of several themes on the horizon including the DB Funding Code; the Virgin Media case; and occupational pension schemes and Sharia law.

The final keynote speaker of the day was TPR director of regulatory policy, analysis and advice, Louise Davey, who offered a policy update, speaking about the regulator's ambition to protect, enhance and innovate in relation to savers. She explained how TPR has realigned its work and outlook to address government reforms, industry concerns and policy development, to include thoughts on decumulation, value For money, the needs of the DC cohort and the changing role of trustees.

"The theme of what I would like to talk about today is the power of connection, and how the regulator is really striving to improve its connection with savers, trustees, stakeholders and the industry at large."

Davey also highlighted the importance of the "perspective of the saver, who remains at the heart of everything the TPR does".

She covered the successes and challenges of auto-enrolment; the drive towards consolidation; recognised the increased use of professional trustees and the changing role of trustees, as demands



on them continue to increase.

She also addressed what the professionalisation of trustee should look like going forward.

"We want to improve our understanding of the trustee landscape and, in time, will be introducing a register to help us do that. We are also going to be working much more closely with professional trustee firms as this market has changed too, with large professional trustee firms – some backed by private equity – overseeing an ever-increasing proportion of the market.

Looking ahead, she commented: "We have created three new regulatory functions – regulatory compliance, which is focused on protecting savers; market oversight, which focuses on enhancing the market through strategic engagement with schemes and others; and strategy, policy and analysis, which will use insights from our regulatory approach and elsewhere to evolve the regulatory framework and support market innovation in the interests of savers."

She concluded: "We are changing as a regulator to ensure savers are protected but also to enhance the system and support innovation in savers' interests. And to connect us more closely with everyone who has a role in the delivery of good saver outcomes."

Many thanks to our chair, speakers, sponsors and delegates who joined us on the day, and we look forward to seeing you at our Northern Conference on 26 June 2024 at the Park Plaza Leeds.

Written by Francesca Fabrizi



Strong action

***Pensions Age* looks at some recent examples of the industry's regulators flexing their enforcement muscles**

TPR's latest compliance and enforcement bulletin

The Pensions Regulator's (TPR) latest compliance and enforcement bulletin, published in March, revealed a slight increase in the use of most of the regulator's auto-enrolment (AE) powers during the six months to December 2023.

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

In particular, TPR issued 29,489 compliance notices, up from 25,106 in the previous period, 17,451 unpaid contribution notices, compared to 15,994 in the previous period, and 19,538 fixed penalty notices, up from 17,178.

In addition to this, it issued 8,400 escalating penalty notices, up from 7,944 in the previous period.

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

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

TPR issued its first climate reporting fine

Last year, TPR issued its first fine against a pension scheme for failing to publish a report on trustees' management and governance of climate-related risks and opportunities.

The ExxonMobil Pension Plan was fined £5,000 for failing to meet new Taskforce on Climate-related Financial Disclosures (TCFD) aligned regulations, which came into force in October 2021.

TPR discovered that it was unable to locate the report, which was due to be published by 31 July 2022, as part of its broader investigation into the availability of TCFD reports and environmental, social and governance (ESG) compliance.

The regulator subsequently wrote to the scheme trustee, with the report then published six days later.

In response, the scheme trustee confirmed that while they had produced the report and the scheme administrators had uploaded it by the deadline, a faulty URL meant the report was not published on a publicly available website until 10 August.

The trustees emphasised that they had not realised the URL was not functional, assuring TPR that they took their climate reporting obligations seriously, and that their non-compliance was inadvertent.

However, TPR stressed that schemes in scope of the regulations must publish their climate change report by a set deadline on a publicly available website so savers can be assured trustees are making decisions which take into account climate risks and opportunities.

Given this, TPR issued a mandatory penalty of £5,000 in May 2023, opting for an amount above the minimum because it was a corporate body and to reflect the

nature of the breach.

The matter was resolved in July 2023 when the ExxonMobil Pension Plan trustees paid the penalty.

Pension fraudsters ordered to hand over assets

In January, two pension fraudsters were ordered to hand over the majority of their assets after a Proceeds of Crime Act (POCA) investigation by TPR, with the money to be returned to the pension schemes affected by the duo.

The successful conclusion to the investigation also means that Dalriada Trustees, the independent trustees running the affected schemes, can now take steps to further progress the claims on the Fraud Compensation Fund.

Alan Barratt and Susan Dalton were previously jailed for a total of 10 years for their roles in a scam that saw more than 200 savers tricked into transferring £13.7m into fraudulent schemes.

The pair will now also be required to make financial amends, as the POCA saw Barratt and Dalton ordered to pay £9,771 and £25,010 respectively.

According to TPR investigators, the amounts represent the vast majority of Barratt and Dalton's remaining assets, although if further assets are linked to the pair in future, the regulator can ask the court to increase the amount payable under a confiscation order.

If Barratt or Dalton fail to pay, they risk a further jail term and will still be liable for the ordered sums, plus interest.

Former pension trustee received suspended sentence over illegal loans

In January, former Worthington Employee Pension Top Up Scheme trustee, Stephen Smith, was given a 10-month jail term, suspended for 12 months, after admitting to using scheme funds to make five prohibited loans to entities connected to the scheme's sponsoring employer.

At his sentencing at Burnley Crown Court, Judge Unsworth KC told Smith he would also have to complete 150 hours of unpaid work in the community and pay £1,000 in prosecution costs.

Smith previously pleaded guilty to making five prohibited loans totalling around £700,000, but pleaded not guilty to a sixth charge of making a prohibited investment.

During a prosecution by TPR, the court heard that Smith played a central role in running the scheme but failed to act in the best interests of its beneficiaries or with impartiality, and was negligent in the performance of his trustee duties.

TPR also confirmed that although Smith was not a trustee at the time of the failed investment, ultimately all scheme monies were lost as the loans were converted into another employer-related investment that failed.

FCA, advisers and the BSPS

Last year saw the Financial Conduct Authority (FCA) issue fines and ban a number of advisers due to their poor advice, particularly with regards to British Steel Pension Scheme (BSPS) members.

For example, in March 2023, the FCA fined Inspirational Financial Management (IFM), which is in administration, £897,840, after it found that the firm poorly advised members to transfer out of DB pension schemes, including the BSPS.

The FCA also banned IFM adviser, Arthur Cobill, and IFM director, William Hofstetter, from advising customers on pension transfers and pension opt-outs. Hofstetter was also banned from holding any senior management function at any regulated firm.

In addition to this, Cobill and Hofstetter agreed to pay £120,000 and £40,000, respectively, to the Financial Services Compensation Scheme (FSCS) to contribute to compensation for IFM's customers.

June last year saw the FCA ban Denis Lee Morgan of Pembrokeshire Mortgage Centre (PMC) Limited (in liquidation) from advising any customers on pension transfers and opt outs, and from holding any senior management function in a regulated firm.

According to the FCA, Morgan demonstrated a lack of competence in his oversight of PMC's pension transfer advice process between 8 June 2015 and 7 December 2017, during which he had a number of BSPS clients.

The following month, Paul Steel of Estate Matters Financial was banned by the FCA from working in financial services, with £850,000 to be paid in redress to the FSCS.

According to the FCA, Steel provided unsuitable advice to customers to transfer out of their DB pensions, including the BSPS.

September saw the FCA fine former Active Wealth company director, Darren Reynolds, £2,212,316 for dishonest pension transfer advice to over 670 customers, 150 of which were BSPS members, and banned him from working in financial services.

In October, the FCA banned Simon Hughes of S&M Hughes Limited from advising customers on pension transfers and opt outs, and from holding any senior management positions in regulated firms, due to advice failings.

Hughes has also been told to pay £158,600 to the FSCS to contribute to the redress due to his customers, most of which were members of the BSPS.

Meanwhile, November 2023 saw two former advisers of West Wales Financial Services Limited (WWFS) (in liquidation) being banned by the FCA from advising customers on pension transfers and pension opt-outs, due to their unsuitable pension transfer advice to customers, including BSPS members.

The two advisers were also required to pay £67,688 to the FSCS to contribute towards the compensation owed to WWFS customers.

How The Pensions Ombudsman is fighting back against a record caseload

With mounting delays, the resource-strained Pensions Ombudsman was recently forced to pause work on scam cases – raising questions about what this office can do amid continually surging pensions complaints

Summary
- Although TPO has met several KPIs, it is forecasting a sustained surge in complaints over the coming years – putting its resources under further strain.
- The DWP has given additional funds to TPO but there is a need for a greater financial commitment over the long term.
- TPO is exploring other ways it can alleviate this burden, and its ERS has proven successful in helping mitigate pressures.
- Recruitment, with an emphasis on long-term contracts, is a priority for TPO but this depends on additional funding.

Located at 10 South Colonnade in Canary Wharf, the office of The Pensions Ombudsman (TPO) is dwarfed – physically and metaphorically – by the steel and glass financial services giants surrounding it. TPO has increasingly struggled to handle a growing caseload with delays becoming longer. This culminated in March 2024 when TPO was forced to temporarily pause scam cases amid resource limitations, with pensions ombudsman, Dominic Harris, emphasising this is a "small organisation".

A surging caseload

TPO currently has a total of 155 full-time staff responsible with investigating and determining pension complaints across the UK's entire pension industry. However, despite these limitations, TPO has been able to surpass several of its caseload KPIs. According to TPO's 2023-2026 corporate plan, the body had set a target of 90 per cent resolution of general enquiries within four weeks in 2022/23 – a rate of 99.9 per cent was achieved. TPO was also able to surpass all its total pension compliant closure timeframes in that period.

Critically, TPO has been facing more complaints than ever before. In 2022/23, TPO closed 7,784 cases, which represented a 49 per cent increase from the year before. A cyber-attack incident in June 2023 was also identified as disrupting TPO's work clearing complaints.

A factor that doesn't help TPO is the legal framework it operates under. Savers benefit from such routes to recourse, but this means TPO staff are often inundated with complaints, no matter how baseless.

"There are no barriers to members or claims management companies filing complaints, even if they are hopeless complaints," says Gowling WLG principal associate, Aaron Dunning-Foreman. "This is a challenge for TPO because a complaint with no merit takes up just as much resource and time as a potentially valid complaint.

"We've seen cases of members being advised by TPO employees that the complaint is highly unlikely to succeed but the complainant still allowed to proceed, clogging up TPO's office and causing other service users to incur fees responding to complaints that are hopeless."

Unfortunately for TPO staff, caseloads are expected to continue surging and to hit 10,220 complaints by 2025/26. The need for longer-term funding remains, with TPO concluding in its corporate plan that it would be unable to make any positive forecasts about its productivity: "Based on our indicative budget provided over this Spending Review period we would be unable to commit to forecasting any further increase in productivity for 2024/25 and 2025/26."

With resources identified as the key area of concern, attention turns to how TPO is funded by the Department for Work and Pensions (DWP). After an additional £750,000 in 2022/23, the DWP sent a further £1.7 million to TPO in 2023/24 and £1 million earmarked for 2024/25. This money is already being put to use in recruitment, moving staff on fixed-term contracts to permanent employment.

The recruitment goal is to get the headcount to over 170, with a focus on retention of experienced staff. While the additional funding has supported the work of TPO, a spokesperson for the organisation stresses the need for a longer-term solution: "While additional

funding has made a difference to our case closure rates, the short-term nature of the package restricts our ability to recruit and retain experienced staff on permanent contracts.

"A more stable workforce with the skills and experience to deal with our complex caseload would support meaningful and lasting improvements to our wait times. Additional funding would also enable us to review our current systems to drive further efficiencies, including the use of more technological solutions."

When asked by *Pensions Age* if the government was going to increase this funding in the long term in recognition of TPO's ongoing struggles, the DWP refused to comment. However, the title understands that this level of funding is kept under review by the government.

Cheaper alternatives

With no clear long-term funding increase in sight, other solutions are being turned to. Last year, TPO embarked upon a 'root and branch' review of its operating model to find efficiencies wherever possible. This is assessing all areas, from the way complaints are submitted to how decisions are made and communicated. A TPO spokesperson says: "The goal is to provide earlier resolution of complaints, with fewer handovers between our internal teams. We have already implemented some quick wins, including early closures of cases within the current assessment and resolution queues and an improved online complaint form."

In response to its current resource strains, TPO has also introduced an early resolution service (ERS) in a bid to streamline its caseload. The ERS provides an informal approach to dispute resolution and relies on the willingness of parties to resolve matters informally. This has already proven useful and cleared 1,572 cases in 2022/23, a 19 per cent increase from the year before.

"TPO's ERS has also proven to be an effective tool for quickly and informally resolving cases, but it remains a service which complainants must choose to use," says Sackers senior associate, Amy Difford. "In the civil courts, a compulsory mediation process is about to be introduced for 'small claims', with the similar aim of reducing pressure on the courts and freeing up capacity. Similarly, TPO could perhaps be given stronger powers to encourage, or even compel, complainants to use the ERS in appropriate cases."

"Implementing a system for the quick disposal of simpler matters could significantly ease the backlog, allowing only those cases that require comprehensive determination to reach that stage"

A more significant step that some solicitors have suggested is to change the legislative framework that TPO works within. The fact every scheme member has the right to take their complaint through to determination may be a positive but can often result in needless work for TPO. RPC partner, Rachael Healey, recommends the introduction of a system in TPO for it to easily dispose of simple matters. This could be like the Financial Ombudsmen (FOS) where respondents are encouraged to 'admit' complaints early on to obtain a regulatory benefit in how the complaint is recorded.

"Implementing a system for the quick disposal of simpler matters could significantly ease the backlog, allowing only those cases that require comprehensive determination to reach that stage," says Healey. "The same process *[used at the FOS]* is unlikely to be suitable at TPO, but it could be that a streamlined process for something like mis-quotations – which if there has been a mis-quote in large part come down to whether an individual has changed their position in reliance on the mis-quote – could be adopted."

In agreement is Difford, who points out this legal framework has not been updated in many years and was not designed with the current caseload volume in mind. She also argues more flexibility could be introduced, with new legislative tools at TPO's disposal.

"For example, the civil courts have 'summary judgment' powers, which can allow them to dispose of clear-cut cases early on, without the need for a full trial," says Difford, who feels TPO could learn from this approach. "The courts are increasingly encouraging parties to use alternative forms of dispute resolution (such as mediation), with the hope that this will result in more cases being settled before they need to reach a judge at all. While TPO already strongly encourages complainants to utilise the ERS where possible, it could be given more powers in this respect."

Progress is being made and, despite growing delays, TPO has managed to hit several KPIs. The body is continuing to explore routes to efficiency and recently appointed Robert Loughlin as chief operating officer. Having worked at the Legal Services Commission, General Medical Council and Solicitors Regulation Authority it is hoped he can impart some insights on how to drive down waiting times while upholding quality standards in a regulatory setting. Fortunately for TPO, many in the pensions industry understand the challenges this organisation is facing, as Dunning-Foreman says: "We don't think an overhaul is necessary. On balance, we think TPO does very well with the resources it has to manage and responds to complaints in a fair way."

Written by Jon Yarker, a freelance journalist

Signing up for change

Jack Gray provides an update on the progress of ESG and sustainability initiatives from across the industry



The increased focus on environmental, social and governance (ESG) factors in pension investment has resulted in various initiatives springing up to support and encourage financial institutions to meet requirements and targets. While take up has been high, how have the initiatives progressed since they were introduced? And are financial institutions putting their money where their mouth is?

TCFD

Requirements for climate reporting in line with the Taskforce on Climate-related Financial Disclosures (TCFD) have seen a phased introduction since October 2021, starting with the largest pension schemes. Schemes in scope have since been submitting their TCFD reports in line with disclosure requirements. In its latest review, The Pensions Regulator (TPR) stated that it had seen many examples of good strategic decision making and trustee action on climate risk, including updates to DC default lifestyle strategies and increased allocations to low carbon tracker funds.

However, the regulator also highlighted several areas of concern and said future reports could be improved if trustees considered a qualitative analysis based on clear narratives while quantitative analysis is still developing in the market, and provide commentary on the challenges and limitations of the scenario analysis they have undertaken. "Climate change disclosures should be the product of good risk management," said TPR climate and sustainability lead, Mark Hill. "That's why we want schemes to know what 'good' looks like and improve their management of climate-related risks and opportunities."

Pension trustees have been urged to use TPR's feedback as an opportunity to improve their climate-related actions, with LCP senior investment consultant, Laasya Shekaran, saying that it should be useful in helping trustees focus their reports on being more meaningful, thereby driving forward positive real-world change.

TNFD

Following on from the introduction of TCFD, the Taskforce on Nature-related Financial Disclosures (TNFD) published its reporting recommendations in September 2023. The 14 recommended nature-based disclosures for companies and financial institutions build on those of the TCFD, with the TNFD saying they were a "key milestone" in the relationship between nature, business and financial capital; positioning nature risk alongside financial, operational and climate risk; and helping to shift cashflows to nature-positive outcomes. A total of 320 organisations across more than 46 counties have committed to making disclosures based on the recommendations, including 106 financial institutions with around £11 trillion of assets under management. These organisations have committed to begin adopting the TNFD recommendations and publishing TNFD-aligned disclosures as part of their annual corporate reporting for the 2023, 2024 and 2025 financial years.

However, concerns have been raised that it may be too early for most pension schemes to be reporting in line with the TNFD recommendations due to complexity and lack of data. Transition Pathway Initiative chair, David Russell, argued that adding TNFD commitments to TCFD reporting was too much for many schemes. While acknowledging that following the same process that was developed for TCFD as TNFD was "sensible" and would make it easier for those who wanted to report on nature-related risks, Russell warned that the challenge was that data is significantly worse for biodiversity than it is for climate change.



Taskforce on Social Factors

In February 2023, the Taskforce on Social Factors was launched with Department for Work and Pensions' (DWP) support following a consultation. Its aim is to support trustees and the wider

pensions industry with addressing the key challenges around managing social factors, including the identification of reliable data and metrics.

Later in the year, the taskforce issued guidance outlining more than 30 recommendations on how the industry can better incorporate social factors into investment decisions. The industry welcomed the guidance, praising its additional support to help the pensions sector understand social issues relevant to pension scheme stewardship and investment decisions, and for trustees and asset managers in meeting their existing disclosure obligations.

However, the Society of Pension Professionals suggested improvements could be made, including further development to better integrate the wider priorities and circumstances of UK pension schemes, such as covenant matters.

Final taskforce guidance and recommendations were published in March 2024, setting out the importance of embedding social factors within schemes' investment decisions and stewardship policies in four key areas: Social factors and pension funds, addressing social factors, materiality assessment frameworks, and social factor data.

UK Stewardship Code

The UK Stewardship Code is a voluntary initiative from the Financial Reporting Council (FRC) for asset owners and managers that targets high stewardship standards for those investing money on behalf of pension savers. The latest revision of the code came into effect in 2020 and requires signatory schemes to declare whether they have taken ESG factors into account when investing member funds, as well as disclosing their voting records and how they have protected and enhanced the value of their investments. Backing for the code has continued to grow, with a total of 273 organisations now signed up.

Earlier this year, the FRC began its review of the 2020 code and announced it expected to publish its revised code in early 2025. It is seeking views from stakeholders on whether the current format of the code is being used by asset managers and owners in a manner that drives better stewardship outcomes from engagement with issuers across all asset classes. The review also aims to assess whether the code creates reporting burdens on issuers and code signatories, and if it has led to any unintended consequences.



Sustainability Principles Charter

The Sustainability Principles Charter was launched earlier this year with the aim of promoting greater transparency, reporting and engagement around sustainability in the bulk annuity process. Developed by Accounting for Sustainability, the Church of England Pensions Board and Railpen, the charter had 20 signatories at launch, including the six largest UK pension insurers, alongside several pension schemes, advisers, and associations. It sets out four 'guiding principles' for the bulk annuity process: Transparency; decision making; reporting and engagement; and collaboration, with guidance also published around these key principles.

With the continued growth in activity in the DB risk transfer market and many DB schemes having made sustainability-related commitments to members, the charter looks to support transparency during the bulk annuity process on how insurers consider these commitments and ensure that scheme assets will continue to be resilient amid climate change and other sustainability challenges.

Climate Action 100+

Launched in December 2017, Climate Action 100+ is a worldwide, investor-led initiative that seeks to ensure the largest corporate greenhouse gas emitters are taking action on climate change. More than 700 investors are signed up to engage with companies on improving climate change governance, cutting emissions, and strengthening climate-related financial disclosures. Initially launched as a five-year initiative, it was announced in 2022 that it would run to 2030.

The initiative has recently been hit by the withdrawal of some major US asset managers. For instance, in February, J.P. Morgan Asset Management and State Street Global Advisors left Climate Action 100+, and BlackRock announced it had transferred its membership to BlackRock International, limiting its involvement. As reported by *Reuters*, State Street Global Advisors left the initiative as it felt that being asked to take stronger action, such as engaging with policymakers and publishing discussions with firms about setting net-zero 2050 targets, were not consistent with its approach, while J.P. Morgan Asset Management said it had not renewed its membership after developing its own investment stewardship capabilities.

Pension schemes have been urged to engage with their asset manager if they have left Climate Action 100+ and the scheme is unhappy about it, with Brunel Pension Partnership chief responsible investment officer, Faith Ward, saying: "These asset managers are managing our money. It is our money and if you are not happy about the decision, please let them know."

Written by Jack Gray



A new direction

Summary

- The Pensions Regulator is adapting to a new world of defined benefit pension surpluses.
- Open schemes are pushing back against the regulatory focus on derisking strategies.
- The Work and Pensions Committee proposes shifting the regulator's objective from protecting the Pension Protection Fund to focusing on future members.

Gill Wadsworth explores whether the time is right for The Pensions Regulator to have new objectives

At the end of April, The Pensions Regulator (TPR) used its annual funding statement to call on DB scheme trustees and employers to reassess their long-term objectives in the new world of multi-billion-pound surpluses.

Figures from the Pension Protection Fund (PPF) reveal an aggregate surplus of £455.5 billion at the end of March 2024; an increase of on February's £442.3 billion.

These healthy figures are in stark contrast to the DB deficits that previously characterised this century, and are a long

way from the funding levels recorded in 2005 when the regulator was founded.

Back in the dark days when DB deficits were so dire that they led to some high-profile company insolvencies, TPR's mission – as set out in the Pensions Act 2004 – was to ensure trustees prepare a recovery plan "setting out the steps that will be taken to meet the funding objective over what timeframe". At the same time the regulator's objective was to protect the PPF.

In today's landscape, where many schemes are back in the black, and the PPF is sitting on reserves of £12 billion, TPR's objectives are under scrutiny, with the regulator itself rethinking its approach.

Open and shut

TPR's latest position is to encourage schemes to think about derisking to reach a final goal of buyout.

TPR interim director of regulatory analysis and advice, Louise Davey, says: "Where funding levels have improved significantly, trustees should review objectives and strategies. Options range from moving to a long-term target with the potential to generate additional surplus, to entering a consolidator or insurance arrangement."

But there is consternation that the focus on derisking is to the detriment of open schemes, which, while accounting for only 4 per cent of the private pension sector representing a fall from 11 per cent in 2011, still amount to £165 billion in assets.

Among those is the £75.5 billion Universities Superannuation Scheme (USS) which has raised concerns that TPR is not giving open schemes sufficient freedom to take investment risk, particularly where they have an especially strong employer covenant.

The long-awaited DB Funding Code published this February indicates that for future valuations, TPR might consider a 20-year covenant horizon, a period that USS says limits open schemes.

Speaking at the Work and Pensions Committee (WPC) meeting this February, USS chief executive, Carol Young, said: "We believe that we have a covenant horizon of 30 years. That has been integral to our ability to think long term and to invest for the long term. Our great concern is that if anything in that guidance in any way shortens that covenant horizon, it will have very real-world consequences."

This view is shared by Unite national pension officer, John Neal, who says: "Rather than just intensifying pressure on schemes to derisk all the time, TPR should be making much greater efforts to promote responsible approaches to managing risk as will allow schemes to continue on a basis that benefits their members and does not put employers under too much pressure".

"Wouldn't that be great if TPR were helping to create an environment where there were better pension outcomes?"

He adds: "TPR is failing to strike the right balance between conducting enforcement where it is genuinely needed and not encouraging trustees and employers to be over prudent, derisk and ultimately close DB schemes where a DB scheme is sustainable."

In its third report on the DB scheme inquiry, published this March, WPC stated: "It is essential that DWP and TPR work with open schemes to address the remaining concerns – particularly around the employer covenant horizon – and report back to us on how they have done so before the new funding code is laid before parliament."

However, the revised funding code published this February has already introduced more flexibility – which WPC acknowledges – and some commentators argue there is ample freedom for open schemes to take investment risk.

Association of Professional Pension Trustees council member, Sarah Marshall, says: "Trustees of open schemes have sufficient powers to invest and fund the scheme as they see fit, subject to agreement/consultation with the sponsor who will usually wish to constrain costs."

Hymans Robertson partner and head of pension policy innovation, Calum Cooper, adds that while open schemes may be obliged to give TPR a strategy based on a 20-year covenant horizon, they do not necessarily have to follow it.

"What you are saying to open schemes is imagine you're only open for six years, something happens to your company and you have to close, what would you do? That would be what they submit to the regulator, but that's not actually the strategy. This is the plan B. The regulations then become a contingency plan rather than what schemes are trying to achieve, and I think they can thrive in that context."

Cultural shift

While the WPC would like TPR to afford DB schemes more freedom, it notes that the regulator remains hamstrung by an objective to protect the PPF.

The WPC says this objective is "no longer needed" and, to restore confidence with open and continuing schemes TPR should have a new focus "to protect future, as well as past, service benefits".

Since such a change would require new legislation and mean a "significant cultural shift and a need to invest in new capabilities and capacity", for TPR, the WPC calls on the regulator to "work with the pensions industry on what the change would mean in practice and what capabilities it will need to deliver on it effectively".

Cooper says: "Changing the objective is aligned with the Mansion House reforms and will allow open schemes to deploy more assets for productive

finance. I think there's a good chance it will happen, but that means a fundamental shift in mindset. We need to take a step back and ask what that will that look like, including, for example, how to stimulate outcomes in trust-based DC schemes as well as DB."

He adds: "Wouldn't that be great if TPR were helping to create an environment where there were better pension outcomes?"

This view is shared by Neal, who says: "The real debate about use of PPF surplus should be about member benefit improvements. The PPF is financially strong. Its reserves are close to what are needed to meet its funding objectives. It has proposed reducing the levy charged to scheme sponsors by nearly 50 per cent, which is a reduction of £190 million. So, levy payers are benefiting from the PPF's strong financial position, but members are not. It's time for members to benefit also."

However, ACA chair-elect, Stewart Hastie, says the association does not advocate replacing the PPF protection objective for TPR, since the regulator "retains an important role in protecting the PPF from moral hazard risks".

He adds: "TPR already has a statutory objective in relation to sustainable growth of the employer, but TPR could be more supportive and clear on when enough is enough in relation to the protection of past service benefits and minimise scenarios of excessive prudence where this is at the expense of future service benefits and employer growth. We would like to see greater TPR focus and guidance for trustees and sponsors of well-funded schemes to help parties manage and distribute current and future surplus particularly where this could be used to meet future service costs."



Meanwhile, Marshall says: "Caution must be taken with any PPF surplus; we spent much of the last 15 years battling with deficits when the previous period had included contribution holidays and augmentations."

A PPF spokesperson tells *Pensions Age* that the lifeboat fund will "work together with policy makers to ensure any changes are beneficial to members, while enhancing the wider DB scheme landscape".

They continue: "Any changes to TPR's objectives will need to be considered carefully because, while our reserves and overall DB scheme funding levels have significantly improved in the past five years, changes in market conditions could impact the level of protection provided by our reserves."

A spokesperson for TPR says that "it is too early for a detailed discussion on the WPC's recommendations", noting it has until the end of May to respond to the report.

However, that does not give the regulator much time to reflect and ultimately adapt to the new DB world.

Written by Gill Wadsworth, a freelance journalist

Rules & regulations - the LGPS angle



Muse Advisory CEO, Ian McQuade, reflects on the regulatory pressures facing the LGPS today

When asked to consider whether the level of change in the rules and regulations around the Local Government Pension Scheme (LGPS) is impacting the running of the scheme, it would be all too easy to say "yes" and move on to the next job. It's worth, however, picking out a few of the reasons distilled from our own experience of working with the LGPS.

Describing the level of change impacting LGPS arrangements succinctly is not without challenge, perhaps best illustrated by Hymans Robertson devoting seven pages of its monthly update to cover the changes. And that was just scraping the surface. The amount and pace of change impacting these arrangements cannot be underestimated. It's clear from feedback from our own LGPS clients that dissatisfaction is widespread, with current governance arrangements that seem to just add more burden and time but less value.

To name but three changes, you have the impact of the General Code that came into force on 28 March; the potential changes to the accounting disclosures that could impact reporting for the year ending 31 March 2024; and the ongoing administrative burden that, like all movie villains, only needs to be referenced by a one-word name – McCloud! Changes to lifetime allowances, we'll leave for another day.

Short-term pain, long-term gain?

Some of the changes proposed could well lead to an easing of the burden, and some will see improvements in the governance of LGPS arrangements, but these will happen over time. In the meantime, the pressure on those dealing with the schemes increases. Pension administrators are much sought-after. However, whilst there have been significant increases in salary levels across many third-party pension administrators, within the local authority salary structure such increases have not been replicated. We are aware of some teams that have struggled to retain staff.

The double-whammy of loss of experience from the administration team, combined with ever-increasing complexity hardly makes a recipe for success. Everyone is trying their best, however mistakes will happen and, in a world where scheme members are looking for the right answers more quickly than ever, this results in some members making poor decisions. This in turn leads to complaints and requests for compensation, resolution of which distracts administrators from delivering a good day-to-day service.

There is additional pressure on the auditing of pension fund annual accounts. It was hoped that splitting the main local authority annual accounts away from the pension fund annual accounts would make life easier. However the proposed legislative change was not included in the King's Speech in late 2023, so is unlikely to be brought forward ahead of the next General Election.

Schemes under pressure

With increasing pressure on the administration teams, compounded by a myriad of other changes, the audit process is being delayed across some arrangements. This adds more pressure as members get concerned about the reasons for the delays, typically resulting in the need for staff to spend time reassuring members and issuing communications.

At the same time, there is immense pressure on the scheme management to effectively govern the other moving parts of the scheme, especially the investment aspects. Pooling has worked in many ways, but now government is wanting more from the pools that have been created to help address societal needs, fund major infrastructure projects, etc.

Solutions

So, what could help alleviate some of these challenges? Two things would help.

Firstly, clarity in terms of the long-term strategy for LGPS arrangements would help everyone, and then having time to put those changes into effect. The same of course applies to many other areas of pensions! Our experience working with both LGPS and private sector schemes on strategy development and improving administration has demonstrated that it is certainly possible to achieve good results tailored for their scheme in an unstable external operating environment. However, like any other sector, this is more straightforward where the environment is more certain.

And secondly, making sure that where best practice exists, this is shared across arrangements to drive broader improvements. The routes to do this are varied and include schemes sharing information directly in addition to using third-party specialists supplying the benefits of their insight drawn from across the market. Whilst we have seen greater openness to sharing, learning about and then implementing best practice, there remains work to do.

Written by Ian McQuade



EDF Energy pensions manager and fund secretary, Laura LeMay



Knowa chief commercial officer, Aled Davies

EDF Energy: Keeping in the Know(a)

EDF Energy pensions manager and fund secretary, Laura LeMay, and Knowa chief commercial officer, Aled Davies, tell Francesca Fabrizi how their collaboration has transformed the day-to-day management and governance of the scheme for the better

Please give us an introduction to the EDF Energy scheme.
Laura LeMay: The EDF Group (EDFG) scheme oversees the benefits of circa 28,000 members. In 2021, we transformed how the company's DB schemes were governed, merging three schemes into one. We now have a single scheme managing circa £6 billion of assets, with a mix of professional, member- and company-nominated trustees on the board and a team of six in house, supporting the trustee on all matters relating to the scheme.

What does Knowa offer to the pension fund space?
Aled Davies: Knowa was founded to provide a single, secure platform through which trustees, in-house teams and advisers could access all of a scheme's knowledge. We strongly believe that better access to a scheme's knowledge will help boards make better decisions and deliver better outcomes for members.

Before Knowa, the scheme's knowledge was fragmented: Meeting papers on a portal, discretionary cases on a data-sharing site, and governance tools like risk registers stored via email. Now, the scheme can log in to Knowa and have everything a click away, streamlining their responsibilities. Where this gets incredibly exciting is when we deploy the power of AI across all of this knowledge.

Fast forward to today, and we now have over 400 pension schemes using the platform, ranging from small ones with 30 members to some managing over £10 billion of assets.

Why did the EDFG scheme choose Knowa and how was it working together at the start?

LeMay: We'd been living with a lot of what Aled *[Davies]* described about fragmented knowledge for a number of years. It was working fine, with the scheme operating successfully and getting things done. But scratch under the surface and you'd see plenty of frustrations, compromises and work-arounds that the in-house team had been forced to add to our processes.

The tipping point came when our existing supplier announced they were switching off the portal we used and forcing us to move to another of their solutions. So we decided to review the market and find the best platform to take the scheme and its new governance structure forward. It ended up being a quick process as Knowa was the stand-out option. It was easy to customise to our governance structure and it looked intuitive and user-friendly, so we were confident the trustees would get on board with it quickly. We also saw a huge opportunity to move away from spreadsheets and word documents for our key governance tools like our actions tracker, decision log and trustee training logs. The onboarding and ongoing support offered also gave us a lot of confidence.

Davies: Some aspects of the onboarding support is very similar from scheme to scheme, for example individually onboarding the trustees to their new Knowa account and running the data transfer process from the current portal. But where it gets interesting is when we look to integrate schemes' governance tools into the platform. Here it was great to work with Laura *[LeMay]* and the wider EDF team to understand their existing tools and templates and their goals for integrating them into Knowa. This allowed us to apply everything we learned to improve, and where possible automate, their tools in a way that continued to reflect how the scheme operated.

LeMay: Looking back at the onboarding process, probably what surprised me the most was how quickly

it was all completed and how easy it was to transition from one platform to another.



How has Knowa transformed the way the scheme does things?

LeMay: It honestly is amazing – I wish I'd had access to it years ago. It effortlessly organises our important governance documents and ensures secure sharing. I'd also go so far as to say it has enhanced the scheme's way of decision-making and how we provide information to the trustees and their advisers. We can quickly retrieve and manage files, saving time and boosting productivity with files and logs being viewed in real time.

Another area where we use Knowa extensively is to discuss and decide on discretionary cases. There's no more worries about GDPR and password protecting documents as everything the trustees need is securely accessed on the platform. Even the trustees have noted how we now progress cases more effectively and efficiently.

We're currently also working to unlock the huge potential of Knowa's AI-powered tools.

Tell us more about these AI-powered tools and the impact you're already seeing them have

LeMay: It's been hard to keep pace with the release of these features to be honest! Personally, the one I've found most useful is the ability to click a button and get a summary of the salient points in a technical paper. It's improved the quality of the notes we include in meeting packs and, as a result, helped with the smooth running of meetings.

Another feature I'm seeing multiple uses for is Knowa Q, the search engine that generates a tailored answer to your question.

Our trustees use it to ask questions about the scheme that might previously have been asked of our team or the advisers. The questions still reach us or the advisers eventually, but what's being asked is noticeably more detailed as Knowa Q has helped the trustee quickly collect some key information for their question, allowing them to hone in on the crux of what they need answered.

For our in-house team, Knowa Q is also saving us hours of time previously spent searching across three schemes for information hidden in old minutes, papers and reports.

Davies: More broadly than the EDFG scheme, one thing we've learned as we've launched Knowa Q is how we need to re-train our users to search. We found that, if we just gave them access without any support, they'd use it like a traditional keyword search. What I mean by this, is that they'd search for the name of the file they think contains the information, or an obscure keyword they think would have been used nearby the information. And then they manually interrogate the documents to hopefully find their answers.

So to unlock the potential of Knowa Q, we need to re-train users on how to search – this means asking Knowa Q the underlying question you want answered, then let it do what it does best of reading across thousands of pages and generating an answer based on what it's learnt.

This way, not only will the AI find the relevant content the user vaguely has in mind, but it might also find other related content that should factor into the decision too – for example, a minute from a 2009 board meeting discussing the same topic. Then, best of all, it will briefly summarise all of these insights and provide an easy-to-follow link to the underlying papers.

How else do you see the board using AI in the future?

LeMay: It's still early days, but we've just started using Knowa Verse, which generates minutes from a recording of a meeting. What stands out already about it is just how much it knows about the scheme – it knows who attended the meeting and the agenda. But, most excitingly of all, because we save all our existing minutes on Knowa, Knowa Verse is able to learn and replicate our style of minutes.

How has Knowa's offering helped other clients in the pension fund space?

Davies: Ultimately, one of the core things Knowa is trying to help schemes with is to mitigate key person risk. For schemes looking to run-on, this is obvious – it's likely the scheme will be around for longer than the current individuals running it, so how do we ensure decisions made today are easily accessible to help inform future board decisions?

But even schemes close to buyout are asking how they should store their discussions and decisions after wind-up. Here, we're using Knowa to help trustees build an accessible archive, one that can be used to evidence that the trustees have discharged their responsibilities, whilst also ensuring the scheme's data remains easily accessible if a previously unknown member tries to make a claim for benefits from the scheme.

Written by Francesca Fabrizi

Pension transfer incentives: The big debate

Summary

- The use of pension transfer incentives is controversial, with some stakeholders calling for a complete ban. Proponents say incentives promote engagement, while opponents say they influence savers to make financially unsound decisions.
- A lack of value comparability between pension providers makes it difficult for both savers and advisers to discern the benefits of specific schemes.
- The subjective nature of value means transfer decisions are not purely financial, with some savers prioritising other value factors such as brand recognition or service quality.

Chloe Whelan considers the arguments for and against pension providers offering cash incentives to savers who transfer into their scheme from a competitor



As a result of pension auto-enrolment, the majority of UK workers (88 per cent in 2022) are now saving for retirement, including low-income earners and frequent job-hoppers. While this outcome is commendable, helping to address formerly low levels of pension coverage, it has also given rise to fresh challenges.

Most DC savers are defaulted into their pension scheme and acquire a new pot with each job change, resulting in some 12 million unused, small-value pension pots. Many of these members will need to transfer between providers to consolidate their retirement savings, usually towards the end of their working life. Additionally, they may never engage with their pension provider before making that decision.

In response to this disengaged landscape, some pension providers offer cash incentives to savers who transfer their scheme from a competitor.

Proponents of pension transfer incentives say they help consolidate the UK's proliferation of small pots while

encouraging savers to take an active role in retirement planning.

However, pension transfer incentives are also highly controversial. They are considered a 'red flag' under government regulation, meaning schemes can delay or block members attempting to transfer to a provider after being offered an incentive. Some pension professionals have called for a total ban, raising concerns that incentives persuade savers to make transfers that deplete their savings over the longer term.

Transfer incentives are expected to be a focus of the Department for Work and Pensions' (DWP) ongoing attempts to improve the transfer process. But how can savers be empowered to make sound transfer decisions, bearing in mind that the best outcome will vary from person to person?

"Pension transfer incentives ... compel savers to act and not think"



'Act, don't think': Controversy around transfer incentives

Pension transfer incentives are a regulatory red flag, allowing trustees to delay or even refuse a transfer request if a saver has been offered an incentive to move their pension.

However, some stakeholders say this roadblock does not go far enough. People's Partnership, for instance, has called for a complete ban after finding incentives make savers more likely to switch their pension to a less profitable option.

People's Partnership's study, conducted by the Behavioural Insights Team, surveyed over 5,500 savers and found participants were 20 per cent more likely to say that they would transfer their pension after seeing a £100 cashback offer. This was despite analysis suggesting that higher fees charged by the new provider would leave them more than £1,000 worse off after just five years.

People's Partnership CEO, Patrick Heath-Lay, attributes this outcome to a lack of transparency regarding pension fees and investment performances, making it difficult for savers to calculate potential savings.

"It's incredibly financially challenging for someone to work out the long-term impacts of their chosen pension provider," he says.

"The difference between a scheme that charges 0.4 per cent and 0.75 per cent doesn't sound like a big difference but calculating that impact across decades, during which savings are likely growing and compounding, is extremely difficult."

Pensions Administration Standards Association (PASA) president, Margaret Snowdon, also opposes pension transfer incentives, saying they compel savers to "act and not think".

Snowdon proposes an alternative model by which schemes may offer incentives that purely promote

engagement but are not contingent on a transfer taking place.

"I believe it's completely fine to offer a cash incentive in exchange for someone's time, so that they listen to what you have to offer," she says.

"However, that incentive should be paid out regardless of the saver's final decision. Ultimately, savers should be free to transfer or walk away, confident that they made the right decision without being swayed unfairly in either direction."

In defence of incentives

Others in the industry advocate in favour of transfer incentives, viewing them as a tool to promote engagement.

Hargreaves Lansdown, for instance, offers cash incentives during promotional periods that vary in size depending on the amount transferred. The organisation's head of communications, Danny Cox, says these incentives encourage savers to take a proactive approach to retirement planning.

"Very few people wake up on a Monday morning and say, 'oh great, I need to look at my pension,'" Cox says.

"People need encouragement to engage and giving them a financial incentive has been shown to work. We need ways to nudge people to engage with their pension planning because, ultimately, it's for their own and society's benefit."

Hargreaves Lansdown's incentives are paid out only after a transfer takes place. When asked whether the company would consider incentives that are not contingent on a transfer, akin to Snowdon's model, Cox says these "just wouldn't be commercially viable".

"You'd have to significantly reduce the size of the incentive," he said.

Several pension professionals also expressed dissatisfaction with the flagging system, saying they wished to see less regulation in the transfer process. PensionBee, for instance, has accused several of its competitors of abusing the legislation to block members from making legitimate transfers.



"People need encouragement to engage and giving them a financial incentive has been shown to work"

The Lang Cat director of public affairs, Tom McPhail, says he could not comment on PensionBee's specific experience, but raises concerns that a complete ban on transfer incentives would only add red tape for savers.

"Many schemes receive transfer requests and go through a laborious process of back-and-forth that can take several months," McPhail says.

"I have a strong suspicion that there is an element of bad faith in the way some schemes choose to resource their transfer departments. We need to standardise and simplify that transfer request process across the industry. That is in everybody's best interest."

Cox agrees: "The best markets exist where people can move their money around as freely and easily as possible. They need to understand the benefits they may give up if they transfer, but ultimately people should be free to move their money around as they wish."

Defining value

Further complicating the issue is the lack of comparability between pension providers, which makes it difficult to discern true value-led opportunities.

The Financial Conduct Authority will consult on new reporting requirements this year in an attempt to improve value comparability. Less than one-quarter (24 per cent) of DC schemes complied with reporting requirements in 2022, according to government figures.

Heath-Lay says this lack of comparability meant even engagement-led incentives were unacceptable.

"Many schemes can't provide specific advice because it's very difficult to compare their offerings to those of competitors," he says.

"There is a fundamental lack of comparability between providers. Incentives only pour petrol on that fire, making people blind to already highly convoluted details. I don't see incentives playing any role in the transfer landscape until we tidy up comparability."

Additionally, value is a subjective term, meaning some savers may prefer a pension transfer even if it carries a negative financial impact.

McPhail says: "Value means different things to different people, and it should be up to an individual to move to an arrangement that better suits their needs.

"A pension provider may have low charges but very poor service and few investment choices. In those cases, an individual may choose to transfer even if it means they pay more and that's a very legitimate decision."

Snowdon agrees and says her concerns only arose when higher fees were untransparent.

"Every day, people happily take on contracts that have high fees because they enjoy the prestige, the brand, the service offered by a particular provider," she says.

"However, many providers aren't being clear about the costs that apply over the lifetime of a contract. My concerns lie with those savers who don't want to pay high fees, don't know they're paying high fees and are being misled."

Written by Chloe Whelan a freelance journalist



Non-alignment of executive pensions and worker pensions

Executive directors' pension contributions not being aligned with the average pension contribution for employees is biggest area of non-compliance under the Corporate Governance Code, finds Thomson Reuters Practical Law

Just under half (49 per cent) of FTSE 350 companies are fully compliant with the UK's Corporate Governance Code, with pension contributions being the most common area of non-compliance, according to recent research from Thomson Reuters Practical Law.

The group's study revealed that 30 per cent of companies reported failing to meet the code's requirements by paying executive directors pension contributions that are not aligned with the average pension contribution for employees.

Under the code, companies are expected to pay the same percentage salary in pension contributions to their entire workforce, including board executives.

Allowing a chair to remain in position for more than nine years was the second highest area of non-compliance with the code, as the study found 12 per cent of the FTSE 350 were non-compliant in this area, a moderate improvement from the 14 per cent that were non-compliant in 2022.

Commenting on the findings, Thomson Reuters Practical Law senior editor, Amanda Cantwell, said: "Although companies may have justifiable reasons for non-compliance, levels of compliance with the code are rising, which should mean improved corporate governance for FTSE 350 companies.

"The improvement in adherence with corporate governance principles shows a positive cultural change in British corporate governance five years on from the collapse of Carillion, which has highlighted the importance of corporate governance regulation.

"Meeting high standards of corporate governance set by the code can foster an environment of trust and accountability within the UK's biggest listed companies."

However, UK Sustainable Investment and Finance Association (UKSIF) head of public affairs, Joe Dharampal-Hornby, states: "UKSIF is concerned by the new research showing a significant discrepancy between executive and average worker pension contributions within FTSE 350 companies.

"The Corporate Governance Code's requirement for aligned contribution percentages is an important safeguard for the retirement savings of millions of UK workers, regardless of annual salaries. Stronger monitoring efforts and clear consequences for non-compliance would give savers greater confidence that companies they invest in are adhering to good governance practices."

Meanwhile, Pensions and Lifetime savings Association (PLSA) director for policy and advocacy, Nigel Peaple, highlights that "pension funds demand high levels of disclosure around employment practices from their investee companies because organisations that look after their workforces tend to outperform their competitors".

"Unfortunately, when it comes to workforce issues, best practice is still the exception rather than the rule, with remuneration continuing to rank high on the list of areas resulting in shareholder dissent," he says.

"Furthermore, UK workers are currently not saving enough for an adequate retirement with around a quarter projected to fall short of the PLSA's Minimum Retirement Living Standard. We would encourage those companies subject to the UK Corporate Governance Code to pursue paying higher pension contributions as an end in itself."

Summary

- TPR's proposals for DB scheme trustees to produce a statement of strategy is just the latest in a long list of reports, statements and submissions schemes need to produce for compliance purposes.
- There is concern within the industry about the cost and effort required to produce data requested for the statement of strategy.
- The ever-increasing demands on trustees are exacerbating the problems many schemes face in recruiting new trustees.
- These reports and submissions will help improve regulation and can have positive consequences, but it is important for regulators and trustees to maintain a focus on improving member outcomes.



Oversight overload

With the list of reports, statements and submissions that trustees need to produce growing longer every year, David Adams asks if these requirements are fulfilling useful purposes for members

Being a pension scheme trustee is difficult, and it gets just a little bit harder every year. There are good reasons for that: Trusteeship is important, and the consequences of trustees failing to fulfil their duties can be disastrous. But as each year brings new regulatory duties, and with many DB schemes finding it particularly difficult to find and retain new trustees, are trustees now being asked to do too much, and for the wrong reasons?

The latest reason to ask that question is The Pensions Regulator's (TPR) proposals for a statement of strategy for DB schemes. If implemented they will mean DB scheme trustees must complete a statement outlining long-term funding and investment strategies, progress in implementing those strategies and details of associated risk management. TPR has created templates for the statements and recently closed a consultation on the proposals, to which it is expect to respond to soon. In theory, trustees will begin submitting statements of strategy from September 2024.

When the consultation was announced, TPR interim director of regulatory policy, analysis and advice, Louise Davey, said the proposals were designed "to make it as easy as possible for trustees to comply with new legislation, and ultimately to show how they are acting in the best interest of savers".

Some trustees and their advisers might have greeted the words "as easy as possible" with a hollow laugh. The most commonly expressed complaint about the proposals relates to the amount of detailed data the regulator wants to be included in the statements. But the real problem facing trustees is that this is just the latest in a long list of other reports and submissions already required by the regulator, or by law.

DB scheme trustees' responsibilities already include working through the process of actuarial valuations every three years and monitoring the health of the employer covenant. If a scheme is in deficit, trustees must provide the regulator with a detailed recovery plan. Trustees of both DB and hybrid schemes must also complete an annual scheme return; while most schemes must also demonstrate an effective system of governance (ESOG); and document risk management via an own risk assessment (ORA).

Elsewhere, trustees of DC schemes must comply with requirements aimed at assessing the value a scheme is providing for its members, publishing the results within an annual Chair's Statement. TPR, the FCA and the DWP have created a new value for money (VFM) framework, which will require trustees to publish annual assessments of value delivered through investment performance, services, costs and charges.

Devil in the detail

Many of these assessment and submission processes may have beneficial effects, in terms of improving the governance and funding of the scheme, and, it must be hoped, improving outcomes for scheme members. But are they all necessary?

Professional trustee firm Vidett client director, and accredited professional trustee, Sophia Harrison, sees some merit

in the proposed statement of strategy.

"It's quite good from an integrated risk management perspective," she says. "But what's been requested by the regulator is a very detailed snapshot that even by the time it's received could be out of date. There's not enough focus on contingency planning – which is arguably actually much more interesting to the regulator. For example, the covenant could change very quickly and then the scheme's in a very different place."

As soon as the consultation emerged, Hymans Robertson head of DB actuarial consulting, Laura McLaren, released a statement suggesting that completing the regulator's template with all the detail requested would be "onerous for schemes and disproportionate to what TPR needs to regulate them, especially in an environment with many well-funded DB schemes targeting buyout".

McLaren dismissed the proposed statement as having "little value for the schemes themselves beyond compliance". Most damning of all, Hymans Robertson estimated that completing the statement could add 20 per cent to the costs of valuations. McLaren tells *Pensions Age* that this figure is based on the amount of time needed to obtain all the data requested; and could apply to most schemes, of almost any size.

"We would say, strip right back to the basics required for compliance and perhaps think about a short statement schemes can produce that does more to engage members in strategic discussions," she says.

Aon associate partner, Shelley Fryer, says she and her colleagues hold similar views. "I think we're in line with the view that it's asking for more data than is necessary, at least for the majority of schemes," she says. "Can we see a benefit for the trustees, or the scheme, or the employer? They need to understand their plan, but they don't need to have provided their cashflows in the form the regulator has asked for. Our preference would be that the regulator asked for a more high-level summary first, then asked for more data later if necessary."

Ever-increasing compliance requirements and costs are also likely to encourage sponsors of DB schemes to seek a risk transfer solution, suggests Harrison. "Increasing reporting requirements, particularly the level of detail being requested, will increase costs and result in more sponsors saying 'I have no more interest in running this scheme on'. It's just pushing more schemes towards risk transfer."

WTW head of scheme funding, Graham McLean, feels the change in funding levels of many schemes during the past two years should be factored into setting compliance requirements.

"You have a lot of schemes that are better funded than they used to be," he says. "They are running lower levels of risk and relying less on the sponsor, but the amount of information they are required to produce is increasing. There is a concern on the part of trustees that that is not adding value to decisions that they make, or improving member outcomes."

"There's a danger that the pendulum is swinging a bit too far towards box-ticking and it's using up bandwidth that could be used elsewhere," says McLaren.

A focus on what really matters

The bandwidth that a trustee, particularly a lay trustee, can dedicate to meeting these compliance demands might be particularly limited. The ever-increasing complexity of trusteeship is already having a negative impact, warns Association of Member Nominated Trustees (AMNT) executive committee member, John Flynn, who is also an accredited trustee.

"Trusteeship is so complicated that people just won't stand to be trustees," he says. "Across all pension schemes people are having trouble recruiting trustees." It is true that many mature schemes are making more use of professional trustees, but this is not necessarily the right option, or possible, in every case.

Flynn thinks a better balance could be found in terms of adjusting regulatory requirements. "When a pension scheme goes wrong and the story ends up in the papers, people clamour for more regulation, but I don't think there's enough sitting back to constructively criticise *[regulation]* you've already got," he says. "There has to be a lighter touch regime."

But Fryer points out that while some regulatory requirements around ESG have proved onerous for trustee boards they have also had some positive effects. "What we have seen is that ESG and social investment are now on trustee agendas," she says. "It's a focus for them and for managers in a way that it wasn't before."

Both the regulator and trustees must remember the real purpose of all these submissions and reports, says McLean. "Trustees have to look at whether they have something that tells members what they need to know – rather than relying on having ticked all the boxes under the legislation or regulation," he says.

"Things like the Summary Funding Statement are useful – members need to understand how well funded their scheme is and what the strategy for delivering their benefits is – but only if trustees think about who is going to read the statement and how useful it is to them."

A well-regulated pensions system is extremely important, but trustees need to ensure they retain a focus on that underlying purpose, says Harrison. The risk of compliance becoming a box-ticking exercise, she suggests, "is that people don't then take a step back and think about the bigger picture". After all, as the original idea for the statement of strategy demonstrates, that strategic oversight is what pension scheme trusteeship is really supposed to deliver.

Written by David Adams, a freelance journalist



Standing out from the crowd

With increasing scrutiny on the performance, service and value offered by pension schemes, *Pensions Age* reflects on the industry accreditations available to help providers stand out from the crowd

There has been a growing focus on the performance, service and value that pension schemes and providers are offering savers, with a new value for money framework on the horizon, and potentially new rules requiring schemes to compare investment performance data against two comparator schemes with assets in excess of £10 billion.

But there are already a number of qualifications and certifications available in the market to help providers stand out from the crowd and showcase how they compare against their peers. *Pensions Age* takes a closer look at the accreditations available.

The Pensions and Lifetime Savings Associations' Pension Quality Mark

The Pensions and Lifetime Savings Association's (PLSA) Pension Quality Mark (PQM) was originally launched in 2009, although the standards underpinning it have continued to evolve with the industry.

Going beyond the minimum regulatory requirements, the standards aim to recognise workplace schemes that have good contribution levels, good governance, and encourage employees to save for their future.

To meet the standards the employer must offer employees a minimum contribution of 12 per cent, with at least 6 per cent from the employer, or 15 per cent for PQM Plus, with at least 10 per cent from the employer.

The scheme must have effective governance, an appropriate default investment strategy, an understanding of its members, with an inclusive engagement strategy, and support for members at retirement. The standards also set out best practice, and the evidence a scheme can provide to demonstrate that it meets the standards.

The accreditation scheme was designed to increase confidence in workplace pensions by helping employers demonstrate the quality of their scheme. It is open to all defined contribution schemes, including trust-based arrangements (even where the trust has a defined benefit section), group personal pension schemes, group stakeholder schemes, group SIPPs and schemes using a master trust. Currently there are 83 schemes accredited with PQM, covering over 500,000 active savers.

There is an annual licence fee to use the PQM.

The Living Wage Foundation's Living Pension scheme

One of the more recent initiatives launched in the industry, the Living Wage Foundation announced the launch of its Living Pension standard in 2023. The standard sets a target of at least 12 per cent of a worker's annual salary to go into pensions saving, of which the employer pays in at least 7 per cent.

It 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 contributes at least £1,448 to this cash amount.

The Living Pension standard is a voluntary savings target for employers who want to help workers build up a pension pot that will provide enough income to meet basic everyday needs in retirement, after research from the Living Wage foundation revealed that over half (56 per cent) of pension savers feel like they'll never be able to retire.

The Living Pension accreditation

is open to all accredited Living Wage Employers. To meet the standard, the Living Pension must apply to all directly employed staff (regardless of age and earnings) and, over time, third-party contracted staff within scope of the Living Wage.

As part of the accreditation, employers must also agree to provide an annual communication on the Living Pension to all employees, and a template will be provided to support this.

Launched with eight initial signatories, support for the standards has continued to grow since, with its latest update revealing that there are now over 35 employers accredited.

Cross-industry accreditation – Star

This scheme focuses specifically on the transfer space, having been launched by Criterion and TeX in 2019 as a method of tackling the delay of transfers for consumers, when accessing their savings, investments, and pensions.

In its first three years, a total of 76 firms signed up to the cross-industry initiative, which is backed by the regulators and government. And support has continued to grow since, as the number of brands awarded with Star accreditation grew by 16 per cent in the past year, with 37 brands awarded accreditations in its latest update in April 2024.

Star accreditations are based on several factors, with each organisation measured on a range of previously agreed key performance indicators, not only on the overall transfer time, but also how they communicate with clients.

The initiative announced its first round of accreditation in 2022, in what was described as the "biggest piece of industry collaboration for decades".

Two years on from this, Star has argued that the initiative continues to be particularly important when considering the Financial Conduct Authority's (FCA) Consumer Duty rules, which laid out rules to avoid causing foreseeable harm to customers.

Indeed, Star chair, Andrew Marker, highlighted the "significant increase" in accreditations in 2024 as a reflection of the FCA's Consumer Duty rules and of organisations recognising that "improving transfers is key to not only fulfilling these rules, but also driving their own success".

In September 2023, the FCA also contacted CEOs and firms as part of its supervision strategy to encourage them to engage with Star and support the principles and actions endorsed by the FCA in connection with Star.

"Where firms are reporting poor transfer times in comparison with peers and do not already engage with Star, we will be enquiring about their justification for non-engagement and will act in the absence of progress on transfer times," the FCA stated.

The Institute and Faculty of Actuaries' Quality Assurance Scheme

The Institute and Faculty of Actuaries' Quality Assurance Scheme (QAS) is a voluntary, outcomes-based accreditation scheme for organisations that employ actuaries, supporting the highest professional standards; demonstrating a commitment to meeting the QAS outcomes: Professionalism, development and training, and organisational culture.

The accreditation aims to recognise that actuaries do not work in isolation from the organisation in which they work, acknowledging the importance of the working environment in enabling members to fulfil their professional responsibilities, and the importance of appropriate monitoring of the quality system controls at an organisational level.

In particular, the scheme aims to promote professionalism in organisations that employ actuaries, encourage actuarial employers to ensure effective support is in place for technical and ethical issues faced by actuaries, and to promote greater confidence in the work of actuaries.

Support for the QAS has grown since its launch, with over 40 organisations now accredited under the scheme. There is an annual fee to use the QAS.

Benefits Guru

Benefits Guru's ratings aim to help advisers and employers in their decision-making process. Designed to provide clarity on the variety of tools and services available via workplace pension providers, the ratings are intended to help advisers and employers identify the propositions that will help improve financial outcomes for members and highlight areas where providers could enhance their offerings.

They cover a number of categories, providing annual ratings on workplace pensions, auto-enrolment (AE), financial wellness and open finance.

In the rankings, each provider is awarded a gold, silver or bronze or N/A rating for their overall proposition and in a series of underlying sub-categories, which reflect the most frequently selected features chosen over the past 12 months by advisers using the Finance Technology Research Centre's online workplace pensions comparison tool.

These sub-categories include: Member app and portal capabilities, at-retirement support, member communications, proposition design, governance and vulnerable customers support. The latest workplace pension and AE ratings also saw the introduction of additional benchmarking criteria, including environmental, social and governance within the 'investment & fund options' rating.

In 2023, providers achieved their strongest performance in the workplace pension and AE ratings since the ratings began nine years ago.

Written by Sophie Smith



Professional trustees: A need for greater scrutiny?

Summary

- Pensions Minister, Paul Maynard, has ruled out mandatory accreditation of professional trustees for the time being, despite steep increases in the number of professional trustees.
- The current regime around accreditation for professional trustees is voluntary, but some argue that it should be mandated.
- Industry experts believe a trustee register would provide transparency for the industry but could hinder diversity within trusteeship.

Paige Perrin explores the current voluntary requirements around professional trustees and whether closer monitoring is needed

The professional trustee ecosystem has seen rapid market growth in recent years. This increase in professional trusteeship has brought their regulation to the forefront of discussion; further enhanced by the Mansion House reforms in July of last year on trustee capability, the final General Code's comments on professional trustees, and more people generally considering professional trusteeship as a career path.

Furthermore, the Department for Work and Pensions (DWP) and The Pensions Regulator (TPR) launched a combined call for evidence on trusteeship in November last year, and various professional trustee research studies have been conducted by industry firms, such as Hymans Robertson, Isio, and Lane Clark & Peacock over the past six months.

Speaking last month at the Pensions Age Spring Conference, Pensions Minister, Paul Maynard, explained the government is "not yet going down the mandatory path" regarding accreditation of professional trustees, and that discussions with the Financial Conduct Authority have "indicated that voluntary registers and upskilling seem to be the next best step forward".

"There may be a point, and I'm speculating here, that once that works its way through the system, there may seem to be a need for a mandatory register at some point. I don't think we are there yet. But equally, we are seeing more professional trustees emerging. We need to keep an eye on it," Maynard said.

It seems that the increasing presence of professional trustees has led to a surge in conversations around whether the current voluntary regulation is sufficient, and if it should be mandatory instead.

According to research by Isio's *Professional Independent Trustee Survey* last month, professional trusteeship increased by 16 per cent in 2023, marking the fourth consecutive year of double-digit growth.

"The industry and firms have continued to grow – 10 per cent more people and clients, and around 16 per cent higher in revenue," Isio partner, Mike Smedley, says. "There is plenty of new regulation affecting pension schemes, which impacts all trustees but there isn't a distinction between the responsibilities of a professional trustee and any other trustee, so there is no additional layer of regulation."

Present qualifications

This growth begs the question of what regulations are currently in place. There is a voluntary register for trustees by TPR and two voluntary accreditations offered, one by the Pensions Management Institute (PMI) and one by the Association of Professional Pension Trustees (APPT), with no current plans to join forces.

Although the accreditations are voluntary, PMI director of policy and external affairs, Tim Middleton, notes that approximately 80 per cent of professional trustees are accredited.

Despite the substantial uptake in voluntary accreditations, both the PMI and the APPT have discussed the need for mandatory accreditation for professional trustees.

Middleton says there are currently no plans for mandatory accreditation, despite serious conversations around the topic. "We've discussed this with TPR and the DWP," he says. "It would seem at one point this was being given very serious consideration. It is something they have seemed to have rowed back on more recently." Middleton argues that if there were any serious instances of rogue professional trustee firms then "the government would once again seriously consider making at least an accreditation and a more formal regulatory structure mandatory for all professional trustees".

An APPT spokesperson adds to

this: "APPT has argued for mandatory accreditation of professional trustees for a number of years and will continue to do so. We believe the government should outline a forward plan to achieve this and ideally seek to have a professional trustee on every trustee board in due course."

Similarly, industry experts also have views about the current TPR voluntary trustee register. Middleton emphasises the increased control TPR would have if the register was mandatory: "It would allow them to collect the kind of data they really need for effective enforcement and to ensure proper governance is going on throughout the UK pension schemes. There's no good reason for it not to be mandatory."

Dalriada Trustees managing director, Chris Roberts, also welcomes the transparency a trustee register would bring: "You should be able to click up and check the trustee you're talking to is on there. Transparency in financial markets is key and it should be simple."

But Zedra managing director, Kim Nash, says she would be "cautious" if the level of investment put into maintaining a mandatory register of trustees would be "best placed" in the other areas TPR could influence.

So why is it important to regulate trustees and what difference would it make if accreditation was mandated?

Importance of regulation

It can be argued that tighter regulation is needed, as currently an unaccredited individual can label themselves as a professional trustee. "Whilst many of these individuals may be fully capable, there must be a concern that a few may fall short of the standards the industry has set," an APPT spokesperson says.

Roberts stresses the importance of regulating trustees and believes "it would be absurd that an individual who is looking after hundreds of billions of pounds and thousands of members was not required to meet some kind of bar".

He states that professional trustees are adding a new dynamic and he would like to see a higher bar of entry for the qualifications, but acknowledges how much hard work has gone into this already. "I do expect for it to become more about having the right professional trustee rather than having a professional trustee," Roberts explains.

Nash stresses the difficulty of testing soft skills through the current accreditations, although she recognises PMI's efforts with its soft skills exam. However, she believes they didn't introduce any stricter requirements than Zedra already had in place.

"There isn't a distinction between the responsibilities of a professional trustee and any other trustee, so there is no additional layer of regulation"

"It's much easier to test someone's technical knowledge and ability – multiple choice questioning around your ability to bring people together is quite difficult to identify," she explains.

Middleton emphasises the importance of 'clear blue water' between qualifications for lay trustees and professional trustees. He says the PMI "has suggested to the TPR that *[the regulator's]* Trustee Knowledge and Understanding (TKU) requirements have been in force now for 18 years and haven't been subject to any revision. They certainly need more revision and the standard that's expected should be higher – that's applicable to all trustees, not just professionals."

However, Smedley raises concerns of what mandatory accreditation would do for trustee diversity. "No-one wants blanket changes that inadvertently reduce diversity in the trustee market," he states.

Hymans Robertson head of governance consulting, Laura Andrikopoulos, agrees, commenting: "Any mandatory regulation must strike the balance between ensuring a high standard amongst professional trustees whilst not excluding some highly capable and effective trustees due to inadvertent consequences of various rules."

Andrikopoulos gives the example that narrow requirements on qualifications or operational requirements could make it difficult for sole traders or very small firms of trustees to operate.

Looking ahead

Whilst steps are being taken to hold professional trustees to account through voluntary means, what is ahead, and would mandatory regulation hinder or facilitate better professional trusteeship?

The APPT says it is "looking to work with TPR in adding new, relevant, updated modules to its toolkit in the period ahead" and its accredited members are being required from 2024 to undertake an annual reflective discussion.

Increased regulation is welcomed by Zedra, Nash says, but warns of being "mindful that it is additive. We need to improve governance processes rather than just creating burdens or a box-ticking exercise. It needs to be something that's genuinely adding value".

Roberts adds that he would like to see PMI and the APPT work together to create a central register of accredited trustees to make it clear who is accredited across both bodies. "Interaction, information sharing and development between those two bodies is important," he states.

Middleton concludes that the PMI monitors the changes and discussion around this topic, stating: "We track those discussions very closely and if any significant changes were introduced, our range of qualifications would be adapted accordingly. Things change all the time. The initiatives that government introduce regarding trusteeship are constantly being reviewed and considered."

Written by Paige Perrin

Shifting the needle



The FCA has indicated it will offer clarity over where the border lies between advice and guidance. But is it enough?

Summary

- The FCA has said it will clarify the boundary between advice and guidance, but doubt remains about whether this will lead to improved outcomes.
- Many say that advice should have some sort of tailoring, suited to the lifecycle of the pension.
- The FCA should, respondents say, be looking at how firms can communicate with AE customers electronically.
- Whatever clarifications came into play may still not be enough to close the advice gap.

It is no secret that there is still a marked gap in what people know about pensions and what they need to know.

A pinch point

This is why recent months have seen the Financial Conduct Authority (FCA) signal that it is going to look at the boundary between giving advice and providing guidance.

"To its credit," says AJ Bell public policy director, Tom Selby, "the regulator has diagnosed the problem correctly – namely that there is a substantial 'help gap' in the UK that needs to be filled to better support people when making financial decisions. This issue has become even more pressing because of Consumer Duty reforms, designed to be a step-up in regulatory standards, which require firms to aim for 'good outcomes' for customers and to avoid 'foreseeable harm'."

This, he says, has created a pinch point between the rules governing the boundary between advice and guidance, resulting in only generic communications being issued, and the need to apply the Consumer Duty requirements, which demand firms do more to help customers make well-informed choices.

New proposals

In August, the FCA published advice on its website to help firms provide more support to customers making investment decisions. The advice given then provided a list of examples to help them edge closer to the boundary between advice and guidance.

The FCA would conclude, however, that "[…] some concerns remain and that some firms are still finding it difficult to develop new services to meet the needs of consumers".

So, the FCA decided to set out a range of scenarios that it thought would clarify the gap. And then it laid out a set of circumstances where it said could provide greater certainty. And that, for now, is where progress is standing.

There was a lot of industry comment at the time about what the FCA was signposting. Writing in its *AGBR – Recap on FCA Proposals to Close the Advice Gap*, the law firm Hogan Lovells said that the ultimate aim of the FCA was to "[…] design a regulatory system where commercially viable, high-quality models of support can emerge and, on this basis, firms and consumers will be expected to manage risk, rather than eliminate it".

TISA head of retirement, Renny Biggins, says that the amount of support pensions decisions received was low across all avenues.

He says: "The amount receiving guidance is low across all pots and ages. You're generally looking at about 10 per cent of people using and getting advice and guidance through Pensions Wise. We do see some people taking regulated advice. But for those willing to take it, there's still a massive proportion of people receiving no advice or guidance in their retirement decisions."

Biggins adds: "We need to do something about this situation, or it's just going to continue. That's going to lead to

a lot of bad decisions and people will run out of money."

The question is whether these new proposals will do anything to 'shift the needle' when it comes to firms and how they deal in communicating with customers. One person who thought that the needle would not shift is Aegon pensions director, Steven Cameron. He says that much of what customers ask about or need guidance on can only be judged within context. Ultimately, he says that cautious firms will not be willing to risk fines and punishment for inadvertently advising incorrectly or too much.

"If you're not got permission to offer regulated advice," he says, "then you can't do that. The situation, for many years, is that the industry has been wary of what it can do without hitting up against what the definition of 'advice' is. That's led to where we are, where there are lots of calls for the boundaries to be reviewed on the different ways you can support clients."

It is a view echoed by Biggins. "There has been a lot of calls from within the industry for the FCA to provide more boundaries," he says. "It has been helpful in providing examples, but examples are very restrictive because there are so many different scenarios. What we really need is something more concrete."

He adds: "Firms don't know where the boundaries are, and compliance departments are overly cautious by their very nature. The last thing that a firm wants to do is go over the boundary and provide advice. What happens is that they sit back and stay understandably clear of it."

Some, such as Selby, are more sceptical.

He says: "While the FCA has sought views on clarifications to the existing advice guidance boundary, we are sceptical that this will make any material difference to the approach taken by firms when communicating with customers. As things stand, any communications or 'nudges' that are personal in nature and designed to influence behaviour risk falling on the wrong side of the advice guidance boundary. Firms are also often reticent to go anywhere near where they perceive the boundary to be because of the risk of creating a complaints liability which could be exacerbated by claims management companies."

All of this impacts on consumers. If the good guys are not willing to risk coming to the rescue, those who need advice the most are left in a position where they probably will not get it.

"There is a substantial 'help gap' in the UK that needs to be filled to better support people when making financial decisions"

Decision-making and communications

Even the FCA and the Treasury acknowledge this.

Writing in the Advice/Guidance Boundary Review, the pair jointly said: "Many consumers still struggle to make critical decisions about saving and investing, or accessing their pensions, without help. The consequences of this manifest in different ways. Consumers often keep too much of their savings in cash, remain invested in funds selected at the outset without reviewing their arrangements, withdraw their pensions at unsustainable rates, or invest in inappropriate products that do not meet their risk appetite."

The end result of this, the pair wrote, is that firms may be providing less support than they could, potentially leading to consumers suffering avoidable harm.

Other issues abound, says Biggins, particularly around electronic communications, auto-enrolment, and privacy laws.

"This," he says, "restricts firms from being able to communicate to scheme members, particularly those in workplace pension schemes. The regulations say that to receive communications, they cannot be classed as a marketing tool. Firms can opt in to receive these communications, but it doesn't work like that for auto-enrolment; the firms supply information on people to schemes but there is no point in that process for individuals to opt in."

There was, Biggins and Cameron say, some good news with the FCA's work in relation to the concept of 'targeted support'. This is for firms, the FCA said, to be able to broaden the support they give to consumers, working with limited information to suggest products or courses of action, based on a target market the consumer has been identified as belonging to.

"This is what we've been lobbying for," says Cameron. "What it does is allow someone to take into account limited information from a customer, then suggest a course of action that might be appropriate."

He continues: "It might help them make the most of what they already have. That's where we get the link into workplace pensions. There are over 11 million people who were auto-enrolled. Most of them have never spoken to an adviser. But many of them would still benefit from taking a different course of action."

Advice, says Biggins, should also be tailored to customers at different stages of the pension lifestyle. "It's important to look at younger savers," he says, "who are not saving enough. They're not going to know what they need to know. We need to look at helping people of all ages."

The point is that retirement can last up to 40 years. It seems churlish to expect that the best outcome, of any, would be to only be guiding people at the point of retirement.

Written by Pete Carvill, a freelance journalist

A helping hand



As part of *Pensions Age's* financial literacy special focus, we provide an overview of some of the initiatives the industry is taking to increase people's understanding of their pensions

Lifesight

LifeSight has a partnership with Octopus Money to provide one-to-one money guidance for its members. A spokesperson tells *Pensions Age* that members receive support tailored to their personal circumstances, as well as access to group webinars and other resources to support longer-term financial planning.

In addition, the master trust makes available to members an online financial education library, offering assistance on a range of personal finance topics. This continues to evolve to provide information about issues such as the rising cost of living, energy costs and food inflation, to help members navigate through these very challenging issues.

Royal London

"We are always looking at ways to help improve the financial literacy and financial resilience of our customers and the broader public. There is no 'one-size-fits-all' approach to achieve this, so we try to help through a broad range of activity – from personal insight in our mobile app and pension scheme-specific communications, to webinars that are open to anyone," Royal London customer life stage director, Rory Marsh, says.

"Recent activity includes a series of webinars, hosted by our pension expert, Clare Moffat, and our consumer finance specialist, Sarah Pennells. The pension programme delivered five webinars and attracted more than 7,200 live attendees and achieved 5,000 views of recordings to date."

Royal London also publishes a monthly customer newsletter, *The Pelican Post,* reaching 680,000 pension customers, covering a variety of finance related topics. "The most viewed articles last year included content on tax year end, writing a will, pension transfers and budget management. We also have a free financial wellbeing service for our pension customers, with over 15,000 financial health checks completed in 2023. The financial wellbeing service includes our benefits calculator service, which so far has helped customers to identify their potential eligibility for more than £6.9 million in state benefits," Marsh adds.

People's Partnership

"We're committed to helping our members improve their understanding of pensions and the wider financial challenges they face," People's Partnership chief

commercial officer, David Meliveo, says.

"There is no one method that works for our 6.7 million members, so we provide a wide variety of tools and content through a variety of channels and mediums to engage members in the places they are at the times that are right for them. Members can explore our easy-to-use digital content on our website and online portals, call our UK-based customer services to talk with a real pension expert, or take part in in-person workshops with our expert workplace engagement team.

"Last year we launched our financial wellbeing hub, which contains blog-style articles, lessons, videos and tools across a wide range of personal finance subjects. This is really important because pensions do not sit in a vacuum, and members need to think through pension decisions alongside all the other financial things happening in their lives."

Aviva

A spokesperson for Aviva tells *Pensions Age* that in 2023, it supported education seminars for over 56,000 members for its workplace pension clients, which are designed to improve understanding and support better financial planning. The seminars are free to Aviva workplace pension scheme members and provide a wide range of information on pensions, budgeting, saving money on household bills, understanding debt, and money problems.

RedSTART Educate

RedSTART Educate is a charity that aims to transform the life chances of primary-school children across the UK through financial education, with its 'Change the Game' programme of financial intervention.

Working with 60 primary schools in areas of greater disadvantage in England, Scotland and Wales, the first-of-its-kind longitudinal multi-year study with The Policy Institute at King's College London looks to explore whether learning about money early in life has a beneficial future impact and can improve financial understanding. After just one year of implementation, the study has found the programme is already having a positive impact on children's financial knowledge.

The programme is delivered through game-based activities and fun interactive workshops to introduce financial concepts to children at school in an engaging way, complemented by a bank app in which pupils can earn virtual money through quizzes and maths games and spend it in a real-life environment, giving them insight into budgeting, saving and spending.

Commenting, RedSTART CEO, Sarah Marks, says: "As we navigate a cost-of-living crisis and an increasingly tough economic environment, financial literacy has never been more important. Our aim at RedSTART is to provide access to financial education at an early age and make a very real difference to the lives and prospects of all young people, particularly those in communities of greater disadvantage and who are more likely to come across financial hardship later in life."

First Actuarial

First Actuarial works with employers to support employees who are often struggling with the cost of living and have no idea how to plan for retirement.

A spokesperson for First Actuarial says its services range from full financial wellbeing programmes – with activities like webinars, group workshops and one-to-one sessions – to bite-sized videos and simple online tools, such as its financial MOT. It also provides targeted support for people in particular need who may be starting their first job, getting into debt, or preparing for retirement, for example.

FSCS

"We know that there are numerous barriers to giving pensions the attention they deserve, whether it's time, understanding or finding the right support. Financial Services Compensation Scheme (FSCS) can protect consumers if their pension provider or financial adviser goes out of business, and we're committed to improving consumer awareness of pensions protection through our targeted campaigns,"FSCS interim CEO, Martyn Beauchamp, says.

"Our most recent campaign highlighted that consumers who claimed with FSCS since 2019 had lost nearly £2 billion from their pension pots, in many cases derailing their plans for retirement. We enlisted sports broadcaster Jeff Stelling to help reach an audience we know are most likely to claim for lost pension savings – men aged over 45. Jeff helped amplify the scale of the issue in relatable terms and spread our message that people should take the time today to understand what protection they have, as they never know when they may need to make a claim."

Wealth at Work

Wealth at Work provides bespoke financial education and one-to-one guidance to employees around the country. Wealth at Work director, Jonathan Watts-Lay, says it is "exceptionally important that schemes, trustees and employers collectively work together to ensure that pension scheme members and employees are making the right decisions when it comes to their pensions".

Giving an overview of the types of support individuals can benefit from, he adds: "Offering financial wellbeing programmes that help with a full range of money matters from debt and money management to preparing for retirement can really help. Many leading companies now deliver this sort of support through financial education workshops, one-to-one guidance or coaching sessions, digital tools and helplines, as well as providing access to regulated financial advice."



Building for the long term

Summary
- Pensions and infrastructure tend to be a good fit; the former needs long-term, stable places to invest, the other needs long-term, stable investors.
- Governments (including the UK's) are actively encouraging pension funds to invest in infrastructure projects.
- Direct investment in infrastructure gives pensions a say in governance – a vital part of ESG strategies.
- Infrastructure also opens the door to investment in environmentally responsible projects (renewable energy, for example), which will help schemes (and governments) meet their sustainability goals.

Sandra Haurant explores the role infrastructure plays in pension scheme portfolios, amid the government's push for increased investment in UK plc

Solid foundations

Investment in infrastructure has a reputation for providing reliable returns with relatively low levels of risk. Indeed, the assets associated with infrastructure investment have generally tended to be solid in a very literal sense. Railways, airports, toll roads and telecommunication networks, essentially the structures that enable people to go about their lives, are all elements that form the foundations of infrastructure investment. But investment in these assets isn't limited to the solid structures themselves; it can also include the companies that use and manage them.

Of course, infrastructure assets evolve in line with changing lifestyles and priorities. What counts as vital infrastructure changes over time. Today, electric vehicle charging, battery storage and many other 'new' essentials, with potentially very different characteristics to the old guard, form an integral part of infrastructure. So as the field broadens, what role does infrastructure play in pension fund investment?

Evolution in infrastructure

The change in underlying assets is only part of the evolution, says WTW head of global infrastructure research, So Yeun Lim: "Infrastructure as an asset class has evolved significantly since it has emerged as a separate asset class to private equity, although it is still a small percentage of a total pension portfolio compared to other listed asset classes or even some of its other illiquid counterparts like real estate."

However, while change is constant, there is a certain stability to be found here. "Whilst the types of assets included in infrastructure have changed, partly as a result of energy transition and digitalisation, its underlying characteristics have not changed," Lim says. "Infrastructure assets have strong inflation linkages in terms of income generation capabilities, and sticky revenue base as a result of its services being essential to the customers; two characteristics that are very important to pension funds."

Indeed, pension funds and infrastructure investment have long been a suitable fit in many ways, according to JTC Group senior director, fund and corporate services, Simon Gordon. "There are a lot of alignments between pension funds and infrastructure," says Gordon. "Particularly in low interest rate environments, where pension funds were looking for risk levels close to cash, infrastructure provided that along with reasonable returns. And with links to inflation, it's an area that offers a hedge over the long term."

A good match in theory, then; so it makes sense that, according to a study published by GLIL Infrastructure, 65 per cent of UK pension fund leaders are expecting to increase their investment in UK infrastructure during the next 12 months.

Investing in UK Plc

Investing in infrastructure allows pension schemes to invest in the very heart of a country and its day-to-day activities – and GLIL's survey, which polled a group of 300 local government pension leaders in the UK across both DB and DC, showed that there is an appetite for investment in the UK. Asked about the main drivers for the shift towards investing in UK infrastructure – beyond their fiduciary responsibility to members, of course – 39 per cent cited supporting

the UK. The news will be cheering for Chancellor Jeremy Hunt, who launched the Mansion House Compact last year and has repeatedly pushed for increased UK investment from pensions.

Indeed, according to IFM Investors head of infrastructure – Europe, Deepa Bharadwaj, the Mansion House reforms are a potential win-win, and have "paved the way for a greater allocation to infrastructure, across multiple pensions systems in the UK."

For Bharadwaj, the reforms will help to "unlock access to direct infrastructure, which in turn will enable savers to achieve greater returns and retirement outcome, whilst also creating tangible community benefits." And, she says: "Direct infrastructure can also act as a form of productive finance in this way. We are already seeing increased engagement from pensions investors following the Mansion House reforms."

Ways into infrastructure

There is, it seems, a healthy appetite for these assets among pension schemes, then – but what is the best way to access infrastructure investment? Lim says: "The majority of infrastructure assets lie in the unlisted asset class, but some do use listed infrastructure as part of total portfolio construction."

Indeed, for Bharadwaj, recent history has demonstrated the potential limitation of investment through certain listed products which, when push came to shove, were unable to provide the liquidity that was required. "The 2022 gilts crisis exposed vulnerabilities in the closed-end fund model typically adopted by infrastructure investment providers," she says.

Of course, the contrasting needs of DC and DB schemes lead to differing approaches to infrastructure. With most DB schemes closed to new members and navigating their endgame, infrastructure investment decisions are necessarily made on a case-by-case basis. "As an inflation and interest rate-sensitive asset class, infrastructure can help sponsors offset their exposure to these risks, whilst generating cash inflows that can contribute to overall funding levels," Bharadwaj says.

For DC, the landscape looks different. "Direct infrastructure investment supplements a more traditional portfolio composition by offering high returns, with built-in resilience to inflationary conditions and low correlation to other asset classes," Bharadwaj says. "As such, we are seeing infrastructure playing an important role in the long-term asset funds (LTAFs) that are emerging across the market."

The importance of ESG

While their first priority is looking for ways to provide the necessary returns to meet their commitments to members, environment, social and governance obligations of pensions are a vital part of decision-making for pension schemes. And infrastructure has an important role to play here, too.

Arguably, infrastructure helps pensions to both contribute and benefit from renewable energy and other environmentally progressive projects. "Some of infrastructure assets are helping with the decarbonisation goal of many countries, including clean energy generation, and electrification of transport and heat," Lim says.

According to the GLIL report, 70 per cent of pension fund leaders surveyed believed infrastructure investment should prioritise the energy transition, while 96 per cent said they will be focusing investments on infrastructure in areas such as battery storage, hydrogen, and carbon capture usage and storage.

And, says Bharadwaj, feedback from pension investors suggests that direct infrastructure investment "helps them to align with their own principles". She adds: "Direct infrastructure investment is a powerful tool for decarbonising the global economy, but it's a process that will require long-term commitment and diligence from asset owners to meet the aims of the Paris Climate agreement.

"In addition to creating new green infrastructure projects, transitioning existing infrastructure is crucial for meeting carbon reduction targets, as about half of the infrastructure needed to achieve this by 2050 is already in place or planned," says Bharadwaj.

But it's not just the 'E' in ESG that counts, of course. "Different infrastructure investments will align with the E, the S or the G, of ESG," says Gordon. "This is a way in which they can balance their portfolios to make sure they meet their goals."

The approach must be holistic, says Bharadwaj: "Infrastructure investment […] must consider universal factors such as health and safety, supply chain issues, modern slavery, and general workforce conditions. As illustrated by the DWP's Taskforce on Social Factors – in which IFM has been closely involved – this is an aspect of infrastructure investment which aligns with pension fund ethos." After all, direct investment gives asset owners, such as pensions, a louder voice in the running of organisations.

This is reflected in the GLIL report, too. It showed that 34 per cent of professionals cited supporting local communities as a main incentive for investment in this area. And, as Lim says, infrastructure can, at least in theory, deliver on this: "As infrastructure assets are location-specific, it is also important for the infrastructure asset operators to demonstrate strong linkages with communities for social impact as well."

So, with governments keen to harness pension power, and pension funds looking for suitable, stable, investments that can underpin their obligations, it looks as though the future of infrastructure and the pensions industry may be intertwined for some time to come.

Written by Sandra Haurant, a freelance journalist



A general success?

The General Code has just come into force and recent WTW research has found that schemes are already nearly up to speed. *Pensions Age* asks: Were the concerns previously raised about schemes' abilities to meet the new requirements unfounded, and are schemes now confident of completely aligning to the code?



Many schemes are confident that they have much of what's required in place to meet the Effective System of Governance (ESOG) requirements, but it's not necessarily all documented, held centrally or easily accessible. This should be the case, as much of what's in the code isn't new. However, even the well governed are still working to fill gaps.

Most schemes have undertaken a documents gap analysis, with trustees checking that each policy states what they do in practice, is proportionate to their needs and is supported by effective, evidenced processes. This is tangible and straightforward to complete. Fewer have reviewed their governance practices against the code's ESOG requirements. This may be because it takes more time to review and appropriately document the raft of governance requirements.

Even fewer have considered their risk management and this could be because schemes are waiting to do this as part of the Own Risk Assessment (ORA). However, trustees should be thinking about the risks they have in their risk registers and the effectiveness of their controls now. I think it's optimistic to say all schemes can attest to being 100 per cent aligned right now, even though The Pensions Regulator (TPR) expects they should be. By the end of the 2024/2025 scheme year, having done their review work, they should be in a good place to complete their first ORA.

SPP member, Rosanne Corbett



The new General Code represents a positive step forward for the pensions regulatory landscape, bringing further alignment across the DB and DC environments. For established, well-governed schemes, compliance with the code is mainly a continuation of existing best practice arrangements. The new requirements, such as the ORA, align with good governance, policy, and risk management standards.

Another key factor in successful alignment most likely comes down to the pragmatic approach adopted by the regulator when moving from the draft to the final versions of the code. The final version of the General Code scrapped the annual ORA requirement, enabling schemes to conduct ORAs on their own schedule. This has prevented having to repeat effective governance work that has already been done by most-well run schemes.

TPT Retirement Solutions head of business assurance, James Robinson



Trustees were understandably concerned about additional layers of regulation and governance overload.

However, experience has shown that given the nearly three years since the draft code, when cyber incidents increased and we all lived through the liability-driven investment crisis, trustees actively moved governance up on the agenda; and have taken the time during the intervening period to review, reflect and where required, take proactive steps to improve scheme governance in a measured way.

We are certainly seeing a level of confidence in overarching compliance from those who moved forward on the basis they knew the code was coming, and acted on it, versus those who decided to pause.

Regulatory commentary on proportionality, and the timing around the first ORA has given trustees comfort, and a level of confidence that they will not only be able to meet the requirements of the code but will be able to do so alongside the normal cadence of scheme activity.

IGG trustee director and head of outsourced governance services, Clare Kember



The General Code was never intended to be a dramatic sea change in governance so it is of little surprise that many schemes are "nearly" up to speed. The General Code's new requirements have been on the stature book for many years already and much of it reflects shifting best practice based on experience of around 20 years of law determining the governance of pension schemes. For well-run schemes, the latest requirements will only require a limited number of new policies alongside some tidying of existing policies and procedures.

Broadstone head of policy, David Brooks



It's important to consider that the WTW assessment is informed by research carried out amongst large DB arrangements; 87 per cent adherence should not be a surprise against this backdrop, where standards of governance are already high and access to advisers is common. The presence of independent professional trustees appointed to large schemes is also a consideration and will help drive standards.

TPR's own research has highlighted a subset of disengaged trustees who were falling short of the standards expected or were unaware of the existence of the previous Codes of Practice – the General Code aims to address this, with the refreshed format clearly highlighting expectations and requiring every trustee board to consider how they are meeting expectations.

This leads on to broader considerations such as standards in trusteeship and general expertise; if trustees are failing to meet the standards set out in the General Code, then they should be challenging themselves on whether the answer is to consolidate into a larger, well-governed scheme such as a master trust.

Scottish Widows master trust and IGC lead, Sharon Bellingham

Whilst the 'score' itself is relatively simplistic, it does illustrate what we all knew – that most schemes would already be meeting most of the expectations of the new code. After all many of those expectations were pre-existing from TPR. However, that still doesn't mean concerns were unfounded over the effort required to meet the basket of new requirements. Many of the gaps in the remaining 13 per cent are the bigger ticket items such as putting in place a Risk Management Function (with its associated infrastructure), setting up and aligning to DE&I objectives, or completing a first ORA. In addition, there are now much clearer expectations on rolling reviews of that library of policies and processes that make up the ESOG and running a robust 'always on' risk approach. Both of which mean that additional resource will be needed on a business as usual basis, not just in making up front changes.

WTW head of governance consulting, Jenny Gibbons



Was it fear of the unknown caused by a lack of information or control over the situation? Who knows, but following publication of the General Code, early feedback from trustees suggests that most are comfortable they are already complying with the code, albeit requiring some tweaks.

It's heartening for trustees to now have clarity on the next steps for establishing an ESOG – and it's more of a tidy up than a ground up activity.

The need to be "proportionate" and the removal of a mandatory reporting period allows the task of preparing an ORA to be more meaningful.

Without the requirement for mandatory reporting and lack of pro-active monitoring, there remain risks for those schemes less exercised around governance. Why take time to fill any gaps if there are no obvious repercussions for not doing so? This could be where trustees require the most guidance from their advisers.

For those boards already delivering good governance much of the 'new era of ESOG' will be around documenting the good work being undertaken and considering the best way to do so.

So plenty for trustees to do regardless of how well positioned they view their schemes to be – always room for (continuous) improvement!

Spence and Partners consultant, Graeme Cunningham

History

Pensions history

Simplicity is not that simple

In 1978, the Social Security Pensions Act added an earning-related component to the flat rate state pension. Schemes that fulfilled statutory conditions, notably by paying a guaranteed minimum pension or GMP, could contract out of the new pension entitling employer and members to pay lower national insurance contributions.

In May 1990, in the celebrated *GRE v Barber* case, the European Court of Justice ruled that for future service the right to equal pay for men and women included payments from occupational pension schemes – and that, until equalised, benefits such as different retirement ages and conditions must be levelled up. That apparently simple principle proved hard to implement. Litigation was necessary to explore whether procedural irregularities and long-standing practices, such as announcing changes in advance of a formal deed of amendment, were sufficient to equalise and therefore close the *Barber* 'window'. The law was having to be clarified at a time when the stakes, in the form of material additional liabilities, couldn't have been higher.

GMPs were even trickier. *Barber* did not affect state pensions themselves, but because GMPs were enshrined in statute and tied to the different state pension ages that then applied, they resulted in different accrual rates and unequal treatment. Legal debate continued. Although GMPs themselves ceased to accrue after April 1997, it was not until 2018, 28 years after *Barber,* that the need to equalise GMPs was confirmed.

Pensions Archive Trust director, Jane Marshall

www.pensionsarchivetrust.org.uk/our collections

The bright side

***Pensions Age* takes a closer look at some of the recent good news stories in the pensions industry...**

Nest has donated 342 laptops to Good Things Foundation's National Device Bank. Commenting on the donation, Nest chief financial officer and diversity equity and inclusion champion, Richard Lockwood, said: "When we updated our technology at Nest, several of our colleagues suggested we explore options for donating our redundant laptops. As a digital-first scheme, we know how important it is to close the digital divide. And as a pension scheme designed to serve those on low to moderate incomes, who have often been underserved by financial institutions, this partnership felt like a perfect fit."

PensionBee completed the Pink Ribbon walk at Hampton Court in support of Breast Cancer Now. As a company, the team was able to raise over £2,000, while collectively the event has raised over £45,000 so far.





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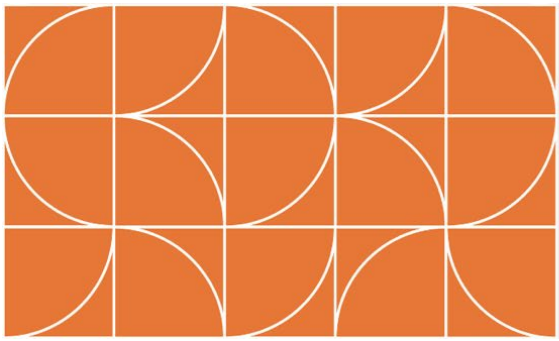
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