Transfers
The reasons for the decline in transfer exercises in recent years

Data
The renewed focus on schemes holding accurate, complete data

Scheme management
The challenge of reviewing scheme providers and changing them if required

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November 2024

PENSIONS Age

The leading pensions magazine

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Editorial Comment

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What is DC pension saving for?

I, perhaps naively, have always considered it to be for putting money aside while working, to live off when older and no longer able to work. And that DC's role in achieving this is all the more vital as the number of people with DB pension 'promises' declines.

But, over the years – and especially since the 2015 freedom and choice reforms – this arguably seems to be less the case, with DC instead often discussed as akin to any other saving vehicle, a pot of cash to spend at leisure (having reached the minimum age of 57) and not necessarily to fund potential decades of older life.

So, if DC isn't to have any 'predetermined' role, then why shouldn't it be treated like any other asset, and be included within a deceased person's estate and subject to inheritance tax?

However, judging by the flurry of debate regarding last month's Budget surprise, which announced that pensions will be subject to inheritance tax from April 2027, I am cynical that some seem to want DC to be like any other generic saving product when it suits them, with the free will to spend it as they wish without restrictions, but to then have DC be 'special' when it comes to paying inheritance tax (or not).

I have little sympathy for those that bemoan a pension pot's soon-to-be inclusion into inheritance tax. After all, inheritance tax is only paid if the deceased's estate passes the £325,000 threshold, and even then, there are exemptions if the value above this amount is passed onto the person's spouse or civil partner, or to a charity or a community amateur sports club.

And – assuming the new inheritance tax rule will only apply to unspent pension lump sums – it is only really those with DC savings that can contemplate utilising it to pass on generational wealth. Those with 'gold-plated' DB schemes in the public sector cannot consider it as a pot of cash to keep within the family (bar the 25 per cent tax-free lump sum, if taken), but for it to just provide a regular stream of income during their own retirement. Plus, the baseline assumption for private sector DB is that having that regular income it provides, instead of taking it as cash, is in the best interest for the individual the majority of time.

So, what is a DC pension pot really for? To provide an income at retirement or to be part of estate planning?

I imagine that for the majority of DC savers, this is a moot point. For instance, some best estimates put the average pension pot size of a man in his 60s at £228,200, and for a woman at £152,600 – both well below the inheritance tax threshold.

Meanwhile, those likely to have assets upon death above the inheritance tax threshold, and who had considered a DC pot as a tax-efficient means of estate planning, will now be looking at their options and reevaluating their financial planning. But that is a matter for those individuals; not for the pensions sector.

The industry will have work to do as a result of this change, not least working with the government to ensure it is implemented as effectively as possible, with minimal unintended consequences. But I hope the sector doesn't get sidetracked by this surprise Budget announcement for too long, and instead continues to focus its efforts on how best to improve the size of DC savers' pension pots, and to provide retirement income products that are fit for purpose.

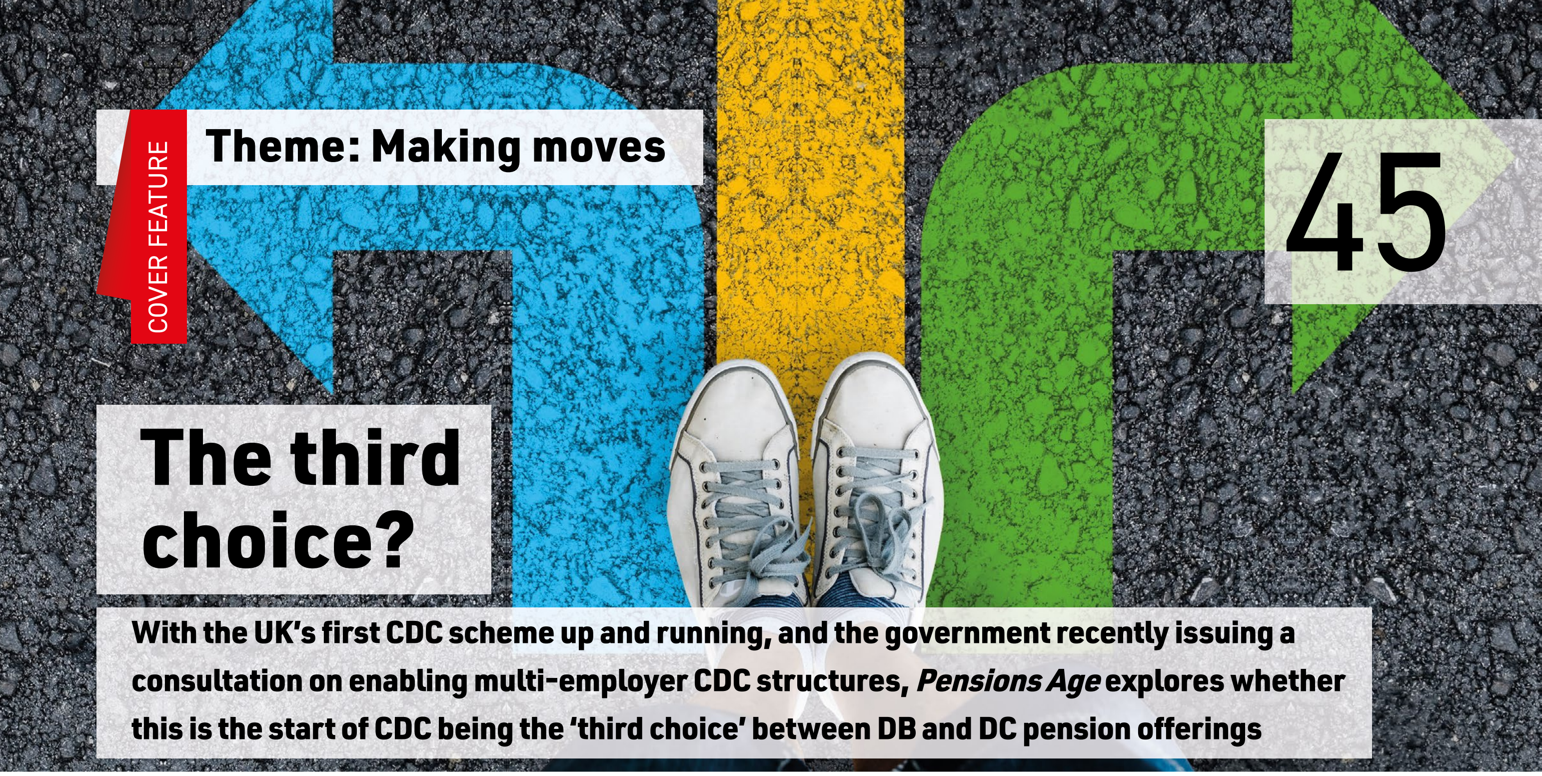
"What is a DC pension pot really for? To provide an income at retirement or to be part of estate planning?"

For this, could collective DC (CDC) be the answer?

Our cover story on page 45 considers whether CDC could be the ideal 'third choice' between DB and DC pension offerings, following the UK's first CDC scheme now in force through the Royal Mail, and the government recently issuing a consultation on enabling multi-employer CDC structures.

Maybe CDC will become the most popular option, the 'perfect' blend of DB and DC's positive attributes. Maybe it won't. Whatever your view, I doubt minimising the amount of tax paid, over a certain amount, when passing on a pension pot upon death is top of anyone's fundamentals when designing their ideal pension product for today's society.

So, as the industry continues to adapt to people's changing needs at retirement, and, inevitably, to the vagaries of government Budget announcements, let's not lose track of what DC pension saving should *really* be for.



COVER FEATURE

Theme: Making moves

45

The third choice?

With the UK's first CDC scheme up and running, and the government recently issuing a consultation on enabling multi-employer CDC structures, *Pensions Age* explores whether this is the start of CDC being the 'third choice' between DB and DC pension offerings

Features and columns

News, views & regulars

Continued on page 6

Features & columns

Continued from page 5

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NEW circulation figures

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Dateline - October 2024

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

1 October The Pensions Regulator (TPR) shared details as to how it used its anti-avoidance powers to issue a £1.8m contribution notice against a director, as well as agreeing a settlement with another, highlighting the case as a "landmark" ruling.

7 October The UK's first collective defined contribution (CDC), the **Royal Mail Collective Plan,** launched, in what was highlighted as the start of a "new pensions era" *[read more on pages 15 and 45-47].*

8 October The **Department for Work and Pensions** (DWP) launched a consultation on draft legislation to extend CDC provision beyond single or connected schemes *[read more on pages 15 and 45-47].*

8 October The **DWP** suggested that a structured plan to assign priorities may be needed to develop engagement with private pensions.

8 October The **DWP** announced that over 10,000 people have boosted their state pension by making extra payments towards their National Insurance (NI).

9-10 October The **government** shared two pieces of legislation covering the new pension tax allowances for tax-free lump sums, The Pensions (Abolition of Lifetime Allowance Charge etc) (No. 2) Regulations 2024 and The Pensions (Abolition of Lifetime Allowance Charge etc) (No. 3) Regulations 2024.

11 October The **government** appointed former Darktrace CEO, Poppy Gustafsson, as its new Investment Minister as part of a wider 'shake up' aimed at strengthening the government's partnership with businesses and investors.

14 October Chancellor, **Rachel Reeves,** outlined the next steps for the National Wealth Fund (NWF) and the new British Growth Partnership, in a move that is expected to release "hundreds of millions" of pension fund investment.

14 -17 October Pension professionals gathered together at the **Pensions and Lifetime Savings Association (PLSA) Annual Conference** in Liverpool, to discuss the latest pension debates and hot topics. Key updates included an industry update from Pensions Minister, Emma Reynolds, as well as updates from TPR, the Financial Conduct Authority (FCA) and DWP *[read more on pages 14-15 and 28-29].*

15 October The **Financial Conduct Authority** (FCA) announced plans to launch two consultations relating to the Advice/Guidance Boundary Review next year.

15 October The UK fell out of the **Mercer** CFA Institute Global Pension Index 2024 top ten, ranking 11 in the latest index, with a score of 71.6.

16 October TPR announced plans to extend its regulatory approach with professional trustee firms, with plans to form new relationships with the 10 largest professional trustee firms before Christmas *[read more on page 17].*

22 October Reynolds announced that the Pensions Dashboards Programme (PDP) will be prioritising work on the launch of the MoneyHelper dashboard service, before turning to the work of connecting commercial dashboard services *[read more on page 16].*

22 October TPR published its new digital, data and technology strategy, outlining how the regulator and the industry should adapt to, and embrace, evolving technology and a changing pensions market to drive better saver outcomes.

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

23 October Calls to cut the **Pension Protection Fund's** (PPF) levy to zero continued to grow as its consultation came to a close, with industry organisations arguing that the PPF should reduce its levy even in the absence of legislative changes.

23 October HMRC shared its latest government *Pension Schemes Newsletter*, which provided further clarity on the tax position when refunding a DB pension scheme surplus to employers, confirming that the 25 per cent tax payable is based on the surplus within the pension scheme. It also shared an update on the latest pension tax repayment figures *[read more on page 18].*

24 October Research from the **Pensions Policy Institute** revealed that the value of lost pension pots in the UK has risen by 60 per cent, or £12bn, since 2018, with around £31.1bn lying in unclaimed, inactive, or lost pension pots.

24 October TPR stressed the need for the industry to adopt higher standards of anti-scam practice to prevent fraudsters reaching savers, arguing that pension scheme trustees and administrators are the first line of defence against pension scammers.

24 October The **PPF** shared its *2023/24 Annual Reports and Accounts*, revealing that it delivered "strong investment performance" over the past year, as investment returns helped its reserves grow from £12.1bn last year to £13.2bn. In addition to this, The Pensions Ombudsman's *Annual Reports and Accounts*, shared the same day, revealed that the number of complaints received dropped from 7,280 in 2022/23 to 6,923 in 2023/24.

29 October The **PPF** confirmed that marginally overfunded DB schemes with less than £50m in liabilities will now have the option to use bespoke discount rate for section 143 (s143) valuations *[read more on page 18].*

31 October The **FCA** banned Vintage Investment Services (Vintage) partners, Steven Hodgson and Paul Adams, from advising any customers on pension transfers and opt-outs.

31 October The **government** delivered its Autumn Budget 2024, confirming that pensions would be brought into the scope of inheritance tax from 2027. However, broader pension tax changes were omitted, with industry experts expressing their relief at the apparent u-turn on key proposals, such as applying NI contributions on employer pension contributions *[read more on pages 12-13].*

News focus

Autumn Budget: Pensions brought into IHT scope; broader changes avoided

The Autumn Budget included plans to bring pension pots into the scope for inheritance tax (IHT), although broader tax changes trailed were omitted

Chancellor, Rachel Reeves, has announced plans to remove the concession for pension pots to be passed on to anyone free of inheritance tax (IHT) as part of her Autumn Budget.

Delivering her speech, Reeves said that the change would close the "loophole" that exempted unspent pensions from IHT. The change was also confirmed in the Budget papers, which stated: "The government is making the inheritance tax system fairer by applying inheritance tax to unspent pensions pots."

In particular, the Office for Budget Responsibility confirmed that IHT will apply to all pension wealth that is transferrable at death, which it said, in practice, affects uncrystallised DC pensions, crystallised DC pensions not invested in annuities, and lump sum death benefits from DB pensions.

According to Lawhive head of legal operations, Daniel McAfee, the changes could generate "significant additional revenue" for the government.

And, given the exemption was little-known to the public, Standard Life retirement savings director, Mike Ambery, said it is "perhaps no surprise" the government decided to bring pensions into scope for IHT.

Society of Pension Professionals Tax Group chair, Steve Hitchiner, agreed that the announcement was "not entirely unexpected", arguing that "overall this makes sense, and is a more attractive solution for raising revenue than many of the speculated alternatives such as reforming pensions tax relief or imposing NICs on employer pension contributions".

However, many are waiting to see further detail before passing judgement, as St James's Place divisional director of retirement and holistic planning, Claire Trott, said that "the devil will be in the detail to determine if this includes only lump sums, or if it also includes benefits passed down by way of an income".

"In addition, we need to know how this will work for DB pension schemes, if included, where individuals have no access to increased income to pay a charge," she added.

Ambery also emphasised that pensions are a long-term investment, arguing that it is "vital" that large-scale changes to pensions tax are well managed to avoid any risk of undermining confidence in pensions.

This was not the only change that sparked interest from the pensions industry, as Reeves also announced plans to increase the rate of employer National Insurance contributions (NIC), in a move that industry experts have warned could represent a "major setback" to hopes of progress on Britain's under-saving crisis.

During her Autumn Budget, Reeves announced that the rate of employer NIC would rise from 13.8 per cent to 15 per cent from April. In addition to this, the threshold at which it is paid was cut from £9,100 per year to £5,000.

Whilst no specific changes were made to apply NIC to employer's pension contributions, as previously trailed, Hargreaves Lansdown head of retirement analysis, Helen Morrissey, said the broader NIC hike could still "scupper" progress made by auto-enrolment (AE).

LCP partner, Steve Webb, also warned that the NIC hike on employers could be a "major setback" to hopes of progress on Britain's under-saving crisis, warning that "pension improvements risk being stuck 'in the slow lane'".

He stated: "The hike in employer pension contributions is terrible news for hopes of action to tackle Britain's pension under-saving crisis... Even the modest improvements to automatic enrolment for which legislation has already been passed are at risk of being stuck in the slow lane. This is a worrying day for anyone who cares about the adequacy of pension saving in the UK."

Despite these concerns, industry experts broadly welcomed the omission of any "drastic" pension tax changes in the Autumn Budget, as the government held off on broader pension tax changes, such as cutting the tax-free lump sum.

Pensions Management Institute director of policy and external affairs, Tim Middleton, said: "We are both relieved and delighted that even in such difficult economic circumstances the importance of workplace pension system has been recognised and respected."

This was echoed by Pensions and Lifetime Savings Association chief policy counsel, Nigel Peaple, who said: "Contrary to the many rumours that the Budget would undermine pension saving by reducing or removing fiscal support to pensions in general, we were very pleased to see that this did not take place. Most people in the UK need to save more, not less, into a pension to have a good retirement income."

But not all have welcomed the lack of broader pension tax changes, as TPT Retirement Solutions chief executive, David Lane, argued that the Chancellor "missed the opportunity" to increase pension tax relief to lower-rate taxpayers.

"This would have made the system more progressive and made a significant difference in helping some lower earners save for retirement," he stated. "This Budget was also a missed opportunity to cut the age of AE into a pension scheme to 18 and remove the lower earnings limit to help younger and lower-paid workers save more."

People's Partnership chief executive officer, Patrick Heath-Lay, shared these concerns, stating: "Increasing the minimum wage for younger workers means that the current age threshold for AE will soon be an anomaly but should be lowered from 22 to 18 at the earliest opportunity," he stated.

This was not the only 'missed opportunity' highlighted, as Association of Consulting Actuaries chair, Stewart Hastie, said it was a "shame" the cycle of pensions tax change speculation wasn't put to bed.

"In a 'budget for stability', we've had a corporate tax roadmap but no pensions tax roadmap," he added.

AJ Bell director of public policy, Tom Selby, agreed, arguing that "the Chancellor's failure to commit to a pensions tax lock means there is every chance instability will rear its ugly head again before next year's fiscal event".

Broader pension changes could still lie ahead, as Broadstone head of policy, David Brooks, suggested that the Chancellor will place a stronger emphasis on pensions in the upcoming Mansion House speech in November.

"The Pension Schemes Bill, likely to be before the house spring/summer 2025, also gives us plenty to look forward to, discuss and plan for, from a pensions perspective. It remains possible that some of the thornier issues for reform, which could well be beneficial to many millions, will be given due consideration in this process."

Written by the *Pensions Age* team

Delivering on manifesto promises

Chancellor, Rachel Reeves, also delivered on a number of Labour's manifesto commitments in the Autumn Budget, confirming that the state pension will rise by 4.1 per cent from April 2025, to match the average earnings element of the triple lock. This will impact "over 12 million pensioners" in the UK, Reeves claimed.

Reeves also committed to keeping Labour's promise to the Mineworkers' Pension Scheme (MPS) members, delivering a 32 per cent boost to the annual pensions of 112,000 former mineworkers.

Labour previously said it would "look to end the injustice" of the MPS, confirming its intent to review the "unfair" surplus arrangements and transfer the Investment Reserve Fund back to members.

"In our manifesto, we promised to transfer the Investment Reserve Fund in the MPS to members. I have listened closely to my honourable friends... on this issue," Reeves said. "Today we are keeping our promise so that working people who have powered our country receive the pay of their pension that they are owed."

Following the announcement in the Budget, energy secretary, Ed Miliband, confirmed that this move will mean a 32 per cent boost to the annual pensions of 112,000 former mineworkers, an average increase of £29 per week for each member.

Reynolds shares key updates with pensions industry

The Pensions Minister provided updates on a number of key initiatives, including calls for auto-enrolment reform, and whether the government is considering mandating pension investments

Pensions Minister, Emma Reynolds, has confirmed that the initial findings from the government's pensions investment review will be shared in an interim report in the autumn of this year, with auto-enrolment reforms to be looked at as part of the second phase of the review.

Speaking at the Pensions and Lifetime Savings Association (PLSA) Annual Conference, Reynolds confirmed that the government is currently working through responses to its recent pension investment review call for evidence, with over 200 industry responses received.

Providing some initial insight into these responses, Reynolds said that there is "a lot of goodwill in the industry to improve things".

"I am picking up an appetite to work with the government to reform the way that things are working to improve safer outcomes and to seriously consider how we can boost investment into the UK," she said. "We're working through these responses now and we'll publish the interim findings of phase one this autumn, with the final recommendations next year."

Speaking to *Pensions Age*, Reynolds confirmed that further work will be needed after this, explaining that there "may well be some consultations" launched off the back of the review, which would enable the government to include additional legislation in the Pension Schemes Bill, as this won't be until "the spring, early summer" 2025.

"That's the sort of timetable, so it does allow us to add to the pension schemes bill, and that was always the plan," she said, clarifying however that "not everything is legislative".

But some areas may not be addressed as soon as hoped for in the industry, as, despite growing calls to reform auto-enrolment, Reynolds confirmed that this is an issue that will be addressed in phase two of the review.

"Separate from phase one will be a wider phase two, which will look more widely at further long-term steps we can take to improve pension outcomes, including the level of savings people need," she said. "I know there's a lot of interest in phase two, but *[the industry]* won't have too long to wait.

"And you'll have ample opportunity to contribute. It is crucial that we make it easier for people to keep track of their pension savings and plan for retirement."

This is not the only ongoing work, as Reynolds also confirmed to *Pensions Age* that the government is still considering a potential public sector consolidator, with further updates on this expected "in the coming months".

In addition to this, Reynolds confirmed the government is still looking to address issues around anti-scam transfer regulations, again promising further updates "in the coming months".

"We've got to make sure we get the balance right here, and so we're looking at it very, very carefully," she said.

Speaking later during the PLSA conference, Reynolds refused to rule out the option of mandating pension investments as part of the push to encourage greater pension investment in UK growth.

Asked by PLSA chief policy counsel, Nigel Peaple, whether the government was in favour of investment freedom and would avoid mandation for pension investments, Reynolds said that "we're considering all options for now".

However, she emphasised that the government is not looking to "micromanage" pension scheme investments.

"We're considering all the options for now," she said. "But there will be some more clarity around this. I mean you are the professionals... you all know about how to invest in a much broader range of assets than I do. So we're obviously not going to be micromanaging the decisions that pension schemes make on behalf of their members."

However, she argued that "there is quite a lot of potential to drive further investment into the UK", suggesting that driving more investment into private markets and infrastructure could help encourage this.

"I think the drive to private markets and more illiquid longer-term assets hopefully will go hand in hand with more investment in the UK."

Written by Sophie Smith

'Landmark moment' as govt consults on draft CDC legislation

Work to extend collective defined contribution (CDC) to multi-employers has been gaining speed following the launch of the UK's first CDC scheme, the Royal Mail Collective Plan

The Department for Work and Pensions (DWP) has launched a consultation on draft legislation to extend collective defined contribution (CDC) provision beyond single or connected schemes.

The consultation was shared hot on the heels of the launch of the Royal Mail Collective Plan, which was highlighted as a "red letter day" for CDC.

The draft legislation removes the exclusion of unconnected multiple employer CDC schemes from operating under the existing CDC provisions and sets out what CDC schemes that are whole-life unconnected multiple employer schemes must do to become authorised and to operate effectively under regulatory oversight.

The DWP said that the authorisation regime was designed to protect members and to build confidence in this new type of CDC scheme by ensuring only "soundly designed and well-run" schemes can operate.

The draft regulations also make a number of changes to legislation arising from the expansion of CDC schemes to multiple unconnected employers.

As part of its consultation, the DWP outlined a number of specific questions about some elements of the draft regulations, although it is also calling for broader views on whether the regulations effectively deliver its intended outcomes.

Commenting in the foreword of the consultation, Pensions Minister, Emma Reynolds, said: "CDC schemes are an important addition to the UK pensions landscape and when well designed and well run, they have the potential to improve the pension outcomes for millions of savers in the future.

"The Pension Schemes Act 2021 and subsequent secondary legislation introduced the legislative framework to introduce single or connected employer CDC schemes to the UK.

"I am delighted to say that this consultation launch coincides with the official launch of the UK's first CDC scheme, the Royal Mail Collective Pension Plan.

"This is a truly landmark moment for the UK pension landscape and this consultation now builds on the momentum in this area.

"Acknowledging the strong industry and parliamentary support for broadening CDC provision further, I intend to deliver it to ensure as many savers as possible can take advantage of the numerous benefits of CDC."

Further developments could also be in the pipeline, as the DWP recently confirmed that it is still looking at the role CDC pensions can play in decumulation, as it considers the next step for the intiative.

Speaking at the PLSA Annual Conference, DWP head of DC decumulation and CDC policy, Julian Barker, stressed that there are currently issues around how people access their pensions.

"We know that more than half of pensions accessed for the first time are full cash withdrawals and the many reasons for that, but while it is the right thing for some people to do, it won't be appropriate for everyone.

Given this, and the growth of DC pensions, Barker argued that "there's definitely a case for reform".

"There's definitely a case for making some changes to make DC saving work better," he said, noting that the government is already looking at some of these issues as part of its pensions review.

In particular, Barker noted that while the first CDC scheme recently launched, "there is still more work to do on the role that CDC could play in the decumulation phase.

"That's something we are looking at as the next stage," he confirmed.

He also confirmed that the government is looking to take legislation to extend CDC to multi-employers to parliament next year, after responding to industry feedback *[read more on p45]*.

Written by Sophie Smith

PDP to prioritise work to launch Moneyhelper dashboard

Whilst the government reiterated its commitment to pensions dashboards, it confirmed that work on the Moneyhelper dashboard will be prioritised ahead of commercial dashboards

Pensions Minister, Emma Reynolds, has announced that the Pensions Dashboards Programme (PDP) will be prioritising work on the launch of the MoneyHelper dashboard service, before turning to the work of connecting commercial dashboard services.

In a written ministerial statement, Reynolds emphasised that the government remains committed to delivering pensions dashboards, to help people find lost pots and promote greater engagement – empowering individuals to plan their future more confidently.

She stated: "The government wants to shape the pensions system to serve the interests of savers and future pensioners, ensuring decent, secure retirement incomes for all.

"As part of achieving that goal, we want to make it easier for people to understand their pensions information so they can better prepare for financial security in later life.

"As people often move around the labour market throughout their working lives, this can make it difficult for individuals to keep track of their pensions savings. To help solve this problem, the government is committed to the delivery of pensions dashboards.

"Facilitating the launch of pensions dashboards is a challenging and complex undertaking, but the government is firmly committed to their successful delivery and to unlocking the potential benefits they will offer to future pensioners."

And whilst Reynolds clarified that it is still too early to confirm a launch date for public use, she confirmed that the government is taking steps to help the public realise the benefits of using a pensions dashboard at the "earliest opportunity".

In line with this, Reynolds announced that she has directed the PDP to focus its efforts on the connection and launch of the MoneyHelper dashboard service, provided by the Money and Pensions Service (Maps), before turning to the work of connecting commercial dashboard services.

However, she emphasised that the government remains committed to the idea of multiple commercial pensions dashboards services, arguing that prioritising the launch of the government-backed dashboard will provide an opportunity to obtain better insights into customer behaviour, and ensure greater confidence in operational delivery, security, and consumer protection before facilitating the connection of commercial dashboards.

She stated: "The government supports the principle of enabling multiple commercial pensions dashboard services, which will provide savers with greater choice to access their pensions information from organisations they are familiar with, promoting greater engagement with pensions.

"However, in the interests of ensuring consumers have the best experience on dashboards, it is prudent to allow a period while only the MoneyHelper dashboard is operational."

Reynolds also confirmed that timings for providers and schemes are not expected to change, stating: "We are committed to the existing published timetable for the connection of pension schemes and providers to the pensions dashboards ecosystem, which is expected to begin in April 2025, as well as the overall connection deadline of 31 October 2026. It is therefore essential that the pensions industry continues to prepare for connection, having regard to the timetable set out in the Department for Work and Pensions' guidance."

Reynolds confirmed that the PDP, which is part of Maps, has now begun testing the connection journey with a small number of external organisations, which will help facilitate wider industry connections.

And, as a result of the PDP's progress, the Infrastructure and Projects Authority has also expressed increased confidence in the programme's ability to deliver against its revised plan.

Broader momentum around pensions dashboards has also been building back up, as The Pensions Regulator recently confirmed that it has begun contacting pension schemes to urge them to improve their data quality in the run up to pensions dashboards' launch. The regulator "will challenge those that are not able to demonstrate how they meet its expectations, and regulatory action may be taken if necessary".

Industry preparations have also been growing, with four new organisations joining the Dashboard Operators Coalition, bringing the total number of members to 15.

Written by Sophie Smith

TPR moves towards risk-based approach with new initiatives

The Pensions Regulator launched two new initiatives as part of its push to become more risk based in its regulatory approach

The Pensions Regulator (TPR) announced plans for two new regulatory approaches as part of its push to ensure that all savers get good outcomes from pensions.

In a blog post, TPR chief executive, Nausicaa Delfas, explained that given the "complex and changing" pensions world, TPR must change the way it works as a regulator, addressing key risks wherever they arise.

"To do that we must foster greater collaboration and innovation with the industry," she continued, highlighting two new regulatory initiatives that are designed to "go to the heart" of TPR's ambition to be more market-facing and outcome-focused.

In particular, Delfas confirmed that the regulator will be "significantly" expanding its engagement with the "incredibly important sector" of professional trusteeship.

Speaking exclusively to *Pensions Age* about the new initiative, TPR confirmed that it will be looking to form new relationships with the 10 largest professional trustee firms before Christmas.

TPR executive director of market oversight, Neil Bull, said: "That's going to focus on understanding much more about how their businesses work, the risks and opportunities that go with that, as well as any conflicts, perceived or real.

"That might cover things like the ownership structure of those professional trustee firms, the skills and experience they have, how they're able to cover that important diversity angle within equality, diversity and inclusion (EDI), as well as fees. I think we'd be failing as a regulator if we didn't have a really good look at that emerging area."

The timeline for this work is "quite short", Bull acknowledged, as TPR is looking to reach out to those 10 professional trustee firms by Christmas this year.

But Bull said he expects professional trustee firms to be receptive to the regulator's new engagement efforts and to engage with TPR with "candour and honesty".

"Because at the end of the day, we're trying to protect savers and they are as well, so we do share a common purpose in that. We're not expecting any difficulties," he said.

The growing role of sole trustees will also be considered as part of this work, as Bull noted that this is another area of the market that has seen "huge growth" in recent years.

"This started from a lower base than the traditional professional trustees, but it's the same 10 firms that will be most actively involved in sole trusteeship – so if we can engage directly with them, then we'll be able to get a really good handle on the sole trustee side and that poses different risks and opportunities."

Once this initial "discovery phase" is completed, TPR will look to feed any insights from its work back into the market, to highlight any areas of concern.

Bull said that this work is part of a broader shift from the regulator, as TPR is looking to become more focused on outcomes, as opposed to focusing only on compliance.

Alongside this, TPR announced that it will be setting up an innovation design team to help the industry test new models and approaches from a regulatory standpoint.

Delfas said: "We acknowledge that when designing new models and approaches, it is challenging for the industry to understand whether ideas meet TPR's expectations, and if they might breach regulations.

"That's why we have launched an innovation hub – to review industry ideas at an early stage and to provide guidance on the approach the regulator would likely take to that innovation.

"We are encouraging industry to come and speak to us early with their ideas, to tell us about the problems they are trying to solve for their members and how they are going about innovation."

Delfas also clarified that while TPR is supportive of innovation, this must be in the interests of members, warning that "savers should not pay the price for failed innovation".

Both of the initiatives are expected to help TPR gather "valuable evidence and insight" to better understand the full risk landscape and prioritise its efforts based on harm or opportunities for the saver.

Written by Sophie Smith

PPF confirms bespoke s143 assumptions for small schemes

The bespoke valuation assumptions for smaller schemes are expected to help cut "unnecessary" costs and shorten the time it takes for these schemes to transfer into the PPF

The Pension Protection Fund (PPF) has confirmed that marginally overfunded DB schemes with fewer than £50m in liabilities will have the option to use a bespoke discount rate for section 143 (s143) valuations.

An s143 valuation is needed when a scheme's employer becomes insolvent, triggering the entry of an eligible DB scheme into a PPF assessment period, to assess if the scheme can secure benefits with an insurer at or above the levels provided by the PPF.

However, for smaller schemes, currently considered to be those with fewer than £50m in s143 liabilities, using a standard discount rate is underestimating the buyout price for these schemes.

This, according to the PPF, leads to marginally overfunded smaller schemes entering the buyout market, often struggling to receive affordable buyout quotes, and usually running on as closed schemes before re-entering the PPF.

In light of this, the PPF proposed plans to allow actuaries to use a bespoke discount rate assumption when conducting a s143 valuation of schemes with liabilities of less than around £50m.

The PPF's response to the consultation revealed that industry respondents were also in general agreement about the proposals, although they stressed the need for care to avoid the risk of a scheme transferring to the PPF when it could have secured benefits better than PPF compensation in the insurance or consolidator market.

Following industry feedback, the lifeboat confirmed that it will introducing bespoke discount rate for smaller marginally overfunded schemes, in a move that is expected to help cut "unnecessary" costs and shorten the time it takes for these schemes to transfer into the PPF.

However, the PPF found that the current standard assumptions otherwise generally remain appropriate.

Written by Sophie Smith

Over £44m in overpaid pensions tax repaid in Q3 2024

HMRC repaid a total of £44,295,438 from 1 July 2024 to 30 September 2024, with an average tax refund per saver of £3,691

HMRC repaid more than £44m to people who overpaid tax when they flexibly accessed their pensions in Q3 2024, the latest government *Pension Schemes Newsletter* has revealed.

The update showed that HMRC repaid a total of £44,295,438 from 1 July 2024 to 30 September 2024, with an average tax refund per saver of around £3,691.

The tax repayments on flexible withdrawals are necessary as HMRC applies an emergency 'month 1' tax code on the first withdrawal, which can lead to an initial over-taxation.

People reclaiming overpaid tax must fill in one of three forms, with the latest update revealing that HMRC processed a total of 12,331 forms during the period, including 8,629 P55 forms, 2,948 P53Z forms, and 754 P50Z forms.

Quilter head of retirement policy, Jon Greer, highlighted the figures as demonstration that pension tax overpayment refunds continue to be a "substantial issue" for savers.

Whilst this quarter has seen a slight decrease in overpayments compared to the last, he argued that it still underscores the ongoing complexity and inefficiencies in the system when it comes to flexible pension withdrawals.

"Despite a gradual easing in cost-of-living pressures, these figures suggest that many are still drawing from their pension savings to navigate financial challenges," he continued.

Written by Sophie Smith

NEWS IN BRIEF

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

A burst of innovation

The past month brought more than a few product launches, as industry organisations looked to respond to changing market issues:

• Origo launched a pensions dashboards matching toolkit, allowing providers to test their ability to match find requests received via dashboards.

• The Pensions Administration Standards Association also released a new Dashboards Toolkit in response to a need for further help in implementing dashboard responsibilities.

• TPT Investment Management launched a standalone fiduciary management offering for DB schemes.

• Aon launched the 'Zone framework' to help schemes with the move into a new environment, where improved funding levels provide more endgame options.

• The London Pensions Fund Authority launched a searchable and interactive 'investing in the UK' map.

• A new collaborative initiative, the Charity Investment Consulting Partnership, was launched by Broadstone, in order to improve the overall investment landscape for charities.

• Border to Coast Partnership launched a £1.2bn UK real estate fund. Three partner funds, Tyne and Wear Pension Fund, Cumbria Pension Fund, and South Yorkshire Pensions Authority, collaborated to pool 65 existing holdings to seed the proposition at launch.

• The Pensions Scams Industry Group launched a petition to change how HMRC treats pension and investment fraud victims.

Climate efforts ramp up

Pension schemes and providers have been busy sharing their latest round of climate reports, revealing plans to step up climate-related action at a number of firm and providers:

• The Local Authority Pension Fund Forum and CCLA Investment Management have called on 76 FTSE 100 companies to produce climate transition plans that investors can vote on.

• The People's Pension delivered a 53 per cent reduction in total carbon emissions within its Global Investments Fund over the past 12 months.

• An industry report suggested that "careful policy action" is needed to unlock pension capital to help deliver on the government's clear power by 2030 mission.

• Aviva Investors announced the launch of a carbon removal fund, which aims to provide institutional investors with access to carbon removal solutions.

• The Transition Plan Taskforce officially concluded its work, outlining the steps to advance transition planning globally.

• Now Pensions revealed that the investment strategy implemented in Q1 2024 has enabled it to be 'on track' to achieve net zero by 2050 and a 50 per cent reduction by 2030, based on 2019 levels.

A changing market

The past month brought more than a few acquisitions, rebrands and partnerships within the pensions industry:

• Arthur J. Gallagher & Co announced the acquisition of London-based investment consulting firm, Redington.

• Isio announced plans to acquire insurance and risk settlement specialist, K3 Advisory, subject to Financial Conduct Authority regulatory approval.

• ECI Partners made an investment in Independent Governance Group (IGG), marking an exit for original backers, LDC. LDC, which backed the launch of IGG in 2023, also reinvested alongside ECI.

• Nest partnered with WTW and Hymans Robertson to help develop a new retirement income offering for DC retirees.

• Alltrust Services acquired the self-invested personal pension business of PSG SIPP, excluding its Unity scheme.

• Isio announced the completion of its investment from Aquiline Capital Partners, focused on supporting Isio's next phase of growth and delivering value for clients.

• Mercer completed its acquisition of Cardano, including Now Pensions, enabling the group to extend its fiduciary management, DB and DC offerings in the UK, Netherlands, and abroad.

Appointments, moves and mandates


Kirsty Ross

People's Partnership has announced the appointment of Kirsty Ross as proposition director.
Ross joins from Aegon, where she was head of workplace investment proposition. During her career in pensions, she has also worked for Royal London and Standard Life. She will lead a proposition team, which is currently developing innovations including retirement products.
Commenting on her appointment, Ross said she was "thrilled" to be joining at such a "pivotal" moment for both the industry and People's Partnership. "I'm really looking forward to working with the team to advance our proposition in a way that makes a genuine difference to our customers," she added.

Triple Point has announced Rachel Perini as institutional sales director.
This new role aims to advance Triple Point's relationships with institutional investors, family offices, and global consultants. Perini brings over 20 years of asset management experience, having held leadership roles at UBS Asset Management, BlackRock, SEI Investments, and Jupiter Asset Management. Most recently, she was at Jupiter Asset Management and held the role of head of UK and Netherlands institutional. Perini is a chartered financial analyst and has served on the Pensions for Purpose advisory board.
Triple Point managing partner, James Cranmer, said: "We are thrilled to welcome Rachel Perini to Triple Point. Rachel's deep expertise and impressive track record will be invaluable as we continue to expand our reach."

Clara Pensions has appointed RSM UK as its audit partner.
Clara has an "active pipeline" of schemes looking to join the company in the coming months to add to its £1.2bn of assets under management.
RSM UK head of pensions, Ian Bell, commented: "Clara is the pensions industry's first-ever authorised superfund, so it's exciting to be selected as their audit provider to support them on this journey. We look forward to working closely with Clara's management team, given the complexity and timescales involved in delivering the corporate and pension scheme audits."
Clara CEO, Simon True, said the appointment continued its approach of sourcing "a wide range of expert partners" to support its work.


Pauline Rourke

The BT Pension Scheme has appointed two new member-nominated trustee directors, Ricky Henderson and Pauline Rourke.
Rourke takes over from Beryl Shepherd, who retired as a trustee earlier this year after 15 years with BTPS. Henderson succeeds Andy Kerr, who passed away in August. Henderson spent 45 years with BT Group as a Communication Workers Union (CWU) representative for most of his career. He has been a non-executive director at NHS Lothian. Rourke joined BT in 1979 and has 45 years of service. She grew her career at the CWU and is currently a CWU assistant branch secretary and a Scottish TUC general council member.

The Pensions Regulator (TPR) has announced the appointment of three new permanent executive directors to help deliver a new regulatory approach.
These appointments follow formal approval from Pensions Minister, Emma Reynolds. Nina Blackett will join the board of TPR as executive director of strategy, policy and analysis, Gaucho Rasmussen will join as executive director of regulatory compliance and Neil Bull will be executive director of market oversight.
The directors were appointed initially on an interim basis earlier this year, after TPR announced the establishment of three new functions. These were Regulatory Compliance, Market Oversight, and Strategy Policy and Analysis. They will help "accelerate the shift" in TPR's regulatory approach to meet the challenges and opportunities of a changing pensions market – and deliver more for savers.
Commenting on the appointments, TPR chief executive, Nausicaa Delfas, said: "The pensions market is rapidly changing and moving towards fewer, larger schemes, bringing new opportunities and new risks. We are evolving as a regulator to meet these challenges.
"Gaucho, Neil, and Nina will each play a critical part in accelerating the shift in our regulatory approach that will help us to protect, enhance, and innovate in a changing pensions market, and become a more efficient and effective regulator."


The House of Commons

The House of Commons has formally appointed the membership of the Work and Pensions Committee (WPC).
The following members of parliament have been appointed to the WPC: Johanna Baxter (Labour), Peter Bedford (Conservative), Neil Coyle (Labour), Steve Darling (Liberal Democrat), Damien Egan (Labour), Gill German (Labour), Amanda Hack (Labour), John Milne (Liberal Democrat), David Pinto-Duschinsky (Labour).
There is one remaining vacancy on the committee, which is expected to be filled shortly.
The details of meetings and the committee's forward programme are expected to be announced in due course.
The individual nominees put forward by each political parties were formally agreed upon in the House of Commons following a Committee of Selection meeting.
Each party has its own internal processes for naming its nominations to fill its committee seats.
Party seat allocations across and within committees are proportionate to the number of MPs elected to the House of Commons at the general election, with the precise number negotiated between the party whips through the Committee of Selection. Labour MP, Debbie Abrahams was previously elected as Chair of the WPC by all members of the House of Commons in September. Abrahams said she was "profoundly grateful" for the support shown from colleagues across the House of Commons.

Access Pool has appointed Orchard Street Investment Management as impact real estate manager.
Orchard Street will target the delivery of attractive financial returns within a formal impact investment framework focused on decarbonising buildings to deliver attractive environmental, social and governance-led outcomes based on measurable targets.
Access Joint Committee chairman, Mark Kemp-Gee, said the allocation marks a "key step" in their ongoing initiative to diversify into the private markets. "This investment partnership will provide attractive long-term financial returns for our members," he added.
Orchard Street manager partner, Philip Gadsden, said: "We look forward to working closely with the Access team to create a market-leading impact strategy."


Andrew Davies

Standard Life has announced the appointment of Andrew Davies as independent chair of its Independent Governance Committee (IGC).
Davies has been a member of the Standard Life IGC since September 2023 and will take up his role as committee chair on 1 January 2025. He also sits on the Standard Life Master Trust Company Board, a trustee director role he has held since January 2020, chairing its Administration and Governance sub-committee and sitting on its Communications and Engagement sub-committee. The current IGC chair, David Hare, will step down on 31 December 2024, retiring after nearly 10 years, having chaired the IGCs of eight Phoenix Group companies.

Caffyns Pension Scheme has appointed WTW as fiduciary manager.
The trustee appointed WTW following a competitive tender process, intermediated by XPS, after it decided to replace its previous fiduciary manager. As fiduciary manager, WTW will assist the trustee in evolving and implementing the scheme's investment strategy. This includes access to WTW's preferred third-party investment managers.
Caffyns Pension Scheme chair of trustees, Mark Harrison, said it was "very much looking forward" to working with WTW as the scheme moves towards meeting its "ultimate goals".
Adding to this, WTW head of investments clients GB, Pieter Steyn, said: "We are delighted that the trustee of the Caffyns Pension Scheme has decided to appoint WTW to manage its investments."


Simon Liste

Brightwell has appointed Simon Liste as chief information and technology officer.
In this role, Liste will be responsible for investment systems, administration systems, IT infrastructure and markets support for Brightwell.
He joins from the Pension Protection Fund where he was chief information and technology officer. He has more than 25 years of experience in the tech industry, with the last six being served within the pensions industry.
Commenting on the appointment, Brightwell CEO, Morten Nilsson, said that Liste's expertise will be "instrumental in driving forward" Brightwell's technology agenda.

VIEW FROM TPR: Are you doing all you can to protect people like Pauline?

Fraudsters exploit vulnerability, as the story of Pauline Padden starkly demonstrates.

When Pauline got an offer out of the blue offering an immediate cash gift if she transferred her pension, the timing was so perfect she thought it was 'heaven sent'. In fact, she'd fallen into the clutches of scammers who stole her entire pension.

Through our video campaign featuring Pauline, her story has reached thousands via TV, radio, national media reports and social media. It urges others to 'stop and think' and know the warning signs.

While two fraudsters were jailed for their part in stealing Pauline's pension following TPR's prosecution, one of our key priorities is preventing fraud happening in the first place.

Trustees and administrators have a crucial role to play in prevention by reporting any suspicions to Action Fraud. Every report counts, providing us and our PSAG partners across law enforcement, government and industry with the vital intelligence that informs our prevention, disruption and enforcement activity.

Through closer partnership working, PSAG is enhancing the national intelligence picture of pension fraud to support policy-making and decisive, cost-effective action.We also urge trustees and administrators to adopt higher standards of anti-scam practice to protect their members. To view and share the videos visit: www.thepensionsregulator.gov.uk

The Pensions Regulator
Making workplace pensions work

TPR intelligence business lead, Paul Sweeney

View from the PLSA: A Budget sigh of relief

Like me, I'm sure most of you would have breathed a sigh of relief after the first Labour Budget for 14 years, having threatened to substantially harm pension saving through radical changes to tax relief, left us with the more manageable task of dealing with new requirements relating to the inheritance of pensions.

Yes, higher National Insurance payments do make it harder for employers to afford making higher pension contributions, but we were spared the damaging consequences of removing NIC relief on contributions or reducing the tax-free lump sum.

It was also positive the Chancellor reconfirmed the government's commitment to work in partnership with the private sector to further increase investment into the UK.

Our *Creating a Pipeline of Investable UK Opportunities* report identified four key areas that require further investment and include opportunities that are well suited to pension fund investment: climate change, infrastructure, social and community growth funds and life sciences and AI. We were encouraged to see that the government has committed funding to all these areas.

All eyes are now on the Mansion House speech, and the Pensions Investment Review interim report, to find out what's next for the pension sector.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

PLSA chief policy counsel, Nigel Peaple

View from the PMI: The potential influence of reporting rumours

By the time this article goes to press, we will be aware of what the chancellor of the exchequer will have announced in her Budget.

However, in the weeks leading up to the Budget we have seen examples of the rumour mill driving bad behaviours by people believing what is being reported in the news.

One worrying example for people looking to retire has been the suggestion that the tax-free cash status of retirement lump sums up to a certain amount being removed or restricted.

We have seen a flurry of activity in the industry, with people eligible for retirement looking to take this benefit before the Budget, even when retirement may not be currently in their best interest, in order to take advantage of this tax-free amount. It is not uncommon for leaks on information to come from different ministerial departments, but surely it is a duty of those reporting on these leaks that they consider the potential impacts on the people they affect.

The rush for a headline seems more important to some rather than factual and accurate reporting.

When these topics have a potential impact on the financial decisions made by individuals, there should be more responsibility taken by those reporting.

PMI president, Robert Wakefield

PMI

Diary: November 2024 and beyond

Irish Pensions Awards
20 November 2024
The Round Room at the Mansion House, Dublin

The Irish Pensions Awards aim 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. The awards will be hosted at a new venue, the historic Mansion House in Dublin.

europeanpensions.net/irishawards

Pensions Age Awards 2025
4 March 2025
Grosvenor House Hotel, London

The 12th Pensions Age Awards aim to recognise and celebrate the innovation, dedication, and excellence of both pension schemes and providers across the UK, especially those that have demonstrated outstanding performance and resilience in challenging economic conditions. These prestigious awards are open to all UK-based pension schemes and provider firms that serve pension schemes in the UK. The final deadline for submissions is 15 November.

pensionsage.com/awards

European Pensions Awards 2025
7 July 2025
London Marriott Hotel, London

Now in its 18th year, the European Pensions Awards were launched to give recognition to investment firms, consultancies and pension providers across Europe that have set the highest professional standards to best serve European pension funds over the past year and continue to do so. The awards are free to enter and open to any pension fund or firm that serves European pension funds. The deadline for submissions is 7 March 2025.

europeanpensions.net/awards/

PLSA Pension Policy Summit
28 November 2024
PwC, London

The PLSA Pension Policy Summit will explore the UK government's plans for the pensions industry. Confirmed topics include the Pensions Review, the Pension Schemes Bill, the Budget, and pensions in parliament. It will bring together political commentators, policymakers and the pensions industry to set out the future of pension policy under the Labour government.

plsa.co.uk/events

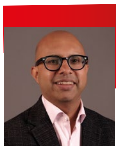
Visit www.pensionsage.com for more diary listings

Don't forget...

Extension of CDC consultation closes 19 November 2024

Consultation on extending the framework for CDC provision to include non-associated multiple employer CDC schemes closes.

www.gov.uk/government/consultations



VIEW FROM THE SPP: Decumulation – the need for innovation

As savers retire with DC benefits, the need for innovation when accessing pots is more important than ever and the forthcoming Pension Schemes Bill will oblige trustees to provide retirement income solutions.

Innovation needs to consider a number of factors including:

- How and when savers take benefits
- The risk of fund exhaustion or even underspending
- The appetite for risk
- An integrated approach to looking at all income and expenditure, not just pension pots in isolation
- Health issues, including the need for long-term care.

Another challenge that arises in later life is that each saver's circumstances diverges considerably and whilst in the saving phase it is easier to create default solutions, this becomes trickier, in the retirement phase.

One area of innovation that could help is using modern technology more effectively. Creating easy-to-understand tools and applications that can help with the guidance and/or advice journey will help remove the paralysis in decision-making that can sometimes occur. For example, it could allow individuals to model their requirements specifically to their circumstances and action their decisions. Of course, technology is not the full answer, innovations across other areas e.g. investments, are also needed. The SPP is leading the way here – supporting the industry by providing thought leadership.

THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

SPP member, Anish Rav

View from the AMNT: Pension gender gap - Words! Words! I'm so sick of words!

"Words! Words! Words! I'm so sick of words!" So sings Eliza Doolittle in *My Fair Lady* showing her frustration at the barrage of words from Professor Higgins.

In the pension world we have been subject to a 'barrage' of words, reflecting the disparity between men and women's pension outcomes – the pension gender gap.

Ministers now say they are very concerned about the gender pension gap, which is at 35 per cent.

Well, such 'concerns' have been expressed many times before with fine words and worries about the state of women's pensions. Yet, fine words have not translated into actions.

A further pension review started recently with a call for evidence, which closed on 25 September. Pensions Minister, Emma Reynolds, apologised for the short timelines, saying: "We're in a bit of a rush and I urge everyone to have their say now and make sure their voice is heard."

Saying 'we're in a bit of a rush' in the context of actions on the pension gap seems like describing a snail as speedy. The answers to the problem have been widely known by the industry and government but they will require change that will be costly. However, to do nothing will cost more. As Eliza says, closing her song: "Don't wait until wrinkles and lines, pop out all over my brow, show me now!"

AMNT member, Stephen Fallowell

AMNT Association of Member Nominated Trustees

VIEW FROM THE ABI: The value for money (VFM) framework

Getting the VFM framework right could be transformational for savers and our industry. Getting it wrong would be disruptive and potentially destabilising for a competitive market that is essential for delivering most people's retirement.

The ABI is strongly supportive of policy that shifts the 'cost is king' culture towards a greater focus on overall value. Making comparisons across the market on investment performance, costs and charges and quality of service is the right way to do that. However, developing the right metrics to make sure those comparisons are fair across a diverse range of products is not without challenge.

The metrics, as proposed, need finessing. The current proposal is overly burdensome and does not provide firms with enough scope to improve if they receive an amber RAG rating. Currently, when Independent Governance Committees give providers amber ratings, this is an indication to improve, not an immediate reprimand. The same should apply in the VFM framework.

Until primary and secondary legislation is in place it will be difficult for firms to be able to plan. We've therefore called for providers be given at least a year between final rules being published and implementing the framework. This would also enable trust and contract-based providers to go together.

ABI

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

VIEW FROM THE PPI: Rising health inequalities could reduce later-life saving

We talk a lot about wealth and income inequality in the context of the UK retirement system, but less about health inequality.

In just a decade however, the number of working-age adults reporting a disability soared from 6.1 million (15 per cent) in 2012-13, to 9.1 million (23 per cent) in 2022-23.

Across the country, rates rose faster among younger people than older and faster among women than men.

They follow a broader pattern too, increasing fastest in the most deprived areas where people live an average of just 52 years in good health, than the least deprived, where people live an average of 71 years in good health.

But what does this mean for pension saving? It all relates to how long people have in work to save, and how much they have to live on if they leave.

Almost half of all working-age adults with a disability will leave work, and around 600 carers a day leave work because of caring responsibilities.

Over these periods, many people stop contributing to their pension and may be forced to draw down on short or long-term savings to get by.

This November, the PPI publishes its latest *UK Pensions Framework* report which looks in depth at how wide-ranging inequalities can affect pensions policy and outcomes in later life.

Of all the trends we found in the study however, the rise in disability was the largest.

PENSIONS POLICY INSTITUTE PPI

PPI senior policy researcher, Anna Brain

A week in the life of: Aviva head of workplace proposition, Dawn Anderson

As head of workplace proposition at Aviva, I am responsible for the team that supports both our contract and trust-based employers' workplace savings schemes. We are responsible for key deliveries, which include the ongoing innovation within our app 'MyWorkplace'. My team is multi-site, with people in Bristol, Leatherhead, Norwich, York, and Sheffield. I'm based in the Northumbrian countryside, where I am renovating an old cottage in my spare time.

Monday

My week starts with a client meeting, which means York is my destination for the next two days. This is one of my favourite parts of the role as I get to hear first-hand how the work that my team delivers really has an impact for our clients. I talk about the research that we conducted in the development of our financial wellbeing proposition and some of the great results we are already seeing from the activity. The day ends with a catch-up with my leadership team to share the feedback from the client, and a discussion about our delivery plans for the remainder of 2024. After a long day, I head to my hotel room for the night.

Tuesday

One of the most rewarding aspects of my job is developing talent in our business. As someone who has worked their way through the ranks, it is a part of the Aviva culture that makes me proud. We have a managers meeting today in York, looking at how we can create opportunities for our people. In the afternoon, I meet with an expert in my team who is working on how artificial intelligence can benefit our members. It's a hot topic right now, and we are already seeing areas of real benefit, so it is great to hear all about the progress and discuss new opportunities.

Wednesday

After a busy start to the week away, I am pleased to be back at home – having the flexibility to work remotely as well as be in our sites across the UK does have its benefits.

My day starts with a virtual meeting about our 2025 priorities. We have some exciting innovations planned for next year and our digital teams are brilliant at bringing them to life. This is followed by a meeting about our career break tool calculator, which we will launch in Q1 next year. It will allow members to forecast their retirement more accurately, allowing for time off to support caring or parental needs.

An important part of our member experience are the tools that empower better financial decision-making, so this will be a great delivery for the team.

Thursday

I have video catch-ups with various members of my direct team and supporting teams across the wider Aviva business. We're a broad financial services organisation providing solutions for our many employer clients, as well as insurance, protection, and savings to individual UK workers, so there is always a wide range of topics to cover.

Friday

I meet virtually with the trustees of the Aviva Master Trust in the morning, where our main focus is on Guided Retirement, which launches soon, and it serves as an opportunity for my team to showcase the member experience.

Our trustees are really engaged on this key area of our development agenda, and getting the engagement right with our scheme members is a priority for them. Their feedback is valuable and helps bring their wider industry experience into the development of our solutions.

As my week draws to a close, I find myself planning for end-of year appraisals. It's a lot sooner than usual because I'm going on holiday, off celebrating turning 50 years old with a cruise around the Caribbean!

VIEW FROM THE PPF: PPF's unique role in the UK pensions landscape

I'm delighted to write my first column for *Pensions Age* readers after receiving such a warm welcome at the Autumn conference in September.

Over the past six months, I've been settling into my new role as CEO and gaining a deeper understanding of our organisation and the valuable role it plays in the UK pension industry.

I am very proud of our unique role. As the protector of close to nine million DB scheme members, a trusted asset owner with £32 billion AUM, and a valued public body, we are continually striving to ensure we meet the needs of our members and levy payers.

Our performance over the last financial year were recently highlighted in our *Annual Report and Accounts.*

We were pleased to report that 98 per cent of members said they were satisfied or very satisfied with PPF service and despite an uncertain inflation and interest rate backdrop, our growth portfolio delivered a return of 7.2 per cent over the year, up from 1.9 per cent in 2022/23.

Having built a world class institution over the past 20 years and reached a strong funding position, we are now looking to the future to understand how we might be able to utilise our capabilities in other ways for public benefit.

I look forward to working alongside my colleagues, and increasing our partnership work with industry, in this new chapter for the PPF.

Pension Protection Fund

PPF CEO, Michelle Ostermann

VIEW FROM PASA: Cybersecurity Awareness Month

October marked Global Cybersecurity Awareness Month, highlighting the growing and sophisticated threat cyber fraud poses to individuals and organisations globally. UK pension schemes are becoming prime targets for cybercriminals, who seek not only members' personal data but also scheme assets, endangering the financial security of millions.

When TPR issued its General Code it included a requirement for schemes to assess, manage, and mitigate their cyber risks. There's a critical need for them to have comprehensive policies, proactive controls, and the ability to respond swiftly to cyber incidents. It's no longer enough to be reactive; schemes must build resilience, anticipating threats before they strike. And their administrators are the crucial first line of defence.

PASA's Cyber Crime & Fraud Working Group, chaired by Crowe, our expert partner, is leading the efforts to strengthen cyber defences across the pensions industry. Led by Tim Robinson, the group will provide forward-thinking expertise, focusing on practical solutions enabling pension schemes to meet regulatory requirements and combat against increasingly sophisticated cybercriminals.

Pension schemes must strengthen their cyber resilience, safeguarding member data and ensuring they are equipped to defend against evolving threats. Trustees and scheme managers collaborate closely with their administrators to ensure they're protected. The cost of inaction is simply too great for schemes and their members alike.

PASA assess | aspire | achieve

PASA chair, Kim Gubler

VIEW FROM THE ACA: 2024 Autumn Budget

Whilst its good news that most of the pensions tax changes that were widely speculated and considered have not been taken forward at this budget, the extra NIC burden on employers combined with major increases in minimum wages will inevitably impact future employment levels and pay growth.

Ironically, the hike in employer NICs makes employer pension contributions even more tax efficient elements of reward going forward so we hope the government will continue to support and promote initiatives that have employer sponsored occupational pension schemes at the heart of the UK retirement savings landscape.

It was a shame that the cycle of pensions tax change speculation wasn't put to bed. In a 'budget for stability', we've had a corporate tax roadmap but no pensions tax roadmap! However, as the industry is still dealing with the introduction of the LSA/LSDBA regime, we welcome that the proposed changes to the inheritance tax treatment of certain death benefits from pension schemes will not apply until April 2027.

On 6 November we held our inaugural Bloomfield Lecture, commemorating the untimely death a year ago of Patrick Bloomfield, ACA chair 2020-22. The lecture, titled *Retirement reimagined: Securing lifelong financial independence for all,* was delivered by actuaries James Smith and Alexandra Miles and reflected Patrick's inspiration to many next-generation employees at his firm and beyond.

ACA ASSOCIATION OF CONSULTING ACTUARIES

ACA chair, Stewart Hastie

Law and last orders

Pinsent Masons partner, Christina Bowyer, chats to *Pensions Age* about her journey from bar manager to pensions lawyer, and an under-appreciated talent for wiggling her ears

What's your employment history (including jobs outside of pensions)?
I qualified as a lawyer in 2005, after returning to university full-time in my 30s to convert my history degree to a law degree. Before that, I was a pension consultant mostly working with heavy industry/manufacturing clients. Those trustee boards included union conveners, who were tough but knowledgeable and dedicated trustees.

As a student I worked as a sales assistant (20 per cent discounts – I had a lot of shoes!) and a waitress (not a great one, I'm very clumsy). I had a brief stint as a civil servant when I was saving to go travelling (my least favourite role) and I managed a bar for a year (which required a strong sense of humour coupled with a steely glare). The life and people skills I learned in those jobs have really helped me manage both teams and clients over the years.

What's your favourite memory of working in the pensions sector?
Working with intelligent individuals in a complex area and watching people grow in confidence in their role, whether colleague, trustee or adviser. Also, I love a factory tour with my clients. My tours

have included a car bumper factory and a forklift truck factory – I was allowed to drive a forklift truck. What's not to like?

If you did not work in pensions, what sector do you think you would be in instead?
If I'm daydreaming it's the travel industry as a travel writer, but more realistically a corporate lawyer.

What was your dream job as a child?
I wanted to be a spy, because it seemed exciting, and I couldn't imagine working behind a desk in an office all day… not sure that worked out!

What do you like to do in your spare time?
I walk my crazy Patterdale Terrier and spend time with my family and friends. I also love to travel, which has brought me to over 30 countries. Some of my favourites are Sri Lanka, Cuba, Thailand and New Zealand. Those still on my hit list include Japan, Brazil, and Chile.

Do you have any hidden skills or talents?
I can wiggle my ears but it's not a skill I get much use from. I also make a mean chocolate brownie, which (somewhat surprisingly) is more popular than the ear wiggling.

Is there a particular sport/team that you follow?
I can spend hours watching tennis on TV when I really need to do other things.

If you had to choose one favourite book, which would you recommend people read?
To Kill a Mockingbird by Harper Lee – a fantastic book full of social comment but very funny too. Also, anything by Margaret Atwood who has an uncanny way of predicting the near future, albeit through a dystopian lens.

And what film/boxset should people see?
I, Daniel Blake. It's a tough watch but shows how easy it is for people to get caught in the system. For balance and feel good, *Love Actually*.

Is there any particular music/band that you enjoy?
Snow Patrol and Pink are my favourites, and I love anything I can dance to, like Becky Hill.

Who would be your dream dinner party guests?
Emmeline Pankhurst, Pink, Jeremy Bowen and Alan Bennett.

Is there an inspirational quote/saying you particularly like?
"If not now, when?" - Anon. This suits my approach to work and life in general.

Written by Francesca Fabrizi

Review: PLSA Annual Conference

A look back at last month's PLSA Annual Conference in Liverpool

The PLSA Annual Conference is the biggest event of its kind in the UK. Assembling over 1,100 professionals representing pension schemes, trustees, investment managers, administrators and many others, the aim is to debate the most pressing policy issues of the day and bring people together to share best practice within the retirement and long-term savings sector.

From the newly appointed pensions minister to industry stalwarts from the DB, DC, master trust and Local Government Pension Fund sectors, the roster of speakers showed the breadth of the challenge the sector faces in 2024 and beyond.

Government moving at pace

Minister for Pensions, Emma Reynolds, opened the conference emphasising the government's commitment to enhancing the UK's pension landscape by aiming to unlock the potential of the £2 trillion industry through investment in 'productive assets', with a focus on infrastructure and innovation to drive economic growth.

Outlining key reforms aimed at improving defined contribution schemes, including consolidating small pots and introducing the value-for-money framework, she also emphasised the importance of retirement products and ensuring that pension schemes offer better outcomes for savers.

Questions from attendees highlighted the need for clarity from policymakers on fiduciary duty and investment freedom, with a consensus on the importance of aligning investments with the interests of savers when targeting broader economic growth, although tellingly the minister did not rule out mandating a certain amount of investment in targeted areas.

An urgent adequacy challenge

In a thought-provoking session on the adequacy challenge facing society, Pensions Policy Institute director, Chris Curry, the Centre for Research in Social Policy co-director, Matt Padley, and Nest Insight executive director, Will Sandbrook, highlighted significant and growing inequalities in provision across cohorts yet to retire. They noted how broad assessments of 'adequate' may fail to provide the outcomes many DC members either need or expect.

Rising costs for social care, along with a growing number of people renting (rather than owning) their homes, are two key factors that are set to squeeze those retiring in relatively short order, with no clear solution for those coming behind them in similar situations.

While this has been a conundrum for the industry since the dawn of DC, the speed at which these complications are heading for impact seems to have increased from 'pressing' to 'urgent' as affected members are beginning to approach retirement age.

The theme of adequacy and inclusion ran through the rest of the conference, with sessions considering how to bring those on the fringes of pension savings into the fold. Panellists reported some worrying numbers around not just how many savers were in line to miss even

the lowest level of income in retirement, but by how much they would miss that target.

While policy is key to making much of the substantial changes that are needed to meet these challenges, delegates heard from those offering industry-based solutions to help those closest to the cliff edge to begin to make reparations.

Wise heads, young shoulders

The second day began with a reality check from a panel of impressive speakers whose careers are closer to the start than the end.

Hosted by Young Money writer, Iona Bain, Everyone Matters sustainability officer, Maia Dunleavy, writer and podcaster, Kerry Ryan, LCP senior investment consultant, Laasya Shekaran, and Aviva Wealth Academy lead, Mesoo Ubadigha, challenged the industry on why younger cohorts fail to connect or engage with saving for later life.

With refreshing honesty, the panellists outlined the challenges younger people face and the competing demands on their finances, but agreed that better, more relatable information could encourage them to plan for their future.

DC – consolidation, performance and engagement

PLSA chair, Emma Douglas, brought together Smart Pension's Jamie Fiveash, People's Partnership's Patrick Heath-Lay, LCP's Laura Myers, and DWP's Julian Barker from the DC arena to talk about the future of the system.

With consolidation looming large, panellists warned of unintended consequences, including a lack of competition undoing important work on value for money, which – they said – needed to be the focus rather than a continual downward pressure on fees.

Panellists urged policymakers to realise that administrative tasks and compliance had a fixed cost, with investment the only real movable feast and "moving a mandate over a basis point" benefitted no one in the value chain.

The panellists urged asset owners to work together to open up a broader range of investment opportunities.

The future of DB

Later, Saul Trustee's Rob Orr, Rolls-Royce's Fiona Brown, West Yorkshire Pension Fund's Euan Miller, Clara-Pensions' Simon True, and USS's Carol Young focused on the future of DB. They discussed surpluses, and the technicalities involved in run-on vs buyout, that had not been on many people's radars when the DB Funding Code was drawn up.

The panel – and questions from the audience – noted the ever-present concern that policymakers may mandate investment into the UK economy as DB pensions may be viewed as a 'big pot of money', rather than the asset-based promises made to members. Fiduciary duty needs to be shown as the driving issue, not supporting the national economy, as tempting as it might be, delegates said.

Other highlights

More highlights included an update session on the dashboard project, with Pensions Dashboard Programme principal, Chris Curry, saying testing is well underway. For those still unsure of how they are involved or what to do, The Pensions Regulator has a full checklist with helpful tips on how to get started.

Delegates then received a postcard from Australia in a session outlining learnings from successes and challenges from our cousins down under.

Another missive came from reality TV star, Gemma Collins, making her first appearance at the PLSA Annual Conference via a 30-second video clip. As part of the Pay your Pension Some Attention campaign, 'The GC' has catapulted retirement savings into the spotlight like never before.

A choice of discussions that delved into the technicalities of buyout, run-on through to a closing keynote by former MP, now Baroness, Harriet Harmen.

Unable to give any steer on forward-looking policy, the Labour peer took delegates down a parliamentary memory lane, regaling the audience with stories of being in government alongside former Prime Minister, Tony Blair. She also gave her personal account of the frustrations of being in government facing down a range of significant issues that all demand immediate and significant attention.

Beyond the plenaries

The buzz around this year's PLSA Annual Conference proved its reputation as the pensions event not to be missed. Away from the keynotes, panels and plenaries, the meetings and memories with old friends and new ones, and the shared challenges and experiences, will no doubt form the basis of boardroom and watercooler conversation for months to come.

Pension Attention 2024 - The voices behind the megaphone

With the Pension Attention campaign back in full swing for its third year, Sophie Smith chats with this year's spokespeople, reality TV star, Gemma Collins, and money expert, Iona Bain, about the lessons they've taken away from the campaign

Can you tell us a bit more about what you already knew about pensions before joining the Pension Attention campaign?

Iona Bain: As the resident money expert at BBC *Morning Live* and a governor at the Pension Policy Institute, pensions is a topic I'm really comfortable with. Over the years, I've shared lots of advice to help people engage with their pension and feel more confident about retirement.

Gemma Collins: If I'm honest, I've never really thought much about my pension until this campaign. I've done loads of jobs from a young age, so I would've racked up some sort of pension, but I wasn't aware of how I could trace it all until I did this campaign.

Has the campaign prompted you to take a closer look at your pension? If so, have you had any surprises or taken any action as a result?

Collins: I know I'm getting older, so I realised I need to knuckle down and sort my pension out so I can have my dream GC retirement.

With your experience having worked on the campaign, what would be your one tip for others?

Collins: Get the ball rolling today. It doesn't matter how much you earn – think about your pension and plan for the future. We always feel like we have plenty of time, but we just don't. We all work hard so you deserve to have a pot at the end of it but to get that, you do have to start and get your skates on.

Bain: My tip would be that if you can save something, it's better than nothing. The majority of us are contributing to a workplace pension but most people don't know how much we have or where our previous pension pots are. So, find out how much money you have saved in your pension and see whether you can contribute more, whether that's yourself or by asking your employer to match contributions. Every small step counts!

And what is the most common comment or question you've had from friends and family since being announced as the voices behind the Pension Attention megaphone?

Collins: Well, a lot of people say they'd never, ever expected me to be the face of the campaign but it's got a lot of people talking, even my friends have started talking about what you have to do now to get it sorted for later.

Bain: Since doing this campaign and telling people about it, people have become very quickly fascinated about what they can do to better manage their pension. Someone recently came up to me, wanting help with their pension, saying they wish they knew about how important their pension was in their 20s and how they would've done things differently. It goes to show that when people engage with their pensions, they do become genuinely interested and want to make positive changes.

You both come from self-employed backgrounds. How, if at all, has this impacted how you approach pensions and financial planning, as well as the campaign message itself?

Bain: I spent a lot of my 20s freelancing and building up my income but that has also meant that now that I'm self-employed, I've had to play catch up and contribute more to my pension pot. It's never too late, or early, to start paying your pension some attention and that's

what I really love about the campaign's message.

Collins: Like me, I've got mates in the industry who are self-employed and don't have a pension. So, this campaign is a wake-up call to get everyone to get one set up and put money in it. I'm going to be really careful now in terms of what I put towards my pension and what I use as my income.

Finally, and perhaps most importantly, which would you rather – the world's best pension, or the world's best anti-ageing cream?

Collins: Usually, I'd go for the best anti-ageing cream but since this campaign, I'd have to say the world's best pension. I've been working since I was 13 so I want to have the best retirement – with a bit of GC-luxury, of course.

Bain: Like Gemma, I still have some way to go before my pension is ready for the retirement I want so I definitely want the world's best pension too. Maybe I can then live like Gemma Collins!

The People's Pension's path to £30 billion AUM

Charting over a decade of growth to become one of the UK's fastest-growing asset owners

When we launched The People's Pension 12 years ago, we couldn't have imagined it would reach £30 billion in assets under management (AUM). This milestone fills me with pride and reflects the dedication of our team. Looking ahead, we expect to manage £50 billion in four years and potentially £100 billion in 10 years, positioning us among the world's largest pension schemes.

One key moment in our journey was a conversation during a 30-minute train ride from London in the early planning stages. We debated whether to stay in construction, where we had delivered products for 60 years, or pivot to become a whole-market provider. We chose to expand, leading to the creation of The People's Pension. Today, with over 6.5 million members and more than 100,000 employers, our reach has exceeded our initial expectations.

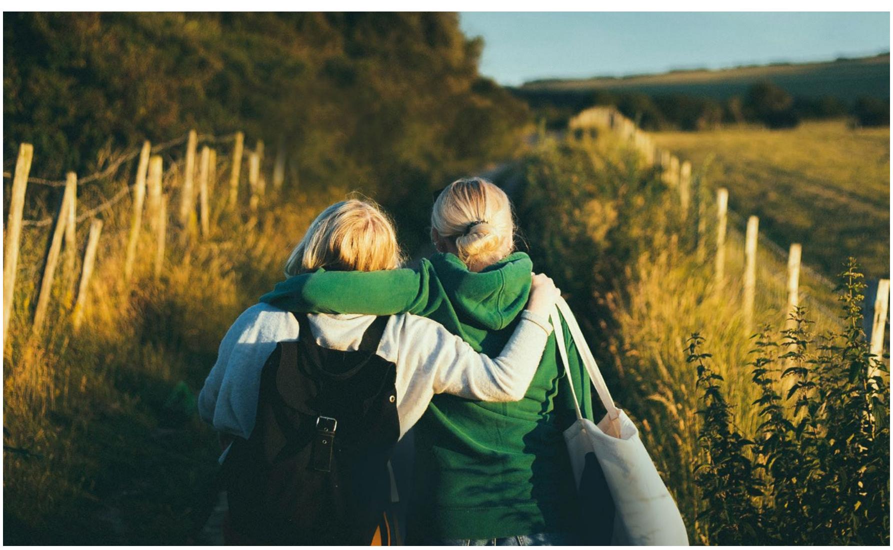
Back then, much of the population was underserved by pension companies, with many market players uninterested in serving the parts of the market they couldn't serve profitably. While some have since shifted focus, a large part of the financial services industry remains selective. We've always believed in making good quality workplace pensions accessible to all, and we remain firmly committed to this principle.

A crucial factor in our early success was our collaboration with advisers, who continue to be vital. Advisers guide corporate clients, and our ability to offer a valued alternative with strong service support has driven sustained interest in The People's Pension.

Growing and achieving scale so rapidly is remarkable, especially for an organisation without shareholders. We've financed our growth independently, without relying on debt or external investment, built on three core values:

1. Understanding people by putting ourselves in their shoes.
2. Creating simplicity by removing obstacles.
3. Keeping our promises by delivering on our commitments.

It's been a challenging journey, but we've always focused on doing the right thing for our millions of members. Our priority remains helping members access their savings in retirement and meeting our commitments to those who trust us with their future.



Reaching £30 billion AUM makes The People's Pension one of the fastest-growing asset owners in the UK. Its trajectory suggests it will be among the top 100 asset owners globally within the next decade. This growth will allow us to deliver greater value for members through economies of scale, portfolio diversification, reduced risk, stronger stewardship, and better returns.

As a profit for people organisation with no shareholders, our increasing scale allows us to reinvest in products, services, and broader support for members. Our growth benefits the membership by enhancing our ability to deliver value and contribute to the industry.

While we're proud of what we've achieved, there's always more to do. We're optimistic that the government's pensions review will bring the industry's focus further on to the saver. We see the pensions market as a work in progress and look forward to playing our part in what comes next.

Reaching £30 billion is a significant milestone, but in many ways, we're just getting started.

Written by Patrick Heath-Lay, CEO of People's Partnership, provider of The People's Pension

In association with the people's pension

Laura Blows
Pensions Age Editor

Jeremy Rideau,
EMEA head of LDI

STATE STREET GLOBAL ADVISORS

Endgames and LDI: Lessons to be learnt

At the PLSA Annual Conference, Laura Blows spoke to State Street Global Advisors EMEA head of LDI, Jeremy Rideau, about DB endgames and LDI in the wake of the gilts crisis of two years ago

Jeremy, you've just joined us from your presentation looking at DB endgames and LDI. What were your key takeaways from that session?
First, it's about making sure that people understand the complexity about the endgames at their disposal. There are now more endgame solutions than there used to be, with the advent of superfunds and capital-backed journey plans, plus the fact that now run-on is back to being something that is popular and trendy.

We saw during the presentation that more schemes than I expected are now interested in targeting run-on rather than buyout. But, also, a second angle is about the pension superfunds themselves. We talked to Clara-Pensions (Clara) during that presentation, and they were very keen to explain to trustees that pension funds should think about Clara as a superfund not just if their sponsor is in trouble or if they have a weak sponsor. Superfunds can actually help pension plans with any type of sponsors and maybe any type of covenant.

And the final point as well to take away from that presentation was about LDI and the fact that I was here 12 months ago talking about LDI and the lessons from the gilt crisis. And I'm afraid that whilst the majority of pension schemes have reviewed the LDI arrangements, only 23 per cent of them that we surveyed made a change throughout the process, that is a fairly small amount, and we were very surprised by that.

You mentioned the LDI crisis, and it was two years ago here in Liverpool, at this event, where the fallout from the gilts crisis was really taking hold and was the talk of the conference. Two years on, what changes would you say have occurred, both in terms of LDI management and pension scheme investment generally?
Significant changes have occurred, first and foremost, driven by the asset managers themselves. We all used to take leverage within our portfolios. We still do, but one of the key changes that we experience in the UK is the fact that the gilt market is now more volatile than it used to be, and with more volatility means different risk management.

Regulators prescribed the level of collateral sufficiency that pooled funds need to have. It didn't really change anything, because at the point where the regulation came into play, most asset managers had already done what is expected by the regulator anyway. But that is one of the biggest changes, you cannot take the same amount of leverage today as you could few years back.

Many pension plans have to review how they invest the assets that they have. First, if you have less leverage and you want the same amount of protection, you may need to reallocate more of your money towards your LDI portfolio. And that has been a shift that we've seen from our some of our clients, trying to keep the same level of protection with less leverage, meaning allocating more to the LDI book of business.

And finally, when it comes to the asset allocation and what clients have done, risk preparedness. It's easy to forget about something that happened a couple of years back and pretend it will never happen again. But that is not learning from history, and we are very keen for our clients to learn from history and to learn from what they experience over time.

Another effect from the events two years ago has been the increased funding levels of many DB schemes and the acceleration of their journey to buyout. What would you say are the impacts of this increased shift in gilt holdings from pension funds to insurers?

One of the key changes that we've seen in the past 12 months is the fact that insurers are holding on to these gilts and index-linked gilts, which is not the norm and not what they used to do. One of the main reasons for that is the fact that credit spreads, so the return that you get on top of when you invest in corporate bonds, has reduced significantly.

So, if you don't necessarily get rewarded as much as you would like from investing in corporate bonds, you probably want to hold on to gilts for a longer period of time, until you believe that more risky asset gives you the return that you are after. So, insurance companies have held on to these gilts and index-linked gilts.

I'd like to return to an earlier point you made that caught me by surprise, which was the low number of schemes that have actually changed LDI managers since the crisis two years ago. What would you suggest schemes should do in terms of reviewing their LDI manager; what generally should they be looking for?

It's important for schemes to ask the right questions and to challenge the status quo. Of course, all managers will be very polished and give a very good presentation about the capabilities. It's about being able to look through this with the help of their consultants or their fiduciary manager, if they have one, and be able to go through the difficult questions.

For example, if we were to have a crisis again, how can you explain how the service level you would provide would be better than the previous crisis? Another one is simply to expect more from your LDI provider. We end up in a position where pension schemes are better funded. Therefore, their level of hedging has increased, and the precision of the hedging they require has also increased, so they should be asking more from the LDI managers about getting a better service, a better investment proposition, a more frequent look at their portfolio and rebalancing to make sure that their portfolio is well risk managed, which ultimately is the aim of an LDI portfolio.

The low number of schemes actually reviewing and changing LDI managers does imply some kind of collective amnesia perhaps, of the events of the past couple of years. What would you suggest schemes should do to try and prepare for the unexpected in terms of market volatility and their LDI strategy?

When it comes to preparing for the next crisis, and it's not if, it's when, it will happen at some point. We need to be cognisant, but, to your point, forgetting the past is not learning from it. So how do you go about doing this? First and foremost is making sure that there's a clear stress testing of the portfolios happening, that trustees are aware of what stress tests mean for them, if they still use leverage, how much capital might be drawn upon them, how quickly do they need to provide that capital? In order to do so, you need a collateral waterfall. I've got collateral, and I need to know how quickly I can provide that collateral to my manager. And then, if I exhaust the first level, what is my second level, third level?

It's also important to realise that there's no one-size-fits all for pension schemes. One of the key reactions that came out of the crisis by some of our peers is to become incredibly risk averse across the whole spectrum and treat all clients the same, based on the lowest common denominator. So, the pension schemes with the lowest level of governance and the most risk averse are the new standard, and everyone else has to follow that standard.

We don't think that's the right approach. We think that if you're a pension scheme with a high governance budget and the ability to turn around collateral very quickly, let's say within 24 hours, we should be able to give this type of pension scheme more leeway to run the collateral management and the leverage at higher level, and therefore lower collateral levels than some of our peers, where some clients will say, I need five days to get back to you with collateral. If that's the case, absolutely fine. We will run different risk management with lower risk for this type of client, higher risk for the clients that can justify the risk. So the one-size-fits-all approach is not the right answer for benching plans. Adding leverage doesn't mean we can't manage risk appropriately for our pension schemes.

This is an edited summary. To watch this video interview in full, please visit pensionsage.com

Soapbox: No escape for pensions dashboards

As rumours of an incoming ministerial statement on pensions dashboards swirled last month, I can't have been the only one to have flashbacks to March 2023, when the government announced plans for a 'reset' of the Pensions Dashboards Programme (PDP).

This reset was clearly needed, with various reports since revealing that multiple factors contributed to the delivery problems, including a lack of skilled digital resources and ineffective programme governance.

But the industry, and broader public reaction, was anything but positive, as many raised concerns around never-ending delays and the potential for dashboards to be 'kicked into the long grass' (alongside many other forgotten pension policy ideas).

So it is unsurprising that this latest statement from the new Pensions Minister, Emma Reynolds, was met with an initial sigh of relief, as she confirmed that, despite the change in government, the commitment to pensions dashboards was still there.

"Facilitating the launch of pensions dashboards is a challenging and complex undertaking, but the government is firmly committed to their successful delivery and to unlocking the potential benefits they will offer to future pensioners," she stated.

The reaction since has been more divided though, as experts honed in on the fact that the MoneyHelper dashboard will be prioritised before work on commercial dashboards begins.

A quick scroll through LinkedIn shows that many remain worried that work on dashboards could stall once the government-backed option is launched.

After all, the pensions industry has been caught up in the excitement before, only to be let down when it comes to implementation (as I write this, it has been more than a year since we've seen any updates on auto-enrolment reforms, despite a bill including these changes gaining Royal Assent last September!).

But industry work on dashboards shows no signs of slowing, with the Dashboard Operators Coalition now at 15 members.

And with clear evidence from Norway showing that the public is more likely to rely on commercial dashboards rather than the government-backed option, there is obvious reason to ensure that commercial dashboards are delivered, and delivered well.

Conversations with the team behind the scenes also make it clear that commercial dashboards are still firmly on the agenda, with Money and Pensions Service CEO, Oliver Morley, suggesting that it is a question of when, rather than if, for the launch of wider dashboards *[read more on page 54-55]*.

Despite broader warnings around public sector spending, with the Autumn Budget including a number of money saving measures, Morley also stresses that the PDP is "well-funded", with cross-party support for the initiative seen as a good sign for its future funding needs.

The impetus for pensions dashboards is also growing, with recent research from the Pensions Policy Institute revealing that the number of lost pots has continued to grow, with £31.1 billion in unclaimed pension pots.

So whilst the government's drive could cool off once the MoneyHelper dashboard is in place, I don't think that the industry will (or should) let them stop there.

Written by Sophie Smith

The pensions express

Seeing so many pension professionals on one train can only mean one thing – the PLSA's Annual Conference 2024. This year's conference saw the industry gather together in Liverpool to discuss and debate the latest pension issues, as well as catch up with old and new friends. The *Pensions Age* team was also up in full force to cover the latest news from the event – read more highlights from the conference on page 13 and catch our full coverage at *pensionsage.com.*

Managing PRT's residual risks

Kelvin Wilson explains how to use advanced analytics to mitigate residual risk in pension risk transfers

Pension schemes face familiar challenges in effectively managing residual risk during the pension risk transfer (PRT) process, namely inaccurate data and unanticipated liabilities.

In the latest article in Heywood's PRT Endgame series, director of PRT, Kelvin Wilson, breaks down residual risk and how advanced analytics can help ensure a smoother process for schemes and insurers on their endgame journey.

Understanding residual risk

Reliable data forms the foundation of any pension risk transfer project and all stakeholders – insurers, lawyers, advisers, trustees – rely on the accuracy and completeness of a scheme's member personal, liability and asset data to efficiently perform their functions.

PRT insurance coverage will be on risks identified and agreed upon between the scheme and the insurer. If risks are missed, due to incomplete data or unforeseen events, such risks reside with the trustee, sponsor and the scheme – the residual risk! An increasing number of insurers have started to include residual risk cover in their PRT deals but they come at a cost and have traditionally been on larger transactions (above £300 million).

To minimise residual risk, lower the premium for coverage and improve the chances of a successful PRT, stakeholders have a range of data analytics and technology tools at their disposal. While it might not be possible to eliminate data errors or unexpected member claims, a comprehensive or targeted analysis of members' benefit history and accrued amounts will provide needed assurance.

Insurers meticulously assess the risk profile of pension schemes prior to issuing BPA cover. This includes identifying potential data risks, such as the possibility of underestimated benefits due to inaccuracies. While some risks might be excluded through carve-out clauses, there is recognition that leaves trustees and sponsors exposed to potentially significant claims and liability. Traditional trustee indemnity insurance and overlooked beneficiary insurance offer some protection but they are often time limited (below 15 year), and coverage is capped.

BPA insurers have started including residual risk cover as part of their solution to schemes. The cost is, typically, between 1-1.5 per cent of the scheme's liability and would be negotiated during the buy-in and buyout stages of the BPA transaction. Effective due diligence (involving data analytics) completed on the scheme will help manage down the residual risk premium. The key is being prepared.

Data analytics in mitigating residual risk

We now have more sophisticated tools at our disposal that allow stakeholders to efficiently detect discrepancies, fix them and ensure data integrity. Familiar challenges of time and resource may have previously put schemes off such analysis, but solutions now exist that complete such work in an expedited timeframe, enabling PRT and BPAs to progress more efficiently. Data sourcing and tracing capabilities now complement automated benefit calculation engines. This combination gives the audited records of any necessary changes made to member personal or benefit data.

Data cleansing and enrichment

Identifying scheme members, their relationship status, dependants, appending spouses, ages and names are core to performing a successful analysis and enrichment of scheme data. Being able to provide these previously unknown information increases the accuracy of liability calculations by turning assumptions into reality. Maintaining good, accurate and reliable scheme data should be seen as part of good scheme governance, is required by regulation and ultimately brings down the cost of running on or winding-up a scheme.

Supercharged benefit calculations and audits

Accurate benefit calculations and regular audits are essential in identifying and addressing potential residual risks early. Important legal reviews of benefit rules and specifications can feed into automated calculation software to expedite updated benefit changes. This leads to efficiencies in the residual risk assessment process and helps schemes meet required regulatory standards.

Software that turn spreadsheet calculations into code and which can sit alongside any administrative platform will enhance the capacity of incumbent administrators and provide important, independent verification of benefits administered. A significant reduction in time to identify and rectify benefit calculations is achieved.

Incorporating advanced analytics into the PRT process is essential for mitigating residual risks. An audit trail that involves data cleansing, spouse/dependant append and relevant review of members' benefit entitlement will provide assurance to all stakeholders and help maintain efficiency in the PRT market.

Written by Heywood director of pension risk transfer, Kelvin Wilson

In association with HEYWOOD

Online learning

As part of *Pensions Age's* year-long focus on financial literacy, our newest reporter, Callum Conway, shares his experience of learning about pensions through the industry's online resources

Thirty days ago *[at the time of writing]*, I joined *Pensions Age* as a reporter. Until that point, I had considered myself to be a fairly knowledgeable everyday saver. I own several ISAs that I pay into regularly, I'm aware of the benefits of different current accounts, and I keep up to date with fiscal policy and regulations. However, after embarking on my journey into pensions, I soon realised I knew absolutely nothing.

Well, not nothing. But very little about the world of pensions. Naively, I had assumed a pension was just a little virtual pot into which you paid some of your earnings until retirement. I had been oblivious to the fact that there were different types of pension schemes and that different companies paid different amounts into them according to different rules. I didn't know there were both 'buy-in' and 'buyout' insurance deals for pension funds or that there was a global ranking for pension systems. And what on earth is 'purposeful run-on'? I also had no idea that the pensions industry had so much overlap with other sectors – politics, technology, education – to name a few.

After it dawned on me how much I didn't know, I set to work – teaching myself as much as possible about this seemingly endless topic. The natural place to start seemed to be the government website. It was very useful (if you trust the government), providing clear and informative explanations of the different types of pension schemes. Although it doesn't give any background or historical data regarding pensions, it offers a good overview of the current system.

Emboldened by my newfound understanding of the state pension, I moved on to MoneyHelper, which is also a government service offering help with money and pensions. I found this less helpful, as it is geared towards consumers looking for specific pension-related advice, although it did provide an excellent description of auto-enrolment.

Now that I understood some of the basic terminology, I decided I needed a more comprehensive understanding of the history of pensions in the UK. Not as a weapon to bore to death anyone that I spoke to, but because I wanted to know how things had (or hadn't) changed in the industry. My quest took me to the Pensions

Archive Trust.

For any other pension-history buffs out there, this place is a treasure chest. *The Story of a Movement* displays a thread of pension-related history dating back to the 1100s up until the present. Did you know, for example, that the first clergy pension may have been awarded as early as 1180, when a pensions agreement was reached at the Exchequer Court for two clerics who held the church of Black Bourton in Oxfordshire after they were dispossessed? *[For more recent church pension information, read our case study on p38.]*

Pension Access was also an excellent resource, suggesting some modern-day implications of previous pension legislation and law changes. It emphasised that despite pension schemes existing in various forms for centuries, some of the most radical changes implemented to the sector have been in the past few years. It seems like I joined the industry at just the right time!

With my history appetite satisfied, I wanted to learn more about the benefits of a pension. As a young man in his 20s, I had always associated pensions as something I should worry about only when I was older, with no tangible benefits until retirement. I didn't learn about it in school or at university. Among my friends, I don't think anyone is aware of what a pension really is, let alone the importance of investing in a good pension scheme. I definitely think there is a general lack of financial education for young people – and pensions are no exception.

I found that the website of Legal and General, a financial services and asset management company, had excellent resources on the benefits of different pension schemes. In particular, it provided a detailed description of the tax benefits that investing in a pension offers. This should be advertised to all young people to encourage uptake in a pension scheme as soon as possible.

It made me curious about how many people are taking advantage of what different pension schemes offer, so it was time to study the stats. The Office for National Statistics (ONS) seemed like the natural choice, but I was drawn instead to PensionBee – the self-described revolutionaries of the pensions industry. To be fair, their website is the most modern and Gen-Z-friendly I've come across so far, with plenty of colourful diagrams and bubble writing to keep us dopamine-dependent doom-scrollers engaged. Dig a bit deeper and you can find an excellent page filled with the latest pensions statistics – less colourful and with lots of numbers. While its more serious nature may tempt a younger audience to navigate away, I had found what I was looking for.

"As someone who knew very little about the world of pensions, a month ago, I now find myself to be a passionate advocate for pensions education"

I learnt that although auto-enrolment has undoubtedly had a transformative effect on pension savings – over 10.8 million people are automatically enrolled, and pension participation in the private sector for eligible employees increased from 41 per cent in 2012 to 86 per cent in 2021 – 38 per cent of working-age people (equivalent to 12.5 million) are still under-saving for retirement.

When you break this down into age groups, young people are losing out the most. A recent analysis found that more than a fifth of young adults have no idea how much their pension is worth, as saving money dropped from their list of priorities during the cost-of-living crisis.

A survey of 2,000 UK adults found that 21 per cent of working 18-34-year-olds didn't know how much their pension was worth, and almost a quarter (24 per cent) had no idea how much they would need for a comfortable retirement.

As a result of the cost-of-living crisis, half of 18-34-year-olds said they had reduced or stopped any regular savings; this figure was higher than that of all adults (42 per cent) and people aged 55 and over (32 per cent).

This is hardly surprising. A separate study from the Youth Futures Foundation found that young people spend, on average, double on essentials like rent or bills compared to people over 51.

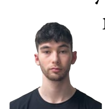
As a recent graduate, I saw first-hand how the Covid-19 pandemic and subsequent cost-of-living crisis affected young people, mentally, and financially – limiting how much they could invest in savings accounts, like pensions.

While highlighting the significant benefits of starting saving when young, the research found that only a quarter of young people knew they could save more into their pension than their default contribution rate and that many employers were willing to match additional contributions up to certain limits.

Young people who put off saving for a pension until they reach middle age could lose up to £100,000 in employer pension contributions and tax relief, a delay that could cost them as much as £665,000 by the time they retire.

As someone who knew very little about the world of pensions a month ago, I now find myself to be a passionate advocate for pensions education – particularly for young people entering the workforce for the first time.

That marked the end of my journey to understand the basic foundations of the pension world. I still have much to learn, and I look forward to improving my financial literacy further through my work for *Pensions Age*. Maybe one day, I'll finally understand what 'purposeful run-on' really means.



Written by Callum Conway

On the Ball

Church of England Pensions Board chief executive, John Ball, tells Francesca Fabrizi how preparation, collaboration and a keen eye on sustainability were key to the success of the recent Church Workers Pension Fund buy-in with Aviva

Church of England Pensions Board chief executive, John Ball

The Church of England Pensions Board recently completed a £145 million buy-in for the Church Workers Pension Fund (CWPF). Please tell us about the fund.

The CWPF provides occupational pensions for employees of Church of England (CofE) organisations, which range from youth workers and administrators in local parishes, to staff serving in cathedrals, as well as staff in regional and national offices. The recently announced buy-in contract covers the defined benefit (DB) scheme, which is one of three sections in the CWPF. CofE clergy are part of a separate pension scheme.

Please tell us why you decided to go down the buy-in route, and how it differed from your previous buy-ins with Prudential (in 2013) and Aviva (in 2022).

The first buy-in contract in 2013 covered around 70 per cent of the then pensioner liabilities. Through strong investment performance and improved financial conditions, in 2022 we were able to insure all the remaining pensioner liabilities to that point.

However, we were also observing that the DB scheme was maturing rapidly. The last active members ceased service in the scheme earlier this year. With a strong funding position in place, this presented an ideal opportunity to back the remaining benefits with a further bulk annuity contract.

Aviva was selected on the back of extensive due diligence by the Church of England Pensions Board and following the release of the Charter for Sustainability in Bulk Annuities. Please tell us more about this charter and how it affected your decision.

The Church of England Pensions Board has robust net-zero commitments, stewardship commitments, a strong ethical investment focus, and a concern for the world that our members will retire into.

Our interest in applying a greater focus on sustainability in bulk annuity transactions arose from our experience with the 2022 buy-in. We felt that there was more that could be done to improve transparency and properly integrate sustainability principles into these types of transaction, particularly where trustees had made commitments about assets in their care (e.g. net zero, biodiversity, or human rights commitments).

Together with Railpen and A4S, we convened a process to explore these issues with other interested pension funds, the major bulk annuity insurers, and leading advisory firms. We were pleased that insurers and advisers wanted to engage on this, and the charter was launched in January this year: https://www.accountingforsustainability.org/en/about-us/our-networks/asset-owners-network/bulk-annuity-sustainability-principles-charter.html

Commitment to the charter principles was among the key requirements for the transaction we have now completed, and it was both interesting and helpful to see how insurers are adopting the charter in practice. It gave us a lot of confidence in proceeding with Aviva.

What were the challenges faced by the trustee before, during and after the buy-in process, and how were they overcome?

Because we were well prepared and had the recent experience of the previous buy-in, the challenges were few and generally anticipated. Liaison with employers was really important through this process and will continue to be important if and as we explore buyout.

How long did the process take from start to finish?

Having identified the potential opportunity, we started to take preparatory steps in 2023, including, for example, further work on data and de-risking scheme assets. We went to market in the summer and concluded the transaction at the start of October – a period of about four to five months.

Now that all pensions within the CWPF DB scheme are backed by insurance policies, what does this mean for the future?

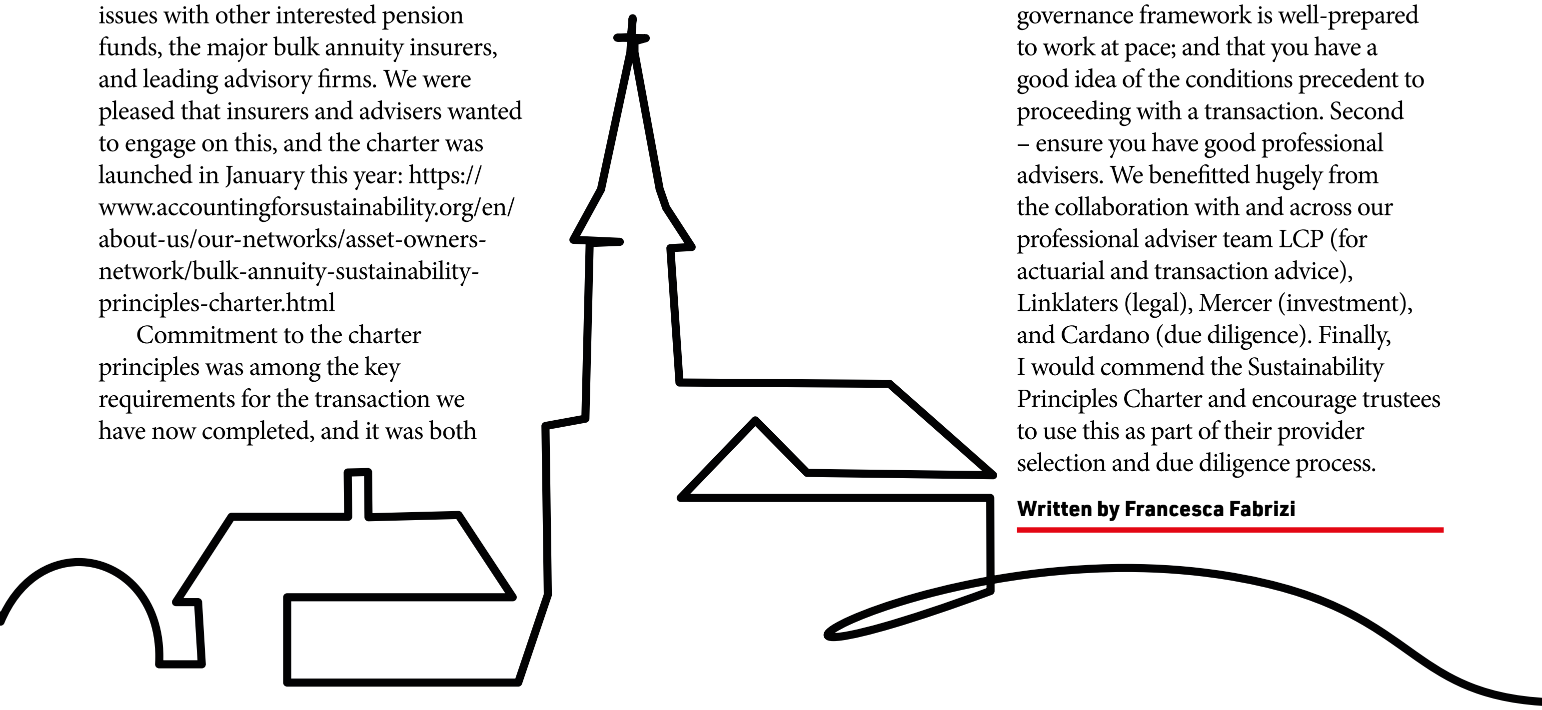
The first thing to say is that this is good news for members and employers. For members of the scheme, it provides improved security of benefits, and it significantly reduces the risk to employers.

The next natural step would be to consider moving to buyout. That is not a foregone conclusion, but clearly a scenario we envisaged in planning the buy-in policies.

What advice would you offer to similar schemes who are thinking of embarking on a similar journey?

First, preparation is key – particularly ensuring that membership data is in a good place before engaging with the insurer market; that the trustee governance framework is well-prepared to work at pace; and that you have a good idea of the conditions precedent to proceeding with a transaction. Second – ensure you have good professional advisers. We benefitted hugely from the collaboration with and across our professional adviser team LCP (for actuarial and transaction advice), Linklaters (legal), Mercer (investment), and Cardano (due diligence). Finally, I would commend the Sustainability Principles Charter and encourage trustees to use this as part of their provider selection and due diligence process.

Written by Francesca Fabrizi



The self-employed retirement crisis: Is it time for policy reform?

Saving for retirement is a daunting challenge when you're self-employed and many are alarmingly unprepared. Policy-makers need to consider flexible solutions to attract self-employed participation

Summary

- Despite auto-enrolment driving progress for workplace pensions, self-employed pension savings are lagging, with just one in five earning over £10,000 contributing to a pension.
- A lack of policy focus on the self-employed has led to lower savings rates than in the late 90s; 60 per cent paid into a pension in 1998, compared to just 22 per cent by 2022.
- Auto-enrolment could boost participation levels, but the practicalities are complex because the self-employed don't fall under the PAYE system.
- The tax-return system could be utilised to promote pension saving with options including automatic enrolment into a pension or Lifetime ISA. Any new system would need to include an opt-out mechanism.
- A redesigned Lifetime ISA could be an attractive option for the self-employed. Policymakers could consider reducing the exit penalty and expanding the age limits to boost flexibility and participation.

The past 12 years have brought significant progress for workplace pensions. Thanks to auto-enrolment, participation levels have soared and millions more are now on track for a more comfortable retirement income. However, the outlook for Britain's 4.24 million self-employed workers is starkly different.

Low pension saving

Many self-employed workers face an uncertain financial future hampered by low pension savings. According to the IFS *Pensions Review,* published in September, just one in five earning more than £10,000 pay into a pension, compared to over four in five employees. Alarmingly, 55 per cent of self-employed workers are on track to have no private pension at all in retirement and will be completely reliant on the state pension.

Even those saving into a pension often make inadequate contributions. Many self-employed workers contribute the same amount for many years, failing to adjust their contributions to keep pace with inflation.

"Pension saving among the self-employed has dipped in recent years for several reasons," explains Hargreaves Lansdown head of retirement analysis, Helen Morrissey. "First of all, they aren't covered by auto-enrolment and variable earning patterns can also make them less likely to want to tie up their money until the age of 55. This can set back their retirement planning, with the most recent data from Hargreaves Lansdown's Savings and Resilience Barometer showing that only 22 per cent of self-employed households are on track for a moderate retirement income compared to 45 of employed households."

While self-employed workers often struggle with pension savings, many do accumulate wealth in other ways, such as property or business assets. However, wealth can vary significantly, with a quarter having less than £10,000 in total assets.

Lack of policy focus

Worryingly, despite these challenges, there's a distinct lack of policy focus on boosting retirement savings for the self-employed.

Speaking in September, Institute for Fiscal Studies research economist, Laurence O'Brien, said: "Successive governments have put great effort into establishing automatic enrolment for employees to make it easier for them to save for retirement and have done so with much success. In contrast, the self-employed are left to their own devices. People who spend a long time in self-employment are all too often on course to be reliant on their state pension, some modest other savings, and potentially a partner's pension or an inheritance to provide for them in retirement."

Interactive Investor CEO, Richard Wilson, agrees that the self-employed are disadvantaged due to lack of policy focus. Commenting at the launch of a recent report on self-employed pensions, he said: "The self-employed are essential to our nation's competitiveness yet they are at a disadvantage when it comes to saving for their future. This isn't right and needs to change – largely due to a lack of focus from policymakers to have failed to address the unique challenges faced in saving for retirement when you work for yourself."

With no new incentives, it's perhaps not surprising that self-employed pension saving has plummeted since the late 90s, contrasting with the upward trend for employees. For self-employed workers earning over £10,000, 60 per cent paid into a pension in 1998, compared with just 22 per cent in 2022. The majority of this slump happened between 1998 and 2012, with participation levels stagnating since that date.

Auto-enrolment

To combat declining participation rates, harnessing the power of automation could significantly boost retirement savings for the self-employed. But the practicalities are complex because self-employed workers fall outside the PAYE system.

One proposed solution is to leverage the tax return system to promote pension saving. Institute for Fiscal Studies senior research economist, David Sturrock, remarks: "The government could either get the self-employed to make an active choice over whether to save into a pension or Lifetime ISA (LISA), or enrol them automatically into a long-term savings plan, which they could opt out of. Either way would reduce the hassle and cost that self-employed people face when looking to save for retirement."

IPSE senior policy adviser, Fred Hicks, agrees that automation is crucial, but emphasises that flexibility is essential to boost participation. "The biggest issue for the self-employed is inertia. When you're running a business, taking the time to fully engage with saving for retirement is just one of many competing priorities. This is where a form of automatic saving – one that's more flexible than automatic enrolment for employees – could make a big difference for the self-employed."

"Fifty-five per cent of self-employed workers are on track to have no private pension at all in retirement"

Beyond pensions

With a radical shift in behaviour needed, policymakers may require a two-pronged approach. In addition to automation, they may need to consider redesigned financial products, tailored to the self-employed, alongside traditional pensions.

The reality is that pension saving can be challenging to the self-employed due to their need for easy access to emergency cash savings. Hicks comments: "Locking money into a pension can feel difficult when you need to maintain a cash buffer in the event a client pays late or defaults."

Given the importance of flexibility, one potential option is to redesign the LISA as an alternative pension for the self-employed.

Morrissey says: "We believe the LISA could play a role in bolstering this group's financial resilience. The 25 per cent government bonus on contributions of up to £4,000 per year acts in the same way as basic rate tax relief on a pension with any income taken tax free. You can also access the money early in times of need, subject to a 25 per cent exit penalty. It could be a great solution for self-employed people paying basic rate tax. For those paying tax at higher rate their pension will likely remain the best option due to the tax relief on offer."

Nevertheless, LISAs would need some tweaks to make them more attractive, says Morrissey. "The 25 per cent exit penalty not only removes the effect of the government bonus but also a slice of your hard-earned savings. To mitigate this we have called on government to reduce the penalty to 20 per cent as it did during the pandemic and this could encourage more self-employed to opt for a LISA."

Hicks agrees that a revamped LISA could encourage retirement savings, but raises concerns about the age limit of 39. "The low age limits on opening and contributing to a LISA are locking the majority of today's self-employed population out of a product that might otherwise be ideal for them," he explains.

Morrissey also criticises the low age limit and adds: "Given that many people go self-employed later in life, the ability to open and contribute to LISAs until the age of 55 would open this product up to many more people."

Pension review

With Labour's pensions review underway, it could be an opportune moment for policymakers to address the challenges faced by self-employed retirement savers. The government announced in July that the second phase of its review, which is due to start later this year, will: "Consider further steps to improve pension outcomes, including assessing retirement adequacy".

Interactive Investor senior personal finance analyst, Myron Jobson, says: "It's vital that policymakers consider the self-employed as part of their pensions review. Business owners and self-employed workers are a key part of our economy but at the moment many are facing poor retirement outcomes. Recently, pensions policy has rightly focused on workplace pensions, but it's time to bring self-employed workers into the spotlight."

Written by Alice Guy, a freelance journalist

Bridging the divide

Achieving a fair pension system for all by closing the gender pension gap is a shared goal for the industry, government, and employers. But how much progress has truly been made, and what more can be done to bridge the divide? Paige Perrin investigates

Summary

- Women continue to face systemic barriers in retirement savings, with factors such as career breaks, divorce, and part-time work contributing to a significant gender pension gap.
- Government initiatives like auto-enrolment have made progress in narrowing this gap, but challenges remain, including the need for more comprehensive policies and increased employer contributions.
- Both the pension industry and employers play a crucial role in facilitating changes, such as offering flexible work arrangements and promoting financial education, to help women achieve equitable retirement outcomes.

Despite increased attention on the gender pension gap, women continue to face systemic barriers that leave them financially disadvantaged in retirement. They often have lower pension savings due to a multitude of factors, such as career breaks, divorce, and part-time work. These challenges often result in worse financial outcomes later in life compared to men.

A recent survey from Royal London found that women aged 55 have, on average, 43 per cent less in their pension pots than men, despite parity in pension participation rates.

The research also revealed that although pension contributions differ significantly by age, job type, and income, one consistent trend emerged: The gender pension gap impacts women at every stage of their career, ultimately leaving them financially disadvantaged in retirement.

Furthermore, Aviva data has shown that the gender pension gap "starts to widen significantly from around 35 years old", possibly reflecting a time of life when people make significant choices about career and childcare.

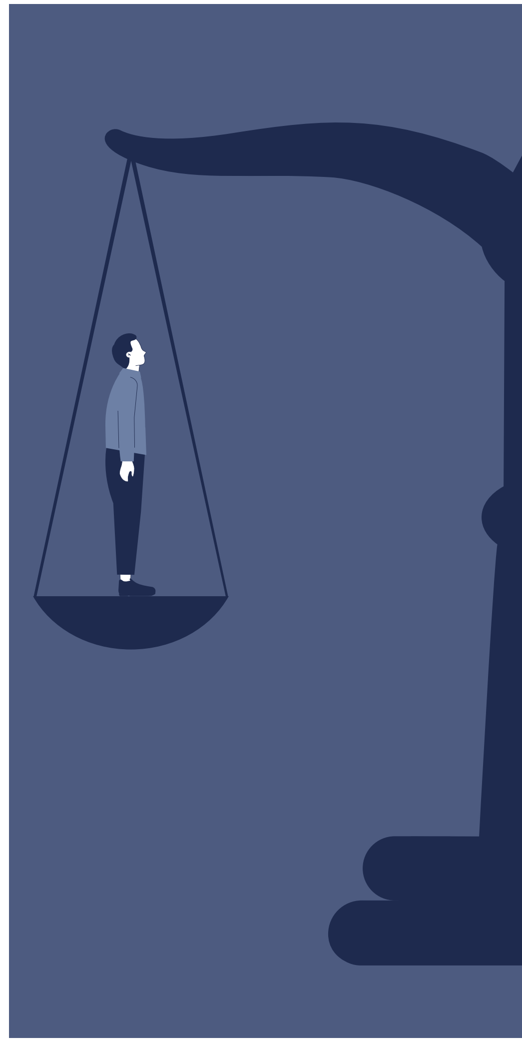
Progress made

So, how much progress has been made, and what further actions are needed?

The government's introduction of auto-enrolment (AE) in 2012 has been a key policy in narrowing the gender pension gap, with Scottish Widows head of policy, Pete Glancy, saying: "The main policy that has contributed to the closing of the gender pensions gap has been AE, which brought millions of women into pension savings for the first time."

Research by Scottish Widows shows that the gender pension gap for those aged between 50 and 64 has reduced from 52 per cent in 2008 to 33 per cent in 2020, highlighting the positive impact of AE on improving pension outcomes for women.

However, despite AE's success, the industry is keen to see more movement in this area with the new government, following a lack of progress on the AE Extension Act. Many hope the upcoming



phase two of the Pension Review, which is expected to focus on adequacy, will provide answers to these concerns.

"We welcome the Pensions Review part two and would encourage the government to consider the scope and levels of AE as part of that review," Now Pensions director of public affairs and policy, Lizzy Holliday, says. "Implementing the measures in the AE Extension Act would help *[enrol more low-earning women]* and removing the £10,000 AE threshold is one further policy change that could be a game-changer."

AE thresholds are a common frustration in the industry, with Aviva wealth policy director, Emma Douglas,

offering better protection for those with low earnings and gaps in employment, which tend to be women.

The new system also offers national insurance credits for people caring for children or elderly family members, benefiting women who take career breaks.

However, Holliday argues: "While recent state pension reforms have improved retirement prospects for some women, the reality is that without intervention the gender pension gap will not be addressed."

Pensions for Purpose chief executive officer, Charlotte O'Leary, adds that reliance on the state pension makes women "more vulnerable" to any changes in state pension policy or age thresholds, highlighting the "importance of ensuring the state pension system remains accessible and adequate for women".

"The gender pension gap is an urgent issue that demands meaningful action from both industry and government"

arguing that "the current AE thresholds are exacerbating the pension gap for those on lower pay or working part-time".

Douglas notes that the previous government committed to removing the AE lower qualifying earnings threshold and urges the new government to "put a roadmap in place now for how and when it will implement changes", suggesting that "a clear roadmap will give employers and pension savers time to plan".

Another governmental policy that has been acknowledged for impacting the gender pension gap is the introduction of the new state pension in 2016. This policy change established the flat-rate pension system is now based on national insurance contributions, arguably

Challenges ahead

Despite these governmental solutions, the gender pension gap remains a pressing issue, with substantial problems still needing to be addressed, including solutions for career breaks, increasing employer contributions, a lack of information about pensions in divorce settlements, and improving financial education.

Arguably, one of the biggest barriers to closing the gender pension gap is career breaks, with Fidelity International head of investor servicing, Jackie Boylan, suggesting that these breaks "can reduce overall earnings and impact pension contributions".

Research from Fidelity International found career breaks are often attributed to childcare responsibilities (23 per cent), health-related issues (22 per cent), spending time as a homemaker (17 per cent), and taking time out to look after older family members (9 per cent).

Holliday proposes addressing these issues through a "family carer's top-up and childcare provision", both provided by the government.

She emphasises: "Ensuring childcare is affordable and accessible will allow those who want to return to work to do so and will act as an important measure in helping to narrow the gender pension gap."

Royal London head of technical and marketing compliance, Clare Moffat, explains that "it's not about women making different decisions, because they might want to go part-time to care for children". Instead, she says it is about knowing the impact of those decisions and the proactive steps savers can take.

Increasing financial literacy is another stepping stone towards closing the gender pension gap, with Shepherds Friendly's research finding that only 46 per cent of women passed a financial literacy test, compared to 54 per cent of men.

O'Leary advocates for adding financial and pension literacy education to the school curriculum, emphasising the "importance of saving early and regularly, even in small amounts".

Boylan echoes this sentiment and adds: "Encouraging financial education can empower women to plan their careers with their retirement in mind, considering any career breaks they may have to take which could affect their long-term retirement savings".

Scottish Widows workplace savings specialist, Susan Hope, notes that personalised approaches are key, as "a one-size-fits-all approach will not work".

She suggests using social media to engage younger generations, especially Gen Z, as "this is the age where the habits for future saving are formed".

In particular, she states that

simplifying concepts and finding a way to "drive home" the benefits of starting early and compounding are "critical" in helping to close the gender pension gap.

However, Holliday cautions that "financial education can't solve the problem by itself", suggesting that "broader system changes are needed to make pensions fair for all".

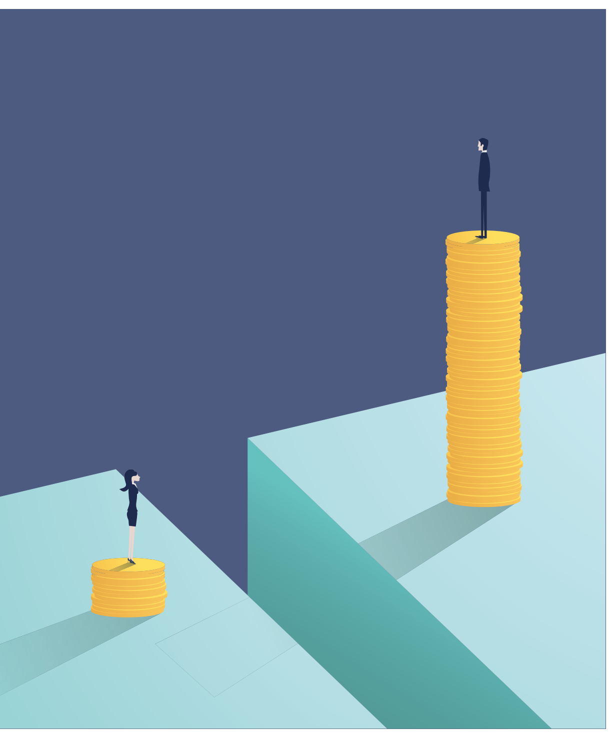
O'Leary also highlights the importance of legal policies, such as Pension Sharing Orders and Pension Offsetting, in ensuring "fair division" in divorce settlements.

"Despite pensions being one of the largest marital assets, many women overlook their entitlements, with only 20 per cent considering pensions in settlements and nearly 30 per cent waiving their rights," O'Leary notes.

She states: "Many women avoid seeking professional advice, resulting in unfair outcomes."

The role of industry and employers

While government policies have made progress in narrowing the gender pension gap, much responsibility also lies with the pension industry and employers to implement changes that support women throughout their careers and retirement.



At the industry level, actions to close the gender pension gap include the creation of the Pension Equity Group, comprised of 20 UK pension companies. Its goals include establishing a standard for measuring and reporting the gender pension gap, providing tools and education for retirement planning, collaborating with the government for pension equality, helping employers address inequalities, and innovating products to tackle issues linked to the gender pension gap.

O'Leary highlights: "Industry campaigns are promoting awareness of the gender pension gap and encouraging women to take an active role in managing their pensions."

Additionally, she notes that pension providers are also introducing more "flexible savings options", aimed at supporting women who may experience interrupted work patterns due to caregiving responsibilities.

However, she urges pension and savings providers to consider a "different way of communicating with women".

"Men's and women's behaviour around saving and spending differs, requiring targeted education, advice, and marketing communications. Ensuring women are represented in discussions on policy, education, and administration of pensions and savings is also essential for achieving more equitable outcomes," O'Leary says.

However, the onus is not only on the industry and the government; employers can also take systemic actions to support workers.

Holliday argues that employers can play a "crucial" role by working with the industry to encourage employees, especially those taking career breaks, to consider the impact on their pensions.

"The gender pension gap is an urgent issue that demands meaningful action from both industry and government," Holliday emphasises.

A "significant" solution, Boylan points out, is "creating more flexible, hybrid working arrangements to allow women to balance caregiving responsibilities with their careers without sacrificing pension contributions".

Hope suggests that employers could "provide greater paternity leave support and promote the use of more flexible working arrangements for fathers," encouraging and building a culture in which paternity leave is "normalised".

Hope also believes employers could extend maternity pension provision on return to work, such as continuing the pension contributions at the pre-leave level if hours are reduced.

Meanwhile, Moffat suggests: "The more information people have and the more conversations with employers they have to understand what reducing hours and taking maternity leave means, women will gain a better understanding and what they can do about it."

Furthermore, O'Leary argues that closing the gender pay gap and looking at "top female talent" when senior promotions and hires are "critical first steps" employers could take to address this issue.

In conclusion, while efforts from the government, industry, and employers have contributed to bridging the gap between men and women regarding pension savings, substantial challenges remain. Comprehensive policy reform, industry innovation, and employer support are necessary to achieving true pension equality. Without these efforts, women will continue to face financial insecurity in retirement, a disparity that must be urgently addressed.

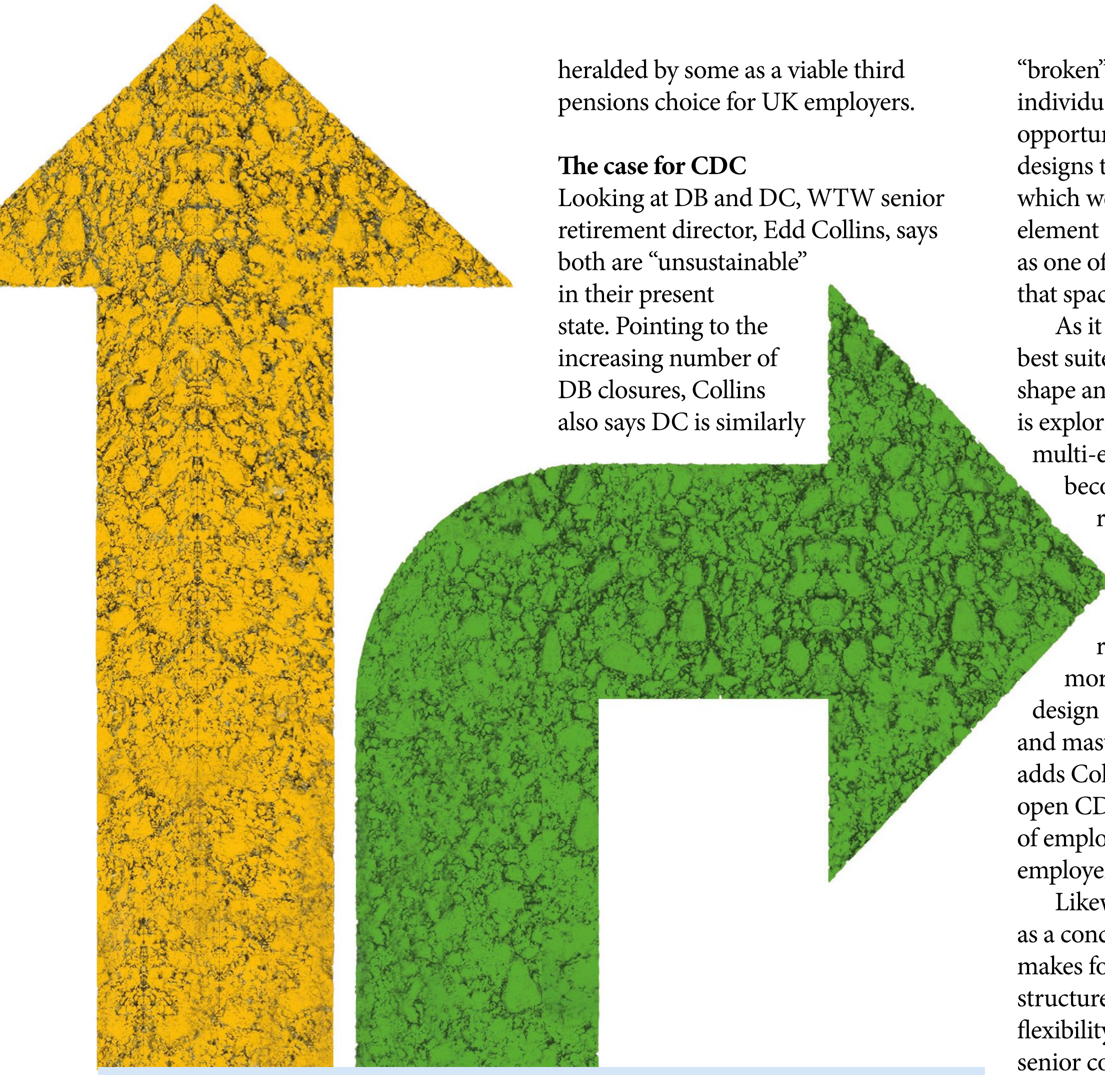
Written by Paige Perrin

The third choice?

With the UK's first CDC scheme up and running, and the government recently issuing a consultation on enabling multi-employer CDC structures, *Pensions Age* explores whether this is the start of CDC being the 'third choice' between DB and DC pension offerings

Summary
• The government recently consulted on expanding CDC's rules, opening this up to more employers – however the industry is still split on whether the structure is an ideal 'third choice'.
• Advocates argue CDC has the desired flexibility for employers, while helping savers boost retirement provisions. However, critics say demand for CDC is muted and that too much has been promised by its architects.
• The consultation is in its early days, and much still needs to be done to get to the point of a wider rollout.
• Although not included in the consultation, someone would like to see a decumulation version of CDC explored.

The second week in October was a busy one for the collective defined contribution (CDC) structure. First, Royal Mail launched the UK's first CDC scheme which was hailed as the dawn of a 'new pensions era'. Then, the following day, the Department for Work and Pensions (DWP) launched a consultation with a view to extending CDC's legislative framework beyond single or connected schemes. These could be significant developments, given CDC has been



heralded by some as a viable third pensions choice for UK employers.

The case for CDC

Looking at DB and DC, WTW senior retirement director, Edd Collins, says both are "unsustainable" in their present state. Pointing to the increasing number of DB closures, Collins also says DC is similarly "broken" due to the onus this places on individuals: "There is therefore a great opportunity for innovation in pension designs that sit between DB and DC, which we believe need to introduce some element of risk sharing, and we see CDC as one of the key potential solutions in that space."

As it stands, the CDC structure is best suited to large employers similar in shape and size as Royal Mail. The DWP is exploring how whole-life unconnected multi-employer CDC schemes can become authorised and benefit from regulatory oversight.

"We therefore welcome the current DWP consultation on multi-employer CDC regulations, which will allow more flexibility in CDC scheme design and will enable multi-employer and master trust CDC arrangements," adds Collins. "We see this as essential to open CDC up to a much broader range of employers, and particularly smaller employers."

Likewise, there is an argument that, as a concept, the flexibility of CDC makes for a more appropriate pension structure. A key component is the flexibility of CDC, argues First Actuarial senior consultant, Derek Benstead.

"You could almost say that DB is foolish because you're making a commitment that is difficult to adapt to change," says Benstead. "DC is wholly unpredictable for the member, no good for employers seeking to manage contributions into retirement.

"Something that's more flexible, surely that's the thing that lasts and doesn't get into trouble. A scheme that can adapt is a scheme that lasts."

Critics and concerns

Not everyone is convinced though. Independent consultant, John Ralfe, is a vocal critic of the structure and calls it a 'con'.

"CDC is a con," says Ralfe. "Either pensions are guaranteed, or they are not.

Decumulation and CDC?

Some feel that the government could go further in what it is proposing. WTW senior retirement director, Edd Collins, would want to see a decumulation version of CDC explored, as many employers will have already transitioned to a DC and be hesitant to making other changes.

"A decumulation version of CDC could be easily added to these schemes, which would address some of the challenges we see with DC but without the need for employers to go through a process to change their core pension offering for employees," explains Collins. This, he adds, would also be attractive to DC savers to generate a retirement income from the pots they have already built up.

In agreement is Aon partner and head of UK retirement policy, Matthew Arends, who sees a decumulation CDC having appeal with a broader array of savers. However, with only one CDC live in the UK and the current consultation having only just launched, he concedes that decumulation CDC is some time off.

"The next round of CDC regulations will not permit decumulation-only CDC. However, we and others see the potential for it to become an option in due course," says Arends. "But that would require a third round of regulations. It would carry its own separate considerations as you are by definition reducing the pool of people in the CDC arrangement. That will need some thinking."

There is no 'middle way'."

As a result, Ralfe is dubious about the appetite for CDC and how many employers will want to pursue this route even if the ongoing consultation widens accessibility.

"The government has wasted seven years on the CDC folly, just to help Royal Mail solve its industrial relations problems," continues Ralfe. "Where are all the other companies all chomping at the bit for CDC? No one else has said they want to do it. Even on its own terms it needs tens of thousands of members to be viable, so getting a few companies doesn't cut it."

"There is a great opportunity for innovation in pension designs that sit between DB and DC"

Also sceptical about the level of demand for CDC is AJ Bell director of public policy, Tom Selby. Put simply, he says the benefits of a CDC overhaul may not be clear enough to tempt many employers into transitioning to the structure – pointing out that auto-enrolment has already been delivered at great cost to many.

"CDC may be an attractive option for firms with open DB schemes who want to shoulder less longevity risk, but those with an established DC scheme are unlikely to want to go through the hassle of switching to CDC when the benefits are far from clear cut," argues Selby. "While some advocates of CDC promise a land of milk and honey in retirement, there is nothing stopping individual DC savers holding similar investments and enjoying similar returns, as well as benefitting from total flexibility over how they take an income in retirement."

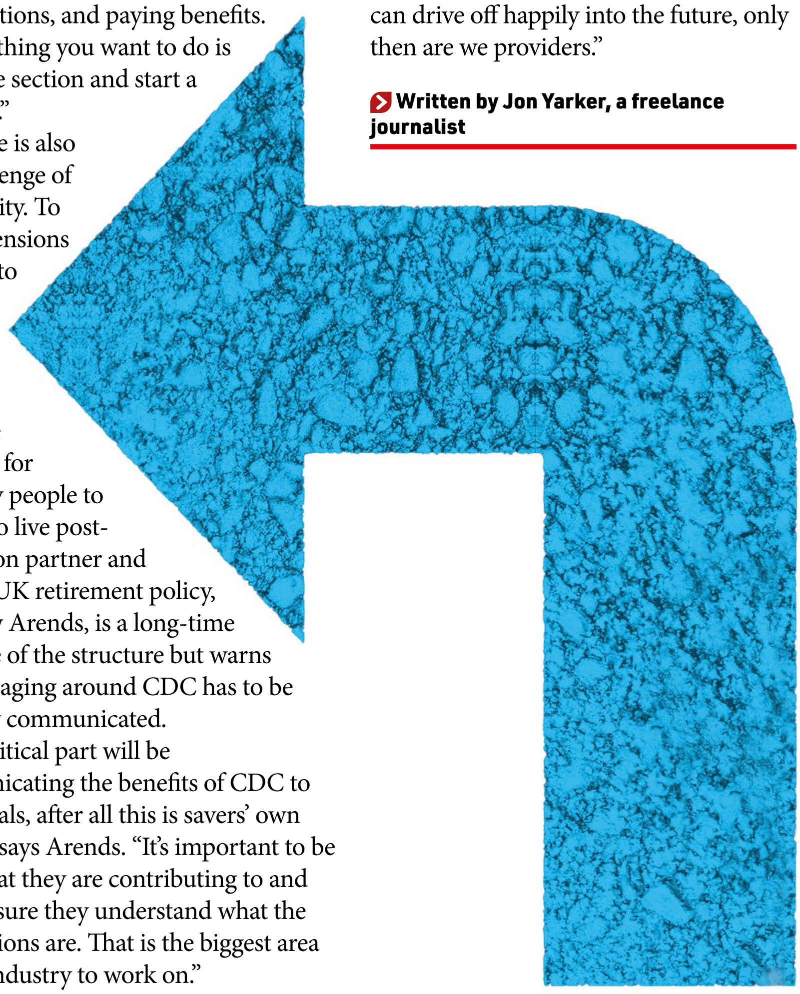
What CDC needs to work

With the consultation due to close on 19 November 2024, a widespread rollout of CDC is some way off. Advocates of the structure are optimistic about what the future holds but concede that work is still required to make these a viable option.

Looking specifically to how the rules are written, Benstead hopes the DWP is not too prescriptive in its regulations and wants a regulatory attitude to match the flexibility of CDC.

"The DWP seems to be trying to anticipate all problems when it is writing regulations," says Benstead, arguing the department is "obsessed" with writing regulations that allow for "sectionalisation".

"As a principle I find that undesirable," he adds. "In the ideal world you want one pool of members that's open to new entrants, collecting contributions, and paying benefits. The last thing you want to do is close one section and start a new one."



There is also the challenge of complexity. To many, pensions difficult to engage with despite the fact these are essential for everyday people to be able to live post-work. Aon partner and head of UK retirement policy, Matthew Arends, is a long-time advocate of the structure but warns the messaging around CDC has to be perfectly communicated.

"A critical part will be communicating the benefits of CDC to individuals, after all this is savers' own money," says Arends. "It's important to be clear what they are contributing to and making sure they understand what the expectations are. That is the biggest area for the industry to work on."

It remains to be seen what the consultation will bring, and if CDC will be subject to future iterations *[see boxout]*, but advocates argue it holds significant potential for the pensions landscape. Using the analogy of the car industry, Benstead argues the pensions industry should be providing people ready-made pensions, and that the CDC is key to this.

"To the extent we take DB schemes, close them down and write them up, we're scrap metal dealers," explains Benstead. "And when we provide people with DC pots and expect them to make their own decisions on what to do, we're giving them people car parts and telling them to make a car. But if we provide them a pension that can be reliably forecasted to reach retirement, and they can drive off happily into the future, only then are we providers."

Written by Jon Yarker, a freelance journalist

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Turning to natural capital: *Claire Glennon explores the strong institutional demand for natural capital investments* ***p50***

Investments that root for nature : *As awareness of climate and nature-related risks grows, natural capital investments are on the rise. Niamh Smith explores how to invest in this theme to benefit both members and the planet* ***p52***

Natural capital focus:
Investing today for tomorrow's planet

Gresham House head of UK institutional sales, Claire Glennon

Sponsored by Gresham House Specialist investment

Turning to natural capital

Claire Glennon explores the strong institutional demand for natural capital investments

Investors are turning their attention to natural capital as the depletion and damage to global natural resources are fast translating into financial risks. Nature has subsidised our growth to its serious detriment, creating another existential threat, inextricably linked with climate change.

Furthermore, as a result of new regulation and the introduction of voluntary frameworks that place a value on nature, it is becoming apparent that it is possible to deliver a financial return by investing in nature.

Natural capital markets

The WWF (WFF) estimates that, globally, nature provides services worth around US$125 trillion a year.[1] Yet, nature markets today are valued at only $9.8 trillion, 11% of global GDP, which is mostly derived from commodity production including agriculture and timber.[2] The difference between these two values shows we are far from understanding the true value of nature.

Investors are also recognising that existing nature markets are not always good for nature. Currently close to $7 trillion is invested globally in activities that have a direct negative impact on nature, compared with approximately $200 billion in flows into nature-based solutions.[3]

New nature markets are establishing themselves and growing, for example carbon credits and sustainability linked bonds. Looking forward, it is expected that future nature markets will vary significantly from where they are today. Climate change commitments will be a key driver of these changes. These new nature markets will either be based in regulatory requirements or through voluntary ambitions from businesses to do better for nature, both with differing underlying risk profiles for investors.

Recent research

We recently teamed up with mallowstreet, a community for the institutional investment industry, to look at investor appetite for natural capital investments in institutional portfolios. mallowstreet spoke to 22 UK asset owners representing more than £360 billion in assets; half said they already invest in natural capital or will do so within the next 18 months.

Key findings include:

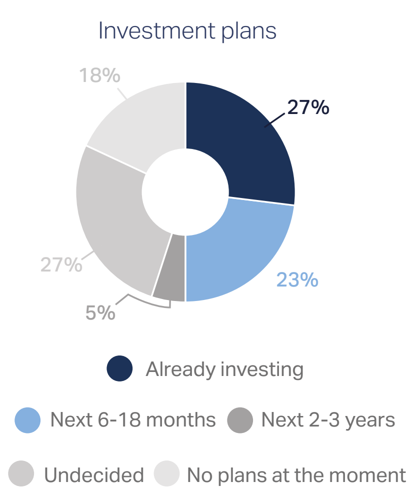
• 50% of UK asset owners are either already investing in natural capital or will do so within the next 18 months
• 73% of UK asset owners would invest in natural capital to support climate adaptation
• 59% would allocate up to 3% of assets to natural capital

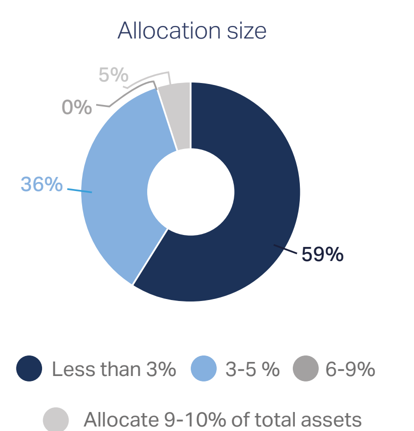
The research shows strong backing for the asset class, as investors become increasingly aware of natural capital's potential to deliver resilient, impactful returns.

Alongside financial performance, the report found that supporting climate adaptation and mitigation was the biggest driver of investment in natural capital, followed by the good stewardship of members' assets and reducing nature-related investment risk. Allocations to natural capital are likely to comprise 3% to 5% of total assets, with 59% of the surveyed asset owners saying they would invest up to 3% and an additional third potentially investing up to 5%.

The survey revealed a range of approaches to investing in natural capital among institutional investors. Local government pension schemes would typically invest in natural capital via illiquid assets, with 33% putting an allocation in real assets and a further 25% would put an allocation in the private markets bucket.

23% of UK investors would allocate to the asset class via growth assets, while 18% would align it to an impact





allocation, highlighting the need for a wide range of liquid and illiquid strategies to cater to different investors' requirements.

The study also explored institutional investors' attitudes to carbon and biodiversity credits, finding overwhelmingly that investors prefer to generate their own credits from their investments, rather than buying them. 52% of investors said they would primarily generate credits to offset nature loss or emissions in their portfolio, while 48% would sell the credits they generate to deliver a return. However, investors remain keen to see a more formal international market and consistent global standards to increase confidence in trading these assets.

Conclusion

Society cannot continue to extract from nature at its current pace and prosper. The loss of nature globally is rapidly becoming a financial risk that investors are starting to take note of and therefore, want to find ways to allocate to assets that create positive outcomes for nature, and also meet their return ambitions.

As we better understand how to place a value on nature, the opportunities for investors to allocate to natural capital assets are increasing. This is not just a trend, but we believe to be a crucial aspect of a modern investment strategy. The ability of institutional investors to invest for the long term at scale uniquely positions them to allocate capital to make a difference to nature.

Gresham House is the world's ninth largest natural capital manager by value, offering clients a platform of varied return-generating natural capital assets with established track records, including sustainable forestry, sustainable agriculture, carbon forestry and biodiversity creation.

Written by Gresham House head of UK institutional sales, Claire Glennon

[1] WWF Living Planet Index, October 2018
[2] Taskforce on Nature Markets, Global Nature Markets Landscaping, December 2022
[3] Study UNEP State of Finance for Nature 2023 report

Investments that root for nature

As awareness of climate and nature-related risks grows, natural capital investments are on the rise. Niamh Smith explores how to invest in this theme to benefit both members and the planet

Summary
- While biodiversity investments aim to protect and restore ecological diversity, natural capital investments focus on ecosystems, both on land and in water.
- The emerging nature of the investment theme poses certain barriers to investment, however innovation is helping to overcome them.
- Investing in projects to protect natural capital benefits members, by generating financial returns, and the planet by preserving natural landscapes and mitigating climate change.

Looking to the future is an intrinsic aspect of pensions. From the moment someone starts contributing to their pension pot, they naturally start to envision what retirement might look like.

However, increasing numbers of members are expanding their forward-looking focus beyond personal financial outcomes and are now considering how their investments of today will have an impact on the planet of tomorrow.

As a result, environmental, social and governance (ESG) investments have boomed over the past few years, with biodiversity gaining attention even more recently. Now, however, a new consideration is coming into play: Natural capital.

This shift has also been spurred on by the Taskforce on Nature-related Financial Disclosures. These guidelines encourage businesses to assess, report and act on their nature-related dependencies, impacts, risks and opportunities, effectively bringing the topic of natural capital into the spotlight.

So far, Local Government Pension Schemes (LGPS) are leading efforts to invest in the protection and restoration of the natural landscape, with several funds allocating to tailored strategies in recent months.

What are natural capital investments?
Nature-based investments aim to protect, sustainably manage, or restore natural ecosystems – whether that be land-based or water-based – and address challenges related to climate change, human well-being, and biodiversity, according to Redington vice president of manager research, Celine Grace Legaspi.

Gresham House CEO, Tony Dalwood, adds that current natural capital investment strategies include forestry and carbon credits, sustainable agriculture, ecosystem services and voluntary and mandatory biodiversity net gain investment.

He highlights the importance of investing to protect natural capital because it encompasses all the world's natural assets, which, combined, provide a flow of benefits to people.

"From clean air and water to fertile soil and pollination, every component of nature sustains life. These benefits have tangible economic and societal value that is not accurately reflected in existing and traditional financial markets," he says.

The additional benefits of investing in natural capital include the regeneration of ecosystems, such as forests and rivers, which provides essential services like flood mitigation, water purification and carbon sequestration, adds Rebalance Earth CEO, Robert Gardner.

"Natural capital becomes an investable asset class by recognising nature's capacity to deliver measurable economic value. This approach addresses both climate adaptation and mitigation while supporting nature restoration," he says.

Gardener notes that natural capital differs from purely biodiversity-focused investment strategies, which are typically narrower in scope, focusing on protecting and restoring specific species and habitats to maintain ecological diversity.

"While biodiversity is a crucial element of natural capital, natural capital investments take a more holistic view, encompassing the full range of ecosystem services that directly benefit businesses, cities, and communities," he says.

In addition, the term 'natural capital' is typically used when referencing real asset investments, such as forestry farmland, carbon projects and blue economy, adds Legaspi.

Practicalities
As with many emerging investment

themes, natural capital investment faces barriers due to its nascent stage, namely the lack of maturity that means there are gaps in knowledge and uncoordinated approaches to data collection, measurement and monitoring.

However, Legaspi notes that this shouldn't deter investors from considering it as an option, instead highlighting how it is important to look beyond track records.

Gardener agrees that investors need to adapt their thinking when approaching these strategies, noting that a longer-term investment perspective is particularly is helpful.

"Investors must also adopt a patient capital mindset, as returns from natural capital investments may take longer to materialise but deliver significant long-term benefits in terms of climate resilience, risk reduction, and ecosystem restoration," he says.

Getting it done, despite the challenges

Even though practicalities exist, asset managers are actively investing in natural capital, demonstrating that these barriers can be overcome.

In addition to maintaining a long-term vision, asset managers are utilising innovative financial instruments, adapting their offerings and developing new solutions to meet the demand for these investments.

Gresham House, which is the ninth largest natural capital manager globally by value, facilitates investments by providing clients with a platform of return-generating natural capital assets.

"Each asset has different risk and return profiles and outcomes for nature. We work with our clients to provide access to these options to create their natural capital portfolios, which promote the transition towards a more sustainable economy," Dalwood says.

Benefitting members and the planet

Investing in natural capital offers dual benefits: It has the potential to deliver financial returns for members, while actively contributing to the preservation and enhancement of the environment.

Financially, investing in projects to restore natural capital generate returns through carbon credits, biodiversity net gain units and payments for ecosystems, Gardner says.

Legaspi adds that nature-related sectors are also backed by strong market fundamentals, such as population growth and decarbonisation, have low correlation to traditional asset classes, and may act as an inflation hedge, in the case of forestry and agriculture.

Dalwood agrees that the targeted sectors typically provide opportunities for investors.

"With growing demand, constrained land resources and agriculture's historically stable returns could provide a unique investment opportunity that has the ability to preserve investor capital through economic cycles relative to other sectors," he says.

Gardner adds that, from an environmental perspective, these investments help mitigate climate-change risks, such as flooding, droughts and biodiversity loss, while enhancing ecosystems.

"For instance, investing in natural flood defences allows cities and companies to protect valuable assets while reducing reliance on costly grey infrastructure," he says.

Gardner notes these projects often have broader social benefits, such as creating green jobs, improving public health, and restoring ecosystems that provide cleaner air and water for communities.

However, Dalwood cautioned that measuring the impact on nature can present difficulties.

"Putting a value on nature is complicated, but market participants can be incentivised to avoid causing further damage, to reduce unavoidable impacts and take action to restore and regenerate nature, whilst at the same time demonstrating good stewardship of clients' assets," he says.

Investing in natural capital goes beyond generating returns for members and protecting the natural landscape; it's also about tapping into a rapidly growing trend that shows no sign of slowing down.

Legaspi says population growth, the growth of the middle class, the shift to a low-carbon economy and rising land prices are among the primary factors driving the growth in value of natural capital investments.

The growing need for climate adaption and resilience, combined with ambitious net-zero and nature conservation targets are also accelerating demand for nature-based solutions, adds Gardner.

"As climate and nature-related risks gain wider recognition, asset owners, such as the LGPS, defined contribution schemes and wealth managers, increasingly seek to build resilience into their portfolios," he says.

Gardner notes that pension funds are well-positioned to lead this movement by allocating capital toward nature-based solutions that align with their long-term investment horizons and sustainability mandates.

Dalwood agrees that asset managers are at the forefront of this initiative, noting that Gresham House's research, in collaboration with Mallowstreet, revealed that 50 per cent of asset managers are either already investing in natural capital or will do so within the next 18 months.

"The expected allocation would be between 3-5 per cent of the total investment portfolio and we expect this to grow meaningfully over time given the nascent nature of this market," he says.

Written by Niamh Smith, a freelance journalist

In association with

Gresham House
Specialist investment

Oliver Morley

Gaining speed

Money and Pensions Service (Maps) CEO, Oliver Morley, chats with Sophie Smith about the Pensions Minister's latest update on pensions dashboards and the work pension schemes need to do ahead of the upcoming connection deadlines

Pensions Minister, Emma Reynolds, recently shared a written statement, which confirmed the government's "steadfast" commitment to delivering pensions dashboards. How important was it for the PDP to get this public backing from the new government following the summer election?

So it was clear that there has been bipartisan support for dashboards, but I think it was really important to have a ministerial statement, as we wanted people to absolutely know and have confidence that the programme was backed – that ministers wanted to see it, the new government wanted to see it, and that it really is going to happen. Believing and supporting the programme is important for everyone.

Reynolds' update also confirmed that the PDP would be focusing its efforts on the Maps' MoneyHelper dashboard, before turning its attention to commercial dashboards, which has prompted a mixed reaction from the industry. Can you tell us a bit about what this new focus means in practice?

I think the key thing for us is we want to get the dashboard in front of people's eyes as soon as we can, and an important part of that is making sure we have a stable, single environment that we're presenting to the customer – and that's what MoneyHelper dashboard gives us.

It also means that some of the regulatory development that needs to take place to make commercial dashboards work in a way that is absolutely safe, secure and supportive for the customer can take place while there is still an operational dashboard out there, delivering those initial benefits in terms of giving customers a view of their pensions.

We are not saying commercial dashboards are not going to happen – it's just we're clear that we need to get this initial view of pensions dashboards out there first.

Are there any particular areas that you are hoping to gain more insight on as part of this work?

We are interested in the customer journey straight off the dashboard, but we're also really interested in making sure that we're in a position to provide guidance that helps savers make good decisions as a result of what they've seen in the dashboard.

We are also really interested in data and data quality. This is the first time that pension schemes are going to have large scale pressure around their data quality, including consumer pressure around their data quality. I think in some ways it will help schemes more widely, even before you get into the world of commercial dashboards, as it will help them to be able to get the kind of feedback around the quality of their data that can really make a difference.

So, the data is really important, and as a result of the work on the

MoneyHelper dashboard, we'll be able to work with schemes to give feedback on where people are finding issues more widely.

Timings have remained a concern in the industry though, so how, if at all, do you expect this focus on the MoneyHelper dashboard to impact the timeline for commercial dashboards?

We are avoiding giving an absolutely firm deadline at present, because we want to see how connection goes over time. So, we do need to work through that and make sure that delivers.

But I will say that this year we have not missed any deadlines, and we have been consistent. In fact, we've been ahead of schedule on some of the technical standards, and my expectation is that we are really pushing forward with good momentum.

So, I'm not going to give a commitment on dates, but we do feel now that we're in a much, much better place and we will provide a commitment on date as soon as we're ready.

You mentioned the work around the connection process before, which Reynolds' statement confirmed had begun, as scheduled. Can you tell us a bit about how this process has been going so far?

We've got six volunteer participants going through the connection process at the moment. There are different levels of readiness, but for the most part, it's going faster than we expected in terms of the original project spec.

Obviously, because we're right at the beginning, if we were to carry on that kind of pace, that would be too slow, so we do still need to make sure that it can scale up and work through it.

But it is going according to plan – in some cases it's a little ahead and in some cases it's a little bit behind – but it is working extremely well in terms of our overall results with volunteer participants.

Data is still one of the main areas of concern we've seen raised by the industry again and again. What would be your advice to schemes that may be struggling to get on top of their data preparations?

Engage. Engage with us and make sure that you are involved with the development of the standards, as we are releasing standards on regular basis – we are about to release reporting standards, for example.

Do not leave it until it is too late, don't hide away from some of the challenges – and if there are issues, then feed that back to the PDP team. We really can make this happen.

But what you cannot do is ignore this; you have to confront the issues you might have within your data.

And this is a good call for action, because it's not just about dashboards – that's just one excellent reason to consider how you can improve your data and data quality.

We are reaching a point where schemes need to make sure that their data is aligned, and I think that's a good thing for them to be honest, and for their members and for the industry.

There have also been industry discussions and debates about the potential for further developments on pensions dashboards, including debates around post-launch enhancements. What are the next steps on these broader issues?

It is really important that we are focused on delivering the MoneyHelper dashboard and the core PDP platform – I'd be very clear that this is what we're delivering now, because it is a hard project and it is not an insignificant challenge.

But to lift your eyes above the horizon and say 'when you do build this platform, what could you do with it in terms of enabling some of those wider policy questions, and indeed, transactional capability on both commercial dashboards and in a MoneyHelper environment' – I think that's a very, very exciting prospect. I've tried to manage down that kind of discussion, but certainly the potential of a fully working dashboard and fully working dashboards is hugely exciting. But that's all for later; it's not for now.

Given the journey to pensions dashboards so far, how confident are you that we're going to have pensions dashboards up and running, ready for members by 2026?

I'm very confident. It is absolutely going to happen and it's going to ideally happen quicker than you expect.

Written by Sophie Smith

Why transfer exercises are declining

Rising gilt yields, proximity to buyout and difficulties in finding financial advisers willing to execute transfer exercises have contributed to a decline in volumes over recent years

Summary
- Pensions transfer exercises have declined since 2022.
- An increase in gilt yields and the reluctance of financial advisory firms willing to conduct these exercises are partly to blame.
- Better-funded schemes may not see the point of a CETV exercise.

Several data sources confirm waning pensions transfer activity. In September, XPS Group said that its Transfer Activity Index had fallen to its record low over August, with an annualised rate of 14 members for every 1,000 transferring their benefits to different arrangements. Apart from a short increase in July, volumes have been stuck at lower levels throughout the year.

This is a trend that has also been reflected in Barnett Waddingham's data. Just five transfer value exercises came to market in the opening six months of the year, the consultancy said in August, with the decline in exercises witnessed in 2023 having continued into 2024.

A standard CETV for a 60-year-old member fell by around 3 per cent for inflation-linked increases and approximately 2 per cent for fixed increases during the 12 months to 30 June 2024, Barnett Waddingham observed.

"Since the 2022 gilt movement, and those significant increases in gilt yields, the value that actuaries, trustees and schemes are placing on the cost of providing benefits in the future has fallen," says Mercer partner, Matt Smith. Higher expected returns as a result of higher underlying gilt yields have led transfer values falling by as much as 50 per cent in some cases, he continues.

"It is fair to say that transfer exercises have been much less common over the past couple of years," says Broadstone chief actuary, David Hamilton.

'Take-up rate was never that good'

Experts recognise a number of reasons behind the fall in transfer activity. The rise in gilt yields since the 2022 mini-budget is partly responsible. This "served to reduce transfers and make them less eye-catching, particularly for members who were looking at the pound amounts rather than relative to annuity pricing", Hamilton says.

Cartwright director of investment consulting, Sam Roberts, says that CETV exercises for defined benefit schemes have become something of a rarity. "With the odd exception, the typical take-up rate was never that good," he says.

"A big lump sum can be tempting to members but there are hurdles in terms of members getting advice to do it and deciding what they do with the cash afterwards, and ultimately they have to make a positive decision to transfer out," Roberts continues. "The status quo will feel safer, rightly or wrongly."

A survey of large DB schemes published by Legal & General, in partnership with the Centre of Economics and Business Research, in March revealed that 53 per cent of respondents are targeting a buy-in or buyout.

This proximity to buyout has played a part in low transfer volumes. "Some schemes rushing to buyout were reluctant to lose time undertaking a member exercise when the opportunity to simply secure all benefits and draw a line under their DB journey was already available to them," Hamilton says.

"With generally better funded DB schemes, many schemes don't need a CETV exercise to afford buyout," Roberts observes. "Why go through the extra hassle, cost, uncertainty and delay of a CETV exercise?"

Independent financial advisers are reluctant

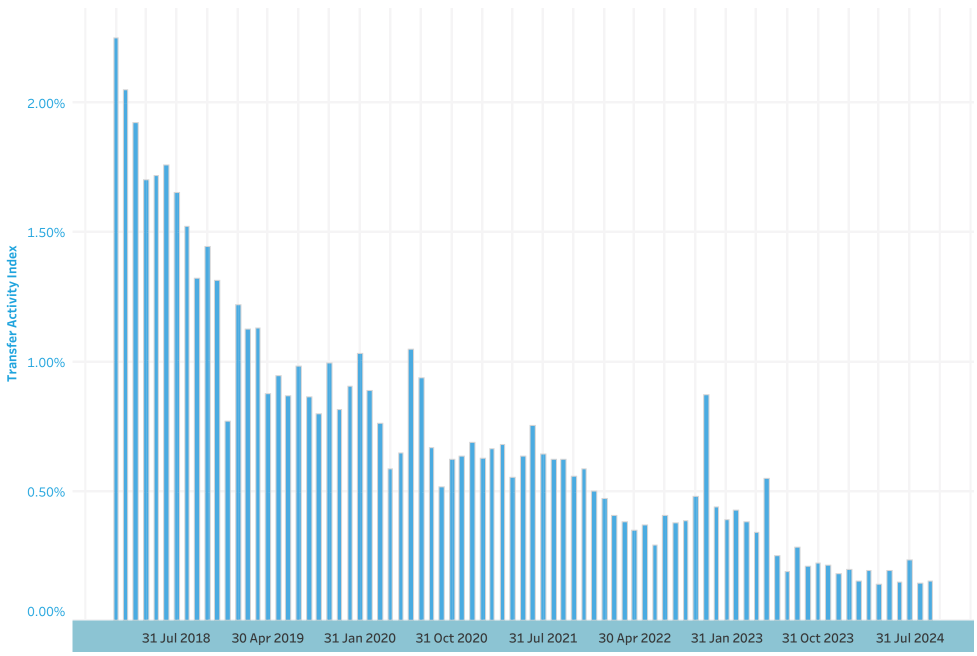
Independent financial advisers also appear increasingly unwilling to conduct transfer exercises. According to Aegon, 43 per cent of financial advice firms offered DB transfer advice in 2018, a figure that now just stands at 19 per cent – with 7 per cent of firms stating that they will stop or significantly reduce the extent to which they offer this service.

"With generally better funded DB schemes, many schemes don't need a CETV exercise to afford buyout"

"The majority of IFAs have chosen to stop advising on transfers out due to the reputational risks of doing so," says Roberts. "This makes it more difficult for members to get the required financial advice."

Rather than changing market conditions, WTW head of member options, Abigail Currie, believes that recent modifications made by the Financial Conduct Authority to financial advice requirements have been a key driver in the drop-off in transfer exercises. An IFA now needs to be able to demonstrate that the transfer would better meet the retirement needs of that member than staying in the scheme.

The adviser needs to understand that member's needs and wants, a task that is more challenging when it comes to younger members, Currie observes. In 2020, the FCA said in a guidance



Source: XPS Transfer Activity Index

consultation that "if a client is some way from retirement and has no clear idea of what they want from it, it may not be possible to advise them on a transfer, until they are closer to retirement".

"You then think about that in the context of a bulk transfer exercise, when you're writing out to members of all ages," Currie says. "You're probably going to get a reasonable proportion of members that are going to engage in the process," she says, suggesting that 50 per cent of people engage with an adviser when written to in bulk.

"They'll go through the process, they'll take the paid-for financial advice, but then the adviser won't be able to give them a positive recommendation to transfer," Currie says. "At that point, you've gone through the cost of doing a bulk exercise, and actually you haven't really seen the transfer take-up come up on the back of it."

Around 35 per cent of schemes have now appointed a financial adviser at the point of retirement, Currie notes, citing WTW data, which helps schemes to support members when they have their retirement plans in place.

Squire Patton Boggs pensions partner, Kirsty McLean, recognises an unwillingness on the part of IFAs to conduct these transfers.

"I have heard anecdotally that it's becoming harder and harder for members to get the financial advice that they need if they're transferring out of a DB scheme with more than £30,000 worth of benefits," she says.

"There are fewer IFAs who are prepared to get the regulatory permissions and maintain them for that line of business, which I have some concerns about, because it is the right thing to do for some people".

McLean has experience of schemes and employers paying for advice, often at a discounted price, with low take-up from members. "I haven't seen a scheme choose to do that for probably at least a couple of years now," she says, with this trend partly being driven by difficulties in finding a provider.

A resurgence?

While a surge in transfer exercises appears unlikely in the short term, there are signs that some members are beginning to embrace transfer exercises once more.

"Anecdotally IFAs have told us that members are starting to get used to a 'new normal' on transfer value levels and they're starting to see an uptick in take up," Aon partner, Kelly Hurren, tells *Pensions Age*, adding that this has yet to come through in the data.

Smith does not expect a reversal in the low take-up of transfer exercises. "My personal view is that there is still a lot of value in member options for both schemes and members," he says. "They're a very valuable tool in helping members draw their retirement incomes."

Written by Alex Janiaud, a freelance journalist

Summary
• Accurate, complete data helps every pension scheme in every aspect of day-to-day operations, but also helps it to comply with regulatory or legal obligations; and to prepare for integration with the pensions dashboards, and for bulk annuity transactions.
• The Pensions Regulator (TPR) is making improvement of pension data a priority within its new digital, data and technology strategy. Both TPR and the Pensions Administration Standards Association (PASA) have released comprehensive guidance on data management and controls.
• There are many service providers, including consultants, administrators and technology providers, that are able to help schemes improve data management, but a strategic approach, incorporating continuous improvement, is essential to minimise cost and risk.

The pursuit of perfection

With the deadline for the dashboards appearing on the horizon, there is a renewed focus on the importance of pension schemes holding accurate, complete data. But there are also other important reasons why the time has come to clean up every scheme's data, as David Adams discovers

Almost every aspect of the modern world depends to some extent on effective data management. That can be a bad thing: The algorithms designed to encourage maximum interaction with social media, for example, are using data to cause at least as much harm as good. But when harnessed to serve large groups of people, such as the members of a pension scheme, use of data can fulfil a very positive purpose, by helping to improve the efficiency of every part of a pension scheme's operations, to future-proof it against regulatory change, prepare for its endgame; and, ultimately, to help achieve the best possible outcomes for scheme members.

But the potential to enjoy those benefits is diminished or destroyed if the pension data, member data and other information held by the scheme is inaccurate or incomplete. Inaccurate data leads to mistakes when paying benefits, and to increased administration costs, as problems are addressed on an ad hoc basis. It can derail member communications or engagement; and may undermine national initiatives that depend on exchanges of accurate data, such as the pensions dashboards.

It can also lead to breaches of pension-specific or data protection regulation. It may delay or prevent schemes completing bulk annuity transfer exercises. And it means that any decisions made by trustees are more likely to be flawed, because they are based on inaccurate or incomplete information. So every pension scheme needs to try to improve its data management.

The Pensions Regulator (TPR) is increasingly restive in relation to this issue. Its General Code and guidance make it clear that scheme data should be reviewed regularly and proactively; and that schemes should create a data management plan. But in October, TPR launched a new digital, data and technology strategy. It includes a pledge to reduce unnecessary regulatory burdens by reducing the need for schemes to provide the same information to multiple agencies, instead capturing it once and reusing it; and a commitment to explore use of open data standards.

But the regulator also said it wanted "to start a conversation with the pensions industry about modernising systems and improving data sharing". It has contacted some schemes preparing for the launch of the dashboards, reminding them of the expectations set out in the General Code, and warning that it will challenge schemes that cannot demonstrate how they will meet those expectations; and that "regulatory action may be taken if necessary".

The push to prepare for the launch of dashboards has certainly encouraged some schemes to seek to improve data quality. But while 90 per cent of schemes surveyed by the Pensions and Lifetime Savings Association (PLSA) in October said they were confident in their ability to integrate securely with the pensions dashboards, data quality was cited as a concern by almost half (49 per cent). Problems listed included difficulties linked to data formatting and standardisation, consolidation of data from multiple sources and complying with data protection regulations.

Every scheme needs clean data

Alongside the dashboards, the obligation to complete Guaranteed Minimum Pension (GMP) equalisation, and the need within many schemes to prepare for the possibility of bulk annuity transactions, are encouraging some trustees to address this issue.

But every scheme should be seeking to clean its data, whatever its current circumstances might be, says Rory Murphy, an experienced trustee who has served as chair of both the Merchant Navy Officers' Pension Fund and the Ensign Retirement Plan. "We need accurate data to pay the pensions every month: and to know that the people we're paying the pension to are alive," he points out.

Murphy highlights the problem of being unable to pay retired members for which a scheme no longer has up to date contact details. There are services providers, such as LexisNexis and Target, able to find missing members who are still living in the UK, but finding lost members becomes significantly more difficult if those members have moved abroad.

Some of the schemes for which Murphy has served as a trustee have worked with technology provider Heka Global to search for those members. Heka uses an AI-enhanced solution to search the global internet for digital traces of these missing individuals, on social media, or through their use of other smartphone-enabled services like WhatsApp.

"Every scheme should be doing the utmost they can, using all the tools available in the modern world, to find out where your members are and if there's any fraud being committed," says Murphy.

"One might say better data management was a matter of common sense: Here's a strategy that makes everything else a scheme does work more easily and effectively, while reducing overall costs and risk"

Trustees wanting to work towards best practice in data management can draw on TPR's guidance, but also on the work of the Pensions Administration Standards Association (PASA) on data management and controls. PASA states trustees should undertake data quality audits to identify gaps in their data; and conduct data accuracy reviews. These should include benchmarking of accuracy, assessment of the impact data inaccuracy might have on running, funding or de-risking the scheme; and recommendations for prioritisation and cost/ benefit analysis of any necessary remedial actions.

There are many different service providers, including consultants, administrators and technology providers, able to help schemes complete these sorts of exercises. But WTW pension data solutions head, Philip Titchener, highlights the importance of schemes working with more than one adviser or provider to ensure the effectiveness and integrity of data projects.

"You need partnerships, with legal advisers, administrators, your actuary and a data specialist, if you have one," he says. "In the past, projects were completed with fewer eyes on them, probably with less governance. Today, trustees need a really good audit trail for everything they do."

PASA Data Working Group chair, Kristy Cotton, who is also a director at adviser and technology provider Isio, urges trustees to address these issues proactively and comprehensively, rather than addressing data projects on a piecemeal basis. "Planning for project requirements up front is the best way to address them," she says.

Continuous improvement

The other important principle upon which the regulator, PASA and data experts all agree is the need to implement a process of continuous improvement in data management; and to make this part of business as usual for the scheme. PASA advises implementing repeatable data validation tests, themselves reviewed and refined regularly; while maintaining a data management plan and a clear audit trail of data updates and testing.

How well are the UK's pension schemes doing at getting their houses in order? Cotton points to the results of a survey PASA ran in 2023, which revealed both promising and worrying signs. Just over two-thirds (68 per cent) of schemes had a data management plan in place, while 56 per cent had a data improvement plan. But almost eight out of 10 (79 per cent) said they could be doing more to manage the quality of pension data. And 58 per cent said they were not assessing data accuracy in any way. In addition, about 60 per cent of survey respondents reported holding some member data outside administration software and 55 per cent were making some use of paper-based files.

Murphy suspects that larger schemes are often in a better overall position than smaller schemes, in part simply because larger schemes can draw upon more extensive resources.

Heka Global business development manager, Max Lack, agrees. "Smaller schemes often struggle to get [service providers] to pay attention to them, and often have to struggle with a commoditised approach, because it's difficult to justify customisation for a small scheme," he says. "The sector needs to be more creative, to think about delivering economies of scale to smaller schemes."

Titchener agrees that the level of resources available to a scheme can be important, but he also stresses the importance of trustees of any scheme recognising the importance of this work, and of good governance in general.

"Schemes that are forward-looking and have a high standard of governance will find themselves in a better place," he says. "They will have a strategy, rather than tackling projects in a piecemeal fashion."

One might say better data management was a matter of common sense: Here's a strategy that makes everything else a scheme does work more easily and effectively, while reducing overall costs and risk. Perfection may not be possible, but a combination of the right technology and a good data management strategy could reap huge rewards for schemes and their members, for years to come.

Written by David Adams, a freelance journalist

Bonds: A big role to play

Summary
- Fixed income has long been a major part of the traditional pension portfolio.
- Fixed-income assets, such as gilts and bonds, have historically been used as diversifying tools, balancing out equities.
- DB and DC schemes tend to look for different outcomes from their fixed-income allocations.
- Following the mini-Budget in 2022, the bond market turbulence showed fallibility in the sector and shook pension funds up considerably.
- Today, yields are higher and contribute to improved funding levels.
- Allocations remain stable and pensions are still heavily invested in fixed income.
- There is a heightened awareness, since 2022, of the need to consider alternative means of diversification too.

Sandra Haurant explores the important role fixed income has to play within DB and DC portfolios, despite the market volatility experienced in recent years

In September 2024, the Pensions Policy Institute (PPI) published the results of independent research into just what is being done with the £3 trillion worth of assets held in UK pension funds. The report, *Pensions scheme assets – how they are invested and how and why they have changed over time,* outlines the proportions of different assets – equities, bonds, alternatives and cash – showed that bonds still dominated portfolios. Traditionally diversifying assets, bonds still play a big, and sometimes very big, part in pensions.

Combining data from both defined contribution (DC) and defined benefit (DB) pensions in the public and private sectors, the report found that 38 per cent of pension fund assets were held in bonds, compared with listed equities at 33 per cent (19 per cent was held in cash and 10 per cent in alternatives).

Defining differences

There are, of course, marked differences between the requirements of DC and DB schemes, and even within DB, between the private and public sectors. In public sector DB schemes, 51 per cent of assets were invested in equities, and 18 per cent in bonds.

But in private sector DB schemes, almost the reverse was true: Some 55 per cent of portfolios was invested in bonds, 20 per cent in 'cash and other', 14 per cent in alternatives and 11 per cent in equities. (Of that 55 per cent in bonds, 43 per cent was in index-linked gilts; 23 per cent was in conventional gilts; 21 per cent was in corporate bonds; and 13 per cent was in other government bonds or short-term debt instruments.)

DC schemes were different again, here, 56 per cent was held in equities, and a quarter (24 per cent) in bonds.

Troubled times

It's impossible to address fixed income without mentioning recent challenges, and the PPI's report offers a potted history. Going back to the global financial crisis in 2007/08, interest rates fell to low levels and bond yields went down with them, the PPI report says. At that time: "Yields on government bonds fell to their lowest for many years, making them considerably less attractive for all types of pension scheme than some other asset classes."

An uptick in rates in the early part of 2022 led to an improvement in yields, and a fall in the market value of bonds. Then came the collapse in bond values following the now infamous 'mini-budget' in September 2022, which, the PPI report says: "Triggered a forced sell-off of bonds, as DB schemes sought to meet margin calls on LDI contracts, thus prompting a downward spiral in bond values necessitating the Bank of England to intervene in the market."

The result was a reported £425 billion fall in asset values for DB pension schemes in 2022 and so, the PPI report says, while "bonds still play a central role in investment strategies, particularly in DB pensions," there has nonetheless been "a marked shift away from government towards corporate bonds".

Moving on

A shift in emphasis, then – but not a departure. Is fixed income still a crucial part of pensions investment today? Cardano head of credit, Justin Hatch, says: "Yes. Fixed income remains a valuable component of a pension scheme's investment toolkit. For DB schemes, a well-structured investment solution should incorporate liability hedging. This is prudent risk-management. Fixed income instruments are vital for this application and should form the bedrock of a liability-driven investment (LDI) portfolio."

Russell Investments global head of fixed income and foreign exchange, Van Luu, agrees, and adds: "After the chastening experience of 2022 when bonds failed to be a counterweight to falling equities, we think the return of inflation to normal levels will largely restore the diversification function of fixed income."

What's more, recent higher yields have been leading to falling liabilities and improved funding rations for pensions. As XPS Group CIO, Simeon Willis, says: "Higher yields have in the main had a very positive impact upon DB pension schemes." And Willis adds: "For credit assets, the credit spread has contracted, leading to an increase in price relative to an equivalent gilt, resulting in outperformance."

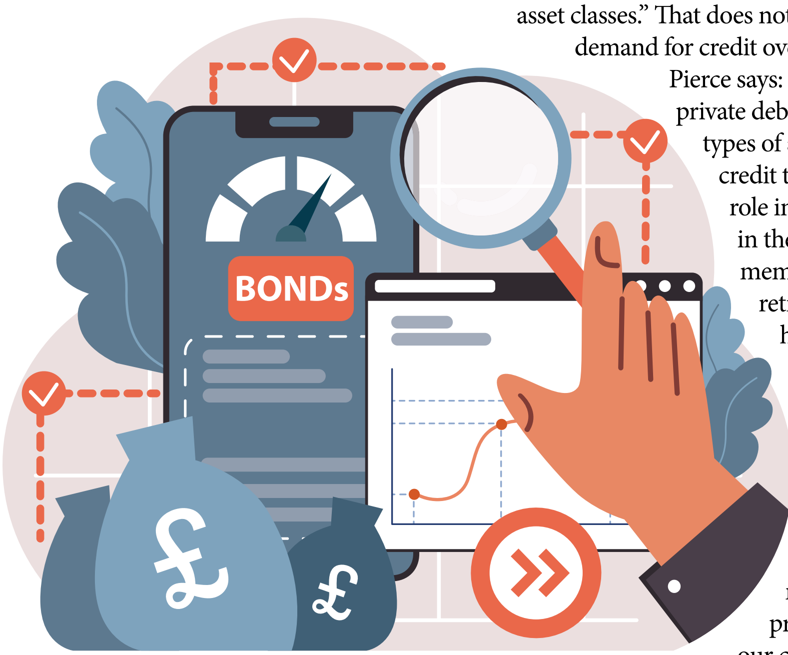
Different strokes

As the report shows, DB and DC need different things from fixed income. "Given the focus on increased liability matching within DB, long-dated credit kills two birds with one stone – modest additional return plus liability matching, whereas shorter dated credit provides useful cashflow," Willis says. "In DC, fixed income is something that features more prominently when members get closer to retirement. At this point, long-dated fixed income can either help or hinder a strategy, depending on each individual's retirement objectives," he adds. "For example, the certainty of long-term fixed income comes at the cost of short-term volatility in price, which is counterproductive for a member focused on capital preservation. Here short-dated fixed income can be very helpful to balance the level of risk without introducing price volatility."

"Traditionally diversifying assets, bonds still play a big, and sometimes very big, part in pensions"

Traditionally, Willis explains, DC has shifted into gilts, index-linked gilts and cash in line with lifestyle objectives. "But all of these suffer from a common shortcoming, which is that none of them offers a return premium over the risk-free rate. Credit assets are better suited here generally."

However, WTW's senior associate, investments, Sophie Pierce, says: "For our DC client base, solutions that allow members exposure to illiquid assets are emerging, which broaden their investment toolkit beyond traditional asset classes." That does not reduce demand for credit overall, and, Pierce says: "We expect private debt and other types of alternative credit to play a greater role in DC portfolios in the future. As members approach retirement, high quality government and corporate bonds, as well as cash, remain a popular asset mix for a large proportion of our client base."



Changing landscapes

Things have calmed down since 2022, and allocations to fixed income have been "relatively stable" over the past 12 months, says Willis, rising 1 per cent over the 12 months to 30 June. And, says Pierce, there has been an increased shift into "cashflow-aware sterling-focused investment grade corporate credit ('buy and maintain') that provides cashflows and contributes to schemes' hedging objectives."

Buy and maintain strategies, as the name suggests, aim to produce sustainable returns with a low turnover of underlying assets, and Luu, too, sees it playing a more important role. Luu says: "In DB pension schemes, investment grade corporate credit has attracted more assets. High quality corporate bonds are often acceptable to insurance companies as part of a buyout, and are therefore attractive to pension schemes close to risk transfer." And Luu adds: "Buy and maintain credit strategies have been in demand as a way of generating predictable cashflows, especially important for schemes that are cashflow negative."

What future for fixed income?

Pensions have long relied on fixed income as a diversification tool, a means of ensuring sustainable income, and as a source of growth, and these asset classes will continue to form part of the bedrock of pension schemes' portfolios. Nonetheless, Luu says, there is still room for alternative approaches such as trend-following and long volatility strategies. After all, pensions need to learn from past mistakes. "Despite the significantly improved return-risk profile of fixed income, the 2022 experience illustrates that pension funds should consider alternative sources of diversification for periods of high and rising inflation," says Luu.

Written by Sandra Haurant, a freelance journalist

Time for a change?

Sam Meadows considers the challenge of reviewing scheme providers and changing them where necessary

Summary
• Trustees should keep their providers under regular review and make sure they are delivering for members. Switching is a large undertaking, but it might well be worth it.
• Performance, member communication services, personality fit and ethical considerations are all things that should be considered when it comes to reviewing a provider.
• Switching could provide significant benefits like better performance, better technology for members or battling against complacency, but there are also risks to consider.

As a trustee, switching scheme providers can feel like a massive undertaking. And, while it is certainly not something to be done flippantly, it need not be something to be afraid of.

Good governance, value for money. There are a host of good reasons that a change might be the best course, and trustees should definitely not rest on their laurels when it comes to looking under the hood of their providers, consultants and advisers.

Current regulations are woolly – only requiring 'regular' reviews – but the Financial Conduct Authority has recently closed a consultation on a value for money framework. This is likely to come into force in 2027, giving trustees greater clarity on what's expected of them.

Until then, there are many reasons why it could be a good time to consider a change. And a lot for trustees to consider.

How often

The jury is split on the exact amount of time appropriate between each review – but they all agree that reviews should be fairly frequent.

The Association of Professional Pension Trustees' council member, Vassos Vassou, says that a 'light touch' review should be carried out every year, with more detailed reviews completed less frequently. "It doesn't have to be like *War and Peace*. You just need to give yourself 10 or 15 minutes just to reflect on what's happened over the year, record it a little and then identify anything that you want to change going forward."

TPT Retirement Solutions head of DC distribution, Adam Tudor, says that all elements of a scheme should be reviewed at least once a year. "This will include the administration, quality of data, member experience, responsible investing, investment options and performance," he says. "Trustees will have an appointed adviser to undertake this review and it's important that the advisers appointed by the trustee fully understand the requirements of the trustees."

Squire Patton Boggs senior associate, Felix Weston, says: "The review of providers should be a constant process, and trustees should keep a close eye on key performance indicators. For example, at each trustee meeting trustees should ask to see their administrator's performance against service level agreements and check whether there are any concerns."

Meanwhile, Hymans Robertson head of DC provider relations, Shabna Islam, says the rapidly evolving pension landscape means that an annual 'high level' review is a good idea. She adds: "We would also suggest that, at a minimum, oversight groups conduct a triennial deep-dive review comparing the current provider against the wider market."

However, it is important to take a holistic view of provider offerings rather than focus too specifically on individual offerings, warns TPT Retirement Solutions head of DB distribution, Jonathan Jackaman. "Otherwise, trustees can inadvertently create a more complex and inefficient service delivery model for them to oversee, which adds costs and takes more time to manage," he explains.

What to consider

Once regular reviews are in place, the next step is to decide whether there's a problem. There are a huge range of things to consider when determining whether to take the decision of switching providers.

Although past performance does not determine future results, the quality and performance of the scheme's default fund will be a vital consideration. Any perceived underperformance could be a reason to switch.

Other issues could include fee levels, resources provided to members and other frills like the quality of the website or any app that is offered.

"The decision-making process will inevitably be influenced by elements such as administrative proficiency, return on investment, transition costs and exit terms of the current provider," Islam states.

Tudor says: "Before choosing to switch providers, trustees should have a clear understanding of how well the existing pension scheme is performing, what fees there are, who pays them and whether there is a range of investments that suit."

If there are any issues identified – regarding anything from performance to administrative issues or costs – the first step is to engage with the provider.

Weston says: "Switching providers can be a long and expensive process and having a serious, honest conversation with a current provider that is not performing can fix the problem – perhaps, for example, by changes being made within the client service team."

Once a decision has been made, it can be a lengthy process.

Transfers can take "from as little as two months" to up to two years, Islam says, although "on average it takes nine to 12 months".

Tudor says to allow a minimum of six months for any transfer to take place. "An effective and open communication programme is essential and will make any transition a slicker one," he explained. "Generally, a tried and tested approach is to create a timeline with the start date in mind and work back to build the communication dates and key milestones."

"The review of providers should be a constant process, and trustees should keep a close eye on key performance indicators"

Pros and cons

There are many upsides to transferring that trustees can be encouraged by. First and foremost, most trustees will not be considering a change unless they have identified a problem that has not been addressed by their provider. Fixing this problem could be reason enough.

A transfer can also be a good way to shake off the cobwebs of any complacency that may have crept into scheme administration. "*[A transfer can]* bring different ways of working and help with some aspects around challenging the trustees, moving away from sort of general idea that it's always been done this way, so we'll carry on doing it that way forevermore, which in itself is a benefit," Vassou says. "Then it's issues around things like fees and costs as well."

On the administration side, he says changing providers could bring with it new systems and technologies that could improve communication with members.

But switching is not necessarily all upside, and there are significant risks that trustees need to consider.

Weston says that trustees should not underestimate the importance of longevity. "Many schemes will have had the same providers in place for a long period, with the providers having a deep knowledge and understanding of the scheme that may well be better than the trustees," he explains. "Losing this can result in unintended consequences and require further investments of time and cost to rebuild the knowledge that has been lost."

There could also be unintended issues that appear after a transfer. He adds: "A change of provider is often when the proverbial skeletons fall out of the closet so trustees should be prepared for the additional work that might be involved in dealing with these."

On the administration side, Vassou says there are cost risks involved. He explains: "Actually moving provider in itself has a cost associated with it, as well as time requirements. So when you put all that together, it's not risk free."

There is also a possibility that the new provider claims a mistake on the part of the old provider, which denies it, causing the trustee to become drawn into a dispute. "You can find yourself stuck in the middle between the two providers a little bit," Vassou explains.

Finally, if the change is around consultants, actuaries or advisers, Vassou says it is important to understand who you will be dealing with at your new provider. "The risk there is that you pick the wrong person. Sometimes you find that a salesperson does the pitch process, and you actually get someone so it's about avoiding those old tricks of the trade," he warns.

Written by Sam Meadows, a freelance journalist

In need of a fix?

Delegates at the recent PLSA Annual Conference heard how DC pensions are 'broken' and there needs to be an overall review of workplace pensions. *Pensions Age* asks: Is DC fit for purpose or is a review needed? How can it be reframed to better serve savers?

Every year, private sector employees become more reliant on DC pensions to satisfy their income needs in retirement. But in its current form, DC is broken. It can be made better, but we should also ask whether we can do better than DC – whether we should consider replacing it rather than repairing it.

Few employers want to go back to anything like a traditional final salary scheme, but there are other ways to provide the steady retirement incomes that individuals need. Four replacement options that we put forward in our paper, *Reimagining pensions*, are: Whole-of-life collective defined contribution (CDC), DB with variable increases, DC pots used to buy CDC retirement incomes (decumulation-only CDC), and variable cash balance with CDC in decumulation.

Crucially, each provides an income in retirement, without retirees having to work out for themselves how to make their retirement savings last. Our modelling also suggests that these incomes should be significantly higher than those produced by saving in a DC pension and buying an annuity at retirement.

We would like legislation to facilitate these designs as soon as possible, but they are not the only possible alternatives to DC. The whole industry should be thinking innovatively about how new pension scheme designs can produce better outcomes for workers without traditional DB pensions.

WTW head of retirement GB, Rash Bhabra

While it is easy to say that the DC pensions regime could be improved from a blank sheet of paper, in our view, it is not broken. We recognise that regulatory changes have created some legacy issues that can be difficult to overcome have been created.

DC and the success of automatic enrolment, particularly in accumulation, will continue to provide an efficient way for consumers to save for retirement leveraging institutional investment opportunities. This approach, governed by fiduciaries to safeguard members' assets, offers a much lower cost base than what is achievable on a retail basis.

Although there are areas of the market that could be improved, for example, retirement adequacy and the perception of pensions as part of a broader workplace savings package, we believe the DC regime provides a solid foundation that can be built on. We agree that higher contribution levels are likely to be needed to achieve better retirement outcomes. We would welcome innovation and legislative reform post-retirement to provide more sophisticated solutions for decumulate assets. The ability for trustees to nominate a default pathway is likely to be necessary in achieving this.

Isio DC senior manager, Thomas Chalkley

DC pensions aren't broken, but they do need a bit of TLC. Auto-enrolment has meant more employees than ever are saving in a pension, but too many aren't saving enough. Pensions need to be fit for the changing world of work and longer lives. And we need to recognise that pensions interact with other sources of savings and wealth, including housing, as well as how we work, our health and social norms.

The current pension review is the opportunity to bring these drivers together and agree what needs to be done to improve pension adequacy, including closing the gender pensions gap. This includes looking at increasing auto-enrolment contributions for most, with employers paying at least half, with more flexibility for those on low incomes. Owning your own home is an important part of the pension and later life security equation. A pension review should also look at how sidecar savings could help both build resilience and get more people on the housing ladder.

Aegon head of pensions, Kate Smith

DC isn't broken but it requires renewal. Whilst there are alternative pension savings solutions out there, such as CDC, it will take many years for these to be adopted by government at the industrial scale required to change generational outcomes. So, our focus must be on making DC far better and the government has a great opportunity to provide the legislative lead now. It should start by adopting the industry agreed auto-enrolment proposals from the last government, so contributions are paid from the first pound earned. We then need a plan to step up AE contribution rates gradually over the next 10 years. Consideration also needs to be given to how the self-employed, who make up a large percentage yet are often forgotten about, can be auto-enrolled into pensions.

Zedra client director, Sam Burden

As things stand, some 38 per cent of the population are currently forecast to fall short of a minimum lifestyle in retirement. More needs to be done to reverse this trend. With a shrinking working age population, private pension contributions can help plug the gap in funding for the state pension. To do this, we want to see the statutory minimum increase from 8 per cent to 12 per cent.

However, while challenges remain in the pensions market, it's a sea change from where the UK stood 20 years ago. Since the Pension Commission was established in 2002, we've seen participation in pension schemes amongst employed workers increase significantly. In the DC market alone, we're on track to hit £1 trillion in investment by 2030, up from £300 billion 10 years ago. This is a fantastic achievement given the challenging economic times we live in.

Scottish Widows head of policy, Pete Glancy

With millions of people relying on a DC pension to help them maintain a comfortable lifestyle in later life, it is vital that schemes are able to deliver better retirement outcomes. There is certainly more that can be done to achieve this.

Increased pension contributions are critical in improving member outcomes in DC schemes. The government needs to review the current 8 per cent rate and identify appropriate pension contribution rates for different segments of the working population, including the self-employed, and consider how best to achieve these levels.

Further 'sophisticated scale' can also help deliver better member outcomes, with an emphasis on the importance of strong governance, accountability and appropriate investment expertise as the starting point for delivering the best investment outcomes.

Scheme members will also benefit from a cultural change that places long-term outcomes over price when defining value. This requires both a shift in mindset and a greater focus on the operational issues that are complicating investment allocations, notably daily dealing mechanisms which inhibit access to less liquid or illiquid asset classes. DC schemes need to be able to access the whole investment toolkit to deliver better outcomes to their members, including a greater ability to invest in infrastructure and private markets.

Investment Association senior policy adviser, pensions and institutional markets, Imran Razvi

It's an overstatement to say that the UK pension system is broken. The sheer success of automatic enrolment has transformed the level of employee participation in workplace pensions to a near optimum level. But the system does need further development in several areas.

First, we need to review the level of contributions being paid. Australia's Super system is fast approaching a 12 per cent compulsory employer contribution, with the UK only requiring employers to pay 3 per cent of a band of earnings. Now might not be the time to put further pressure on employers' finances, but having a plan to push these up in future would afford some certainty on the direction of travel.

Secondly, we must deliver on the digitalisation of pensions through the pensions dashboards. This stands to help younger generations, particularly, in maintaining a view of their various pension pots, and to engage with how their retirement savings are being invested.

Thirdly, we need a plan for the role of the state pension, rather than simply an annual debate about the affordability of the triple lock. We should set a target for the level of income it should provide, perhaps relative to average earnings, to allow people to plan with certainty and for government to contain the cost to the state.

Finally, we need certainty of policymaking on pensions in future. A plan we can all get behind and deliver upon.

Royal London director of policy, Jamie Jenkins

Pensions history

Not so easy pensions administration

For an organisation set up in 1991, it is surprising that questions still arise about the status and powers of The Pensions Ombudsman. But a year ago, in November 2023, this was something that the Court of Appeal had to decide.

A dispute had arisen when trustees sought to recoup a benefit that had been overpaid, by reducing future instalments of the member's pension. The case came before the pensions ombudsman who duly made a determination.

The appeal was not related to the trustees' course of action, which was authorised under provisions of the Pensions Act 1995, but rather the formalities to be observed in arriving at a binding decision so that the set off could be exercised. Was the ombudsman's decision sufficient, or was it necessary to institute proceedings in order to obtain a County Court order or the equivalent in Scotland? The Court concluded that further proceedings were needed, holding that The Pensions Ombudsman was not a 'competent court' for these purposes.

Encouragingly, it was announced in the King's Speech in July that the planned Pension Schemes Bill will reverse the decision, so that schemes can recover money in recoupment cases after an Ombudsman Determination without the need for a court order.

The archives of the Pensions Archive Trust reveal much like this about the painstaking work of pensions administration that goes on in making sure that the right benefits go to the right person.

Pensions Archive Trust director, Jane Marshall

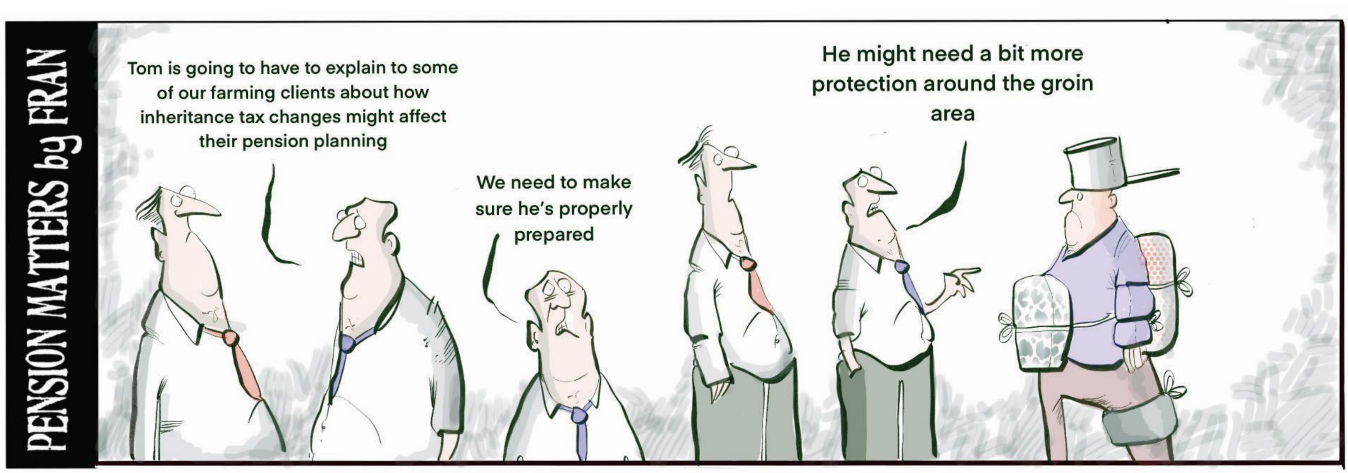
www.pensionsarchivetrust.org.uk/our collections

The bright side

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

The Independent Governance Group (IGG) announced the launch of its graduate programme. After receiving more than 200 applications, IGG selected six individuals to participate in the scheme's first year. IGG has described the 12-month structured programme as "the first of its kind" for a professional trustee firm. According to the company, participants will be supported through coaching and mentorship. This will provide the group with an in-depth understanding of the UK pension landscape and enable progress towards a qualification with the Pensions Management Institute (PMI).

The Universities Superannuation Scheme (USS) announced that it will offer a Pension Committee internship to a trainee from Standard Life's Trustee Accelerator Programme (TAP). The internship will be advertised as an 18-month shadowing opportunity of its Pensions Committee, available to trainees enrolled in TAP.



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Sammons Pensions Annual Salary Survey

All respondents receive a copy of the survey published early 2025 and entry into a prize draw.
Access the survey via www.sammonspensions.co.uk
Contact us for more information or to discuss previous years' findings.

Pensions Calculations Analyst GMPe
Hybrid/UK Wide — £competitive
Are you experienced working with Pensions Projects? This growing team of GMPe specialists are seeking DB pensions professionals with industry experience to join.
Ref: 81594 NMJ

Senior Pensions Administrator
Hybrid/London/West Sussex or Scotland — to £40000 pa
Are you an experienced Pensions Administrator looking for your next challenge? This could be the role for you!
Ref: 80852 NMJ

Administration Consulting Analyst
Hybrid/London/West Midlands or Scotland — £doe
Progressive opportunity for a junior Pensions professional keen to build knowledge in a specialise data team.
Ref: 73718 NMJ

Experienced Pensions Administrator
Hybrid/c.2 days a week West Yorkshire — to £40000 pa
Join one of the leading workplace pension funds in the UK, improve your pensions knowledge whilst improving your work-life balance! Ref: 81694 MV

P/T Pensions and Payroll Compliance Lead
Hybrid/Nottinghamshire — to £35000 per annum
This is a fantastic opportunity for someone with a strong DB pensions background looking to move into a niche specialist role overseeing the pensions and payroll for a number of academies. Ref: 81753 JW

Pensions Benefits Technician
Hybrid c. 2 days a week London office — to £35000 pa
Join this leading organisation and provide a full Pensions administration service. Ref: 80837 JW

Pensions Administrator
Hybrid/Manchester/Ipswich/Bristol or Birmingham — £doe
Looking to broaden and develop your career within pension? Great opportunity to take your career forward.
Ref: 76264 MV

Pensions Administrator
Hybrid/London/Berks/Manchester or Scotland — £doe
Join one of the UK's largest independent pensions advice and wealth management specialists. Ref: 81335 MV

Benefits Pensions Administrator
Hybrid/Manchester — to £28000 per annum
This role is ideal for an individual with technical knowledge to join a well-established SIPP administration team.
Ref: 81446 MV

Senior Professional Trustee
Hybrid/3 days a week London or North West — £6 figure
Superb opportunities with this highly reputable Professional Trustee business, for skilled Pensions professionals seeking a progressive career move. Ref: 70402 SB

Senior Pensions Manager (In-House)
Hybrid/c.3 days a week London — £6 figure package
Highly varied role across investments, scheme valuations, funding, potential de-risking projects, DC review.
Ref: 81614 SB

Benefits & Wellbeing Senior Manager (In-House)
Hybrid/c.3 days a week London — £6 figure package
Progressive career move with the in-house Benefits team of this leading financial services organisation. Ref: 81736 SB

Pensions Technical Specialist, In-House FT/PT FTC
Hybrid/London or Scotland — £6 figure package
Utilise your DB & DC technical expertise to manage complex queries, complaints and IDRPs. Ref: 81782 SB

Senior Corporate Pensions Manager, In-House
Hybrid/Bedfordshire — £6 figure package
Key appointment as you lead corporate strategy, governance & projects on behalf of this £Bn pension fund. Ref: 81697 SB

Assistant Pensions Manager (In-House)
Hybrid/c. 3 days a week City of London — £attractive
Highly varied career move, work across all aspects of in-house pension management using your Pensions consulting or in-house experience. Ref: 81772 SB

Actuarial Consultant
Hybrid/Northern Ireland — £competitive
Excellent opportunity for a part qualified/qualified actuary to support a small consultancy. Ref: 72589 BC

Senior Pensions Data Consultant
Hybrid/UK Wide — to £75000 per annum
Join a fast growing and effective data solution team within a leading pensions consultancy. Ref: 71182 BC

Junior Investment Consultant
Hybrid/West Midlands — £in line with experience
An exciting opportunity to build and develop a career within Pensions Investment area for this niche Pensions specialist.
Ref: 81685 BC

Pensions Trustee Specialist, In-House
Hybrid/2-3 days per week London or W.Midlands — £doe
Progressive opportunity with a highly collaborative in-house team, provide quality trustee support whilst contributing to wider team strategic objectives and projects. Ref: 81485 JW

Working in partnership with employer and employee

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Pension Trustee Director — £DOE
Hybrid Working on offer — CE15799

An experienced Pension's professional is required for this highly respected pensions trustee provider. You will be a credible and valuable addition to a portfolio of Trustee boards as well as work with your colleagues to secure new appointments.

Member Data Reporting Manager — DOE
3 days per week in Derbyshire office — DB15783

Your excellent SQL skills are a must for this role, as is your past experience in pension scheme data reporting, pension scheme system administration, ideally for a Defined Benefit Pension Scheme. A unique and exciting role awaits you...

Technical Services Manager — DOE
3 days per week in Derbyshire office — DB15800

You will offer technical support to a wide variety of areas for this major in-house employer incl. to Trustee committees, Legal Team, Admin teams. Helping with highly complex cases, scheme events... & much more, incl. projects.

Senior Pensions Administrators — High day rate
Home working — DB15794C

Ready for your next day rate contract, hoping you might find a major in-house client, seeking 6 months work or more, available in the next month? Yes! Then our mullti award winning client needs your expert SPA experience. Get in touch ASAP...

Pensions Team Leader — up to £50k
Hybrid working - Bristol — TD15788

As the Team Leader, you will manage a team of DB and DC administrators looking after a portfolio of occupational pension schemes. It is important you have previous people management experience, as you will be responsible for a team ranging from trainee to senior administrator level.

Pensions Project Manager — up to £65k
Hybrid Working on offer — CE15745

Do you have experience of running projects in the pension's admin arena and seeking a new role for a leading third-party pensions administrator? If so, this could be for you. Prince II or similar is desirable. Junior/Trainee Managers also considered.

Senior Pensions Analyst — up to £55k
Flexible Working on offer — CE15771

In this crucial role, and at an exciting time of growth for this well-regarded administrator, you will be involved in Business Procedures; collecting and documenting the business processes for data, workflows, interfaces, communications and calculations.

Pensions Business Analyst — up to £45k
2 days per week in London office — TD15779

You will be working with this highly regarded firm alongside pension experts and system development specialists to identify and specify the most appropriate solutions for changes and improvements. Hybrid, flexible working with great benefits.

Client Relationship Managers — £DOE
Flexible Working, UK-Wide — CE15701

This senior role will see you managing a portfolio of key clients for this well-respected provider, which will include some trustee governance. Good experience of budgets, relevant scheme change projects working with senior external and internal parties.

Experienced Pensions Administrators — up to £38k
Hybrid Working London/Sussex/Glasgow/Surrey — TD15756

Excellent opportunities available for administrators with prior experience of performing complex pensions calculations, and be knowledgeable in both automated and non-automated manual/ system processes across a wide range of member/scheme events.

Contact Craig English (CE)
craig@abenefit2u.com
07884 493 361

Contact Dianne Beer (DB)
dianne@abenefit2u.com
0207 243 3201 / 07747 800 740

Contact Tasha Davidson (TD)
tasha@abenefit2u.com
0208 274 2842 / 07958 958 626

Are you a Hiring Manager in need of urgent temporary resource to clear a backlog or take ownership of a project? We have a ever changing & rolling list of excellent contractors, as they come & go quickly! We can guide you through SDS, AWR actions, & take all the worry out of employing off payroll contractors. Please contact us now to find out more about our simple processes to help you bring quality contractors on board.

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not just for bonfire night,
will light up all of your November.


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Invest in tomorrow's opportunities today. At PATRIZIA, foresight, resilience and growth are deep-rooted in our DNA. Our global investment strategy is driven by the long-term transition megatrends shaping our future economies: digitalisation, urbanisation 2.0, the energy transition and modern living. We have been making an impact for 40 years by building smarter communities and sustainable futures. PATRIZIA – Innovative by heritage.