

▶ **Financial education**  
How improving long-term saving begins at school

▶ **Trusteeship**  
How increasing requirements may affect recruitment and retention of trustees

▶ **UK equities**  
How the role of UK equities has changed in pension scheme portfolios

www.pensionsage.com

October 2023

# PENSIONS**Age**

The leading pensions magazine

▶ **Scams:** *The new and varied ways scammers are trying to get hold of people's pensions*

▶ **ChatGPT:** *How well can AI take on the challenge of writing pensions comms to members?*

## AI with a human touch



▶ **The impact of artificial intelligence on the pensions sector**

**Reforms: The many legislative changes in the pipeline for the UK pensions industry**



**TOKIO MARINE**  
ASSET MGT

# Discover Japan with us at PLSA Manchester 2023

**Lunchtime roundtable**

Japan: an unlikely winner from global turmoil  
Wed 18 Oct 13:00-14:00, room Exchange 5

**We are a Japan-focused investment specialist with over 35 years' market experience and approximately \$66bn\* in assets under management. Please contact us at [tmal@tokiomarine.co.uk](mailto:tmal@tokiomarine.co.uk) for exciting investment opportunities in Japan.**

Visit us at [www.tokiomarineam.com/uk](http://www.tokiomarineam.com/uk)

Tokio Marine Asset Management (London) Limited is authorised and regulated by the Financial Conduct Authority (FRN 487699). The contents of this advertisement are not intended for retail clients or private investors and such persons should not rely on its contents. You should bear in mind that the value of all investments can go down as well as up. Tokio Marine Asset Management (London) Limited is not authorised to operate in the EEA. \*As at June 2023

## Editorial Comment

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

**A**re we on the precipice of the greatest shake-up to the UK workplace pensions sector in recent times? We certainly are by volume, if nothing else. While the industry has grappled with one seismic change at a time, such as auto-enrolment's introduction, or freedom and choice, now we potentially have a number of reforms on the horizon at the same time, affecting all areas of the institutional pensions space.

So much change in fact, that I believe it caused quite the headache for our writer trying to keep track of them all in our feature on page 60, which looks at the legislative changes in the pipeline for the UK pensions industry.

These include collective DC, dashboards, DB options and more. We've done the hard work of piecing together the progress so far and how those managing pension schemes can prepare so you don't have to, so do take a look.

Some may be cynical as to the government's choice and timing for some of these expected reforms, while others may see it as sheer serendipity that those currently in power may also benefit, along with the industry.

Whatever the impetus for action, the fact remains that many of these consultations were ones that the industry itself were calling for, as PMI president, Robert Wakefield, acknowledges in his interview with *Pensions Age* on page 38.

The reforms that these consultations may bring will undoubtedly take a long time to bed in, but the overall result is expected to be workplace pensions saving vehicles more tailored to the changing needs of scheme members.

If only all the changes currently occurring were for the benefit of pension savers. Sadly, fraudsters have been hard at work evolving and adapting the scams they implement to rob people of their retirement money. Our article on page 46 explores the new and varied ways scammers are trying to get hold of people's pensions, such as via skimming, or

data stealing, and how the industry is responding to the challenge.

However, tackling the scourge of scams is a lot for the industry to take on – sadly, it may be too much for humans to ever be able to eradicate. Could it be yet another area where artificial intelligence (AI) comes in to lend a hand?

Our cover story this month [see page 48] looks at AI's range of capabilities and how it can be useful in the pensions industry, such as by helping with member engagement, for example.

We also decided to put this to the test, challenging AI-powered text generator ChatGPT to create a couple of member comms pieces – one explaining a technical matter, and one focusing on presenting information in an entertaining manner – and gathered the industry's critiques on its work [see page 51].

Spoiler alert – our investigation this month into AI found that while it certainly can assist the industry in a variety of ways, the human touch is still required.

Especially when it comes to writing. ChatGPT may be able to list information clearly, if not fully, but it does not yet have the nuance of 'speaking' with a human voice.

However, it's improving all the time. Maybe between our experiment and now it has already achieved that elusive goal? Maybe I've already been replaced as editor of *Pensions Age* by the robots and this ed comment was written by ChatGPT? Can you tell if this is human- or AI-generated?

Make your guess....



*Laura Blows*

**Laura Blows, Editor**

# Sackers

The UK's leading law firm  
to the pensions industry

---

**Winner of pensions law  
firm of the year 2023**

Pensions Age Awards  
UK Pensions Awards  
Corporate Adviser Awards

# Will AI leave room for the human touch?

The artificial intelligence boom has sent shockwaves through the financial services industry, but its impact has yet to be fully felt across the pensions sector, finds Beth Ure

### News, views & regulars

News round up	8-21	Diary & SPP comment	30
Appointments	22	A week in the life of: Katherine Easter	31
Comment: TPR, ABI, PPI	24	Regular Q&A: Andrea Mendham	32
Comment: PA, PASA and ACA	26	Opinion: Climate change analysis	74
Comment: PLSA, PMI, AMNT	28	Pensions history, good news and cartoon	76



**The buy-in/buyout data hunt** 25  
Samantha Chandler explains how checking data quality preparation can speed up the bulk annuity transaction process

**A decade of difference** 33  
Pensions Awareness Day co-founder, Rachel Parkinson, reflects on the impact of the campaign's 10th year, and the work still to be done



**Pensions Age Autumn Conference 2023: Learning lessons, moving forward** 34

Learning lessons from the past and exploring what's needed to drive the industry forward were topics of discussion at this year's Pensions Age Autumn Conference, with a focus on protecting savers while meeting their long-term investment needs



**PMI: Increasing engagement** 38  
Robert Wakefield speaks to Laura Blows about his ambitions for change during his time as president of the PMI



**De-risking focus: Preparing for the endgame** 41  
John Southall explains how schemes can best invest to

meet their aims, while Marek Handzel highlights what schemes can do to stand out from the crowd in the eyes of insurers



**Old dogs, new tricks** 46  
Louise Farrand explores the new and varied ways scammers are trying to get hold of people's pensions, and how the industry is responding to the challenge



**Putting ChatGPT to the test** 51  
How well can AI take on the challenge of writing pensions comms to members?

Continued on page 6



By agreement, Pensions Age is distributed free to all PLSA members as part of its package of member benefits



By agreement, Pensions Age is distributed free to The Pensions Management Institute (PMI) members as part of its package of member benefits



Pensions Age is distributed to The Association of Member Nominated Trustees members



By agreement, Pensions Age is distributed free to all SPP members as part of its package of member benefits

# Features & columns

Continued from page 5



## Building for success 54

Francesca Fabrizi meets Skanska Pension Fund trustee director and head of pensions, Mohsin Harhara;

and chair of the trustee board and executive vice president, Harvey Francis, to discuss the pension fund's dynamic journey in recent years



## Financial education: Lessons for a lifetime 56

Sam Meadows explores the importance of financial education at schools to improve peoples' long-term savings prospects



## A new view of the pensions industry 58

Shantel Okello looks back at her internship at the Pensions Policy Institute



## Feedback loop 60

Maggie Williams explores the legislative changes in the pipeline for the UK pensions industry



## Who gets the money? 64

As many DB schemes are now experiencing surpluses, *Pensions Age* asks the industry where they would like to see these distributed



## Finding a DC small pots solution 66

To address the large number of deferred small DC pension pots,

the government has proposed a framework for a multiple default consolidator model. This approach appears to have split industry opinion. We ask: Are you supportive of the government's proposed solution?



## Paying the pensions professionals 68

Following the Chancellor's Mansion House announcements on decumulation policy and the expansion of collective defined contribution (CDC) schemes in the UK, there seems to be mixed opinions as to what impact the introduction of CDC schemes will have. *Pensions Age* asks: Are you excited by the prospect of CDC?



## Testing times for trustees 70

The technical, practical and regulatory demands faced by trustees have all increased in recent years. David Adams looks at the possible consequences of

those changes for the recruitment and retention of both lay and professional trustees



## Finding a way forward 72

Sandra Haurant explores how the role of UK equities has changed in pension scheme portfolios and whether they will

make up a greater share of schemes' asset allocations going forward

## PENSIONS*Age*

### Publisher

John Woods  
Tel: 020 7562 2421

### Editor-in-Chief

Francesca Fabrizi  
Tel: 020 7562 2409

### Editor

Laura Blows  
Tel: 020 7562 2408

### Associate Editor

Natalie Tuck  
Tel: 020 7562 2407

### Deputy Editor

Jack Gray  
Tel: 020 7562 2437

### News Editor

Sophie Smith  
Tel: 020 7562 2425

### Design & Production

Jason Tucker  
Tel: 0207 562 2404

### Accounts

Alina Susca  
Tel: 020 7562 2432

### Commercial

John Woods  
Tel: 020 7562 2421

Camilla Capece

Tel: 020 7562 2438

Lucie Fisher

Tel: 020 7562 4382

### Subscriptions

Tel: 01635 588 861  
£149 pa within the UK  
£197 pa overseas by air

### NEW circulation figures

*Pensions Age* now has its new circulation figure from the Audit Bureau of Circulations (ABC). 13,010 July 2021-June 2022 print distribution. This is 100% requested and/or copies sent as a member benefit (PLSA, PMI, SPP, AMNT). *Pensions Age* is also sent as a Tablet Edition to our 30,000+ online subscribers (source: Publishers Statement Sept 20).

Managing Director  
John Woods

Publishing Director  
Mark Evans

ISSN 1366-8366

www.pensionsage.com



*Pensions Age* magazine, and its content in all and any media are part of Perspective Publishing Limited. All Perspective Publishing Limited's content is designed for professionals and to be used as a professional information source. We accept no liability for decisions of any nature, including financial, that are made as a result of information we supply.

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



# Can you yield crops and a stable income?

Experience shows us you can, with regenerative farming.

This innovative farming technique combines food production with ecosystem restoration and improves soil fertility, water management and biodiversity. It also contributes to the social and economic wellbeing of farmers and the wider rural community, offering the potential for a win, win, win - for society, for farmers and for investors.

Scan the QR code to examine the regenerative farming and natural capital opportunity.



Or get in touch  
Chris Windeatt  
Director  
Client Management Institutions  
[c.windeatt@vanlanschotkempen.com](mailto:c.windeatt@vanlanschotkempen.com)

For professional investors only.

**Disclaimer** Van Lanschot Kempen Investment Management (VLK IM) is licensed as a manager of various UCITS and AIFs and authorised to provide investment services and as such is subject to supervision by the Netherlands Authority for the Financial Markets. This document is for information purposes only and provides insufficient information for an investment decision. This document does not contain investment advice, no investment recommendation, no research, or an invitation to buy or sell any financial instruments, and should not be interpreted as such. The opinions expressed in this document are our opinions and views as of such date only. These may be subject to change at any given time, without prior notice.

**Capital at risk** The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested. Past performance provides no guarantee for the future.

## Dateline - September 2023

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

➤ **5 September** The **Labour Party** appointed MP for Leicester West, Liz Kendall, as its new Shadow Work and Pensions Secretary in Labour leader, Keir Starmer's, reshuffle. Kendall replaced Jonathan Ashworth, who became the party's Shadow Paymaster General.

➤ **5 September** Industry organisations shared their support and concerns for the Chancellor's Mansion House proposals, as a number of consultations from the **Department for Work and Pensions (DWP)** drew to a close. The consultations prompted renewed focus on trustee capability and accreditation, as well as DB surplus rules, and small pots issues, with particular frustration seen over the government's proposed default consolidator model.



➤ **8 September** Concerns over the rising cost of the state pension were raised, after the **Institute for Fiscal Studies** found that maintaining the triple lock could increase spending by anywhere between a further £5bn and £45bn per year by 2050.

➤ **8 September** The **government** confirmed that it would proceed with the second part of the McCloud remedy for the NHS Pension Scheme Regulations, although it will make a number of changes to its plans following industry feedback.

➤ **11 September** The **Pension Protection Fund (PPF)** launched a consultation on its proposed 2024/25 levy rules [*more information on page 13*].

➤ **12 September** Industry experts suggested that the state pension is set for a 'substantial' 8.5 per cent increase in April 2024 under the triple lock mechanism, after the **Office for National Statistics** revealed that annual growth in employees' average total pay in May to July 2023 was 8.5 per cent.

➤ **12 September** The Private Members' Bill on extending auto-enrolment (AE) passed the committee stage in the **House of Lords** in a debate that lasted fewer than 30 seconds.

➤ **13 September** A new industry group, the '**Pot For Life**' lobby group, launched, urging the government to adopt its proposals as soon as possible as it looks to end the proliferation of deferred small pension pots.

➤ **13 September** The **Pensions Regulator (TPR)** announced plans to change its regulatory approach to work more closely with administrators, emphasising the "crucial" role they play in protecting members. In particular, TPR said administrators play an "integral" role in ensuring that schemes hold good quality data. Given this, TPR is looking to expand its work with pension administrators, in an effort to establish two-way relationships with a number of pension administrators to understand the challenges and tackle the risks they are facing.



➤ **14 September** The **Work and Pensions Committee (WPC)** asked the government to reconsider the Public Account Committee's recommendations on the AEA Technology Pension Case. Separately, the WPC wrote to the Prudential

Regulation Authority, asking for clarification as to whether the watchdog is satisfied with the government's position on DB consolidation.



For more information on these stories, and daily breaking news from the pensions industry, visit [pensionsage.com](https://www.pensionsage.com)

📅 **14 September** Speaking at the Pensions Age Autumn Conference [see pages 34-35] **Pensions Dashboards Programme (PDP)** principal, Chris Curry, confirmed schemes should receive a minimum of six months' notice of their dashboards staging connection date, and "possibly as much as 12 months".



📅 **14 September** The **BBC** was granted permission to appeal a recent High Court ruling on future pension accrual, with a decision from the Court of Appeal expected early next year.

📅 **15 September** The **DWP** published new research on employers' attitudes towards pensions, revealing that nearly a third (30 per cent) are unsure what pension they offer new employees. In addition to this, nearly one fifth (18 per cent) of employers said they do not offer any pension scheme to new employees.

📅 **19 September** The **Taskforce on Nature-related Financial Disclosures** shared its final recommendations for nature-related risk management and disclosures for companies and financial institutions.

📅 **19 September** The Private Members' Bill to extend auto-enrolment cleared **parliament** and was granted Royal Assent [read more on page 10].

📅 **19 September** The **PPF** launched a new 'Trustmark' initiative, which will provide its panel firms with a badge recognising their support.

📅 **20 September** The Pensions and Lifetime Savings Association (PLSA) and Association of British Insurers (ABI) launched year two of the **Pension Attention** campaign, with the help of TV presenter, broadcaster and childhood favourite, Timmy Mallett.

📅 **20 September** The **DWP** published its independent review of TPR, which found that the regulator is broadly well-run and well-regarded. However, there were some areas for improvement, particularly around strategic and operational future challenges.

📅 **21 September** The **Liberal Democrats** became the first UK party to commit to protecting the state pension triple lock in the next parliament.

📅 **21 September** The **Bank of England (BoE)** confirmed it would keep the base interest rate at 5.25 per cent, prompting concerns that long-term gilt yields would "fall back" and potentially lead to some providers opting to cut annuity rates.

📅 **25 September** The **Financial Conduct Authority (FCA)** and **Prudential Regulation Authority (PRA)** are proposing new measures to boost diversity and inclusion across the financial services sector.



📅 **28 September** TPR issued its first fine against a pension scheme for failing to publish a report on trustees' management and governance of climate-related risks and opportunities. The ExxonMobil Pension Plan was fined £5,000 for failing to meet climate reporting requirements. The news was shared alongside TPR's latest compliance and enforcement bulletin, which revealed that the use of automatic enrolment powers remained consistent.

## News focus

**A** Private Members' Bill to extend auto-enrolment (AE) has cleared parliament and been granted Royal Assent, in a move that is expected to ensure that "millions across the country can save more and save earlier".

The bill, which was sponsored by MP Jonathan Gullis and Baroness Ros Altmann, sought two extensions to AE, abolishing the lower earnings limit for contributions and reducing the age for being automatically enrolled.

Analysis from the government suggested that the changes, combined with the Mansion House Reforms announced in July, could see the average earner's pension increase by nearly 50 per cent if saving across their entire career, while a minimum wage earner could see their pension increase by over 85 per cent.

Secretary of State for Work and Pensions, Mel Stride, commented: "This bill will mean millions across the country can save more and save earlier – boosting security in older age and helping people achieve the retirements they've worked so hard for."

Adding to this, Pensions Minister, Laura Trott, emphasised that while AE has been a "phenomenal success", the government is "determined to go further".

"It's great news that the Private Members' Bill has successfully passed through parliament and received Royal Assent," she continued.

"This will mean younger workers and those in lower paid employment will be able to fully participate in AE. For the first time, every eligible worker will benefit from an employer contribution from the first pound earned – which will make a huge difference to their eventual pension."

Although there had been disappointment that the bill was unable



## 'Momentous' day as AE bill receives Royal Assent

**➤ The pensions industry celebrated the news that a bill to extend auto-enrolment received Royal Assent in September. However, many have already set their sights on the next round of reforms needed, stressing that there is still more work ahead**

to pass through parliament prior to the summer recess, its journey through the House of Lords nonetheless continued at pace, having completed its third reading on 18 September.

A consultation on the implementation of the new measures is still expected to follow, with Trott previously committing to consulting on these plans "as soon as humanly possible".

News of the bill receiving Royal Assent was welcomed by The Pensions Regulator, with a spokesperson for the watchdog stating: "We are proud of our

contribution to the successful roll-out of AE and look forward to continuing to work closely with the Department for Work and Pensions (DWP) on the next steps to extend the AE framework for the benefit of millions of workers.

"We will ensure employers, pension schemes and the wider supporting market are well-prepared to successfully implement these important changes."

Work and Pensions Committee chair, Stephen Timms, also welcomed the news, after the committee previously recommended that the government

implement the 2017 AE Review reforms “no later than the beginning of the next session of parliament”.

“Lowering the age threshold for auto-enrolment and removing the lower earnings limit on pension contributions will make a real difference to young people, part-time workers and workers in the gig economy,” Timms stated.

“We are pleased the government has listened to the committee and supported the legislation to implement recommendations that have the potential to make saving the norm and improve retirement outcomes for many.”

Industry groups have also celebrated the news, as Pensions Management Institute president, Robert Wakefield, stated: “Through being able to start pension saving earlier and by making more earnings pensionable, millions of workers will be able to accrue greater pension benefits and look forward to a more comfortable retirement.”

AJ Bell head of policy development, Rachel Vahey, also highlighted the passing of the bill as a “significant step on the road to improving outcomes for millions of pension savers”.

However, Vahey emphasised the need for the DWP to “keep the momentum going” when looking ahead to the next stage of forming a plan to implement these changes.

“This has to strike the right balance,” she continued. “Financial life is tough for many people right now, so changes need to be brought in at the right time and pace that supports pension savers and their employers. But the DWP cannot drop the ball, it needs to keep forging ahead as this new law will make a meaningful difference to people’s later financial lives.”

This was echoed by Aegon head of

pensions, Kate Smith, who clarified that whilst the news is “momentous” in the journey of AE, the timing of the changes will need to be right to avoid unintended consequences.

“We believe this should be carried out over two to three years starting no later than April 2025 on a phased basis so that employers and employees can get used to the increased contributions,” she stated.

“Otherwise, someone earning £12,480 would see their contributions double overnight.”

### **“Financial life is tough for many people right now, so changes need to be brought in at the right time and pace that supports savers”**

In addition to this, Smith argued that, despite the latest reforms, further improvements are still needed to ensure members are saving enough.

“The 8 per cent auto-enrolment contribution, even without the offset, lures people into thinking they are saving enough to provide an adequate income in retirement. For many this won’t be the case,” she warned.

“Change takes years, from consultations, to legislation, and finally to implementation. It’s time to start thinking about increasing auto-enrolment contributions to 12 per cent of earnings, equally split between employers and employees, with solutions for those on the lowest incomes.”

Standard Life managing director for workplace, Gail Izat, agreed that while the changes introduced by the bill represent

a “new era” for auto-enrolment, an 8 per cent contribution rate will only take savers so far.

“It’s clear that increasing both employee and employer contributions to 12 per cent when possible is the missing piece of the puzzle when it comes to reducing under-saving and boosting retirement incomes even further,” she stated.

Alongside this, Arc Pensions Law associate, Rhiannon Barnsley, points out that employees still need to earn over £10,000 per year to be within the scope of auto-enrolment.

“Many part-time workers (which many young workers may be) and those with multiple jobs still won’t be able to benefit,” she explained. “It also does nothing to address the current under-saving by many employees. The auto-enrolment minimum contribution will not provide the retirement lifestyle many look forward to.”

And others have suggested that this could represent an opportunity to take stock, as Now Pensions CEO, Patrick Luthi, argued that a formal review of AE is “essential” to establish a consensus on issues such as scope and contribution levels, so AE continues to evolve and remains relevant and fit for purpose.

“This is an important step in the right direction, but it’s equally important that the government keeps its eyes on the wider challenge of long-term strategy and adequacy which must still be tackled to create a pensions system which is fair for all,” he continued.

“We believe the policy needs to work for all eligible workers to avoid millions falling short of the retirement they deserve.”

 Written by Sophie Smith

# Pensions industry to keep net-zero focus despite govt u-turn

✔ **Organisations raised concerns over the government's decision to delay a number of key net-zero targets, although experts suggested that the UK pensions industry will maintain its focus on net-zero efforts despite this**



Industry experts have warned that the Prime Minister's net-zero u-turn could create policy uncertainty and undermine investor confidence, although pension trustees are not expected to make material changes at this point.

A number of UK asset owners previously raised concerns that the government's rhetoric could prevent the finance sector from making the investments needed to reach net zero.

These concerns were heightened after Prime Minister, Rishi Sunak, announced a slowdown on efforts to tackle climate change; Sunak announced that the ban on new petrol and diesel cars would be pushed back until 2035, and people would be given "far more time" to make the transition from gas boilers.

Reaction was quick, with a cross-sector open letter to the Prime Minister raising concerns over the weakened net-zero policies receiving backing from over 400 organisations, including Brunel Pension Partnership and Border to Coast Pensions Partnership.

The letter argued that sticking to long-term, net-zero policies is crucial

to building business confidence and mobilising investment, warning that "we are already losing investment to the US and EU, and rowing back would make it worse".

Other pension schemes have also expressed concerns, as Universities Superannuation Scheme (USS) head of strategic equities, Innes McKeand, told *Pensions Age* that,

"at a time when we want to see the real world change that's necessary to limit the effects of the climate crisis, the government's announcement creates policy uncertainty, which we believe is unhelpful for investment in the UK.

"It will potentially lock in emissions for longer," he continued. "Climate change presents a significant financial risk and we believe that a low carbon world will likely be a more financially stable world."

Cartwright director of investment consulting, Sam Roberts, agreed, noting that, in addition to investor uncertainty, the recent shift in government policy could also present a future debate as to whether investing in government bonds is consistent with net-zero alignment.

Despite some industry concerns, Roberts said that the changes should have limited impact on small and medium DB schemes as many will be insured and wound up by 2035.

In addition to this, he suggested that the delay in the target dates may help some sponsoring employers to manage the net-zero transition better, thereby improving benefit security,

Independent Governance Group head of investment and trustee director, Pavan Bhardwaj, also said that "in the grand scheme of things, the scaling back of the government's net-zero ambitions are unlikely to make a material difference for most trustees".

This has already been seen in practice, as McKeand says that for the USS, one of the largest pension schemes in the UK, net zero remains a key initiative despite the government announcement.

And whilst the government has announced a slowdown on climate change efforts, The Pensions Regulator (TPR) has upped its efforts in this space with its non-compliance campaign, issuing its first fine against a pension scheme for failing to publish a report on trustees' management and governance of climate-related risks and opportunities.

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

TPR wrote to the scheme trustee after it was unable to locate the report, which was due to be published by 31 July 2022.

In its response, the scheme trustee confirmed that while they had produced the report and the scheme administrators had uploaded it by the deadline, a faulty URL meant the report was not published on a publicly available website until 10 August. The trustee also assured TPR that they took their climate reporting obligations seriously and that their non-compliance was inadvertent.

However, TPR stressed the need for schemes to stick to the set deadline, stating that it "must act by using the mandatory fining regime set out in law".

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

✔ **Written by Sophie Smith**

# isio.

**born to be better.**

Isio was 'born' in 2020, and we've been challenging existing thinking on pensions, benefits and investment advice ever since.

Born to be better? Watch this space.

To find out more visit stand 612 at the PLSA Annual Conference  
and follow us on LinkedIn

# PPF consults on plans to halve its 2024/25 levy

✓ **The Pension Protection Fund has launched a consultation on plans to halve the levy for 2024/25 to £100m. The government has also launched a separate consultation on plans to restructure the general levy**



## Pension Protection Fund

**T**he Pension Protection Fund (PPF) launched a consultation on its proposed 2024/25 levy rules, as it plans to cut the levy to £100m, half of the 2023/24 level.

The consultation is also seeking views on the options to maintain a levy of £100m in the longer term, given current legislative constraints on the PPF's ability to cut the levy without damaging its ability to respond to a funding challenge should one arise.

The PPF's *Annual Report* recently showed that the lifeboat is in a very strong financial position, having previously cut the levy from £390m in 2022/23 to £200m in the current year.

The latest cut to the levy continues this trend, meaning that the lifeboat has cut the levy by almost 85 per cent since 2020/21, with almost all levy payers expected to see their levy fall compared to the current year.

For the 2024/25 year, the PPF confirmed that it intends to increase the Levy Scaling Factor (LSF) slightly, to 0.40, and the scheme-based Levy Multiplier (SLM) will change to 0.000015, while the risk-based levy cap is set to remain at 0.25 per cent of scheme liabilities.

Further cuts are unlikely, however, as governing legislation places limits on how

much can be charged and the extent to which the levy can be increased from year to year, which also limits how much the PPF can allow the levy to fall without damaging its ability to respond to a funding challenge should one arise.

Given this, the PPF confirmed that it is aiming to ensure the levy remains at or above £100m in future years, acknowledging that, as the number of schemes paying a risk-based levy would otherwise continue to decline, more substantial changes are likely to be necessary to maintain a levy of £100m in future years.

The final rules for the 2024/25 levy year are set to be published in December, along with the PPF's policy statement.

In related news, the Department for Work and Pensions (DWP) has launched a consultation on potential plans to increase the general levy on occupational and personal pension

schemes, in an effort to mitigate the ongoing deficit in levy funding.

The consultation is seeking industry views on three options, which were agreed by ministers after estimates from the DWP revealed that, if levy rates were to remain unchanged, there would be a deficit of over £200m by 2031.

Two of the options would leave the levy structure unchanged, while the third option, which has been identified as the DWP's preferred option, would involve a small change to the levy structure to better reflect the current focus of the regulatory regime.

In particular, option one would continue with the current levy rates and structure, which would see the levy deficit continue to grow, requiring greater rises at a later date.

However, both option two and three aim to bring levy income into balance with levy expenditure over the medium term, and to recover the deficit by 2030.

Under option two, the government would retain the current levy structure, but increase the rate by 6.5 per cent per year, bringing the cumulative deficit back into a compliant level by 2031.

The third option, meanwhile, would increase rates by 4 per cent per year and signal an additional premium rate for small schemes (with memberships up to 10,000) from 2026. This option would also add a premium to schemes, which as of April 2026 have memberships under 10,000, allowing for a lower initial increase across all schemes, while still paying off the deficit, and supporting the consolidation of smaller schemes.

The DWP also announced plans for a future consultation on how The Pensions Regulator (TPR) could be fully funded by the pensions sector, taking account of timing given the levy deficit, and the appropriate distribution of costs across the industry.

✎ **Written by Sophie Smith**

# Same time-tested process. Alternative paths to performance.

Our alternative strategies leverage the same time-tested approach that has helped investors for over 50 years.

Create new opportunities with PIMCO's alternative strategies ►

[pimco.co.uk/alternatives](https://pimco.co.uk/alternatives)

Capital at risk.



Past performance does not predict future returns.



PIMCO

**Marketing Communication for Professional Investors Only.** An investment in any PIMCO managed fund entails a high degree of risk and investors could lose all or a portion of their investment. This advert should not be considered to be investment advice and should not be reproduced in any form, or referred to in any other publication, without express written permission. **PIMCO Europe Ltd** (Company No. 2604517) is authorised and regulated by the Financial Conduct Authority ©2023, PIMCO. A company of Allianz. All rights reserved. Our alternative strategies are available to professional clients only as defined in the MiFID II Directive 2014/65/EU Annex II Handbook, its implementation into local rules and the FCA Handbook.

# No capacity concerns in BPA market despite record demand

✓ Industry experts have reassured trustees that there are no capacity issues in the bulk purchase annuity market, after DB funding improvements prompted record demand



Industry experts have hit back at concerns over the bulk annuity market's ability to keep up with record demand seen this year, telling the Work and Pensions Committee (WPC) that "there are no capacity issues in the buyout market".

Speaking to the WPC as part of the ongoing DB pension inquiry, Pensions Insurance Corporation CEO, Tracy Blackwell, said that despite industry concerns, she was not aware of any pension schemes being unable to get a bulk annuity quote.

"There are no capacity issues in the buyout market," she stated. "There may be a lot of people around talking about it for different reasons, but there are no capacity issues nor do we expect there to be.

"Our employee base has doubled over the past year, we have no shortage of staff to deal with it, and we are not aware of any pension scheme that has not been able to get a quote for a bulk annuity in recent past. There is a completely orderly transition going on from DB pensions into buyout and we don't foresee any difficulties at all."

Association of British Insurers (ABI)

director of policy, long-term savings and protection, Yvonne Braun, suggested that this position is also reflective of the broader insurance industry, not just PIC.

"There are eight insurers who are active in this market, while a ninth one has announced they will enter the market this year," she said. "The largest deal was for £6.5bn, the smallest for £600,000, so schemes of all sizes can transact. We don't think there is a capacity issue."

And whilst Braun noted that a transaction could face capacity issues from the adviser side, with a lot of work involved around data cleansing etc, "that's the case in any form of endgame".

There was also confidence that, were any capacity issues to arise, these could be dealt with, as Insight Investment head of client solutions group, Serkan Bektas, suggested that there is a "strong rationale" for insurers to invest in their resources, infrastructure and address capacity issues.

Despite the confidence with capacity, Abrdn senior solutions director, Brian Denyer, admitted that there is anecdotal evidence of a supply demand imbalance in the buyout market, which is being more keenly felt by smaller schemes.

"Whilst those smaller schemes (up to £100m) may receive a quote, generally speaking they will have to go on an exclusive basis with one provider, and

then they will need to decide if that's good value, whether that's good value because they can afford it or because it is competitive."

However, Denyer said that there could be options to address this, arguing that consolidation solutions, where smaller schemes are brought together before buyout, could help.

Adding to this, Blackwell pointed out that there are already a number of organisations, including PIC, working on solutions to streamline the process for small schemes, and alleviate the time and cost burden of this process.

"I would let the private sector work out solutions before jumping to something like a public sector consolidator, because it is happening and so far it has been working," she stated.

The comments were made amid record demand in the bulk annuity market, with analysis from Hymans Robertson revealing that £21.3bn was secured over the first half of 2023, surpassing the previous H1 record seen in 2019 of £17.6bn.

Large transactions dominated the market with 60 per cent of bulk annuity volumes, around £12.7bn, being in respect of five deals in excess of £1bn, including the record-breaking £6.5bn buy-in by the RSA Group and PIC.

However, industry research suggested that while insurance buyout remains the most popular destination for DB schemes, there is growing interest in run-on options. The poll from XPS Pensions found that insurance buyout was the preferred designation for over half (53 per cent) of respondents, while just over a quarter (27 per cent) of pension scheme trustees and sponsors think that running their scheme on to generate extra surplus was either the right strategy now or would be the right strategy if the government regulated to give more flexibility on surplus to employers and trustees.

✎ Written by Sophie Smith



# Know your members better. Improve member experience. Manage risk more effectively.

Our comprehensive reference data on **56.5 million UK adults** and digital identity intelligence can support you with, for example:



Identity verification



Mortality screening



Anti-money  
laundering screening



Gone-away tracing



Distinguishing between  
trusted and fraudulent  
behaviours within  
online transactions



Updating, enriching  
and maintaining  
member data



To find out how LexisNexis® Risk Solutions can help, contact our team on 029 2067 8555 or email [uk-irl-enquiry@lexisnexisrisk.com](mailto:uk-irl-enquiry@lexisnexisrisk.com)

[risk.lexisnexis.co.uk](http://risk.lexisnexis.co.uk)

# Flexible pension withdrawals pass £72bn as CofL crisis bites

Industry experts raised concerns over the impact of rising prices on pension savings, after HMRC revealed that more than £72bn has been flexibly withdrawn since the introduction of the 2015 pension freedoms



Industry experts raised concerns over the impact of rising prices on pension saving habits, after data from HMRC revealed that the total value of taxable payments withdrawn flexibly from pensions since pension freedoms were introduced in April 2015 has surpassed £72.2bn.

The update showed that £12.9bn in taxable payments was withdrawn from pensions flexibly in 2022 to 2023, up from £11.2bn in 2021 to 2022 and £9.3bn in 2020 to 2021.

In particular, £3.4bn of taxable payments was withdrawn from pensions flexibly by 519,000 individuals across 1.2 million payments in Q1 2023, while £4bn of taxable payments was withdrawn from pensions flexibly by 567,000 individuals across 1.3 million payments in Q2.

Commenting on the figures, Canada Life retirement income director, Nick Flynn, suggested that “the floodgates have well and truly opened as record amounts

are being stripped from pensions”.

“While there is no need hit the panic button, I hope these people have a backup plan to be able to generate a wage in retirement,” he continued.

“The current cost-of-living crisis may be driving some of this behaviour, and no doubt pent up demand following the pandemic will also be behind these record withdrawals.”

There was some positive progress though, as the report revealed that £11.9bn of individual contributions were made to personal pensions in 2021 to 2022, up from £11.7bn in 2020 to 2021.

In addition to this, £2.3bn of individual contributions were made by self-employed members in 2021 to 2022, up from £2bn in 2020 to 2021.

The number of members making individual contributions to a personal pension also increased from 7 million in 2020 to 2021 to 7.5 million in 2021 to 2022, while the number of self-employed savers making contributions to a personal pension rose to 340,000 from 330,000.

However, the number of savers exceeding their personalised Annual Allowance (AA) also rose, as 53,330 individuals reported pension contributions exceeding their AA via self assessment (SA), compared to 43,870 in 2020 to 2021.

The total value of contributions reported via SA as exceeding the AA was

£1.2bn in 2021 to 2022, up from £814m in 2020 to 2021.

Lifetime Allowance (LTA) charges also rose, as 11,660 LTA charges were reported by schemes in 2021 to 2022, up from 8,820 LTA charges reported in 2020 to 2021. The total value of LTA charges reported by schemes in 2021 to 2022 was £497m, marking an increase from £391m in 2020 to 2021.

The updated suggested that the increase in the total value of LTA charges may be due to the removal of the annual link of the LTA to the Consumer Prices Index increase in 2021 to 2022, which maintained the standard LTA at £1,073,100.

**“The current cost-of-living crisis may be driving some of this behaviour, and no doubt pent up demand following the pandemic will also be behind these record withdrawals”**

However, whilst the number of savers caught out by the LTA and AA has been widening in recent years, change is expected in the future, after the Chancellor previously announced plans to scrap the LTA as part of his Spring 2023 Budget.

This change, according to LCP partner, Steve Webb, should help make matters a great deal simpler for the widening group that might have been affected.

However, Quilter head of retirement policy, Jon Greer, argued that “with a general election on the horizon it is anyone’s guess whether the abolition of the LTA will be a permanent fixture”, which could present some planning difficulties.

Written by Sophie Smith



# Helping people feel different about pensions. That's why we're here.

**Who are we? We're Gallagher — Employee Experience & Communication, and we've been helping trustees and heads of pensions take a member-first approach to retirement communications for more than 25 years.**

The perfect blend of large consultancy and agile agency, our 250-strong multinational team of passionate communicators knows how to engage, motivate and inspire people to make informed decisions about their financial future — and, as part of the Gallagher family, we're able to service our clients in all aspects of organisational wellbeing on a global scale.

**Get the most out of your retirement communications.  
Contact [www.ajg.com/pensioncommunications](http://www.ajg.com/pensioncommunications) - we're here to help.**



**D**B pension superfund The Pension SuperFund (PSF) has been mothballed after three unsuccessful attempts to complete the assessment process, as first reported in the *Financial Times* and confirmed to *Pensions Age*.

According to the *Financial Times*, Disruptive Capital Finance founder and PSF partner and co-founder, Edi Truell, blamed The Pensions Regulator (TPR), government and insurance industry for making his DB superfund business model “uninvestable”.

Truell told the *Financial Times* he was “mothballing” the PSF after it had failed to complete the necessary assessment process to operate in the market.

He added that his decision was made after TPR had not produced ‘profit extraction’ guidance on how superfund investment profits could be distributed.

“We were promised there would be clarity on profit distributions by June at the latest,” Truell said. “For that not to be forthcoming erodes trust in government and the regulator.”

*Pensions Age* understands that the idea for the PSF has not been scrapped for good, and it is waiting for TPR to provide an update on further guidance to make the proposition investable.

However, the PSF previously suggested that it could be too late for this guidance to make a difference, with PSF CEO, Luke Webster, also raising concerns around the lack of profit extraction guidance in a recent Work and Pensions Committee (WPC) hearing.

He stated: “Unfortunately, the updates to the guidance would fall in the camp of too little too late, from our perspective.”

“The lack of clarity about being able to make distributions renders the proposal uninvestable at this stage. It is completely unreasonable I think for us to expect people to put their capital at risk without having any line of sight to how they might achieve a return on that.”

“The pejorative language of profit



## PSF ‘mothballed’ after unsuccessful assessment attempts

**DB pension superfund The Pension SuperFund has been mothballed after three unsuccessful attempts to complete the assessment process, raising particular concerns over the lack of guidance on profit extraction**

extraction is enormously unhelpful too. We do not use that language in any other business context.”

Commenting in response to Truell and Webster’s comments, a TPR spokesperson said: “We have supported innovation by creating an interim superfunds regime, and recently revised our guidance to make it easier for schemes to transfer to a superfund.

“We’re now considering how best to go forward on profit extraction, but our primary focus has to be ensuring that savers’ interests are protected.”

A Department for Work and Pensions spokesperson added: “The government remains committed to having a permanent regulated superfunds regime and will legislate as soon as parliamentary time allows.

“This will ensure we maintain momentum and cement the legacy of this important innovation.”

The PSF was first launched in 2018 and aimed to provide a Pension Protection Fund-eligible DB scheme

under the existing occupational scheme framework, with the covenant of the employer replaced by covenant support from a capital buffer. It would combine all incoming assets and liabilities and run them off in a single section.

Clara-Pensions, a rival DB superfund that completed the assessment process in 2021, has a different model that has a separate section for each incoming scheme.

The DB superfund regime has also been in the spotlight more broadly over the past month, after the government confirmed plans to introduce a permanent regime for DB superfunds as part of its Mansion House reforms.

The role of superfunds has also been a key feature in the WPC’s DB inquiry, with chair, Stephen Timms, recently writing to the Prudential Regulation Authority to ask whether or not the watchdog is satisfied with the government’s position on DB consolidation.

**Written by Jack Gray**



## USS members consulted on plans to restore benefits

Members of the Universities Superannuation Scheme are being consulted on plans to boost pension benefits following funding improvements

Universities Superannuation Scheme (USS) members are currently being consulted on plans to restore benefits to pre-April 2022 levels, for accrual from 1 April 2024, in anticipation of the Joint Negotiating Committee (JNC) deciding to propose the changes.

The JNC, which includes representatives from both Universities UK (UUK) and University College Union (UCU), previously asked the trustee to price benefits, subject to the outcome of the 2023 valuation process, at pre-April 2022 levels for service from 1 April 2024.

This revealed that the scheme was on track to restore benefits to pre-April 2022 levels, as the scheme's funding position looked "very encouraging" ahead of the

key decision points for its 2023 valuation.

The consultation, which is running until 24 November, therefore seeks views from affected employees and their representatives on these potential benefit changes, in anticipation of the JNC formally proposing the changes.

The JNC is expected to make a decision, based upon the outcome of the consultation, by December 2023, with the final position to be communicated to affected employees, elected representatives and recognised trade unions as soon as possible afterwards.

Under the proposals, the accrual rate would be restored to the pre-April 2022 level, rising from 1/85 to 1/75 of salary, while the scheme the salary threshold would increase to within the range of

£66,400 to £73,040 with effect from 1 April 2024. This would also continue to increase annually in line with inflation, increasing the cap on increases to benefits built up from 1 April 2022 from 2.5 per cent to a maximum of 10 per cent to take into account inflation.

Both members and employers are also set to pay less than the 9.8 per cent and 21.6 per cent respectively that is currently contributed. However, the overall contribution rate required will be determined by the trustee, once the current technical provisions consultation with UUK has completed, with the JNC to then decide how contributions will be split between members and employers.

Written by Sophie Smith

### NEWS IN BRIEF

The trustees of the Kier Group UK pension schemes appointed **Schroders Solutions** as the outsourced chief investment officer (OCIO) across the schemes' £1.2bn in assets. The mandate covers five pension schemes.

**TPT Retirement Solutions** secured regulatory approval to establish a commercial investment company to provide fiduciary management and consultancy services to DB schemes.

The **Liberal Democrats** became the first party to commit to the state pension triple lock in the next parliament, in a move that aims to bring

"thousands of vulnerable pensioners out of poverty".

The **Cable and Wireless Superannuation Fund** agreed a £340m buy-in with Legal & General, securing the benefits of around 1,800 members.

**People's Partnership**, provider of The People's Pension, announced plans to expand its offering, moving from the auto-enrolment space to the broader workplace pensions market.

**Equisoft** updated its Equisoft/transfer product to support electronic DB transfers, with two corporate pension

administrators already having gone live with the product.

The trustees of the **BAE Systems Pension Scheme** and **BAE Systems Executive Pension Scheme** appointed Goldman Sachs Asset Management to manage around £23bn in UK DB pension scheme assets, marking the largest OCIO mandate in the UK to date.

**Standard Life** announced its intent to have a commercial pensions dashboard ready for launch when the regulatory approval process is in place. The provider is working on the project in partnership with Moneyhub.

## Appointments, moves and mandates

### ► Brightwell has appointed Duco to automate and consolidate reconciliations as part of target operating model transformation.

The DB service provider intends to use Duco in its investment operations department to replace an inflexible legacy system that was limiting growth, as it lacked the functionality needed to handle the variety of use cases and the volumes of data it needed to process. In contrast, Duco's data automation platform is expected to enable Brightwell to normalise its data and consolidate its reconciliations for FX, OTC and ETD derivatives, fixed income and cash balances as trading volumes grow. Features such as advanced filters, transaction rollout rules, conditional rules and the data prep module are also expected to help Brightwell reduce the number of exceptions, and bring down the number of false positives.



Matthew Cavanagh

### ► PensionBee has named Matthew Cavanagh as its new chief legal officer and general counsel.

Cavanagh previously served as PensionBee's general counsel in 2015 and now rejoins as head of the provider's legal function. His responsibilities include the provision of legal advice to all aspects of the business and its respective boards, and managing PensionBee's external legal advisory relationships. Cavanagh has more than 20 years of legal experience, specialising in asset and investment management, funds and finance law, and most recently held the role of director, executive legal council at the Qatar Investment Authority.



Andy Moss

### ► Pension Insurance Corporation (PIC) announced that Andy Moss has joined its board as a non-executive director and member of its Audit Committee.

Moss was formerly chief executive officer of the Phoenix Group Life companies, including Phoenix Life and Standard Life. Currently, he is a non-executive director of Ascot Underwriting, and in the past has chaired the Phoenix Assurance General

Insurance Board and sat as a non-executive director on the Sun Life board. "I am delighted to be joining PIC at this exciting phase of its development," Moss said. "In particular helping to assist the board to ensure PIC stays firmly focused on its purpose will be a great privilege."



Leah Evans

### ► Aon has hired Leah Evans as a partner in its UK risk settlement team.

Evans started her career at Aon and has advised trustees and corporates on risk management issues for more than 15 years. She joined Mercer in 2007 and worked for the consultancy for nearly 14 years, most recently as a partner and strategic pensions adviser. In 2021, Evans moved to EY, where she led its pension risk transfer team, before joining Aon. Commenting on the appointment, Aon head of risk settlement, Martin Bird, said: "She brings valuable expertise in risk transfer and pension risk management, which will help us advise clients to plan their de-risking journey."

### ► The Pensions and Lifetime Savings Association (PLSA) has appointed two new members to its Board and four new members to its Policy Board, following a formal selection process.

Smart Pension CEO, Jamie Fiveash, and LCP partner and head of DC, Laura Myers, have been hired to the PLSA Board. The PLSA Board aims to support the PLSA in delivering on its aim to help everyone achieve a better retirement income, setting strategy, allocating resources, and reviewing financial performance. Alongside this, the PLSA appointed Shell head of UK pensions, Alan Howard, Border to Coast Pensions Partnership chief stakeholder officer, Ewan McCulloch, Rolls-Royce group head of pensions and benefits, Fiona Brown, and Now Pensions director of public affairs and policy, Lizzy Holliday, to its Policy Board. The PLSA's Policy Board seeks to guide and select the association's public policy positions, with its remit covering all PLSA policy work on pensions and lifetime savings. Its goal is to shape the policy agenda for all aspects of retirement income. Independent consultant, Alison Hatcher, is stepping down from the PLSA Board, while HSBC Bank Pension Trust CEO, Lisa Young-Harry, and USS chief scheme strategy and stakeholder officer, Mel Duffield, are stepping down from the Policy Board. "We are in an exciting period for the pensions sector, with DB schemes and the LGPS now almost entirely in surplus, more savers than ever contributing to workplace schemes and big philosophical questions being asked about the future make-up of our industry," said PLSA Board chair, Emma Douglas. "We are really pleased to be able to bring some fresh expertise to our governance structures to see these ambitions through."

► **Imerys UK Pension Fund Trustees has appointed Aon to provide fiduciary management services for the £550m Imerys Pension Scheme in the UK.**

Prior to its appointment as fiduciary manager, Aon was already the scheme’s actuary and has provided the trustee with investment advice for more than a decade. In its role as fiduciary manager, Aon will provide implementation services alongside investment advice, including journey planning, with the aim of helping the scheme trustees to continue making better decisions. Aon was selected by Imerys UK Pension Fund Trustees following a competitive tender process. Vidett professional trustee and Imerys UK Pension Scheme chair of trustees, Edwin Bruce-Gardner, noted that the scheme had eight investment managers and it “became clear” that the time and resources needed to carry out a “dynamic” investment strategy with an in-house team was becoming more onerous due to increasing regulation and investment risk. “We therefore required greater investment expertise,” he stated. “Fiduciary management was a natural progression. After presentations on different approaches from several fiduciary managers, we decided to stay with Aon, which has successfully advised us for many years and which we considered to be the best fit. Aon’s approach is a continuation of the diversified and liquid policy previously adopted by the trustee to meet its investment goals, but with Aon taking over all the day-to-day management decisions. This leaves the trustee with more time to concentrate on other matters. The trustee has full confidence that Aon will be successful in meeting the trustee’s objectives.”



Katy Vincent

► **Dalriada Trustees has appointed Katy Vincent as chief operating officer.**

She brings several years of operational experience to her new role, specialising in areas including strategic growth and business transformation. Prior to joining Dalriada, Vincent managed the integration of a boutique law firm into EY following its acquisition between 2015-2018, subsequently joining EY’s legal

managed services business as chief operating officer. She also served as chair of the executive board and compliance officer for finance and administration for EY’s legal managed services business. She is also governor of the Cheshire and Wirral Partnership NHS Foundation Trust.

► **LCP has announced the appointment of Amlan Roy and Mark Watts to its investment team.**

Roy will be working primarily in the sovereign wealth space as a senior adviser, bringing almost four decades of experience across investment banking, asset management, academia and policymaking with him. He was previously senior managing director and head of global research at State Street Global Advisors, and managing director and head of global demographics & pensions at Credit Suisse. Watts joins LCP as a partner and will be supporting its investment clients, with an immediate focus on helping them navigate the energy transition and ensuring they are deploying their capital effectively. He has served on a number of boards in both executive and non-executive positions, and has chaired the FCA’s DB and DC Pension Plan Risk and Audit Committee.



Emir Feisal

► **The Minister for Pensions has reappointed Emir Feisal to The Pension Ombudsman’s (TPO) Corporate Board.**

Feisal was appointed for a further three years from 1 May 2024 until 30 April 2027, having already served three years on the board since 1 May 2021. TPO chair, Caroline Rookes, commented: “I am delighted to continue working with Emir. It is an important time for the Corporate

Board as we start to review our strategic objectives to ensure they are fit for purpose and meet the needs of both our customers and our stakeholders. I am very pleased that we will be able to take full advantage of Emir’s wealth of experience in this endeavour.”



Nigel Modlinsky



Anna Smithson

► **Apex Group has appointed Nigel Modlinsky and Anna Smithson as professional trustees.**

Modlinsky has more than 20 years of experience in pensions and employee benefits, and is a qualified actuary. He joins Apex Group from Law Debenture, where he was head of professional corporate sole trustee. Prior to this, he also held roles at Manchester Airport Group, XPS Pensions Group and PwC. Smithson, meanwhile, joins with over 30 years of pensions experience in a wide range of roles, from in-house pensions manager to senior consultant. Most recently, Smithson was project manager at Buck working on its GMP equalisation project.



## VIEW FROM TPR: Evolving its climate change reporting enforcement approach

**In our March review we set out general findings from the first year of annual climate change reporting, including areas for improvement and examples of good practice.**

We have been clear that trustees should use the review to help prepare future reports.

Now, with more schemes having been brought into scope of reporting rules, we are evolving our regulatory approach.

Any failure to publish a report on a publicly available website within seven months of the relevant scheme year end

is subject to a mandatory fine of at least £2,500.

And, where trustees have not complied with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 more generally, we may issue a separate penalty of up to £50,000.

We will not shy away from imposing a penalty where it is right to do so.

Over the course of 2023 to 2024, we will review a cross section of reports to identify good practice and areas for improvement.

We will scrutinise reports for

compliance and expect the quality of reports to improve year on year as knowledge and practice evolves.

We will communicate the findings from our review as part of an industry-wide statement in 2024, which we expect trustees to use to inform and improve future reports.

**TPR executive director of frontline regulation, Nicola Parish**



## VIEW FROM THE ABI: Expanding the PPF's role

**The Mansion House reforms announced by the Chancellor in July seek to shift the investment direction of pension funds. The broad package of measures, covering private sector DB, DC and the LGPS, contained quite fundamental ideas for defined benefit pension schemes.**

The most significant proposal was on an expanded role for the PPF, namely as a public consolidator of private sector DB pension schemes. This would be a major market intervention where there is no evidence of market failure. It's not clear who would

bear the risk of scheme liabilities, as cutting members' benefits where their sponsor is still intact would likely never happen. But that would mean either other schemes subsidising those with deficits, or the PPF (and ultimately the government) taking the risk on to its balance sheet.

Quick consolidation on a mass scale ignores the practical realities of scheme transactions. There are a finite number of those who work in advisory services, which will impact the speed in which schemes can be consolidated and wound up. The

PPF itself takes up to 24 months to assess just one scheme. The current positive funding positions of many DB schemes is testimony to years of hard work protecting DB scheme members' benefits; any reforms must be treated with caution so that this isn't undermined.



**ABI manager, long-term savings policy, Henrietta Hughes**



## VIEW FROM THE PPI: Advice and guidance on the up?

**How to access defined contribution pension savings is one of the most complex financial decisions people will ever make.**

It requires not just an understanding of the market and of regulatory requirements, such as how retirement income products and tax arrangements work, but also consideration of a range of often unpredictable individual factors, including the risk of needs in retirement changing unexpectedly. And yet, since the pension freedoms, many people have accessed their savings without any formal support.

However, in 2022 the use of advice

increased, with 18 per cent of annuity customers (compared to 16 per cent in 2021) and 61 per cent of drawdown customers (60 per cent in 2021) taking advice. It remains to be seen whether this small increase will develop into a trend.

Pension Wise guidance engagement has also increased. Telephone appointments grew marginally, to 115,400 in 2022, from 114,700 the previous year, despite the reintroduction of face-to-face appointments (6,000 in 2022). Again, only a small increase, but with potential to grow into a positive trend over time.

It is too soon to say whether these trends

will continue or what the cause may be. It could be that the cost-of-living crisis has made people think more seriously about their finances.

Either way, it could be the start of a positive tendency for people to use support when making these difficult decisions. The industry and policymakers could benefit from investigating the cause further and seeing what they can do to reinforce it.



**PPI senior policy researcher, Lauren Wilkinson**



# The buy-in/buyout data hunt

➤ **Samantha Chandler explains how checking data quality preparation can speed up the bulk annuity transaction process**

**A**pril 1995 – my first day as a pensions administrator, I was handed a large thick book containing rows of names, columns of dates, salaries and some maths equations. My initial thought was: I'm glad I have my Casio calculator with me!

I was then given a piece of paper with names and a new salary. However, the typist had made a few mistakes, a couple of the zeros had a black pen line through them turning them into an eight.

I was told to find the name in the book and write the new salary in the relevant column. There was a calculation required of adding the last three salaries together, dividing by three and writing this number in another column – I had just completed my first pension calculation, the 'final pensionable salary'!

Names had been crossed out with the word PUP or RET written next to them, clearly this book was one of a few containing hundreds of members' details and benefits.

It wasn't long after I joined we 'migrated' these details onto a computer database. Although, none of us were aware that in the future, calculations would become automated and my calculator redundant.

Jump forward to 2023, paper files have been digitised, calculations are carried out by administration systems, members update details online and pensions are increased and paid automatically. Like many professions, technology was welcomed with open arms in the pensions world.

What hasn't changed is the basis of what's needed to calculate a member's rightful benefits. This data is the

crux of what any scheme, trustee or administrator needs to pay the right people, the right amount, at the right time. A phrase we are all familiar with.

**So when we talk about data for bulk purchase annuity transactions, surely schemes already have this?**

Unfortunately, this isn't always the case. For example, it has been accepted that administrators often calculate the spouse's pension at the point of the member's death, or review the calculation of the deferred pension only when it is being claimed. This member-by-member/ad-hoc approach, often reliant on member file images, hinders the certainty insurers are seeking – that all member benefits are in line with the Trust Deed and Rules and administrative past practice.

With rising interest rates, schemes are heading towards being fully funded much sooner and able to expedite their buy-in/buyout (BIBO) strategy. Cleanse plans, which were already impacted by rectification projects such as GMP rectification and equalisation, may now need to be completed in a measure of months rather than years.

With insurers gearing up for this influx of schemes wanting to buy-in, market demand enables them to be choosy. It's not rocket science that the prepared schemes will be at the front of the queue and achieve better insurance terms, including pricing. Here lies the data preparation challenge.

**What schemes can do, to speed up their own plans:**

1) Review the data gaps and understand how they impact a BIBO transaction –



not all data gaps will matter.

2) Understand when rectification projects will be completed and if they can be sped up.

3) Obtain the current benefit specification used by the administrators and begin benefit testing data items relating to the calculation of benefits.

4) Understand which calculations are not automated by the administration system. Partial automation may mean unreliable data or unclear calculation methods.

5) Review the valuation data extract and understand if it meets the needs of an insurer for pricing.

6) Schemes' service providers are being flooded with the demands of BIBO transactions, so it can be valuable to seek support from external independent experts to work with the legal and administration teams.

And don't forget, the more work carried out to ensure accurate data and correct benefits are paid, the less requirement there is for residual risk and run-off insurance cover, saving you money in the long term!



➤ **Written by ITM senior consultant, Samantha Chandler**

In association with

**itm**  
Solution delivered...

## VIEW FROM *Pensions Age*: Lead by example

**A**s a trade publication, we at *Pensions Age* rely on industry experts generously lending us their time and insight.

And whilst we may seem intently in search of that all-important next scoop, we know that genuine and open conversations are the best way to understand the core issues impacting the pensions industry. Sometimes those issues will be specific to pensions, and other times, it will be an issue that simply requires the insight of an employer.

A recent feature I worked on looked to highlight the stigma that continues

to surround cancer, and working while affected by cancer in particular. I was initially somewhat doubtful that this stigma still persists, but as company after company told me that they were uncomfortable speaking on this issue, I quickly realised my naivety.

And whilst this may be an uncomfortable topic from a human perspective, there really should be no reason for any firm not to be able to respond from an employer perspective.

Those that did contribute were keen to highlight their good efforts in this area, and it was great to see those in the industry taking the responsibility to

their staff seriously. But I can't help but be disappointed that others were still so trepidatious.

Conversations around these issues can be challenging for a multitude of reasons, but it's important to remember that the many organisations making up the pensions industry are also employers themselves. If companies avoid taking a 'do as I say not as I do' approach, and instead look to lead by example, there will be much less chance to be caught out once attentions turn inward.



Written by Sophie Smith



## VIEW FROM PASA: Data – where the heart is

**A late 90's TV drama called *Where the heart is* suggested the 'heart' was in Yorkshire (albeit in a fictional village). Being an adopted Yorkshireman myself, I agree!**

But, I can categorically say the 'heart' of pensions is in data. Current hot pension challenges have their roots in data:

- Dashboards – relies on matching data to send queries to schemes
- GMP projects – needs historic membership and contracting out records to confirm, update and equalise
- De-risking – best completed with clean and

accurate data (and to secure beneficial pricing)

- Digitisation – when automating calculations, communications and processes, the fewer exceptions you have, the better and most exceptions are down to missing data

Why is a heart important? It keeps you alive! What would a doctor tell you to do with your heart? Keep it healthy and, if things are going wrong, do something to fix it.

- Data can be improved by:
- Running an audit to check for gaps and confirm accuracy
  - Following a data management plan to find

missing information or inaccuracies

- Engaging third-parties to run tracing/existence exercises
- Contacting savers for up-to-date details

These are all small and relatively simple things, which are unfortunately competing for limited resource. The industry must embrace data and invest in improvements to keep our pension schemes alive and healthy.



**PASA board director, Chris Tagg**



## VIEW FROM THE ACA: Mansion House reforms

**Speaking at our recent annual dinner I spoke of my and the association's shock at the news of the sudden death of my predecessor, Patrick Bloomfield. In his policy work, Patrick wanted to make the industry a better place and to improve outcomes for future generations. As an association, we will strive to continue that legacy with the zest and determination that he demonstrated.**

At the dinner I also spoke of what I see as a change of mood music in recent months.

As an association, we've played our part, both in responding to them and working

with others in the industry, to help shape the conclusions into a raft of new policy ideas.

And it's starting to feel that collectively it's beginning to make a difference. New initiatives such as collective defined contribution schemes, which combine a natural growth investment focus and, we believe, the possibility to significantly improve member outcomes, do seem set to get their chance to succeed.

Other areas, such as reform of the PPF could now follow, perhaps offering greater incentives for sponsors to build up surpluses that could in turn help more efficiently

finance pensions for the next generation.

And in the DB world, the new funding code of practice now simply needs to be delivered. Some argue that the code is a relic designed to solve past problems. I would suggest instead that most DB schemes now operate as if the code already exists and ACA will continue to work with DWP, TPR and others on what are hopefully the final tweaks to the new regime.

**ACA chair, Steven Taylor**



# A PENSIONS *Age* AWARDS 2024

**Gala Dinner and Ceremony: 21 February 2024**

The Great Room, Grosvenor House Hotel, Park Lane, London

11th annual Pensions Age Awards: Celebrating excellence within the UK Pensions Industry

## Deadline for entries:

Deadline for entries: 01 November 2023

Sponsored by



**HARGREAVES  
LANSDOWN**



Supported by

**PENSIONS AND  
LIFETIME SAVINGS  
ASSOCIATION**

[www.pensionsage.com/awards](http://www.pensionsage.com/awards)

Celebrating excellence within the UK Pensions Industry – organised by Pensions Age

Follow us for the latest news:

X @PensionsAge #PensionsAgeAwards



## View from the AMNT: DB surplus - a suitable case for treatment

*“Surplus wealth is a sacred trust which its possessor is bound to administer in his lifetime for the good of the community” – Andrew Carnegie*

The ‘hot topic’ has now become DB pension surpluses, particularly since the Mansion House proposals.

A recent funding analysis of 129 completed valuations by Aon found the average technical provisions funding position of 97 per cent, as well as the proportion of schemes in surplus at 47 per cent; which are at their highest levels since

2005, reflecting changes in gilt yields since 2022. The government have eyed these with interest for ‘productive finance’.

Sponsors are also keen to have any surpluses come their way as they would argue they provided capital when funds were in deficit. But the use of surplus in pension funds is usually determined by the trustees in accordance with the trust deeds, and guided by actuarial judgement, as the fund still have to pay future pensions.

The only people not mentioned in what could be described as a ‘money grab’ are the

pension fund members. Surpluses could provide increased pensions for vulnerable members and eradicate historic inequalities such as clawback.

Surpluses are an opportunity but need to be used wisely for the benefit of pension fund members.

**AMNT member, Stephen Fallowell**



## View from the PLSA: The Pension Attention campaign

**Pension Attention is back for a second season with someone new holding onto the megaphone.**

The comedic television presenter and one-time pop star Timmy Mallett and Pinky Punky have been working behind the scenes with the PLSA and the Association of British Insurers (ABI) to reboot his much-loved show with a nostalgic look back to yesterday. He has taken contestants back to the 80s and 90s to capture savers’ attention and stop them feeling ‘bleugh’ about their pensions.

More than £26.6 billion is currently sat in lost pensions across the UK as people are not tracking down forgotten pensions from

previous jobs. That is a significant amount that has the potential to boost people’s retirement living standards. Mallett is asking consumers to do ‘The Pensions Playback’ and to connect with pensions from previous jobs and think about how they can maximise their pots for the future.

These three simple steps will allow people to identify where they are on their pensions journey, and what they need to do next.

1. Look back to yesterday – do you know where your pension is? You are likely to have more than one from your working life!

2. Lean in to what you’ve got today – do you know how much you already have

today? It’s your money from your hard work.

3. Move forward to your future – what are your dreams? Do you know what income you might need in retirement?

As an industry, we have a significant role in lifting savers’ understanding and confidence of their pensions, and the Pension Attention campaign does just that.

**PLSA deputy director of policy, Joe Dabrowski**

**PENSIONS AND LIFETIME SAVINGS ASSOCIATION**



## View from the PMI: Auto-enrolment and the self-employed

**Automatic enrolment (AE) has been incredibly effective at increasing pension saving, and further reforms will see employees enrolled at younger ages and more of their earnings being pensionable. However, finding an effective mechanism for the self-employed to accrue retirement savings remains a problem without a recognised solution.**

The self-employed account for a significant proportion of the UK workforce. Towards the end of the past century, the self-employed made up about 12 per cent of the overall workforce. Today, that

proportion has increased to about 15 per cent. Perhaps the single greatest driver for this increase has been the emergence of the gig economy, which has seen many people take on multiple gig jobs as a form of self-employment, such as driving for ridesharing services or working as freelance writers, designers, or consultants. With no scope for any pension contributions from an employer, society is at risk of creating a form of pensions segregation.

The *Taylor Review* of 2017 suggested providing the self-employed with access to auto-enrolment schemes but stopped short

at any suggestions for funding that would create parity with those in employment. It is certainly time for this topic to be revisited and consider options such as using enhanced rates of tax relief as a mechanism for boosting pension saving. It would be a great shame if the economic circumstances that led to greater rates of self-employment do not also provide better post-retirement safeguards.



**PMI director of policy and external affairs, Tim Middleton**

The logo consists of a large, stylized, golden-brown shape that resembles a leaf or a drop, with a white outline. It is positioned behind the text.

Irish  
Pensions  
**AWARDS**  
2023

***SOLD OUT***

**2 NOVEMBER 2023**  
5\* Shelbourne Hotel Dublin

**SHORTLIST  
ANNOUNCED**

[www.europeanpensions.net/irishawards](http://www.europeanpensions.net/irishawards)  
**#IrishPensionsAwards**

Sponsored by:



## Diary: October 2023 and beyond

### Irish Pensions Awards 2023

2 November 2023

5\* Shelbourne Hotel, Dublin

Now in their 12th successful year, the Irish Pensions Awards continue to go from strength to strength. Presented at a prestigious gala dinner, these awards aim to recognise 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.

**For more information, visit:**

[europeanpensions.net/irishawards/](https://europeanpensions.net/irishawards/)

### PMI Trustee Workbench

2 November 2023

Allen & Overy LLP Offices

The Trustee Workbench conference is designed for all pension trustees, including professional, member and employer-nominated trustees. It aims to help trustees succeed in their roles, drawing on the current issues and challenges, with topics to include the new DB Funding Code, financial wellbeing, and putting stewardship into practice.

**For more information, visit:**

[pensions-pmi.org.uk/events](https://pensions-pmi.org.uk/events)

### PLSA ESG Conference

29 November 2023

PricewaterhouseCoopers London

The PLSA ESG Conference returns this November as a face-to-face event in London. This conference will aim to acknowledge the challenges around sustainable investment and the path to net zero, contextualise the risk pension funds, and outline the tools and opportunities available to them. The one-day event, featuring expert speakers, will explore the most recent developments in the quickly evolving responsible investment landscape.

[plsaco.uk/Events/Conferences](https://plsaco.uk/Events/Conferences)

### Pensions Age Awards 2024

21 February 2024

London Marriott Hotel

The 11th Pensions Age Awards aim to reward both the pension schemes and the pension providers across the UK that have proved themselves worthy of recognition in these increasingly challenging economic times. The awards are open to any UK pension scheme or provider firm that serves pension schemes in the UK. Winners will be announced at a prestigious gala dinner in 2024. The deadline for entries is 1 November 2023.

[pensionsage.com/awards](https://pensionsage.com/awards)

Visit [www.pensionsage.com](https://www.pensionsage.com) for more diary listings

## Key date reminder

### National Pension Tracing Day

29 October 2023

This industry-backed campaign will be taking place when the clocks go back, urging savers to make use of the extra hour to trace lost pensions.

[nationalpensiontracingday.co.uk/](https://nationalpensiontracingday.co.uk/)



### VIEW FROM THE SPP: Keeping your options open

**The landscape for DB pension schemes has shifted dramatically, and more change is yet to come. Now could be a good time to reduce risk and see how the ground settles.**

After the dramatic rise in gilt yields over the past 18 months, DB schemes are in much better health than they were, with many now in surplus and closer to their endgame.

This shift has prompted questions about the implications. For example, the government issued a call for evidence on the options for DB schemes, highlighting the potential for

them to run on for the long term, and Bank of England Governor Andrew Bailey has warned about the risks that could result from a wave of pension assets transferring to insurers.

The possibility of meaningful change when regarding the regulatory or legislative environment for schemes is real. As industry and policy experts continue discussions on new approaches to the incentives for trustees and sponsors regarding their target endgame, the role of the PPF and the level of benefit it offers, as well as rules for consolidation approaches.

Whether trustees or their advisers

focus on the potential risks or benefits of the possibilities, we could be on the verge of a historic transition in how pension schemes approach their endgame. The outcome is uncertain, but could become clearer sooner than we might expect, as policy is formed, and regulations are refined. Perhaps more than at any point in recent history, it makes sense for pension schemes to keep their options open.



SPP member,  
Jos Vermeulen

## A week in the life of: Pension Protection Fund chief people officer, Katherine Easter



**H**aving joined the Pension Protection Fund (PPF) in 2010, I've had the privilege of watching the organisation grow and mature into a diverse and thriving place to work. I lead a team of 30 HR, OD and communications colleagues, who shape and influence the culture, reputation and day-to-day ways of working at the PPF. I am very proud of what we've built together, and I'm always excited to see what the future holds, even just in the week ahead!

### Monday

I work a four-day week. This helped enormously when my children were younger, feeling like I could do some pick-ups and playdates. The PPF offers great flexible and tailored working

patterns to help colleagues manage all their commitments. Now my children are older, I'm able to take this time for myself, which usually involves a dance fitness class, meeting friends and seeing my family.

### Tuesday

I start my work week the way all the advice says you shouldn't, by waking up and looking at my mobile phone. I check our press cuttings and social media first, as I lead both the

people and communications functions at the PPF. These help me get on the front foot and know if there's anything to focus on before the day starts. I also check whether there's a vote needed in a @tess\_invests World Cup on Twitter/X – a pensions highlight for me!

I usually work in the office three days a week, going to either our Croydon or Cannon Street offices. I walk part of the way to school with my children and then get on a train. I like going to the office, others prefer working from home, so I have a mix of face-to-face and online meetings. Currently, a big part of our work is on the Mansion House proposals, which outline ways the PPF could play a role in unlocking productive finance assets while providing greater member security.

### Wednesday

I'm currently preparing a presentation on embedding our sustainability strategy for a conference I'm attending. We have recently brought together our existing work on responsible investment, diversity and inclusion and community impact. We believe that focusing on sustainability will bring value to those who rely on us and work with us, and our aim is to help the pensions industry become more sustainable in its investment and practices. By attending these types of events, I get to share what we've learnt and hear new ideas.

### Thursday

I attend our Executive Committee meeting on Thursdays and recently we shared updates on our intern programme, including the work we did with Osborne Clarke, one of our legal panel firms. We welcomed three interns from the 10k Black Interns programme to the legal team. The 10,000 Interns Foundation champions underrepresented talent. All three interns were aspiring lawyers studying at university and we gave them a unique insight into what life is like working as an in-house lawyer. We are considering how we can use this sort of programme across the organisation.

### Friday

Friday always feels like it arrives too quickly, and while working from home I attend check-in meetings with my team. This week I have one of my favourite things, I am judging our ICARE Awards. These celebrate colleagues who live and breathe our values. By the time the evening comes I'm ready for a bath and bed! Usually preceded by something easy to watch on TV – currently *Traitors Australia!*



# Making sense of the numbers

► **K3 Advisory partner, Andrea Mendham, tells *Pensions Age* about her *Countdown* dreams, foodie passions and the secret to planning a good holiday**

Maybe something in hospitality as I am a big foodie. Being a food critic sounds like a great job, and I've always quite fancied doing Gregg Wallace's role on *Masterchef*.

► **What was your dream job as a child?**  
I loved maths as a child and always dreamt of doing Carol Vorderman's job on *Countdown*.



► **What do you like to do in your spare time?**  
Try new restaurants, catch up with friends over a glass of wine, go for long walks.

► **Do you have any hidden skills or talents?**  
I'm a pro at organising holidays. I will happily spend countless hours researching destinations, flights, hotels and restaurants. I think it would shock me if I knew how many hours I spend a week reading restaurant and hotel reviews, but nothing makes me happier.

► **Is there a particular sport/team that you follow?**  
I'm not particularly into watching sport, having said that, a glass of wine would usually persuade me to watch any kind of sport in the right setting. I must admit though, I do really enjoy watching darts, maybe it's the numbers aspect that draws me in.

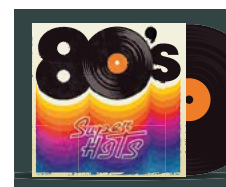
► **If you had to choose one favourite book, which would you recommend people read?**

After seeing him speak at an event, I read Tim Harford's book, *The Undercover Economist*, which really brings to life how economics underpins so much of our day-to-day lives.

► **And what film/boxset should people see?**

I'm a huge fan of *Taskmaster* on Channel 4, which I discovered in lockdown. For those not acquainted, five comedians complete ridiculous tasks. Greg Davies is the taskmaster and rates the comedians on their attempts. The show is created and written by comedian Alex Horne, whose role is Greg's assistant. Hard to describe why it is so good but if you like comedy I would highly recommend a watch.

► **Is there any particular music/band that you enjoy?**  
I'm a child of the 80s so any classics from that era always go down well.



► **Who would be your dream dinner party guests?**

Greg Davies and Alex Horne. See answer to film/boxset question!

► **Is there an inspirational quote/saying you particularly like?**

I remember having a postcard in front of me when I was studying for the actuarial exams that had the Henry Ford quote: "Whether you think you can, or think you can't, you're right".

► **What's your employment history (including jobs outside of pensions)?**

I've always enjoyed working. I think I started a part-time job in my

local shop when I was about 14, then worked in a supermarket part time whilst I was studying for my A Levels and degree. Once I graduated, I trained as an actuary, working at various pensions consultancies and the Pension Protection Fund, before deciding that I preferred people to numbers! This led me into a business development role in the bulk annuity industry, and most recently I moved to K3 Advisory earlier this year to help support trustees of DB schemes reach their endgame solutions.

► **What's your favourite memory of working in the pensions sector?**

No one particular memory stands out, but I've been lucky enough to meet lots of amazing people in this industry and I always love hearing about people's backgrounds and how they got into pensions.

► **If you did not work in pensions, what sector do you think you would be in instead?**





# A decade of difference

➤ **Pension Awareness Day co-founder, Rachel Parkinson, reflects on the impact of the campaign's 10th year, and the work still to be done**

Ten years ago, we had an idea. “Why not bring pensions to people?”, we thought – quite unaware of what was about to happen. Now, we’re celebrating Pension Awareness’ 10th anniversary: A decade of difference.

Built on foundations laid by industry meetups, bus tours and a cornucopia of coffee, Pension Awareness is an annual week-long campaign that uses online livestreams to deliver expert pension information and general guidance in a disarming and exciting way.

Centred around the eponymous Pension Awareness Day on 15 September (something we set up in our origin years), the campaign has grown year in, year out and tries to constantly rewrite the rules of pension communication.

Nevertheless, Pension Awareness 2023 had something to prove: Could we surpass the record-breaking run of last year’s event? In short, we did. We beat last year’s live attendance by 2,746, racking up a weekly total of over 22,000 people. Our website welcomed nearly 350,000 visitors between the 31 July to the time of writing (which is the 22 September, if you were wondering). That increase was roughly 40 per cent higher than last year’s, and further reinforces the strength of our like-new brand that was launched for 2022’s event.

In terms of social activity, we made



170,357 impressions on X (formerly Twitter), and another 28,000 on LinkedIn.

Not only are we noticing that engagement is increasing exponentially each year in every metric (to date, we’ve gained 24,105 views of our livestreams via catch up), but the nature of our audience’s interest is shifting, too.

## An observation...

We always get a lot of questions on combining pension pots. No stone is left unturned when we talk about tracking down old treasures and this year was no different.

What we didn’t expect, however, was the decline in questions about pausing or skipping contributions. Instead, people wanted to know more about increasing contributions and how much they would need for a comfortable retirement.

Indeed, the top attended live shows was ‘How is my pension invested’, followed shortly by ‘How much will I need to save for retirement?’. The following made up the remaining top five:

3. Withdrawing your money: Your options explained
4. Everything you wanted to know about workplace pensions but were afraid to ask.
5. Combining pension pots and finding lost pensions

Pension Awareness is a vital mark in the calendar for so many people and workplaces every year. Many don’t know

the first thing about pensions, don’t have one or have never engaged with one. And in an age of often austere financial living conditions compounded by impactful world and

domestic affairs, it’s never been more important to deliver free, expert, and engaging sessions on one of the most important savings accounts you’ll ever own.

## So, what does the future hold?

At the moment, Pension Awareness is organised and produced by a very, very small team, with figures generated by organic means. We rely on sponsors and supporters – and bring together some of the biggest names in the industry. The support we’ve had from the Association of British Insurers/Pensions and Lifetime Savings Association, industry providers, Department for Work and Pensions, and MoneyHelper has been phenomenal. A key part of the campaign’s success is thanks to all these stakeholders promoting the campaign to their clients and customers. Indeed, we wouldn’t see such an impressive response if it wasn’t for their efforts.

Yet, with pensions being as ubiquitous as they are, we can always reach more people. In fact, it’s imperative that we do.

So next on the to-do list? Secure more investment. We want to market the campaign on a much larger scale across myriad channels, including with the help of mainstream media.

That’s how we grow. That’s how we help more people.

➤ **Written by Pension Awareness Campaign co-founder, Rachel Parkinson**

Sponsored by:

**BlackRock****CHARLES  
STANLEY**  
Fiduciary Management**DLA PIPER****Gallagher**  
Insurance | Risk Management | Consulting

# Pensions Age Autumn Conference 2023: Learning lessons, moving forward

✓ Learning lessons from the past and exploring what's needed to drive the industry forward were topics of discussion at this year's *Pensions Age Autumn Conference*, with a focus on protecting savers while meeting their long-term investment needs

The Pensions Age Autumn Conference this year returned to the glamorous Waldorf Hilton hotel on London's Aldwych, welcoming hundreds of pension fund trustees, managers, CIOs, advisers, and many more working in the pensions sector, to a day filled with presentations, fireside chats, Q&As, debate, networking and more.

Pensions trustee, Gary Smith, chaired the one-day event, which covered hot topics such as value for money (VFM), pensions dashboards, de-risking, scams, investment strategies, investment stewardship, communication, data management and more.

Opening the day with a reflection on lessons learnt over the past year, Charles Stanley head of fiduciary management, Bob Campion, gave an insightful overview of the results of its



latest research report, which surveys professional trustees as to concerns and challenges they're facing, and how the industry is changing in response to those challenges – this time, particularly considering the gilts crisis last year.

After offering a fascinating history of gilt markets, Campion explored the results of their survey, which asked 67 professional trustees questions, including whether they felt they had the knowledge and skill they needed to handle the liability-driven investment (LDI) crisis; whether their appetite for investing in illiquid assets would change over the next 12 months; and whether they had made any changes to their consultants and managers as a result of the LDI crisis.

Campion commented: "What have we learnt? How have we changed? We have changed a little. We have changed because we recognise there is a ticking bomb at the heart of managing defined benefit (DB) investments – a bomb that almost exploded last year, that the UK is now well aware of, both the Bank of England and all the regulators. But have we changed? We have changed a little, but have we changed enough? And what have we learnt?"

"We have learnt a little, but have we learnt enough? It's only a year since this all happened. There are clearly still lessons to learn. Parliament, government, regulators are still looking at this whole issue, and I don't think this is the end and I don't think we have quite finished our education in this subject."

Continuing on the theme of risk management and de-risking, Sackers partner, Ralph McClelland, used his session to reflect on frequently encountered issues on the way from buy-in to buyout.

He began with an overview of the legal process associated with a wind-up; looked at what a buy-in/ buyout actually secures; explored areas that may trip schemes up along the way – such as data or benefit errors; and offered effective tips to managing these.

McClelland finished his session by highlighting the importance of governance: "Governance is often under-represented on the agenda. For example, getting in place a proper joint working group with the right people on it; lining up your administrators so they can give some of their very scarce capacity; making sure that the advisers you need



are properly briefed and the company is properly engaged; and helping your counterparties understand what trustee governance needs to happen when.

“Some of these things often don’t get the attention they deserve and can mean the difference between a deal happening on time or not. A lot of that boils down to my old sword about preparation – starting early on the journey. A lot of the work that I have talked about today, particularly on the benefit specification and your approach to residual risks, can happen anytime now and that will pay dividends in ensuring your transaction ultimately happens in the way that you want it to, because being prepared, being ready for market, showing an insurer that you have done the work is going to make you more attractive potentially to do a deal.”

Taking this topic a step further, Standard Life senior business development manager, Kieran Mistry, looked at how bulk purchase annuity market dynamics have shifted in recent years, and offered an insight into how to stand out in an unprecedentedly busy market.

After looking at how bulk annuity volumes have grown in recent years, what the impact of the LDI crisis has had on funding levels, and projected buy-in and buyout volumes over the next decade, he considered the various ways schemes can make themselves more attractive to insurers by using brilliant comparisons to a dating app.

“We hear that insurers are able to be selective – I think it’s more that we have to be selective, we don’t have the capacity from a people perspective to quote on every piece of work that’s coming out to market,” she continued.

Saying that, he reassured, “no scheme as far as we are aware has come to market and not been able to get a quote – you

have just had to adjust your process, been flexible – that’s a positive thing, it shows this market is mature, it works, and things are evolving”.

The focus turned next to investment stewardship, with a Q&A session with BlackRock director, Manuel Isaza, who talked about the recent shift in focus on how UK pension schemes are approaching sustainability. Questions such as what engagement looks like in practice; what clients can expect from their asset managers in terms of stewardship; and how stewardship can drive change were posed in this interactive session.

“One trend we are seeing is clients are increasing their interest in engaging with their managers to understand what their managers are doing on their behalf around investment stewardship, engagement and voting. And there is a range within that – some of those plans are coming to us just to get a basic understanding of how investment stewardship fits within what we are doing for them as a scheme; and other trustees and investment committee members are coming to us to have very in-depth and conversations about specific case studies or companies within their portfolios. And there is another tranche where the clients/schemes are taking a more hands-on approach themselves when it comes to stewardship activities.

“So we are seeing more clients starting to dip their toes into voting themselves; undertaking direct engagement with some of their portfolio companies. That isn’t widespread because there is recognition that to do that it takes time, it takes resources, so it is still I would say a fairly delegated exercise. But we are definitely seeing that increased trend with clients wanting to take on some of those activities themselves.”



The investment theme continued, as MV Credit vice president, Harry Elliott, and Loomis Sayles, investment director, Alex Thompson, discussed the merits of the combination of private and public credit and their experience of building an innovative solution that is an easy way for trustees to allocate to the asset class.

Thompson explained: “One of things we like about this is that we are focusing on what we have always been doing – my philosophy, my investment process, the team that is managing all the bonds is doing what they have been doing for years and years; we have tried to make it as close to what we are doing already.

“Similarly on Harry [Elliott’s] side, he is used to managing closed ended funds and now it is open ended, which means that we have to have outstanding communication, not just at the portfolio management level but at the operations level as well.”

What you are getting here, he added, is two specialists “and the idea of putting it into one product or strategy is fairly conceptually straightforward but the mechanics of doing it are really challenging. So what we came up with is a rules-based approach where we have a strategic asset allocation and then, when any money comes in, it goes to Loomis straight away because we can put the



Sponsored by:

**BlackRock****CHARLES  
STANLEY**  
Fiduciary Management**DLA PIPER****Gallagher**  
Insurance | Risk Management | Consulting

money to work; similarly if there are any redemptions, Loomis is the first port of call and then MV have time to put the money to work over a period of time. So we have been able to make it work well, we have been doing it for a couple of years now, and it is proving to be successful.”

LDI and illiquidity were again in focus, but this time from a professional trustee’s perspective, as Zedra Governance client director, Payam Kazemian, voiced his thoughts on what we can learn from the LDI crisis fallout of last year; what trustees can do to mitigate risks and improve governance going forward; and how schemes are dealing with illiquidity management.

“The challenges that trustees faced were a lot to do with communications, governance operations and the investment side of things. On the communications side, we found ourselves sometimes getting radio silence from either the consultants, asset managers or fiduciaries, not that they were doing it on purpose but they were trying to figure out what was going on themselves – this was such an unprecedented event. So we had to make big decisions.

“In terms of governance operations, faster decision-making was a challenge from the trustee side – pension schemes have not been designed to move this fast generally but now we saw from this that this created a gap in the governance structure of schemes, which is where nimbleness has been highlighted to be very important. So the decision-making process was a challenge.

“On the investment side, a lot of schemes were left with a higher proportion of illiquid assets and then they might even be closer to the end goal in their journey plan with those asset classes and that’s a challenge that we are still dealing with.”



The topic of dashboards was next in focus, with an useful Q&A session from keynote speakers Pensions Dashboards Programme (PDP) principal, Chris Curry, and The Pensions Regulator (TPR) pensions dashboards business lead, Lucy Stone, providing an update on the dashboards’ progress, covering what the new connection deadline and guidance means for industry, and what pension providers and schemes should be doing to prepare to connect.

Stone reinforced how, despite the re-set, schemes should still be preparing for dashboards. “There is a lot that can still be done. The big unknown is when will you be able to connect to dashboards because that is going to be set out by guidance, by PDP or the DWP in due course, but there are lots of steps trustees should be taking in the meantime. So there are questions you can already ask yourself like: How are you going to connect? Speak to your providers, your administrator, your admin software provider, are they connecting to dashboards? Determine whether you want to build your own solution and, if so, how long would that take, how much would it cost? You can already make those decisions about how you are going to connect to dashboards.”



She also reiterated the importance of good data: “I wouldn’t be doing my job properly if I didn’t tell you to prepare your data. We know historically there has been a fair amount of underinvestment in data and systems in the pensions industry but this is really the time to get to grips with data, whether you are trying for buy-in or buyout, or looking at GMP equalisation – there are lots of reasons you should be looking at data and dashboards is one of them.”

Curry reflected on how important industry collaboration has been to date and continues to be, he argued, “in order for us to get the industry to a place where they will be able and willing to adhere to the guidance, to give the programme the best chance of success; and also to make dashboards available to individuals as soon as possible”.

The sooner we get people in, he added, the sooner it is likely that we will be able to deliver dashboards “and people will then be able to start benefitting from being able to see all their information in one place”.

After a networking lunch, data maintenance was again in the spotlight, with LexisNexis Risk Solutions head of strategy for customer data solutions, Alan Clay, emphasising how data quality should be seen as an investment rather than a cost; and how it can lead to short-term gains and better decisions for the medium to longer term. Clay explored how forward-thinking schemes and administrators are improving member communications and achieving substantial cost savings, by planning their investment in data and tackling key gaps and inaccuracies.

He commented: “There are a number of reasons why you should consider a regular investment in your scheme’s data”... in order to “improve the efficiency of all of the work you are doing



in the scheme. So we hope that in time there will be a better balance between investment in the fund management and in data; and just to be clear, we wouldn't charge anywhere near the amounts you pay for fund managers, it's a whole lot cheaper!"

Gallagher took to the stage next, with a presentation entitled: 'Communicating in the moments that matter, in ways that count'. Marketing and communications strategist, Michelle Brown, and head of retirement communication, Sarah Jones, explored the need to develop a forward-thinking strategy to help ensure communications stay ahead of the game and continue to address people's ever-changing attitudes, behaviours and preferences.

Brown explained: "As part of a report we do every year, we have come up with nine hallmarks, regardless of what you are doing from a communication perspective, these nine tenets make a difference in how you communicate effectively with your audience – if you have a clear strategy, clear objectives, and key messaging and make sure that it all connects together, and make sure that you have measurements and frameworks in place to measure the effectiveness of your communications you can enhance your offering."

The battle against pension scams was the next topic of focus by DLA Piper partner, Matthew Swynnerton. As a member of the Pension Scams Industry Group (PSIG), Swynnerton offered a legal perspective on the important topic of pension scams and the current position on a range of issues including PSIG's *Practitioner's Guide* and what to expect from its next update to the Code of Good Practice, the DWP's June review of the Conditions for Transfers Regulations, the recent MAPS evidence report, actions for employers,



good practice in relation to clean lists and residual issues such as overseas investments and incentives.

Commenting on what specifically employers can do, he stressed: "There is a lot of focus on trustees and that's rightly so because they are the gatekeepers to the transfer, they implement the transfer so they are the first line of defence, but it is also possible for the employers to take steps to help protect their employees – they can make enquiries of their trustees to make sure they are following the code to good practice, that they have signed up to the regulator's scams pledge, they can communicate with their on employees on a regular basis – they can issue the same kinds of warnings and information that the trustees regularly do about looking for warning signs of scams, and taking advice and being aware of unauthorised advisers; and they can look out for rogue advisors themselves."

The final keynote speaker of the day was TPR's policy business lead, Mark Potter, who offered a round up of the key priorities for TPR in the current environment, with a focus on some of the issues stemming from the Chancellor's recent Mansion House speech; and TPR's pursuit of VFM.

Reflecting on the success of auto-



enrolment in building assets under management of defined contribution (DC) schemes, he commented: "We still need to pay attention to the DB world, and the volume of assets held in DB pensions demands that we do. But the volume of assets within DC, and savers' reliance on trustees, advisers and us as a regulator to ensure good outcomes, draws a different regulatory focus.

"Having created this new market of savers, we need to ensure that the system works well in delivering value for money, right the way through the pension saving journey. So we are committed to driving and embedding the concept of VFM in the pensions market. We will evolve our regulatory approach accordingly and will seek assurances from the industry that this is being delivered.

"Currently there is a lack of innovation in the market – this is leading to significant investment risks, in a rapidly growing market which needs to adapt."

To finish, Potter highlighted how, just as the market is evolving, so is TPR: "We are investing in becoming more data-led, digitally enabled, to be more efficient and effective and have greater reach over our regulated community, and we are looking to ensure we have the skills and capabilities needed for the future.

"We are also working with our regulatory partners here and internationally to achieve good outcomes for savers, and that's the crux of the matter – good outcomes for savers is what this is all about."

Many thanks to our chair, speakers, sponsors and delegates who joined us on the day, and we look forward to seeing you at our Spring Conference on 18 April 2024 at London's Hilton Tower Bridge.

Written by Francesca Fabrizi



Robert Wakefield

# PMI: Increasing engagement

► Robert Wakefield speaks to Laura Blows about his ambitions for change during his time as president of the PMI

**I**f there is one word to describe Robert Wakefield's ambition during his term as PMI president, it would arguably be 'engagement'.

Be it updating the association's education and training approaches, focusing on the needs of small DB schemes, encouraging younger people into the industry or simply getting people back face-to-face in a room together to improve thought leadership, engagement underpins all his goals.

"I'm absolutely amazed that I'm PMI president but it isn't about me; it's about the PMI and what it can do for the industry," Wakefield says.

He acknowledges that the pensions industry is facing the dual challenges of increased workloads while struggling with resource.

"We have had these very important Mansion House consultations. If there was a sceptic in me, it would say it looks

like the government is trying to influence the pension industry's £1.5 trillion of assets. But actually, some of the points they're making are things that do cause issues for the industry,

such as the number of DC small pots out there that are only going to keep growing and keep growing," Wakefield says.

"These upcoming changes will require a lot of extra resource. In the industry, in its current form, everybody is flat out and there is an unprecedented amount of additional project work, such as the increased speed in the number of DB schemes preparing for buyout following last year's mini-budget, plus GMP equalisation, which is not going to go away anytime soon. And then we have dashboards, which require lots of data cleansing, and the Mansion House consultations will end up with some sort of changes rolled out," he explains.

## ► Small schemes

Wakefield is particularly concerned about the pace of change on smaller-sized DB schemes.

"There are 5,300 DB schemes in

the UK and over 4,500 of them have less than 1,000 lives," he states. "So, I get frustrated when I go to these big pensions conferences and 'amazing' £1 million products and services are showcased. I'm always thinking, 'what about the small- and medium-sized schemes?'"

He gives the example of pension scheme regulatory requirements for tackling climate change. "This is a new area and possibly quite expensive for DB schemes, with their lawyers and investment managers and consultants trying to explain it. I'm thinking if the scheme has 500 lives and hardly any pensions budget, that is such a huge challenge for them to meet.

"I do try and make this point to the regulator regularly, and the regulator claims that it is proportionate in its governance expectations of DB schemes, but I sometimes challenge that. So, we need to consider how to help smaller DB schemes," Wakefield adds.

## ► Updating training

To help those managing schemes of all sizes rise to the challenges ahead, the PMI should play a key role in providing the appropriate training, Wakefield says.

"The big challenge of the next year is about making sure the training and

education at the PMI is rolled out and supported by the industry,” he says.

The PMI’s recent Pathways [*which is a combination of the PMI’s full qualifications and some of its core units from the Advanced Diploma in Retirement Provision, representing five specialisations*] should help with this, Wakefield says, “as it looks at different ways of working; our training used to be just one route and now it is five routes depending on what you work in”.

Another aim is to cater to the different ways in which people may want to learn, Wakefield adds, giving the suggestion of regular online lessons to help motivate people into regular studying, “as we all need a kick up the backside every so often”.

The main thing is “not just to have training for training’s sake”, Wakefield states, but “to provide the correct and relevant training, to help attract and keep the right people in this industry, and also to encourage and support them to acquire qualifications”.

### ➤ **Helping younger workers**

Attracting a diverse range of people into the pensions workforce is one of Wakefield’s goals.

“This industry has historically been white, middle-class men. However, pensions saving is for everybody, so if we are trying to educate people about the benefits of pensions saving and you always send along a white, middle-class male, then it will be more of a struggle to get everyone to engage,” he states.

“I want younger people to be joining the sector. As, at the moment, there are people like me who are trying to guess what young people want, like a group of parents saying what their children should have. I want us to engage more with the people coming into the industry. For us to say, ‘I’ll tell you about the PMI and you tell us what can we do to help you develop and meet the challenges of the industry.’”

He notes that many firms in the

pensions industry are now taking on apprenticeships and reviewing their graduate programmes to encourage a more diverse range of entrants to the sector. As, “we have to encourage people and make sure the industry looks attractive, to sell it to young people to join, and to stay, as it is not considered the norm anymore to stay in one type of career for life”, Wakefield adds.

## **“The main thing is not just to have training for training’s sake, but to provide the correct and relevant training, to help attract and keep the right people in this industry”**

### ➤ **Supporting the regions**

Encouraging new entrants to the industry is not Wakefield’s only concern though; he is very keen for the PMI to continue to build its support to members outside of London.

“The PMI has a lot of regional groups all across the country. Some of them got shut down during the lockdown Covid-19 pandemic, some have continued to thrive and others have struggled to get by,” Wakefield says.

“So, we want to get back out there to our regions, to provide training and education, and to really drive thought leadership, to encourage key thinkers in the regions to come together and discuss the best ways we can bring solutions to our industry.”

### ➤ **Face-to-face**

This coming together in person is a passion of Wakefield’s. “Our programme of seminars and conferences are back to pre-pandemic levels because people want to meet up, to actually get together to discuss ideas,” he says.

“We have got too used to Microsoft Teams and Zoom; I want people to be back face-to-face. I’m Northwest of Leeds but I’m always happy to jump on a train and meet people face-to-face. Because without that you lose something, in terms of connections. Video conferencing did save our industry in lockdown and does still help in lots of ways, such as for more regular, quick catch ups, but it does not have all the benefits of meeting in person,” Wakefield explains.

“Online meetings are efficient but we’re losing that human touch. And that plays into people’s wellbeing, as we all should be looking after each other. I worry if people are not going into the office to see people or will not even put their camera on during video calls, as one of the biggest contributors to struggling mental health is isolation. If people lock themselves away that can be a really negative thing and a risk to their mental health,” he adds.

### ➤ **Engagement**


Which brings Wakefield back to the topic of engagement.

When considering what he would like to see occur during his time as president, he instantly states increased engagement with the PMI’s Pathways.

And then, “I would like to see people engaging more, sharing ideas and engaging solutions through project and thought leadership”, he adds.

“I want to see better engagement, people back talking together face-to-face. It is a constantly changing environment, pensions, and these changes are happening more and more often, with what seems barely ever any time for the latest round of changes to bed down before the next set comes along. And I want to see more younger people entering the industry, to get away from the grumpy old fart concept of the sector.”

➤ **Written by Laura Blows**



UNDERSTAND  
THE PROBLEM  
BUILD THE  
SOLUTION

At LGIM, when we design investment solutions, our clients' objectives come first.

Find out more at  
[lgim.com](https://www.lgim.com)

Intended for pension fund trustees and their investment consultants only. Not to be distributed to pension scheme members. Capital at risk.





Sponsored by

**PENSIONS**Age

▶ **Constructing buyout-ready portfolios for the endgame:** John Southall explains how schemes can best invest to meet their aims **p42**

▶ **Getting to the front of the queue:** Marek Handzel highlights what can schemes do to stand out from the crowd in the eyes of insurers **p44**

# De-risking focus: Preparing for the endgame



▶ **LGIM head of solutions research, John Southall**



Sponsored by

# Constructing buyout-ready portfolios for the endgame

➤ **As defined benefit (DB) schemes adopt a holding pattern ahead of a potential buyout, LGIM's solutions team – making use of their modelling frameworks – share their insights into how they believe schemes can best invest to meet their objectives**

## **D** B pensions: Approaching an inflection point

With dramatically improved funding levels, thanks in large part to the significant rise in gilt yields over the past 18 months alongside a partial recovery in risk-asset prices, the DB market is approaching an inflection point. The demand from schemes that are already – or soon will be – in surplus on a buyout basis is a multiple of the annual capacity of the pension risk transfer (PRT) market.

While many pension schemes therefore are, or soon could be, fully funded on a buyout basis, they may not be able to transact immediately. As a result, we're likely to see schemes adopting a holding pattern as they prepare for a potential buyout. The fundamental question is therefore: How should schemes invest as they approach their buyout endgame?

### **Buyout aware?**

The natural response to this situation may be a 'buyout-aware' (BOA) strategy, which can be defined as a hedging strategy that seeks to minimise short-term volatility relative to insurer pricing. This involves a mix of public investment-grade credit and liability-driven investment (LDI), with the ideal mix potentially varying with the duration of the scheme. Under a BOA approach the

key components are hedging rates and inflation risks, seeking to hedge credit sensitivity of the liabilities and reshaping assets to be liquid and transferable to an insurer.

We believe that such a hedging strategy could be a good starting point for schemes in their holding pattern. However, in general the aim of schemes is not 'funding level volatility minimisation' but paying pensions. As a result, a pure BOA approach isn't always the best one.

In contrast to BOA, a 'buyout-ready' strategy could be defined as one designed to optimise overall outcomes, as opposed to simply minimising short-term funding level risk. Finding an ideal buyout-ready strategy is no easy matter. As we shall see, the answer depends on a scheme's circumstances, beliefs, and constraints.

### **No buyout-aware strategy eliminates risk**

Achieving zero risk before buyout is impossible. Reasons for this include longevity uncertainty, unhedgeable moves in buyout pricing and the credit risk on corporate bonds (they can default but liabilities won't). Another complication is that many schemes don't know their buyout position. The scheme actuary can make a rough estimate, or the trustees can request indicative quotes from insurers, but obtaining accurate

pricing is a significant exercise and can be challenging unless the insurer is confident the transaction will progress.

### **Outcome-focused**

We believe it's important to focus on 'ultimate outcomes'. Here this involves studying the range of potential buyout funding levels at the projected point at which the trustee believes buyout can finally happen.

Our quantitative approach seeks to optimise the investment strategy of schemes in a holding pattern. This involves modelling thousands of potential economic and demographic scenarios and choosing the investment strategy that seeks to offer the most potentially attractive outcome distribution.

A key feature of this framework is that we don't assign greater worth (or 'utility' in economics speak) to a scheme being overfunded. This reflects a view that the priority should be the security of promised benefits and the scheme shouldn't run unnecessary risk.

This model embeds a number of assumptions including those concerning capital markets, longevity risk, the credit sensitivity of liabilities, and uncertainty in the current buyout position.

### **Projecting outcomes**

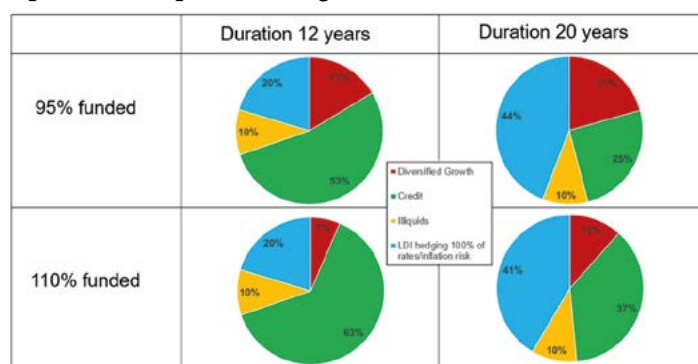
The model projects pension scheme outcomes, capturing the aspects discussed above. It is a 'completion strategy' in the sense that it optimises a portfolio around any illiquid assets currently held. For this we use three key building blocks:

(1) A multi-asset diversified growth strategy. This includes an allocation to investment grade public credit but only for diversification purposes

(2) Investment grade public credit. This allows schemes to 'bias' towards credit. This can make sense for schemes in the endgame

(3) LDI to hedge rates and inflation risks

## Optimised completion strategies



differences are a completion around illiquid assets, an allocation to other diversifying return drivers and a move away from short-term risk minimisation.

be the only approach. For example, the money could be used to enhance existing benefits or help fund defined contribution (DC) schemes of the same employer who are generally on track for worse outcomes. This tends to lead to more aggressive strategies. Acting in the other direction, behavioural factors such as loss aversion and regret risk, could lead to trustees opting for a more cautious approach, as could a weaker sponsor covenant.

### Illustrative results

For illustration, we consider four example schemes with durations of 12 or 20 years and estimated initial funding levels of 95 per cent or 110 per cent. We've assumed an anticipated time horizon to buyout of five years and that 10 per cent of assets are illiquid.

Key features of the optimal strategies are:

- **Credit:** Relatively high investment grade public credit allocations – for comparison the purple book indicates that a typical scheme holds only 22 per cent of assets in corporate bonds. This reflects a desire to hedge the credit sensitivity in buyout liabilities. Even conservative estimates of the sensitivity result in more than 22 per cent of assets in credit by market value
- **LDI:** Full hedging of interest rate and inflation risk
- **Diversified growth:** Maintaining some exposure to diversified growth even when estimated to be overfunded, owing to residual risks, including uncertainty as to the current funding level.

There is, unsurprisingly, considerable overlap with BOA strategies. Key

### Strategies vary with circumstances and beliefs

We stress that the ideal strategy varies with both scheme circumstances and beliefs. For example:

- Higher funding levels tend to lead to holding less in growth assets as there is less upside opportunity relative to downside risks at higher funding levels
  - Larger uncorrelated risks tend to lead to more in growth assets. For example, longevity risk can cause an overfunded scheme to become underfunded. In the absence of a longevity hedge it can make sense to target a higher return. Uncertainty as to the 'true' current funding level is another source of uncorrelated risk
  - The more illiquid assets there are, the less there tends to be growth and credit as a completion strategy. This is because the illiquid assets have some of these risk exposures
- We've assumed for illustration that the priority is securing existing benefits, so attached no additional utility to surpluses on buyout. However, there are growing noises that this needn't

### Conclusion

Buyout-ready strategies are scheme and belief-specific. At a high level our analysis suggests that they should normally have high interest rate and inflation hedge ratios and a sizeable allocation to investment-grade public credit. However, there are other interesting nuances, such as the influence of uncorrelated risks and uncertainty in the buyout position that can mean an allocation to other growth assets makes sense. There is also often a need to complete around illiquid assets.

All models must be taken with a pinch of salt, of course, but we believe our quantitative framework can act as a useful starting point for schemes approaching their buyout endgames.



Written by LGIM head of solutions research, John Southall

In association with



### Key Risk Warnings

Past performance is not a guide to future performance. For professional investors only. The value of investments and the income from them can go down as well as up and you may not get back the amount invested. The details contained here are for information purposes only and do not constitute investment advice or a recommendation or offer to buy or sell any security. The information above is provided on a general basis and does not take into account any individual investor's circumstances. Any views expressed are those of LGIM as at the date of publication. Not for distribution to any person resident in any jurisdiction where such distribution would be contrary to local law or regulation.

This financial promotion is issued by Legal & General Investment Management Ltd. Registered in England and Wales No. 02091894. Registered office: One Coleman Street, London EC2R 5AA. Authorised and regulated by the Financial Conduct Authority.

# Getting to the front of the queue

➤ **Record bulk annuity volumes are expected this year – what can schemes do to stand out from the crowd in the eyes of insurers?**



**T**alk of a pension risk transfer capacity crunch is not new. Defined benefit schemes have been creeping towards better funding levels and end-game scenarios in recent years, fostering doubts about whether the UK's eight bulk annuity providers could absorb and manage great swathes of member benefits.

In the past year or so, however, with the macroeconomic environment catapulting many funds into surplus, fears of insurer volume overload has become all too real.

Analysis conducted by LCP in the summer found that at least £20.2 billion of buy-ins and buyouts were executed over the first half of this year. As transaction volumes in the second half of any given year are usually larger than those registered in the first six months, the consultancy has predicted that 2019's £43.8 billion record of risk transfer deals will be broken in 2023.

Proprietary research from K3 Advisory backs up this forecast. The firm estimates that over 1,000 DB sponsors are now in a position to offload their pension liabilities. K3 Advisory managing director, Adam Davis, says that there are also a substantial number of other schemes who are probably only

an "employer cheque-writing distance away" from being fully funded. "That means there could easily be 2,000 to 3,000 schemes that want to access this market in the relatively short term," he says.

"And this is a market that typically trades with 200 to 300 schemes a year. So, something, at some point, will have to give. We've not worked with a scheme that couldn't access the market yet, but it feels like a matter of time before that might happen."

Turning away schemes will not come as a result of financial constraints, however, as Legal & General head of origination and execution, UK pension risk transfer, Dominic Moret, explains. "There is excellent capacity in the market and the industry has a long track record of meeting increasing demand," he says. "It was only a decade ago that we were writing volumes in the single-digit billions across the whole market. We are projecting volumes of between £45 billion and £50 billion for the full year. This would make 2023 the largest and busiest-ever year by a comfortable margin. This significant step up in volume suggests that insurers have plenty of asset, capital and reinsurance resources."

## A people problem

Instead, the main problem lies in human resources.

All insurers have been recruiting rapidly to allow them to write more business, says Broadstone head of trustee services, Chris Rice. This has led to a doubling in size of the insurer pricing and transition teams within some

## ➤ Summary

- Fears of an insurer 'capacity crunch' over the number of DB schemes attempting a buyout have increased.
- A lack of human resources, rather than financial matters, would more likely be the cause of any hold-ups.
- The insurer market is increasing manpower to meet the boom in demand.
- In this environment, scheme preparation before entering the buyout market is more important than ever.

providers.

"In addition, insurers have been developing innovative approaches to streamline the deal and transition process, particularly to help them complete smaller deals," says Rice. "There are also rumours of other insurers keen to enter the bulk annuity market, which would add further capacity and competition. This suggests that while insurers are incredibly busy at the moment, the market is moving to meet the increased demand."

But the problem of a lack of sufficient manpower extends beyond the insurance world, says Davis. "You need enough people on the consultancy side as well," he says. "Both sides of the equation need more people if you're going to process more schemes."

Despite recruitment ramping up – coupled with faster adoption of technology and the streamlining of internal processes – insurers are being forced to be more selective at present. LCP principal, Ruth Ward, says that many schemes are seeing fewer insurers participate in competitive broking processes. There is a silver lining, however. "Despite these pressures, we are seeing strong insurer engagement with no

evidence of price hardening for the deals that we're bringing to market," says Ward.

### How to prepare

In this environment, trustees and employers need to work hard to avoid being placed at the back of the risk transfer queue.

"With evidence of insurers declining to quote for even large transactions over £1 billion, focused preparation is more important than ever," explains Ward.

"Quotation processes, even for small transactions, are resource intensive for insurers, so it's important that scheme data and benefits are clearly presented and that quotation requests are well thought through and focus on key requirements, with no unnecessary complexity.

Demonstration of commitment to a transaction and having an investment portfolio that is suitably liquid to meet an insurance premium are also important."

"Flexibility to accelerate or extend the process, as needed, can increase insurer focus and participation," she adds.

In Davis' experience, for smaller sub-£100 million schemes, two main issues abound: A lack of data readiness and illiquid assets.

"We have an increasing number of clients who come to us who will have illiquid assets within their investment portfolio, which makes transacting not impossible, but more difficult," he reveals.

At the same time, many schemes have not carried out the preparatory steps that might have been expected in relation to scheme data and benefits, either due to complacency, or having not expected to reach a fully funded status so soon.

As Rice explains, this causes easily avoidable problems. Without clean data, the insurer transition will not be smooth. At the same time, considering minor benefit amendments to fit insurer standard approaches, including fixing discretions, can significantly aid the process. "This means schemes can gain an advantage by being flexible over their approach to insurers," says Rice, who

believes that waiting for a window of opportunity, or working exclusively with a single insurer, can also be advantageous in terms of transaction times.

### Early engagement

Whether choosing to negotiate with one insurer or not, collaborating with a provider from the onset of the risk transfer process can help considerably, says LGIM head of endgame solutions, Mathew Webb.

"Working with their advisers, we believe that schemes should set clear objectives and engage with insurers early," he says. "This holds true whether your preference is a traditional multi-insurer auction, or a newer approach, like a collaborative partnership.

## **"With evidence of insurers declining to quote for even large transactions over £1 billion, focused preparation is more important than ever"**

"Every pension scheme is unique, so early engagement and close collaboration allow us to offer a solutions-focussed approach across all elements of the transaction."

At the same time, trustees should be mindful of the risks involved in rushing to market, says Moret. He encourages all schemes to read *Preparing Pension Schemes for a Bulk Annuity Quotation*, the best practice guide compiled by DLA Piper with the help of all eight UK providers. By doing so, schemes can take onboard the necessity of scrutinising affordability, engagement and governance — as well as assets, benefits and data.

On the point of affordability, Moret says carrying out a feasibility study, with input from advisers, can potentially help a scheme to set a target premium and understand whether a buy-in or buyout

is actually affordable. "Demonstrating this can give insurers confidence that a transaction will go ahead if the target is met," he says.

In terms of governance, establishing an efficient and flexible decision-making process can also be hugely beneficial to schemes ahead of a transaction process. "Opportunities can be short-lived, so it's helpful if schemes can make decisions quickly," warns Moret.

### Precious resources

Adequate preparation is not just important at an individual scheme level, says Davis. It also aids the entire pension risk transfer industry.

"The days are gone where schemes can come ill-prepared to market, because insurers know how to sniff that out," says Davis. "And they're not going to waste their precious resources on quoting on schemes that aren't in well-prepared position."

Davis and his colleagues have to spend more time than ever trying to discourage clients from contacting insurers, as they are not ready to do so. "We have to say: 'You need to go collect this piece of data, or you need to figure this thing out on your benefits, or we need to work through that asset holding,' before we let them approach the insurance market," he says.

"If we don't do that then fewer insurers are going to quote for them and in a worst-case scenario, no insurers will provide a quote. It's our role as consultants to be guardians of the insurance market and only let forward schemes that are ready.

"Otherwise you're wasting insurer resources, and given how many schemes want to use them, that's quite unforgivable."

Written by Marek Handzel, a freelance journalist

In association with



### Summary

- From skimming to cyber risk, pension fraudsters are using an array of new techniques to part people from their pensions.
- There's been a huge leap in the financial losses people have reported between 2022 and 2023.
- Better reporting and consolidation may help the industry to battle scams.



**A**s technology transforms the world we live in, new opportunities are emerging for the underbelly of society. Pension scammers and other fraudsters are getting smarter, deploying an ever-changing array of tactics to separate people from their pensions.

The official figures are daunting, with a hugely stark jump in the scale of reported pension fraud between 2022 and 2023. Just under £8 million (£7,996,626)'s worth of pension fraud was reported to Action Fraud in 2022. An enormous leap in the number of frauds reported has happened in the first half of 2023, with just under £118 million (£117,952,627) lost in 263 separate reported scams.

Even these stark numbers are unlikely to reflect the true scale of the problem. People may not know where to report the fact that they have been scammed, not realise they have been the victim of a crime for many years, or feel too ashamed to tell anyone.

"I think the official statistics are probably the tip of the iceberg," says

# Old dogs, new tricks

**Louise Farrand explores the new and varied way scammers are trying to get hold of people's pensions, and how the industry is responding to the challenge**

Sackers partner, Adeline Chapman.

So, what are the new generation of scammers doing to part people from their money – and what can the industry do to stop them?

### Pension liberation

The talk of the pensions industry in the early 2010s, pension liberation, is on the decline, thanks to changes in the law. Pension Scams Industry Group chair, Margaret Snowden, explains: "Pension liberation still exists but it's harder

because new schemes can't be set up. Anyone operating liberation is doing it on an old scheme. It hasn't gone, but it is much less because it is easier to do other things."

"For a number of years, pension liberation has not really been prevalent," says The Pensions Regulator head of intelligence, Michael Broomfield.

That said, people may still be realising that they have been victims of a pension liberation scam, says Snowden. For instance, someone could have unlocked some of their pension money in 2010, have put the rest away for later, and come back to take the rest of their pot, only to discover it has gone or is inaccessible.

### Investment fraud and skimming

Broomfield says: "What we're seeing now is investment fraud and scams, where people are enticed into an arrangement and maybe the investment is high risk, they might pay high fees and high charges on their way into it. It is something we didn't really see before, but we have seen in the past few years."

Snowden says: "One of the biggest pension investment scams at the moment is skimming, where you don't realise you are paying commissions to six, seven, eight different people."

She adds: "It is going to get worse until we can stop the online adverts that draw people in and unregulated people being able to practice at all."

### Overseas transfers

People are attracted by transfers to attractive-looking overseas investment opportunities for a mixture of reasons, says Snowden. UK SIPP's being marketed overseas are one issue. She explains: "If

Month	Reporting Volume	Financial Loss
<b>2022</b>		
Jan	34	£349,548
Feb	42	£570,301
Mar	37	£883,650
Apr	30	£307,283
May	37	£1,021,637
Jun	31	£385,384
Jul	37	£630,809
Aug	43	£836,909
Sep	40	£314,224
Oct	30	£92,833
Nov	33	£2,364,270
Dec	26	£239,779
Total	420	£7,996,626
<b>2023</b>		
Jan	32	£299,212
Feb	32	£223,483
Mar	37	£1,115,735
Apr	35	£239,264
May	31	£51,077,947
Jun	47	£542,074
Jul	49	£64,454,911
Total	263	£117,952,627
<b>Grand Total</b>	<b>683</b>	<b>£125,949,253</b>

Source: Action Fraud

you look at pensions these days, a lot are being paid overseas. UK expats are being targeted by overseas advisers or sometimes UK advisers who hop around, and they are being sold SIPPs, which allow you to do some exotic and weird investments, as opposed to the standard sort of Hargreaves Lansdown type SIPP. This is bringing SIPPs into disrepute.”

Chapman believes that a grey area exists, where pension scheme trustees may have a bad feeling about a transfer, even though legally it checks out. Perhaps the trustees have seen the same FCA regulated adviser making multiple overseas transfers, for example. “There’s some discomfort there about reporting it, which I think people should get over because if they’ve gone through a proper process, you can still report something that gave you concerns or disquiet, even though eventually you got comfortable with processing the transfer because that was what the member wanted.”

### Cyber risk

“The biggest risk we’re concerned about at the moment is cyber risk, where someone attacks your systems and steals a load of data,” says Capital Cranfield independent trustee, Andrew Warwick-Thompson. “The Capita incident earlier in 2023 illustrates that even someone as sophisticated as Capita can be attacked. Following that, we as trustees of the Scottish Widows Master Trust, and I am sure lots of other people, went back to our administrators and said, do we need to take any further steps? Should we be bringing forward penetration testing, which we do periodically? What do we know about the Capita attack? Is there anything we should be testing as a result of that?”

Another major concern for Warwick-Thompson is a hacker getting into the Scottish Widows admin system and stealing personal data or holding the system to ransom.

He says: “Lloyds Bank, being a bank, is massively concerned about these kinds of attacks. As a trustee, I feel as confident as I can be that we’ve got sufficient expert support within the Lloyds Banking Group and that I as a trustee and the members of my pension scheme benefit from that. But you can never be complacent.”

Scammers are also trying to trick people by duplicating websites, says Broomfield. “We’ve seen cloning of websites, where someone is purporting to look like a genuine administrator or insurer, which is a cue for people to check what they’re doing when they’re online to make sure they are operating safely.”



### What else can we do?

Measuring scams more accurately is an important first step in tackling the problem, argues Snowdon. A shift in attitudes needs to happen, she believes. “We need to lift the weight off people’s shoulders. There is a feeling that ‘you deserved it’, or ‘you have done something a normal person wouldn’t have done.’”

Broomfield adds: “Part of the Pensions Scams Action Group (PSAG)’s work is looking at the victim’s journey, so that, once a person is a victim of a scam or fraud, that they can report that to Action Fraud and get the support they need through the Money and Pensions Service to rebuild their retirement savings and take advice on where they need to go for further support.”

Snowdon adds: “One of the things I am trying to do with PSIG is set up a database that will hold a database of bad actors, which the industry can look at and make a judgement on. However, I think it is easier to get to the moon than to set

up an intelligence database that is safe from scammers. Scammers will use data protection laws to find out what we know about them and then they use defamation law to pursue us. It is a very dangerous place. To be able to get around that we need to spend a lot of money on legal advice and set up as a special outfit.”

As Chapman says: “I would love a database of bad actors, but it comes with lots of problems. Unless you have a slam dunk piece of information that proves someone is a criminal, you’re going to have people saying that it’s inappropriate that they are on the list. What I can say is that under the bonnet, most advisers keep unofficial lists; suspicion lists. Making the list official would probably make it a very short list, because if we knew who was on the list, they’d be banned from the market.”

Warwick-Thompson is unsure how much more trustees can do to help. “If you have transfer requests being scrutinised by the administrator and anything strange being referred to the trustees, there’s not a lot more that we can do, apart from relentless communication to members about not trusting cold calls or emails out of the blue.”

Consolidation may help, says Warwick-Thompson. “The regulator keeps saying there are lots of DC schemes out there that are probably not as well run as they should be. A lot of them don’t even fill in their scheme returns or value for money assessments. I’ll bet they’re not keeping their data policies up to date either and are probably not asking questions of their administrators. This is just another reason why the regulator and the DWP are going to be trying to make consolidation happen faster. Because there are probably people in some of those schemes who are at greater risk than they would be if they were in a large master trust.”

**Written by Louise Farrand, a freelance journalist**

# Will AI leave room for the human touch?



## Summary

- AI has a range of capabilities that can be useful in the pensions industry, particularly around improving member engagement.
- It is helpful with tasks that have a defined set of rules on to complete them, including administrative functions.
- However, there still are sectors of the industry that require a human touch, and an over-reliance on the technology could be harmful in the future.

Companies are increasingly turning to artificial intelligence (AI) for a range of activities, starting with repetitive calculations and moving all

## The artificial intelligence boom has sent shockwaves through the financial services industry, but its impact has yet to be fully felt across the pensions sector, finds Beth Ure

the way through to delivering bespoke communications. It is being applied both as a method of reducing costs and improving member outcomes. However, some people remain sceptical of the more ambitious ideas about how far the new technology can be applied across the pensions industry.

While pension professionals are increasingly looking to embrace AI, the tasks it can be used for so far remain limited. Generative AI thrives off data, so it is ideal for fulfilling functions that require analysing large data sets, particularly tasks with defined rules on how to complete them.

However, humans are still needed

to provide oversight on these functions, as generative AI models can answer questions incorrectly. Meanwhile, many people working in the industry are concerned that introducing AI has the potential to result in significant job losses.

### Engagement with your pension

Beyond data analysis, another key area where AI could benefit the pensions industry is to encourage members to engage with their pension scheme. Many people put off interacting with their pension provider, likely because communications are poorly targeted to their preferences. AI could be





used to deliver highly personalised communications to members that would spur them to become proactive.

“AI could help improve the member engagement problem in pensions,” says Mercer pension risk transfer principal, Maurice Speer. “Pensions are complex, and for many, not an immediate priority, with retirement feeling like a problem ‘for my future self’.

“But with creative personalisation of communications for individual circumstances and preferences, chatbots for immediate access to routine queries, and powerful predictive analysis to anticipate proactive communication and support – AI has the potential to transform member communications in the pensions industry.”

Cardano director, Felix Mantz, also suggests that AI could be used to boost member engagement. “If your pension

scheme knows about your life and can predict your needs and potential decisions, you are more likely to get involved and make better decisions,” he says. “There are a lot of benefits to be had from the additional analysis and customisation that AI can bring.”

Isio chief digital officer, Vito Faircloth, adds that AI-powered retirement planning systems – which can analyse the personal data of each member, including age and income – could guide members through the process of setting retirement goals.

“Members would be able to see personalised financial planning and investment strategies, with advice to help them to make educated decisions about their retirement savings,” he says. “Ultimately, they could have an AI assistant who knows everything about their goals, aspirations and financial circumstances that would provide extremely relevant content, nudges and journeys.”

#### Administrative jobs

Another area that stands to benefit from the introduction of AI is administration. The majority of tasks and functions have a defined set of rules, making them ideal to be taken over by AI.

The pensions industry’s drive towards consolidation and providing individuals with a holistic view of their finances is set to accelerate with the introduction of the pensions dashboard and the move towards Open Finance. Faircloth notes that this is likely to generate a massive number of queries for administrators – but these can also be handled by AI.

“An AI-powered system can speed this [*consolidation*] up. AI can analyse data, identify errors and take corrective action, reducing human intervention and improving efficiency, so administrators can easily cleanse the data they are working with,” he says.

“Most member queries will be able to be answered by artificial intelligence, and most documentation will be produced

on an automated basis, providing an increasingly frictionless experience,” he adds. “This won’t happen immediately, though, as there will be administrative hurdles.”

## “While AI is going to change how many people view their financial futures, the more emotive parts of the job cannot be fulfilled by AI”

#### The legal sector

AI’s ability to analyse large amounts of information means it could also handle the legal aspects of pensions provision.

“The real win from the use of AI will be in the collation and analysis of complex information such as required by accountants, lawyers and professional trustees,” says Capital Cranfield professional trustee, Christopher Clayton.

“Imagine that all relevant laws and regulations – all case law and legal judgments – were available to AI. Much of the work that is currently undertaken by lawyers could be done by AI.”

Mantz says that AI could directly answer members’ legal queries. “There will be a prime application for generative AI models. When a member has a question about pension tax legislation, it would look at the relevant tax code and explain what it means,” he says.

“The challenge there is with the FCA, as the use of generative AI would be dependent on the extent we can be comfortable with it having access to the regulated parts of the pensions space.”

#### Job losses

While AI has many advocates, people working in the sector are concerned that they could lose their jobs if AI demonstrates it can complete their tasks more quickly and efficiently. Any losses would need to be considered relative to

the cost savings to members. The EU is developing the EU AI Act, which if approved would set the world's first rules on AI, with many regulations aimed at avoiding job loss.

"The EU AI Act shows a desire to embrace this new technology, but to do so safely," Mantz says. "We are at a stage where AI is replacing tasks not jobs. It'll be interesting to see how job specifications change to allow more time to do things we never did before because we didn't have time."

Speer adds: "Despite the benefits, people across the industry are rightly worried that AI might introduce new risks and replace jobs. However, past innovations have shown that technological advancements have the

power to elevate and create new roles, not [just] replace people. AI has the potential to enhance the work we do, allowing us to work more efficiently and spend more time thinking strategically and creating new solutions to generate better member outcomes."

Clayton suggests that even the areas that can be automated with AI would still need human oversight, and sometimes need to be overruled. "We will still need to be knowledgeable and skilled to be able to determine whether AI is producing the right answer, and in the case of professional trustees sometimes the technically correct answer, which would be produced by AI, may not be the right decision for a particular situation," he says.

Capital Cranfield professional trustee, Allan Course, notes that AI, at least for the moment, can only produce answers that need to be checked by a human.

He says that even using AI for basic tasks could create problems for the future.

"If I use AI to automate a job I would normally delegate to a junior trustee, I still need to examine the answer the AI produced and potentially edit it," he says. "However, if I always do that then junior trustees never get the experience needed to provide the oversight that I am providing now. How can they progress in their career and start checking over the work AI is doing if they have never done that work themselves?"

It remains to be seen whether AI progresses fast enough for it to be reliable enough to be trusted to do the checking and oversight role in the future.

### The human touch

Nonetheless, at least for the foreseeable future, the importance of the human touch cannot be overlooked. For example, as a trustee, Course emphasises the importance of human relationships and understanding how different people may respond to the same offer. This is something that AI is yet to accomplish, he says.

In the pensions industry, difficult situations can arise for which a human response is the most appropriate. "We should remember that all our members are human and rely on us for their income in retirement," Clayton says. "Sometimes this involves decisions that require a little humanity, such as in death cases."

Faircloth adds that while AI is going to change how many people view their financial futures, the more emotive parts of the job cannot be fulfilled by AI. "A human response will continue to be key," he adds.

 Written by Beth Ure, a freelance journalist



# Putting ChatGPT to the test

## How well can AI take on the challenge of writing pensions comms to members?

Arguably the most famous application of artificial intelligence is ChatGPT, the language processing tool that can be used to automatically create text upon request. Therefore, we at *Pensions Age* decided

to see how well it tackles two common challenges when writing pensions comms to members – that of providing entertaining copy, and being able to clearly explain complex subjects. We then asked the industry their thoughts on ChatGPT's efforts.

### ChatGPT request: Explain UK pension savers' retirement options, in a fun and engaging article

#### Title: "Pension Pot Party: UK Retirement Options Made Fun!"

Ahoy, future retirees of the United Kingdom! It's time to talk about that glorious moment when you reach retirement age and your pension pot starts beckoning you like a treasure chest waiting to be cracked open. So, what are your options, you ask? Let's dive in for a rollicking adventure!

#### Option 1: The Lump Sum Bonanza

Arrr, mateys! If you're feeling a bit like a pirate ready to plunder, you can opt for the "Lump Sum Bonanza." This option lets you take a big chunk of your pension as a tax-free lump sum. Think of it as the buried treasure you've been searching for all your life. Just remember, the bigger the loot, the less you'll have for the long haul.

#### Option 2: Sail into Steady Waters with Annuities

If you prefer smooth sailing over a lifetime, consider annuities. It's like having a parrot that keeps squawking "money for life!" Annuities provide a regular income until you join Davey Jones at the bottom of the sea. You'll never have to worry about running out of doubloons!

#### Option 3: The Flexible Approach – Drawdown

Arrr! If you're the type who wants to keep your pension ship flexible, then "Drawdown" is your compass. With this choice, you can take some of your treasure while leaving the rest to grow. You decide when and how much to plunder, but beware – if you're not careful, you could run out of grog sooner than expected!

#### Option 4: Keep Your Pension Pot as a Keepsake

Some salty dogs prefer to keep their pension pot as a keepsake, letting it grow tax-free while they enjoy their retirement. It's like having a pet dragon guarding your hoard. Just remember, the dragon may need to be tamed when the time comes to access your gold.

#### Option 5: Mix and Match Like a Pro

Why choose just one treasure chest? Mix and match your options to create your perfect retirement treasure map. You can have a bit of lump sum, a dash of annuity, and a sprinkle of drawdown. It's like being a gourmet chef with your financial future as the main course.

In conclusion, retiring in the UK offers a smorgasbord of pension pot options. Whether you choose to plunder the entire chest at once, go for the steady income, or mix and match like a financial genius, the choice is yours, matey! Just remember to consult with a financial adviser to make sure your retirement plan is seaworthy. Retirement should be a grand adventure, so set sail with your pension pot and embrace the golden years ahead!



## ChatGPT: Explain how UK collective DC works and its benefits and risks for savers

### *Title: Understanding UK Collective Defined Contribution (CDC) Pension Schemes: Benefits and Risks for Savers*

The UK's pension landscape has evolved to address the changing retirement needs of its citizens, and one such innovation is the Collective Defined Contribution (CDC) pension scheme. CDC combines elements of both traditional Defined Benefit (DB) and Defined Contribution (DC) schemes, offering a middle-ground solution with distinct benefits and risks for savers.

**How CDC Works:** CDC schemes pool members' contributions into a collective fund, which is then invested to generate returns. Unlike DC plans, there is no individual account balance or investment choice. Instead, members receive a target retirement income based on a predetermined formula. Contributions continue throughout a member's working life, and the pension income is determined by factors like investment returns and the scheme's funding level.

#### **Benefits for Savers:**

- 1. Risk Sharing:** CDC schemes provide risk-sharing among members. This means that if investments underperform, individuals are not solely responsible for covering the losses. Conversely, when investments do well, members may benefit from higher pension incomes.
- 2. Professional Management:** Savers can benefit from professional fund management, reducing the need for them

to make complex investment decisions.

- 3. Stable Retirement Income:** CDC schemes aim to provide a stable and predictable retirement income, similar to DB schemes, which can be reassuring for retirees.

#### **Risks for Savers:**

- 1. Uncertain Outcomes:** Unlike traditional DB pensions, CDC benefits are not guaranteed. The retirement income is subject to market fluctuations, and if the scheme's investments underperform, future payouts may be reduced.
- 2. Lack of Individual Control:** Savers have no control over how their contributions are invested, which may not suit those who prefer a hands-on approach to their retirement savings.
- 3. Funding Challenges:** If a CDC scheme faces financial difficulties, it may need to adjust benefits or contribution levels, potentially affecting members' retirement income.

In conclusion, UK Collective Defined Contribution (CDC) pension schemes offer a unique approach to retirement savings. They provide a middle-ground solution between DB and DC schemes by offering risk-sharing and professional management. However, savers should be aware of the potential for uncertain outcomes and the lack of individual control. Before opting for a CDC scheme, individuals should carefully assess their risk tolerance and retirement goals to determine if it aligns with their financial needs and preferences. It is advisable to seek financial advice to make an informed decision regarding pension planning in the UK.



# ChatGPT

## ✎ The industry expert view

The attractive thing about using AI as a tool is that it can come up with new language and new ways of expressing things in an industry that can easily become a bit stale and where jargon is everywhere. But whilst articles of this sort might work on a public-facing guidance site such as the Money and Pensions Service, it's hard to see a scheme or provider issuing material like this. For example, the article about CDC says that an advantage is that you get 'professional management', which you would hope you can get elsewhere in the pensions landscape! The CDC article is also somewhat one-sided, noting that downside

risks can be shared but not spelling out the flip side of a potentially dampened upside. Similarly, the article about pension choices talks loosely about reaching 'retirement age' as though this is a single point in time when all these decisions have to be made. You can see a compliance department having kittens about things like this! At this stage, it feels as though AI is a good servant but a poor master, although we should expect its quality to continue to improve rapidly.

**LCP partner, Steve Webb**

### 📌 The legal view

ChatGPT met the ‘fun and engaging’ brief, however the tone and style may not be for everyone and, for trustees, potential risk may outweigh the benefits of a ‘fun’ style.

ChatGPT uses descriptive language to help reach a wider audience than a more straightforward (or ‘boring’) communication. However, some younger members may be confused by some of the references (‘doubloons’, ‘Davey Jones’), whilst older members, especially senior professionals, may find the style patronising, or suspect that it is AI-generated or, worse, a scam.

The analogies, whilst entertaining, do not provide the absolute certainty of plain language and some are downright confusing (‘a parrot that keeps squawking ‘money for life!’; ‘the dragon may need to be tamed’). Whilst simple language can help people understand complex concepts, trustees have obligations to communicate clearly to members and act in their best interests, and most would be uncomfortable sending these comments without additional clear and concise explanations.

Some of the language is also misleading (‘You’ll never

have to worry about running out...’). Whilst limitation of liability language has been included, encouraging people to seek independent financial advice, trustees could be concerned that, despite this, some of the comments sail too close to the wind (to continue the metaphor) in terms of constituting financial advice.

The explanation of the UK CDC was accurate and outlined the key points. However, in some places it missed additional information and was lacking some detail on the practical application of UK CDCs, such as that they are mainly useful for large employers.

The point on the lack of individual control is true when compared to personal pensions such as SIPPs, although is less relevant when compared with employer DB and DC schemes, which a CDC scheme would likely replace. Overall, given the short briefs provided, ChatGPT has drafted a fair explanation. However, for nuance and further specific detail, human legal advice is required.

**DLA Piper partner, Matthew Swynnerton**

### 📌 The communications view

Yes, being ‘engaging’ is an important challenge but that’s not the same as being ‘entertaining’ – and ChatGPT doesn’t know the difference. It’s gone way too far with this metaphor. It might grab someone’s attention initially. Probably an equal number will be immediately put off and stop reading (an expert knows to test for things like that). Then it quickly gets confusing.

ChatGPT is great for brainstorming, so if you want a list of possible points you should make, or for some reason you want a cheesy metaphor, get ChatGPT to generate a list of 100 and pick one. What it’s terrible at is executing them. Particularly metaphors. What’s a flexible ship? Why do you have a pet dragon that you then somehow need to tame?

At times it almost feels as if ChatGPT knows its own metaphor is confusing, because it tries to explain itself with other metaphors! So, at one point it’s trying to explain the metaphor of a treasure map by using the metaphor of gourmet cooking. Neither of which is helpful or clear.

So, this effort might be funny (maybe?! Who would actually find this funny?!?) or cringey, and that’s up to the reader. The main point is that it’s not helpful and it’s not clear. Who would really know what to do after reading this, if they didn’t already understand how pensions work and know their options? We have to get out of the headspace of

someone who’s inside the industry and already knows how to unpick a metaphor to get to real, useful and genuinely engaging content.

The CDC article seems to only do half the job of explaining how it works and what’s different about it. Large language models are fairly unreliable when it comes to providing ‘facts’. And because of the way it works – relying on explanations that are already out there in the digital world – this article repeats mistakes that the industry has been making over and over. Not just technical inaccuracies, but mistakes in the way it tries to explain a complicated thing. For example, a lot of people in the industry try to explain CDC by referring to DC and DB. That’s a mistake. It’s no good explaining one thing people don’t understand by referring to two other things people don’t understand. ChatGPT has repeated that mistake.

Both these articles provide really good food for thought. They could be the basis for a first draft – there are some good things about the structure of both articles. But we need to be really wary of using ChatGPT in a way that magnifies old mistakes or helps us make those same mistakes more quickly. Confusing members faster isn’t better!

**Quietroom development lead, Joe Craig**



✓ **Francesca Fabrizi meets Skanska Pension Fund trustee director and head of pensions, Mohsin Harhara; and chair of the trustee board and executive vice president, Harvey Francis, to discuss the pension fund's dynamic journey in recent years**

**P**lease give an introduction to the Skanska Pension Fund.

**Harhara:** In 2000, Skanska acquired Kvaerner Construction and Skanska UK was born. The Skanska Pension Fund was established in 2001 and shortly afterwards received a bulk transfer in respect of the members of the Kvaerner Pension Fund.

In 2005, the fund transitioned to being a career average scheme and then closed to future accrual from 2018. The assets stood at £581 million as at the end of the second quarter of 2023 compared to the 31 March 2021 valuation of £840 million – a significant decrease but more than sufficient to secure the benefits of the circa 7,300 members on a technical provisions (TP) basis.

The decrease is mainly due to the movement in the fund's liability-driven investment (LDI) assets which are sensitive to factors that affect the liabilities such as gilt yields and interest rates. The effect of the Liz Truss/Kwasi Kwarteng mini-budget in September 2022 was a considerable factor driving the drop in the value of assets and liabilities, but the diversified investment

# Building for success

strategy in place and swift reactionary action by the trustees ensured our hedge was maintained and the funding position on the TP basis remained comfortably in surplus at circa £45 million.

The trustee moved a number of the fund's investments into a wrapper from Q2 2022. We couldn't include all investments – for example, there were illiquid and certain equity assets that were not feasible, so sit outside the wrapper. This afforded the benefits of a streamlined governance structure with effective reporting and administration

From 2017, a longevity swap was transacted to hedge against the key risk of the then-pensioners living longer than expected.

**Given the challenging global conditions, what are the main objectives of the fund going forwards?**

**Harhara:** The fund has proven resilient despite challenging conditions, which is testament to the investment strategy the trustee put in place, the de-risking programme and a close working relationship with our advisers.

The prior year and first half of 2023 were somewhat of a rollercoaster for investment markets, with the impact of the war in the Ukraine, followed by the turmoil of the UK's mini-budget in the autumn. High inflation and correspondingly high interest rates will likely feature for longer than initially thought. This raises the risk that some of the major developed economies will edge into some form of recession at some point over the next year or so. The mini-budget was extremely volatile for both gilt yields and prices and the value of almost all other asset classes – notably equities. Despite these headwinds, we have been able to ride out the storm and remain in good shape.

The trustee, our UK CFO and

our actuarial and investment advisers convened a strategy day in Q1 of this year during which we took stock of where we were in terms of funding and investments, reviewed our current strategy and formed a collective view as to how our future journey plan might look.

We had previously adopted a long-term funding target (LTFT) which was a culmination of discussions at our last strategy day held in 2018 and subsequent agreement of the fund's 2019 valuation at a time when a material deficit prevailed on the TP basis. The backdrop to this year's strategy day was dramatically different with the fund in surplus on the TP basis and very close to being in surplus on the LTFT basis. This time the group unanimously agreed on an aspiration to target buyout, whilst accepting it might still be a number of years until full funding on the solvency basis is reached.

Other intents include greater focus on managing the impact of the fund on the balance sheet, consideration of ESG issues, and collaboration between the trustee and the company. Significant market shocks hindering the funding plan and a deterioration in insurer pricing for bulk annuities are seen as main concerns in terms of our agreed journey. Whilst partial buy-ins were acknowledged as a stepping stone towards a full buyout, as used by other schemes, the consensus is this would not be an appropriate strategy for the fund at this time. Such a strategy would lead to the balance of the investment portfolio becoming highly illiquid in nature, and likely lead to issues due to the increased collateral requirements following the gilts/LDI crisis last autumn.

A high-level journey plan has been developed for the required workstreams, which will inform the trustee's business

planning over the next few years as we strive towards making the fund as buyout ready as possible. This work is progressing apace, with our data now cleansed and GMP equalisation due to finalise in 2024.

**What have been your biggest successes?**

**Francis:** The funding position on all bases has improved markedly over recent years. At the March 2016 triennial actuarial valuation, the fund recorded a deficit on the TP basis of c£110 million dropping further to c£175 million by August 2016 due to a drop in bond yields and unhedged interest rate risks.

Since then, the funding position has significantly improved to a steady and comfortable surplus position but there were bumps along the way, perhaps most notably a slight deterioration in 2020 attributable to the effects of the Covid-19 pandemic. This recovery can be credited to a combination of deficit recovery contributions and a successful investment strategy.

Similarly, the estimated buyout basis position has improved from a shortfall of c£445 million in 2016 to c£55 million in 2023. The trustee has adopted an LDI strategy since 2013, which has contributed to the significant funding improvements in the years since, and the effective matching of the fund’s liabilities.

In 2013, the fund purchased Skanska Infrastructure Development’s interest in three schools and two street lighting projects, and a stake in Barts Hospital

in 2015, which provided the pension scheme with valuable assets in the form of a stable, long-term cashflow.

In 2019, it was decided to sell these assets with the process commencing in 2020. The disposals were successfully completed in early 2021 much to the benefit of the fund.

In 2014, the trustee purchased a mixed-use office, warehouse, and industrial facility in Bentley from Skanska. The property was sold including a 20-year lease with Skanska UK as tenant providing a secure income stream until 2034. The trustee also managed to secure a parent company guarantee to cover rent payments should a forced sale event occur due to an unforeseen change in legislation which should maintain the value of the property/lease in such a circumstance.

**What challenges have you overcome?**

**Francis:** Until recently, the scheme was in considerable deficit, which reached over £100 million in February 2020, exacerbated by the pandemic and as such significant deficit recovery contributions (DRCs) were required to be made by the company. Driven by the knowledge that, by 2021, the funding position had since materially improved and to get a better sense of when the company could likely cease DRCs, the trustee brought the date of the 2022 triennial actuarial valuation forward by one year. The results of this funding assessment prompted a decision to cease DRCs from May 2022

in association with the implementation of a tap-on/tap-off funding level trigger-based mechanism to automatically restart DRCs if certain conditions play out. Our assets include a proportion of illiquid assets, which include some property with varying terms to

maturity, the longest being the Bentley property, which will run-off in 2034.

Our LDI fund has been successfully matching the fund’s assets to its liabilities since it was introduced. However, the mini-budget created a major challenge as it meant we were forced to sell investments to recollateralise the LDI fund at short notice and bring the leverage back to target levels. The trustee showed its agility with the board getting together at very short notice to discuss the issue and implement the agreed immediate action that was needed. In response to the crisis, we have put in place a collateral waterfall framework and reduced our leverage.

**What is the trustee’s stance on ESG?**

**Harhara:** The trustee has set and communicated to the fund managers to consider in their ongoing stewardship and engagement activities with investee companies three stewardship priorities – climate change; diversity, equity and inclusion; and human rights. The engagement with the fund managers and monitoring of what they are doing in terms of these priorities is delegated to the fund’s investment adviser. The trustee takes ultimate ownership of the fund’s stewardship, and the investment sub-committee keeps these activities under observation with managers challenged where their activity has not been in line with expectations. The exercise of voting rights attaching to investments and engagement with investee companies has been delegated to the fund manager.

The investment adviser builds its assessment of the nature and effectiveness of fund managers’ approaches to voting and engagement into its advice on the selection of the fund managers and their ongoing review. The stewardship priorities were selected because, in the trustee’s view, they rank as the most important global risks, and they also align with the values of Skanska.

**Written by Francesca Fabrizi**



### Summary

- Just under half of children and young adults can recall receiving meaningful financial education at school, leaving leavers with a lack of understanding of things like pensions.
- Failing to properly teach finance at school can hold back young adults and limit their opportunities, experts fear.
- Financial literacy has been on the national curriculum since 2014, but not at primary schools, and is taught 'inconsistently' at secondary schools.
- Experts have called for it to be extended to primary schools and are gathering evidence to support their case.



# Financial education: Lessons for a lifetime

## Sam Meadows explores the importance of financial education at schools to improve peoples' long-term savings prospects

September saw the social media profiles of parents across the country flooded with pictures of their cherubic offspring, clad in shiny new uniforms, about to embark on their first day at school.

Their children would have set off down the garden path, a mix of nerves and excitement jangling inside their brains alongside a range of questions and worries. Will I make friends? Will I find the homework difficult? Will I have fun?

One question that is unlikely to have featured heavily: Should I be saving for retirement?

Research suggests that levels of financial literacy among school leavers are worryingly low.

Just under half – 47 per cent – of children and young adults recall receiving meaningful financial education at school, according to the latest financial wellbeing survey conducted by the Money and Pensions Advice Service (Maps).

A seven-year study by Redstart, an organisation that runs financial education in schools in deprived areas, found that nearly one in five children did

not know that it was important to know how much money they had.

When it comes to pensions, levels of understanding are also lacking. Recent research by Cushon found that around a third of young people did not have a good understanding of whether they would be enrolled into a pension by their employer. This research also suggested things have got worse. Around 28 per cent of those under the age of 35 said they were not taught about pensions or retirement savings at school or university, compared to just 15 per cent of those over the age of 65. Scottish Widows head of policy, Pete Glancy, says British school leavers are not well-informed enough about retirement savings.

“You only have to look at the fact that one-in-three Brits are on track for a retirement income that won't be enough to cover the basics. Even if people know they should be saving, they don't necessarily know how best to go about it,” he says.

“It's no good just teaching school children maths. For the numeracy curriculum to be truly valuable to people

after they leave school and throughout their lives, it must take numbers out of the classroom and place them into real-world applications such as budgeting, investing, or retirement saving.”

Aegon pensions director, Steven Cameron, adds: “School leavers will likely see retirement as a dim and distant concept of little relevance to them.

“If they think at all about saving, it is more likely to be around affording shorter term objectives such as a car, a holiday or getting on the housing ladder. However, learning about the basics of saving and finances, including the benefits of saving for retirement, could be beneficial.”

### Consequences

The consequences of leaving school without a good understanding of money can be severe. It could mean that people fail to save for retirement, leaving them to rely on the state. Or they run themselves into problem debt paying high rates of interest. Royal London pensions expert, Clare Moffat, says having a good level of financial knowledge can help people feel more confident.

“Talking about money matters openly when growing up can help children prepare themselves for dealing with finances once they leave home or start work,” she explains. “A general reticence to talk about financial matters fuels low confidence levels leading to a financial literacy gap and as a nation we have historically seen money as an uncomfortable conversation.”

The problem can be even more



pronounced among people from more deprived communities.

Redstart chief executive, Sarah Marks, says: “We end up with very vulnerable young adults. Getting into unmanageable debt when you are 17 reduces your options immediately, especially if you are in a family that can’t afford to bail you out.

“You might not be able to continue in education or end up taking a lower paid job, not be able to travel to work on the bus or train, or get a car, or move to another city. It can even affect your relationships and your mental health.”

She states that failing to properly equip children with good financial knowledge meant “squandering the potential” of millions, perpetuating a “pernicious cycle of disadvantage”.

On the other hand, having a good financial education in school has the potential to transform lives. Maps says that this makes children more likely to save money, open a bank account and be confident in managing their finances.

Maps senior policy manager, Lisa Davis, states: “Doing this early can be an absolute game-changer for *[children]*.”

### What is being done?

Financial literacy education was added to the statutory national curriculum in 2014 as part of citizenship lessons.

Between the ages of 11 and 14, pupils should be taught about the functions and uses of money, the importance and practice of budgeting, and managing risk.

By the time they are 16, they should have been taught about income and expenditure, credit and debt, insurance, savings and pensions, financial products and services, and how public money is raised and spent.

This has widely been seen as a positive step, but there have been calls in the past for the subject to be taught in primary schools too. Research from Cambridge University has suggested that children form attitudes and beliefs around money from the age of seven,

suggesting earlier intervention could be crucial. Maps has developed detailed guidance to help schools deliver a good level of financial education.

Its senior policy manager, Lisa Davis, explains: “Teaching children about money from a young age helps them develop the skills they’ll need as adults.

“This doesn’t need to be complicated and they can learn through conversations, activities or getting involved in decisions about spending and saving.”

The organisation is working closely

## **“By embedding financial education in primary schools, it is possible to improve the financial knowledge, and therefore prospects, of all children”**

with the industry, including pension companies, to ensure two million additional children receive a meaningful financial education by the end of the decade. It has also just launched an online resource, called Talk Learn Do, to encourage, and make it easier for, parents to speak to their children about money.

There are also a range of positive initiatives happening within schools. Redstart, for example, works in primary schools and provides a hands-on experience for children with a virtual banking app.

Children earn a virtual pound for every day they attend school and can also earn more by completing quizzes, aimed at improving basic maths or money skills.

They can keep their earnings in a current account and move them to a savings account, before redeeming them every few weeks to buy small items like fidget spinners, but also occasionally more premium items like Lego sets or cinema tickets.

This is intended to give children a

better understanding of key concepts – the difference between needs and wants, the importance of saving – from a young age. Some pension companies have also taken steps to improve financial education. For instance, Scottish Widows says it is closely supporting Maps in its financial wellbeing goals, preferring that centralised approach to working with schools directly.

### Room for improvement?

Despite these hugely positive steps, there is still a long way to go. A study by the London Institute of Business and Finance found that just 62 per cent of children reported having access to financial education in 2022/23 – a drop from 73 per cent in the year before.

Marks says: “It’s not about *[what is being done]* well and badly. It’s about consistency. Financial education is not even on the curriculum in primary schools in England at the moment and it is not being consistently delivered in secondary school.”

She says busy schools were all too often ‘shoehorning’ it into the back of other lessons when time allowed, rather than giving it its own space.

Redstart has partnered with the King’s College Policy Institute to build an evidence base that it hopes will show the potential benefits of extending this type of education to primary schools.

“We hope it will show that by embedding financial education in primary schools it is possible to improve the financial knowledge, and therefore prospects, of all children – but especially those currently dragged down by socio-economic disadvantage,” Marks adds.

“There needs to be clear priority being given to this subject and leadership from the government. *[Currently]* it’s compulsory to teach Roman numerals, but not financial education.”

 **Written by Sam Meadows, a freelance journalist**



# A new view of the pensions industry

## Shantel Okello looks back at her internship at the Pensions Policy Institute

When I began my internship at the Pensions Policy Institute (PPI) this past June, I had no idea how much it would reshape my understanding of the financial sector and pensions policy. As a recent politics and international relations graduate, I wanted to intern in a sector where I could apply my academic background to real-world issues. Little did I know that this experience would not only challenge my preconceptions about the industry but also provide me with valuable insights into the world of pensions. Whilst looking for potential opportunities, I joined the 10,000 Interns Foundation, as their application process was seamless. They made it easy for applicants such as myself to express our interests and preferences whilst offering valuable interview preparation sessions, which all led to me landing my internship at the PPI.

Before interning at the PPI, I envisioned myself in a role where I could utilise my analytical skills to influence government decisions, as I have always been passionate about reducing social inequalities. Initially, I believed that organisations like the PPI actively dictated government policies, similar to a think tank, however, I was far from correct. I soon realised our role primarily involves improving information and understanding about pensions, whilst providing impartial analysis and data to inform the policy debate.

Although I had no in-depth knowledge of pensions before this, I always recognised its importance.

However, I viewed it as a subject for the distant future. When I came across the PPI, I thought of no better way to improve my knowledge about the subject than to work within the industry itself. One aspect that particularly appealed to me was the size of PPI; it struck the perfect balance between being intimate enough to facilitate close collaboration, whilst being large enough to be influential and offer a breadth of knowledge. This made it an ideal environment for my learning journey.

Since day one, I have actively participated in important research, taken part in enlightening conversations, and worked alongside dedicated professionals passionate about pension policies. During my very first week, I had the incredible opportunity to attend The Pensions Network residential meeting, where I listened to various engaging talks on a range of pivotal topics, including the pensions dashboard, the gender pensions gap, and the intricate relationship between climate change and the pensions industry. Even though I was pretty nervous beforehand, I am glad I chose to attend as it was an eye-opening experience that set the tone for my entire internship.

I had the privilege of contributing to several research projects at the PPI, including the *Defined Contribution Future Book*, the *Underpensioned Index*, and a *Briefing Note* I am currently writing regarding joint household pension pots.

My involvement in the *DC Future Book* project allowed me to explore the challenges young savers face, such as the

rising cost of living and housing crises. Working on that project underscored the urgency of supporting young savers in their journey toward financial security in retirement.

Investigating the gender pensions gap and its various contributing factors for the *Underpensioned Index* was both insightful and essential, highlighting the systemic issues affecting women's financial security and the need for targeted policies to address these disparities.

The most particularly rewarding piece of work has been the *Briefing Note on Household Pension Pots*, as it is the first extensive piece of independent work I have done at the PPI. It explores a new potential way in which we could reduce the gender pensions gap, through a hypothetical joint household pension pot, in which both individuals of a couple would contribute and have equal rights.

My internship at the Pensions Policy Institute has been a transformative journey, one that has not only broadened my horizons but also deepened my understanding of the critical role pensions policy plays in securing financial futures. From my initial nervousness to attending insightful discussions and contributing to vital research projects, this internship has reshaped my perspective on the financial sector and retirement planning.

This experience has not only equipped me with newfound confidence and expertise in pensions, but has also emphasised the power of networking, the importance of seeking and embracing feedback, and the role of effective communication in driving meaningful change. These, amongst others, are all lessons that I will carry forward in my future endeavours, both professionally and personally, and for which I will forever be grateful.

Written by PPI intern, Shantel Okello



Pensions  
Management  
Institute

# TRUSTEE WORKBENCH 2023

2 November | 08:30 - 18:00

10+ speakers

**Venue:** Allen & Overy LLP,  
One Bishops Square,  
London E1 6AD



For more information,  
visit our webpage:  
[pensions-pmi.org.uk/events](https://pensions-pmi.org.uk/events)



Pensions  
Management  
Institute

Events



# Feedback loop

## ✎ Maggie Williams explores the legislative changes in the pipeline for the UK pensions industry

**T**his year has seen a sandstorm of new potential legislation, calls for evidence, consultations and responses from government.

As well as the so-called Mansion House reforms in July, Pensions Minister, Laura Trott, has kept more enduring plates spinning, such as the pensions dashboard programme and new ideas for collective DC (CDC) schemes.

But so much change comes with potential risks. “Timing will be important to avoid unintended consequences from wave after wave of changes crashing into the pensions industry at once,” says Sackers senior partner, David Saunders.

Hymans Robertson head of DC corporate consulting, Hannah English, anticipates that, taken together, the proposals will require a major effort from the industry. “From a provider’s perspective, committing to the Mansion House reforms alone will require a significant amount of effort and resource

to fulfil the obligations outlined in the agreement.”

With consultations and legislation at different stages, Pensions and Lifetime Savings Association deputy director of policy, Joe Dabrowski, hopes that progress will be staggered. “All of the proposals will eventually require a lot of work, but some are at a very early stage. Even after consultation, they will require primary legislation and that takes time.”

Dabrowski gives the example of the DB pension fund consolidation consultation in February 2019, with the government response published in July this year. “It’s taken several years get to the stage that we’re at currently. And it will take longer to put legislation into practice.”

Zedra Governance client director, Douglas Hogg, believes that accelerating the right legislation at the right time is vital. “I worry about urgency in the DB space. If we lose three years putting

### ✎ Summary

- A lengthy list of proposed legislation requires careful planning and prioritisation.
- Some changes will require significant time and change for the industry and trustees.
- There are still gaps, such as a timetable for reviewing auto-enrolment contributions.

some of the proposals in place, it will be too little too late. We need meaningful change quickly around alternative options to buyout, for example.”

### Getting ready for change

When it comes to preparing for future change, Dabrowski says: “Schemes can ask ‘what will this mean for us?’ They can think how the changes might play out and identify any red lines. If there is a new Pensions Bill and significant change in the Autumn Statement, we could see some things start to happen very quickly.”

But with so much uncertainty around timings and impact of the new proposals,

it may be difficult for schemes to know what to prioritise. “2023 was always destined to be a busy year for pension schemes, with so many developments delayed over the past couple of years,” says Saunders. “But the agenda hasn’t quite shaped up the way we were expecting. TPR’s General Code has been pushed back ‘due to delays in the parliamentary timetable’, the new DB funding regime’s timing has also slipped from October 2023 to April 2024, and the long anticipated notifiable events regulations are seemingly unavoidably delayed.”

“With so many links and inter-dependencies, we need a ‘grand implementation plan,’” Aegon pensions director, Steve Cameron, recently stated. He added that, with a General Election looming, that plan needs cross-party

support. “This will include setting priorities, reflecting both a logical sequence but also importantly the size of potential improvements in member outcomes.”

### Prioritising by impact

That begs the question of whether some of the proposed changes should be prioritised over others, based on the impact they will have on schemes and savers. But deciding on that prioritisation is likely to depend on the type of scheme and its circumstances.

“It can take even longer to change mindsets than to change legislation,” warns Hogg. “With DB, it could be difficult to engage sponsors with the idea that, having been told that buyout is the only answer for many years, that there

could be potential in other options.”

Cameron believes that for DC schemes, auto-enrolment reforms should be top of the list. “The Department for Work and Pensions’ analysis shows that enhancements to auto-enrolment could improve member outcomes by more than all the other policy initiatives put together, making it a clear front-runner for prioritising,” he said.

Cameron also believes that some proposals, such as decumulation-only CDC could take a back seat. “We’d recommend deferring any requirement for trustees to design default retirement income solutions until later in the decade. Any consideration of decumulation-only CDC needs to factor in both the many outstanding questions here, as well as the time industry will take to consider supplying these,” he added.

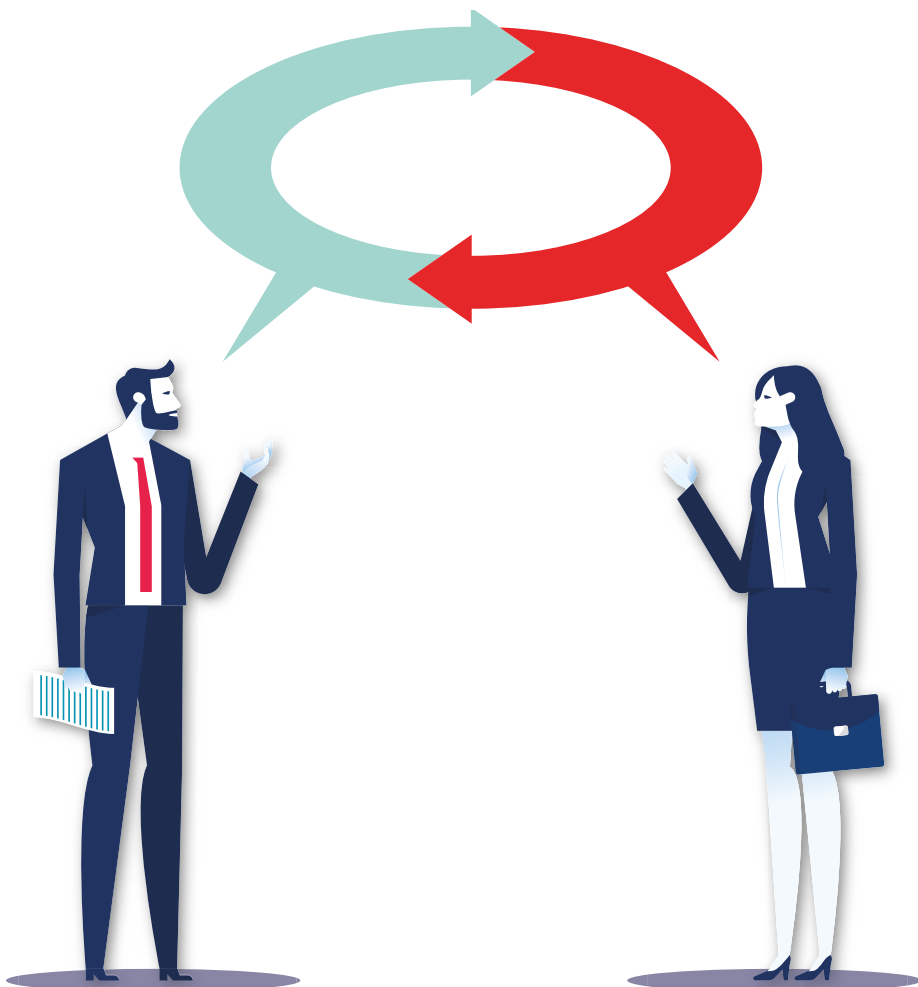
### The missing pieces

While the last thing that the industry might need right now is more proposals and legislation, are there gaps in the current schedule of plans? Dabrowski is disappointed that there has been no progress on reviewing adequacy of auto-enrolment contribution rates. “There has been a lot about DC issues, but this crucial debate hasn’t been addressed.”

English adds that she would also like to see a wider debate on the potential for risk-sharing. “CDC is not the only risk-sharing solution. There are other approaches with the potential to significantly improve retirement incomes as well as aligning with the government’s goals related to productive finance.”

However, Saunders concludes: “Perhaps the most important issues not addressed are how the government intends to squeeze in time to complete policy measures already in train and how trustees, employers and their advisers might best manage potential capacity constraints.”

 Written by Maggie Williams, a freelance journalist



## What's going on?

### General Code (TPR)

*March 2021 and ongoing*

**What?** TPR's consolidated code of practice, now known as the General Code has been under debate for some time.

**Why?** The aim of the code is to consolidate and simplify governance codes of practice. Among its proposals is for all schemes to have an effective system of governance in place.

**When?** TPR published a draft code in March 2021, and it was expected to be laid in parliament in spring this year, which didn't happen. There may now be aspects of the code that need to be updated.

### ✦ Extending Opportunities for Collective Defined Contribution (CDC) Schemes

*January 2023 – consultation*

**What?** Policy proposals to accommodate multi-employer CDC schemes (including master trusts). It covers potential use of CDC for decumulation only, as well as whole-life schemes.

**Why?** Although CDC was initially proposed to support the Royal Mail scheme, it has potential for the wider pensions industry, which is explored in more depth in this consultation.

**When?** The consultation closed in March 2023, and the DWP has said that it intends to consult on draft legislation for whole-life schemes in autumn this year, with some changes to the original proposals.

### ✦ Pensions Dashboards Update (DWP)

*June 2023 – Ministerial statement*

**What?** In March 2023, Pensions Minister Laura Trott stalled the Pensions Dashboards Programme, saying that it needed more time to deliver the complex architecture

involved. In June 2023, she announced amended regulations setting out a new path to delivery.

**Why?** Pensions dashboards have been beset with delays, but the end goal of enabling savers to make better decisions based on a wider view of their total pension savings remains valid.

**When?** Trott has committed to legislate for a connection deadline of October 2026. Meanwhile, in September 2023, Standard Life announced plans to deliver a commercial dashboard.

### ✦ Abolition of the Lifetime Allowance (HMRC)

*July 2023 – consultation on draft legislation*

**What?** It explains the changes needed to abolish the LTA and sets out tax treatment of pension savings, lump sums and lump sum death benefits. It also proposes some changes to the way that unused pensions passed on after death are taxed.

**Why?** Getting rid of the LTA could encourage people to continue to save into pensions without risk of being taxed above a certain limit.

**When?** LTA charges were removed for the 2023/24 tax year and this policy paper completes work to abolish it from 2024/25.

### ✦ Helping savers understand their pension choices (DWP)

*July 2023 – consultation*

**What?** The consultation follows a 2022 call for evidence and sets out proposals to support savers when they access their pension, by requiring all schemes to offer 'decumulation services' including a default choice. That could include a CDC option.

**Why?** Pensions Minister, Laura Trott, described this as "one of the most challenging and significant issues in

private pensions". Many savers don't understand their choices at retirement and could benefit from a default path or better information about how to choose suitable options.

**When?** The consultation closed in September. There is likely to be legislation to require trustees to provide services, but in the meantime the DWP plans to work with TPR to offer guidance to schemes.

### ✦ Ending the proliferation of deferred small pots (DWP)

*July 2023 – consultation*

**What?** A consultation on the DWP's proposal that a small number of schemes can act as consolidators for deferred small pots.

**Why?** Small pots have been one of the biggest unintended consequences of auto-enrolment. Keeping track of them is difficult for savers, and collectively they are expensive for schemes to administer.

**When?** Putting the proposal into practice will need primary legislation, with more detail in secondary legislation but there is currently no timetable. The consultation closed in September 2023.

### ✦ Pension Trustee Skills Capability and Culture (DWP and HMT)

*July 2023 – consultation*

**What?** A consultation into trustee governance and knowledge across three areas: skills and capabilities, the role of advice, and barriers to effectiveness.

**Why?** The consultation followed the Chancellor's July 2023 Mansion House speech when he called for more pension scheme investment in productive assets. It wants to understand whether trustees have the correct knowledge and skills for proposed investment opportunities.

**When?** The consultation closed in September 2023 and there is no timetable yet for next steps.

### Local Government Pension Scheme: Next Steps on Investment (DLUHC)

July 2023 – consultation

**What?** Proposals affecting how the LGPS invests, such as asset pooling, levelling up, investment in private markets, and how ‘investments’ are defined.

**Why?** The government wants to accelerate asset pooling with the goal of improved net returns, more effective governance, increased savings and access to more asset classes.

**When?** The consultation closed on 2 October 2023 and it proposed a March 2025 deadline for asset pooling transition.

### Options for Defined Benefit Schemes

July 2023 – call for evidence

**What?** To help DB schemes invest in productive assets, the call for evidence explores how to incentivise DB schemes to invest in this area, whether DB surpluses could be used more productively (such as taking on greater investment risk), and whether the government should establish a new public consolidator alongside commercial consolidators. It also explores whether the Pension Protection Fund should take on that role of public consolidator.

**Why?** Trott said: “We want to offer sponsoring employers and scheme trustees more choices going forward.”

**When?** The call for evidence closed in September 2023. The PPF has already made clear its ambitions to act as a consolidator.

### Value for money: A framework on metrics, standards and disclosures (DWP, TPR and FCA)

July 2023 – consultation response

**What?** Response to a joint consultation that explores how value for money in DC pensions is defined and assessed, through metrics that produce a

consistent, comparable set of criteria for assessing value for money in schemes.

**Why?** The regulators and DWP want to shift focus away from cost towards value when assessing pension schemes to ensure that savers get the best possible outcomes.

**When?** The plan is to introduce the framework in phases, starting with workplace default arrangements, but no dates have been confirmed. The consultation closed in September 2023.

### DB pension fund consolidation (DWP)

July 2023 – consultation response

**What?** This has been a slow burn. The original consultation on ‘superfunds’ closed in February 2019, but the government only published its response in July this year. The DWP will now work on a legislative regime to enable superfunds.

**Why?** Renewed government support will strengthen the case for superfunds and offer another choice for DB schemes.

**When?** Although government response has been slow, TPR has had an interim regime in place since June 2020. Only one superfund (Clara Pensions) has been assessed under the regime. Primary legislation will be created ‘as parliamentary time allows.’

### Occupational Pension Schemes (Funding and Investment Strategy and Amendment) Regulations 2023/ The DB Funding Code (DWP and TPR)

July 2023 – Ministerial comment

**What?** The DB Funding Code (backed up by secondary legislation through the Occupational Pension Schemes (Funding and Investment Strategy and Amendment) Regulations 2023) is still causing debate, in part because of the significant changes to scheme funding positions, fallout from the LDI crisis and challenge from the Work and

Pensions Committee over its impact on open DB schemes.

**Why?** The Funding Code sets out how DB pension schemes should de-risk and allocate investments towards low-dependency funding.

**When?** Concerns over the final drafting of the code continue to run. Pensions Minister, Laura Trott, has said that the DWP will provide an update in the autumn, and implementation is planned for April 2024.

### Advice Guidance Boundary review (FCA and HMT)

August 2023 – review

**What?** A joint review to help savers get affordable help, clarifying the boundary between financial advice and guidance.

**Why?** This is a long-standing issue that has particular resonance for pensions, because of the magnitude and long-term impact of the decisions savers make. The review also applies to investments and financial services more broadly.

**When?** There are plans for an autumn policy paper.

### Pensions (Extension of Automatic Enrolment) (No.2) Bill (Private Members’ Bill)

September 2023 – Royal Assent

**What?** A bill to amend the Pensions Act 2008 to reduce the lower age limit for auto-enrolment and remove the lower earnings limit for qualifying earnings.

**Why?** The bill proposes encouraging savings from an earlier age and ensures low-paid workers get more opportunity to save for retirement. But it still won’t address the wider issue of under-saving and calls for further reform have already emerged.

**When?** The bill received Royal Assent in September 2023 – with implementation planned for ‘mid 2020s’. Therefore, the bill could be included in the King’s Speech on 7 November.

# Who gets the money?

➤ **As many DB schemes are now experiencing surpluses, *Pensions Age* asks the industry where they would like to see these distributed**



The past 20 years of regulation has prioritised the security of benefits that have already been built up over everything else, including future accrual and discretionary benefits. This has led to a narrow focus on de-risking and ultimately fully insuring accrued benefits for some £2 trillion of assets. This position is exacerbated by the complexities of the exact wording on schemes rules as to whether or not any surplus that may exist can be returned to the sponsor.

We believe that a combination of updating trustees' and regulators' duties to include recognition of improving members' benefits and a statutory override to allow surplus to be paid on ongoing basis would be a game-changer for sponsors and help to unlock the huge value potential in UK DB pension schemes. Trustees would probably need incentives too, which we suggest would be tying any ongoing surplus distributions to the provision of benefit improvements or future benefits for current and future members – creating a win-win-win for members, trustees and sponsors.

Ideally, we would like to see the tax rate paid on any surplus distributions aligned with the prevailing rate of corporation tax. This would probably require some additional spreading or

anti-avoidance protections to avoid any gaming of the system.

If schemes were to be run on, we'd expect trustees to target slightly higher returning investment strategies. While this is unlikely to meet the government's aim of increasing investment in higher risk venture capital, we would expect it to see increasing interest amongst DB schemes in longer-term, return-seeking assets, such as private debt and infrastructure.

**Isio director, Iain McLellan**

The sharp increase in scheme surpluses creates a real opportunity for creative thinking. Arguably, the trustees' fiduciary duties to deliver members benefits have at this point been satisfied, giving scope for wider considerations in how surplus assets should be used than simple taxable returns to sponsors.

We believe that pension funds and the assets they hold have an important role to play in supporting a sustainable future for their members and future generations. We would encourage trustees, sponsors and advisers to consider the scope to use surpluses to advance ESG aims and transition plans.

The pensions industry's tradition of innovative thinking, its trail-blazing role in climate reporting and its decentralised governance, allow us to consider ways of tweaking the system to make this work,

particularly given the UK government's push for investment in UK plc.

Options could include allowing schemes to provide capital (through targeted relaxations to employer-related investments restrictions) to sponsors to make qualifying sustainable investments. This could reduce funding costs to the sponsor, whilst providing environmental and social benefits.

Another option could be for the government to designate specific "sustainable" infrastructure projects for investment of surpluses, incentivised by ongoing carbon credits or tax relief for sponsors on the return of surplus thereafter.

**Cardano Advisory managing director, Michael Bushnell**

There are already options for returning or redistributing DB surpluses but generally at the point of wind-up or buyout. There is clearly an incentive for making more productive use of the surplus sooner, where schemes are very well funded, but there are some obvious risks in breaking the link between distributing this excess capital and securing member benefits first. This risk could be exacerbated if at the same time there is a move to investing in higher risk/return assets within the scheme.

There are also some issues to consider in the fairness of distributing surplus,



either in the interests of an older DB population – many of whom may be ex-employees – by augmenting benefits. Or by distributing it to DC members, who are potentially younger on average, and where ex-employees are far less likely to be in scope. In practice, the DB population is likely to have benefited from higher employer contributions, and there may be a moral case for employers to consider distributing the surplus to the DC-only population, in order to bridge this gap a little.

**Royal London director of policy and communications, Jamie Jenkins**

Superfunds present the DWP with an opportunity. Employers should be allowed access to a scheme's surplus provided the scheme could at least secure full benefits from a superfund should that employer fail. This, together with a few additional protections around trustee consent and investment strategy being de-risked for example, would be a fair and balanced approach that could also meet the government's wider objectives regarding using DB pension scheme assets for the greater benefit of the UK economy.

Reducing the current penal tax rate payable by most employers when being refunded a surplus would also be a positive move, but DWP should think carefully before requiring this surplus to be siphoned off to pay for additional DC provision. Whilst this may make good headlines, it won't be sensible in a lot of cases. What happens if the employer already provides very good DC contributions to its employees? What if the surplus is far in excess of any reasonable pension provision for its existing staff?

Overall, we need to remember why the surplus exists in the first place. In most cases, employers paid the vast majority of the cost, took all the risk and were required to fund at what (in hindsight) turned out to be at too high a level. It therefore only seems right

that they should be able to benefit from that surplus, without much restriction, provided member pensions can still be protected.

**SPP DB Committee chair, Chris Ramsey**

The sooner that employers can gain appropriate access to emerging surpluses with flexibility, the more economically and tax effective their strategy will be.

Options such as using scheme surplus to meet the cost of benefit accrual (whether DB or DC within the same trust or a separate arrangement) and/or the scheme's expenses can help achieve this. More sophisticated provider solutions emerging in the market can help, but they introduce complexity and cost that is not always necessary. Above a certain surplus threshold, a refund on an ongoing basis or at eventual wind up may become appropriate.

There are, of course, practical issues that need to be considered, as not all approaches will be possible for all schemes. Legal advice is essential!

Employers and trustees should agree a plan in advance for how a surplus will be used. It is far easier to work through the details of how to treat a future surplus now and implement any necessary changes, than to seek the trustees' agreement once a surplus has emerged.

In most cases a win-win solution should be possible, with some of the surplus being used to augment benefits (which the employer may want), but care is needed to ensure generational fairness across the membership.

**Hymans Robertson partner and head of corporate DB endgame strategy, Leonard Bowman**

Using surplus to finance pension contributions is a frictionless way for employers to benefit, especially if refunds continue to be taxed at 35 per cent. With DC arrangements routinely outsourced, there should be a straightforward legal route for transferring surplus to another scheme, provided the DB scheme remained fully funded on a low dependency basis. If the government wanted to support better DC designs, it could allow only contributions above the statutory minimum to be financed in this way.

Trustees, who would like to help repair the purchasing power that DB members lost to high inflation, would find it easier to negotiate benefit improvements with employers if tax rules did not penalise one-off lump sums.

**WTW head of retirement, Great Britain, Rash Bhabra**



# Finding a DC small pots solution

**➤ To address the large number of deferred small DC pension pots, the government has proposed a framework for a multiple default consolidator model. This approach appears to have split industry opinion. We ask: Are you supportive of the government's proposed solution?**

“The growing number of small, deferred pension pots has become an increasing concern for the industry, and we are pleased that the DWP has offered a solution that works in the interests of savers.

“Our main reason for support of this proposed solution is that it will hold consolidator schemes to a higher regulatory standard, which will only improve outcomes for savers.

“From an operational perspective,

the core processes needed to make consolidators work are very similar to the processes needed to make pot-follows-member work. There is also an opportunity to learn from the dashboards project. While there's a lot of detail to work through, the consolidators proposal looks achievable and no harder than anything else that was on the table. With the policy direction now set, it's now up to the industry to make this work.”

**People's Partnership director of policy, Phil Brown**

“The government is focusing on small pots only here because automatically transferring someone's pension without getting their permission first comes with real risks. It is possible, for example, that someone might have their retirement pot moved to a scheme with higher charges or worse investment performance, or both. While it is logical to look at ways to increase scale and efficiency in the pension system, protecting the consumer must be the number one priority.

“By restricting automatic transfers to sub-£1,000 deferred pensions, the DWP is hoping to mitigate this risk, as the impact of charge differentials in pounds and pence terms should be relatively small.

“However, in reality this complex solution will likely take a long time to build and savers will still lose track of where their retirement pots end up. Instead, we need a solution that breaks through this apathy and reunites people with their pensions. The government should focus on launching pensions dashboards to enable people to locate all their pensions, including small pots, and empowering them to consolidate their retirement pots quickly and simply.”

**AJ Bell head of retirement policy, Tom Selby**

“We are supportive of the idea of default consolidators with a central clearing house that will support the transfer of small pots to the appropriate place. We do however feel that a framework for authorisation is required to support this system and ensure members do not end up in poorer value for money arrangements. The detail of this framework is not clear at present. In addition, a robust system of safeguards is required for providers to ensure that the rules and processes are clear and do not leave them open to challenge. Finally, when you put this approach through the lens of DE&I, there will be a need for some form of filtering mechanism, such



that there are no detrimental unintended consequences on minority groups.”

**Hymans Robertson head of master trust trustee consulting, Alison Leslie**

“We believe this model is fraught with complexity and cost and believe more consideration should be given to other solutions including ‘pot follows member’.

“A major barrier to any automated small pots solution is the total scheme cost of making pension transfers, which varies by scheme between £30 and £80, as indicated in the consultation paper. Until these costs are eliminated, and truly automated, with no human intervention, and communications fully digitalised, it’s hard to see any small pots solution being achievable or cost effective. We urge the government and regulators to work with the pension industry to investigate ways to reduce transfer costs before forging ahead with any small pots solution.

“Small pots consolidators will have to demonstrate the highest value for the member under the proposed value for member framework. The framework, once in place, will naturally drive consolidation into larger schemes providing better value for money. Surely it makes sense for scheme consolidation to happen before attempting consolidation of small pots at individual level. The concept of attempting individual and scheme consolidation at the same time is highly problematic. It makes no sense for a scheme to be a small pot consolidator if it is then, or becomes, at risk of being wound-up or consolidated if it offers poor value.

“Rather than focusing on building a small pots solution at the same time as other government pension initiatives, we believe the government should prioritise the value for money framework and getting dashboards up and running.”

**Aegon head of pensions, Kate Smith**

“We welcome the progress being made on small pots with consolidation likely to



be in the best interest of the most people. The decision that members could choose their designated consolidator is helpful as this will allow those who work through a number of short-term employment contracts to build up a significant pot in one place.

“As the pensions market matures there will continue to be a need for defaults, for members who have not made active pension choices. These defaults should not come at the expense of making it difficult to engage with your pension, and so we are calling for the parallel development of lifetime pensions. A lifetime pot would allow people to put all their employer contributions, including those from their employer, into their pension pot of choice.

“Given the multiple consolidator approach, we agree with the proposal to create a central clearing house to act as a central point informing pension schemes where to transfer an eligible deferred pot. The cost of developing and maintaining this clearing house, and how it is funded, should be explicitly addressed from the start. This will address the risk that a theoretically perfect solution is created only for it to be later established that the costs outweigh the benefit.”

**Hargreaves Lansdown head of regulatory development and policy, Phil Warner**

“Our first preference would have been for a ‘pot-follows-member’ approach, whereby pensions under a certain size automatically transfer when people change jobs.

“It’s an easy concept for consumers to understand and, in a charge cap environment, concerns about the value for money offered by receiving schemes are lessened. There is also the extra convenience with the pot-follows-member approach that the legislation already exists.

“*[The default consolidator model]* also risks further complicating the pensions system for savers due to the potentially cumbersome nature of the process and complex terminology. This option requires the creation of a clearing house or central registry, the cost of which will be substantial and could outweigh the potential benefits of the solution.”

**Standard Life managing director for workplace, Gail Izat**

**Written by Jack Gray**





# Gauging appetite for CDC

**Following the Chancellor's Mansion House announcements on decumulation policy and the expansion of collective defined contribution (CDC) schemes in the UK, there seems to be mixed opinions as to what impact the introduction of CDC schemes will have. *Pensions Age* asks: Are you excited by the prospect of CDC?**

**I** am greatly encouraged by the government's Mansion House proposals for the implementation of CDC in the UK. That there is strong cross-party consensus for CDC is a clear indication that this design of scheme will become common in the UK and that future members can look forward to the favourable retirement outcomes experienced in the Netherlands.

"The creation of decumulation-only vehicles will offer the public a 'halfway

house' between the rigidity of traditional annuitisation, and the risks associated with drawdown arrangements. Most importantly, the creation of schemes for non-associated schemes will see CDC move into its natural environment of auto-enrolment. Such schemes will allow members to experience true end-to-end defaults through induction into benefit accrual and finally into the provision of a lifetime income via the scheme.

"This surely represents a superior alternative to the decumulation minefield

associated with traditional DC schemes. CDC offers an exciting future for the next generation of pension scheme members, and the government is to be congratulated for allowing it to happen."  
**PMI director of policy and external affairs, Tim Middleton**

"Theoretically, CDC should be a good thing. Risk sharing across members, with the release valve of reduction in benefits has advantages. It also has the potential to play a decumulation role, somewhere between an annuity and drawdown.

"However, what you get out of a pension is a function of how much is invested, what investment returns are made, and what charges are paid. A lot of focus is currently given (e.g., in a Chair's Statement) to investment returns and charges. But there isn't anywhere near enough focus on how much is invested.

"Until we wake up as a nation and realise that we aren't putting enough into the system in the first place, we have a problem. One in 10 Japanese people are now over 80. The idea that we can all work for 40 years, save the current auto-enrolment minimum of 8 per cent of salaries, then have a 'comfortable' level

of income throughout our retirement is just wrong. Today's 30-year-old may well have an average 30-year retirement if they plan on retiring at 65. Yes, CDC is an innovative solution. It has mileage. But there are other fundamental issues at play."

**Dalriada Trustees director, Adrian Kennett**

"It's encouraging to see that CDC is now on the government's policy agenda. Employers, scheme members, and the wider economy could all benefit from the introduction of CDC schemes, and we would welcome legislation to enable the creation of multi-employer CDC schemes.

"CDCs provide a whole-of-life pension, which is typically expected to provide better outcomes for members compared to DC alternatives at the same cost. Compared with DB, CDC is also much less burdensome and costly for employers. Firms can still offer their employees a generous pension, but it doesn't require the open-ended sponsor guarantee. CDC could help these firms to attract and retain talent by standing out from their competitors.

"As a multi-employer master trust that offers both DB and DC to members, we're already speaking with employers in the housing and education sectors who may potentially be interested in joining a CDC scheme."

**TPT Retirement Solutions employer & strategic partnerships director, Andy O'Regan**

"I am pleased to see the government progressing with plans to legislate to enable a wider range of CDC pension schemes. It is great to see both the Pensions Minister and the Chancellor talking enthusiastically about CDC, building on the great work that has already made CDC schemes a reality and got us to this point. I agree with the comments made by the Chancellor in his Mansion House speech that CDC

schemes 'hold great promise for the future'.

"Looking at the pensions landscape in the UK, DB schemes are now mostly the preserve of a lucky few, at least in the private sector, and DC schemes have yet to solve the decumulation conundrum as to how to convert a pot of money into an attractive level of income that will last a lifetime. I believe that CDC pension schemes offer the prospect of helping to close the gap between DB and DC members and so improving retirement outcomes for millions of individuals in the UK.

"Therefore, I look forward to seeing the government bring forward draft regulations later this year that will extend the existing regime to multi-employer and master trust arrangements, as well as providing greater flexibility on scheme design. Both of these developments will broaden access to CDC, allowing more individuals to benefit.

"However, it is disappointing that, despite the strong support from government for decumulation only CDC, there is not yet a clear timetable as to when the government will bring forward legislation in this area. Decumulation-only CDC, as a solution at retirement for DC savers, is needed to truly open up CDC to the masses and it is also where there is the greatest need for CDC. Acting as a middle ground between drawdown and annuities for DC members, it has the potential to: Materially increase, by around 50 per cent, members' expected annual incomes compared with traditional annuities; and enable a generation of millions of existing DC savers to remain invested in growth assets into retirement, without the risks presented by drawdown of drawing too much or too little of their savings each year (and which will also help with the government's broader productive finance agenda).

"I would therefore urge the government to set out a clear timetable for legislating to allow decumulation-

only CDC. This will help provide clarity and certainty to providers who would be crucial in ensuring that this market evolves."

**WTW senior director and Society of Pension Professionals CDC group chair, Edd Collins**

"The Mansion House reforms have added to the momentum around CDC – and that really is to be welcomed. The Chancellor has recognised that CDC schemes have the potential both to offer better outcomes and to facilitate wider investment opportunities – one of his key objectives for the broader economy.

"By pooling risk and aspiring, but not guaranteeing, to provide increases to pensions, CDC schemes can help navigate new forms of volatility and hold more return-seeking investments – and over a longer period – than DC and closed DB schemes.

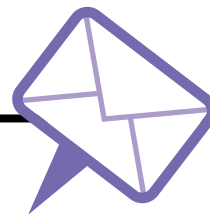
"Infrastructure is a great example of how this could generate returns and aid the transition to the low carbon economy. However, CDC schemes can go further, including through investment in private equity focused on new and emerging technologies with broader environmental or social impacts – and potentially address the bigger goal of helping grow the UK's economic prosperity."

**Aon partner and head of CDC, Chintan Gandhi**

**Written by Jack Gray**



# Testing times for trustees



## Summary

- Serving as a pension scheme trustee has become ever-more difficult, thanks to the changing nature of schemes, the complexity of scheme stewardship and an ever-tougher regulatory regime.
- Schemes, employers and the industry in general are trying to improve recruitment of and support for member-nominated and other lay trustees.
- Use of professional trustees continues to increase and can be very effective, but concerns remain over the accreditation regime and diversity on scheme boards.
- The UK's pension schemes will continue to need high quality lay and professional trustees for many years to come.

The phrase 'it's a tough job, but somebody's got to do it' could have been coined for pension scheme trusteeship. In the past, being a trustee may sometimes have been quite straightforward, but that is rarely the case today, thanks to changes in the scale and nature of schemes, ever-tightening regulatory demands, and the growing complexity of scheme investment strategies.

In that context, the DWP and Treasury joint call for evidence related to trustee skills and capability, launched in summer 2023, makes perfect sense. It focuses in particular on knowledge and skills related to investment strategies and working with scheme advisers, but trustees also have to grapple with many other issues, including cyber and data security risks; and the environmental, social and governance (ESG) agenda.

In addition, many DB scheme trustees may be preparing a scheme for

## The technical, practical and regulatory demands faced by trustees have all increased in recent years. David Adams looks at the possible consequences of those changes for the recruitment and retention of both lay and professional trustees

buy-in or buyout transactions; while trustees of DC schemes face other challenges, including encouraging lower paid members to keep making contributions during the cost-of-living crisis; and ensuring that members approaching retirement have the support they need to make good decisions about how to use their pension pots.

### Regulatory burdens

But it is arguably regulatory change that poses the most problems for trustees; and at present we await the next round of announcements from policymakers, with the results of the call for evidence and publication of the regulator's Single Code of Practice both due in the near future.

"What is expected of a trustee has gone up and up over the years," says The Pensions Regulator (TPR) policy lead, Nick Gannon. "And I think that's right – schemes are holding many millions of pounds for thousands of members, so you would expect them to look after the members' interests. But we hear that it's become very hard to recruit some member-nominated trustees, depending on the workforce and the scheme." In 2021, the Association of Consulting Actuaries (ACA) found that almost nine out of 10 employers (88 per cent) expected their schemes to struggle to find new trustees.

Member-nominated trustees (MNTs) and other lay trustees are still needed, because their contributions to the governance of many schemes can be so



important. They provide valuable insights into the most effective ways to communicate with members, may have a deep understanding of the sponsor's internal processes and culture; and can increase the overall diversity of talent and ideas on the board.

Association of Member Nominated Trustees (AMNT) co-chair, Maggie Rodger, does not think the tougher conditions for trustees have led to those already serving as MNTs resigning, but she agrees it has become more difficult to recruit new trustees.

"It is difficult when you get DB schemes that are very mature, and the only members are retired," Rodger admits. "The natural course of things then is that you end up with a professional trustee and a wind-up. But that decision still feels like it needs members to be involved." She also laments the effective loss of the old trusteeship model for DC schemes that are being moved into big master trusts.

Employers must play their part in finding and supporting trustees, says Rodger. "Give people time to go to the

meetings, to prepare for the meetings and read the papers,” she urges. “Give them time to train.” But some schemes and employers appear to be unwilling to do so: AMNT research published in spring 2023 showed many MNTs were not given time off or money to attend trusteeship training. Rodger sees this as a very foolish false economy.

“If we want well-trained trustees [employers] need to put some effort into this,” says Rodger. “It’s also lot cheaper than using a professional trustee.”

### Professional approach

Of course, working with professional trustees can be a valid solution. Half of all UK schemes now use a professional trustee, and one in five now use a professional sole trustee, according to LCP research published in September 2023.

Having a professional trustee on the board can be very helpful for a scheme moving towards buyout. “A buyout project is immensely complex,” says Pi Partnership head of trusteeship, Lynn Pointon. “So that can be a driver for bringing in a professional trustee, either as a sole trustee or to supplement the existing board.”

Many professional trustees will do an excellent job, whether joining an existing board, or, where appropriate, as a sole trustee. But some in the wider pensions industry have expressed concern about the fact that formal accreditation is not yet compulsory for professional trustees.

“We place a greater level of expectation on professional trustees,” says Gannon. “We would like to get to a position where everyone is accredited.” He points out that compulsory accreditation is among the options discussed in the DWP/Treasury’s call for evidence.

But however well qualified and resourced a professional might be, there is an argument that an increased reliance on their work will reduce the diversity of decision-making inputs guiding the scheme.

Hymans Robertson head of governance consulting, Laura Andrikopoulos, points out that if many professional trustees have come from similar professional backgrounds – as former pension consultants or actuaries, for example – there is a danger of a lack of diversity in approach. There has also been significant consolidation within the professional trustee sector during the past year, so reducing an already relatively small pool of professional trustee providers.

## “Trustees can continue to serve scheme members and pensioners for years to come, if they focus on quality, rather than quantity”

Association of Professional Pension Trustees (APPT) chair, Harus Rai, thinks schemes working with professional trustees might look at diversity in a slightly different way. “If you have a [professional] trustee working on 10 or more schemes, the diversity of experience across those different schemes, how their different advisers are working, and the different challenges those schemes have faced – that can be more diverse than the experience of someone seeing the issue for the first time,” he suggests.

Rodger acknowledges that a professional trustee may be experienced and well-qualified, but she worries that having helped a number of schemes negotiate similar issues may leave these individuals with the impression that they now know all the answers. “Someone needs to question that,” she says. “They can be brilliant, but we need to make sure there are lots of other voices alongside them. Member-nominated trustees provide that diversity.”

TPR also recognises the need to find ways of increasing the diversity of

the UK’s pool of trustees: The regulator launched a diversity and inclusion survey in July 2023. “It is important that you’re not falling into the trap of only one voice being heard when making decisions,” says Gannon.

### Tough questions

Pointon thinks trustees can continue to serve scheme members and pensioners for years to come, if they focus on quality, rather than quantity.

“My sense is that the average size of the board is diminishing – you used to have nine trustees, now you have five,” she says. “But did you really need nine? I think it’s important to make sure that everyone on that board bring different things. You don’t want seven clones – you’d be better off with three who have different backgrounds.”

“There are bad trustees out there, but overall I think trustees have done a sterling job over the years, getting schemes through some challenging times,” she says. “It’s hard to see a better system, but the challenge is always maintaining the quality of trusteeship.”

For Rodger, it all comes down to trustees challenging a scheme’s advisers – and perhaps also professional trustees – by asking simple but vital questions, like: ‘Can you tell me how that works?’ ‘Where is the return coming from?’ or ‘What are the risks?’

“They are easy questions to ask but they force people to go back to first principles,” she says. “That challenge – ‘I’m a member, tell me why this is a good idea?’ can be used anywhere.” A well-trained, well-motivated trustee’s determination to get answers to those questions and deliver life-enhancing results for members makes all the struggle to find and support new trustees worthwhile. It really is a tough job, and getting tougher all the time – but we really do need people who can do it.

 Written by David Adams, a freelance journalist

### Summary

- UK equities once dominated pension portfolios, with the remainder invested in bonds.
- Over the space of two decades, DB schemes have shifted their allocations and the proportions have fallen from close to 70 per cent in equities to just 15 per cent – and only a small slice of that is invested in UK equities.
- DC schemes remain heavy invested in equities but are still dominated by global equities, with UK stocks making up a small chunk.
- The government is keen for the pensions industry to get behind the UK economy by investing in British companies, but many argue more will need to be done at policy level.



# Finding a way forward

## Sandra Haurant explores how the role of UK equities has changed in pension scheme portfolios and whether they will make up a greater share of schemes' asset allocations going forward

UK stocks and shares once made up the lion's share of pension fund portfolios, but over time their dominance has dwindled to a sliver. In July 2023's Mansion House speech, the government expressed its wish to encourage pension schemes to invest in the UK economy. We take a look at the changing role of UK equities, and ask whether they will make up a greater share of allocations in the future.

### The traditional role of UK equities

The relationship between domestic equities and UK pensions funds has

long been a close one. As Ninety One portfolio manager, Matt Evans, says: "UK equities have [historically] been central to allocations as they offered exposure to domestic growth and opportunities, and supported job creation."

In fact, according to Schroders, UK equities made up close to 50 per cent of defined benefit (DB) portfolios in 1962, and they stayed around that level for decades.

As always, it's important to distinguish between DB and defined contribution (DC) pensions, as significant differences can be found. But in this case, for DC, too, the dominant area of equity investment was also UK-based when these schemes got up and running in the 1990s – and that balance has certainly shifted.

"When DC was in its infancy in the 1990s, a lot of schemes just used one manager. They'd have a multi-asset manager, a balanced approach, and that manager had freedom to allocate to equities," Mercer senior investment consultant and partner, James Brundrett, explains. "They would have a large UK domestic bias. And one of the reasons for

that was because nobody was hedging any liabilities – they were just investing for growth." Even so, while it was not a primary aim, UK equities matched UK pension funds' liabilities, by their very nature.

And there were incentives, too; a tax advantage on UK equities made them attractive to pensions funds. In short, the advanced corporation tax (ACT) on dividends for British companies was waived, so it was very much in pension schemes' interest to invest in domestic companies.

But all that was set to change.

### Crisis, scandal and disincentive

It's impossible to address shifts in pension fund allocations over the decades without mentioning the Robert Maxwell scandal. The discovery, following his death in 1991, that Maxwell had been plundering the company pension fund to prop up his firms shone a light on a dangerous lack of transparency in the industry. This, of course, led to a seismic shift in pensions regulation and management – the reverberations of which can still be felt today.





Brundrett explains: “Companies had to recognise pension scheme assets and liabilities on their balance sheets and impacting their profit and loss statements and so on. That caused the closing of DB schemes and that meant having to run them off. They became more mature and they had to de-risk.”

This resulted in a general shift away from equities: “People started buying bonds to match the liabilities, as they had a much closer link to the liabilities.”

So, what was the advice for the equity portion of a portfolio? “It was essentially that you still needed some equities, you still needed to get a good return, but you had the bonds that

were matching your liabilities now. So you didn’t really need them to be UK equities,” Brundrett says.

Add to this a marked concentration of equities in one sector – namely, in the late 1990s and early 2000s, the swiftly inflating tech sector. “A lot of the advice was to diversify,” says Brundrett. “And what great advice it was because in diversifying their equity allocations, most schemes would have gone global.”

Indeed, as Evans says, some of the main reasons behind a move away from UK equities can be summed up as: “De-risking of portfolios, a shift in pension funds to really worrying about costs, and a belief that global is better.”

But there was another turning point in the 1990s too. In 1997, as part of his first Budget, the then-chancellor Gordon Brown removed the ACT credit, a move that was widely considered to equate to the lifting of a key incentive for UK pension funds to invest in domestic equities.

### Today’s still-changing landscape

According to Mercer, the shift away from UK equities is part of a much wider move away from that asset class altogether

for the DB universe. In its 2022 *UK Asset Allocation report*, Mercer said that DB pension fund portfolios in the UK contained 68 per cent equities and 31 per cent bonds in 2003. A decade later, in 2013, the balance had tipped to 39 per cent equities and 47 per cent bonds. And in 2022, equities made up 15 per cent of allocations, while bonds were up to 52 per cent, with growth fixed income and ‘other’ (including cash, hedge funds, real estate and private equity) forming the remainder.

In DC, though, it’s a different picture. Within master trust schemes, equities continue to play a leading role. The Pension Policy Institute’s *DC Future Book 2022* shows that: “On average, master trust default strategies allocate more than two thirds (70 per cent) of assets to equities 20 years before a member’s retirement date.” But the proportion of UK equities remains comparatively slim. “Among master trust respondents that were able to provide a more detailed breakdown of the types of equities within which they are invested, 48 per cent of overall assets under management (AUM) were allocated to global developed market equities, 19 per cent to UK equities, and 7 per cent to developing markets,” the report says.

A major reason for this is the relative youth of DC schemes, explains Brundrett. “Most [DC] savers are in the early stage and not at retirement yet, so the majority of the money is going into equities.” And again, the global exposure here is important – tipping too far into domestic stocks would mean reducing exposure to other world markets – in particular the US – which hold the growth potential that schemes require.

### What does the future hold?

The Mansion House speech in July 2023 called for reforms that would encourage pensions to invest in UK high-growth companies – including unlisted firms. The aim, as Conservative MP Andrew Griffith said in parliament, is “providing

returns for savers, funding for businesses, and investments for our economy”.

Not everyone agrees that a shift back to higher proportions of UK equities – listed or otherwise – is desirable. “Maintaining a global investment universe will give members access to the widest possible opportunity set for their members. Any allocation to UK equities – along with any specific market – should be supported by a clear rationale and conviction that it will improve member outcomes,” says BlackRock head of DC strategy for EMEA, Dominic Byrne.

But there are some who are in favour, when taking valuations of UK stocks into account. Evans is optimistic: “The future should be looking up. There has been such a reduction and move away, that levels are so low the opportunity to increase exposure is looking more compelling,” he says. “Valuations are well below historic levels and the UK looks cheap relative to other global markets. Questions around liquidity and the UK economy being under pressure could be overcome by looking at the underlying companies that are in many instances competing successfully on the global market and trading at discounts to global peers.”

In any case, if the plan is to encourage pensions to pour funds into the UK, many argue that plan has room for improvement. “Our government is now interested in making sure that pensions get behind the domestic economy, and in part the role they can play is providing capital for investment, so they are looking at ways to encourage pension schemes to do that,” says Brundrett. “And if they are serious about that, then there are going to have to be some incentives, and the disincentives will need to be addressed. That will apply to listed markets, as well as private markets.”

 Written by Sandra Haurant, a freelance journalist



# Climate change: Fresh analysis needed?

➤ **A recent report from USS found that current climate scenarios often 'understate both the economic damage of climate change and the potential benefits of action, restricting their usefulness for investment decision-making'. *Pensions Age* asks: Does there need to be a 'paradigm shift' in climate scenario analysis for pension schemes to be able to make effective sustainable investment decisions?**

The report seems to propose that we use much more complex modelling to influence investor decisions. Whilst there are weaknesses in existing models and improvements can no doubt be made, we should accept that we can never perfectly model the interaction of climate, politics, asset prices, or feedback loops. The real world is too complex and human behaviour cannot be accurately modelled. Not only that but the number of assumptions involved will be huge and the conclusions are probably very sensitive to even small changes in those assumptions. Whilst the intention is good, there is significant risk of believing a model must be correct because it is complicated! Investors are generally sceptical of climate modelling because those models seem to have historically lacked predictive power and accuracy. It could be helpful for the new model's credibility if it is publicly stated what the climate impact of the defined scenarios would be over the next couple of years so that the public can realise that this new model is more accurate and therefore should be taken seriously.

➤ **Cartwright director of investment consulting, Sam Roberts**



There has been a growing volume of criticism of incumbent climate models for a while now; from the International Energy Agency's forecasts consistently underestimating the cost decline and roll out of renewable energy (resulting in inflated costs forecasts for the energy transition) to work highlighting the limitations in some scenarios, such as lack of integration of climate tipping points, floods, fires and droughts into models (causing an underestimation of climate impacts and costs) or the assumption that climate damages will increase linearly with temperature increase.

Most models also have a very techno-optimist view, with technologies such as carbon capture and sequestration (CCS), or direct air capture playing a critical role. Despite 50 years of CCS development, the number of failed and underperforming CCS projects outnumber successful ones, and at current rates of deployment CCS capacity would be just 10 per cent of what is required in 2050. Which raises the question of whether we can, or should, rely on technology alone to deliver net zero (which gives a 50 per cent chance of limiting heating to 1.5°C)

The climate crisis is an existential one, and as the latest UNFCCC report highlighted, we now need radical, systemic changes in order to prevent it. This implies leaving no stone, or scenario, unturned when considering the way forward.

➤ **Aviva Investors climate lead, Rick Stathers**

Scenario analysis complements our existing frameworks for long-term investment risk management, but reliance on conventional tools alone would be erroneous, given they tend to rely on backward-looking data to inform volatility and risk assumptions.

The whole premise of climate change is that it is without historical precedent and hence engenders a deep uncertainty of outcomes. Conventional climate scenario analysis therefore has real practical limitations for fixed-income investors. Not only is the range of plausible scenarios broad and reliant on complex integrated assessment models, but the potential variability in portfolio holdings over time is so high as to make scenario analysis in anything other than very long-dated buy-and-maintain portfolios somewhat meaningless. Put simply, the bonds we own today are unlikely to be the same as the ones we own by the time the scenario plays out – whether due to active trading or simply bonds maturing before the scenario timeline.

Moreover, the change in value of a fixed-income instrument is largely linked to the underlying interest rate environment and forecasting interest rates beyond a very short time horizon with any certainty is a hard task with many complex interactions.

**Insight Investment head of responsible investing, research and innovation, David McNeil**



The recent USS report highlights a pressing need for more accurate climate scenario analysis, for institutional investors such as pension schemes to make more sustainable investment decisions.

Ultimately, this is caused by climate models oversimplifying systemic interconnected and multi-dimensional risks with linear, incremental impacts on economies, GDPs, and investment portfolios. This approach fails to account for the intricacies of climate change impacts.

Worryingly, some current investment models suggest global warming will result in minimal harm to the economy. Astonishingly, some even suggest that a 7°C temperature increase could still result in economic growth.

These predictions are not only unrealistic, but incorrect and profoundly misleading. Models mapping physical risks are not properly accounting for the devastating consequences of potential temperature rises. This could include extreme disruptions to supply chains – even for sectors and assets that don't have a direct reliance on the highest-risk geographies – and major geopolitical changes, such as mass migrations.

The only solution is a fundamental reassessment of climate scenario modelling, starting from the very beginning. New models must account for non-linear impacts, tipping points, and the interconnected nature of climate effects across systems.

Crucially, this paradigm shift necessitates a concerted collaboration across industries.

**Scottish Widows investments stewardship lead, Shipra Gupta**

Our research within the Thinking Ahead Institute over the past several years would lead us to agree that climate scenarios understate the economic damage of climate change. We are less convinced that it is the role of climate scenarios to quantify the benefits of action, but would agree that there will be material costs for inaction. In our *Pay now or pay later?* paper we estimated that aggressive action to limit warming to 1.8°C would be associated with a loss in portfolio value of 10-15 per cent. Not taking aggressive action, and following the business-as-usual (current policies) path to 2.7 °C of warming would likely be associated with a 50-60 per cent loss in portfolio value. This is a sketch of two possible climate scenarios. Do they enable “effective sustainable investment decisions”? Probably not. But they should encourage different investment decisions.

Any scenario exercise, climate included, is an exercise in imagination. What might the future look like? Is this plausible? Probable even? And if reality does turn out this way, what decisions will I need to take? So the paradigm shift we need is to engage our imaginations, to recognise that climate will impact returns in percentage points, not basis points, and to loosen the grip that the past has on our decision making.

**Thinking Ahead Institute co-founder, Tim Hodgson**



## Pensions history

### New beginnings

The Association of Consulting Actuaries was formed over 70 years ago. Its evolution was documented in a short history of the association, written by Ron Abbott and published in October 1991 to mark its 40th anniversary. The document appears in PAT's archive collections.

It is difficult now to imagine pensions without the ACA, but its establishment was not without controversy. The Institute and Faculty of Actuaries was concerned that it might interfere with their regulation of the actuarial

profession. There were debates about membership eligibility and changes to the fledgling association's constitution. As proposals on tax and social security began to emerge from all sides of the political spectrum, there was protracted discussion about whether the ACA had authority to respond.

It was not until 1959 that the Institute and Faculty conceded that the ACA's chairman might write to the press and the association enter discussions with government departments on pensions matters. This breakthrough allowed the ACA to contribute to the pension system which developed in the 1970s, with its key components of discretionary tax

approval, preservation and contracting out, and to engage with the weight of regulation that followed.

Thanks are due to the foresight and persistence of the ACA's early members- and to the other industry bodies whose activities are documented in our archive. Without them the national pensions conversation would have been much poorer. It would certainly have been less well informed.

[www.pensionsarchivetrust.org.uk/our-collections](http://www.pensionsarchivetrust.org.uk/our-collections)

➤ **Pensions Archive Trust director, Jane Marshall**

### ▼ The bright side

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

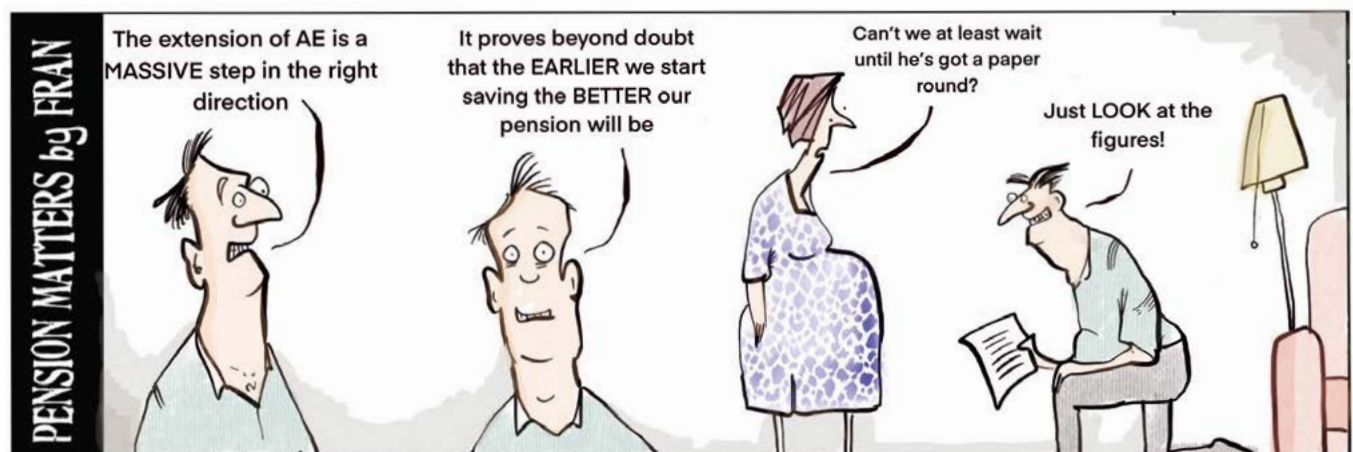
➤ Staff from **People's Partnership** have been out in force in their local area of Crawley to support the local community. Having sponsored the **Crawley Pride Parade** in August, the team also took part in a takeover at local social exclusion charity, **Crawley Open House Kitchen**, and volunteered to help freshen up local **St Margaret's Primary School**.



➤ **WTW** staff have been out fundraising across the UK to support the group's charity partner, **Children**

**with Cancer UK**. Staff in Reigate took part in **Run Reigate**, while 20 staff from its WTW Leeds Retirement made the most of their WTW volunteer day by taking on the **Three Peaks challenge**.

➤ The Independent Governance Group scooped the win at a recent industry charity quiz night, held by **Capita** and **Intellica**, donating the £400 prize pot to financial education charity, **Redstart**.



# PENSIONS**Age** JOBS

Advertise your roles on

[www.pensionsage.com/jobs](http://www.pensionsage.com/jobs)

to fill your vacancies fast!

## *Email*

john.woods@perspectivepublishing.com,  
camilla.capece@perspectivepublishing.com or  
lucie.fisher@perspectivepublishing.com to find out more!

**Pensions Age JOBS service – getting the best candidates for your key roles**

## PENSIONS**Age** JOBS

### *Some of the latest roles at [www.pensionsage.com/jobs](http://www.pensionsage.com/jobs) ...*

#### **SENIOR GOVERNANCE OFFICER**

Salary: 36,298 to £41,496

#### **FORCES PENSION SOCIETY – PENSION CONSULTANT**

Location: Office-based in Vauxhall, working from home as agreed  
Salary: Starting salary £50,358 p.a., initially on a fixed term 2 year contract

#### **FINANCIAL ACCOUNTANT**

Location: Remote Working Available - UK wide candidates will be considered, though you will be required to be on site at the London office a minimum of one day a month  
Salary: 45,000 to £57,000 dependant on experience

#### **TWO BOARD MEMBERS (FOUR-YEAR TERM, RENUMERATED)**

Salary: 17,000 per annum (Board Member) / £40,000 per annum (Board Member & LPP Shareholder Representative).

#### **PENSIONS OFFICER**

Location: Hybrid/West Yorkshire  
Salary: To £45000 per annum

#### **SENIOR PENSIONS ANALYST**

Location: Able to attend London office once or twice a week  
Salary: Up to circa £55,000 p.a. + good bonus and benefits, potential for more based on experience

#### **IN-HOUSE TRUSTEE GOVERNANCE MANAGER**

Location: Hybrid/London/Bucks office 2-3 days per week  
Salary: Comprehensive benefits

#### **TEAM LEADER - ADMINISTRATION PROJECTS TEAM**

Location: Surrey or West Yorkshire / Remote workers will be considered  
Salary: Dependent on experience

#### **PENSIONS ASSOCIATE DC CONSULTANT**

Location: Hybrid/Kent or Hampshire office  
Salary: Excellent

#### **IN-HOUSE PENSIONS NO.2 TO TRUST SUPPORT TEAM, HOMEWORKING, 3-5 DAY WEEK, FLEXIBLE HOURS**

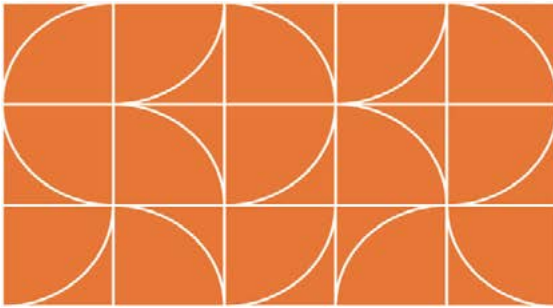
Location: Homeworking  
Salary: Dependent on experience, expected to be up to a six-figure FTE salary

#### **PENSIONS PROFESSIONAL SERVICES MANAGER**

Location: Hybrid/West Yorkshire  
Salary: Superb benefits

## PENSIONS**Age** JOBS





# Sammons PENSIONS RECRUITMENT

A member of the Sammons Recruitment Group

Leading recruiter for Pensions Professionals

[www.sammonspensions.co.uk](http://www.sammonspensions.co.uk)  
[pensions@sammons.co.uk](mailto:pensions@sammons.co.uk)  
01277 268 988 / 020 7293 7022



## Sammons Pensions Annual Salary Survey

All respondents receive a copy of the survey published early 2024 and entry into a prize draw.

Access the survey via [www.sammonspensions.co.uk](http://www.sammonspensions.co.uk)

Contact us for more information or to discuss previous years' findings.

### Workplace Engagement Consultant

**Home-based/Offices UK wide** to **£55000 per annum**  
Develop your Pensions career within a market-leading consultancy, deliver member engagement. Ref:79674 BC

### Pensions Calculations Developer

**Hybrid/West Yorkshire** to **£50000 per annum**  
Take responsibility across designing, developing, maintaining and supporting pension calculations. Ref: 79689 NMJ

### Pensions Analyst

**Hybrid/London** to **£55000 per annum**  
This is an ideal opportunity for someone with consultancy experience who would like to move into an in-house, project, administration, delivery role. Ref: 76217 JW

### Pensions Secretary

**Hybrid/London** to **£50000 per annum**  
You will be responsible to the Chair of Trustees for the efficient management of the DB and DC pension scheme in this varied role. Ref: 79612 JW

### Pensions Secretarial

**Hybrid/London** to **c.£50000 per annum**  
Excellent opportunity to join a small in-house pension team, reporting to the Head of Benefits. Ref: 79786 JW

### Assistant Trustee Associate

**Hybrid/London** to **£45000 per annum**  
Take your pensions career in a new direction with this award-winning Trustee company. Ref: 70583 NMJ

### Senior Pensions Administrator

**Work from home** **£competitive**  
Good scope for progression and an opportunity to join an established and client focused team. Ref: 74346 NMJ

### Associate DC Pensions Consultant

**Hybrid/Kent or Hampshire** to **c.£35000 per annum**  
From an administration or analytical background, you will be keen to take the next step in your career. Ref: 73178 NMJ

### Junior/Trainee Paraplanner

**East Sussex** **£competitive**  
You will be fully supported in order to pursue your career ambitions within this role with the opportunity to progress to Paraplanner level. Ref: 79778 JM

### DC Client Support

**Hybrid/Gloucestershire** **£excellent**  
Work across multiple functions supporting Senior team members whilst developing your pensions knowledge. Ref: 79723 JM

### Trustee Director

**Hybrid/UK** **£6 fig package**  
Fantastic career-move with a leading Professional Trustee specialist for a motivated Pensions professional. Ref: 62376 SB

### Pensions Administration Transition Manager

**Hybrid/London office c.2 days** **£excellent package**  
Progressive client-facing opportunity with this leading financial services specialist as you manage implementation of de-risking transactions. Ref: 62473 SB

### Pensions Manager, in-house

**Hybrid/South East** **£attractive compensation**  
Highly varied in-house career move, working closely with the Head of Pensions in the delivery of Pension plans. Ref: 67600 SB

### Pensions Finance Manager, in-house

**Hybrid c.2 days London office** **£superb package**  
Seeking a skilled senior Pension Scheme Accountant, with deep knowledge and experience of accounting for large DB pension schemes, to join this unique organisation in a key appointment. Ref: 79827 SB

### Trustee Consultant

**Work from home** to **£65000 per annum**  
Rare opportunity to join a growing consultancy, establish and develop your pensions consultancy career. Ref: 70406 BC

### Data Client Manager

**Hybrid/London, Mid or Scotland** **£superb**  
Manage and develop client relations within this niche role, deliver on client requirements whilst developing your own potential. Ref: 79719 BC

### Pensions Project/Product Specialist

**Hybrid/London or West Yorkshire** **£excellent**  
Broaden your pensions skillset within this innovative role where you be responsible for managing and co-ordinating the delivery of Pensions Service. Ref: 73315 BC

### Assistant Pensions Manager

**Hybrid/Offices Countrywide** **£excellent package**  
Working for a well-respected Pension Consultancy, you will be working as part of a specialist outsourced pensions management team. Ref:79697 BC

### Workplace Engagement Consultant

**Home-based/Offices UK wide** to **£55000 per annum**  
Develop your Pensions career within a market-leading consultancy, deliver member engagement. Ref:79674 BC

CELEBRATING  
our 15<sup>th</sup> year



**contactus@abenefit2u.com**

**Call us on 0207 243 3201**

**www.abenefit2u.com**

# Abenefit2u

Recruitment Specialist

Some of our current vacancies are listed below. For more interesting vacant roles with leading UK employers please see our website or call us to chat through your requirements.

**In-house Trustee Support** Up to six-figure base  
**Homeworking + Trustee Site Meetings** DB15653

Your core function will be to support the Trustee Board and Chief Pensions Officer in the management and governance of the Trust, including management of the third party service providers and advisors.

**In-house Pensions Administrator** £32k + Exc. Bens.  
**Homeworking, office 3 days in 4 weeks** DB15673

You will be a Pensions Administrator with a good grounding in DB and/or DC schemes, seeking your next step up. Alongside admin work, there will be some calls to take and other ad hoc work to allow you to grow and develop.

**Scheme Events Specialist** Up to £50k  
**Flexible/Homeworking on offer** CE15622

If you are highly experienced in the administration of scheme events such as benefit statements, valuation extracts and pension increases then this role could be a great opportunity for you. Homeworking or some office attendance are both available to you.

**Pensions Project Manager** Up to £65k  
**100% Homeworking on offer** CE15645

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.

**Team Leaders** £DOE  
**West Yorkshire or Surrey** TD15627

As a Team leader working on various schemes with populations from hundreds of members up to hundreds of thousands, this leadership role gives you the opportunity to work, within one organisation, on clients that offer exposure to every aspect of pension's administration; brilliant for career development!

**Pensions Analyst** £DOE  
**Midlands** TD15674

You will be supporting the team in the administrative and governance aspects of the pension provision to employees in the UK. You will also work closely with the team to ensure accurate contributions are deducted and paid, as well as delivering board and committee meetings efficiently.

## Are you recruiting?

Dedicated solely to the UK Pensions and Benefits Industry, Abenefit2u is a specialist recruiter with many years experience recruiting and working in this area, as well as a proven track record in meeting and exceeding even the most challenging client briefs.

We pride ourselves on our honest and fresh approach to working with employers to ensure they are recruiting the best candidates for their business. We would be happy to discuss how we can work with you to ensure your goals are met, your targets achieved and all within a cost effective, no risk solution.

We understand that at every level of an organisation it is the quality of the people that drives success, and we are dedicated to ensuring that our clients hire only the best. We have an impressive network of active and passive candidates across the spectrum of specialisms in the industry.

Our own stringent hiring and training policies means that all of our consultants are genuine experts in their fields, ensuring they can truly understand the requirements of each brief and precisely target only candidates who fit every need.

All of this means that we can promise our clients only the best talent and consistently deliver on that promise. Contact us and let us start working on your brief today, or to find out how else we can help you.

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



Working in partnership with employer and employee

*Recruitment Solutions designed to find stars!*

# NEXT NOW

THE VALUE OF INVESTING  
IN FUTURE CITIES



## CREATING NEW SOURCES OF VALUE

By reimagining buildings and entire developments, we are unlocking the value of tomorrow's cities today. As a leading investment partner with **almost 40 years' of history and about €60 billion of assets under management**, we have the people, performance track-record and global platform to add significant value to today's assets, delivering higher returns to investors.

[patrizia.ag/nextnow](https://patrizia.ag/nextnow)

 PATRIZIA

The information contained herein is directed only at professional clients and intended solely for use by the recipient. No part of this document or the information herein may be distributed, copied or reproduced in any manner, in whole or in part, without our prior written consent. This document is for information and illustrative purposes only. It does not constitute advice, a recommendation or a solicitation of an offer to buy or sell shares or other interests, financial instruments or the underlying assets, nor does this document contain any commitment by PATRIZIA SE or any of its affiliates. Whilst prepared to the best of our knowledge, the information contained in this document does not purport to be comprehensive. PATRIZIA SE and its affiliates provide no warranty or guarantee in relation to the information provided herein and accept no liability for any loss or damage of any kind whatsoever relating to this material. The information herein is subject to change without notice. October 2023 PATRIZIA SE

