Climate change
How pension scheme trustees can best avoid 'greenwashing' fears

Professional trustees
What the rise in the number of professional trustees means for the pension industry

Dashboards
The move into the development stage of dashboards

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September 2021

PENSIONS*Age*

The leading pensions magazine

Maps interview: *Money and Pensions Service (Maps) chief executive, Caroline Siarkiewicz, discusses its brands' consolidation into MoneyHelper*

Networking: *What the future of industry networking may look like*

Diversity: A helping hand

The pension firms leading the way with their diversity and inclusion strategies

INSIDE: Pensions Age Awards 2021 Winners Brochure

Editorial Comment

Sixth floor, 3 London Wall Buildings, London, EC2M 5PD

Talk, talk, talk.

If there's one thing this industry likes, it's a thoroughly good chat. Industry events may currently still be few and far between, but my hazy memory recalls them mainly consisting of debates – in the programmes' panel sessions, during the Q&As afterwards, between attendees in the breaks, even on occasion late in the evening, when the post-event drinks had moved venue to the nearest pub. Now, I like a good ol' debate as much as the next person, but, in my opinion, 11pm after the fourth pint is not the best time to discuss which is the most effective GMP equalisation method.

It's a credit to the pensions industry that it contains so many people passionate about the work they do. And the debates serve an important purpose. The industry's actions have a direct impact on people's quality of later life, so it is imperative that all viewpoints and potential consequences are robustly considered before making changes, be it through informal chats with peers or official consultations.

However, too much talk can make it difficult to know when, and how, to act.

Take the top topic of industry discussion lately – that of climate change. Our feature on page 46 considers the risk of greenwashing, and the efforts being made to overcome this, for investors to be confident that where their money isn't 'wasted' on empty words but is making a positive impact in the fight against climate change.

After all, with climate change, the time for talking is over; immediate action is required.

'Immediate action' can be a struggle with the slow-moving wheels of the pensions industry, which is why it is even more gratifying when we do finally see them turn.

Take the construction of the pensions dashboards. I was pleased to see their development start to pick up pace lately, with the recent announcement that the Pensions Administration Standards Association will lead the development of conventions for matching pensions dashboards' users with their pensions, alongside the Pensions and Lifetime Savings Association and the Association of British Insurers *[see p63 for details]*.

Despite this, we are still a fair way (two years at current estimate) from seeing the dashboards become live. So, in this issue of *Pensions Age,* where we look at the industry itself, we wanted to showcase examples of action occurring within popular industry subjects of discussion.

For instance, the topic of improving diversity within the sector. Our cover story on page 36 delves into the achievements a number of industry companies have had to improve the diversity within their organisations and how they achieved this. Meanwhile, on page 50, we also discover the positive impact of the companies featured actively partnering with charities.

Having these examples in the magazine will hopefully be of assistance for those looking to learn from their peers in these areas. However, despite the power of print, I'm aware that it doesn't compare to chatting one-on-one about the first-hand experiences of contemporaries.

Which is why our feature on page 110 considers the future of networking. While the pandemic-induced growth in online networking has increased the opportunities for those unwilling or unable to attend in-person events to mingle, the value of meeting face to face has not been forgotten (and is still very much enjoyed, even if socially-distanced, if our recent Pensions Age Awards were anything to go by – our Winners Brochure is on page 69 with more details).

However you wish to do so, be it online or in person, it's important that we manage to keep talking to each other. Just don't forget when it's the time for action.

Laura Blows, Editor

COVER FEATURE

Theme: Industry issues

36

Diversity: A helping hand

Understanding the importance of diversity is one thing, putting diversity into practice is another. Francesca Fabrizi speaks to some of the pension firms that are leading the way with their diversity and inclusion strategies, to assist those who are looking to learn from their peers

Highlighted features

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Pensions Age now has its new circulation figure from the Audit Bureau of Circulations (ABC). 14,481 (July 2019–June 2020) 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). Our print circulation is around 300% higher than the next nearest title, and 500% higher than the third title.

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Dateline - July-August 2021

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

5 July The Pensions Regulator (TPR) urges trustees and advisers to "help shape climate-risk guidance" amid the launch of a consultation on new guidance designed to assist trustees in meeting tougher standards of governance in relation to climate change. The eight-week consultation is seeking views on draft guidance that will sit alongside the new climate-related disclosure and reporting requirements coming into force from 1 October 2021.

9 July The **Pensions Administration Standards Association** (Pasa) launches guidance on guaranteed minimum pension (GMP) conversion for pension schemes. The guidance, produced by members of the GMP Conversion Sub-Group of the GMP Equalisation Working Group, aims to help trustees and actuaries equalise GMPs through conversion in a "proportionate and pragmatic way" by providing examples of how conversion has been used by early adopters.

9 July The **Department for Work and Pensions** (DWP) publishes a consultation on proposed regulations to give defined contribution (DC) pension savers a "stronger nudge" to take pension guidance. The regulations would require trustees and scheme managers to ensure individuals seeking to access, or transfer for the purpose of accessing, their pension savings have either received or opted out of receiving guidance from Pension Wise.

Editorial credit: maziarz / Shutterstock.com

19 July The **Pension Protection Fund (PPF)** wins its appeal to continue to utilise the 'Hampshire Uplift' following the Court of Appeal ruling on the *Secretary of State for Work and Pensions and the Board of the PPF v Paul Hughes and others* case. The Court of Appeal grants the PPF permission to appeal against the High Court's previous judgment in the *Hughes and others v The Board of the PPF* case, which ruled that the PPF compensation cap was unlawful.

19 July The **DWP** launches a consultation on the draft regulations and associated consequential changes for the implementation of a new authorisation and supervision regime for collective defined contribution (CDC) schemes. The consultation is seeking views on draft regulations outlining what CDC schemes must do to become authorised, to operate effectively in the market under regulatory oversight and what happens if changes must be made to their schemes. In addition to broader views on whether the regulations effectively deliver on the intended outcomes, queries have also been raised around specific elements of the draft regulations, such as the proposed fee structure and schemes divided into sections. The regulations were developed in close consultation with TPR and are designed to enable the launch of a single or connected multi-employer CDC schemes.

20 July The **government** confirms plans to legislate in the Finance Bill to increase the normal minimum pension age (NMPA) from 55 to 57 from 6 April 2028, in order to reflect increases in longevity and changing expectations around working patterns.

The government argues that raising the NMPA to 57 could encourage individuals to save longer for their retirement and help ensure that individuals have financial security in later life. Plans to increase the NMPA were first announced by the 2010-2015 coalition government in 2014.

It also proposes changes to the original transfer rules to allow members to retain their protected pension age following block and individual transfers where they transfer their pension to another provider.

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

21 July TPR hits "most" of its key performance indicator targets despite the impact of Covid-19, achieving six green ratings, three amber and two red, which "just missed their targets". The regulator acknowledges that Covid-19 had dominated its capacity and productivity over the past year, leading to "continuous re-planning and prioritisation" to ensure it maximised the effectiveness of its delivery.

22 July Employers in the **Universities Superannuation Scheme** (USS) commit to providing stronger levels of covenant support to the scheme in an effort to continue to deliver defined benefit (DB) pensions at affordable levels for members and employers. Whilst employers had previously backed Universities UK's (UUK's) proposed changes to the scheme, USS trustees argued that the indicative benefits would require further commitments for a covenant support package, prompting a second UUK consultation.

26 July Aon and **Willis Towers Watson** (WTW) agree to terminate their proposed $30bn (£21.5bn) merger following an "impasse" with the US Department of Justice (DoJ). The US DoJ had filed a civil antitrust lawsuit to block Aon's planned acquisition of WTW due to competition concerns. In connection with the termination of the merger agreement, Aon will pay the $1bn (£725m) termination fee to WTW.

29 July Pasa will lead the development of conventions for matching pensions dashboards users with their pensions, alongside the Pensions and Lifetime Savings Association (PLSA) and the Association of British Insurers (ABI). The organisations will work to devise solutions in producing data matching conventions that will be adoptable for the entire pensions sector.

5 August Prime Minister, Boris Johnson, and Chancellor, Rishi Sunak, challenge UK institutional investors, including pension funds, to make further investments in long-term assets to allow savers to benefit "from the fruits of UK ingenuity and enterprise". In a letter to the industry, Johnson and Sunak argue that an "investment big bang" is needed to unlock the "hundreds of billions of pounds" sitting with UK institutional investors and use it to drive the UK's recovery following the Covid-19 pandemic. The letter points out that global investors are benefiting from the long-term UK investments, whilst over 80 per cent of UK DC pension investments are mostly in listed securities.

11 August The cross-industry **GMP Equalisation Working Group**, chaired by Pasa, publishes supplemental guidance on transfer payments. It provides an update to the initial methodology guidance published in 2019 and reflects the November 2020 Lloyds Bank pension scheme High Court judgment, which ruled that trustees should equalise GMPs in past transfers. The impact of this ruling is considered from the perspective of both schemes which paid transfer values and those receiving them within the guidance.

Editorial credit: Anthony McLaughlin / Shutterstock.com

24 August The trustees of the **Morrisons Retirement Saver Plan** and the **Safeway Pension Scheme** warn that the proposed Morrisons acquisition deal, in its current form, would "materially weaken" the existing sponsor covenant supporting the schemes. In a statement, the trustees cite concerns that the offer Morrisons' board of directors intends to recommend from Clayton, Dubilier and Rice could weaken the sponsor covenant if no agreement is reached to provide additional protection for the schemes.

25 August TPR confirms it will not be proceeding with plans to limit pension schemes' investments in unregulated assets to 20 per cent. In its interim response to its consultation on its new code of practice, TPR notes that some respondents had interpreted the proposal as a restriction on illiquid investments and that its plan had inadvertently created a position that would affect well governed schemes. The regulator will now explore options for achieving its original policy goal of protecting members of poorly run schemes, whilst allowing schemes with liquidity risk management plans and prudent investment strategies to maintain exposures to unregulated assets.

News focus

Govt consults on draft CDC regulations

The DWP has published a consultation on proposed regulations for the introduction of CDC pension schemes in the UK, while the Prime Minister, Boris Johnson, called on pension schemes to make further investments in long-term assets

The Department for Work and Pensions (DWP) has launched a consultation on the draft regulations and associated consequential changes for the implementation of a new authorisation and supervision regime for collective defined contribution (CDC) schemes.

The consultation is seeking views on draft regulations outlining what CDC schemes must do to become authorised, to operate effectively in the market under regulatory oversight and what happens if changes must be made to their schemes.

In addition to broader views on whether the regulations effectively deliver on the intended outcomes, queries have also been raised around specific elements of the draft regulations, such as the proposed fee structure and schemes divided into sections.

The regulations were developed in close consultation with The Pensions Regulator (TPR) and are designed to enable the launch of a single or connected multi-employer CDC schemes, including the proposed Royal Mail (RM) CDC scheme.

Indeed, the government argued that establishing the regime in regulation would allow for rapid amendments in response to market innovation and development, as it intends to build on the experience of the RM scheme before facilitating other forms of CDC provision.

The DWP confirmed that CDC authorisation and ongoing supervision will be administered by TPR, which is expected to produce detailed practical support in the form of operational guidance and a Code of Practice, which will also be subject to a separate public consultation.

In addition to this, HM Revenue & Customs is working to make the necessary changes to the tax regime to allow the provision of CDC schemes.

Meanwhile, Prime Minister, Boris Johnson, and Chancellor, Rishi Sunak, have challenged UK institutional investors, including pension funds, to make further investments in long-term assets to allow savers to benefit "from the fruits of UK ingenuity and enterprise".

In a letter to the industry, Johnson and Sunak argued that an "investment big bang" is needed to unlock the hundreds of billions of pounds sitting with UK institutional investors and use it to drive the UK's recovery following the Covid-19 pandemic.

The letter pointed out that global investors, including pension funds from Canada and Australia, are benefiting from the long-term UK investments, whilst over 80 per cent of UK DC pension investments are mostly in listed securities, which represent 20 per cent of the UK's assets.

"While we are glad that international investors prize UK assets, and are working hard to attract even more inward investment, we also want to see UK pension savers benefitting from the fruits of UK ingenuity and enterprise, being given the opportunity to back British success stories, and secure higher returns and better retirements," the letter stated.

Furthermore, whilst the pair acknowledged the responsibility of government to remove obstacles and costs to making long-term illiquid investments in the UK, they argued that the government is "doing everything possible" to encourage change, "short of mandating more investment in these areas".

The new UK Infrastructure Bank, for instance, was described as "open for business" and ready to co-invest in green infrastructure, while the UK's first Green Gilt is set to be issued in September, in turn allowing institutional investors to fund the government's "vital" green commitments.

The DWP has also recently undertaken work to reform the cap on fees that DC schemes can charge to ensure they are not penalised for over-performance and to accelerate consolidation.

In addition to this, the letter to industry confirmed that the Financial Conduct Authority (FCA), with the support of the Product Finance Working Group, will be launching a framework for a new vehicle for long-term investment, the Long-Term Asset Fund, in the autumn.

Despite this progress, Johnson and Sunak also recognised that which assets to invest in to secure the best outcomes remains a matter for pension trustees, acknowledging that there is no single right answer for the amount that should be invested in long-term asset classes.

However, the letter emphasised that consideration of UK long-term assets is something that both the Prime Minister and Chancellor strongly believe to be a question that all institutional investors should be considering.

In other news, the government has confirmed plans to legislate in the Finance Bill to increase the normal minimum pension age (NMPA) from 55 to 57 from 6 April 2028, in order to reflect increases in longevity and changing expectations around working patterns.

The government argued that raising the normal minimum pension age to 57 could encourage individuals to save longer for their retirement and help ensure that individuals have financial security in later life.

Plans to increase the NMPA were first announced by the coalition government in 2014, and reconfirmed this year when the government launched a consultation on plans to increase the age at which people can access their pension without a tax penalty.

As a result of the industry feedback received during this consultation, the government has proposed some changes to the transfer rules for members to retain their protected pension age (PPA) following block and individual transfers where they transfer their pension to another provider.

It clarified, however, that the PPA is not intended to apply to the other rights members accrue in the receiving scheme, explaining that the aim is to protect transferred pension rights, "not enhance them".

The draft legislation is also expected to introduce a window so that individuals have an opportunity to join a pension scheme by 5 April 2023 where the scheme rules on 11 February 2021 already confer an unqualified right to take pension benefits below age 57.

However, the government confirmed that members of uniformed public service pension schemes and those with unqualified rights to take their pension below age 57 will be protected from these changes.

The DWP also published a consultation seeking views on proposed regulations to give DC pension savers a "stronger nudge" to take appropriate pension guidance.

The consultation proposed regulations that would require the trustees and managers of schemes to ensure individuals seeking to access, or transfer for the purpose of accessing, their pension savings have either received or opted out of receiving guidance from Pension Wise.

It proposed that trustees and managers explain Pension Wise to the relevant members and facilitate the booking of an appointment as part of the application process, which the DWP hopes will remove the inertia of savers having to book their own appointments.

It also proposed introducing a separate opt-out procedure to encourage savers to "seriously consider the value that guidance has" and ensure that, where savers decline guidance, this is an active choice on their part.

Trustees and managers will not be able to proceed with the application until members have opted out or received guidance.

The DWP wants to establish whether the regulations achieve their intended purpose, whether there could be any unintended consequences and, in particular, what effect this may have on the saver journey, how it would fit into existing provider communications and practices, and any impacts that may surround this.

Written by Jack Gray and Sophie Smith

NEWS IN BRIEF

Nest has launched a new procurement inviting fund managers to provide solutions for investing in private equity. The pension scheme is targeting an allocation of 5 per cent of assets under management to private equity, which is estimated to be £1.5bn by the end of 2024.

BT Pension Scheme (BTPS) has agreed to sell its remaining 29.5 per cent interest in Hermes Fund Managers Limited (HFML) to Federated Hermes for £116.5m. Federated Hermes previously acquired a 60 per cent majority interest in HFML from BTPS in 2018.

Defined benefit (DB) transfer values rose "sharply" over July to end the month at £260,000, according to **XPS Pensions Group's** Transfer Watch figures, just short of the record high of £261,500 recorded in July 2020. The increase in transfer values was attributed primarily to a reduction in gilt yields, and marks the end of a period of relative stability for transfer values, which had seen limited movement in recent months amid continued stability in financial markets.

The Pensions Administration Standards Association has created the Benefit Statements Working Group to advise the government's working group on the development of the annual benefit statement season. The Department for Work and Pensions previously announced plans for mandatory simpler annual benefits statements, including the introduction of a 'statement season', with a government working group launched to develop an approach.

TPR drops plans to limit schemes' investment in unregulated assets

The regulator had proposed capping pension schemes' investments in unregulated assets to 20 per cent in its consultation on its new, consolidated code of practice but decided to scrap the plans following concerns that it would restrict investment in illiquid assets

The Pensions Regulator (TPR) has confirmed that it will not be proceeding with plans to limit pension schemes' investments in unregulated assets to 20 per cent.

In its interim response to its consultation on the new code of practice, TPR noted that some respondents had interpreted the proposal as a restriction on illiquid investments and that its plan had inadvertently created a position that would affect well-governed schemes.

Earlier in the month, the government called on schemes to make further investments in long-term illiquid assets.

TPR said it will explore options for achieving its policy goal of protecting members of poorly run schemes, whilst allowing schemes with liquidity risk management plans and prudent investment strategies to maintain exposures to unregulated assets.

Although "most responses" to the regulator's proposed introduction of the new term 'governing body' were positive, some raised concerns, especially public service pension schemes, about the specific organisation and structural differences that the schemes and their administering authorities face.

"We accept and acknowledge the challenges described, although their cause is outside of our remit as a regulator," the response stated.

"However, we have received at least one response suggesting ways to resolve the difficulties of using 'the governing body' for this group of schemes. We will examine this in greater detail."

Concerns were also raised about the amount of work TPR's proposed own risk assessment (ORA) would entail, as well as the timeframe, what the finished product would look like, and the burden it would place on smaller schemes.

TPR said it remained of the view that trustees should prepare their first ORA in a timely manner and that it would consider how often governing bodies should review the ORA.

In other news, TPR has urged trustees and advisers to "help shape climate-risk guidance" amid the launch of a consultation on new guidance designed to assist trustees in meeting tougher standards of governance in relation to climate change.

The eight-week consultation was seeking views on draft guidance, which will sit alongside the new climate-related disclosure and reporting requirements coming into force from 1 October 2021.

Written by Jack Gray and Sophie Smith

VIEW FROM AMNT

"Education is the most powerful weapon which you can use to change the world." – Nelson Mandela. "Any fool can know. The point is to understand." – Albert Einstein.

When I was 10, I was very excited to receive a certificate for swimming 25 yards of a pool. To me, then, this was a major achievement. Perhaps, not unsurprisingly to my peers, I never became an Olympic swimmer, however I haven't drowned.

We go through life learning and training to obtain certain goals that are often recognised by a certificate or medal. Unfortunately, many of these become mere memorabilia left in dusty attics, like my swimming certificate.

However, this does not denigrate the effort put in or the triumph of achievement. But to be truly enhancing the success gained needs to be gainfully applied. This is true in all forms of human activity and the world of pensions is no exception.

Recently the PMI launched an accreditation process for lay pension trustees, which is to be applauded in providing a structured training programme with, of course, recognition at the end.

Pension funds' sponsors need to enable such learning by providing time and resources to lay trustees.

Accretion of knowledge in itself is fine but, unless for purely for academic purposes, then the application of such knowledge is the critical factor. That is the real test.

AMNT member, Stephen Fallowell

AMNT Association of Member Nominated Trustees

PPF wins compensation calculation appeal; DWP appeal dismissed

The Court of Appeal decided that the PPF may continue to use the 'Hampshire Uplift' and appeal against the High Court judgment that ruled its compensation cap was unlawful, while the government was denied appeal regarding the compensation cap

The Pension Protection Fund (PPF) has won its appeal to continue to utilise the 'Hampshire Uplift' following the Court of Appeal ruling on the *Secretary of State for Work and Pensions and the Board of the PPF v Paul Hughes and others* case.

The Court of Appeal confirmed that it had granted the PPF permission to appeal against the High Court's previous judgment in the *Hughes and others v The Board of the PPF* case, which ruled that the PPF compensation cap was unlawful.

In particular, the PPF objected the High Court judge's conclusion on its approach to survivors' benefits and the Hampshire Uplift, which was introduced following the 2018 Hampshire judgment.

The so-called Hampshire Uplift required PPF make a one-off compensation calculation to ensure the individual would receive at least 50 per cent of the benefits their scheme would have provided.

In addition to this, the Court of Appeal has ruled that the High Court judge "erred" when deciding that PPF's approach to survivors' rights is "wrong in principle", allowing PPF's appeal on this basis.

In contrast, the Secretary of State for Work and Pensions, Thérèse Coffey, has been denied permission to appeal on the grounds of delay and scope/implementation. She had argued that the original claim was delayed and should have been disregarded, and that the EU judgment and legislation on the compensation cap should not apply as it was subject to UK

law.

Furthermore, whilst the Court of Appeal allowed the Secretary of State's appeal on grounds of age discrimination, it agreed with the original High Court judgment and, as such, dismissed the appeal.

However, the ruling has not addressed queries as to the period of time over which the cap needs to be disapplied, or as to the underlying assumptions used in PPF and Financial Assistance Scheme calculations, leaving uncertainties as to the full impact of the ruling.

Indeed, the ruling clarified that whilst it is lawful for the PPF to perform a "single, ex ante calculation", the calculation in principle is immune from challenge, with the court expressing no view as to how finely tuned the assumptions used in the calculation must be to reality or how broad or narrow the margin of judgment may be.

Written by Sophie Smith

NEWS IN BRIEF

More than 3.6 million Brits have no idea how many pensions they have and risk paying more in fees than they need to, according to research by **Scottish Widows**. The pension provider called for a 'system overhaul' to help savers get control of their finances and make the pensions system more efficient.

The aggregate surplus of defined benefit pension schemes decreased by £36.6bn to £62.4bn in July, according to the **Pension Protection Fund** 7800 Index. The lifeboat said that the overall funding ratio of the schemes decreased from 105.8 per cent at the end of June 2021 to 103.5 per cent during the period. Total assets were estimated at £1,849.7bn and total liabilities were pegged at £1,787.3bn.

The **Signet Group Pension Scheme** has agreed a £236m full scheme buy-in with pension insurance specialist Rothesay, protecting the retirement savings of its 1,909 members. Of the scheme's members, 825 were deferred and 1,084 were pensioners in payment.

The Pensions Ombudsman (TPO) has stated that it will "need to do more with less" as it faces financial pressures and a likely increase in the volume and complexity of cases. Its *Corporate Plan 2021-2024* noted that although there was "a great deal of uncertainty ahead", it was expecting an uptick in cases. Despite a "significant increase" in TPO's staffing levels, workload and funding in the three years between April 2017 and March 2020, funding is not due to increase for 2021/22. It forecast that complaints would rise by 10 per cent in 2021/22.

Pasa to lead data matching conventions for dashboards

Working alongside the PLSA and ABI, Pasa will develop solutions for the pensions industry to use when attempting to match pensions dashboards users with their pensions. Pasa has also published new guidance on GMP conversion for pension schemes

The Pensions Administration Standards Association (Pasa) will lead the development of conventions for matching pensions dashboards users with their pensions, alongside the Pensions and Lifetime Savings Association (PLSA) and the Association of British Insurers (ABI).

The organisations will work to devise solutions in producing data matching conventions that will be adoptable for the entire pensions sector.

They will build on existing data matching approaches, align thinking with the small pots working group, and ensure an industry-wide adoptability.

Schemes and providers will have to decide what combination of personal data is best for them to match pensions to the dashboards, although there are concerns that some will set their criteria too high or too low.

Therefore, schemes are looking for industry-wide conventions that they can adopt to strike the right balance.

Pasa, PLSA and ABI will also work with The Pensions Regulator and the Financial Conduct Authority to ensure the conventions align with their expected regimes for dashboards regulation, and 11 providers of pension administration software.

However, Pasa warned that the standard data matching conventions will not solve the matching challenge on their own and urged trustees to work their suppliers to implement or build on existing technology/data cleansing solutions.

The organisations are hoping to have

the initial conventions ready for alpha testing firms to test in early 2022, with beta testing expected in later 2022.

Pasa has also launched guidance on guaranteed minimum pension (GMP) conversion for pension schemes.

The guidance, produced by members of the GMP Conversion Sub-Group of the GMP Equalisation Working Group, aims to help trustees and actuaries equalise GMPs through conversion in a "proportionate and pragmatic way" by providing examples of how conversion has been used by early adopters.

It details which schemes could use GMP conversion to achieve GMP equality and sets outs examples of the processes that have been used to achieve this.

Pasa also outlines the key dates trustees and actuaries have been considering when converting GMPs, including some that must come in a certain order to comply with statutory requirements.

Written by Jack Gray


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VIEW FROM THE PLSA

The IPCC's stark report in August has highlighted beyond doubt the scale of the global climate emergency we are facing.

For pension funds, who have been at the vanguard of encouraging better corporate behaviour with respect to climate change, addressing this challenge will take a variety of forms. From adapting to greener or net-zero strategies, to exercising ownership rights to hold investment managers and investee companies to account. And importantly, telling savers about the action they are taking.

Positive progress is being made but there continue to be barriers for schemes: gaps in the availability, consistency and quality of data; gaps in knowledge and resources in key parts of the market; and a shortage of suitable investible assets.

However, there are a number of great resources for trustees to draw on, including the Net Zero Investment Framework, which provides a basis for asset owners to align with the Paris Agreement.

For the PLSA's part, we will continue to support training and education to address a shortage of climate expertise – our proposed Responsible Investment Quality Mark is intended to recognise and share best practice. We are also making the case to government to help improve the supply of appropriate products to help schemes implement their climate strategies; the announcement of the issuance of the first green gilts is an excellent start.

PLSA deputy director of policy, Joe Dabrowski

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

Aon and Willis Towers Watson terminate proposed merger

The US DoJ had filed a lawsuit over the proposed acquisition due to competition concerns, leading to Aon and Willis Towers Watson agreeing to call off the deal despite other regulatory bodies, such as the European Commission, approving the merger

Aon and Willis Towers Watson (WTW) have agreed to terminate their proposed $30bn (£21.5bn) merger following an "impasse" with the US Department of Justice (DoJ).

The US DoJ had filed a civil antitrust lawsuit to block Aon's planned acquisition of WTW due to competition concerns.

Commenting on the decision, Aon CEO, Greg Case, said: "Despite regulatory momentum around the world, including the recent approval of our combination by the European Commission, we reached an impasse with the US DoJ.

"The DoJ position overlooks that our complementary businesses operate across broad, competitive areas of the economy. We are confident that the combination would have accelerated our shared ability to innovate on behalf of clients, but the inability to secure an expedited resolution of the litigation brought us to this point."

In connection with the termination of the merger agreement, Aon will pay the $1bn (£725m) termination fee to WTW, WTW's proposed scheme of arrangement has now lapsed, and both companies will "move forward independently".

The proposed deal was agreed between Aon and WTW in March 2020 and would have created a combined equity value of around $80bn (£57.2bn).

In its lawsuit, the US DoJ warned that the merger of two of the 'big three' insurance brokers would create a broking "behemoth", threaten to eliminate competition, raise prices and reduce innovation for American businesses, employers and unions that rely on these services.

Aon and WTW had previously taken steps to reduce competition concerns in the US and Europe by agreeing to certain divestures in connection with various investigations by international competition agencies.

However, the DoJ's lawsuit warned that these were "wholly insufficient" to resolve the department's concerns.

The proposed merger had been approved by the European Commission in July.

Case added: "Over the past 16 months, our colleagues have turned potential challenges into opportunities to advance our Aon United strategy.

"Our respect for WTW and the team members we've come to know through this process has only grown."

Written by Jack Gray

Morrisons' trustees warn takeover would 'weaken' sponsor covenant

The trustees of the two pension schemes raised concerns that the bid from CD&R in its current form would weaken the existing sponsor covenant supporting the schemes and called for further talks

Editorial credit: Peter_Fleming / Shutterstock.com

The trustees of the Morrisons Retirement Saver Plan and the Safeway Pension Scheme have warned that the proposed Morrisons acquisition deal, in its current form, would "materially weaken" the existing sponsor covenant supporting the schemes.

In a statement, the trustees warned that the offer Morrisons' board of directors intends to recommend from Clayton, Dubilier and Rice (CD&R) could weaken the sponsor covenant if no agreement is reached to provide additional protection for the schemes.

The trustees cited "several factors", including the introduction of additional debt secured with a priority claim ahead of the schemes on the majority of the Morrisons group assets, the related increased debt service burden, and potential future corporate activity, including the potential for refinancing and restructuring.

Although the schemes are in surplus on an ongoing funding basis, they do not currently have the resources to secure a buyout.

The trustees expect to be able to achieve full funding on a buyout basis in fewer than 10 years without further cash contributions from Morrisons beyond those already agreed, but warned that this was dependent on the Morrisons Group companies that participate in the schemes to support members' benefits.

The scheme trustees are now focusing on agreeing additional security to provide covenant support on their journey to buyout.

They had been in discussions with a previous bidder, Fortress, but have not had the same opportunity to progress multiple discussions with CD&R.

A "helpful introductory meeting" had taken place between the trustees and CD&R prior to the announcement of its offer, and the trustees are looking for to further talks about an appropriate mitigation package with CD&R "as soon as possible".

"The trustees are of the view that an agreement on the mitigation to be provided for the schemes should be settled with CD&R or Fortress (as appropriate) prior to any shareholder meeting to consider any offer for Morrisons," the statement added.

The aggregate Section 75 deficit of the schemes, as at 31 May 2021, was estimated at £800m.

Written by Jack Gray

VIEW FROM THE PMI

Pensions Management Institute

Where I live in Folkestone, there's a statue erected in memory of the huge contribution of the British Gurkhas to our armed forces. Their motto is "It is better to die than to live a coward".

So, why am I writing about the Gurkhas and their motto? It feels pertinent because you may have heard through the national media that a small group of British Gurkhas were on hunger strike outside parliament over their pensions. Although they won the right to settle here in 2009, largely through the dedication of Joanna Lumley's campaign to highlight the plight of former Gurkha soldiers, they receive only a small proportion of the equivalent pension rights of a British soldier.

Whatever you might think about the rights and wrongs of the Gurkhas' claim, there is a wider implication for us all about pension inequality. The Gurkhas have said they are willing to die over this issue, such is their passion. The vast majority of us will never be drawn to taking this kind of action, but we cannot be blind to the continuing earnings and, therefore, savings gap which exists in the UK. The pandemic has undoubtedly exacerbated the situation, but the earnings and pension gap is a problem we have failed to resolve for many a moon.

In a world where the reality of climate change is bringing into sharp focus existing global inequalities, we may need to look closer to home to address our own inequalities. Here in 2021, I still very much mind the gap.

PMI president, Lesley Alexander

VIEW FROM THE SPP

The SPP responded to TPR's new code consultation, so it seems timely to share our thoughts:

How will smaller and mid-sized schemes with less time and resource really engage with its complexity and detail given the apparent lack of value up front?

How can we be sure the apparent further acceleration towards professionalisation of trusteeship and outsourcing, sole trusteeship and consolidation will deliver better outcomes for members?

With all the extra work, scheme costs are likely to rise without clear added value for members.

Often service providers cite confidentiality, limiting trustees' ability to probe and assure themselves on areas such as cyber risk. Could the final code be improved to give trustees more traction here?

Getting to grips with the risk modules will require significant work. Will TPR provide some yearned-for clarity and practical guidance on how to make the most of existing risk, policy and reporting work?

Trustees have time to get to grips with the new requirements and decide how to implement them. Those who engage with and begin considering their ever-increasing governance requirements now will reap the benefits when the final code is published.

SPP council and administration committee member, Barry Mack

THE SOCIETY OF PENSION PROFESSIONALS
leading pension thinking

Market commentary: Inflation tensions

As with many recent months, much of the market focus over the past month has been around trends in the Consumer Price Index (CPI) with the Office for National Statistics revealing a fall in inflation to 2 per cent in the year to July 2021.

Whilst this represents a decrease on the 2.5 per cent recorded in June 2021, industry experts have warned that this could be temporary, with many pointing out that CPI has increased year-on-year, having been at 1 per cent in July 2020.

Aegon pensions director, Steven Cameron, for instance, warned that whilst this month's fall "may look like a welcome reprieve, it may be a temporary blip ahead of further rises later in the year towards the Bank of England's 4 per cent prediction".

He stated: "The return of higher and rising inflation is starting to prey on people's minds, and will be of increasing concern if this is sustained for longer periods. Aegon's research shows 70 per cent of adults are concerned about the impact of high inflation on them personally."

Interactive Investor head of markets, Richard Hunter, agreed, stating: "The relief of a slowdown in inflation is likely to be short-lived, with upward pressures remaining in the pipeline.

"Cost inflation is still bubbling underneath the surface, both in terms of blockages in the supply chain elevating prices, as well as pressures on the labour supply. In addition, the proposed hike in energy prices and the removal of the VAT reduction in hospitality will add some fuel to the inflationary fire as the year progresses.

"The Bank of England will not be carried away by the reduction, given its view that inflation has yet to peak before receding again, and with additional rises coming from the likes of the second hand car market and transport costs in general, the underlying factors may yet see a significant increase from the current level of 2 per cent before the number settles down again."

Adding to this, AJ Bell financial analyst, Danni Hewson, said that while the number appears to give members of the Bank of England's Monetary Policy Committee a great deal of wiggle room, "we are not out of the woods quite yet".

"If people have more to spend, they might be prepared to keep spending just that little bit more and businesses might need to push up prices to cover their costs, creating a lovely muddy circle," he continued. "Yes, July has brought a surprising bit of breathing space, but this inflationary story doesn't seem to have quite run its course."

Hargreaves Lansdown senior pensions and retirement analyst, Helen Morrissey, also drew attention to the impact of inflation on income levels, noting that whilst wage rises could mitigate the impact of inflation for workers, retirees on level incomes or those whose retirement savings are in cash face erosion of their long-term purchasing power.

"While the rate of inflation is widely predicted to peak then fall, it's a stark reminder that its relentless creep upwards will take a real chunk out of the spending power of retirement income over time," she explained. "Typically, workers can combat this with wage increases, but retirees risk a long-term erosion of their financial resilience if their planning neglects the inevitable reality of price rises."

Written by Sophie Smith

MAC and absolute return fixed income: Better together?

Multi-asset credit (MAC) and absolute return fixed income strategies have long competed for investor attention. But does choosing one over the other make sense?

At a time when interest rates are either ultra-low or even negative, positive inflation-adjusted returns are in short supply. To achieve them, bond investors have turned to strategies that have the flexibility to invest in different types of fixed income, the most popular of which are multi-asset credit (MAC) and absolute return fixed income (ARFI).

Both have plenty to commend them. But they should not necessarily compete for investors' capital. We would argue that it doesn't have to be a case of one or the other. In fact, combining the two can improve a bond portfolio's diversification and increase its overall risk-adjusted returns over the long run. That's because MAC strategies tend to do particularly well when interest rates and bond spreads are stable, while ARFI portfolios outperform during periods of credit stress or when interest rates are volatile.

Universe and diversification

For a start, MAC strategies tend to have a tilt towards high yield rather than investment-grade bonds. This helps them perform especially well when market volatility is low and yield spreads between corporate and government bonds are narrowing. Their overall credit investment remit, however, can be very broad. This means MAC strategies traditionally offer greater diversification than a direct allocation to high-yield credit.

By comparison, the ARFI universe tends to be, by design, much broader, embracing the full fixed income toolkit; the investment styles and the sources of excess return or 'alpha' are more diverse than for MAC strategies. In many cases such portfolios also invest in credit, but often do so alongside currencies, interest rate products and derivatives. Probably the most common feature of ARFI strategies is the incorporation of capital protection/risk mitigation trades. The aim here is to improve risk-adjusted returns, but it also means that absolute return strategies tend to lag during bull markets in credit spreads.

ARFI strategies also use all the investment tools available, including derivatives, to manage risk – keeping the desired exposure while hedging out unwanted risk – across the full spectrum of fixed income sectors. This makes ARFI strategies less sensitive than MAC strategies to the overall direction of the credit market. For example, an ARFI strategy can protect against the risk of inflation and rising rates by taking a negative duration position.

The differences between the two strategies mean that correlation of the returns generated by ARFI and MAC strategies tends to be relatively low, and certainly much lower than between the returns of the different funds within the MAC universe. Combining the two strategies could thus offer diversification benefits compared to investing in just one.

Liquidity versus returns

As a rule of thumb, credit investments and emerging market bonds tend to be less liquid than developed market sovereign debt and currencies. Thus, MAC strategies – which invest heavily in such assets – are usually less liquid than their ARFI counterparts. This makes the risk of a sharp drawdown – or a sizeable peak to trough capital loss – more significant for the MAC strategies.

On the flip side, by capturing this liquidity premia, MAC strategies tend to deliver higher returns, on average, than their ARFI peers over the course of a market cycle.

The source of return also tends to be different, with MAC taking a more bottom-up approach and ARFI tending to place more emphasis on top-down, macroeconomic factors in portfolio construction.

Best of both worlds?

Despite their differences, MAC and ARFI vie for the same type of investor – one who is looking for a flexible approach that generates returns even in the current climate of low yields and low credit spreads. Yet, there are enough differences for the two types of strategies to be complementary. MAC can offer access to more exotic and less liquid securities that offer the prospect of higher yield. A well-balanced ARFI strategy, meanwhile, can harness strong macroeconomic trends while reducing risk and yet still delivering positive real returns.

By combining the two and selecting the managers that play to each strategy's strengths, investors can thus achieve better risk-adjusted returns than by focusing on either one in isolation.

Written by Pictet Asset Management head of global bonds, Andres Sanchez Balcazar

In association with PICTET 1805 Asset Management

Appointments, moves and mandates


Maggie Rodger

The Association of Member Nominated Trustees (AMNT) has announced the election of Maggie Rodger to the role of co-chair. Rodger will co-chair the association alongside Janice Turner, following David Weeks' decision to stand down due to ill health. Whilst Turner has been serving as sole chair in the interim period, Rodger has agreed to take up the role on an interim basis to take the organisation to the next annual general meeting in 2022.

She has been a member nominated trustee of the Church of England Pensions Board since 2016, and is an accountant by profession, having previously worked for the Church Commissioners in a variety of administrative and financial roles over a 22-year period, before becoming the management accountant to the Archbishops Council in 1999.

Commenting on her appointment, she stated: "I am delighted to have been elected to the position of co-chair of the AMNT. I look forward to working with my colleagues to ensure that the voice of the member continues to be heard."


Helen Morrissey

Hargreaves Lansdown has named Helen Morrissey as senior pensions and retirement analyst. Morrissey, who brings in more than 18 years' experience in the pensions industry, joins from Royal London, where she worked as a pensions specialist for over four years. Her new role will focus on working with the media to help raise awareness of key issues affecting how people plan and live in retirement.


Nicola Benstead

SEI has named Nicola Benstead defined contribution (DC) client director. Benstead most recently worked as head of client relations at Aegon, covering more than £20bn in assets under management. She previously served as BlackRock head of DC clients and a senior consultant at Willis Towers Watson. In the new role, she will be responsible for relationship management with SEI's DC clients within the master trust.


Sarah Laessig

Nest has appointed Sarah Laessig and Myfanwy Barrett to its board. Laessig is currently a director of DG Pension Trustees, a United Trust Bank non-executive director (NED), as well as a Local Pensions Partnership Investments NED. Barrett also has experience in leading a wide range of services, is a qualified accountant, and has recently joined The Pensions Ombudsman board as senior investment consultant.


Jessie Wilson

Dalriada Trustees has appointed Jessie Wilson as a professional trustee. Wilson joins from Baillie Gifford, where she was a director in the firm's US financial intermediaries team and also previously held the role of client services manager. She began her career at HSBC Actuaries & Consultants as an actuarial analyst, and brings 15 years' experience to the role. Dalriada said the Leeds-based appointment will strengthen its staff network in the UK.


Leonard Bowman

Hymans Robertson has appointed Leonard Bowman as head of corporate DB endgame strategy. Bowman joined the consultancy as a partner earlier this year as part of the acquisition of Bath Actuarial Consulting, which was co-founded by Bowman. He previously held senior corporate actuary and management roles at Willis Towers Watson and has experience advising companies on designing, implementing and managing DB endgame strategies.


Emma Douglas

The Pensions and Lifetime Savings Association (PLSA) announced that Emma Douglas will become its new chair on 14 October at its annual general meeting. She will succeed outgoing chair, Richard Butcher, whose four-year term ends on 14 October. Douglas, who has chaired the PLSA Policy Board since 2018, will initially serve as chair for three years, with the option to extend for a further three years. Recently, Douglas left her role as Legal & General Investment Management head of defined contribution and will soon join Aviva as its managing director, workplace savings. With more than 20 years of experience in the pensions and investment management industry, she has also held senior roles at Mercer, BlackRock and Threadneedle Investments.

Douglas commented: "Having been involved with the PLSA for many years, most recently as the first chair of the Policy Board, I am looking forward to ensuring that members' interests continue to be strongly represented by the association as we tackle the post-pandemic future for the pensions and savings industry."

Royal London Asset Management fund manager, Diversified ABS Fund, Shalin Shah

Alternative credit

Pensions Age editor, Laura Blows, is joined by Royal London Asset Management fund manager, Diversified ABS Fund, Shalin Shah, to talk about the various opportunities within asset-backed securities

Asset-backed securities (ABS) is a broad term, covering a diversified range of investments, as Royal London Asset Management fund manager, Diversified ABS Fund, Shalin Shah, explains in our *Pensions Age* podcast, *Alternative credit.*

One such type of asset-backed security is secured corporate bonds. These bonds are effectively secured on assets but also have a claim into the corporate, he says.

"An example is that we have bonds the BBC have to pay us back on, in terms of bond maturity, but we're also secured on, if you're watching the 10pm UK *BBC News*, we're secured on that broadcasting house. So, it's a great way to lend to corporates, where we've got that downside protection related to security of assets," Shah explains.

Post-financial crisis, the other area Royal London Asset Management has invested in within ABS is the securitisation market, particularly residential mortgage-backed securities.

"The difference between securitisation and secured corporate bonds is that securitisations are typically completely off the balance sheet. For example, the bank, which has mortgages that they have leant against, can take those mortgages off its balance sheet and then securitise them by creating a bond that is secured on that pool of mortgages. Typically, these securitisations don't allow us to have a link back to the bank, so we can't go to the bank and ask for our money back if there is a problem with the securitisation pool," Shah clarifies.

"For us, we feel we have the luxury of looking at the best of both worlds, the cheapest bonds in the securitisation market as well as in the secured corporate bond area."

Shah warns that one of the issues that pension funds should be concerned about is "actually understanding the loss impact that may come through on the types of bonds that they hold".

He gives the examples of ABS having the risks of a downgrade in the credit rating, along with default risk, "so you need to understand the quality of assets underlying the borrower and to understand the kind of bond protections you have".

Rating agencies can help with this, but they typically only focus on the probability of default and not on the key risk of how much money would be still received if there is a default – "and that's why we think ABS is a really attractive area because you are not sacrificing yield to get that protection", Shah adds.

If you look at the unsecured corporate bond market, credit ratings are often used as a proxy for risk, he continues, "yet when you look at the typical credit ratings out there only about 15 per cent of these fixed-rate bonds in the sterling credit bond market are in this type of secured debt".

Therefore, a lot of investors out there are actually ignoring ABS because it's more complex and difficult to analyse, with more regulations, "so because a huge swathe of investors in the fixed-rate market are ignoring it, we find we can capture these types of bonds".

According to Shah, specialised ABS funds are mainly focused on three key areas – residential mortgage-backed securities, credit card borrowings and auto loans – "all of which are very consumer orientated, so they will be very impacted by any end consumer problems".

In contrast, Royal London Asset Management's approach is "really about maximising the benefits of ABS by not only looking at that securitisation market but also the secured corporate bond market".

As ESG considerations are a key concern for investors, Shah explains how secured debt contains ring-fenced collateral, so dampens down some of the traditional debt risk. Meanwhile, securitised assets, being off the balance sheets, are more of a challenge to obtain good quality data, "but we have found in the past year that there is a huge amount of pressure to get good quality data and stats on the underlying environmental statistics".

Royal London Asset Management enjoys a rich heritage of more than 10 years looking at the ESG risks. Recently, it has noticed a tick-box approach to ESG analysis, "with a lot of investors more focused on the off-the-shelf screening tools like MSCI to tell them whether a bond fits into the criteria, but actually we find that you really do need to dig deeper than that to understand the true ESG risks".

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

VIEW FROM THE PPI

The DC landscape has expanded and evolved rapidly in recent years. Demographic, policy and market changes mean that in future, retirees will be living longer, entitled to the state pension later, more likely to reach retirement with DC savings, and experiencing greater flexibility of access to DC savings.

Since PPI first began tracking DC trends in its annual *DC Future Book* publication, we have seen substantial changes in both long-term saving and retirement.

There are more DC savers than ever before, with an additional 5.1 million employees having been automatically enrolled since 2015, taking the total number of automatically enrolled savers to 10.5 million. We have also seen trends in access to DC savings change dramatically, as use of drawdown and full withdrawals have increased while annuity purchases have declined. With the greater levels of complexity and risk faced by DC savers post-pension flexibilities, advice and guidance have become an increasingly important part of retirement decisions, despite relatively low take up.

The DC market will continue to grow as the decline in DB provision in the private sector continues and as auto-enrolment embeds. If DC savers are to achieve adequate retirement outcomes, challenges around low contribution rates and low levels of engagement, including levels of advice and guidance take up, will need to be addressed.

PPI senior policy researcher, Lauren Wilkinson

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Soapbox: Let's get techy

Sometimes it can feel a bit like technology is taking over. Smartphones are almost a necessity, smartwatches adorn the wrists of many and smart fridges presumably occupy the kitchens of people who just can't get enough of 'smart' things. The stuff is everywhere and pretty much everyone is getting better at using it as the days go by.

Even I have become somewhat of a dab hand with technology. My many years of practice with various gadgets have seen me master the art of operating the toaster, turning on my Xbox and, perhaps most impressively, fast-forwarding through advertising breaks at 30x speed.

But is the pensions industry embracing technology in the same way?

One high profile example of the industry getting to grips with technology is the Pensions Dashboards Programme, which reported in July that it has now recruited volunteer data providers. However, the project will not be fully off the ground until 2023 and recently faced criticism from Premier Pensions head of administration, Girish Menezes, who said its basic structure was "ill conceived" and could lead to an "IT nightmare".

Even so, the project is a sign of great progress towards the sort of digitisation that could really benefit pension savers. But what other advancements are being made?

Not enough, according to PensionBee, who in August called for more pension providers to adopt modern technology after finding that almost half (47 per cent) of savers were unable to view their retirement savings online at any time, instead relying on information in the form of paper statements.

The provider raised concerns that this lack of support had led to an environment where people thought it was too complex to engage with, noting that two-fifths (43 per cent) of pension savers felt they were not saving enough for retirement and that their provider could do more in supporting them in their savings journey.

When you think about it, this is a logical conclusion to come to. Having an app or website where customers can view details about their retirement savings is one of the first steps towards creating digitised services, where customers can make changes at the touch of a button. Furthermore, making changes just seems so much more possible when the information necessary is right there in front of you, rather than arriving in a potentially confusing letter once a year.

Digital pension provider Penfold emphasised this in July when it published research revealing that 58 per cent of pension savers had no idea how much was in their pot. The company raised concerns that consumers were being left confused about retirement, having also found that more than a third (38 per cent) of consumers had no idea how much money they need to retire on.

Commenting on the findings, Penfold co-founder, Pete Hykin, said: "Our research has shown that people are still feeling in the dark about their retirement. This is probably a legacy of the days when you had to make a phone call or wait weeks for a letter to find out anything about your pension.

"When your information is available via your phone, accessible in a few taps as it is with the new generation of digital pension providers, there's really no reason why pensions should be overwhelming or confusing."

With Covid-19 having pushed firms into embracing technology already, let's hope that the industry can continue riding that wave of innovation to make customers feel more engaged.

Written by Duncan Ferris

What's next? How communication strategies address pension industry challenges

With 34 million UK pension consumers, John Dovey, at Paragon Customer Communications, discusses how communication strategies are addressing critical industry challenges

As scale and scope underpin the UK pensions industry, trustees and scheme providers remain under increasing pressure to address industry challenges, in an environment of uncertainty and disruption. Historically, pension communications have been managed operationally, for legality and regulatory disclosure. For several years, industry experts have urged providers to engage more strategically with members; addressing the challenge of disengagement and a lack of understanding. Contrastingly, scheme priorities appear to compete against this industry-wide call for action. Perhaps it's time we turn engagement on its head; evaluating what's in it for the provider and how this can reduce operating costs.

Digitalisation

Evolving technologies, including API driven video statements or augmented reality tools, enable stronger personalisation and informed decision making to support changes, such as drawdown options or workplace transfers. Inbound transformation can include a blend of human and technology-developed chatbots, digital mailrooms, e-signatures and de-materialising the original receipt of cherished documents. Through strategic outsourcing, providers can build a suite of channels, while still supporting traditional preferences through a closed loop incoming-to-outgoing multi-channelled single platform.

Outsourced partnerships

As pension business process outsourcing (BPO) grew since the 1990s and early part of this century, the paradigm began to shift. Several providers started developing a network of strong partnerships, tapping into supplier R&D in disruptive technologies, human capital talent and volume-driven cost effectiveness. Communication management is no exception. Today, outsourcing physical communications can deliver cost savings by up to 60 per cent, while reducing disparity and interoperability challenges from internal legacy systems.

Abandoned pots

Despite outsourced cost savings, abandoned pensions cost schemes £130 million in administration annually. This is expected to increase significantly by 2035, due to auto-enrolled abandonment during employment mobility. Automated tracing services, combined with exciting opportunities through the Pensions Dashboard Programme, provide opportunities for members to re-evaluate their investment objectives against current life-stages and to minimise the risk of unauthorised third-party access.

Mitigating pension and identity fraud

According to the FCA, consumers lose an average of 22 years' savings, from pension scamming. Of 3.8 million cases of fraud, 15 per cent were targeted through digital channels, while only 1 per cent related to postal channels. Developing easy-to-use authentication, email encryption and signposting techniques can enhance online member trust.

Population transformation

Digital barriers aside, investor platforms reported an accelerated focus by homebased millennials towards their savings during the pandemic. Either side of this generation is a growing cohort of auto-enrolled employees entering the workforce, within an increasing ageing population. This intergenerational spread is reshaping and transforming the population, requiring a differentiated, yet coexistent, CCM platform.

Communicating without a footprint

With demand from younger investors, several schemes have pledged to become carbon neutral within an ambitious timeframe. Test marketing content about ethical investments will help us to understand the consequent impact on savings behaviours. Importantly, companies must review the environmental impact of their internal route to investments, such as supply chain and procurement activities.

Tomorrow's pension landscape

With a strategic partner, schemes can interact with members through data-enabled technologies – including apps and social media platforms – and blended with traditional channels. This not only drives process automation and cost-efficiency but deliveries stronger investment outcomes for all members.

For more information: please contact Orinn Checkley, Business Development Director Orinn.Checkley@paragon-cc.co.uk.

Written by Paragon Customer Communications client relationship director, John Dovey

VIEW FROM THE ABI

All project managers worry about dependencies. There are a lot of them in the pensions dashboards project, some of which are coming to the fore now. So we were pleased to contribute to *Pensions Age* taking a timely look at progress with pensions dashboards this month.

There are interdependent decisions to be made, by different players at different times – and the industry is dependent on clarity from all of them, amid the risk that other policy priorities create bumps in the road.

For example, there is an ongoing debate about estimated retirement income (ERI). But what is deliverable across the industry in terms of ERI will depend on when it is needed, which depends on decisions about the staging timetable, and when dashboards go live to the public.

Similarly, how that information is presented in practice to a dashboard user will depend on the regulation of dashboards. That is part of the consumer protection regime, which we don't know much about yet. That regime will also include digital ID, the ultimate solution for which depends on other parts of government.

The answers to these questions will come. But it is important that these interdependent decisions are not being taken in isolation; and it is difficult for the industry to progress the aspects for which they are responsible without a clearer strategic overview of how they interact.

ABI head of long-term savings, Rob Yuille

In my opinion

On reports that the government may be considering a 'watered down' triple lock

"As the UK economy recovers from the pandemic, the last thing the government needs is an inflation-busting 8 per cent rise in state pension next year, courtesy of the triple lock. Whether it decides to break its manifesto pledge to maintain the lock by disregarding earnings data or chooses to adopt some kind of smoothing mechanism it is clear there needs to be a review of the state pension and the triple lock's role within it. It is time to look at the state pension and ask whether the triple lock is the best way to maintain its value long-term while striking a balance between taxpayers and pensioners."

Hargreaves Lansdown senior pensions and retirement analyst, Helen Morrissey

On research revealing that under-40s are missing out on returns due to their low-risk investment appetite

"It's high time for some serious education around risk and growth in pensions for workers under 40, because at the moment millions of people who are young enough to take some risk with their investment in return for higher growth are not doing so. It shouldn't be about whether you like rollercoasters or would go bungee jumping. It should be more about how long you will be investing your pension for before you give up work."

Interactive Investor head of pensions and savings, Becky O'Connor

On the pension risk transfer market pipeline in 2021

"With just £7.7bn of confirmed buy-ins and buyouts so far in the first half of this year, the market has been quieter than anticipated. Despite the slow start, insurers still have business targets to aim for and the market has become extremely busy in recent weeks. As a result, the expectation is that the market will still reach over £25bn this year. We could well be in for a repeat of 2018, where the busyness written over the second half of the year more than doubles the business written over the first half of the year."

Hymans Robertson head of risk transfer, James Mullins

On the government challenge for pension schemes to invest further in long-term UK assets

"As long-term investors of many billions of pounds in capital, trustees are increasingly seeking stable returns from UK businesses and projects that focus on balancing commercial success with long-term sustainability and social responsibility. An 'investment Big Bang' would therefore be hugely welcomed by this important community of investors in the UK. But this must be more than just warm words from government. Trustees are willing to invest for the long term but need the government to remove the barriers to this type of investment and to help ensure there are suitable projects to invest in."

LCP partner, Myles Pink

On the need for pension schemes to support the net-zero transition

"Pensions schemes can and must make a difference in the transition to a net-zero economy. Whether trustees think paying attention to climate-related risk and opportunities is the right thing to do or the prudent thing to do – they're right. Climate change is a systemic risk. It poses financially material risks to sponsors of DB schemes, to the value of funds and their investments, as well as a risk to economic stability and the long-term survival of the planet. The impacts of climate change are that stark."

The Pensions Regulator executive director of regulatory policy, analysis and advice, David Fairs

Ready, (Re)Set, Go!

A preview of the PLSA's 2021 Annual Conference, taking place 12-14 October

Ready, (Re)Set, Go! – the Pension and Lifetime Savings Association's Annual Conference 2021 thoroughly examines the most critical policy issues facing schemes and savers in our (nearly) post-Covid, post-Brexit environment, against the backdrop of a world grappling with the pandemic's aftermath, the changing geopolitical environment and the increasing urgency of climate change. The idea of pensions helping to 'reset' our society goes beyond 'build back better', stretching to encompass retirement savings adequacy, social care, DC decumulation and diversity and inclusion in pension schemes.

We will look at our theme of 'Ready, (Re)Set, Go!' across economics, with Professor Mariana Mazzucato discussing the idea of mission-oriented policy that can drive innovation, uniting the private and state sectors; on climate with our panel on the lead-up to COP26, and how UK pensions are leading the change for this nation, and the future, with political editor and broadcaster Beth Rigby, who will give us an up-to-the-minute scoop on the current political scene.

With some policy initiatives initially delayed or postponed by the pandemic, it's all come back on track, and the conference features a full complement of the most pressing policy issues, including pensions tax relief, TCFD for pensions, pensions dashboards, adequacy, small pots, DC decumulation and more.

While our roster of speakers is always top-notch, this year we are particularly pleased to be welcoming some new pensions leaders to the conference, including Sarah Smart - not at all new to the pensions industry, but newly appointed as Chair of The Pensions Regulator, and Sarah Pritchard, who joined the Financial Conduct Authority just recently as Executive Director for Markets. Although they are speaking in separate keynotes, together the sessions give our industry a steer on the direction of travel for scheme regulation and governance in the coming months and years.

Guy Opperman MP, Minister for Pensions, in what has become an annual address at the PLSA conference, will discuss what building back better means for pensions, as well as ESG investing, DB and DC consolidation, dashboards and annual benefit statements.

We're also going a bit outside the lines, with Sir Andrew Dilnot, author of the influential report on social care, providing insight into how the government may go about the long-promised reform of our social care system, and the measures he feels should be adopted.

We'll announce the winners of the first Retirement Living Standards awards, who will be on hand to discuss how they have adopted the standards and how their savers have engaged with them. We'll also refresh the Standards with new figures.

Our innovative conference platform allows delegates to reach out to speakers – asking them questions and even organising meetings – over the course of the conference. We have Hot Topic Member Chats that enable attendees to chat about a specific topic with a speaker and with each other, and our platform is also enabled with artificial intelligence, and will encourage attendees to check out sessions with similar themes to the ones they are already joining.

Over the three days, we expect more than 1,000 conference attendees representing hundreds of UK schemes, as well as business members. Get ready for Ready, (Re)set, Go!

Written by PLSA head of content – conferences, Rachel Pine

In association with

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

VIEW FROM THE ACA

Over the summer, we responded to the FCA/TPR consultation on the 'pensions consumer journey'. It should be noted though that in contrast to other 'consumer journeys', in the case of workplace pensions there is typically no active 'purchase' point and the journey does not involve conscious decision making.

It is quite possible for an individual to be auto-enrolled (AE) into a workplace pension at a contribution rate that has been decided by the employer (taking into account AE requirements), investing in a default investment option that has been decided by someone else.

This might be very reasonable, and the quality of default investment options has improved over time, but ultimately the individual can be a "passive consumer".

In our view this strengthens the need for access to guidance earlier in the journey – the 'mid-life MOT' has an important place here but so too does an 'early life plan' to ensure that the right decisions are made early on, particularly in relation to savings rates.

The need for ongoing guidance throughout the journey, not just at the touchpoints is also important. Whilst the touchpoints/stages outlined in the consultation are appropriate for the 'general' journey, each individual will have their own personal key stages (eg marriage, having children, working abroad, divorce), and support on personal needs is critical.

ACA chair, Patrick Bloomfield

ACA
ASSOCIATION OF CONSULTING ACTUARIES

Diary: September 2021 and beyond

Pensions Age Autumn Conference 2021

16 September 2021
Waldorf Hilton, London

This one-day conference, which has become a firm favourite in the UK pensions sector, offers pension funds and those working in the pensions sector the opportunity to learn and network alongside their peers at one of the most challenging times in UK pensions history. It is open to pension scheme managers, trustees, FDs, advisers, pension and HR professionals, and offers delegates up-to-date knowledge and guidance. This event also attracts up to seven CPD hours with some accrediting bodies.

For more information, visit:
pensionsage.com/autumnconference

PLSA Annual Conference 2021

12 - 14 October 2021
Online

This three-day conference will act as a chance to examine what the road to economic recovery looks like, as well as looking at specific hurdles and opportunities for pension schemes. Keynote speakers confirmed so far include Pensions Minister, Guy Opperman, and TPR chair, Sarah Smart. Delegates will also have digital networking opportunities, which will incorporate matchmaking powered by artifical intelligence.

For more information, visit:
plsa.co.uk/Annual-conference

European Pensions Awards 2021

20 October 2021
London Marriott Hotel, Grosvenor Square

Now celebrating their 14th year, the European Pensions Awards were launched to give recognition to and honour the investment firms, consultancies and pension providers across Europe that have set the professional standards in order to best serve European pension funds over the past year. The shortlist of pension funds and providers has now been announced, and bookings for the awards evening, to be held at the prestigious London Marriott Hotel, Grosvenor Square, are open.

For more information, visit:
europeanpensions.net/awards/

Pensions Age Western Conference 2021

11 November 2021
Bristol Marriott Hotel City Centre

This one-day conference, now in its third successful year, offers UK pension funds and those working in the UK pensions space the tools and information they need to help manage their schemes at a time when challenges are plentiful but help is at hand. Aimed at pension scheme managers, trustees, pension and HR professionals and pension providers, it will provide delegates with the up-to-date knowledge and guidance needed to run their schemes.

For more information, visit:
pensionsage.com/westernconference/

Visit www.pensionsage.com for more diary listings

Month in numbers

51%

Over half (51 per cent) of UK adults have become conscious of the need to save more amid the pandemic, with 14 per cent stating that it has made them think they need to save more into their pension, a survey from Wealth at Work has found.

10 million

More than a third (35 per cent) of pension holders, equal to 10 million savers, know nothing about product options at retirement and the pros and cons of each option, according to LV= research.

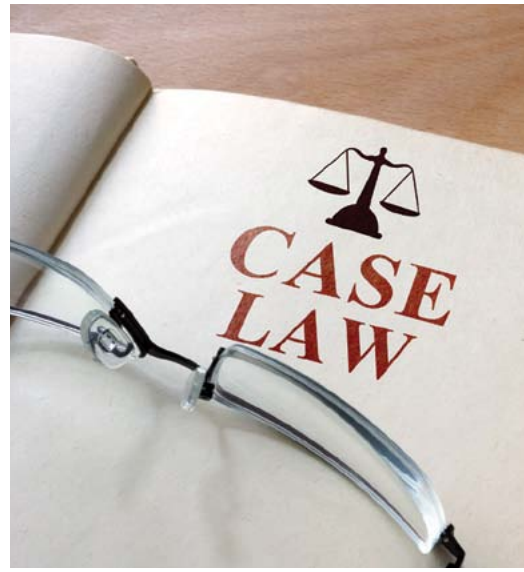
£1.3m

The Financial Conduct Authority (FCA) has provisionally fined a financial adviser nearly £1.3m (£1,284,523) over the "seriously incompetent" defined benefit transfer advice given to around 422 clients, including 183 steelworkers.

The regulator has also provisionally banned the adviser from performing any senior management function in relation to regulated activities carried on by an authorised person, exempt person or exempt professional firm, and from advising on pension transfers and opt outs.

Case law update

Matthew Swynnerton looks at two recent court judgments that considered the construction of pension scheme rules



Two recent judgments, in which the courts considered a pension increase rule and two forfeiture rules, show the key role that the wording of the particular scheme rule plays.

Pension increase rule

In January 2020 the High Court issued a judgment concerning a pension increase rule in the Britvic Pension Plan, which provides that the rate of increase is the percentage increase in the retail prices index subject to a cap "or any other rate decided by the Principal Employer". It concluded that this rule only permits the employer to substitute a higher rate of increase. The High Court's reasoning included that the rule creates a two-stage mechanism whereby: firstly, the trustee is required to calculate and apply guaranteed increases based on the capped percentage increase in the RPI; and secondly, the employer then has a discretion to direct that a higher, but not a lower, rate of increase is to be applied.

However, in June 2021, the Court of Appeal allowed the employer's appeal against that decision. The Court of Appeal concluded that the words "or any other rate decided by the Principal Employer" qualify the rate of increase to be provided and allow the employer to fix a rate of increase that is higher or lower than the capped RPI increase for which the rule provides. Its reasoning included that considerable weight must be accorded to the fact that the drafter used the unambiguous words "or any other rate", which do not naturally mean "or any higher rate".

Forfeiture rules

Also in June 2021, the High Court issued its judgment in a case concerning the Axminster Carpets Group Retirement Benefits Plan, in which it considered a number of issues relating to arrears of underpaid benefits, including provisions in the Plan's 1992 and 2001 definitive trust deeds and rules.

The relevant clause in the 1992 document provided that any monies "payable out of the Plan and not claimed within six years from the date on which they were due to be paid may (at the Trustees' discretion) be applied" for specified purposes. The High Court concluded that this clause does not operate as a forfeiture clause, noting that it does not contain any wording which directly deals with the forfeiture of an entitlement to be paid arrears of benefits. It also stated that the absence of wording providing for forfeiture is particularly striking in view of the references to forfeiture in a clause of the deed relating to non-assignability.

The 2001 rules include a provision stating that if a beneficiary "fails to claim a benefit within six years of its becoming due, it shall be forfeited but the Trustees may at their discretion subsequently apply all or any part of such benefit" for certain purposes. These purposes include applying all or part of the benefit to the beneficiary notwithstanding the forfeiture. The High Court concluded that this rule provides for automatic forfeiture of unclaimed arrears but subject to the trustee having a discretion to pay the arrears to the beneficiary. The High Court also considered specific words in this rule, for example, concluding that if an instalment was due on a certain date, part of which was paid and part of which was not paid, the relevant "benefit" for the purposes of this rule is the part that was not paid. The High Court was also asked to rule, as a matter of law, whether certain factors are relevant or irrelevant considerations in relation to the discretion under the rule, with its conclusions including that the absence of fault on the part of beneficiaries and/or the presence of fault on the part of the trustees are capable of being relevant factors.

Conclusion

The meaning of pension increase rules has been the subject of a number of court judgments in recent years and the issue of past underpayments may be relevant for schemes in the context of GMP equalisation projects. Whilst the wording of a scheme's particular rules is key, it is useful to see the approach taken by the courts in cases which address these two important issues for pension schemes.

Written by DLA Piper pensions partner, Matthew Swynnerton

In association with DLA PIPER

Preoccupied by quality

Society of Pension Professionals CEO, Fred Emden, chats with Duncan Ferris about his background in charity work, the delightful language of Deadwood, and appreciating quality

What's your employment history (including jobs outside of pensions)?
After graduating I ran restaurants and bars in Scotland for a few years. Then my career progressed to the running of charities in a variety of contexts – a producing theatre in Glasgow, Scotland's national ballet company and then when I first moved to London, the Royal College of Obstetricians and Gynaecologists. I have found that variety really stimulating.

What's your favourite memory of working in the pensions sector?
I am only 18 months into my role with SPP, but one positive realisation has been that the pension professionals I now work with appear every bit as focused on public good as those in the charitable sector. Despite an often tough commercial context, there is such a drive in the pensions industry to support the delivery of a secure retirement for the general public. I find that really motivating.

If you did not work in pensions, what sector do you think you would be in instead?
Experiencing different professional worlds has been really important to me. Where would I be currently if not in pensions, perhaps something more overtly political.

What was your dream job as a child?
As a giddy child, I had mind only for DB technicalities, but with age and experience, I found DC to be equally seductive…

What do you like to do in your spare time?
I cook with unusual fervour.

Do you have any hidden skills or talents?
I mix a decent Negroni.

Is there a particular sport/team that you follow?
No, I think I lack the following gene!

If you had to choose one favourite book, which would you recommend people read?
I really love *Zen and the Art of Motorcycle Maintenance,* which I go back to periodically.

And what film/boxset should people see?
Deadwood is a cracker – we watch with subtitles as the language is delicious.

Is there any particular music/band that you enjoy?
Just now, I'm a little obsessed with Bohren & Der Club of Gore.

Who would be your dream dinner party guests?
The core cast of the film *Kill List* would make for an interesting night.

Is there an inspirational quote/saying you particularly like?
This is hardly a saying, but going back to my book choice, I'm somewhat preoccupied by quality. Robert Pirsig describes his favourite piece of technical writing as "assembly of Japanese bicycle requires great peace of mind". With that context, I think there is much in his assertion that "care and quality are internal and external aspects of the same thing".

Written by Duncan Ferris


LGIM's co-heads of DC, Rita Butler-Jones and Stuart Murphy

Responsible investing: Member views

In our latest *Pensions Age* podcast, Laura Blows speaks to Legal & General Investment Management co-heads of DC, Stuart Murphy and Rita Butler-Jones, about pension providers' and asset managers' responsibility to incorporate scheme member views when responsibly investing

Responsible investment continues to grow in importance for those managing pension funds. But, they are ultimately managing that pension fund money on behalf of the members. So how much weight should pension providers and asset managers give to members' views on responsible investment?

"We know that engaging members with their pensions to begin with is a huge industry wide problem. However, from our own research we have found one element members seem to be interested in when it comes to their pensions is ESG," Legal & General Investment Management co-head of DC, Rita Butler-Jones, says in the *Pensions Age* podcast, *Responsible investing: Member views.*

LGIM has recently launched its generational ESG research, *Money Listens*, for the second year in a row. Unsurprisingly, Butler-Jones says, millennials remained the greenest generation, with the environment and climate remaining firmly on top of their agenda.

However, the research also saw an increase in Gen Xers and Baby Boomers being more concerned about the environment in 2021 than they did in 2019, she adds.

The research finds that, despite the financial impacts of the pandemic, 84 per cent of people across all generations wanted to reduce exposure to fossil fuels in their pension. There was also an interest in social issues, with 57 per cent of respondents wanting to divest for social reasons alone.

"Forty-nine per cent of members felt that climate change would have a bigger longer-term impact on society than Covid:19," Butler-Jones adds. "If this doesn't tell us as an industry, that we need to take action now, I'm not sure what else would!"

Along with climate change, LGIM is also seeing a lot of member interest on diversity issues, "with racial discrimination being an understandably important resolution amongst our voters" Butler-Jones adds, citing examples of the death of George Floyd, the Black Lives Matter protests across the globe, and most recently the racial discrimination against England football players.

Members are able to directly state their opinions on ESG matters through a platform called Tumelo, which LGIM has rolled out to various clients, Legal & General Investment Management co-head of DC, Stuart Murphy, says.

"Tumelo is a fintech platform that allows members to vote on key ESG issues that they care most about. It has been over a year since we rolled this out to our first pilot scheme. We were the first provider to adopt the platform and we have seen some brilliant progress in this time," he explains.

"We have now had nearly 14,000 votes cast by our members, more than any other provider. Our members have had access to more than 212 AGM resolutions that they are able to vote on and have their voice heard, again more than any other provider."

High-profile companies and themes really resonate with users on the platform, Murphy adds, with 'should Amazon report on its plastic pollution' and 'should Tesla report more on how they protect human rights' amongst the top 5 most voted for resolutions, at 97 per cent and 90 per cent respectively.

So how should asset managers be reflecting these environmental, social and governance (ESG) considerations into their default funds?

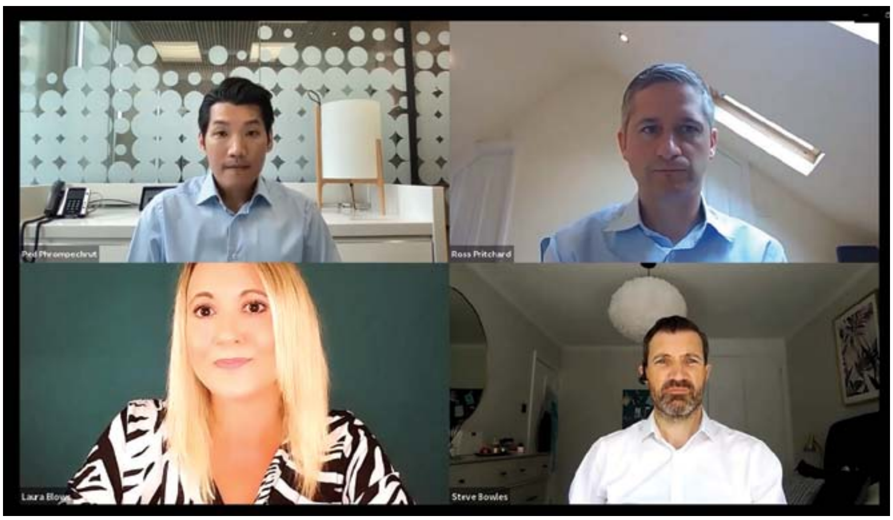
As Butler-Jones says, it is evident that members care about this, so, for pension schemes, "our duty on behalf of their members is to reflect this in their investments and to manage the material risks associated with ESG issues".

This LGIM does through its active ownership approach, where it works with companies, policymakers and other investors to create sustainable value over a long-term horizon through engagement and voting.

It has also signed up to net-zero by 2050, and its defaults also benefit from LGIM's Climate Impact Pledge, meaning it is now prepared to exclude, when necessary, along the Future World Protection List criteria, which covers climate, pure coal miners, manufacturers and producers of controversial weapons, as well as perennial violators of the UN Global Compact.

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

Webinar: Is fiduciary management your scheme's route to private assets?



Private assets and the important role they can play in pension portfolios was the focus of Schroders' recent webinar, in association with *Pensions Age,* with a spotlight also on how integrating private assets through a fiduciary management relationship can help overcome common implementation issues

Increasing returns, generating cash-flow and improving diversification within defined benefit (DB) pension scheme portfolios – these are just some of the many ways in which private assets can assist schemes in meeting their objectives today. Different private assets can also be used in multiple phases of pension scheme flight paths. As with any investment, however, private asset investing has its challenges, with key concerns for trustees being the perceived pitfalls of investing in assets which may be deemed illiquid, coupled with the challenge of knowing which private asset to invest in and via which manager or fund. Investing via a fiduciary manager, with in-house private asset expertise however, can help investors address these concerns.

These were some of the key themes addressed at Schroders' recent webinar chaired by *Pensions Age* editor, Laura Blows, which welcomed Schroders' senior director of fiduciary, Stephen Bowles; head of fiduciary management, Ross Pritchard; and solutions manager, Ped Phrompechrut.

"The days of DB schemes simply having a 60/40 equities/bonds portfolio have long gone, as schemes search for alternatives to generate returns, fill deficit gaps and provide secure cashflows. This is where private assets have a key role to play, and why trustee eyes are increasingly looking to private assets for the opportunities they can provide," explained Blows.

Setting the scene

Bowles set the scene by reflecting on how the fiduciary market has evolved over the years: "The fundamentals of fiduciary management possibly haven't changed – bringing together investment advice and implementation. What has evolved are the expectations that clients have of their fiduciary manager. Many schemes that adopted fiduciary five or 10 years ago were looking to their fiduciary manager to help them set a funding objective, and then put in place the infrastructure to help them achieve that, using tools that trustees were comfortable with. While the objectives all hold true today, the market environment is changing, as are the range of situations schemes find themselves in, alongside the range of tools available."

Schemes are now coming to market, he continued, focused on building solutions from a blank piece of paper. "For example, we are seeing schemes looking for a fiduciary manager, schemes that have achieved good funding progress, that have done the right things, but now want to protect the situation they are in and manage the risks they face looking forward, rather than the ones they faced, say, five years ago. They are looking for a step change in their investment strategy and this provides an opportunity for a fiduciary manager to step in and offer a governance solution that is going to meet the challenges that schemes are facing."

In terms of the private assets that pension schemes are incorporating, these are varied, and the appetite for private assets is continuing to increase, said Bowles: "We are seeing private assets incorporated in different ways and for different reasons. Also, everything that is occurring around private assets in a fiduciary context is doing so with a backdrop of substantially increased appetite for private assets within the UK pension schemes market generally. Large private sector schemes and local government pension schemes have been doing this for themselves for some time – sophisticated purchasers defining their own sophisticated requirements and coming to market to implement private asset allocations. They may not always need advisory support, but they want access to those building blocks.

"Outside of that, we are seeing an uptick in the solutions space – schemes understand that they should not ignore private assets but they need a greater degree of support. They are looking for a packaged source of advice and implementation that speaks to the challenges they are facing. This is where a good fiduciary manager comes in."

Harnessing opportunities via fiduciary management

Pritchard and Phrompechrut continued the webinar with a close look at what opportunities private assets can bring to pension schemes; which assets might be right for a particular scheme; and how fiduciary management can assist trustees to access these assets in a well-informed way that is easy for them to understand.

Phrompechrut explained how private assets can be categorised into three main buckets: return-seeking growth, which includes strategies such as leveraged buyouts, and opportunistic real estate; income enhancing assets, such as corporate direct lending and junior infrastructure debt; and high quality, long duration income, such as long leases, income strips, and senior infrastructure debt.

He also emphasised how investor appetite for private assets has continued to grow among both institutional and private investors – albeit with some disruption in 2020. Reflecting on what is driving that appetite, Phrompechrut commented: "We believe the primary driver is the low-return outlook in traditional assets, which makes it harder for schemes to achieve their long-term objectives. There is also a risk element – true diversification is becoming harder to obtain, particularly with both rates and credit returns as low as they are."

So, for schemes that have a focus not just on return but on risk too, he added, the use of private assets with their improved return characteristics but also diversification benefits helps to "extend that efficient frontier outwards, allowing them to improve returns without taking on additional risk".

Phrompechrut also stressed that, while traditionally private assets have been perceived as complex, awareness and understanding is improving and this is also where a fiduciary manager can help. "We have seen pension schemes more and more comfortable with private assets, and that's a function of the industry having increased its information flow and becoming more transparent; plus the increased track record of these strategies provides additional comfort for trustees to see how private assets can really work for them."

Phrompechrut then spent some time highlighting the important role private assets can play in helping pension schemes achieve their ESG goals. More and more investors, he commented, are looking not just at the financial risk and return metrics of certain asset classes, but also how they can help them meet their objectives in relation to ESG and sustainability. "Here private assets can help – whether it's by directly funding new assets in renewable energy, for example, or by introducing new technology which can be funded more in the private equity type space. Or simply by bringing a better governance framework to the scheme."

Managing the implementation challenges

Pritchard went on to look at how fiduciary management can assist in capturing the opportunities that private assets can bring, as well as help schemes with the challenges of investing in private assets: "Given the complexities around deploying and implementing private assets, together with the dispersion of returns across different managers and therefore the importance of getting manager selection right, they are an area that deserve as much attention as any other asset class when it comes to implementation, so it's important that we get it right."

He then outlined the key ways in which fiduciary management can help, while importantly making sure that the use of private assets is appropriate to a scheme's specific considerations. "Fiduciary managers can do a good job of helping trustees with their understanding and familiarity of private assets; they can identify the opportunities on the trustees' behalf and they can also take on the direct role of being responsible for that governance and oversight."

He also stressed the importance of considering the holding period and timeframe that a scheme has when it comes to private asset allocations: "The capacity for absorbing the illiquidity that is associated with private assets is a huge driver as to what trustees can adopt for their scheme, and how private assets might play a role", as well as the interplay with other assets and, finally, the cashflow profile of the scheme.

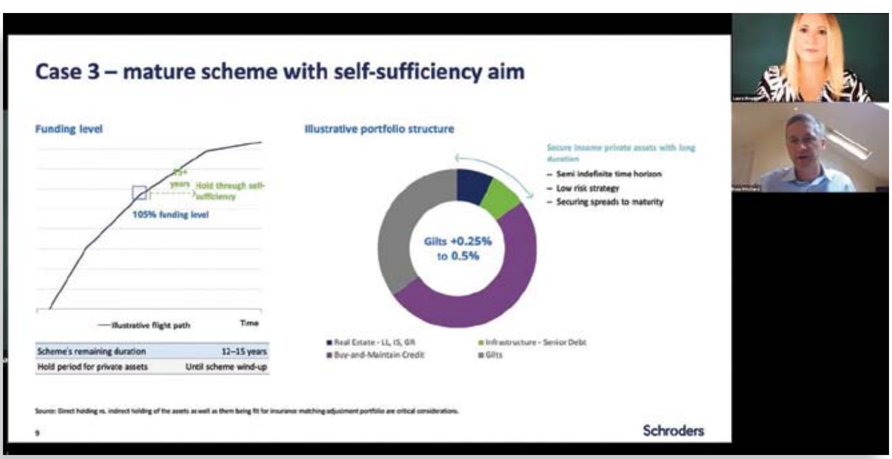
Additionally, he focused on how a fiduciary manager can assist with implementing the allocation. "Firstly, we can provide scale and access – we aggregate a large number of assets across a large number of clients and we can support with the governance and oversight. These are assets that require more detailed understanding, closer familiarity with what is going on under the bonnet, and having the resource and the time to dedicate to doing that means that, as a fiduciary manager, we can lift that burden from the trustees and do a proper job.

"These are fairly idiosyncratic assets, they are not conveniently unitised with a price, and there are some complexities around the way that you access the assets which a fiduciary manager can take away from the trustees and facilitate, again in conjunction with what's going on with the overall strategy of the scheme, to make sure the different moving parts work together in harmony."

Finally, he stressed the importance of the knowledge and expertise that a fiduciary manager can bring: "These are less familiar assets and you need people that are very close to the private asset market, who understand how they behave, understand how to find the right investments to put money into, and how to pull them together and aggregate them into the overall strategy. Fiduciary management really offers a strong way to access and ensure that private asset allocations are working in the right way for any given pension scheme."

The challenges of too much choice

Phrompechrut went on to focus on the importance of scale when it comes to investing in private assets, given the extensive amount of choice currently available in the market. "Over 700 funds were raised in the past three years for private credit alone, and within that label there are multiple sub-strategies. So one needs not only to understand what's going on at the ground level, one needs to pick the right manager, the right fund, and then pull together that set of funds to create a portfolio that makes sense for the objectives being set. That requires a lot of resources and scale. So, for all but the largest investors, this means they need help and a fiduciary management model is one way to bring that help."



He also outlined how a fiduciary management model can address manager risk concerns: "One of the best ways to manage manager risk is to invest in a sensible number of funds, and invest in those funds across vintages. If one were to invest in a single fund, then the probability of realising any loss – so getting anything less than your full capital invested back – is around 11 per cent. If you were to invest in five funds, that probability of loss reduces dramatically; and then if you were to invest across 20 funds, that probability becomes nil. So the ability to invest via a provider such as a fiduciary manager can really harness the full power of this space, as we are on the ground in sourcing these opportunities, and we will pull them together in a way that works for the specific objectives of the scheme."

Summing up, Pritchard reiterated the many benefits private assets can bring to pension portfolios today, and how important the help of a fiduciary manager can be, wherever they may be in their journey: "Private assets offer a great opportunity – there is additional return to be had; there are diversification and risk benefits attached to allocations in this space; and fiduciary managers, particularly one with an extensive in-house private asset capability such as Schroders, can really support the specific objectives that schemes may have, at different phases throughout their lifecycles."

Schroders

Summary
- Pension trustee boards in general are falling short in the diversity stakes, but a willingness to improve is evident.
- TPR is looking to lead by example with its recent *Equality, Diversity and Inclusion Strategy,* launched earlier this year.
- Pension providers across the board are setting the bar high with their D&I strategies, offering great examples that other providers and schemes can learn from.

Diversity: A helping hand

Understanding the importance of diversity is one thing, putting diversity into practice is another. Francesca Fabrizi speaks to some of the pension firms that are leading the way with their diversity and inclusion strategies, to assist those who are looking to learn from their peers

The importance of embedding diversity in the pensions arena – be that among the pensions workforce or on a board of trustees – is well versed. The benefits of having a diverse set of opinions are understood and the desire to build a more inclusive industry is apparent, with most pensions and investment players finally aware of why this is something that can no longer be ignored.

It's no secret, however, that the industry still has some way to go in terms of putting diversity into practice. Barnett Waddingham and Winmark's latest pension chair remuneration report, for example, found that increasing diversity is still a primary concern for trustee chairs, with 77 per cent of respondents believing that trustee boards were not diverse enough.

The majority claimed that trusteeship was falling short in terms of demographic criteria such as ethnicity (61 per cent) and age (57 per cent); while around half (47 per cent) agreed that trusteeship was not diverse enough in terms of gender.

On the plus side, however, 45 per cent said they would either consider (19 per cent), are already planning (15 per cent) or are implementing (11 per cent) a review of recruitment screening and search processes, and a similar number (47 per cent) are already implementing or planning to implement a review of the language, style and methodology used in recruitment material in an effort to meet their diversity shortfalls.

"Although trustee boards have limited diversity across age, gender and ethnicity, the majority of trustee chairs are not unaware," Barnett Waddingham partner, Sonia Kataora, comments. "Nearly all specific steps schemes have taken to increase diversity seek to address the primary challenge of recruitment and many are already implementing methods in order to increase representation across all demographics."

It is also recognised that diversity in the boardroom should encompass experience, skills, backgrounds and perspectives, she says. "All of these, including demographics, will contribute to the quality and value of boardroom discussions and debate. In order to increase the diversity of applicants, trustee chairs need to review their application process to gain greater interest and engagement from a wider talent pool."

For those pension boards and employers that are looking to improve their diversity strategies, significant help is at hand from across the industry, with The Pensions Regulator (TPR) itself even looking to lead by example in the diversity arena. Earlier this year, TPR published its *Equality, Diversity and Inclusion Strategy,* setting out how it will embed diversity and inclusion (D&I) throughout its organisation and support the community to do the same.

The strategy sets out a roadmap to ensure equality, diversity and inclusion are at the heart of TPR's work as a regulatory body. It sets new targets which aim to help TPR meet the aims of the strategy which are to be a fair, diverse and inclusive employer; to build a collective understanding of why pension inequalities occur and work in partnership with others seeking to reduce them; and to promote higher standards of equality, diversity and inclusion among TPR's regulated community.

"Now more than ever, organisations and employers are being called on to take a lead in bringing about a fairer and more inclusive society," says TPR chair, Sarah Smart.

"The status quo is not acceptable and it is crucial we continue to challenge ourselves so that diversity and inclusion are not simply seen as desirable, but are embedded across everything we do."

A new diversity charter was also launched last month by the Asset Owner Diversity Working Group, which aims to formalise a set of actions that asset owners can commit to improve diversity, in all forms, across the investment industry.

The charter has already received considerable backing from the broader industry, with asset owners and consultants representing some £1.08trn declaring their support.

Similarly, leading consultancies across the industry are setting out guidelines to assist schemes achieve better diversity.

"In 2020, there was a spike in news that demonstrated the need to think even more clearly about inclusion and diversity," says Aon partner, Lynda Whitney. "At Aon, we worked as a team of pensions experts with diverse professional and personal backgrounds to think about how we could apply inclusive principles to day-to-day pensions work."

Aon published a free guide, *Practical Diversity and Inclusion for Trustees*, to help the industry think about using an inclusion and diversity lens to improve in a wide range of areas. Whitney explains: "These include trustee decision-making, trustee board composition, member communications, scheme rules reviews, investment decisions and even setting actuarial factors. For example, the guide challenges you to use 'paired scenarios' to help keep biases in check. If you are looking at an ill-health case on the grounds of mental health, compare it with the paired scenario of a bad back. Are you applying the same approach?"

Aon has also been working with clients on trustee training, improving trustee recruitment material, D&I policy making, diverse skills assessment, and during day-to-day projects.

"I would challenge you to apply an inclusion lens the next time you are starting a big project for your scheme. You might be surprised at how many impactful changes you can make cheaply and easily if they are included at the right stage of a project," she adds.

Employers and pension boards alike can also learn considerable amounts from their peers when it comes to implementing diversity, with many already setting the bar high for the industry – be that by developing their own D&I strategies, hosting events, developing initiatives, or collaborating with other industry players. Pension providers, pension law firms and asset managers are just a handful of the providers leading the charge.

Travers Smith

Law firm Travers Smith, for example, winner of the Pensions Age Diversity Award 2021, has made creating a diverse and inclusive culture a key business priority for the firm. "Our commitment to practical action across the whole business is fully supported by our D&I Board, which provides engagement and sponsorship on D&I initiatives at the highest levels of management," explains pensions partner, Andy Lewis.

Key initiatives delivered by the firm recently include: sponsoring and co-authoring, with the PLSA, the *Diversity and Inclusion: Made Simple Guide*, a first for the pensions industry; co-founding O:pen, the first cross-industry network for LGBTQ+ professionals and their allies in pensions; and developing a BAME allyship initiative to help accelerate BAME inclusion at the firm and the wider business community.

All this alongside increasing its focus on intersectionality within its seminar programmes; extensive contributions to industry D&I bodies including the Network Group for the All Party Parliamentary Group on Global LGBT+ Rights, the SPP sub-committee of Council on Diversity and Inclusion, TPR's D&I Working Group and the PLSA's Diversity External Advisory Board; partnering with LGBTQ+ charity, Just Like Us to launch an innovative mentoring scheme to provide LGBTQ+ graduates skills, confidence and support as they transition from university life to employment; and collaborating with RARE Recruitment in its graduate recruitment processes and becoming a signatory of its Race Fairness Commitment.

Sackers

Sackers is another pensions law firm that boasts a strong diversity track record. "We've had equal or greater participation of women at all levels for many years for instance, and currently almost 60 per cent of our partners are female," says Sackers partner, Eleanor Daplyn.

However, she continues, diversity and inclusion is an ongoing and evolving process and progress must never be taken for granted. "There's no magic formula but we work hard to maintain and raise awareness, to have the right policies and processes in place and to work together as a firm to take positive action."

Sackers' D&I Committee is key here – formed of three partners, two members of the HR team, a member of support staff and three solicitors who are not partners, the group works on developing and implementing initiatives and keeping D&I at the forefront of the firm's culture.

"For example, colleagues are encouraged to share experiences by way of blogs – one is from a male lawyer about his shared parental leave and another, a colleague's experience using the Employee Assistance Program for help managing mental health," she adds.

As a relatively small firm, explains Daplyn, Sackers is unable to take on trainee solicitors, making it difficult to take direct action to address the under-representation of ethnic minorities in the law. "We are always looking out for what we can do though – we participate in the Black Interns Matter programme, as well as being sponsors of the Law Society's Diversity Access scheme, which provides LPC funding and work experience for students who have experienced barriers to entering the legal profession."

PensionBee

Promoting D&I within its team culture and hiring process is a key focus for online pension provider, PensionBee, which echoes its commitment to achieving wider representation and equality in the pensions industry.

"One of the diversity initiatives we're most proud, says PensionBee CEO, Romi Savova, is 'The Program': a two-year development program launched in 2018 to nurture our Customer Success Team, which consists of 'BeeKeepers' and 'Nectar Collectors'.

"They're on the frontline, liaising with our customers, looking after them and their pensions. 'The Program' aims to encourage people, who may not usually do so, to enter the pensions industry. Applicants don't need previous experience and we specifically advertise on jobs boards aimed at those starting their careers without attending university. We provide all of the learning tools required and heavily invest in training, so that all new team members start with the same understanding of the industry."

PensionBee has also created a team of 'Diversity Champions', in acknowledgement that everyone has different life experiences and needs. Savova explains: "It's the role of the Champions to facilitate events and create safe spaces where important discussions can take place around issues of racial inequality, identity, sexuality and more. They're instrumental in ensuring that everyone feels seen and heard, and work closely with our Talent Team to ensure the promotion of diversity across the business."

Pantheon

From an asset management perspective, Pantheon has long been a leader in the private equity space on gender diversity. Forty-one per cent of its global staff are women, including 43 per cent of investment team heads. By way of comparison, according to a recent

BVCA study, the proportion of senior investment roles held by women at firms with >£100 million AUM was just 10 per cent. In regard to ethnic diversity, 33 per cent of its global staff are from non-white backgrounds.

Pantheon managing partner, Paul Ward, comments: "Of course, diversity statistics are just an output that is achieved by building an inclusive culture covering all aspects of working life, from the way a firm recruits to the broader support offered to colleagues. And we recognise that we are at the beginning of our journey, not the end.

"Earlier this year, we published a new inclusion and diversity report and policy, setting out our commitment to continuous progress. In particular, we set out three pillars to help us achieve our ambitions: Inclusive policies; a united culture; and progressive partnerships."

Publishing a new policy was the first step to building up this first pillar, continues Ward: "In the coming two years, we will conduct a comprehensive review of all of our corporate policies, including benchmarking against industry best practice, to ensure we incorporate inclusive principles right across our firm.

"On the second pillar, creating a united culture, we have laid a strong foundation by developing a wide range of events, as well as sharing a range of education resources and championing mental health awareness initiatives during the pandemic."

As for partnerships, Pantheon has formed relationships with a wide range of organisations promoting and championing inclusion in a wide variety of ways, including signing up to the 100 Black Interns project, becoming a member of LGBT+ support network Out Investors, and partnering with the Diversity Project in the UK.

"It is through the work with our partnerships that we aim to improve the 'pool of candidates' that we can hire from – and to help other companies do the same."

T. Rowe Price

Investment management company, T. Rowe Price, similarly has a key focus on collaboration and inclusion, explains head of UK & Ireland institutional, Tammy McPherson, to ensure that its employees feel appreciated and respected. "In a survey of our workforce in April 2020, 88 per cent of employees were satisfied with the way T. Rowe Price had responded to their needs during the pandemic and 82 per cent felt that the firm took a genuine interest in their well-being.

"Our diversity, equity and inclusion roadmap is shaped based on our diversity dialogues. These discussions provide a safe space for our Black, Asian, and Minority Ethnic associates to share their experiences in and outside the workplace. Across the firm, over 1,600 associates have participated."

Externally, T. Rowe Price is also committed to several initiatives. For example, the 100 Black Interns program and the upReach Investment Springboard work experience and mentoring programs for underrepresented undergraduate communities. The firm also partners with the East London Business Alliance who help source local talent for apprenticeships from communities that are among the most deprived local authorities in England.

"We have made progress on diversity, equity and inclusion efforts, particularly in attracting and retaining diverse associates and fostering an inclusive culture for all. We are proud to be a registered Stonewall Diversity Champion and were named as one of Best Places to Work for LGBTQ Equality 2021 by the Human Rights Campaign. We will also continue our aim of bringing together women from across the industry to help them expand their network and support each other during their careers. We have set a goal that, by 2025, females compose 45 per cent of our global associate population and hold 30 per cent of our senior roles globally."

XPS Pensions Group

XPS Pensions Group is another pensions firm committed to diversity and inclusion which, says XPS pensions group partner, Charlotte West, supports staff in ensuring they feel they belong, have a voice, are valued and can be their true selves at work.

"Our strategy focuses on six key areas: gender, race, sexual orientation, disability, menopause, and health and well-being.

"We have a separate strategy in each of the areas and look to embed our approach across everything we do. When recruiting, we advertise every possible role with flexible terms and gender-neutral language. For new joiners, we have a suite of information and support to help employees feel they belong."

To help the firm develop the right strategies, XPS has a Diversity and Inclusion Group, an Employee Engagement Group, a supportive HR team, and a wide range of staff networks including its Women's, LGBTQ+, Menopause and Mental Health Allies networks. These groups help ensure that all staff have a voice to help improve policies, procedures, processes and culture within XPS.

"At XPS, it is the responsibility of every employee to support diversity and inclusion, with a focus on all leaders and managers being positive role models. This is evidenced by a combination of communication, involvement in internal campaigns and showcasing the behaviours expected," concludes West.

Written by Francesca Fabrizi

Special delivery

As the first company in the UK to look to introduce CDC pensions for its workers, Royal Mail has been busy working with governmental and regulatory bodies to build the framework. Jack Gray speaks to its head of corporate pensions, Angela Gough, about her role in implementing that design

Editorial credit: Aleksandr Vrublevskiy / Shutterstock.com

Why did Royal Mail decide it wanted to adopt a collective defined contribution (CDC) pension scheme for its workers?
On 31 March 2018, the Royal Mail Pension Plan closed to accrual of career salary benefits. It closed because if it had remained open in that form, annual contributions by Royal Mail would have risen to unaffordable levels. At that time, the team had detailed discussions with our union, the Communication Workers Union (CWU), about our future pension arrangements.

We were committed to delivering the best possible pension arrangements for our people. We agreed with the CWU that meant they had to be sustainable, affordable and secure.

We agreed with the CWU that people who worked for Royal Mail and Parcelforce should have a pension plan that gives them two things: a cash lump sum and a wage in retirement. Together, we designed the collective pension plan and agreed it would be the right option for our people, as well as being sustainable for the company in the long term. The proposed scheme would be affordable for Royal Mail and for scheme members, with contribution rates that are similar to our current plans.

Did the size of the company make the decision to pursue a CDC scheme easier?
Yes, it is a huge business with roughly 140,000 people, of whom we expect around 120,000 to go into the plan on day one. We are really well set up for a scheme of this type, a collective plan makes sense for a company of our scale.

You joined the company as head of corporate pensions in February. To what extent were you involved in the development of the CDC scheme?
In terms of designing the plan, that happened before I joined. I've spent a lot of time getting up to speed on everything that has already happened to make the collective plan a reality. I have been really impressed by what the team has already achieved over the past few years. I've come in as head of corporate pensions and I am leading the team to implement the new plan. That involves liaising with key stakeholders and unions, the Department for Work and Pensions

(DWP), The Pensions Regulator (TPR), and leading a team of around 30 colleagues, plus external suppliers and advisers to deliver everything we need for the new plans, including the administration systems, communications and our application for authorisation.

What were the challenges in being the first company in the UK to look to adopt a CDC scheme?
A scheme of this size is not going to be without its challenges to implement. The key thing was, when we first came up with the idea, UK pensions legislation did not allow for CDC schemes, so we are really pleased that the UK government recognised that CDC schemes were worth committing that legislative time and effort to. Not just for Royal Mail's sake but for the wider benefit of the wider UK pensions landscape. That was a big challenge, but we got there and the government has been really supportive.

When Royal Mail first started talking about CDC, everybody had their own idea about what CDC meant and often that was quite a different scheme design to ours, so the team spent a lot of time explaining how our design would work and how it was different to other CDC designs that people had seen elsewhere.

Did Royal Mail look to other countries with CDC pensions when developing its own plan?
When the team was developing the design of the new plan, they did look at CDC designs in other territories, such as the Netherlands. It's important to understand that many of their CDC schemes were originally DB and were converted when they came into funding difficulties, so they have a very different heritage and mindset to our scheme design. One of the key features of our scheme design is that the rules don't allow the trustees to put off making difficult decisions, such as reducing pensions if a valuation shows that to be necessary. That's to help with the criticism that CDC schemes can allow problems to be ignored and passed onto future generations. I think we did learn things from other countries' schemes and ours will be a bit different.

Have you experienced demand for CDC schemes from others in the pensions industry?
The team has had conversations with a few people from around the pensions industry, including potential sponsors. I do not think anybody has gone out there on the record as potentially looking to implement CDC, but I think we know there is interest in the market.

Has there been any benefits of being the first company to look to adopt a CDC scheme?
We are really pleased to be pushing CDC pensions forward. We genuinely believe that it will be a valuable addition to UK pensions as an alternative to DC and defined benefit pensions. We recognise that we are the only company right now that is implementing a CDC scheme, but our hope is that once the legislative and regulatory framework is in place that will give others the confidence to move forward with schemes of their own.

What are your priorities for the CDC scheme members?
The key thing for us is that the scheme provides a wage in retirement and lump sum when people come to retirement. I think the interesting thing about a CDC scheme rather than a DC scheme, for example, is the fact that investments pre-retirement can be invested in a way that doesn't require de-risking so early. Pensions can be held in return-seeking assets for longer pre-retirement, which gives potential higher returns. At retirement, members do not have to make those difficult choices that they would have to in a DC scheme, and, in retirement, the scheme doesn't de-risk as quickly, so there is potential for higher returns and members can benefit from pooling longevity risk without paying a premium to an insurance company for an annuity. Obviously, returns aren't guaranteed, incomes can go up and down, and will do depending on investment performance and demographics, but the collective model allows for those potential higher returns.

How have you been communicating the changes with members?
The way that you communicate CDC is really important, and being clear and transparent is key about the nature of the benefits, the specific way the benefits are calculated and how the risks are shared. Both Royal Mail and the CWU have communicated widely to help the workforce understand the concept of CDC through internal comms channels and we've recently engaged pension communication experts to help us make sure future consultation with employees and the scheme's member communications are as clear and engaging as possible. Once legislative changes have been made and we've got more clarity of the timescales we will develop a more detailed and comprehensive comms programme for launch.

Is there any timescale as to when Royal Mail will launch its CDC scheme?
There is a number of steps we have to go through before we can launch. The DWP consultation on the draft regulations ran until 31 August. Once they have considered the comments they receive, the final regulations will need to go to parliament.

Once that has happened and the Royal Mail board has given its final approval and everything is set up, we will also need to get the plan authorised by TPR, and they are dependent on the regulations so they can prepare their code of practice. The exact timetable is a matter for the government but, if everything does go smoothly, we're hoping to launch the plan in 2022.

Written by Jack Gray

Summary
• Increasing complexity of trusteeship, alongside tougher regulations against mismanagement of pension schemes, is leading to greater numbers of professional trustees.
• Lay trustees, who are still in control of vast swathes of pension scheme assets, can gain new accreditations that are closer to professional standards.
• Viewpoints diverge on benefits for the industry and pension scheme members through greater professionalism of trustees going forward.

Lay to rest: Members' interests at centre of professional trustee debate

The growth of professional trusteeship represents a profound change in the sector, calling into question the long-term future of lay trustees. Andy Knaggs looks at what this means for the pensions industry

Recent legislation and regulation of pension scheme governance (for example, the Pension Schemes Act 2021) includes severe penalties and even potentially imprisonment for malpractice. The job of trustee is therefore becoming more risky, more complex and more time-consuming. As a result, industry qualifications and accreditations are regularly updated to help increase the expertise of lay trustees.

It all points towards a rebalancing of pension scheme trusteeship, towards greater professionalism and professionalisation, including the increased use of professional trustees.

What implications could this increasing professionalism have for the future of the pensions sector? What might the sector gain or lose in the process?

The general trend towards more professional standards of trusteeship was signposted in a recent report by the business consultancy LCP, which analyses 13 professional trustee firms, and finds that the majority of assets are concentrated in three major professional trustee firms. It finds that 44 per cent of the UK's DB and DC schemes have a professional trustee, with one in three of these schemes being administered under a professional corporate sole trustee (PCST) arrangement.

"UK pension schemes are heading towards endgame and there is increased regulation from The Pensions Regulator (TPR)," explains LCP head of strategic pensions relationships, Nathalie Sims. "A combination of the volatile economic environment and Covid has increased pressure on making decisions in a remote environment. Many trustee boards are also struggling to find suitable member nominated trustees and employer nominated trustees.

"Lay trustee boards are finding themselves in difficult situations as constantly changing regulation increases the pressure on those boards to decipher what those changes mean for them and how they can work with them. A professional trustee with expertise gained with other pension schemes can help in those situations."

However, while the Association of Member Nominated Trustees (AMNT) accepts that there is an increasing presence of professional trustees within pension scheme management, with all of these reasons contributing to that growth, the association also points out that its members still wield great influence.

Its co-chair, Janice Turner, points out that AMNT members represent £1 trillion worth of scheme assets, while PCSTs represent £400 billion, and she is not shy of evoking a controversial figure in articulating why that is important: "AMNT believes that pension schemes are governed best with proper

representation of scheme members on the boards. Remember Maxwell. MNTs were brought into being in order to protect members' interests."

Professional trustees do not have "skin in the game", she adds: "Their retirement will not suffer if they make poor decisions, whereas member nominated trustees will."

Intimate connection

Indeed, there is a great deal of support and appreciation for the job that lay trustees do from some in the professional trustee field. PLSA chair and managing director of professional trustee company PTL, Richard Butcher, speaks effusively of his experience working alongside lay trustees, and of the particular ingredient that they bring to the governance of pension schemes.

"Lay trustees bring a lot to the table, and I enjoy working with them," he says. "They bring the intimate connection between a scheme's members and its governance. They work for the company whose scheme it is, so they know the people, and that's a useful source of knowledge. They might bring the indiscreet disclosures that could be really useful. They can give us colour that we would not get from the dry documents we have been given. If we lose that colour, we might perhaps have slightly less chance of being optimum in our decision making."

Accredited professional trustees, meanwhile, are expected to attain and maintain high standards of professional competence, and apply their wide knowledge and expertise to the benefit of the schemes in which they are involved.

"They bring increased efficiency of process, governance and decision-making," says ITS trustee director, Akash Rooprai. "They are able to run schemes in a more commercial fashion, and engage more effectively with advisers, as they speak the same language as those advisers. Ultimately, all these benefits contribute to the end goal of better outcomes for members."

Lincoln Pensions director, Luke Hartley, goes further, saying: "It is not just inevitable that there will be increased reliance on professional trustees, but also that we will start to see a wider range of specialist skills in professional trustees, for example restructuring experts, litigators or former regulatory staff that can be drawn upon in certain scenarios."

New accreditation extends lay trustee expertise

In July of this year, the Pensions Management Institute (PMI) announced that it had accredited its first lay trustee through a brand-new scheme intended to enable lay trustees to demonstrate a high degree of competence in best practice decision-making and the ability to navigate the complexities of modern scheme governance. Derbyshire (LGPS) Pension Board employee representative, Neil Calvert, was the first to gain this accreditation.

For this, applicants must complete TPR's Trustee Toolkit and both parts of the PMI's Certificate of Pension Trusteeship.

"What we are looking to do is provide clear metrics that lay trustees, like professional trustees, are taking their responsibilities very seriously, and doing things that demonstrate that they are competent, take the role seriously and will be effective in their role," says PMI director of policy and external affairs, Tim Middleton.

"What the regulator expects of trustee boards is that they have enough technical understanding that they are able to challenge their advisers, rather than being led by the nose by actuaries and benefit consultants; that if they think something is inappropriate, they have the confidence to challenge it. Unfortunately, it's relatively rare and TPR would like to see an improvement in this."

PMI says that the exams and toolkit are the same for professional and lay trustees, but professional trustees are additionally required to complete a 'fit and proper' test on application, as well as provide two references. On an ongoing basis, they are also required to complete 25 hours' CPD, as opposed to 15 for lay trustees.

While the development of this accreditation is broadly welcomed, including by the AMNT, some observers do have their reservations. PLSA chair, Richard Butcher, has a concern that the accreditation might actually put people off becoming a lay trustee. "If it becomes the norm that they have to do this exam, will it cause less people to want to do it? We also have to be careful not to muddy the water between lay and professional trustees, that there remains a clear line of liability. Professionals should stand behind our actions and inactions, and the liability should not be as great for a lay trustee."

This would seem to be a clear benefit of the concentration of pension scheme management into a small number of professional trustee firms, but there are lines here that arguably should not be crossed, for example with trustees providing actuarial services. "We have a very clear conflicts policy at the Association of Professional Pension Trustees (APPT)," said APPT chair of the council, Nita Tinn. "Many do have a background in things like being an actuary, but as a professional trustee they are not giving advice, they are taking advice. It's totally against the standards set by APPT."

Implications

Of course, opinions on whether the growing influence of professional trustees is an altogether positive trend for the pensions sector going forward are always shaped by perspective. While Dalriada Trustees professional trustee, Paul Tinslay, says "the implications for this trend are very positive, in particular for improving value for members and delivering good member outcomes", adding that improved exam, accreditation structures and codes of practice will "increase trust in our industry", the AMNT has a different view.

With regards to shareholder activism, Turner observes that the increased use of professional trustees may result in "serious implications for stewardship of assets invested on behalf of UK savers", adding: "AMNT has fought very hard for the right of pension schemes to adopt a stewardship policy and use it to direct the voting of their assets."

She says that AMNT's ongoing comparisons between AMNT's Red Line Voting policy and those of asset managers indicate that the financial services industry lags behind the AMNT's own stewardship policies used by lay trustees and that the growing influence of professional trustees may result in "the dominance of a conservative outlook that does not reflect the level of members' concerns with current *[sustainable investing]* issues".

The growth in professional trusteeship is there for all to see, and its influence – whether you consider it positive, negative or neutral – is sure to remain a talking point.

Written by Andy Knaggs, a freelance journalist

It's not easy being green

Summary
• There is growing pressure for pension schemes to urgently support efforts to combat climate change, but official frameworks remain unclear and greenwashing concerns continue to present a challenge.
• Upskilling, greater transparency and an open dialogue with asset managers to ensure that pension scheme investment strategies are appropriately aligned can all help to assuage greenwashing concerns.
• Standardisations will also help address greenwashing fears, but must have scope to evolve in future as technology improves and regulations progress.

Whilst pressure for pension schemes to combat climate change has continued to grow, the UK taxonomy defining what exactly green looks like remains unclear. Sophie Smith explores how pension scheme trustees can best navigate this uncertainty and address greenwashing fears

With research from the Intergovernmental Panel on Climate Change warning of "unprecedented" and "irreversible" changes to the climate, it is clear that the pressure for the world to take action against climate change shows no signs of wavering; and for institutional investors, including pension funds, this research has acted as a stark reminder of the essential role they can play in the transition to net zero.

This pressure has been compounded by further climate disclosures, coming into force in October 2021, and recent comments from The Pensions Regulator (TPR) stating that pension schemes "can and must make a difference" in the transition to a net-zero economy.

Yet recent research from Quilter found that there are still concerns around responsible investment, the biggest of which was greenwashing, as 44 per cent of investors were concerned that an investment might not be what it claims.

Growing expectations, and concerns

XPS investment consultant, Alex Quant, agrees that greenwashing remains a "significant issue for the investment markets", explaining that with the large amount of capital being deployed into responsible funds there is a clear risk that managers misrepresent their investment approach. "We have observed a pattern of good intentions at a firm-wide level not consistently feeding through to all funds managed by investment managers, or in some cases any of the funds they manage," he adds.

This is echoed by UK Sustainable Investment and Finance Association (UKSIF) chief executive, James Alexander, who says there is no denying that greenwashing is a challenge for the industry, and one that needs tackling.

"It reduces confidence in our ability to take action and it encourages more cynicism," he says, "and it suggests that we have some unscrupulous actors who have tarnished the reputation of certain people in the industry and have suggested that addressing climate change is more something you put into your marketing literature."

Pensions and Lifetime Savings Association (PLSA) director of policy and advocacy, Nigel Peaple, suggests that both greater disclosure and standardisation have an important role to play in tackling greenwashing concerns, highlighting the upcoming climate disclosure requirements as "big strides in the right direction".

More standardisation is still needed, however, as Peaple notes that dialogue with PLSA members has revealed differences in understanding of what climate-aware investment actually involves, and whether certain approaches can appropriately be referred to as relevant responses to climate change.

"There are many different ways of describing climate-aware investment approaches, and the same words are used to mean different things by different investment providers," he says. "There have been a range of initiatives seeking to provide definitions and models for framing an understanding of climate-aware investment risks and opportunities.

"However, the numerous alphabets of abbreviations that remain are likely adding to confusion."

Indeed, AXA Investment Managers (AXA IM) solutions strategist, Bruno Bamberger, notes that whilst future climate-related disclosures will "undoubtedly" provide greater insights into where assets are invested, it will also bring "yet another round" of definitions and acronyms for trustees to understand.

However, he points out that greater standardisation across the industry in terms of green bond definitions and sustainable product requirements could shift the conversation more towards how to implement and monitor strategies.

"Increased transparency can only be a positive for end investors to allow them to more easily appreciate how green or net-zero aligned their investments are," he explains, clarifying that, as with many aspects about investing responsibly, the trajectory of scores and metrics is often more important than the starting point.

The UK's taxonomy will also help address greenwashing concerns, as Redington head of sustainable

Communicating climate efforts

Queries around greenwashing are becoming increasingly prevalent amongst consumers as individuals look to do their part and reduce their carbon footprint; and with many corporations coming under fire for alleged greenwashing activities, there are concerns that similar accusations could soon land at pension scheme doors.

Recent research from the PLSA found there remains a lack of understanding among savers as to how pension schemes are taking action against climate change, revealing that three-fifths of workplace pension holders (59 per cent) do not know if schemes are taking any action, and just over one in seven (15 per cent) workplace pension holders think schemes are.

Those messages that do reach savers often centre around divestment, rather than engagement.

"We see engagement as one of the most important tools that the financial services industry has, whether that's pension funds or asset managers," says UK Sustainable Investment and Finance Association (UKSIF) chief executive, James Alexander, "and so we are quite worried when there are popular calls for divestment, and for leaving polluting industries altogether because through engagement we can drive the transition in the real economy."

Rather than a divestment focus, he suggests that pension funds and asset managers should use their shareholder power to make changes and to transition the real economy into the viable economy they want in the future.

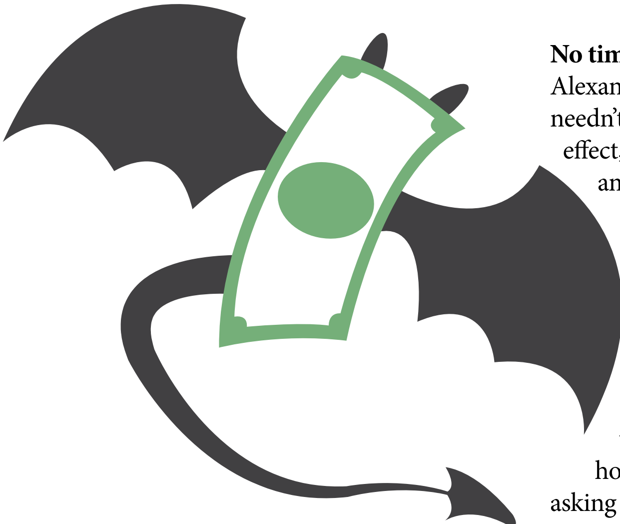
"Now that's of course important in terms of these companies continuing to add value for the for the pension fund, and it's also important in terms of those economies providing the goods and services that we're going to need in the 2050 post net-zero economy," he explains.

Agreeing, XPS investment consultant, Alex Quant, warns that pursuing a portfolio that has a lower carbon footprint where this is not accompanied by considering a company's direction of travel does relatively little to benefit the transition, describing engagement as a "critical and a more effective tool than disinvestment for addressing the real-world climate change risks". Alexander adds that there are some "amazing things" happening with stewardship, warning however that there are challenges as to how the public perceives this, and what they, and what pension savers more broadly, think of as investor engagement.

"I think perhaps as an industry we need to look at what we can do to make people more aware of the successes of engagement, the importance and how positive the impact can be, but also the circumstances where engagement doesn't work, and what happens when a company refuses to change."

SEI defined contribution director, Nigel Aston, agrees that a lot of the work and efforts on engagement, voting and stewardship are not being articulated well enough, suggesting that whilst it is much easier for pension plans to communicate divestment news, that isn't often the right answer, particularly amid a growing agreement that "good stewardship trumps divestment".

Aston also notes that better communications on climate efforts could encourage members to take more ownership over their pension, by showing people that their money is making some contribution towards the world they want to live and retire in.



investment, Anastasia Guha, explains that it will "level the playing field on what constitutes green for all market players, whether you agree with all the details or not".

No time to waste

Alexander clarifies, however, that trustees needn't wait for the taxonomy to take effect, stressing that there is a "huge amount that can be done now", including upskilling trustee boards and working with asset managers to ensure their investment approach is aligned with their climate objectives.

Furthermore, Bamberger suggests that as trustees know that further disclosures are on the horizon in the UK, it is well worth asking the questions to their investment consultants and asset managers now on how their investments are managed and the latest requirements; indeed, recent research from AXA IM also found that now is "potentially one of the cheapest times" for climate factor integration.

Quant agrees that any action by trustees now is a good thing, as delaying to allow the picture to develop would only "kick the can down the road".

"The main equity and credit markets are already well developed in terms of carbon data provision, so trustees should be well placed to understand their current carbon footprint and there is no reason to delay doing that," he says, explaining that while scope 3 carbon data reporting is expected to move, this is not expected to materially change most conclusions that trustees would make based on scope 1 and 2 reporting.

"With green washing, there's no substitute for old fashioned due diligence," he continues. "Trustees need good quality analysis on their investment managers' approach to ESG and to hold managers to account." Adding to this, Guha argues that greenwashing becomes a risk when pension funds make commitments without clear plans on how to achieve them.

"I don't mean pension funds need to provide details, but we need to see what trajectory they are on and what steps they are likely to take on a best-efforts basis," she explains, continuing: "Trustees are ultimately responsible for capital allocation and so it is right that they contribute by allocating toward climate solutions and away from polluters.

"However, this is a complicated fast-moving field – the experts don't agree on everything – so it is important to plan decarbonisation in five-year increments.

"Start with the lowest hanging fruit – set baselines and targets – and leave the market and standard setters to come to consensus on things that are tricky now. In three to five years when you are ready for your next plan – you can be sure solutions and standards will exist. New problems will no doubt have emerged, but trustees can think about those in the next plan!"

Written by Sophie Smith

Learning from neighbours

Whilst the UK's taxonomy is still in development, the EU taxonomy has been in place for over a year. But what can pension scheme trustees, and the UK itself, learn from the EU's example?

"The EU taxonomy is a really useful tool and has helped to establish consistent terminology for managers to market their funds and engage in conversations with consultants and trustees," says Quant. He clarifies, however, that there remain a spectrum of approaches that can be taken, even within the defined EU "Articles", emphasising that due diligence is still required to fully understand the approach taken by a given manager.

"After all, disclosing information is only the first step in actually delivering on sustainable promises," he says, suggesting that the same is likely to apply to the UK taxonomy and that there remains a critical role for asset managers to clearly articulate the approach taken by a given fund in respect of ESG and sustainability, and for consultants to assess their suitability for pension scheme investors.

Adding to this, UK Sustainable Investment and Finance Association (UKSIF) chief executive, James Alexander, argues that there is an opportunity for the UK to create more principles-based regulation rather than the prescriptive route that the EU has pursued, as this could help bring new solutions and innovations.

Another consideration highlighted by Alexander is whether the extent of the market that is covered by the new taxonomy can be expanded, particularly in relation to transitional activities, as he explains that while some options may not be the "ultimate green outcome", it is the best technology available at this moment in time, and so is regarded as being green for a certain time.

"But we also want to see that future looking perspective, that will allow people to have that forward certainty of how regulation is going to change or how the taxonomy is going to change as we anticipate technology developing", he continues. "The EU taxonomy also looks like it might be moving slightly away from the science, and it's really important that we focus on the science in the UK green taxonomy."

Summary
• The pensions industry's natural link to financial education and supporting people in having a comfortable life in retirement has helped forge partnerships with charities.
• This link intensified during the Covid-19 pandemic, when many pension organisations stepped up to help people and companies that were struggling with their finances.
• Despite the work between charities and the pensions sector, more can still be done to not only raise funds for those in need, but also to help people understand their pensions and wider finances.

Joining forces

As an industry that is heavily entrenched in the worlds of financial education and later-life living, the pensions sector may feel more responsibility than most to support charitable causes. Jack Gray investigates the work being done in partnerships between charities and pension firms

As we emerge from the Covid-19 pandemic, the true extent of the financial strain it has caused for companies, people and the country as a whole is not yet clear. Many lost their jobs and although the furlough scheme supported workers when their employers could not, this month (September) it has been entirely phased out.

Many in the pensions industry looked to support those in financial need during the pandemic, whether that was a company helping fund food banks or an individual raising money through a fun run, but the links between the pensions sector and charity pre-date the chaos caused by Covid-19. For decades, pension organisations have been assisting charities in supporting those who need financial education, a better quality of life in old age and help with their mental health, but more can still be done.

Forming a partnership

A key way in which those in the pensions industry support those in need is through the formation of partnerships with charities. Examples of partnerships include Rothesay's partnership with Age UK, Pension Insurance Corporation's partnerships with Independent Age UK and Rethink Mental Illness, XPS Pensions' partnerships with several charities, including Stonewall and Tax Help for Older People, and the Pension Protection Fund's (PPF) work with Dementia Friends *[see boxout]*.

Aegon, which made a number of donations and conducted fundraisers during Covid-19, chooses a national charity and several local charities to partner with each year, as Aegon CEO, Mike Holliday-Williams, describes: "Each year, we raise funds across Aegon UK for a national charity and in addition, each location chooses to support one or two local charities. For our national charity, we look for organisations who have a close link to our purpose – helping people to achieve a lifetime of financial security and making a positive impact.

"For 2021, our chosen national charity is the Prince's Trust. The Trust gives young people the practical and financial support to move forward with their lives, helping them to gain a greater stake in our economy and society."

Five years ago, Hymans Robertson established the Hymans Robertson Foundation. The foundation is independent of the firm, explains Hymans Robertson corporate social responsibility manager, Sarah Gilmour: "The foundation has sole authority to shape the programme and decide on partnerships.

"We are really focused on developing strong relationships, supporting their employability programmes with funding and engaging with them to deliver financial education training."

Current charity partners of the foundation include Barnardo's, FARE Scotland, the Prince's Trust and SportsInspired, while it also has a 'hardship fund', with which it can provide emergency funding to overwhelmed charity partners. Hymans Robertson Foundation CEO, Marcella Boyle, notes that working directly with the charities is essential in understanding the best way the industry can assist those in need.

"We do nothing without speaking to the charity partners – they are the people on the ground," Boyle says. "We absolutely trust the partners we work with, and in their relationships with young people in communities, and when they are inviting us to volunteer to support them they trust us, so it is mutual."

Holliday-Williams adds that Aegon's charity strategy is "heavily employee led" and the firm's role is to "nurture this spirit and help employees" by providing the framework and financial backing through matched fundraising.

Fruits of your labour

The impact of charitable endeavours should not be underestimated. A careful selection process and creating a strong, communicative relationship with charity partners can drive change in areas that need it most. As pension organisations, many focus their efforts on financial education, financial hardship and the mental health challenges that financial stress can cause.

"We had a lot of people who were comfortable dealing with financial education and we thought, to reach more people, we would need a more strategic approach," comments Gilmour. "We expanded our network of charity partnerships and really focused on developing strong relationships. We were supporting their employability programmes with funding and engaging with them to deliver financial education training."

A close relationship with charities can create tangible evidence that an individual, firm or foundation is making a difference, which can help drive further charity work, as Holliday-Williams explains: "Over the years employees have volunteered at local primary school breakfast clubs, remodelled playgrounds, participated in dress down Fridays and charitable giving through payroll in addition to all the more formal events and challenges, and volunteering has become a priority for many."

Boyle adds that the Hymans Robertson Foundation has a charity partner speaking at every board meeting, which "really strengthens" the links between the foundation and its partners. "From the 'on the ground' point of view the board hears what impact the funding is making, so we are never far removed from hearing from charity partners," she notes.

Dementia Friends

In an industry that supports people later in life, much of the charity work undertaken is with charities that support the older generations. One example is the PPF's work with Dementia Friends, a programme run by the Alzheimer's Society that aims to change peoples' perceptions of dementia.

"Protecting our most vulnerable members is a key priority for us and it made complete sense for us to not only partner with the Alzheimer's Society, but to support them as our corporate charity," says PPF chief customer officer, Sara Protheroe. "Through delivering the Dementia Friends awareness sessions to all our member-facing employees, we can feel confident knowing our most vulnerable members are supported when they get in touch."

Protheroe notes that two in every 100 people aged between 65 and 69 have dementia, with this being a "key time" for pension savers when making decisions about their retirement.

"We believe it's extremely important for pension schemes to ensure their member-facing employees are able to quickly identify the signs of dementia so they can best support their most vulnerable members, especially at this critical time," she adds. "One of the key techniques that can help make a difference is understanding dementia and how to respond to it. That's why the training team use real life stories, illustrations and key phrases, to encourage participants to think more broadly about their family, friends, strangers, as well as our members."

More ways than one

Donations, fundraising and volunteering are not the only ways pension professionals can help charities. GJH Pensions director, Gareth Hopkins, established the Charities Pensions Club (CPC) in 2016 to help charities ensure they are practising good governance within their own pension schemes. The group meets and discusses what pension-related issues charities are struggling with, and how they might overcome them.

"Charities are an interesting sector because they have to spend their money carefully," Hopkins states. "One of the purposes of the club is bypassing consultancy if they can. It's 'let's use what resource you do have'.

"In terms of those who attend, it's people such as in-house pensions managers and finance directors. They will discuss amongst themselves the issues they are having to understand what the potentially most cost-effective way to go about resolving any issues they have might be.

"It is also ensuring, from a governance perspective, that they are doing the right things with those market comparators. For that industry, there is a reputational risk if they are spending too much on one thing."

The CPC is evidence that the pensions industry's involvement with charities can take many forms, with all having their role to play in helping those in need.

Written by Jack Gray

Mapping the route to member protection

The Nottinghamshire Pension Fund is one of the latest pension schemes to back TPR's pledge to combat pension scams after the Nottinghamshire Pension Fund committee approved the pledge at its latest meeting. Sophie Smith sits down with Councillor, Eric Kerry, to discuss what prompted the scheme to back the pledge, and how it has worked to protect members' benefits amid the pandemic and climate concerns

Can you tell us a bit about what prompted the fund to become a signatory to The Pensions Regulator's (TPR) pledge to combat pension scams?
Since April 2017, pension scam losses totalling £30,857,329 have been reported according to complaints filed with Action Fraud, says the Financial Conduct Authority (FCA) and TPR.

Scammers target pension pots big and small, with reported losses ranging from under £1,000 to as much as £500,000.

However, the true number of victims is likely to be much higher as savers fail to spot the signs of a scam and don't know how much is in their pension pots.

A 2019 survey by Action Fraud reported that individual loss is about £82,000. TPR reports this figure being higher at £91,000. Pension scams are on the increase in the UK. Every day fraudsters are using sophisticated ways to part savers from their money and the internet, and advances in digital communications mean these kinds of scams are getting more common and harder to identify. A lifetime's savings can be lost in moments.

TPR states: "Pledging to combat pension scams shows your intent to protect your members. It tells your members and the pensions industry that you are committed to stopping scammers in their tracks. Once you have taken the pledge it's up to you and your scheme or organisation to take action."

Nottinghamshire Pension Fund's (NPF) commitment to TPR's pledge to combat pension scams demonstrates our intent to protect our members.

Putting it into action
The scheme has outlined a step-by-step plan for the action needed to address the pledge requirements. This includes developing and delivering an annual pension scam communication plan, including annual benefit statements and transfer requests, as well as plans to refresh the pension scams section of its website and to support TPR and FCA campaigns through social media and online member communications. Additionally, all Nottinghamshire Pension Administration staff, Pension Committee and Pension Board members will complete the scam modules.

The fund's broader action plan also includes an end-to-end review of the current pension transfer process and the development of a checklist process for completion for each transfer, expected to be completed by the end of 2021. Additionally, the fund plans to add a pension scam section to the *Pension Administration Annual Performance Report,* with the next report due June 2022.

And how has the scheme worked to meet the requirements under the pledge?
Now the Nottinghamshire Pension Fund Committee has approved the pledge, we are to undertake the work to enable us to then complete the self-certification of the TPR's pledge to combat scams.

The pension fund has also developed an action plan covering other activity we will undertake to implement to protect the fund and our members from scams. Basically, the fund will be reviewing what we already do to protect the fund and our members and expanding this further.

Concerns around pension scams have increased amid the onset of Covid-19, but has the pandemic impacted the scheme, and how has the fund worked to protect members' benefits amid this?
Staff had laptops and previously had some opportunity to work from home prior to the pandemic. Following the announcement from the Prime Minister and our own chief executive, staff began working from home in late March.

There was a short period of settling

into this new way of working, but pension staff have continued to deliver a full administration service during the pandemic and have worked in accordance with the regulator's Covid-19 requirements with a concentration on processing death benefits, retirements into payment and the ongoing payment of existing pensions. Staff have also continued with the transformation programme – progressing the rollout of the scheme employers portal and plans to rollout members self-service in the future.

The fund has seen an increase in pension members seeking access to pension benefits, where members have deferred benefits who are able to take their benefits at 55 or over on a reduced basis. The pension fund also enacted the advice from TPR at the start of the emergency, by placing increased warnings in documents alerting members about pension scams.

Nottinghamshire Pension Fund also set up a Covid-19 risk register to enable the fund to monitor specific Covid-19 risks which included:

- National concern about pension freedoms and members accessing pensions early to offset financial issues due to the pandemic
- Resource availability due to illness (however this did not transpire)
- Concern about the collection of contributions from employers, monitored closely
- Monitored the mortality in the fund as we saw an increase death over our normal statistics, this created more work of the processing of death benefits

Pension scams are not the only area to see increased focus over the past year, with pressure for pension schemes to act on climate change growing. In light of this, can you tell us a bit about how the fund has integrated environmental, social and governance (ESG) considerations into its investment strategy?

Nottinghamshire Pension Fund Committee considers the fund's approach to ESG in three key areas:

- Selection – considering the financial impact of ESG factors on its investments.
- Stewardship – acting as responsible and active owners, through considered voting of shares and engaging with investee company management as part of the investment process. The committee supports the stewardship.
- Transparency and disclosure – commitment to reporting the outcomes of the fund's stewardship activities

Could you tell us a bit more about how the scheme used engagement, and why this approach is favoured over divestment?

The fund is strongly of the view that engagement with companies we invest in is much more likely to lead to improvements than simply divesting its shares. If the fund were to sell its fossil fuel holdings to another less engaged investor the pressure on those companies would reduce with potentially a negative impact on carbon emissions and speed of transition.

The fund actively influences companies through engagement through our investment managers and the Local Authority Pension Fund Forum (LAPFF), and through exercising our voting rights. Our voting record is disclosed on our website on a quarterly basis.

Does the scheme have any future plans in relation to net-zero targets or investments in fossil fuels?

The pension fund has been proactive, being one of the leaders, in its work in understanding climate risk. The recent climate risk analysis indicates the pension fund already has a lower exposure to fossil fuel reserves and a lower carbon footprint than the benchmark. Over time we expect this to reduce as the fund reduces the passive listed equity weightings and reinvests into sustainable equities and infrastructure in particular.

The fund's pool, LGPS Central Ltd, is currently working at creating a new sustainable investment product, in which NPF is collaborating. Furthermore, over the past few years the fund has significantly increased the allocation to infrastructure, much of which is invested in renewable energy, which will decrease the exposure of the fund to fossil fuels, and this is likely to continue.

Over the past year, the fund has implemented a Climate Risk Action Plan, published a Taskforce for Climate-related Financial Disclosure (TCFD) report, a Climate Strategy and Climate Stewardship Plan and through its partners continues to engage with companies to implement Paris-aligned strategies.

Written by Sophie Smith

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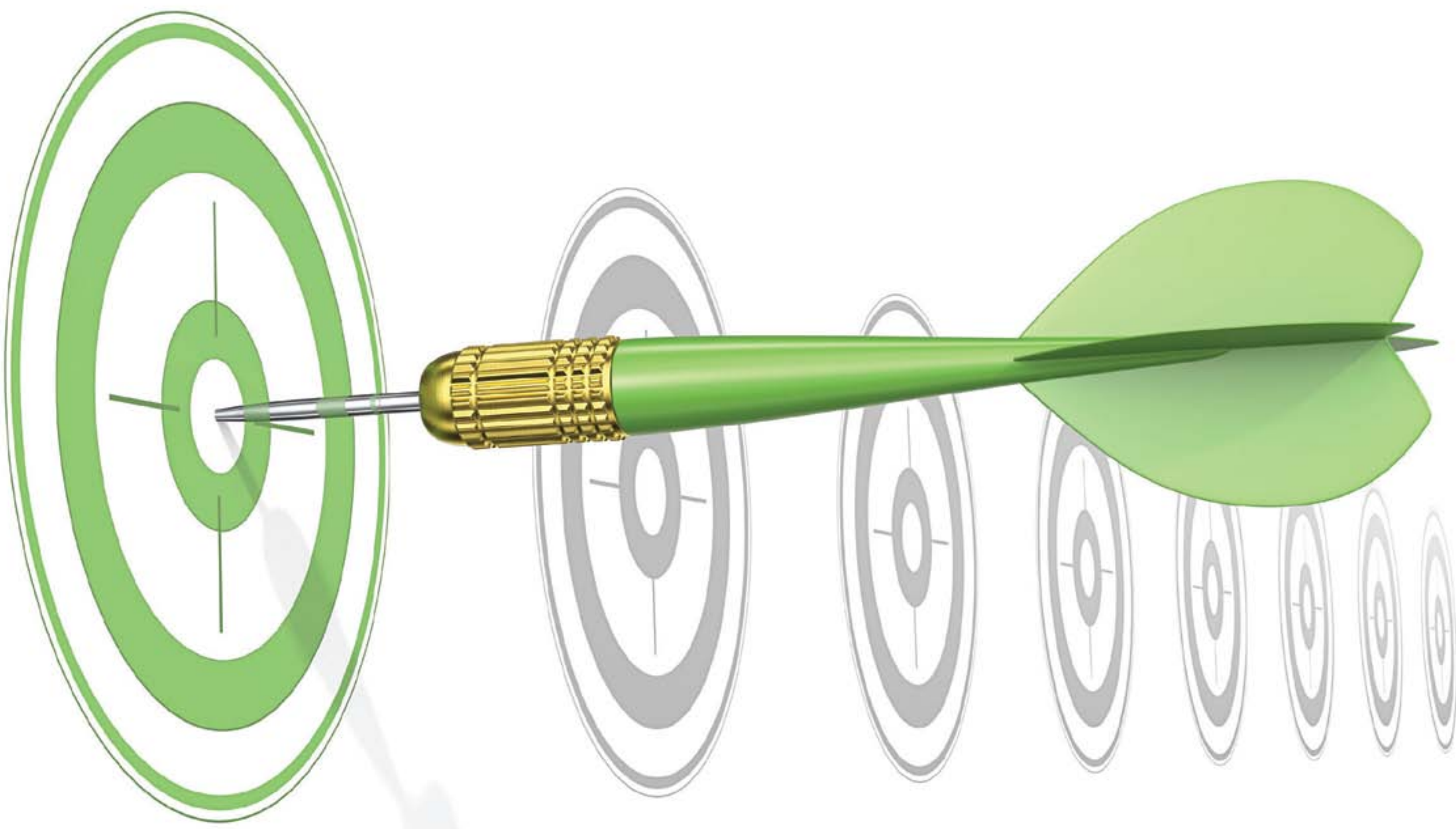
Fiduciary: The secret sauce to achieve your sustainability goals – *Philippa Allen and Sam Segameglio at Aon discuss why a fiduciary management approach to responsible investment can help trustees achieve their sustainable investment goals* **p56**

A helping hand: *Andrew Williams explores the role of fiduciary managers in helping pension schemes with their responsible investment* **p58**

Fiduciary management focus:

Helping to hit responsible investing targets



Aon senior portfolio manager, Philippa Allen and RI portfolio specialist, Sam Segameglio

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Fiduciary: The secret sauce to achieve your sustainability goals

Philippa Allen and Sam Segameglio at Aon discuss why a fiduciary management approach to responsible investment can help trustees achieve their sustainable investment goals

Environmental, social, and governance (ESG) factors have become increasingly important for pension schemes, which have had to find their feet in the rapidly developing world of responsible investment (RI). Arguably, RI has already become the norm for UK defined benefit schemes. The positive responses to Aon's forthcoming 2021 RI survey, show the importance of RI considerations to UK schemes.

What's driving these trends?

Changing pension charters, strategy reviews and member feedback have all played their part. The government's Investing in a Better World Survey showed that 57 per cent of UK investors would like their pension to be invested responsibly and 47 per cent would want it switched if it was not invested in line with their beliefs. The increase in RI options in the market has created awareness, interest and discussion, and made implementing more sophisticated RI solutions possible for schemes of any size.

These factors have contributed to the trend, but it is hard to find a more powerful driver than regulation.

Reducing the governance burden is a key tenet of fiduciary management and that extends to the increasing level around RI. A fiduciary manager with well-resourced RI expertise will assist schemes with regulatory activities, such as preparing engagement policy implementation statements, or taking action on their behalf, such as engagement and stewardship. These activities require time and expertise to do effectively, so delegating these to a fiduciary manager can be beneficial.

We see more trustees wanting to better understand their RI beliefs and to get advice on implementing a solution in line with those. Again, fiduciary management can help. We use proprietary tools and processes, such as our viewpoints exercise, to help trustees formulate their beliefs and a plan to action them.

With better understanding of beliefs has come a shift away from trustees simply wanting to be assured that RI is being considered. Trustees now want a deeper understanding of what is happening in portfolios.

Putting it into practice

Once trustees have a coherent set of beliefs, it is the fiduciary manager's role to implement them. The focus should be on helping schemes of any size to create a solution that fits their RI needs, whether driven by regulation or beliefs. This requires flexible portfolio construction, effective stewardship and insightful reporting.

With portfolio construction, we offer

a range of 'building block' funds that have different RI focuses. We then use a flexible framework to slot the building blocks together in different ways for different schemes.

When considering building block funds, ESG integration is a critical starting point and the baseline that investors expect. In 2019, c.55 per cent of investors approached RI through ESG integration. This has increased considerably in 2021.

Integration makes investment sense and ensures that ESG risks and opportunities are robustly incorporated into investment decisions – and so deliver better risk-adjusted returns. There are more details on this in Aon's paper: *The Benefits of ESG Integration*. Integration also ensures that managers are responsible stewards of capital and use voting and engagement to drive positive change.

Increasingly, investors expect fiduciary managers to engage with underlying managers on ESG. We believe engagement is an effective way to improve investment outcomes. We dedicate around 80 hours per week engaging with managers in our fiduciary portfolios, which our clients would otherwise need to do themselves.

The strong relationships between fiduciaries and managers and the large investment amounts at stake, mean fiduciary engagement causes action. We set a high ESG bar for managers to enter our portfolios, but there is always room for improvement. Key themes on which we have engaged include formalising ESG processes and better discussion with companies on environmental and social issues. Our managers have improved their ESG practices, including formalising ESG frameworks, providing more and better ESG data and working with companies on topics such as board diversity and carbon emissions.

The average ESG rating across several of Aon's funds has improved as a result of our engagement activities. This includes our hedge fund portfolio, where 92 per cent of managers are rated integrated or advanced on ESG. We expect this to be 100 per cent within a year. This progress highlights the value that fiduciary managers can add through ESG expertise and industry influence.

Aligning to beliefs

Moving beyond integration, demand for investments that align to specific beliefs has increased. This may mean excluding sectors, decreasing carbon footprint, or investing in companies providing solutions to environmental and social challenges. Managers and fiduciaries have responded with innovative solutions.

Within our own solutions, our equity building block funds include a low carbon fund and an impact fund. Our low carbon fund has c.50 per cent less carbon than the broad equity market. Our impact fund invests to contribute positively to the United Nations Sustainable Development Goals (UN SDGs). For example, over the past year, c.26 per cent of the fund has contributed positively to good health and wellbeing via holdings in companies such as Moderna. This means investors have had a positive impact on global Covid-19 efforts. To further meet schemes' needs, we are also launching a sustainable multi-asset credit fund, which will invest in strategies aligned with the UN SDGs and climate objectives.

Working with underlying managers to design solutions is another way fiduciary managers can meet schemes' beliefs. We recently partnered with a leading manager to create a direct lending fund in which all loans have specific key performance indicators that encourage companies to make a positive change on ESG issues. We believe this is the first solution of its kind in which these clauses are in 100 per cent of loans.

Many schemes wish to include more than one RI approach in their portfolio. A flexible portfolio construction framework allows this. For example, several of the schemes we work with allocate half their equity exposure to our ESG integrated funds and half to our impact equity option.

A transparent approach

Beliefs, strong integration, and innovative solutions are only part of the picture. Reporting is the element that completes the feedback loop, keeps fiduciary managers accountable and allows schemes to meet their regulatory obligations. Our approach is to provide investors with an interactive online ESG dashboard and an annual stewardship report. The dashboard provides granular detail on ESG ratings, carbon metrics, and much more. The stewardship report explains the engagement we do on behalf of investors.

The bottom line

It is clear to us that RI is a theme that is here to stay. While the number and sophistication of solutions in the market has grown significantly, there is still work to be done. With fiduciary management, trustees can benefit from a holistic approach to RI and ESG which is based on their individual beliefs and can improve the likelihood of achieving their overall objectives – both across performance and sustainability.

There is no better time than now to seek expert advice on what is right for your scheme and to chart your own path towards a more sustainable future.

Written by Aon senior portfolio manager, Philippa Allen and RI portfolio specialist, Sam Segameglio

Summary
• Amongst other things, fiduciary managers with RI expertise can assist schemes with preparing engagement policy implementation statements and carry out engagement and stewardship activities on behalf of schemes.
• They can also help schemes to deepen understanding of their RI beliefs by using proprietary tools and processes that help with setting RI policies and investment approaches.
• To date, most of the RI innovation across the industry has been in equities, but the development of solutions more broadly across other asset classes – particularly fixed income – is likely to be an important development in the coming years.

A helping hand

Andrew Williams explores the role of fiduciary managers in helping pension schemes with their responsible investment

There is a growing awareness amongst UK defined benefit (DB) pension schemes that fiduciary managers can assist in the fulfilment of responsible investing obligations. So, what exactly is a fiduciary manager? What are their main functions? In what ways can fiduciary managers help UK DB pension schemes fulfil – or potentially even exceed – their responsible investing duties? And what developments and evolutions in the way fiduciary managers help out can we expect in the coming years?

Efficient solution

As Aon responsible investment portfolio specialist, Sam Segameglio, explains, fiduciary managers can help trustees to secure their members' benefits by delivering a more efficient investment and governance solution.

"A fiduciary manager is ultimately responsible for providing daily oversight, expertise and management of the portfolio. This means managing all the decisions around asset allocation on a strategic and tactical level, liability management and risk management, as well as manager and stock selection," he says.

Elsewhere, Ernst & Young manager of consulting, Ciprian Balan, says the delegation of certain investment decisions has become increasingly popular with pension schemes and other asset owners.

"Commonly, it is motivated by the desire to free up time to focus on key strategic issues, improve implementation speed and efficiency, access a greater variety of asset classes and risk management techniques economically, and ensure there is a dedicated investment resource looking at the investment strategy on a daily basis," he says.

Meanwhile, DWS head of pensions advisory and EMEA consultants, Shalin Bhagwan, reveals that fiduciary management is an increasingly popular route for many pension funds because it provides a low governance and cost-effective approach to the management of, especially, more complex UK DB pension funds. That said, she believes it may not be suitable for all pension funds, especially where a pension fund requires greater choice and flexibility.

"The rise of firms dedicated to providing professional independent trustee services, coupled with an increase in the number of independent consulting firms, provides sponsors with more options for the professional management of their pension funds. The choice of which model will suit will necessarily be client specific and both models have track records of functioning well for UK pension funds," he says.

Engagement and stewardship

According to Aon senior portfolio manager, Philippa Allen, fiduciary managers can help schemes achieve and provide evidence of the commitments they make in their responsible investment (RI) policies, and "take a lot of the work that goes into that off their hands". For example, she reveals that a fiduciary manager with well-resourced RI expertise will assist schemes with preparing engagement policy implementation statements and carry out engagement and stewardship activities on behalf of schemes.

Although these engagement and stewardship activities are often crucial to evidencing the actions taken to carry out commitments made in RI polices, Allen observes that they tend to require a huge amount of time and expertise to do effectively, meaning that delegating them to a fiduciary manager enables schemes to at the least fulfil their duties and often exceed what would typically be executed in-house or by the board of trustees.

"Fiduciary managers can also help schemes to better understand their RI beliefs by using proprietary tools and processes that help with setting RI policies and the investment approach," she says.

"They can also provide sophisticated

investment solutions to be implemented in line with those beliefs; these may often be solutions that the scheme may not be able to access without the benefits of scale, resource, and expertise that come from having a fiduciary manager," she adds.

Balan observes that fiduciary managers are now engaging more frequently with their clients to determine whether trustees have any specific environmental, social and governance (ESG) beliefs, in order to reflect these as far as possible into their fiduciary offering.

"Different pension schemes may have different decarbonisation targets and different objectives and we think it is important for a fiduciary solution to be flexible and cater for different ESG requirements and ambitions. Some fiduciary managers have advanced modelling capabilities, such as scenario analysis, and have started using this analysis to inform investment decision making in managing their clients' portfolios," he says.

Meanwhile, Redington director of investment consulting, Nick Lewis, argues that the fact most fiduciary managers are set up with scalability in mind means that trustees have very little influence over how RI considerations are implemented.

"Whilst fiduciary managers are increasingly introducing RI alternatives in certain asset classes, this is still very generic and can't be tailored to individual trustee RI beliefs. It is therefore critical that trustees select a fiduciary manager with an approach to RI that fits with their beliefs. We see significant dispersion in fiduciary managers' capabilities in and approaches to ESG," he says.

Market development

Looking ahead, although HS Sole Trustees director, Ray Martin, observes the 16 fiduciary management providers in the UK market place are still in the development stages of their ESG approaches, and to an extent rely on the approach taken by their underlying managers, he believes it seems likely the market will develop so that the fiduciary manager will offer a particular approach for its clients or a range for them to select from.

"Trustees should find this easier than developing their own approach in the advisory model of investment governance," he says.

"At the current time ESG responsibilities are generally delegated to the underlying fund manager in most models. Fiduciary managers are however continuing to adapt their models to allow trustees to express their ESG views through them to the underlying managers," he adds.

Segameglio reveals that a growing number of Aon's fiduciary clients are demanding investment solutions that align to specific beliefs and generate positive real-world impact on environmental and social issues, and observes that fiduciary managers have played, and will continue to play, a critical role in providing solutions that implement RI approaches that cater for these client needs.

"We have developed innovative solutions in this area and have a range of equity strategies with different approaches to RI, including a low carbon, negative-screened fund and an impact fund. In our factor-based equity solution, we have achieved a circa 50 per cent reduction in carbon versus the broad equity market and excluded the most controversial sectors. Last year we also launched the Aon Global Impact Fund, which invests to contribute positively to the United Nations' Sustainable Development Goals (UNSDG)," he says.

Sustainability focus

For Lewis, the innovation of allowing trustees to have some say on how the fiduciary manager should engage on different topics is positive and can help with the issues some trustee boards have of finding cost-effective ways to demonstrate they are implementing their unique engagement preferences. He also predicts that, in the coming years, fiduciary managers will likely continue to provide more flavours of RI options available to trustees to provide some customisation.

"Fiduciary managers have an opportunity to solve the age-old problem of differing time horizons between trustees and asset managers. Trustees want asset managers to fully integrate long-term systemic risks, such as climate change, but assess the managers on quarterly performance – and portfolio managers pay is usually linked to annual performance. Can fiduciary managers step in and bridge the gap? It is an extremely challenging problem to solve but I would like to see fiduciary managers try," he says.

"It is important that trustees remember they can outsource the investment functions of the scheme but are still accountable for setting and implementing their RI beliefs and policies; they need to ensure they hold fiduciary managers to account," he adds.

Moving forward, Allen predicts that net zero will be a key focus for fiduciary managers and the broader investment industry in the coming years. In order for the industry to reach these goals, she also expects the growth of sustainability or impact-focused funds to increase.

"We have begun developing our own solutions in this space and will soon be launching a sustainable multi-asset credit fund, which will invest in alignment with climate goals and UNSDG's," she says.

"To date most of the RI innovation in the industry has been in equities, but developing solutions more broadly across other asset classes is going to be critical – particularly in fixed income, as more schemes de-risk and so desire reduced equity exposure in portfolios," she adds.

Written by Andrew Williams, a freelance journalist

Simplifying the process

Jack Gray chats to Money and Pensions Service chief executive, Caroline Siarkiewicz, about the planning and implementation of the service's recent move to consolidate its existing financial and pension advice brands into a single offering, MoneyHelper

In March 2021, the Money and Pensions Service (Maps) announced that it would be consolidating the Money Advice Service, The Pensions Advisory Service and Pension Wise into a single destination for savers' money and pensions guidance. MoneyHelper launched in late June, with the aim of bringing free and impartial financial guidance to savers in one, easy to find place.

Can you describe what MoneyHelper is and how it differs from the previous unconsolidated structure?
MoneyHelper is our new single gateway, providing people with free and impartial money and pensions guidance. We want people to feel clearer about their choices and more in control of their finances, throughout their lives. To do this, MoneyHelper brings together the services of our legacy brands – Money Advice Service, The Pensions Advisory Service and Pension Wise – and is backed by the government.

Pension Wise remains as a named service under the MoneyHelper umbrella, and has a similar look and feel to MoneyHelper. This is all part of our strategy to have a unified pensions offering. Maps has stayed as our corporate brand, and is how we engage with partners, industry stakeholders and employers.

How will the consolidated structure change the offering/experience for savers?
Our money guidance, pensions guidance and Pension Wise appointments still offer the same free and impartial services to people online, by phone, webchat, and WhatsApp. MoneyHelper simply makes it easier for people to find what they need, all in one place, and for pensions providers to direct customers to a single website, instead of three different sources based on their need. Essentially, our streamlined offering now makes it clearer and more efficient for everyone to find the right information.

Why was the change decided upon?
Maps was created in 2019 to provide a more efficient and joined-up service, and ultimately make it easier for people to find the information they need to make the most of their money and pensions. We carried out extensive market research and found the most effective way to do this, was to bring together our legacy brands – Money Advice Service, The Pensions Advisory Service and Pension Wise – into one, new single consumer-facing brand.

Roll out started on 30 June, how was the preparation and consolidation process, and what challenges did you face?
I am incredibly grateful to the Money and Pensions Service team for the amount of work they undertook to roll out MoneyHelper this summer. During 2020/21, there were more than 17,000 websites linking to our legacy sites, making the transition to MoneyHelper was a huge and complex task.

We have been working with representative bodies to make sure their guidance to financial organisations is updated with the new MoneyHelper signposting.

As part of our ongoing conversations with the industry and in preparation for the changeover, we announced MoneyHelper to the industry in March, three months before it went live to consumers, to support all of our stakeholders as they planned to make the changeover to any references on their resources. This involved a series of industry-focussed webinars and consultations. We also released a beta version of the MoneyHelper site two weeks before 30 June, so that the industry could help us test and resolve any snagging issues.

To prepare consumers for the changeover, and carry-over existing brand equity to MoneyHelper, in the weeks before MoneyHelper launched we released banners on key legacy brand website pages to let people know that MoneyHelper was coming. Our money and pensions helpline staff also let people know one-to-one over the phone. Since MoneyHelper launched, all of our legacy site pages now automatically redirect people to the corresponding page as it now appears on MoneyHelper, to make the transition as easy as possible for everyone.

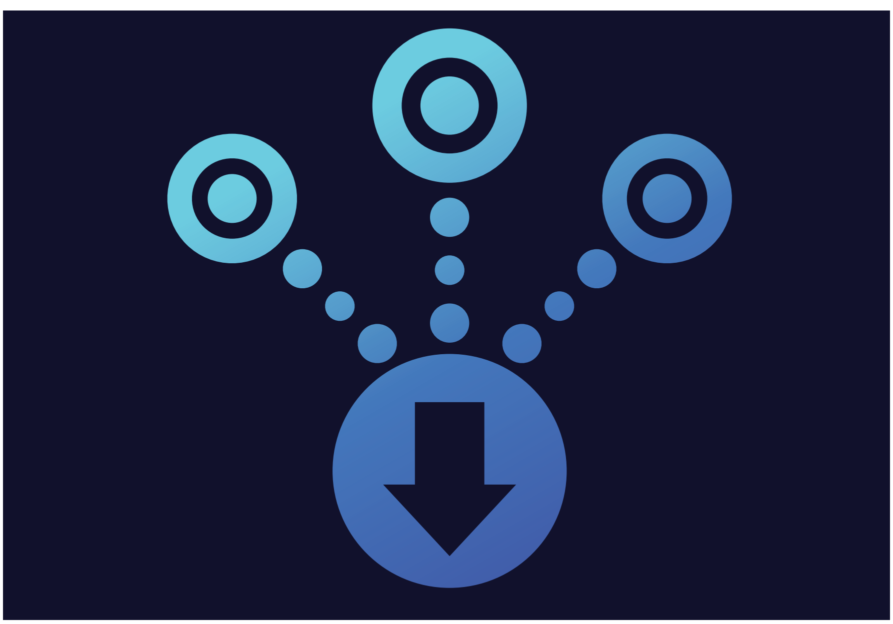
What should the industry be doing, and what is the best way for providers/employers to communicate the benefits of MoneyHelper with members?

For many people, MoneyHelper is the first stop on a journey to making the most of their money and pensions; where people can find clarity on where to start and feel empowered to take that next step forward. For some, this may involve paying for regulated money and pensions advice, and we have several directories across MoneyHelper to help people find regulated advice providers, such as our 'Find a retirement adviser' tool. In fact, in 2020/21 we referred more than two million visitors out to our partners.

To support the industry to communicate MoneyHelper and its benefits, we have produced a toolkit with access to collateral and brand guidelines, to facilitate the changeover of any references to MoneyHelper, and to make the transition as easy as possible. The MoneyHelper Toolkit also shares information on how the industry can help us communicate to its customers and networks. The industry can find support and messaging to communicate MoneyHelper and its benefits by downloading the toolkit from our dedicated page on the Maps website.

What are the next steps for Maps and MoneyHelper, and what do you see as the biggest challenges going forward?

As an organisation, we have reviewed our services to deliver better outcomes for people, help them repair their finances and plan for the future as the country seeks to build back better from the pandemic. We are focusing on increasing debt advice capacity so that more people can get the support they need to get out of problem debt; improving the provision of money guidance not only within Maps' services but also amongst the wider practitioner network, and bolstering impartial pensions guidance that supports people across all stages of their journey.



We also recognise that to achieve a step change in the UK's financial wellbeing, we have to work closely with our stakeholders and partners to truly make a difference. None of this is deliverable by Maps alone.

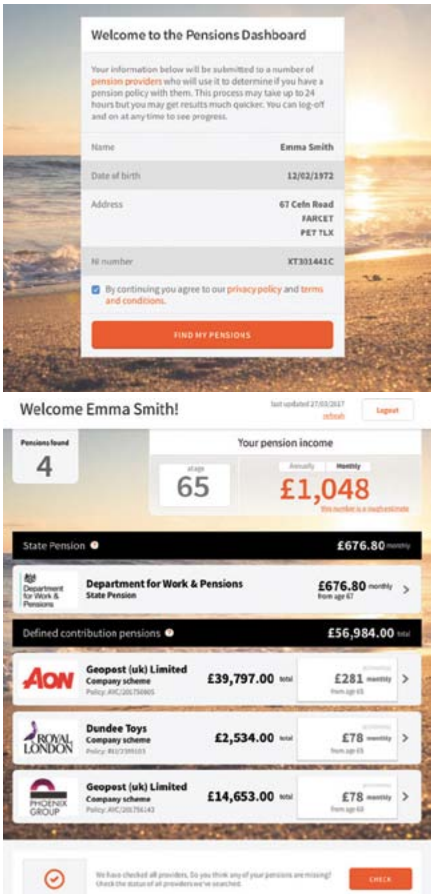
One of our big challenges moving forward is to carry over the strong brand equity from our legacy brands to MoneyHelper. Maps' legacy brand websites received more than 50 million visits in the last year, and more than one million people had individual money guidance, expert pensions guidance and free of charge debt advice sessions from these services.

To signpost more people to MoneyHelper, we recently launched a consumer awareness campaign. Maps created a new online programme called 'Couch to Financial Fitness', inspired by the popular step-by-step training app, 'Couch to 5K', which utilised MoneyHelper's free and impartial guides to coach people to improve their money and pensions week-by-week.

Couch to Financial Fitness, on MoneyHelper, aims to help the 20 million adults (38 per cent of the nation) who have seen their financial situation worsen because of Covid-19. The online programme empowers people to take control of their finances and includes a section on 'how to boost your pension', which takes users through simple steps to plan for their future.

We were pleased to see one million visits to MoneyHelper in its first month, and we're continuing to monitor consumer awareness and liaise with the industry, although we understand that the full transition may take some time. Our focus continues to be that we are offering the best possible service for everyone in the UK so that they can make the most of their money and pensions.

Written by Jack Gray



Summary

- Pensions dashboards have faced significant delay but progress is being made by the PDP.
- Having undertaken user research and an industry call for input, the PDP is about to enter the testing phase of the dashboards.
- Schemes and providers are advised to get dashboard-ready by looking at how clean and digital their data is.
- Regulation is also needed to confirm what data will be mandatory for pension schemes to provide.

Dashboard loading…

With the Pensions Dashboards Programme about to move into the development stage of dashboards, Natalie Tuck looks at what this entails and the challenges still to overcome

There are so many proverbs that would befit an update on pensions dashboards but the expanded, Rome wasn't built in day but they laid bricks every hour, is perhaps the most fitting.

It is no secret that pensions dashboards have faced delay; the original 2019 launch date is now a distant memory, with staged onboarding expected to take place from 2023. Creating dashboards is no easy task, however, and with several other big projects occupying the industry, delays were perhaps inevitable.

As Pensions Administration Standards Association (Pasa) Dashboard Working Group chair, Chris Connelly, says, dashboards "are not yet considered the most important thing" right now for schemes that could be dealing with any number of irksome tasks, from guaranteed minimum pension (GMP) equalisation to the McCloud judgment hanging over public sector schemes.

Delays aside, there are many industry figures working hard to make dashboards a reality in the UK. The Money and Pensions Service's (Maps) Pensions Dashboards Programme (PDP), which was set up in 2019, has made significant progress on dashboard development. In the past year, the PDP has, among other things, undertaken extensive user research on dashboards and published a call for input seeking views from the industry.

The next steps

"It's going to be an exciting few months for the progress of pensions dashboards," says PDP director, Chris Curry. Recently, several announcements have been made in relation to the develop and test phase. One of those is that Pasa will lead on the development of data matching conventions for dashboards, alongside the Association of British Insurers (ABI) and the Pensions and Lifetime Savings Association (PLSA).

Although the PDP did set out a range of potential items that providers can use for matching back in December 2020, with no regulations confirming any method, Pasa's work will play an important part in steering the Department for Work and Pensions (DWP) in the right direction. "We are really supportive of the work that Pasa is doing to ensure that there are industry-wide data matching conventions in place and guidance to help those that need it," Curry says.

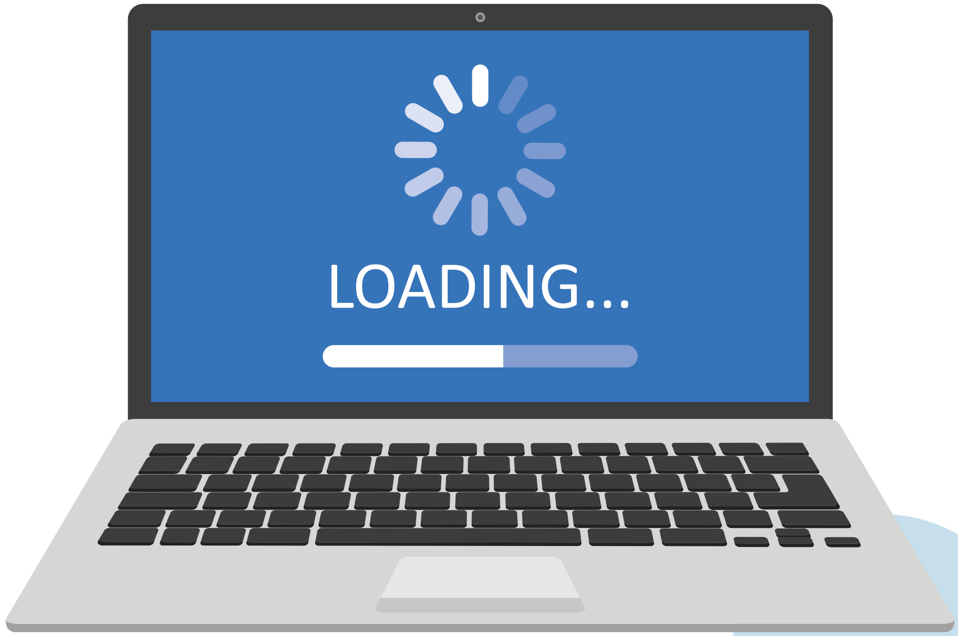
In addition, the PDP has also announced its first set of seven alpha testing partners in the area of data. One of those partners is Aviva, and its future innovation and digital director, Julie Green, says the company's involvement has already begun. "We have attended workshops for the Integration and Test and Technical working groups. These groups pool expertise from the participants to draw a consensus as to the best way forward."

ITM chief innovation officer, Maurice Titley, which is also a partner, adds: "PDP has a well-defined product it's developing; our job as an alpha partner is to create the connection between that ecosystem and data providers. Testing that connection and creating a blueprint that can be repeated by other providers later on. Initially, testing will be focused on ensuring the connections effectively feed data, in the right format, to and from data providers to dashboard."

Once this is done, several dashboard providers will be selected to work with the PDP to see if they can also connect up to the infrastructure to test whether the system all works together. Then, Curry says, they will be performing some end-to-end testing by running some dummy data from start to finish to see how it all works.

The PDP has also appointed Capgemini, who will partner with Origo, to supply the central technical architecture. This, Curry explains, is the "digital centre" of the dashboards programme. Over the coming months Capgemini will deliver the pensions finder service, consent and authorisation service, and governance register.

The PDP is also procuring for its first identity service provider to make sure that "individuals are able to identify themselves and the right provider sends individuals the right information," Curry says. "Alongside that, we're doing some really important work on consumer protection to make sure that no one is put at risk by pensions dashboards."



Dashboard ready

In addition to the above, schemes are now frequently told to get dashboard ready, one of the favourite buzzwords of the moment in the pensions industry. But with no regulations published, what does this mean? "There are some key elements of data that we think will almost certainly be part of the dashboard data set that organisations will have to receive from the digital architecture and return to dashboards," Curry states.

These data elements were set out last year by the PDP. The first is 'find data' needed to match individuals to their pensions, which includes information such as a person's first name and surname, date of birth, address, and national insurance number.

The PDP also expects schemes will be required to return 'view data' to dashboards, which includes details about a person's pension arrangement, the name of the pension provider, and the administrator's contact details.

It also expects pensions value data will be part of the mandatory 'view data' for schemes but there are challenges here as there is currently no standardised form for calculating these values.

As part of helping schemes get dashboard ready, Connelly says that Pasa's guidance has been telling schemes to look at their data to see what state it is in and to think about what they can do about it. "If you currently think you've got clean data because you've scored 95 per cent or more on The Pensions Regulator's (TPR) common data score, that's all well and good but that only tells you the data is there, it doesn't actually tell you it is correct still. I might have 100 per cent of my addresses in my system but it doesn't mean those people still live there."

Another question is whether schemes are up to the challenge? "I'm sure they will be," Curry answers, "I don't want to underestimate the size of the challenge, we know that for many schemes it is going to be a real challenge. It's not just necessarily how clean the data is, but in some cases it is how accessible it is digitally."

This is echoed by Green, who notes that some schemes already have strong digital services that they will be able to utilise when deploying their dashboard services. "Others do not, and they will have a very steep learning curve as to how they will expose their data."

Data, data, data

Data is arguably the most important aspect of pensions dashboards – without it, you simply would not have a dashboard. Whilst it is clear cut that schemes will have to provide certain data, until the regulations are published, it will not be confirmed whether figures on ERIs and accruals will need to be included upon the launch of the dashboards.

The inclusion of ERIs is a particularly contentious issue for the industry; on the one hand user research suggests pension savers want ERIs included on dashboards, but some in the industry are concerned that requiring this straight away could be putting too much pressure on pension schemes and providers.

LCP partner, Steve Webb, believes there is a "logical flaw" in not wanting to launch the dashboards until all the data can be provided. He notes that under the PDP's proposed plan, which includes larger schemes being staged first, smaller schemes will not engage at all until much later. Instead, he thinks it would be better for all schemes to provide membership information only first and build from there, something he thinks the public would accept.

Coming from a different perspective, Connelly notes: "If Maps carries out its user research and it is unequivocal that users definitely want to see an ERI when they go on a dashboard, then who are we to say that that's not what we should do to make sure that members get what they want. The fact that we don't have a high level of demand from deferred members right now does not mean that that's not going to change in the future or whenever it's digital. Making pensions digital will bring its own demands, so [*if you didn't decide to automate before*] the cost benefit analysis point will now move."

Whilst there is industry debate, Titley says that the PDP, having taken on the view of the public, have been committed via working groups, feedback groups and direct feedback with providers to understand the challenges and ways to overcome them.

This collaboration that Titley references is crucial to the development of dashboards, but not just between the PDP and the pensions industry, but also between the government and regulators. Indeed, ABI head of long-term savings policy, Rob Yuille, believes this is especially true for data matching, as it is "one of the big critical pieces of the jigsaw".

"You want [*users*] to be able to find their pensions and be confident that the information is right. We know there are challenges with availability of data and schemes will be keen to make sure that they're sharing the right data and nothing else. There's definitely a balance to be struck between how specific that data is and how sensitive the results are."

Expanding on this, Connelly explains the concept of false positives and false negatives. A false positive is sending a person someone else's data, a data breach, which is a big issue and something the Information Commissioner's Office (ICO) would need to be made aware of, whereas a false negative is when you don't send someone something when you should have.

"If you're a data controller you might argue that a false negative is the lesser of two evils because you have said no when you shouldn't have but that could still lead to a breakdown of trust somewhere because a user might know they have a pension with a certain scheme, but it won't be shown. Early user research from 2017 found that if there is a pension that someone expects to be there and it's not displayed, people don't think rationally that it is a data problem, instead, they think about pension scams and where has my money gone?"

Regulatory framework

Despite all the progress being made, until the regulations are finalised development of dashboards can only go so far. As Yuille notes: "There's a lot of focus on industry readiness but that does depend on government and regulator readiness."

Both the Financial Conduct Authority (FCA) and TPR will have roles to play in the regulation of pensions dashboards. The Pension Schemes Bill created the legislative framework for dashboards. As part of this, it will be mandatory for pension providers and schemes to connect to pension dashboards. The FCA will be responsible for making sure personal and stakeholder pension schemes provide data to dashboards, whilst TPR will ensure compliance from trust-based and public sector pension schemes.

A DWP spokesperson, which is responsible for drafting the regulations for dashboard data compliance, said the department aims "to consult on proposed regulations for pensions dashboards later this year and lay draft regulations before parliament for debate in 2022". Meanwhile, a spokesperson for TPR said it is working on "developing our own approach to regulating compliance – we will be providing guidance on our expectations and will also set out our proposed approach to compliance in 2022".

In addition, the provision of pension dashboards will be an FCA-regulated activity, but before the FCA can draft regulations, HM Treasury needs to make amendments to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. However, neither the Treasury or the FCA were able to provide timings on when the industry can expect draft regulations.

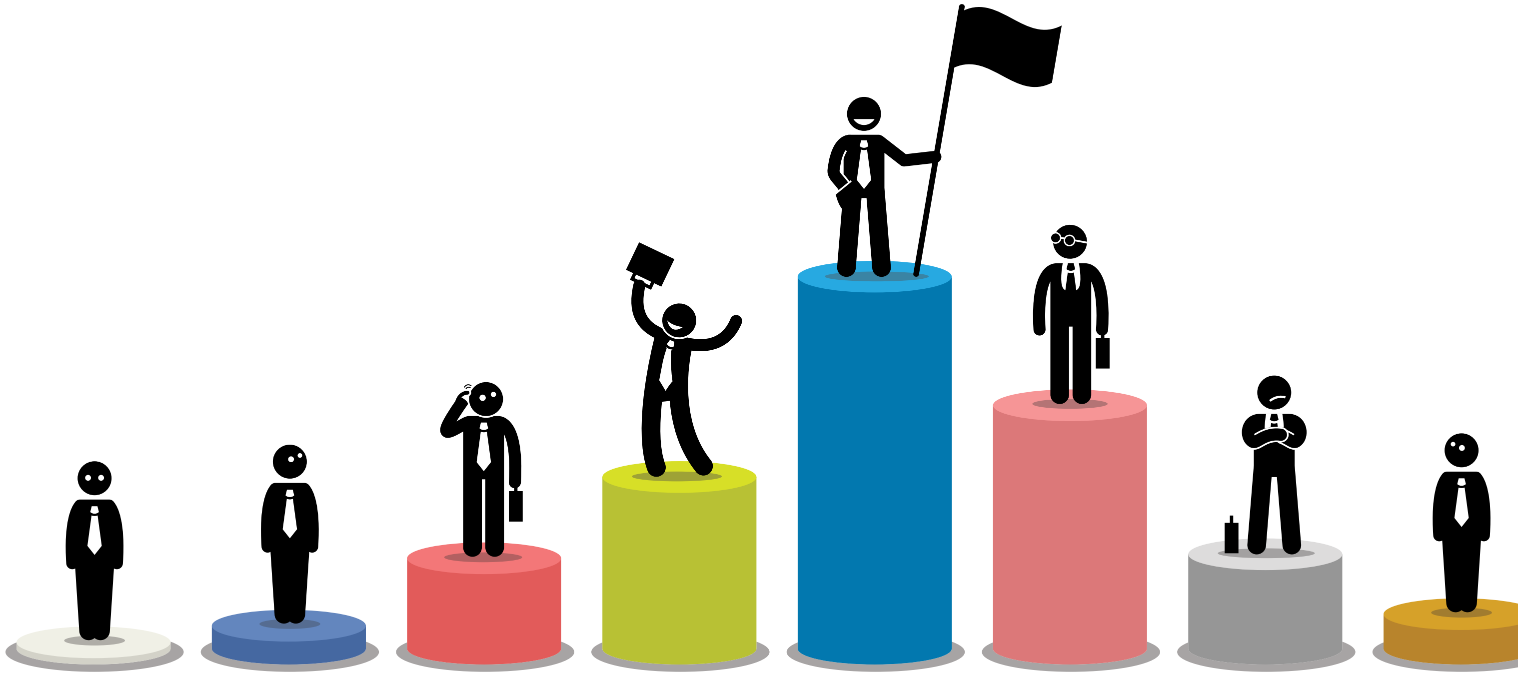
Offering his perspective on why there is not yet any regulations, Yuille says there is a "sequence that needs to happen". This includes the development and progression of things relating to consumer protections and the identity scheme to make sure there is a reliable way people can prove who they say they are.

"That all needs to come first and then the Treasury needs to give the powers [*to the FCA to regulate dashboards*], and I doubt they would say anything without that having happened, but the FCA will have been thinking about it and we hope they will draw on their experience in other markets, especially open banking," Yuille says.

And when pensions dashboards are finally made available to the public, Tumelo CEO, Georgia Stewart, thinks they will force the pensions industry through a "data revolution that parallels open banking".

"We are yet to see the full force of open banking in action, as applications are still being built on top and the consumer is still building up trust. However, already – within a few years – we have seen incredible strides in the way people can manage and interact with their personal savings… dashboards will encourage (or force) pension providers/schemes to position the customer data they currently have to be equally as empowering and, hopefully, even more positively impactful on the world."

Written by Natalie Tuck



Summary
• The number of DB-to-DC pension transfers fell at the end of last year, before rising again.
• Some think the pandemic caused the drop, while others think it actually reinvigorated the market in 2021.
• Going forward, there is a sense within the industry that it should be driving consolidation before we head into a period of cost-and-inefficient confusion.

Highs and lows

Pete Carvill looks over the ups and downs of members' pensions transfers over the past year

If there was ever a good time to transfer a personal pension, it seems that it was not the end of last year. It was at this point, in Q3 2020, that some players in the market saw the whole thing tumble and plummet. According to Lane Clark & Peacock (LCP), defined-benefit-to-defined-contribution transfers were, during that period, 62 per cent lower than they had been in Q3 2017, having dropped from 66 out of 10,000 members transferring in a year to just 25.

And, yet, almost as soon as transfers fell, they began to rise. LCP reported in June that it saw quotations in Q1 2021 hit 136 per 10,000 scheme members, an increase of 17 per cent on Q3 2020 and 22 per cent on Q2 2020. They were not the only ones to notice this uptick. In August, XPS Pensions Group's Transfer Activity Index showed that defined benefit pensions transfers rose to their highest rates in a year, with 75 out of every 10,000 members choosing to take the plunge.

This fall and rise in those seeking to transfer their pensions has not gone unnoticed, and there are many with different opinions as to why.

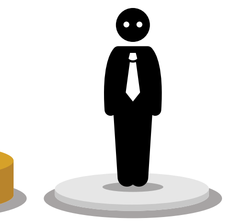
"A range of factors have contributed to this, including increases in individual fund sizes," says The People's Pension chief sales and marketing officer, Rob Porter. "The improvement of provider and external industry communications have meant more people have woken up to the fact they have a pension. The Covid-19 pandemic and associated lockdowns, as well as the government's furlough scheme have given many savers the time and opportunity to both review and make decisions about their pension savings. Another area of consolidation within the auto-enrolment market, sees some members transferring deferred pots to their current active employer account."

Pandemic effect

The pandemic was certainly a factor, but no one is quite sure how or to what extent. LCP associate consultant, Andrew Pijper, says that the pandemic explains both the drop and the rise in the number of transfers. "In the first lockdown," he says, "transfer requests declined by 50 per cent, went back up, and then dropped through the floor during the second lockdown."

But then, he says, came the increases at the beginning of this year. "My theory is that there was uncertainty in 2020 as to the duration of the pandemic and what its effects would be on the economy. But with a vaccine rollout and a timeline for the pandemic's end, we're in a different place in 2021."

Other work supports the pandemic-as-suppressor theory. In June, LCP released its *All Change for DB Transfers* report. The authors of that wrote: "The seven weeks of strict lockdown between March and May 2020 saw greatly reduced levels of transfer activity, with the rate of requests falling to less than 50 per cent of pre-lockdown levels."



Others look at the pandemic as having caused the boost in transfer earlier in the year. Nest head of member experience, Debjani Kundu, says that the lockdowns gave people the chance to deal with what she calls 'life admin'. "A lot of people," she says, "are waking up to the fact that they have pensions."

Another factor that fuelled the Q3 2020 drop-off was the Financial Conduct Authority's (FCA) ban in October on contingency charging for pensions transfers. The move, intentioned to improve outcomes for customers, had another effect: January data from the body showed that the number of firms in this sector dropped 42 per cent between 2018 and 2020 (as of the middle of this year, the total had gone back up to 1,521). It seemed that fewer advisers in this area may have made it more difficult for customers to obtain the information that it is mandated they have.

Trends

But will the rise continue or is it temporary, the result of a blockage in the pipe being worked out? Kundu says that it is hard to tell. "This trend may continue to some extent," she says. "Maybe not as much as at the beginning of the year but it won't fall back to last year's levels. At the end of the day, though, it's difficult to be accurate because a forecast is only a forecast."

The fluctuations in the sector make it hard to judge, but there is a sense in some quarters that a health industry needs more transfers. "I think it's not enough," says Now Pensions director of policy, Adrian Boulding. "The labour market turnover is much higher than that. If you have 11 jobs over a 40-year career, that's a move every four years. And when people move on from one workplace, they tend to leave the pension behind and start another at the next one. That leads to a lot of duplication and admin costs as a result."

There are other knock-on effects as customers move between workplaces, leaving their smaller pots behind. Aviva head of savings and retirement, Alistair McQueen, points to the Pensions Schemes Act of 2015 as a catalyst for much of what we see today.

He says: "More people in the UK than ever before are saving into a pension, and it looks like the number of pots is set to rise from eight million to 30 million over the next 20 or so years. An environment of many pots with lots of small amounts of money is not an attractive one; it's more complicated for individuals and the value of those pensions is going to slowly be eaten away by the charges. And it'll going to create a costly and inefficient industry for providers, the costs of which will be passed down to the customer."

An agglomeration of smaller pots, says Boulding, also has the potential of a sub-prime outcome for customers. "There are FCA statistics about what people do at retirement," he says. "The smaller pension pots – often in the low thousands – tend to get cashed in and not put towards a pension. But if the customer had gathered those pots together earlier, then it is likely that they would have had a much bigger pot at the end."

There is clearly a lot of work to be done in this area. As always, engagement is key. Kundu says that work needs to be done on 'breaking down barriers' when it comes to pensions, giving the disengagement of customers who find their financial affairs labyrinthine and distant. It is something, she says, that customers often do not engage with until it is too late, adding, "The industry should be ensuring that they look with more interest at their pensions, so they understand their own wellbeing and get the most out of their products."

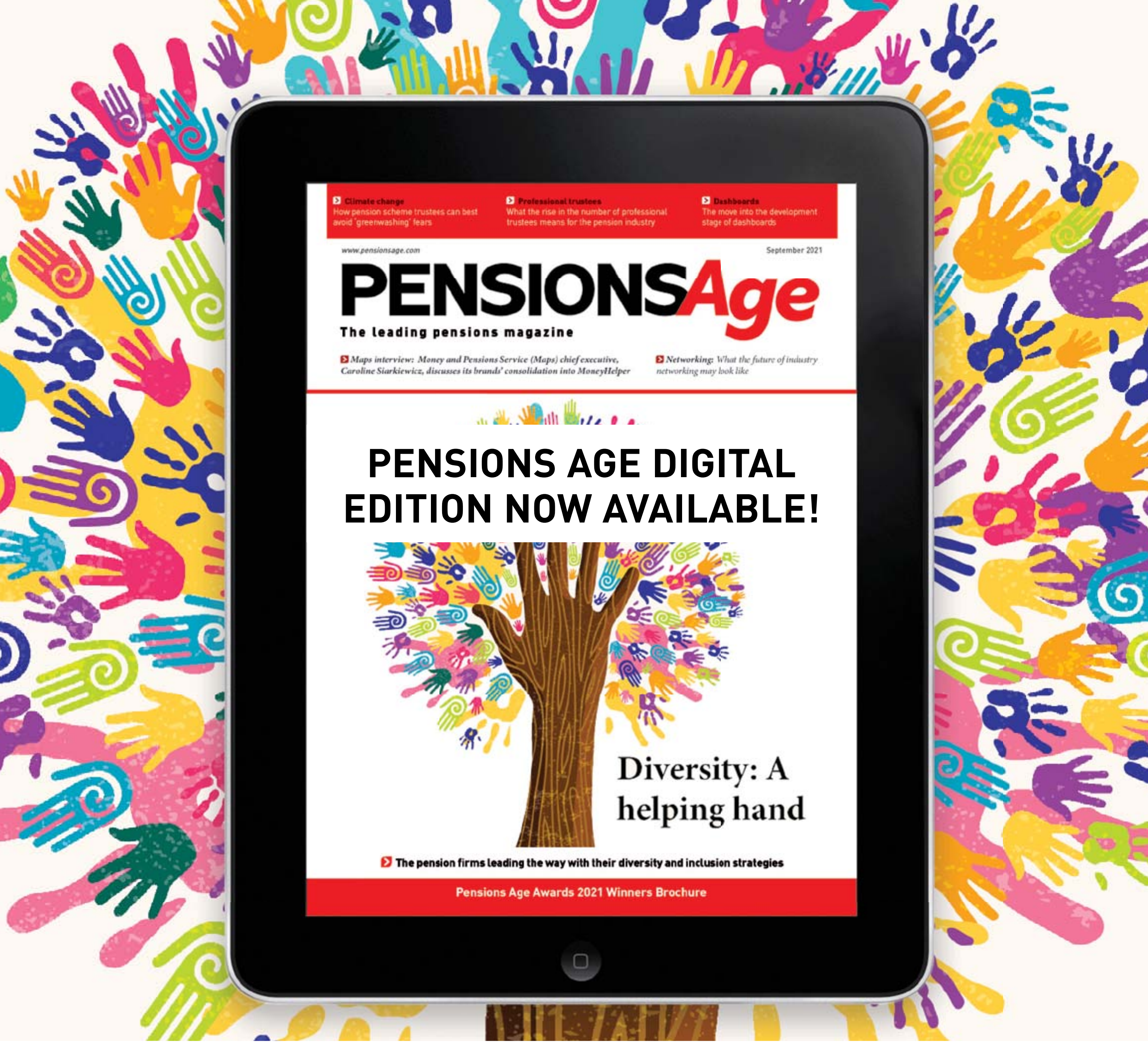
Others put the onus elsewhere. LCP partner, Bart Huby, says that a scheme's trustees should appoint financial advisers that provide members approaching retirement with sound, professional advice.

"It wouldn't be about transferring," he says, "but about their accumulated benefits. The advice, too, would be better and cheaper because the advisers would have a more-comprehensive, deeper understanding of the benefits on offer."

Boulding tells *Pensions Age* that there was a cross-industry effort he was involved in for customers' pensions to be automatically consolidated. He says that such a scheme would be on an opt-out basis but would essentially boil down to tracking where someone goes after leaving a workplace, then consolidating their existing pension with their new one automatically. Even with all the GDPR nightmares around such an idea that treading softly is the only option, Boulding says that the UK government – and, specifically, the Pensions Minister – have evinced a particular interest.

"We may find out that the law does not allow us to do that," Boulding says, "and we have spoke to the Minister about this. But, generally, it's in the best interests of people that their pensions are all in the same place."

Written by Pete Carvill, a freelance journalist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OVERVIEW

The *Pensions Age* team was beyond excited to see everyone again at this year's Pensions Age Awards 2021. The necessary restrictions did nothing to dampen the atmosphere in the stunning Great Room of Park Lane's Grosvenor House, as representatives from the UK pensions arena gathered to collectively celebrate making it through one of the most challenging years in global history.

Trophies were handed out (socially distanced of course) to over 30 firms who have set the bar high in terms of innovation, excellence and pure dedication to meeting the needs of UK pension schemes in the past 12-18 months.

Huge congratulations go to all our deserving winners and many thanks to everyone who supported the event, including our sponsors, judges, and of course all our guests on the evening.

We hope you enjoy reading about the winners and their achievements and we look forward to seeing you all again in February 2022 when we hope to celebrate even more success in the industry. There may even be dancing next time!

Francesca Fabrizi
Editor in Chief
Pensions Age

2021 JUDGING PANEL

The judging panel

Robert Branagh
CEO
London Pension Fund Authority

David Butcher
Managing Director
Communications and Content

Michael Clark
Founder and owner
CBC Pension Services

Melanie Cusack
Client Director
PTL

Jerry Gandhi
Director, **20-20 Trustees;**
Director, **C A P Services Ltd**

Kiran Lamb
Pensions & Benefits Manager
Sky

Vince Linnane
Chairman
Moorlands Human Capital

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

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

Matthew Swynnerton
Partner
DLA Piper

Stephen Wickham
Member Nominated Trustee
Molins UK Pension Fund

PENSIONS Age AWARDS 2021

The Pensions Age Awards 2021: Celebrating a commitment to excellence in UK pension provision


TPT Retirement Solutions


BAE Systems Pension Scheme


Pfizer, Capita & Sparks


PPF


The BT Hybrid Scheme


PensionBee

DC Pension Scheme of the Year
WINNER: *TPT Retirement Solutions*

DB Pension Scheme of the Year
WINNER: *BAE Systems Pension Scheme*

Pension Scheme Communication Award
WINNER: *Pfizer, Capita & Sparks*

Pensions Administration Award
WINNER: *PPF*

Best Investment Strategy Award
WINNER: *Nest*

Pension Scheme Innovation Award
WINNER: *The BT Hybrid Scheme*

Pensions Consultancy of the Year
WINNER: *Barnett Waddingham*

Pensions Provider of the Year
WINNER: *PensionBee*

Fiduciary Management Firm of the Year
WINNER: *River and Mercantile*

Pensions Technology Firm of the Year
WINNER: *Legal & General*

At-Retirement Solutions Provider of the Year
WINNER: *Legal & General Investment Management*

Independent Trustee Firm of the Year
WINNER: *PTL*

Pensions Law Firm of the Year
WINNER: *CMS UK*

Pensions Accountancy Firm of the Year
WINNER: *Cooper Parry Group*

Active Manager of the Year
WINNER: *Artisan Partners*

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

Fixed Income Manager of the Year
WINNER: *Robeco*
Highly Commended: *Pictet Asset Management*

Alternatives Manager of the Year
WINNER: *Gresham House*

Emerging Markets Manager of the Year
WINNER: *Federated Hermes*

Property Manager of the Year
WINNER: *M&G Investments*


River and Mercantile


Legal & General


Legal & General Investment Management


PTL


CMS UK


Cooper Parry Group

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Vontobel Asset Management


Robeco


Gresham House


M&G Investments


Insight Investment


Ormonde Advisory

LDI Manager of the Year
WINNER: *Insight Investment*

Multi-Asset Manager Provider of the Year
WINNER: *Ormonde Advisory*

Risk Management Provider of the Year
WINNER: *Rothesay*

Pensions Communications Award
WINNER: *Pension Geeks*

Innovation Award
WINNER: *Lincoln Pensions*

Innovation Award (Investment)
WINNER: *Mobius Life*

Innovation Award (Technology)
WINNER: *CACEIS*

Administration Provider of the Year
WINNER: *Trafalgar House Pensions Administration*

Master Trust Offering of the Year
WINNER: *Standard Life*

Sponsor Covenant Provider of the Year
WINNER: *PricewaterhouseCoopers*

Factor Investing Offering of the Year
WINNER: *Aon*

Sustainability Provider of the Year
WINNER: *AXA Investment Managers*

Diversity Award
WINNER: *Travers Smith*

Cash-flow Driven Investment Manager of the Year
WINNER: *Wellington Management*

Pensions Marketing Campaign of the Year
WINNER: *West Midlands Pension Fund*

Pensions Age Thought Leadership Award
WINNER: *Buck*

Pensions Age Thought Leadership Award (Investment)
WINNER: *BNP Paribas Asset Management*

Personality of The Year Award
WINNER: *Samantha Seaton, CEO, MoneyHub*


Rothesay


Lincoln Pensions


Mobius Life


CACEIS


Trafalgar House Pensions Administration


Standard Life


AXA Investment Managers


Travers Smith


Wellington Management


BNP Paribas Asset Management


Samantha Seaton, CEO, MoneyHub

tpt Retirement Solutions

DC Pension Scheme of the Year: TPT Retirement Solutions

The ***DC Pension Scheme of the Year*** *award went to* ***TPT Retirement Solutions.*** *Receiving the award was Philip Smith (centre). Judge Richard Parkin (left) and host Felicity Ward (right) presented the award.*

The UK is now well-ahead with its transition to a majority defined contribution (DC) pension system, and, as such, DC provision has evolved beyond recognition in the areas of investment, communication and scheme design.

This award celebrates those DC schemes that have developed their proposition with a clear focus on what really matters – meeting member needs. The judges stated that this year's winner showed a real willingness to gather member feedback and act upon its findings.

Not only has it completely overhauled its online offering and communication materials, it has also invested in its people, moving them to a more customer-centred approach. This paid dividends with customer satisfaction increasing during the pandemic when many others saw satisfaction falling.

Well done to TPT Retirement Solutions (TPT), the DC Pension Scheme of the Year!

TPT has a 75-year long history of "making membership worthwhile" for pension savers, and this year has been no different. Rather than sitting back for an easy ride, being one of just a third of master trusts to receive approval from The Pensions Regulator, it has made considerable improvements in three key areas to provide members with quick and easy access to information.

The first is environmental, social and governance (ESG) issues, as it cares about what is important to its members; secondly is communication, offering further personalisation and digitalisation to member communications, and the third area is customer engagement and satisfaction. The result is not only a DC Master Trust scheme that's sector-leading – it's also established a new industry blueprint.

To achieve these, TPT set three objectives to meet member needs and address its vision to create an industry blueprint. These focused on delivering value for money to members/sponsors, increasing member/sponsor satisfaction and engagement and growing scheme/member numbers and assets under management (AUM).

Furthermore, as part of its customer feedback, it continues to engage the independent customer research agency, The Leadership Factor (TLF), to gauge member sentiment via a monthly 'pulse' survey on member satisfaction and a wider, quarterly member engagement survey.

Hard work pays off and because of TPT's efforts, at the height of the UK lockdown in March 2020, employer satisfaction reached a peak of 87.5 per cent for employers and 86.8 per cent for members. It has also seen excellent results in its fund performance. For example, its DC default mid-life target date funds (TDF) returned 7.32 per cent over the past five years (target: 5.21 per cent), while its ethical TDF default fund (mid-life) returned 6.78 per cent.

Additionally, in 2020, DC contributions increased by 17 per cent with AUM increasing to over £1.78 billion and over the past five years, DC membership has nearly doubled to 264,000. TPT has turned a good DC scheme into an exceptional one – setting the bar for the industry. Congratulations to such an industry-leading DC scheme!

Pension Scheme Communication Award: **Pfizer, Capita & Sparks**

*The **Pension Scheme Communication Award** went to **Pfizer, Capita & Sparks.** Receiving the award was Nicola Stone (centre). Judge David Butcher (left) and host Felicity Ward (right) presented the award.*

An excellent pensions offering is wasted if the member communication applied fails to deliver. Therefore, this category awards the pension schemes that have used innovation and flair to get their member communication proposition the best it can be and has the results to prove it.

According to the judges, the Pension Scheme Communication Award winners for 2021 used a dynamic campaign that achieved excellent results, highlighting how they tackled a complex job with creativity and flair, and used data to support their story. Congratulations to Pfizer, Capita & Sparks!

Capita's client Pfizer is one of the world's premier innovative biopharmaceutical companies, discovering, developing and providing over 170 different medicines, vaccines and healthcare products.

Pfizer's DC pension scheme has approximately 2,500 members, drawn from across Pfizer's diverse workforce of scientists, strategists, managers and administrators. It's an important part of the employee benefit package, and members benefit from generous employer contributions.

As a major investment on Pfizer's part, it's crucial that members understand and appreciate the scheme – for their own benefit, and for Pfizer's reputation as an employer. Therefore, Pfizer enlisted Sparks as strategic partner to develop not only a fresh look and feel for Pfizer communications, but also a fresh strategy to underpin them.

The aim was for every Pfizer DC pension member to recognise their pension as a key component to their wider financial portfolio, and feel empowered to make active, informed choices that positively affect their financial future.

The priorities were to provide members with education on retirement financial needs, clarity on the potential future benefit of the pension and understanding of the range of available choices and value implications.

A segmentation strategy based on member age was implemented, with members then signposted to different versions of the Pfizer pensions website with segment-specific nuanced messaging.

A programme of monthly bitesize emails focusing on different themes (company pension contributions effectively being 'free money', the difference between a pension and other savings vehicles, the risk of delaying pension contributions, budget planning, face-to-face focus groups for members, and more) was also implemented. The emails contained jargon-free, stripped-back language, and linked through to online interactive tools and guides to spark member engagement.

In the month before the campaign there were only 208 visits to the new DC pension information, which increased to 3,529 visits during the launch for the campaign. Email open rates also increased by 10 per cent for the 36-49 and 50+ age groups and increased by an impressive 43 per cent for the under 35s.

Click-through percentages to the website increased by 90 per cent across all age segments and the average time on the site increased from an average of one minute 20 seconds to just over four minutes. Crucially, the campaign also caused a significant increase (from 725 to 1,262) in visits through to the member portal, where members can make active choices to affect their pension.

With such impressive results, it's no wonder Pfizer, Capita and Sparks were deemed worthy winners. Well done!

sparks

Clear messages, creative methods, confident members

The world has changed

People are communicating differently, but many pension schemes have been slow to respond.

From strategy to supply, Sparks is here to transform your member communications for the digital age. We've more than 20 years of history in the industry, and over 140 years of experience across our team, which includes pension specialists, marketing professionals, designers and digital developers.

In 2020 we...

communicated with more than **4 million** people

Sent **1.3 million** emails

attracted over **3.5 million** hits over 135 websites

Our approach is:

Creative

We're always looking for new ways to deliver the age-old message that pensions matter: creative copywriting, attractive design and innovative technology including videos and animations.

Collaborative

We partner with you to understand your requirements and devise solutions that are personal and practical. The better we know you and your members, the better we'll be able to give you what you want.

Comprehensive

We offer an end-to-end service that will take you from the strategic groundwork that underlies good communication to the fulfilment of the projects that will achieve your goals – and we do it across the full range of print and digital media.

We'll help you ask and answer the questions that really matter to get your communication right:

- Where are the knowledge gaps in your membership, and how do they impact member behaviour?
- How do members currently feel about the scheme (and how do you want them to feel)?
- If you could get members to change their behaviour in just one way this year, what would it be?

We're committed to giving our best so that you get the best. Communication is our passion – and members are our priority. We'd love to talk more about how we can help your scheme communicate in ways that combine clarity and creativity to give your members the confidence they need to make decision about their financial future.

Jo Arch
Head of Sparks

To find out more about how we can help your members take control of their financial future contact Joanne Arch at **joanne.arch@capita.com** or visit **sparks-communications.co.uk** to find out more

Capita

Pension Scheme Innovation Award:

The BT Hybrid Scheme

*The **Pensions Scheme Innovation** award went to **The BT Hybrid Scheme**. Receiving the award was Kerry Shiels (left). Host Felicity Ward (right) presented the award.*

Innovation is vital to adapt and thrive in new and changing environments; the pensions sector is no exception and often it is the largest schemes that lead the way. The BT Hybrid Scheme – the Pension Scheme Innovation Award winner for 2021– is no exception.

BT has one of the largest private-sector defined benefit schemes in the UK – The BT Pension Scheme. When the company closed that scheme to future accrual in 2018 and agreed to launch a new hybrid pension scheme to be offered to 18,000 former members, it challenged its advisers to deliver a tech-enabled, cost-efficient pension scheme fit for the 21st century.

Working with trusted partners, a new optional defined benefit and defined contribution hybrid scheme, based on the innovative Deloitte Pensions Master Plan, was developed under a challenging timeline of just nine months.

In 2020 – its first full year of operation – the BT Hybrid Scheme clearly showed that its operating model works well in adverse conditions.

The unique circumstances of 2020 tested many organisations, but the automated and online nature of many of the key operational interactions in the BT Hybrid Scheme meant that service to members continued uninterrupted across the year.

The BT Hybrid Scheme's investment strategy also proved resilient in the face of the market volatility observed in Q1 & Q2 2020, with the DB section remaining broadly fully funded across the year.

Also, the BT Hybrid Scheme was designed to allow for economies of scale from day one. Using the innovative Deloitte Pensions Master Plan platform (with assets exceeding £1 billion) the scheme immediately accessed the significant cost efficiencies of a multi-billion pound pension scheme despite starting from a zero base. This has meant that in 2020, investment-related costs for the DB assets of the BT Hybrid Scheme were significantly below the market average for a scheme of comparable size.

From the outset, the BT Hybrid Scheme implemented a bespoke tech-enabled pensions solution to enhance the member experience. The member portal is web accessible via Single Sign On from the BT benefits platform and brings together both DB and DC information in a single place for members. The portal also enables members to see details of their benefits with a single click.

Impressively, over a third of the BT Hybrid Scheme membership, 1,312 members, accessed their member portal in Q3 2020.

Overall, the awards judges were impressed with the speed of execution in creating the scheme, along with its high service levels, showing what can be achieved when fresh ideas and desire align with a strong focus to improve the outcome opportunity for many.

Congratulations to a worthy winner!

Pensions Consultancy of the Year:
Barnett Waddingham

Pensions Age Awards 2021

Pensions consultancy has evolved dramatically in recent years and become even more vital in ensuring that pension funds make the best decisions for their members. Congratulations to this year's winner of Pensions Consultancy of the Year – Barnett Waddingham. The award recognises the firm's commitment to serving its pension scheme clients by truly understanding their needs, and its ability to move with the times in a turbulent world. For the second year in a row, Barnett Waddingham is the worthy winner after demonstrating its innovation and adaptability in the consultancy space.

The judges praised Barnett Waddingham for its effective use of case studies to showcase how it delivered to both clients and members over the year. The firm demonstrated its skills through successfully negotiating terms with the scheme provider for the transfer of members in the £200 million section of the Santander defined contribution (DC) scheme into the sponsor's master trust. Barnett Waddingham's process saved around £1.5 million in charges over the first five years.

In a further demonstration of its ability to work with clients in ensuring the best outcomes for pension schemes and their members, Barnett Waddingham helped put the 30,000 member Old British Steel Pension Scheme on course to avoid entering the Pension Protection Fund (PPF). The firm showed commendable foresight and market understanding by recommending that the scheme, which had entered PPF assessment, secure a £2 billion buy-in with Pension Insurance Corporation.

Barnett Waddingham demonstrated why it was able to stand out from the crowd by delivering value by coupling transaction expertise with specialist actuarial advice and a tailored investment strategy. It developed a bespoke buy-in, delivering the necessary flexibility to accommodate the trustee's requirements and scheme-specific needs.

"All of our clients are able to benefit from the way we always look to do the right thing, combining a strong consultancy methodology and our fiercely independent stance," commented Barnett Waddingham head of DC, Mark Futcher. "Taking data analytics and a depth of consultancy experience that focus clearly on client needs, we will help our clients to discover their DC DNA."

Barnett Waddingham head of actuarial consulting, Paul Houghton, added: "It is our approach that makes us special and benefits our clients. Our independence and free-thinking approach means we don't believe in a one-size-fits-all solution and we are focused on offering exceptional services tailored to our clients' individual needs."

Congratulations to Barnett Waddingham for winning Pensions Consultancy of the Year for a second year running. Its ability to deliver for clients and pension scheme members demonstrated why they are the gold standard in this space.

Register for BW insights at
https://contact.bwllp.co.uk/signup

Solving clients' problems through free-thinking

Barnett Waddingham's independence and ownership structure allows its consultants to have the freedom to go the extra mile for clients, write Paul Houghton, head of actuarial consulting, and Mark Futcher, head of DC consulting

What defines a 'good' pension fund consultant? Whether a scheme is large or small, defined benefit or defined contribution, a 'good' consultant is one who identifies their clients' bespoke demands and then solves these through an open, collaborative approach; often using creative thinking and solutions to overcome unique challenges because no pension scheme is the same.

The right culture

In any business, it is important to have the right culture. At Barnett Waddingham, we are fiercely proud of our free-thinking culture, independence and ownership structure, which we believe set us apart from our competitors and gives us the freedom to go beyond the expected for our clients.

Rather than setting our employees individual targets to meet, the only expectation on them is to do what is right by our clients and their members, with a view to building long-term sustainable relationships. Our partners do not have to report monthly performance numbers and metrics, so we're only accountable to each other within our partnership. We place a lot of importance on developing our teams, so they have the support to be the best that they can be. Being included in *The Sunday Times*' 100 Best Companies to Work For is testament to this.

This unique approach means that our consultants have the freedom to just be consultants to their clients and consider each specific challenge to help find the best solution and provide the best advice.

Our DB consultancy

We provide tailored services to DB scheme trustees, with fund sizes ranging from £1 million to over £5 billion. Our excellent service to trustees received the Investor in Customers gold accreditation for the second year running, with scores for our service delivery improving during the pandemic.

There has been a rush by advisers to focus on DB schemes buying out benefits as some schemes move very close to their end game but there are still schemes open to new members and accruing benefits, which have been overlooked.

We still very much see ourselves as being able to advise all schemes whatever stage they are in. Our DB Navigator framework around strategy planning for pension schemes is perfect for a mature scheme at the end of its life but also suits a young one that is still earning new benefits.

During the pandemic a number of our clients saw funding losses or had concerns for members as some sponsors really struggled. Some businesses even collapsed overnight. At our annual DB Pensions Conference in September and October, we will look beyond the old ways of thinking to help pension professionals adopt decision-making skills for the future. You can find out more here: https://www.barnett-waddingham.co.uk/db-pensions-conference/

Our DC consultancy

At the heart of our DC client offerings is what we call our 'ACDC' approach: Analyse root issues then Consult, Deliver solutions and Check it works. We have a range of experts on hand if clients want to explore various different areas further. The breadth of experience across the team is focused on analytical problem solving and this has been invaluable to our clients during the pandemic.

Through our DC consultancy, we work with employers and trustees to implement pension arrangements that can generate the best possible outcomes for their members. There is a relentless drive by The Pensions Regulator to consolidate the DC pensions market, but we don't necessarily agree that this is the right answer. For schemes that want to continue running, we're supporting them to become as efficient as possible. We believe that as long as you can get a quality offering at competitive pricing terms from the pension provider, it doesn't really matter what size of scheme you are.


Paul Houghton
Paul is a Partner and Head of Actuarial Consulting at Barnett Waddingham.


Mark Futcher
Mark is a Partner and Head of DC at Barnett Waddingham.

BARNETT WADDINGHAM
beyond the expected

Independent Trustee Firm of the Year: PTL

*The **Independent Trustee Firm of the Year** award went to **PTL.** Receiving the award was Melanie Cusack (left). Host Felicity Ward (right) presented the award.*

Amid changing regulation, governance pressures and investment challenges, the pensions industry can seem like a minefield for pension scheme trustees, with this role becoming ever-more important to the smooth running of a pension scheme. This award therefore aims to recognise those firms that have worked to truly assist pension scheme trustees in managing their day-to-day challenges, with this year's winner praised for its innovation, sole trustee enhancements and governance advisory arrangement.

Congratulations to everyone at PTL!

Despite the wide-ranging challenges facing the pensions industry in 2020, PTL has had an excellent year, switching seamlessly to remote working when needed in March, and working since to assist fellow trustees and sponsoring employers to adapt to the unprecedented circumstances. The team have chaired numerous virtual trustee meetings, leading clients through the new and unfamiliar working practices by optimising virtual tools.

Reacting to increasing demand for sole corporate trustees, and subsequent increased scrutiny from The Pensions Regulator, PTL worked to enhance its sole trustee model to meet TPR expectations, reassure sponsors that their trust is well placed, and deliver efficient and robust governance.

This same proactive approach has been seen in the firm's governance advisory arrangement (GAA), with PTL's GAA methodology and terms of reference both updated in 2020 to extend the GAA's remit to assess the value for money of the investment pathway solutions being launched.

Over the past year, PTL has also invested in a new system to make its death-in-service claims management process more flexible and cost-effective, with the firm extending this service to trustee boards and employers, offering flexibility to customise the level of support, from delegation through to a fully outsourced service.

PTL was quick to support their clients through the challenges stemming from Covid-19, working closely with sponsors to understand the impact of the pandemic on their businesses, and the potential effect on pension schemes. This saw the team having a more frequent dialogue over covenant, affordability of contributions, and security of benefits.

And whilst the pandemic has resulted in many struggles over the past year, PTL has thrived, winning 34 new clients in 2020 that span the full breadth of its business, including the firm's largest ever DB multi-employer scheme at £40 billion and 10 new appointments to the PTL GAA.

To support this success, the firm has appointed four new client directors and two support staff, as well as its very first head of proposition development. The company has also pushed forward on gender diversity goals, with women comprising 47 per cent of client directors and 54 per cent of the whole team.

Congratulations again to the team at PTL!

Active Manager of the Year:

Artisan Partners

Pensions Age Awards 2021

The Active Manager of the Year Award recognises the manager that has demonstrated consistent outperformance and an innovative approach to its investment strategy.

Handing the award to Artisan Partners, the judges said the firm had put forward "an excellent entry with strong data, which highlighted how it is a leader in this space".

The global investment firm, which was founded in 1994, is a firm that stands out from the start. It has an innovative business model, which sees each of its investment teams having its own distinct philosophy and process, and the teams operating autonomously to foster the power of independent thinking. These teams exhibit a disciplined and active fundamental investment approach, commitment to original research that drives value-added investment decisions and the autonomy to structure the team in a way that is most conducive to each distinct investment approach.

When it comes to investment performance, 18 of Artisan's 19 active strategies outperformed their primary benchmark after fees. Additionally, 12 of the firm's strategies have outperformed their benchmarks by an average of more than 300 basis points per year since inception.

Artisan has generated approximately $33 billion of excess returns since the founding of the firm 25 years ago, generating roughly $11 billion of excess returns during 2020.

In terms of fresh innovation, the last year has seen Artisan's Europe, Middle East and Africa distribution team develop an automated preference centre, which allows clients and prospective investors to customise the collateral they receive based on their product interests. Additionally, it has built on its excellent client service through the implementation of a new client reporting tool which has enhanced and streamlined monthly and quarterly client reporting.

Indeed, the importance that the firm places on client services is evident by its hiring of two new staff members for bolstering distribution and client service throughout Europe, the Middle East and Africa.

But it is not just new hires that has made Artisan's efforts in this field stand out, as the firm has also taken a number of other measures dedicated to maintaining high levels of client service for UK pension funds throughout the troubles of the last year. These include webcasts that educate investors on macro issues and investment themes, virtual roadshows held throughout the pandemic to allow investors to meet with portfolio management and client services teams, and the Artisan Canvas blog, which features investment team thought leadership pieces and other editorial content.

Artisan Partners is a worthy winner of the Active Manager of the Year award, exhibiting innovations to improve client experience, strong investment performance and efforts to push past the difficulties presented by the pandemic. Congratulations to a fantastic company!

Growth Team

Global Equity Team

U.S. Value Team

International Value Team

Global Value Team

Sustainable Emerging Markets Team

Credit Team

Developing World Team

Antero Peak Group

High Value-Added Investment Firm

Artisan Partners is a global investment management firm that provides a broad range of high value-added investment strategies to sophisticated clients around the world.

Autonomous Investment Teams

We have a strong philosophical belief in the autonomy of our investment teams. We believe autonomy promotes original research and amplifies the creative perspectives that are likely to lead to value creation.

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We manage relationships with a focus on investments, yet cater to the specific operational needs of our diverse client base.

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Vontobel

Equities Manager of the Year: **Vontobel Asset Management**

*The **Equities Manager of the Year** award went to **Vontobel Asset Management.** Receiving the award was Adam Ford (centre). Judge Kiran Lamb (left) and host Felicity Ward (right) presented the award.*

The past year has been an eventful time for equities, with the market experiencing great volatility as a result of the pandemic.

Therefore, the Equities Manager of the Year award celebrates the firm that is a leader in the equities space, both in terms of performance numbers and recognising the needs of their pension clients.

Leading the way once again is Vontobel Asset Management, the winner of the Pensions Age Equities Manager of the Year award for an impressive fourth year in a row!

Established in 1988, Vontobel Asset Management is a multi-boutique investment manager with three successful equity teams, each providing clearly differentiated investment propositions for its clients. Vontobel is responsible for managing £112 billion, with £45.6 billion (as at 31 December 2020) actively managed by its equity teams.

Vontobel's Quality Growth team, one of its three equity teams, firmly believes that long-term, stable and sustainable earnings growth drives long-term investment returns and risk-adjusted outperformance.

It proved this during 2020, with its Global Equity strategy outperforming by 4 per cent in Q1. The year also saw the launch of its Global Equity-X Fund, which explicitly excludes investment in tobacco, fossil fuel extraction, adult entertainment and controversial weapons. Last year it also continued to develop its ESG reporting, providing a clear framework for clients to assess the ESG quality of its portfolio on key metrics and review its impressively low CO_2 impact.

Another of Vonobel's equity boutiques, the mtx Sustainable Leaders team, has always integrated ESG in its investment process since launching eight years ago. Focused on sustainably investing in emerging markets, mtx invest in highly profitable businesses, which have a dominant industry position, are trading at a discount and which effectively address ESG factors.

It believes that ESG is not a box-ticking exercise but provides an element of risk control, as well as enhancing investment performance. The benefit of this approach continued during the turbulent markets of 2020, where its strategy outperformed by 3.5 per cent. The success of its investment process saw the team's AUM double during the year to £10 billion, with this growth being used to invest in growing the investment team.

Vontobel's third equity group, its Equity Impact team, helps clients align portfolios to the Paris Agreement and a Net-Zero world by creating real positive impact and preventing CO_2 emissions through public equities.

To help pension schemes meet its requirements from 2020 to provide climate reporting, the team provides an interactive sustainability portfolio calculator tool for investors of all sizes. It also recently launched a Global Impact Equity strategy, building upon its Clean Technology strategy, with the inclusion of measurable social impacts.

It's no wonder that the judges were once again impressed by Vontobel's sustainable approach, particularly with regards to CO_2 emissions and net zero, as well as simply demonstrating all round why it's a leader in the field of equities. Congratulations to an ever-impressive company!

Property Manager of the Year:
M&G Investments

M&G Investments is the winner of the Property Manager of the Year Pensions Age Award.

The property investment sector has had a very dynamic past 12 months, with varying challenges and opportunities within this diverse sector.

Therefore, the Pensions Age Property Manager of the Year awards judges expected great things from this year's winner. They certainly received that, describing the winning company as showing "excellence, high-level thinking and a true understanding of how property can be managed, even in challenging markets, to meet the needs of pension funds". Congratulations to M&G Investments.

M&G's real estate business, M&G Real Estate, is one of the largest global property investors, with £33.9 billion of assets. M&G Real Estate has an international reach, with offices in 12 countries across the UK, Europe and Asia Pacific.

M&G Real Estate has a proud history investing on behalf of pension funds, with its longest continuous pension fund investor having been invested for over 40 years. It currently manages £7.9 billion of pension fund assets, which has increased by 43 per cent from 2016 to 2020-Q3, whilst retaining existing investors with a weighted average tenure of 6.4 years for its pension fund investors.

An impressive pedigree, but M&G Real Estate did not just rest on its laurels during this difficult time. In fact, during 2020, it raised £357.5 million from pension funds, despite many investors delaying their investment decisions during the pandemic. Despite Covid, M&G Real Estate achieved positive returns across its UK, European and Asian strategies for 2020, beating its index references across three-, five- and 10-year time horizons whilst distributing c.3-4 per cent.

It has also worked on launching new funds, including the M&G Shared Ownership Fund.

While the Shared Ownership Fund provides long-dated, inflation-linked income with exposure to house price growth, it also addresses the UK housing shortfall by helping occupiers with contracted incomes onto the property ladder.

That is just one way in which M&G Real Estate looks holistically at the impact of its investments and strives to make a positive difference.

M&G Real Estate has a responsible property investment (RPI) strategy that seeks to create and manage exceptional places that enrich the lives of people and communities to deliver long-term value for its investors, society and the environment.

In 2020, 10 of its funds, representing 80 per cent of its total AUM, participated in the GRESB survey; all of them received Green Stars. Currently 34 per cent of its global portfolio has green building certification and it has achieved a 33 per cent reduction in absolute carbon emissions against a 2012/2013 baseline.

Diversity and inclusion are also of vital importance to M&G as a business – in March 2020 it was accredited with the National Equality Standard and it is recognised as a Level 3 Disability Confident employer. It has also received accolades for its work promoting diversity within its workforce.

Congratulations to such a well-rounded winner!

Staying strong

M&G Real Estate's Head of UK and European Living, Alex Greaves, discusses how the business managed to deliver award-winning results in such challenging times

How has the past year been for M&G Real Estate? How did the Covid-19 pandemic have an impact?
It has been a challenging but rewarding year, to say the least. We are a very people oriented team, so one of our biggest challenges has been to adapt from working closely in person, to staying connected remotely.

Within the real estate market, the different sectors have been as polarised as I've ever remembered them. But, overall, property has performed a lot better than people had expected, in my view.

The residential sector has proven particularly resilient, given that housing is a necessity. The pandemic has also provided an opportunity for us to deepen our engagement with our tenants, and for tenants to connect with and support each other.

How did M&G Real Estate maintain its focus on sustainability and its work on improving diversity and inclusion during such challenging times?
To give an example, in March 2020, the residential team began a drive to recycle unwanted clothes. We have now recycled over £100,000 of clothes through charity shops, which has offset around 60 tonnes of CO_2.

We have also done a lot of work with vulnerable people during the pandemic; those who had been having to isolate due to pre-existing conditions, making them vulnerable to Covid. Our site staff worked within the local communities to provide food for those that were effectively trapped within their own homes. We have allocated space for food banks within units that have yet to be let, along with food parcel boxes for people in need.

We also provided our residents the opportunity to donate gifts to children in refuge through the Giving Tree scheme.

On the diversity and inclusion side of things within M&G itself, the residential team is 50/50 male/female. The same ratio is in evidence among the 70 staff that work within our property manager, from all backgrounds.

M&G Real Estate has also launched a new Shared Ownership fund. Please can you tell me more about it?
Drawing on our expertise in the Private Rented Sector, we launched the M&G Shared Ownership Fund in March 2020.

In parallel, we established a long-term strategic partnership with one of the UK's leading housing associations, the Hyde Group, to deliver £500 million of new, sustainably designed affordable homes.

The country's long-standing supply and demand imbalance is driving increased demand for flexible living solutions, including Shared Ownership. Barriers to home ownership are high and Shared Ownership offers an affordable route for people that are seeking to take a first step onto the housing ladder.

We believe that house prices face upwards pressure in the long term, supporting continued growth of the Shared Ownership sector. For our part, we are committed to innovating and improving standards by working with the public sector to fund high quality housing.

Finally, what trends are you seeing within property investment?
While there is still a lot of interest in core and core-plus products, we are also seeing people looking at value add strategies in both the UK and Europe.

There seems to be a drive towards adding extra diversification within portfolios, such as through European alternative real estate sectors, which seem to be much higher on people's allocation lists than they have been in the past.

The real estate 'living' sectors, in particular - from student housing to senior living - have seen growing interest from institutional investors, underpinned by a need for quality living space at each stage of the lifecycle.

M&G Investments

Rothesay

Risk Management Provider of the Year: **Rothesay**

*The **Risk Management** award went to **Rothesay**. Receiving the award was Katie Overton (centre). Judge Jerry Ghandi (left) and host Felicity Ward (right) presented the award.*

Risk management has quickly risen to the top of many pension schemes' agendas, with propositions flooding the market as both employers and trustees looked to de-risk where they could amid the impact of Covid-19. Despite this challenging backdrop, this year's winner was praised for its refusal to be impacted by the pandemic, and for continuing to deliver to its clients in such difficult times, continually supporting those on the journey to buyout in any way they could. Congratulations to Rothesay!

Undeterred by the challenges of the pandemic, the Rothesay team was able to thrive, writing over £7 billion of business from kitchen tables, sofas and dining rooms spread all across the country, as it continued to move as one integrated team amid the pandemic. And while in-person conferences may have been off the table in 2020, Rothesay nonetheless showcased industry insight through the launch of its research report, the *Journey to Buyout.*

Whilst a shift in working practices was needed, Rothesay acted quickly to focus on making the transition as smooth as possible for transactions already in execution, adapting the ways in which it could receive data or interact with third parties without sacrificing any level of service. The firm was also able to complete all of its longevity due diligence to its usual standard remotely as well as completing a residual risks transaction requiring full legal and data due diligence.

The firm's stability throughout the 2020 volatility has acted as testament to its rigorous risk analysis and cautious investment strategy, which protect its business, and trustees and policyholders who have entrusted the firm with their schemes and pensions.

Ongoing monitoring of the firm's balance sheet position as well as the risks held on a daily basis also provided the firm with invaluable insight when the pandemic hit in March 2020, with initial actions to protect policyholders implemented within 48 hours. As a result, despite the economic volatility stemming from the pandemic, Rothesay's solvency position has increased two percentage points, its liquidity has remained robust, and its A+ financial strength rating from Fitch has been reaffirmed.

Also looking to protect its clients during this period, Rothesay extended the length of its price-lock commitments, where necessary, and continued to offer these price-locks with no boundary conditions for re-pricing, which was incredibly valuable throughout the period of market volatility. Each price-lock ran until the transaction was complete, with the premium then paid by transferring the assets to Rothesay at the end of the price-lock with no adjustment, therefore removing the risk and stress of transacting from the point of selection for clients.

Detailed knowledge of how reinsurers price and underwrite risk helped make this possible, as Rothesay was able to offer transactable quotes that were not contingent on reinsurance pricing before the reinsurers had provided any pricing or capacity, giving clients the certainty needed to choose them as their preferred provider.

Congrats again to the team at Rothesay!

Innovation Award:
Lincoln Pensions

*The **Innovation Award** went to **Lincoln Pensions**. Receiving the award was Darren Redmayne, CEO (centre). Pensions Age's Laura Blows (left) and host Felicity Ward (right) presented the award.*

Innovation has thrived in the UK pensions space, be that in the area of investment, product design, de-risking or any other area. This award aims to reward those providers that have truly added value to the pensions space with its originality and innovation.

Lincoln Pensions triumphed in 2021, with the judges stating that the firm had shown "innovation in leaps and bounds, to make a real impact in the pension space".

The leading covenant and related advisory services provider has developed a new approach to presenting its covenant advice by providing clients with guidance on three different aspects of the covenant, rather than just reporting a single rating. The aspects covered are affordability, visibility and reliability, with the expanded detail having been designed with the aim of providing clearer guidance on how the covenant may change over time.

The firm pressed ahead with this innovation after noting that covenant conclusions had always centred on a rating presented on a simple, linear rating scale. It argued that this simplistic rating approach was no longer fit for purpose due to covenant evolving from a scheme's basic credit rating to the foundation of its investment strategy and journey plan.

The newly developed approach is fully consistent with the DB funding code of practice set out in The Pensions Regulator's consultation and is helping Lincoln's clients select better strategies for their schemes and members.

Furthermore, the firm has teamed up with a leading academic to develop a model which can show the impacts of differing climate change responses across the world, with the aim of helping clients to recognise and respond to climate risks facing their sponsor. This will allow them to specifically identify countries and products that are most likely to be impacted by climate change and those at risk from a disorderly transition.

Lincoln reasoned that analysing sponsors' exposure to high-risk territories and products could help trustees to build an understanding of the consequences and costs of climate change to factor into an assessment of the ability of their employer to continue to support the scheme. It argued that recognising these risks early on would ensure that trustees are better placed to make sure their scheme is sufficiently well funded, reducing their reliance on a sponsor and delivering safer financial futures to their members.

When detailing the changes to its covenant rating scale and innovations around helping trustees to understand the impact of climate change, Lincoln Pensions has paid tribute to the 'creative spark' of its strong and diverse team. The team managed to produce exciting developments alongside exceptional client service despite the many hurdles of the last year.

Lincoln Pensions has produced some truly exciting innovations over the past year and fully deserved this honour. Well done!

Innovation Award (Investment): **Mobius Life**

*The **Innovation Award (Investment)** went to **Mobius Life**. Receiving the award was Laura Catterick (left) and host Felicity Ward (right) presented the award.*

In a turbulent year, innovation has continued in the UK pensions space, particularly in the field of investment. The investment industry has adapted commendably to the difficult circumstances of the past year. None more so than this year's winner of the Innovation Award for Investment, Mobius Life. The firm truly added value to the pensions sector with its originality and innovation, standing out from the crowd by opening up new investment opportunities to pension schemes of all sizes.

The judges were impressed by Mobius Life's innovations in the investment arena which are making a real difference to the platform's pension scheme clients. During 2020, the firm addressed the challenges facing pension schemes by making innovative investment strategies available to schemes of all sizes. Smaller schemes benefited from strategies that were previously only available to large schemes due to high investment limits and prohibitive fees. These innovations gave schemes a broader range of options to stay on track to meet their funding requirements.

Mobius Life particularly impressed with its creation of a first for the UK market, by working with Macquarie Investment Management to manufacture a zero-fee index fund for a major UK defined contribution (DC) scheme. The True Index strategy showcased the firm's ability to innovate and provides clients with a unique approach to indexing by delivering exact index returns for no management fee. It also allows the scheme to invest across a range of asset classes and geographies, and offers robust, multi-layered risk management.

In another UK first, Mobius Life established a fund to provide a diversified exposure to the UK institutional property market for DC schemes. Developed in partnership with Aegon Asset Management, the fund offers schemes exposure to a diversified range of pooled property funds and avoids the concentration risk of using a single manager. As a pooled fund it is available to small as well as large schemes, offering the potential to invest in a unique solution via Mobius Life.

The firm again demonstrated its ability to innovate in the investment space with the creation of a structured equity solution for defined benefit (DB) schemes, in another first for the industry. It allows DB schemes of all sizes to structure a growth asset tailored to meet their requirements through a structured equity approach without being restricted by paperwork and fees.

The judges were also impressed by Mobius Life's innovation through the development of income paying funds to increase efficiency and reduce costs for cashflow-negative DB schemes and its work in launching an ESG reporting service. Congratulations to Mobius Life, worthy winners of this year's Innovation Award for Investment!

Master Trust Offering of the Year:
Standard Life

*The **Master Trust Offering of the Year** award went to **Standard Life.** Receiving the award was Gail Izat (pictured).*

Master trusts have taken the UK market by storm, as pension schemes continue to look for ways to control their costs without compromising on quality and governance.

Standing out from the crowd in this area was the 2021 winner, Standard Life, with the judges commenting that the firm "ticks all the boxes, from understanding the dynamic needs of its members, to implementing innovative ways to meet those needs".

The company, which has been supporting customers with their life savings for almost 200 years, was able to incorporate new and innovative engagement tools for members and employers into its master trust proposition, despite the impact of the pandemic.

Standard Life's member engagement has been developed to enable it to tailor material through the identification of members by their life stage, financial priorities, confidence in making financial decisions and the functional and emotional support needed by affluence level.

Additionally, the firm has made further developments to its highly-rated and used mobile app and dashboard, which has resulted in a 68 per cent increase in member app sessions year on year to December 2020. Recently implemented improvements include the ability to revise retirement dates, clearer messaging around charges, discounts and tax relief, and a secure messaging upgrade. Meanwhile, users of the dashboard can now enjoy the benefit of personalised videos, a digital investment centre and a unique dedicated communication channel for more vulnerable members.

Standard Life also introduced monthly webinars, exploring subjects such as tax and content for discrete segments. The events are clearly a hit with members, as 91 per cent of attendees rated them as 'good' or 'excellent', while 84 per cent found the content relevant.

But its not just on the scheme member side where Standard Life has made improvements. Employers and advisers can now use Standard Life's client analytics tool to review members' behaviour and saving activity, evaluate scheme performance with benchmarks against other schemes and rapidly identify concerns or opportunities.

Furthermore, the firm launched a new sustainable multi-asset default fund that can screen out companies with significant sustainability risks, target portfolio improvements with measurable sustainability metrics and use passively managed components to minimise costs versus active environmental, social and governance (ESG) solutions.

Finally, Standard Life delivered a strong response to the Covid-19 pandemic, taking steps such as creating dedicated Covid-19 support hubs for employers and members, researching vulnerable customers' needs, increasing its mental health first aider team and establishing a priority service for members impacted by the pandemic.

With so many improvements implemented for members and employers, Standard Life stood out as worthy winners. Congratulations!

Sponsor Covenant Provider of the Year: **PricewaterhouseCoopers**

Pensions Age Awards 2021

Never has the need to understand the strength of the employer covenant been so important to trustees and pension managers as in the past 12 months, as the knock-on effects from the Covid-19 pandemic placed strain on many sponsoring employers.

Therefore, this year, the judges felt that the Pensions Age Sponsor Covenant Provider of the Year award had to go to a provider that was strong overall during these turbulent times and had demonstrated excellence in the sponsor covenant arena. With many happy client testimonials to back up its story, the judges considered PricewaterhouseCoopers (PwC) a worthy winner.

PwC has provided covenant advice to over 350 trustee and corporate clients, featuring over 150 valuations, 45 monitoring projects, 15 multi-employer schemes, 58 transactions and 23 restructurings. Providing these services are a wide-ranging team, of which 38 per cent are female, 29 per cent from a BAME background and 15 working flexibly.

"I have to say, I'm blown away. This really is a superb report. The quality is absolutely exceptional"
Trustee Legal Counsel

This diverse group stepped up to help its clients in industries most impacted by Covid-19 – travel, leisure and education. Many such scheme sponsors with previously strong covenants put trustees in difficult positions with unprecedented asks, such as contribution deferrals, release of security and subordination.

PwC supported schemes by quickly mobilising large teams to analyse the situation, overnight in some cases. It used the breadth of its firm to model forecast cashflows where the sponsor would not provide them, provide insolvency and debt expertise, and bring insights from its large portfolio of schemes.

Through this, PwC helped trustees consider the sponsor's 'need', ensuring equitable treatment with other stakeholders while considering the short- and long-term impact of any request. For 60 clients it secured protections for schemes in return for contribution deferrals.

One example of PwC's excellent work was it recently being asked to provide an independent, expert review of a large and complex covenant involving 27 different sections of the scheme in a very short timeframe.

It developed a methodology to assess the 27 different covenant reviews, which included sector performance metrics, a focused covenant and affordability template for all employers and a detailed review of a sample.

PwC worked with the scheme's legal advisers and its own restructuring and industry specialists to summarise the legal and regulatory environment and large volumes of information into a handful of scenarios, enabling it to assess the likelihood and impact of financial distress in the sector and how this could change in the face of significant uncertainty. Using the latest technology to collate and present data, it was able to summarise the complexity into clear and robust conclusions, in a short time frame, that unlocked negotiations with the wider stakeholder group.

New products and technology are key parts of PwC's work for its clients. So with its clear dedication to helping clients in such challenging times, PwC is a well-deserved winner. Congratulations!

Is climate change a bigger employer covenant issue than Covid-19?

While the pandemic continues to dominate the headlines, ESG and its impact on employer covenant cannot be ignored

As we start to see the signs of recovery in certain sectors, many businesses are also rightly focusing on climate change and ESG factors as part of their strategy. As a result covenant assessments are beginning to, and going forwards will need to, prominently reflect ESG considerations.

To help break this down and support trustees in exploring these issues, we set out five different drivers that trustees can consider in relation to ESG and the long-term impact on employer covenant:

• Different sectors have different levels of exposure, but all are impacted: much of the climate debate has started with sectors like oil and gas or automotive where the exposure is clearer, but both energy transition and physical risks will have an impact across the board. In addition to direct employer risks, long-term success will need consensus with customers and suppliers to grasp opportunities to deliver across supply chains.

• Management perspective on ESG: there is a wide range of attitudes amongst management teams and investors. Some are leading the charge to implement an energy transition strategy, such as reducing carbon emissions in their energy supply and vehicle fleets. Others are taking a 'wait and see' approach and could risk being left behind or face increasing costs. For example, the emission trading system where prices have tripled over the last three years.

• Is appropriate governance in place: an increasing number of companies are publishing policies or setting net zero targets, but the substance and governance behind them is the vital piece of the puzzle. Is this simply ticking a box, focusing on potential downside risks, or pro-actively pursuing the opportunities change will bring?

• A covenant assessment giving a longer-term view: long-term covenant visibility is becoming increasingly important, and ESG will feature strongly as a result. Exposure to ESG factors can often be evaluated by identifying milestones and future changes, for example regulatory deadlines and net zero targets of governments or customers.

We have seen increasing volumes of transactions where operations exposed to climate change have been divested and differences in returns can be seen across the spectrum, further highlighting the importance of ESG in decision making and its potential impact on employer covenant.

• Longer-term covenant interaction with scheme strategy: monitoring of longer-term covenant risk (including ESG) can significantly enhance decision making around valuations, length of recovery plans and investment strategy. With this in mind, developing a greater understanding of scenarios and the formulation of contingency plans is useful in thinking through potential outcomes and strategy choices.

Ultimately trustees should be seeking covenant diversification and downside protections if risks around long-term covenant are not addressed by management's strategy.

While clearly not exhaustive, these are some of the reasons that ESG needs to be high on the agenda for both the scheme and the sponsor.

We expect part of this recovery to be transaction-led, and we are already seeing transaction demand and valuation multiples being impacted by ESG considerations and climate change in particular.

The pace of change required means those who proactively plan for these changes will be best placed to support their pension schemes for many years to come. Trustees have a role as a major stakeholder in providing challenge and making sure these factors are a key part of a sponsoring employer's strategy.

Written by Rob Hebenton, Director, Midlands, Pensions Employer Covenant & Restructuring Team, PwC

PENSIONS Age AWARDS 2021

Sustainability Provider of the Year: **AXA Investment Managers**

*The **Sustainability Provider of the Year** Award went to **AXA Investment Managers**. Receiving the award was Lydia Reeves (centre). Pensions Age's Francesca Fabrizi (left) and host Felicity Ward (right) presented the award.*

Trustees have placed growing importance on the issue of sustainabiity in recent years. In this increasingly sophisticated and competitive field, this award aims to recognise those providers that are leading the way. This year's winner was praised by the judges for having demonstrated a wide range of initiatives across portfolio management, product development and client reporting, and for stepping above and beyond simple ESG integration in order to measure the true impact of its investment approach. Congratulations to AXA Investment Managers (AXA IM)!

As well as being A+ Principles for Responsible Investment (PRI) rated, AXA IM was also named in 2020 as one of only 20 asset managers globally for the PRI's 2020 Leaders' Group on climate reporting. This placed AXA-IM in the top 1 per cent of investment manager signatories for excellence in climate reporting and responsible investing more broadly.

In addition, AXA IM has continued to drive momentum around the green agenda in real assets, achieving a 56 per cent increase in the number of ESG-rated assets, a 38 per cent increase in environmental certifications, and launching an innovative first-of-its-kind tool, the AXA Climate Resilience tool, developed to measure the climate risks of real assets.

AXA IM has already implemented a €20 billion active green investment programme across various asset classes, including equities, impact bonds and real assets. It has also achieved 100 per cent ESG integration across its £345 billion of Buy and Maintain credit assets. In fact, it recently launched a Climate Buy and Maintain strategy that aims to capture the full premium in global credit markets while helping finance the transition to a net-zero carbon world.

This ESG-integrated approach is central to the delivery of its Long Term Credit Fund on the institutional platform, AMX, providing schemes a high-quality, pooled cashflow solution. Launched at the end of 2019 the fund topped £1 billion in assets in its first year and continues to grow.

AXA IM's CDI clients also benefit from its Responsible Investment (RI) framework and reporting, which can measure and report the 'temperature' of portfolios and portfolio-level engagement outcomes.

Having held sustainability and RI as a core strategic commitment since its first RI mandate in 1998, AXA IM has also continued to build on its historical commitments. It pledged in December 2020 to bring carbon emissions across all assets to a target-based net zero goal by 2050 or sooner, with a further commitment to target 20 per cent reduction of its carbon footprint by 2025.

The group also built on its Transition Bond initiative, co-chairing the Climate Transition Finance Working Group, which, in December, launched the Climate Transition Finance Handbook.

Despite the challenges presented by the pandemic, AXA IM has also substantially increased its engagement with companies by 47 per cent. Its work, alongside collaboration with like-minded stakeholders, with the Access to Medicine Foundation has been particularly significant in driving investor pressure in the healthcare sector in the fight against coronavirus.

Congratulations again to AXA IM!


AXA Investment Managers
Take ACTion
Discover how AXA IM's ACT Climate Range aims to deliver attractive investment opportunities while benefitting the environment.
The ACT Climate Range is our most focused responsible investment offering designed to actively reduce the impact of climate change. It invests in everything from fixed income, through equities to multi-asset. Created with the purpose of supporting the transition to a more sustainable future, our range seeks to deliver a positive and measurable effect on climate change as well as financial returns.
Investment involves risks, including the loss of capital.
Find out more about AXA IM's ACT Climate Range by visiting our website:
AXA-IM.CO.UK/CLIMATE

WELLINGTON MANAGEMENT®

Cashflow-Driven Investment Manager of the Year:

Wellington Management

*The **Cashflow-Driven Investment Manager of the Year** Award went to **Wellington Management**. Receiving the award was Steve Jones (centre). Pensions Age's Jack Gray (left) and host Felicity Ward (right) presented the award.*

Cashflow-driven investment (CDI) has gained even greater prominence in the UK pensions space over the past year. This award recognises the firm that is leading the way with this key investment strategy and is truly making a difference to pension schemes today. Many congratulations to this year's worthy winner, Wellington Management.

The judges were impressed by Wellington's understanding of the importance of CDI for pension funds today and what is needed to continually meet pension scheme needs in this area. In this ever-evolving space, Wellington demonstrated the skill and knowledge needed to help schemes take advantage of CDI.

The year 2020 demonstrated the benefits of Wellington's strategy in taking time to invest in long-term CDI assets. The spread widening of 2020 provided the perfect opportunity to lengthen maturity and invest in new assets for Wellington's clients in CDI portfolios, building stronger cashflow-aware allocations.

Wellington also showcased its ability to adapt to an ever-evolving market by incorporating strong environmental, social and governance (ESG) research into its operations. Greater regulation and client awareness has been seen in this space, with the firm continuing to integrate best-in-class ESG and climate research into its clients mandates, providing sustainable portfolios and meaningful ESG reporting.

Despite the challenges over the past year for managers of CDI portfolios, Wellington continued to experience no defaults and a very low investment grade to high-yield downgrade ratio, demonstrating the quality of research across the capital structure and portfolio managers who seek to provide returns alongside capital security.

Wellington's clients benefited from the firm's focus on providing cashflow, achieving attractive yield and hedging liabilities. The firm's use of a bespoke approach to each mandate, given nuanced objectives, funding positions and de-risking strategies, impressed the judges. Wellington also demonstrated its commitment to consistent communication with its pension scheme clients, which led to thoughtful, tailored solutions for the year. Its CDI mandates were able to establish which cashflows a scheme needs to meet, consider their specific constraints and build a portfolio that best meets those objectives, factoring in what the market can offer.

The firm's research into climate risk and its commitment to net zero cashflow-matching portfolios was also commended by the judges.

Wellington stood out in a competitive field with its distinctive research model, thoughtful approach to portfolio construction, and its integration of extensive ESG and climate research. The past year highlighted the firm's ability to provide quality portfolios with strong income generation for its clients. Huge congratulations to Wellington for winning this year's CDI Investment Manager of the Year Award.


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Pensions Age Thought Leadership Award (Investment)

BNP Paribas Asset Management

*The **Thought leadership - investment** Award went to **BNP Paribas Asset Management**. Receiving the award was Kate Hudson (left). Host Felicity Ward (right) presented the award.*

Introduced as a new category for 2021, the Thought Leadership – Investment Award recognises those firms that are leading the way in thought leadership and industry research in the UK pensions space, at a time when innovation and insight is needed more than ever to meet the challenges facing UK pension funds today.

The inaugural winner of this award focused on socially responsible investing (SRI) as part of its entry but the judges commended it for its true understanding of what thought leadership really means. It was also praised for how it strives to lead the way in this area for the long-term benefit of the pensions industry. Congratulations to BNP Paribas Asset Management (BNPP AM)!

As a leader in the asset management industry, BNPP AM has set itself three fundamental goals in its approach to thought leadership, designed to produce results that take the industry forward. These include understanding investors' changing needs, being innovative, and being regular and reliable.

Demonstrating its excellence in this area, BNPP AM highlighted its research paper, which examines the road to achieving net zero emissions by 2050, the prospects for green hydrogen as a new clean source of energy and the future of the EU Emissions Trading System (EU-ETS) as the place where carbon emission allowances ('EUAs') can be bought and sold.

Demonstrating forward thinking, the paper argues that there is no plausible pathway to net zero by 2050 without the scaling up of green hydrogen to the extent that it is commercially viable as an industrial feedstock by 2030, and as an energy source thereafter.

The paper shines a light on the challenges facing the European Union to reach its net zero target.

However, whilst challenging the current thinking on energy production, the paper also offers up incentives required to move from fossil fuel energy sources to sustainable alternatives.

This work is complemented by the BNPP AM's Sustainability Centre, a 24-person multi-disciplinary team that provides BNPP AM's investment teams with research, analysis and data at company and sectoral levels.

It is this combination of its in-depth research and expertise, alongside BNPP AM's focus on sustainability that has led to industry acclaim. This is in part due to the accessible nature of BNPP AM's work, in which it utilises all available channels to bring investor content, including its thought-leadership blog, video streaming platform and websites. This ensures the information BNPP AM produces is in formats that clients can easily access and digest.

This is a stand-out entry from BNPP AM in which it has displayed first class thought leadership in the area of sustainability that ultimately will benefit the whole industry. Many congratulations to such an industry-leading winner!


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REACHING YOUR GOALS
IS STILL WHAT MATTERS.
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PENSIONS Age
AWARDS
2021

Summary
• Pension professionals with particularly specialised roles are among those who most benefit from networking, as it gives them a chance to talk over issues with contemporaries.
• The move to online networking has brought more people into the fold, with those who struggled to travel to events now able to join at the click of a button.
• Much like the increased popularity of flexible working, consensus points to future conferences being a hybrid of digital and in-person events.

Networking hard or hardly networking?

Networking, so often cited as a key part of professional life, has changed a great deal under the Covid-19 pandemic. Duncan Ferris examines how pension professionals have been impacted by the transformation and what the future of the industry's meetings and events might look like

We can all agree that the Covid-19 pandemic changed a great many things. International travel has become more arduous, facemasks have become essential and diligent handwashing is more popular than ever. But perhaps the most hard-hitting change many of us faced was the social isolation of lockdown. For most of us, we were cut off from family and friends for months at a time as we found ourselves marooned in domesticity and resorting to the internet or phone calls to make contact.

This has extended to our professional lives as well, with large events and conferences having been off the table for the past 18 months or so. But how has this more distant method of networking affected the industry and what does it mean for the future?

Who is missing out?

Perhaps the first question to ask here is who stands to miss out the most from a lack of face-to-face networking in the pensions industry? The first obvious answer is simply those who do not know anybody in the industry and want to reach out to make friends, contacts or broker deals. For some people, making contact by bumping into somebody at a conference is simply easier and more natural than sending messages to faceless email accounts in pursuit of a discussion.

Looking at specific roles within the industry, some commentators note that those with highly specialised roles might also have much to lose from missing get-togethers.

Aon partner, Lynda Whitney, explains: "Networking is an important part of learning from peers rather than just from experts. This can be particularly important when individuals do a specialist role such as pensions manager or trustee where there are few in their own organisation to 'compare notes' with."

Pensions Administration Standards Association (Pasa) board director, Girish Menezes, takes a wider view, arguing that the section of the pensions community that is "well networked" can "leverage best practice, improving industry efficiency, cost effectiveness and member outcomes".

He adds: "However, there is a far larger group of sponsors and trustees who fail to engage and are not delivering value to members, their pension schemes or their sponsors. We understand that The Pensions Regulator is concerned about this constituency as well and we encourage them to connect with Pasa to maximise the value of our collective knowledge and investments."

Who is benefitting?

This is not a one-way street, however, as some members of the industry argue that the move away from in-person events has actually benefitted certain pension professionals.

Pensions and Lifetime Savings Association (PLSA) head of membership engagement, James Walsh, says: "When we talk to our members about networking opportunities, particularly our large events – like our Annual and Investment Conferences – we sometimes hear people can feel too under the pump to take several days away from the office to attend."

He adds that the move to virtual

events "has removed this pressure" and thus enabled them to "dip into the sessions that matter to them most" at their leisure.

Walsh continues: "Pleasingly, we've had record numbers attend online conferences and webinars and are reaching different people whose jobs don't enable them to get to many face-to-face events. Networking has taken a very different form online but the participation in the event chatrooms has shown there is as much appetite for people to share knowledge and connect with one another as ever before."

Society of Pension Professionals president, James Riley, expands on this point, commenting: "The pensions industry is no different to many others, those who typically miss out on networking are those with caring responsibilities, who work part time, are based outside of London, for whom travelling is more difficult or who are not comfortable with typical networking events (eg as they may involve alcohol).

"This is an issue because it makes it difficult for these groups to engage with what is already not a terribly diverse industry. This can affect individuals' career progression and the industry misses out of the views of a whole cohort."

Even so, Riley does concede that the move to online networking has led to "the loss of the informal element of meetings and events, which can often be the most important networking aspect", adding that this has made it "easier to maintain established networks than build new ones".

Particularly pensions

Of course, the pensions industry is not alone in having been hamstrung by pandemic restrictions. But there are some aspects of the industry that make networking particularly essential.

Riley explains: "Networking is particularly important in the pensions industry because it is so large and broad with so many roles, specialisms, views and approaches. It's also highly technical with a large number of products (some current, some historical).

"Different views, different experience and different backgrounds help to widen thinking and come up with innovation and improvement. This is why it's important that networking is accessible to as many people as possible and why alternative approaches are not only needed but long overdue."

Walsh comments that the structure of many pensions businesses is a factor as well, commenting that industry professionals often "work in either very siloed or very small pension teams", which can mean they have "very few colleagues who understand what they do" and will therefore value the chance to meet with contemporaries.

For Whitney this social side of the issue is important as well, as she comments that pensions is "a people-based industry" and adds that "people need to enjoy what they are doing". She continues: "The social aspects of networking also help people feel connected and enjoy everything from a stimulating debate to an informal chat."

The future?

Research published by Marketing Expertus in 2020 found that 68 per cent of professionals valued face-to-face networking more than online. Although some of this data was gathered before the pandemic, it certainly implies that there is an appetite for a return to traditional methods of networking. But how can industry networking evolve considering what we have learnt in the past 18 months?

Riley argues that face-to-face meetings remain "key to building rapport and developing networks" and argues that hosts need to think on a case-by-case basis about whether online or in-person encounters are more appropriate.

He explains: "Quick decisions may suit a remote meeting, while team building and/or complex and emotive issues might suggest in-person. Whatever meeting you have then think about the structure and how you can involve and engage all the participants."

Looking at larger events, Walsh states: "We hear two very distinct types of feedback from our members on the issue of online versus face-to-face events. One group very much prefers online, due to ease of access, no travel required and the ability to watch sessions on catch up. The other group is really missing our physical conferences, chiefly because of the networking opportunities they provide.

"Like many other organisations, we are working out how to best serve these two parts of our membership in future and will be offering a variety of online and face-to-face events or solutions that combine elements of both."

Menezes agrees, stating that the future is likely to be "a hybrid physical/virtual networking workspace".

From this, it seems industry is looking to embrace inclusive solutions to networking, which will allow those who struggled to enjoy its benefits before the pandemic to get in on the action and hopefully leave everyone satisfied.

Written by Duncan Ferris

Despite policies like auto-enrolment and exciting developments like the dashboard, pensions are still not a topic that seems to grab the attention of the general public. *Pensions Age* asks members of the industry for their thoughts on whether pensions need a makeover and the most effective way to rebrand saving for retirement

The rebrand conundrum

"We are all aware of the perception of 'pensions' as complex, difficult to understand and bound up in ever-changing rules and regulations. This is often seen to lead to confusion and therefore a lack of trust. Add to this an absence of tangibility and immediacy – people don't necessarily want to dedicate time and money today to something that is, for many, off in distant future – and you can see there are a few obstacles to overcome when it comes to pensions. In fact, our research emphasises that a customer's pension does not become one of their top three financial priorities before they reach the age of 50.

"There's often a sense that a total rebrand of pensions is required. However, a number of fundamentals need to be addressed in any reinvention, and as an industry we need to tackle the underlying barriers to saving for retirement.

"One step forward would be to help more people avoid viewing pensions in isolation and instead consider them as part of a holistic financial portfolio. Context is important. Bringing their retirement conversation alongside short- and medium-term finances can help people better understand the importance of their long-term savings among the other financial commitments.

"As a society we do need to start a new conversation regarding pension savings with the ultimate aim of fuelling future engagement levels. This may require a national above the line campaign, supported by all, to emphasise the importance of pension savings in the context of wider financial wellness, while also helping customers understand their own role in saving for their future and in the broader context of their everyday and short-term financial commitments.

"And let's not forgot that retirement for many is no longer a set point in time where people stop working, rather varies based on different needs and desires. So, supporting people to reimagine retirement and what this looks like for them, as part of the wider financial wellness conversation, can help as a first step towards supporting them prepare financially for this."

Standard Life head of workplace deployment, Donna Walsh

"The word pension doesn't have a great reputation so a 'rebrand' to long-term savings may be helpful. But it's not a panacea. Different policy initiatives are needed to raise pension saving rates and member engagement amongst different demographic groups.

"For example, younger people – for whom their financial priority is most likely buying first home – more intervention is required to make saving automatic and hassle-free. This might take the form of boosting auto-enrolment rates, or automatically escalating contributions over time. Showing the benefits of pensions savings in a digestible and accessible way will also be vital, for which the introduction of pensions dashboards will be a big step forward.

"For people in mid-life, member engagement has to recognise that these people are balancing a lot of financial demands amidst evolving careers. Mechanisms to boost engagement need to look at member's financial situations in a holistic manner, taking the form of a 'mid-life MOT' that looks at everything from finances to health to skills and career progression.

"And for those approaching retirement, much more needs to be done to make it easier for everyone to satisfy a basic goal of retirement – to have an income for life. Schemes need to be providing the tools and default solutions that make that easier to achieve.

"In short, there is no shortcut to boosting member engagement, as different people will need different prompts. Rebranding might help but schemes must also put in the hard yards to help pension savers achieve the standard of living that they want to have in retirement."
XPS Pensions Group head of DC, Sophia Singleton

"A wider adoption of modern technology across the industry would certainly be effective in changing the perception of pensions. Just as digital banking has made us more aware of our spending habits, allowing all savers to see their live pension balance with just a few clicks, would help keep pension saving at the forefront of people's minds.

"Arming savers with easily accessible, up to date information, would dispel the belief that pensions are too complex to engage with. Engagement comes from savers knowing what's actually in their pension, from ethical or asset allocation standpoints to how much they or their employer is contributing. Building this ownership over one's pension, leads to making more informed financial decisions, and could help with the chronic under-provisioning that currently exists in pensions.

"Greater and more visible campaigning and fighting for the rights of pension savers would also help place consumers back at the centre of the pensions industry. Cracking down on hidden fees, the use of excessive jargon and fighting for consumer switching guarantees would all be effective in rebranding pensions. As pension providers our role should be more than just facilitators. We need to go beyond this to actively encourage and support people in prioritising their pension savings, with experienced teams on hand to help when needed.

"Finally, pensions are for everyone, yet the industry doesn't reflect that. While it's slowly changing, most people working within the pensions sector are from the same socio-economic background. To drive real change, we need to make the sector more representative of society and who we serve, which ultimately reflects in providing a better product for a larger number of people."
PensionBee CEO, Romi Savova

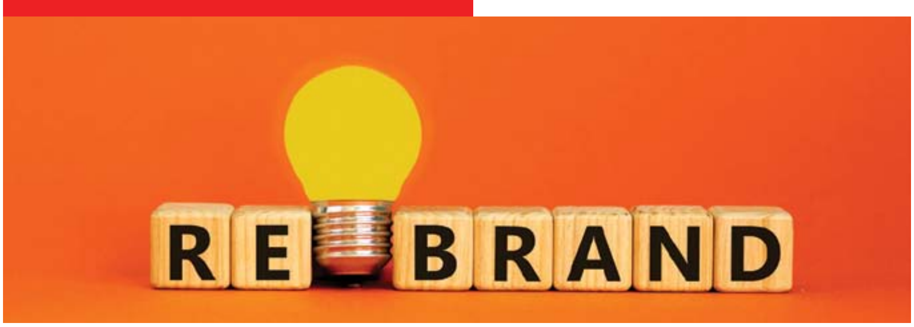
"We believe that the rebranding of pensions starts with fixing what is broken, and the biggest problem facing our industry is financial education, of which pensions is a key component. Pension communications are (generally) archaic – it is understandable to be turned off by jargon, buzz words and communications that are too deep or long, often paper based, with information that isn't impactful, relevant or even attractive. The language surrounding pensions is extremely inconsistent with different terms, and meanings, depending on whether the content comes from employers, the media or in day-to-day informal conversations.

"We propose the first way to solve this is via content delivered within workforces, directly to communities, that is powered by pension experts and a united industry. This could be interactive, focus on specific stages in life and feature useful and relevant content, which is supported through the communities, and via influencers, showcasing pensions in an attractive, rewarding and easy to digest way."
Hymans Robertson head of DC engagement, Kirsty Moffat

"Pensions need to 'do what they say on the tin' far more. 'Defined contribution' needs defining, so does 'pension', and the Google definition of 'pension' doesn't even apply to most people saving for their retirement today!

"At LifeSight we have already adopted 'Saving Account' and 'Spending Account' terminology for our pre-retirement and post-retirement phases, to help de-jargonise, but having wholescale changes that can be adopted consistently across the industry would help reinforce clearer messaging – most individuals have multiple pension pots to navigate, and this would encourage member understanding and engagement.

"Leading master trusts like LifeSight have invested in technology to bring retirement saving in line with other consumer experiences, like offering a companion app members can access seamlessly, but we need this to become an industry norm so that members come to expect it. This would support a rebrand to appeal to a wide cohort of savers and compete for their attention."
LifeSight associate director, Harriet Hayward



Written by Duncan Ferris

A long-term view

The Prime Minister and Chancellor have recently called for pension funds to further invest in long-term assets to allow savers to help drive the UK's recovery following the Covid-19 pandemic. Is this suggestion welcomed by the industry or is it easier said than done?

Challenges do exist in practice, as the preferences of UK pension schemes differ. From closed DB schemes who are now more focused on paying their pensions, to open-ended DC schemes and master trusts whose underlying members can take on more illiquidity than their DB counterparts, but are currently unable to due to a host of factors.

We have worked with a number of these UK pension schemes who have looked at investing in both liquid and illiquid alternative assets, to achieve the best financial risk-adjusted return for their members. They don't want to be restricted by geography. They've been keen to invest in a wide range of assets globally across both public and private markets and preferred solutions that are diversified across a portfolio of consumer assets, corporate assets, and real assets.

The same isn't true for their DC counterparts even though, given current pension scheme structures – DC savers have a longer investment horizon than DB. The challenge therefore is how to enable DC schemes to invest in illiquid alternatives like their DB counterparts.

AXA IM Alts co-head securitised and structured assets/head of structuring and business development, Christophe Fritsch

I welcome this intervention by the Prime Minister and Chancellor because a number of distinct but interconnected issues have come together to create what should be ideal conditions for DC schemes to take advantage of a once-in-a-lifetime opportunity to improve outcomes for members.

With many DC schemes already maxed out on listed equities, the clearest opportunity to improve returns is in long-term assets. Pension schemes have always been providers of long-term capital and although the government's intent for pushing this agenda may not solely be better DC outcomes, they are correct that UK schemes have underinvested in these assets, in contrast to those in other countries.

Successfully addressing the climate crisis will require nothing short of a total rewiring of the global economy. This presents huge risks but also possibly the single largest investment opportunity in history. It is possible both to support this agenda and deliver great returns.

However, these long-term assets are likely to be more expensive than current investments, albeit with the prospect of higher returns. Although there are no actual barriers to putting DC money in higher charging funds (current fees are mostly well below the charge cap), there is a clear psychological hurdle for trustees to overcome in delivering a message to members that their fees are going up.

Redington head of DC and financial wellbeing, Jonathan Parker

The government is keen to encourage UK pension schemes to help support the UK's post-pandemic recovery. But at the end of the day, DC pension schemes should have their members' best interests at the heart of their decision making.

There are undoubtedly some attractive opportunities within the UK, particularly in areas such as green infrastructure. But any decision to consider adding these to portfolios should take into account the opportunities offered within a global, and not just UK, opportunity set. We should also be encouraging those managers who can demonstrate a sound investment case to tackle the 'too hard' box and deliver innovative solutions to overcome operational hurdles such as daily dealing, daily pricing or fund structures.

Hymans Robertson partner, Rona Train

With COP26 just round the corner the UK pension industry has a significant role to play in providing compelling solutions to prevent further disastrous climate impacts on our society and economy. This realisation has been further exacerbated by the Covid-19 pandemic and subsequent fallout, resulting in the government calling for pension schemes to invest in long-term assets. But it goes much further than the UK defined benefits market. Helping pension funds to improve their diversification by investing in longer dated private assets can positively impact members' returns, supporting the interests of pensioners and sponsors alike. The UK LTAF will structure new sources of capital for UK businesses, providing pension funds and prospectively retail investors with new opportunities to access illiquid investments.

Tikehau Capital UK institutional business head, Simon Males

The Pensions Regulator recently backtracked on its potential 20 per cent limit on unregulated investments in its new Code of Conduct for DB funds. The Prime Minister and Chancellor's desire to build back better has trumped TPR's risk managed approach to illiquid investing.

When it comes to illiquid investing, whether you're a DB or DC investor, care must be taken to be able to access savings when they're needed. Sufficient traditional liquid assets still need to be held to pay the required pensions, transfers and annuity purchases in the years to come. Enough liquid assets also need to be held when markets take a turn for the worse. Levered liability-driven investment could compound losses. Careful analysis needs to be undertaken before long-term assets are committed to for more than 10 years or so.

Trustees' fiduciary duties are to find assets, whether liquid or illiquid, that deliver the most attractive long-term returns. However, when it comes to investing in infrastructure and private companies there are many global opportunities. For example, a lot of value can be delivered from replacing America's aging infrastructure or just building afresh in emerging markets. Many private companies are starting up overseas and delivering significant capital appreciations when they list.

SEI Institutional Group client strategy director, Alistair Jones

One fundamental issue with the government's challenge to UK institutional investors is that pension fund trustees are required by law to take investment decisions in the interests of their members. Although there is no reason as to why UK unlisted early-stage companies, infrastructure and green transition wouldn't meet this criteria, there is equally no reason why assets in other geographies wouldn't either. Trustees have a duty to manage risk, and there are specific UK risks that they would be well-advised to diversify by holding an international portfolio.

However, the more significant issue is the extent to which trustees are able to hold unlisted illiquid investments. With the DC market converging to practices that increasingly demand daily liquidity, most trustees are insisting that assets are fully liquid to allow members a choice at all times. This is short-sighted as many DC members will not be transferring the pensions and some holding of illiquids could surely meet their needs well.

Within the DB market the regulatory environment has encouraged trustees to aim for a de-risked portfolio or buyout. As illiquid assets are not typically accepted by buyout insurers, many trustees who believe they may be in a position to do a buyout within a five to 10 years are increasingly reluctant to commit to illiquid assets that require longer time horizons.

Cardano Risk Management CEO, Kerrin Rosenberg

Seen as an attempt to steer or induce pension funds to invest in a particular direction, it is unwelcome as it potentially interferes with trustees' fiduciary responsibility to invest in the best interests of members. The 2020 Supreme Court decision in the case brought by the Palestine Solidarity Campaign confirmed that political convenience or government policy cannot override this duty.

Seen as connected – by the necessity for greater scale – to clearly-evidenced government policy for all but the very largest DC schemes to consolidate, usually via bulk transfer to a master trust, it is further unwelcome as the benefits for members are neither clear nor certain. Besides substantial transition costs, members will bear all the costs of administration which the employer covers in a single-trust scheme (thus contradicting government policy to increase value for members from pension savings).

It is also impractical as the effect of the charge cap militates strongly against affordability of investment in longer-term 'alternative' asset classes, due to the higher fees charged by fund managers.

Aries Insight co-founder, Ian Neale

Pensions history

Investment trends and the Trustee Act

Keele University was the location for this presentation given by George Ross Goobey to the conference of Birmingham & District Society of Chartered Accountants 60 years ago, on 23 September 1961.

He opened his presentation by referring to recent investment trends. One of the greatest of these, in recent years, had been the change from fixed interest to equities as the more popular investment for trustee and other funds. He hoped to establish during the course of his talk that there was every reason why one should still invest in equities rather than fixed interest securities and moreover this situation was likely to continue. The trouble had been that in the past most trustees had thought that playing safe, meant investment in gilt edge, even though all the evidence was to the contrary.

He then went on to cover a range of investment topics namely: Where to obtain advice, rights issues, different types of investor and running profits and cutting losses. In relation to this latter topic he was often asked which securities to sell in order to raise funds and it was quite apparent that the questioner's own idea was to sell the best stocks showing a profit regardless of their future investment prospects rather than sell stocks showing a loss on their purchase price.

Concluding, he said: "If you are brought in to advise on the setting up of a Trust Deed relating to a pension fund or other monies, insist that the powers of investment are drawn in the widest possible terms and then endeavour to see that those powers are in the hands of experts. The limitations of the Trustee Acts must have caused thousands of people hardship and I trust that the present Trustee Act is only the beginning of this new freedom."

The Pensions Archive Trust chairman, Alan Herbert

Fun and games

Wordsearch

S	A	W	A	R	D	S	W	I	N	N	E	R	S	Y
A	M	A	V	D	X	D	A	H	X	J	V	E	T	B
Q	D	O	O	H	A	S	T	E	R	S	R	I	I	T
T	D	M	A	R	R	S	Y	G	T	L	S	G	R	T
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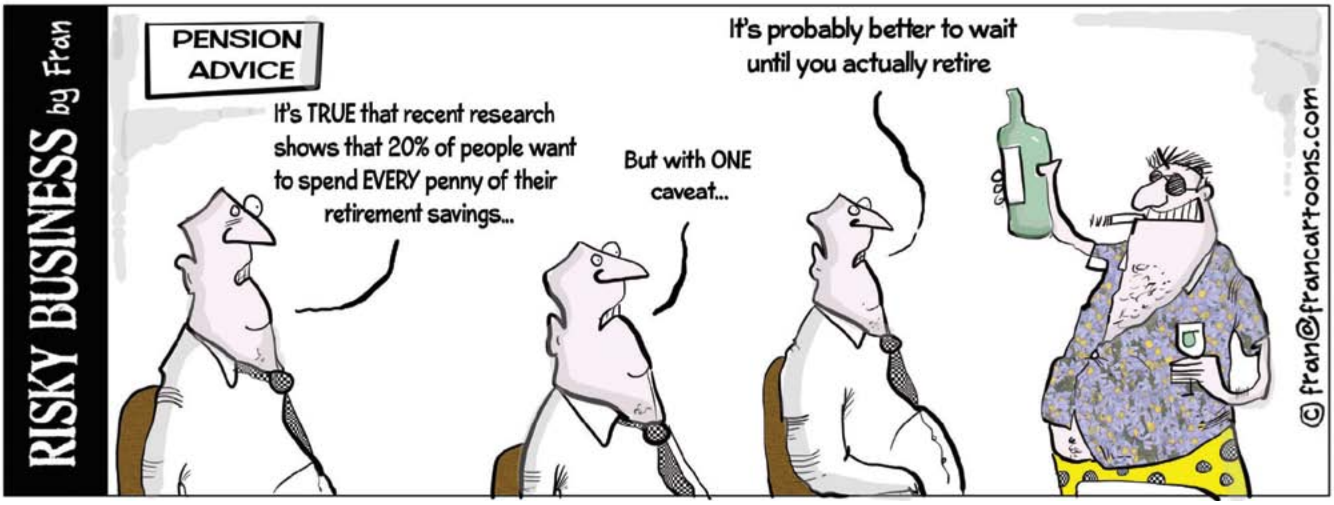
ADMINISTRATION
AWARDS WINNERS
CHARITY WORK
CLIMATE CHANGE
DASHBOARDS
DIVERSITY
MAPS
NETWORKING
PROFESSIONALISM
REBRANDING

I know that face...

Answer at bottom of page



I know that face... Answer: Society of Pension Professionals CEO, Fred Emden

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At the higher end scale of this role, you will be expected to participate in all stages of an audit from planning through to fieldwork, and finalisation of the assignment for Partner review. Reporting directly to the Corporate Services Manager and Partners, you will oversee client engagement teams and may manage multiple engagements simultaneously.

Responsibilities will include:

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- Monitoring engagement profitability – billings and collections

Further details of how our pension audit teams work can be seen at:
https://www.ensors.co.uk/sectors/pension-industry/?nowprocket=1

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