Data security
How providers can protect themselves from cyber criminals

Climate change
The role the pensions industry has to play in the fight against climate change

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How the industry can support staff suffering from long-term illness

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September 2023

PENSIONS*Age*

The leading pensions magazine

Scams: *The collaborative efforts required to fight scammers*

DB: *Could DB schemes have a resurgence in popularity with employers?*

A closed shop?

SPECIAL REPORT: Social mobility issues within the pensions industry

PPF interview: The future role the lifeboat fund could play in reshaping the pensions universe

Editorial Comment

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I first noticed my family's comparative wealth (or lack thereof) when I was 11 and went to our local secondary school, featuring children from a mix of backgrounds. Here, my mother refused to let us receive free school meals, lest we look 'poor', and banter from friends included locking their car doors as they drove onto my council estate.

At university, the number of privately educated students who had come to my very-much-not-redbrick-ex-poly-uni surprised me. I watched as mummy and daddy continued to pay for their education while I obtained all the student loans, hardship loans, and local grants I could get my hands on, and still found myself lacking in the finance department.

Then a heady combination of determination, naivety and ignorance saw me train to become a journalist. I wanted it, was willing to work hard to do so, and it never crossed my mind to worry about whether I would 'fit in'. (Although I arguably thought of journalism as more diverse than it is – picturing as I did a strange mix of dirty-mac newshounds speaking to sources in dimly-lit pubs combined with Carrie from *Sex and the City* enjoying a glamorous New York life by simply writing one romance column.)

However, I soon learnt that many in the media are privately educated. Why not double down, I thought, and write about a predominately privately-educated industry from within a predominately privately-educated industry?

So become a financial journalist is what I did.

And this is where the discrepancy in wealth really hit me.

Any situation within the UK, where I, a white British, able-bodied, cis, straight, working-class woman – so in the 'majority' group within each of these categories – could somehow be a minority and fill a 'diversity' quota strikes me as a ludicrous environment, frankly. And yet, within financial services, I qualify not once, but twice, on the grounds of being female and from a low socio-economic background.

This attitude kept the self-doubt at bay, as I navigated industry networking. Yet I rarely felt secure enough to match discussions of luxury vacations with my dad finding the caravan he'd saved up for in Hopton a lovely place for a holiday. Attendees' talk of building their dream home dampened my enthusiasm to shout out that I had finally scrimped enough for a deposit to buy a flat by myself. Being asked what school I attended is now a polite enquiry and not the start of teenage gang rivalry, as my memory instantly returns to.

When I do join in the conversation I wince at my 'very London' accent, as it's been described more than once (despite my being from Hertfordshire) – my *'fanks'* to their *'thank you'*.

Navigating the social mobility journey goes both ways, from feeling too 'common' at work, to being told you've changed and accused of being a snob at home. It's *tiring*.

Therefore, I've never enjoyed writing an article as much as I have this month's cover feature on socio-economic diversity *[see page 61]*. This is a subject the interviewees and I were passionate about, swapping anecdotes of navigating a 'professional' world from a working-class perspective. The joy I felt at recognising my experience in theirs made me appreciate for the first time just how important representation is, for people to see themselves 'reflected' within the industry.

Telling these stories, enabling people to feel comfortable being their 'true self' at work, is recognised, along with collecting data and tweaking recruitment and career progression processes to broaden the talent pool, as one of the biggest differences that can be made to improve socio-economic diversity in the pensions sector.

Achieving this involves an attitude shift on both sides. People from higher socio-economic backgrounds, please still share your anecdotes at networking events. I love to hear about exotic holiday locations, and who doesn't enjoy a good DIY house project – that's why we all watch *Grand Designs* after all. Just be aware that not everyone may be having the same problem as you with yacht mooring fees, for example. And people from lower socio-economic backgrounds, have the confidence to speak out about your different experiences and trust that they will be as interested to hear them as you are about theirs.

The pensions sector has been slow to focus on socio-economic diversity compared to other professions. It has a very long way to go, but attention and efforts to improve the disparity are now starting to occur. Let's chat about it.

Laura Blows, Editor

COVER FEATURE

Theme: Industry issues

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A closed shop?

The pensions sector remains the preserve of those from higher socio-economic backgrounds, despite equivalent professions working to improve greater diversity in recent years. However, efforts to attract, and retain, people from lower socio-economic backgrounds are starting to increase, finds Laura Blows

Features and columns

News, views & regulars

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Features & columns

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Dateline - July-August 2023

Rounding up the major pensions-related news from the past two months

5 July The Pensions Regulator (TPR) launched a trustee diversity and inclusion survey to help understand the current picture of trustees' diversity *[read more on page 14].*

10 July Chancellor, Jeremy Hunt, announced a package of reforms designed to boost pensions and increase investment in British businesses. Hunt estimated that the DC reforms could increase a typical earner's DC pot by 12 per cent and "unlock" up to £75bn of additional investment from DC schemes and from the Local Government Pension Scheme (LGPS).

Included in the Mansion House reforms and supporting documents were:
- Plans to consult on a 2025 pooling deadline for LGPS.
- A new voluntary initiative for DC pension providers to allocate 5 per cent of assets in their default funds to unlisted equities by 2030.
- Plans to introduce a permanent superfund regulatory regime, and a call for evidence on the possible role of the Pension Protection Fund (PPF) and the part DB schemes could play in productive investment.
- Further detail on a proposed framework for a multiple default consolidator model that aims to address deferred small pension pot issues.
- The Department for Work and Pensions (DWP), TPR and the Financial Conduct Authority's (FCA) joint response to the consultation on the upcoming value for money (VFM) framework.
- A joint call for evidence to deepen the evidence base around trustee capability and the barriers to trustees doing their job in a way which is effective.
- A consultation on plans a new decumulation policy framework and plans to expand collective DC.

12 July The **Work and Pensions Committee** (WPC) held a one-off evidence session on the progress of the pensions dashboards reset, with the Pensions Minister confirming that TPR will be ready to enforce the proposed staging guidance for pensions dashboards.

14 July MP Jonathan Gullis' **Private Member's Bill** to extend auto-enrolment (AE) to lower earners and younger workers passed its second reading in the House of Lords. The bill was later scheduled for the committee stage on 12 September, despite industry hopes that it could receive Royal Assent prior to the summer recess in July *[read more on page 12].*

19 July The Pensions Ombudsman (TPO) restored certain services, including the LiveChat and online application forms, after previously suspending these systems in response to a cyber incident in June.

24 July The **Work and Pensions Committee** (WPC) launched an inquiry into the collapse of the Norton pension schemes, with the aim of ensuring members of collapsed pension schemes are better protected and supported in the future. The inquiry will look at TPR's approach to preventing loss of pension assets through fraud or dishonesty and whether there is scope to speed up the process of assessing eligibility for compensation and making payments. It will also examine the role played by bodies such as independent trustees, TPO, TPR and the PPF.

26 July TPR urged pension schemes to offer their members a midlife MOT, following the launch of the Department for Work and Pensions' (DWP) enhanced digital offering of the resource *[read more on page 14].*

28 July The **High Court** ruled that the BBC cannot modify its DB pension scheme rules to cut future benefits for members of the scheme, although it can make other valid

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

changes without employees' consent. In the ruling, the judge rejected the BBC's claim that a rule in the pension trust deed, which forbids alterations that adversely affect its members' 'interests', applies only to benefits that have already accrued *[read more on page 29].*

31 July New Consumer Duty rules officially came into force as part of the **FCA**'s efforts to set a higher standard of consumer protection in financial services.

31 July The **High Court** backed the Brass Trustee's decision to petition to create an insolvency event that will enable PPF compensation to replace scheme benefits *[read more on page 16].*

1 August An **Upper Tribunal** upheld TPR's decision to issue a contribution notice for almost £2m *[read more on page 14].*

3 August The **FCA** outlined the basis for its joint review of the advice guidance boundary with the Treasury, as part of its work to ensure that consumers "get the help they want, at the time they need it, and at a cost that is affordable". As part of this, the FCA also confirmed that its plans to create a new 'core investment advice' regime have been put on hold and rolled into the wider advice guidance boundary review, given the potential for "more significant change". A further update is expected to be provided in autumn.

7 August The **government** confirmed that it will continue with its proposed approach to the McCloud remedy for civil service pensions, with the new scheme remediable service regulations statutory instrument to be laid in parliament in early September.

10 August TPR published updated guidance on DB superfunds following a review of the original guidance *[read more on page 14].*

14 August The government confirmed that **TPO** will have an independent arm's-length body review in autumn 2024. However, the government rejected other recommendations from the Public Accounts Committee's recent inquiry on the Atomic Energy Agency Technology Pension Scheme, arguing that they were "policy matters".

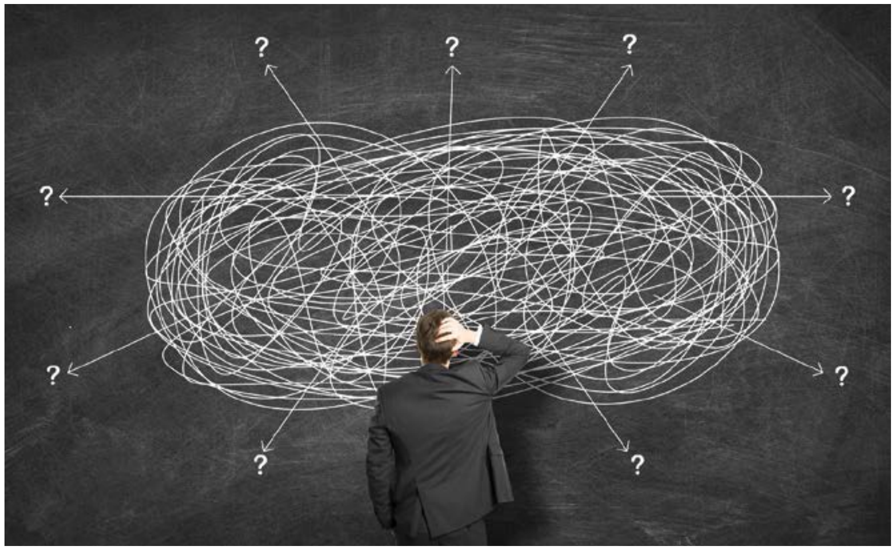
17 August The **Pensions Dashboards Programme** completed its assessment of the programme challenges following its reset earlier this year, with the next progress update report to be shared in the autumn.

24 August TPR shared updated guidance to help DC schemes comply with new illiquid investment regulations *[read more on page 14].*

28 August Initial responses to the DWP recent consultations have begun to roll in, revealing support for a number of the proposals, although concerns over the practical implementation have emerged. The government was urged to consider a phased approach to its plans for a DC decumulation framework, whilst in the DB space, it was told that greater member protection would be needed to encourage a 'step-change' in investment strategy.

News focus

Getting to grips with the Mansion House reforms



The pensions industry has been getting to grips with the "avalanche" of pension measures announced at the start of the summer, as the government's consultations draw to a close

The pensions industry has been working to get to grips with the "avalanche" of pension developments announced at the start of the summer, as the government's consultations draw to a close.

The measures were announced as part of the Chancellor's Mansion House speech, with a "wave" of documents and consultations published the next day from a number of government departments.

This included a consultation on the Local Government Pension Scheme (LGPS), updates on the Mansion House Compact, a call for evidence on DB options, a call for evidence on trustee capability, proposals to address the small pots problem and an update on the proposed value for money framework.

Speaking to *Pensions Age*, Pensions Minister, Laura Trott, emphasised the ambitious nature of these reforms, arguing that they will make an "enormous" difference to people's lives.

"I think it's really important to take a step back and look at the impact that this is going to have on the average worker and that is huge," she stated. "If you look at the analysis, just as a result of these reforms we are looking at a 12 per cent increase in the average worker's annual income, that's another £1,000 a year. That is enormous, and it's going to make such an enormous difference to people."

Initial response to the reforms was mixed, with polling from XPS Pensions Group revealing that less than a third (30 per cent) of pension scheme representatives were broadly supportive of the Chancellor's plans to encourage pension schemes to invest for growth as outlined in his Mansion House speech.

But more recent polling has found greater support, with a survey from Aon revealing particular interest in the government's collective DC (CDC) plans.

According to the survey, just over a third (36 per cent) of pension professionals were interested in the development and expansion of CDC, while 29 per cent were excited about the reforms to traditional DC schemes.

This included 16 per cent who were particularly interested in the proposals around small DC pots consolidation, and 13 per cent who were excited specifically for the value for money proposals.

Among the other options chosen, running-on DB schemes with an investment strategy aimed at maximising value for scheme stakeholders – including the sponsor – was the second most popular single reform at 17 per cent.

Initial responses to the government's consultation have also been positive.

The Society of Pension Professionals (SPP), for instance, commended the government for looking for solutions to the challenges in delivering good outcomes at and during retirement, despite some practical concerns.

Responding to the DC consultations, the group said that it "appreciates" the government's proactivity in resolving small pension pots, agreeing that a consolidator model, whether one or multiple, would be an effective step forward and, if the latter, a central registry could serve as a viable option.

And industry analysis has suggested that the Mansion House reforms could trigger a 'sea change' for DC private debt investment, as Hymans Robertson estimated that up to £200bn of DC assets could be committed to private debt by the end of the decade.

However, further changes may be needed to allow this shift, as RSM UK head of pensions, Ian Bell, suggested that, despite recent listing reforms, the cost of investing in private equities will undoubtedly require changes to auto-enrolment investment fee caps.

Despite this, when asked whether the government was looking to make any changes to the auto-enrolment investment fee caps, Trott told *Pensions Age* that the immediate priority on auto-enrolment is the 2017 reforms.

Debate over the impact for DB sponsors has also emerged, after analysis from Barnett Waddingham suggested that, if the proposals are agreed, around £50bn of surplus funds would be available to be returned to sponsors of FTSE 350 DB schemes; equivalent to around 10 per cent of FTSE 350 DB scheme assets. This was based on the assumption that any surplus above 105 per cent funding on The Pensions Regulator's (TPR) proposed 'fast track' low dependency basis would be available to be returned to sponsors.

However, this analysis sparked concern amongst some, as RSM UK pensions restructuring advisory partner, Donald Fleming, argued that the government looks to be effectively reversing the current de-risking approach, by encouraging pension trustees and sponsors to take on new risks from investment. "If this goes ahead, the government must consider how the system will protect pension funds if surpluses reverse, or the investments don't work out as planned," he stressed.

And despite the potential boost for the British economy, some have remained dubious of the claims around the potential boost to member returns.

"I think it's really important to take a step back and look at the impact that this is going to have on the average worker and that is huge"

People's Partnership director of policy, Phil Brown, argued that while the provider is "incredibly supportive" of a wider range of investment being considered by trustees, "investments must be made in the members' interests and at a fair cost". Given this, he argued that it is now "vital" that the asset management sector brings investment options that work in the best interests of consumers.

These concerns were echoed by PensionBee director of public affairs, Becky O'Connor, who argued that "as far as generating higher returns for pension savers, the Chancellor's reforms are a shot in the dark", while AJ Bell head of retirement policy, Tom Selby, said that estimates that the changes will boost the average pension by 12 per cent should be treated with a "huge handful of salt".

Association of British Insurers director of policy, long-term savings, Yvonne Braun, also stressed the need for any "market-shifting reforms" to be "thoroughly considered so that they put savers first and don't undermine policies and markets that are working well".

But with an accelerated consultation window, across the summer period, Sackers partner, Helen Ball, pointed out that the Chancellor is setting an "ambitious timetable", with all final decisions to "be made ahead of the Autumn Statement later this year".

"While it is good to see that pensions have risen up the agenda, so many changes seemingly happening everywhere, all once, may not be universally welcomed by already busy trustees, employers and pension providers," she stated.

And the pace of the reforms is not the only concern, as Aegon argued that the government should urgently produce a roadmap for the Mansion House pension reform package to avoid "mind-boggling complexity and chaos".

Aegon called on the government and regulators to give urgent consideration to a "sensible and workable" implementation roadmap, noting that the industry is already preparing for the launch of pensions dashboards and extensions to auto-enrolment policy.

Given this, Aegon urged the government and regulators to engage with the industry to develop an implementation roadmap that takes into account interdependencies and priorities, such as the overlap between dashboards and small pension pots.

Furthermore, Cameron argued that it would make sense for scheme consolidation to happen before attempting to consolidate small pots at an individual level, describing the concept of attempting individual and scheme consolidation at the same time as "mind-bogglingly complex".

Written by Sophie Smith and Jack Gray

Pressure grows after summer recess puts AE reforms on pause

The parliamentary summer recess has slowed the passage of a bill to extend auto-enrolment (AE). Yet the industry has already set its sights on the next steps, with research revealing the impact of AE reform on low earners

The House of Lords committee stage for the Private Member's Bill on extending auto-enrolment (AE) is scheduled for 12 September, despite the industry having had hopes for it to receive Royal Assent before the summer recess in July.

Following the second reading stage in the House of Lords on 17 July, there was hope that the bill would continue to move quickly through the final stages to be ready for Royal Assent before parliamentary recess.

However, it has been announced that the bill will not be discussed in the committee stage until 12 September, leaving the report stage and third reading in the House of Lords to go through before the bill can be made law.

Aegon head of pensions, Kate Smith, said it was disappointing to see the bill pushed back and warned that, if the bill did not receive Royal Assent before the King's Speech in autumn, "there's a real risk that the process will have to start all over again, or even worse, be kicked into the long grass".

Despite delays to the bill itself, Pensions Minister, Laura Trott, has reiterated her commitment to consulting on the changes allowed by the bill "as soon as humanly possible".

"I hope what I've shown in my time as Pensions Minister is that I will get these things done, because they will make a difference to the amount that people get in retirement and that's what everyone here is all about," she continued.

"So as soon as it passes through the House we will get a consultation up and running as quickly as we can. And it is really important to consult on how we implement these reforms, in terms of timing, whether we need to stagger them, actually what the age is, whether it's 18 or 16, so all of these things we need to look at in more detail. But we do need to get on with it, and I'm very aware of that."

The pensions industry has already set its sights on the next set of AE reforms though, with research from the Pensions and Lifetime Savings Association (PLSA) and the Pensions Policy Institute (PPI) suggesting that removing the £10,000 AE lower earnings trigger could safely bring almost three million lower earners within the scope of AE.

The research examined the profiles of employees earning less than £10,000 to investigate whether AE could improve their retirement outcomes.

This revealed that eliminating the £10,000 trigger has the potential to improve retirement outcomes by 7-13 per cent for nearly three million people, suggesting that low earnings remains a key reason why some, such as women and carers, are excluded from AE.

Indeed, according to the report, around one in nine employees, equivalent to 3.17 million people in 2022, meet the age criteria for AE but earn less than the trigger income of £10,000 a year.

The research acknowledged that this group represents a complex demographic, comprising diverse subgroups who may be earning modest incomes for varying reasons. Given this, it also acknowledged that there are some savers that could be at risk of over-saving.

In particular, the analysis identified certain groups as having a reasonable mitigating factor reducing their risk of detriment.

This left a 'residual' group of around 300,000 savers, representing 9.48 per cent of the total 3.17 million lower earners, who could be at a higher risk of financial detriment if brought within the scope of automatic enrolment.

However, the PLSA noted that there are a number of potential policy approaches that could be used to reduce the risk of over-saving, including keeping or lowering rather than fully removing the £10,000 trigger.

In addition to this, it suggested that providers could create other short- or long-term savings options, such as 'rainy-day' savings, allowing temporary opt-down, rather than only opt-out options for contributions.

Written by Sophie Smith and Jack Gray

TPR publishes updated DB and DC guidance

The Pensions Regulator has provided updates on a number of key projects over the summer period, including updated DB superfunds guidance and DC illiquid investments guidance

The summer has been a busy period for The Pensions Regulator (TPR), with updates shared on a number of key projects.

Following on from the news that the government was looking to introduce a permanent regime for DB superfunds, TPR also published updated guidance on DB superfunds.

The updated guidance was shared after a review of the original guidance, and aims to ease the journey for schemes transferring to a superfund, including extending the period for the 'gateway'; to provide clarity as to when the regulator believes it is right that a scheme can consider a transfer to a superfund; and to allow more time to demonstrate that TPR's capital expectations have been met.

The guidance also included changes to the regulator's funding expectations, amending the discount rate from gilts +0.5 per cent to gilts +0.75 per cent, which TPR said reflected changes in the market while maintaining saver security.

TPR noted that the updated guidance signalled a change in its position on profit extraction, adding that it wants to engage further with the pensions industry on how this will work to help create a system that works for providers and members, and it will issue an update "in due course".

Finally, the updated guidance aims to give greater clarity on some of TPR's expectations for the assessment process.

TPR also shared further updates on projects related to the Mansion House reforms, including plans to provide new guidance on investing in productive finance and an update to its existing investment guidance for DB and DC schemes in the "autumn".

Alongside this, TPR shared updated guidance to help DC schemes comply with new regulations designed to ensure they consider all the investment opportunities available to achieve best value for savers.

In particular, the updated guidance reflects new requirements for schemes to disclose any performance-based fees incurred in relation to each of their default arrangements in their chair's statements.

TPR chief executive, Nausicaa Delfas, suggested that the new DB funding code will also clarify where DB schemes are able to accommodate investment in growth assets, particularly for open and immature schemes.

In addition to work to support the Mansion House reforms, the regulator launched its first trustee diversity and inclusion survey to help understand the current picture of trustees' diversity and measure progress in promoting high standards of diversity and inclusion.

The survey aimed to understand what diversity and inclusion data about trustees is being recorded by schemes and its intended use, and record the action being taken to ensure diversity and inclusion among trustees in their work.

TPR said it expects to share results from the survey before the end of 2023.

TPR also encouraged pension schemes to offer their members a midlife MOT, following the launch of the Department and Pensions' (DWP) enhanced digital offering of the resource.

In a blog post, TPR director of regulatory policy, analysis and advice, Louise Davey, called on schemes to signpost midlife MOTs to members, particularly those aged between 45-65.

Furthermore, Davey suggested that pension schemes fully integrate the resource into the support they already offer to their members.

Earlier this month, the DWP launched a newly enhanced digital midlife MOT, which brings together services, tools and charity resources from the NHS, Money Helper, Mind, Citizens Advice and the DWP. It aims to help pension savers review their transferable skills and search for a more appropriate job.

Enforcement activity has also continued, with an Upper Tribunal upholding TPR's decision to issue a contribution notice (CN) for almost £2m to be paid into the Meghraj Group Pension Scheme.

The regulator highlighted the decision as the first substantive case heard by the UT in relation to TPR's CN power and provided "helpful clarification", particularly that the amount of a CN is not limited to any loss suffered by the scheme.

A date was also set for the sentencing of a former pension trustee charged in relation with making illegal investments, as part of a prosecution brought by TPR. Stephen Smith previously plead guilty to five counts for his role in the pension scheme making prohibited loans.

Written by Sophie Smith and Jack Gray

Govt urged to clarify ‘detrimental’ LTA rules

The government has been urged to clarify the draft rules to abolish the Lifetime Allowance (LTA) by October, after industry experts raised concerns that the proposed rules could have a “detrimental outcome”

Industry experts have raised concerns over the potentially “detrimental outcome” of the government’s plans to remove the lifetime allowance (LTA), urging HMRC to clarify the rules by October.

The government previously announced plans to abolish the LTA as part of the 2023 Spring Budget.

However, The Investing and Saving Alliance (Tisa) argued that whilst this decision was expected to simplify pensions administration and make “an already complicated process for members a little easier to navigate”, the LTA “has gone only in name and is being replaced with a ‘permitted maximum’ limit”.

“However, what is really disappointing in this draft legislation is that the abolition of the LTA will now impact smaller pension pots – pots and individuals that were never previously caught by the LTA,” Tisa head of retirement, Renny Biggins, stated.

In particular, Biggins explained that those inheriting an uncrystallised pension pot from someone under age 75 and electing a beneficiary drawdown or annuity will now have their pension income taxed at their marginal rate, irrespective of the size of the pension.

These concerns were shared by LCP partner, Steve Webb, who argued that the changes threaten to “backtrack” on the ability to inherit pension pots tax-free.

Webb stated: “It would be totally unacceptable to make such a big change ‘through the back door’. If ministers plan to remove this pension tax break they should announce their plans publicly and have them properly debated.”

The government has since confirmed that this was not the intention and the draft legislation will be changed.

“We look forward to working with stakeholders over the coming weeks to help us craft the legislation”

Commenting in response to the concerns, a government spokesperson said: “We want to keep 15,000 experienced people in work to help grow our economy and clear backlogs, such as seniors in the NHS who had told us that pensions tax was disincentivising them from working, which is why we have abolished the LTA. We look forward to working with stakeholders over the coming weeks to help us craft the legislation, which will ensure that our historical pensions tax cut delivers the right results for savers and the economy.”

However, the Association of Consulting Actuaries (ACA) said that whilst it was grateful for this reassurance, it is “really important” that key policy decisions have been made by October to avoid unintended outcomes.

In particular, the ACA warned that members could be forced to make decisions without properly knowing all relevant facts, arguing that it is key that the industry has a final decision on the intention for taxed DB cash and transition as changes to this could have implications for many members.

It also warned that further delays in providing clarification could bring additional costs to schemes and put pressure on scarce resources.

However, the ACA acknowledged that the policy intent is to achieve the changes very quickly.

Given this, it queried whether using a mid-tax year date such as 1 October 2024 would be practical in law-making, to give more time for proper steps including extra stages of consultation.

And whilst further detail is expected to follow in the full regulations, Sackers warned that “the 6 April 2024 timeframe is beginning to look a little on the tight side” given the work needed.

“Removing the LTA and its knock-on effects will inevitably bring with it a requirement to update scheme administration processes,” the firm stated.

Written by Sophie Smith

High Court backs 'momentous' decision to wind-up DB sponsor

The High Court has backed the Brass Trustee's decision to petition for the winding up of the scheme's sponsoring employers

The High Court has backed the Biwater Retirement and Security Scheme trustee's decision to petition for the winding up of the scheme's sponsoring employers and create an insolvency event that will enable Pension Protection Fund (PPF) compensation to replace scheme benefits.

The scheme trustee (Brass Trustees) emphasised that whilst this was an "incredibly difficult decision" to make, it was not taken lightly, arguing that the sponsor had been given "every opportunity to act to turn the business round".

Estimates from the scheme's actuary, XPS Pensions, revealed that the Biwater Retirement and Security Scheme held a £28.3m deficit as at 31 December 2022.

According to the court documents, the sponsoring employer, Biwater, also owed the scheme over £39.74m, with evidence from the Brass trustee chair, Nick Chadha, revealing that Biwater failed to meet its obligations to the scheme from March 2020 onwards.

Concerns over the sponsoring employers' ability to support the scheme were compounded, as the scheme was experiencing a significant level of "scheme drift", where the funding level deteriorates with the passage of time.

Whilst this presented a challenge for the trustee in continuing with the scheme, 'PPF drift' meant that the longer they delayed their wind-up decision, the greater the PPF compensation would eventually be.

A key issue in the case was the fact that, in reaching its decision to petition for wind-up, the trustee took account of the scheme drift issue, but not the PPF drift issue.

However, the trustee suggested that any interests of the PPF were not relevant considerations for the trustee exercising its fiduciary powers, also confirming that, whether or not regard is had to the PPF, the decision was the same.

This approach was backed by the court, which concluded that the trustee could not have sought to take advantage of the existence of the PPF to justify failing to take steps to prevent the scheme's deficit and drift increasing further.

Instead, the judge agreed that the trustee had been left in an "unenviable – in fact, invidious – position", with no alternative than to take steps to protect the interests of the members of the scheme.

He stated: "It is important to acknowledge that the trustee recognises the momentous consequence of deciding to place Biwater in a liquidation process, with a view to the scheme being wound up. The trustee is well aware of the likely effect of the decision, including Biwater staff losing their jobs and the financial impact on scheme members."

Commenting on the outcome, a spokesperson for Brass Trustees said: "The trustee has had to take the incredibly difficult decision to petition for a winding up order of Biwater to protect the members of the pension scheme.

"This is a decision that the trustee has not taken lightly... However, there comes a point where members' benefits are at undue risk and the trustee has to act to safeguard those benefits.

"Subject to meeting the qualification criteria, the trustee expects the scheme to enter the PPF on insolvency of the companies."

The PPF also welcomed the decision, confirming that it will be looking to issue further guidance to support trustees on their decision-making in situations where employer failure is a risk.

PPF director, restructuring & insolvency, Malcolm Weir, stated: "The PPF exists to protect the interests of all those who rely on us. We welcome this judicial decision, which illustrates that the "no gaming" principle established in *ITS v Hope* applies equally to trustee decision-making in the context of potential employer insolvency.

"We strongly supported the trustees' decision on this occasion to wind up the employer. The simple message to other trustees is: If you wouldn't risk your members' own money by running the scheme on, then please don't risk the PPF's."

A spokesperson for The Pensions Regulator added: "We are working closely with the trustee of the Biwater Retirement and Security Scheme and are closely monitoring developments as part of our role to protect pension scheme members."

The court judgment confirmed that although Biwater was invited to participate in the proceedings, it declined to do so. *Pensions Age* also contacted Biwater for comment.

Written by Sophie Smith

Annual reports reveal pension progress despite challenges

In their annual reports, TPR recorded an increase in the use of its enforcement powers, the PPF revealed that its reserves had grown to £12bn and the FSCS found its total compensation costs had decreased over the year

Industry annual reports and accounts have revealed progress in a number of areas, although challenges have remained.

The Pensions Regulator (TPR), for instance, recorded an increase in the use of its enforcement powers in 2022-23, although parliamentary delays impacted the progress on some milestones.

TPR's 2022-23 *Annual Report and Accounts* showed that even more savers were protected as a result of its regulatory activities, revealing that TPR intervened in 21.9 per cent of schemes in 2022-23, up from 16.1 per cent in 2021-22.

In addition to this, TPR confirmed that there were 145 new DB event supervision cases, up from 151 in 2021-22, while the number of mandatory penalty notices issued also increased from 70 in 2021-22 to 110 in 2022-23.

TPR also recovered £97m for workers who had missed out on auto-enrolment, including from well-known operators in the gig economy and through the ongoing large employer engagement work, covering 1.6 million workers.

However, the report acknowledged that there were challenges, revealing that the regulator hit 16 out of its 23 key performance indicator (KPI) targets, after many of the pieces of work requiring legislative change over the past year were rescheduled or reviewed.

In particular, TPR failed to meet milestones around the new DB Funding Code, its new General Code, and pensions dashboards duties.

Despite these challenges, TPR said that it is "on the right track" and stands ready to act, ensuring these vital pieces of work make a real difference to those it regulates, and ultimately, to the saver.

The Pension Protection Fund's (PPF) *Annual Reports and Accounts* also showed that, despite market challenges, progress has been made, revealing that reserves had grown to £12bn following strong investment performance.

Despite challenges, the PPF confirmed that it received a "relatively low" number of claims over the year, and that the size of these claims was very small.

The Financial Services Compensation Scheme's (FSCS) *Annual Report* echoed this, revealing that whilst the number of pension claims processed fell, pension claims "continued to dominate headlines".

The FSCS's report revealed that total compensation costs for the year were £403m, down from £584m in 2021-22, with the majority of these claims being in relation to investment and pension advice, as well as self-invested personal pension (SIPP) operator failures.

However, the amount paid out in compensation in the Life Distribution & Investment Intermediation (LDII) class fell from £263m in 2021-22 to £203m, as a fall in compensation costs saw the FSCS process fewer complex pension claims.

However, broader challenges around pension claims were highlighted in the report, as the FSCS revealed that uncompensated losses on upheld pensions claims amounted to more than £75m over the past year, warning that "any uncompensated losses could have a devastating impact on someone's ability to afford retirement".

"[The FSCS] looks forward to working with the FCA...to ensure the compensation framework continues to best serve the interests of consumers and the financial services industry"

Given this, the FSCS said that it was looking forward to working with the Financial Conduct Authority (FCA) on the next stages of the Compensation Framework Review to "ensure the compensation framework continues to best serve the interests of consumers and the financial services industry".

Pension support was also a key focus in the Money and Pensions Service (Maps) *Annual Report.*

In particular, Maps' report revealed plans to start to develop a more holistic delivery model for its guidance services, including later-life planning in conjunction with the later-life steering group that recently convened.

Written by Sophie Smith and Jack Gray

Tensions flare over 'far too long' transfer times

Industry tensions flared after research suggested that savers are waiting "far too long" for their pension transfers, with contradicting analyses suggesting that these findings are not indicative of the overall market

Industry experts hit back at concerns that savers are being left to wait "far too long" for pension transfers, after analysis suggested that long waits are not indicative of the overall market.

Research from My Pension Expert raised concerns after revealing that savers have to wait an average of 29 days for ceding companies to transfer their pension funds to a new provider, with its analysis suggesting that some were taking as long as 120 days.

The analysis, based on data from over 3,950 pension transfers in the 2022/23 financial year, found that some customers had to wait much longer than others depending on which firm their pensions pots were with.

"It is a significant issue and one that the government and pension sector must work together to address," My Pension Expert policy director, Lily Megson, said.

However, providers identified within the results said recent anti-scam regulations led to the increase in timescales, stressing the importance of protecting savers from scams.

Broader concerns that some of the findings may be "misleading" were also raised, with particular concerns highlighted over the sample size, as some of the average times were based on a sample of just 10 transfers *[for PASA's comment on transfer times, see page 58]*.

Analysis from Origo also suggested that outliers prompted the increase, as half of the transfers undertaken by the top 10 providers by transfer volume were completed in three to eight calendar days over the past year. In addition, the overall average across the 10 providers, who collectively account for 70 per cent of transfers through the Origo Transfer Service, was found to be 11 calendar days.

This is also in line with the most recent update from the Origo Transfer Index, which gathers data from across 28 providers, and found that the average time for a transfer was 13.6 calendar days for the 12 months to June 2023.

Commenting on the figures, Origo CEO, Anthony Rafferty, said that it is "disappointing when the narrative on transfer times is presented as negative for

the market as a whole".

"We believe the overall average speed of transfer can be improved further," he acknowledged. "Full integration of the process with organisations' back-office systems, for example, can significantly improve transfer times. Overall, however, the market is delivering what we know consumers want – their transfer done quickly and safely."

Written by Sophie Smith

LETTER TO EDITOR

Dear Editor,

Re: The lasting effects of 'pension liberation', Pensions Age July/August 2023

Why do pension schemes write to members who are overseas and refer to tax-free lump sums?

Surely their compliance departments would know that a lump sum from a pension scheme may be tax free for a UK tax resident but not necessarily for a non-UK tax resident.

Is this not a wake-up call for change?

I wonder how many overseas residents have blissfully accepted that it is tax free?

I question what checks have been made as to whether overseas members are paying UK tax on their pension income? What will these members do if they have ben paying tax in UK when they should be paying tax in their country of residence?

I may be wrong – I suspect not.

Maybe you will get no responses to this letter – but will there be a check by schemes to see whether literature and scheme guides will need to be changed?

Montfort managing director, Geraint Davies

Pension Protection Fund

Wilko DB pension scheme enters PPF assessment

Wilko's DB pension scheme entered the Pension Protection Fund assessment period following the company's fall into administration

Wilko's DB pension scheme has entered the Pension Protection Fund (PPF) assessment period.

Jane Steer, Zelf Hussain and Edward Williams of PwC have been appointed as joint administrators of Wilkinson Hardware Stores Ltd, Wilko Ltd and Wilko.com Ltd.

PwC confirmed that the DB scheme, which has a £16m deficit, entered the PPF assessment period after Wilko's fall into administration.

Wilko will continue trading as discussions with interested parties continue. However, if buyers are not found for some or all of the group, it is likely store closures and further redundancies will follow.

Commenting on the news, a PPF spokesperson stated: "We're aware of the insolvency of Wilko. We understand this must be a worrying time for the pension scheme members and we'd like to assure those members that we're here to protect them if needed."

A spokesperson for The Pensions Regulator stated: "We are in discussions with the employer and scheme in our role to protect members at this challenging time, but will not comment further."

PwC partner and joint administrator, Zelf Hussain, added: "It is incredibly sad that a well loved, family business that has been on the high street for over 90 years has had to go into administration. I know the management team has left no stone unturned in trying to save the business.

"As administrators we will continue to engage with parties who may be interested in acquiring all or part of the business. Stores will continue to trade as normal for the time being and staff will continue to be paid."

The news has also been highlighted as a demonstration of the 'vital importance' of not only good corporate governance, but also good pensions governance.

"When loss-making companies make financial decisions that could impact member outcomes, particularly when their pension schemes are also facing a deficit, it is crucial that trustees and other third-party advisers are involved," Cardano Advisory managing director, Alex Hutton-Mills, said.

Written by Jack Gray and Sophie Smith

NEWS IN BRIEF

Smart Pension acquired Evolve Pensions, owner of the £750m Crystal Master Trust, for an undisclosed amount, bringing Smart Pension's total assets under management to £4bn.

Speculation over the future of the triple lock grew amid the news that the UK **state pension** is set for a higher-than-expected increase following the largest growth in annual wages since records began in 2001.

The **Pensions Administration Standards Association** published data guidance on benefit accuracy for DB pension schemes.

Public and Commercial Services Union members at **The Pensions Regulator** agreed to take strike action from 5-18 September after being offered a 3 per cent pay rise, compared to the 4.5 per cent raise offered to civil servants.

The **Universities Superannuation Scheme** launched a consultation on the proposed methodology for its 2023 actuarial valuation, with a consultation on plans to restore benefits to pre-April 2022 levels expected in late September.

The **BT Pension Scheme** agreed a £5bn longevity swap with Reinsurance Group of America. Brightwell led the deal with WTW and Allen & Overy.

Phoenix Group, in partnership with Fintech Scotland and TCS Co-Innovation Network, launched a Women's Innovation Forum, to support industry efforts to tackle the gender pensions gap.

The **Mitchells & Butlers Pension Plan** completed a £1.2bn bulk purchase annuity deal with Standard Life, covering around 20,200 members of the scheme.

WTW's DC master trust, Lifesight, has partnered with Octopus Money to offer one-to-one member guidance.

Appointments, moves and mandates

Fiona Dunsire has been appointed as the new Government Actuary, making her the first female Government Actuary since the creation of the role in 1917.
Dunsire has 35 years of actuarial experience in the private sector, where she has held a variety of roles across pensions and investments, including as Mercer UK CEO from 2012 to 2019. She has also been a fellow of the Institute and Faculty of Actuaries since 1993. Dunsire will take up the role following the retirement of Martin Clarke, who has been in the role since 2014. Dunsire stated: "The Government Actuary's Department has a long and proud history of producing high quality actuarial analysis across the public sector for over 100 years. I look forward to leading the department over the coming years and continue to broaden its impact in helping to address the multigenerational issues we face as a society."

Railpen has appointed Neuberger Berman to manage its £2bn liquid multi-asset credit strategy.
The mandate, which will be run by Neuberger Berman's credit investment team, will focus on investments across a broad range of credit sectors, covering both the investment grade and non-investment grade space. The strategy aims to deliver attractive risk-adjusted returns, utilising Neuberger Berman's expertise in fixed income investing, and environmental, social, and governance (ESG) proficiency. It will sit within Railpen's Growth Fund, a multi-asset portfolio that was designed to help Railpen deliver on its risk and return objectives. Commenting on the appointment, Railpen highlighted Neuberger Berman's expertise in credit investing, as well as its ESG capabilities, as key reasons for its selection, describing the firm as an "ideal partner" for the scheme.


Robert Wakefield

The Pensions Management Institute (PMI) has elected First Actuarial head of pensions administration, Robert Wakefield, as its new president.
He will also chair the PMI's Advisory Council and continue to sit on the board as a non-executive director (NED). Wakefield has worked in the UK pensions industry for more than 30 years in several roles, including pensions administration, actuarial and scheme secretarial, at firms such as Mercer and Barnett Waddingham. The PMI also announced that Kier pensions manager, Rosie Lacey, has stepped down from her role as vice-president having reached the end of her first term on the Advisory Council.


Cheryl Agius

The British Coal Staff Superannuation Scheme (BCSSS) has named Cheryl Agius as a trustee director and chair of the scheme.
She will join the scheme's trustee board, which is made up of four independent trustees and four trustees elected by the membership. Agius takes over from current chair, Dame Kate Barker, who will step down after nine years in the role. She is currently a non-executive director on two Aviva Life Boards, and has had an extensive career in pensions and insurance, most notably as CEO in Legal & General's General Insurance Business, and prior to that as their UK strategic retirement director.


Shalin Bhagwan

The Pension Protection Fund (PPF) has appointed Shalin Bhagwan as its new chief actuary.
Bhagwan takes over from Lisa McCrory, who has stepped down after 13 years at the PPF. The PPF stated that Bhagwan brings "extensive pensions, actuarial and investment experience" to the fund, having worked across the sector for many years. Most recently, he worked at DWS, where he was head of pensions advisory for five years, responsible for the development of investment solutions for UK pension funds, including the development of pass-through voting for pooled funds and net-zero investment solutions. In addition to this, the PPF said Bhagwan brings significant liability-driven investment (LDI) management experience, having advised some of the UK's largest pension schemes, such as RBS, Lloyds and Rolls Royce, on their investment strategies. He also recently served as a board member of the Institute and Faculty of Actuaries' Finance and Investment Board, and as an advisory member for the taskforce to boost socio-economic diversity.
"We are delighted to welcome Shalin to our executive team at a time of change and challenge for the DB sector," commented PPF chief executive, Oliver Morley. "We have important priorities to deliver as part of our strategic plan and we look forward to his contribution to ensure we continue to deliver for those who rely on us."
Bhagwan added: "I am looking forward to working with my colleagues to build on the important role that the PPF has to play in enhancing security for all members of our diverse DB pension fund universe."


Karen Cham


Katarnina Shenton

Pensions Minister, Laura Trott, has reappointed Karen Cham to the Nest Board, whilst Katrina Shenton has been appointed to Nest's Investment Committee.
Cham initially joined Nest's Board in 2019 and has been reappointed for a second term of three years, from 1 July 2024 until 30 June 2027. She brings over 28 years of experience in human-centred digital design, and is also professor of augmented intelligence, digital transformation and design at Kingston Business School. Shenton, meanwhile, was appointed as a special member of Nest's Investment Committee for a term of three years, from 1 September 2023 to 31 August 2026. She was appointed for her experience in both growth management and responsible investing, with particular experience in entrepreneurship, private equity, environmental, social and governance (ESG), impact investments, B-corp, climate change and renewable energy. She is also SolarAid trustee, Applerigg non-executive director and chair of the investment committee, as well as a member of Octopus Investments responsible investment committee.
Commenting on the appointments, Nest chair, Brendan McCafferty, stated: "Nest's Board thrives on diversity of thought and backgrounds – Karen's experience in digital transformation, design and user experience has been key to supporting the board's focus on how technology can help communicate and engage with our members. These appointments ensure we have the right skills and experience to support our governance framework during this busy and strategic time for Nest."


Jon Little

Local Pensions Partnership Investments (LPPI) has named Jon Little as the new chair of the board.
Little has two decades of international CEO experience in public and private asset management, and board governance experience across multiple regulated markets, including the UK, US, Europe, Australia and Asia. His new role will see him help LPPI implement the next phase of its strategic growth journey, as well as supporting LPPI's commitments around responsible investment and net zero. His tenure as chair commenced on 1 August 2023, with a transition period completed with outgoing chair, Sally Bridgeland, who held the position since 2015.


Sarah Breeden

Sarah Breeden has been named as deputy governor of the Bank of England (BofE) with responsibility for financial stability, starting on 1 November 2023.
Breeden's new position will see her play a key role in ensuring the safety and stability of the UK's financial sector. She will also sit on the Financial Policy Committee, the Monetary Policy Committee and the Prudential Regulation Committee, as well as play a key role in providing a link between financial stability and monetary policy. In addition to this, she will be a member of the Court of the Bank of England, chair the Financial Market Infrastructure Board, and represent the BofE on a number of international and national bodies.

The Secretary of State for Work and Pensions has reappointed two non-executive directors to The Pensions Regulator's (TPR) board.
Katie Kapernaros and Chris Morson will be re-appointed as non-executive directors for another four years, starting 1 April 2024, after their first term ends on 31 March 2024. Morson will also continue in his role as chair of TPR's audit, risk and assurance committee. Both Morson and Kapernaros were initially appointed to the board in March 2020, replacing the outgoing Margaret Snowdon and Tilly Ross. TPR chair, Sarah Smart, commented: "I am delighted that Katie and Chris have been reappointed. They both have a diverse combination of background and skills that will be really important for us as we develop the next phase of our corporate strategy."


Georgie Edwards

TPT Retirement Solutions has named Georgie Edwards as head of DC.
Edwards, who will report directly to TPT DC director, Philip Smith, joins the firm from Fidelity International, where she worked on improving employer experience and proposition development. Prior to this, she provided DC consulting services to corporates and trustees while at LCP and PwC. This follows on from the appointment of Paul Eagles as senior professional services manager and Nicholas Clapp as business development director. The new hires are expected to help support the launch of the group's new DB and DC offerings, set to launch in Q4 2023 and 2024, respectively.

VIEW FROM TPR: Inspectors target UK employers to protect worker pensions

Automatic enrolment (AE) has transformed pension saving, helping close to 11 million people gain workplace pensions in just over a decade.

Our enforcement activity – together with the efforts of scheme providers – has led to more than £500m in late or missing pensions contributions being paid into schemes since AE launched in 2012.

Our work to drive high-volume compliance with AE is wide-ranging and is largely data and intelligence driven, but we also get out and visit employers.

We have now conducted well over 2,000 inspections since AE began. Since the restrictions of the pandemic lifted, our inspection teams have visited employers of all sizes, in all four corners of the UK, helping to protect the pensions of more than 1.9 million staff.

Inspectors work on site with employers to check they are fully complying with their AE duties. In some cases, inspections are prompted by intelligence that an employer may have breached regulations: We find they can be a really effective way of resolving the most difficult cases.

Teams may also select employers for general compliance checks, based for example on size and sector, using a risk-based approach. Employers are usually notified at least two weeks prior to a visit.

The majority of employers are doing the right thing. But, for the small minority that fail, we will take enforcement action where necessary, which can include significant fines and, in some cases, prosecution.

And so my message to employers is not to hide from your workplace pensions duties, as we could be knocking on your door.

TPR director of AE, Mel Charles

VIEW FROM THE ABI: Unclaimed pension pots

Recent estimates suggest that £1.7bn sits in unclaimed Child Trust Funds assigned to young people aged 12-20.

With the average account valued at £1,911, that's a significant amount of money, especially in the current cost-of-living crisis. As a result, the Public Accounts Committee has recommended that HMRC should "give more support to providers to help them trace account holders".

The committee's hearing on Child Trust Funds is a positive step in raising awareness, both to the public and government, to enable young people to access their money once they turn 18.

But this is just the tip of the iceberg in terms of gone-away customers and their lost or unclaimed pension pots.

Last year research we sponsored found that there could be up to £26.6bn in lost DC pensions in 2022, rising from £19.4bn in 2018.

To better support Child Trust Fund and pension providers in reuniting people with their money, we have one key ask of government: Allow providers to use necessary data, such as the electoral roll or HMRC data, to verify customers' contact details.

This should not just stop with Child Trust Funds, but apply for all long-term savings products.

ABI policy assistant, long-term savings policy, Roberto Marrocco

VIEW FROM THE PPI: Improving underpensioned outcomes

Underpensioned groups, such as divorced and single mothers, people from ethnic minority backgrounds and people with disabilities, are more likely to experience poorer later life outcomes. Retirement incomes of underpensioned groups are equivalent to less than 80 per cent of the population average.

This is particularly relevant in light of the cost-of-living crisis, with women, in particular, being more negatively affected in comparison to their male counterparts. Women experience inequality throughout working life, holding 69 per cent of low-paid and insecure employment, putting them at greater risk of experiencing negative outcomes as a result of the current crisis.

These inequalities continue with women retiring with over a third less saved into private pensions than men. Exploring ways to reduce inequality in later life outcomes for underpensioned groups is a pressing issue now more than ever. One possible policy lever to reduce this disparity could be changes to automatic enrolment eligibility criteria. One such change that could benefit women in particular, would be income being assessed on a holistic basis for multiple jobholders – a group in which women are disproportionately represented. Changing eligibility criteria to take account of combined income across multiple jobs could bring an additional 108,000 women (and 20,000 men) into automatic enrolment.

Consideration of underpensioned groups is important, and recognition of this, as well as potential policy reforms, could greatly improve their retirement outcomes.

PPI summer intern, Shantel Okello

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VIEW FROM Pensions Age: Considering the alternatives

It has been interesting to see how the improvement in DB scheme funding levels has kickstarted the conversation about buyout alternatives as schemes move towards endgame faster than they may have expected.

With bulk annuity deal volumes already on track for a record-breaking year, capacity concerns and increased competition has led to schemes considering alternatives. There does seem to be appetite for buyout alternatives, highlighted by a recent Aon study that found 61 per cent of DB schemes were open to considering non-insurance-based ways of de-risking, and a PLSA poll that found almost a fifth saw run-off as their most likely endgame destination. It therefore appears to be perfect timing that the government recently confirmed plans for a permanent regime for DB superfunds – potentially alleviating some of the capacity concerns by providing schemes with another option. While they may not suit every scheme, it could enable de-risking action from sponsors and schemes for whom buyout may be out of reach. DB superfunds are now likely to become a fixture in the pension de-risking landscape, with The Pensions Regulator publishing updated guidance on DB superfunds following the government's announcement for a permanent regime. However, it remains to be seen whether the regime will be introduced soon enough to take advantage of the improved funding levels, with Pensions Minister, Laura Trott, stating the regime would be introduced "as soon as parliamentary time allows".

Written by Jack Gray

VIEW FROM PASA: The administrator shortage

The administration sector has a resource crisis. Across the UK, administrators are struggling to maintain the workforce needed to keep pace with vital projects, like GMPE, de-risking and dashboards preparation. Experienced subject matter experts are highly valued, which makes for a buyers' market. So what do we do to solve this? Well, we need to think outside the proverbial box and be flexible!

Do we always need to recruit the same type of people we've always recruited? Can we be more flexible with qualification criteria, more open to hiring candidates with transferable skills or potential?

Can we 'grow our own' rather than being dependent on stealing experienced administrators from others? Can we think more broadly about training, explore the benefits of apprenticeships and training academies?

-Do we have to manage people the same way we've traditionally managed people? If people work flexibility or remotely, can we incorporate their needs so they can absorb the organisational culture and learn easily?

Do we need a lengthy hiring process? Can we streamline hiring without compromising on thoroughness, expedite interviews, decision making, and onboarding procedures?

If we reevaluate the way we recruit, the people we recruit and the way we facilitate their learning, we can develop and retain the talent needed, even in demanding times. Adaptability and innovation are key.

PASA chair, Kim Gubler

VIEW FROM THE ACA: Mansion House reforms

We commented on the Chancellor's recent Mansion House speech and welcomed the innovations, but cautioned on the dangers of an over-hasty push for reforms and the unintended consequences that could follow if these are not carefully considered.

The scale of the challenge became clear the next morning, with a batch of new consultations and calls for evidence across the DB, DC and collective defined contribution (CDC) landscape, with feedback required by 5 September 2023. ACA committees are having a busy summer dealing with the responses.

It's right to focus on ensuring the best possible outcomes for pensions savers. We have long supported organic ways to evolve UK pensions policy that align with this goal and that can harness existing governance structures that are a cornerstone of savers' hard-won trust in their pension schemes. We are also strong supporters of approaches that will help the next generation of savers, such as the introduction of CDC schemes, which will naturally invest in growth-focussed ways.

Over the summer, we usually have a 'quieter period' but this year we've organised a special Sessional Meeting in August to explore some of the most challenging aspects of the Mansion House agenda. On the first day ACA members could register for the meeting we received close to 200 bookings – maybe the July weather helped!

ACA chair, Steven Taylor

View from the AMNT: Gender pension gap – a suitable case for treatment

Eliza Dolittle in the musical *My Fair Lady*, confronted with all the talk from Professor Higgins, finally snapped memorably in song, singing: *"Words, words, words! I'm so sick of words, I get words all day through, first from him, now from you, is that all you blighters can do?"*

As reported in a recent edition of *Pensions Age*, a new coalition of pension companies and organisations has been formed under the mnemonic 'PEG', the Pension Equity Group; its intent to address pension inequalities in the UK. They join a number of similar groups, including the government in saying they wish to tackle inequalities particularly the gender pension gap. Pensions Minister Laura Trott, commending the launch of PEG, said: "Crucially, we are also developing our understanding on the gender pensions gap so we can report on it regularly, tackle this disparity and give everyone the retirement they deserve."

Whilst commending any coalition or government initiative that highlights the issue, I do wonder at times, that like Sir Humphrey Appleby in the satirical *Yes Minister,* there is a tendency to avoid dealing with a problem by forming yet another committee. I'm sure this is not the case. However, we need to see realistic actions and timeframes formed to tackle the problem. For as Eliza sang: *"Sing me no song! Read me no rhyme! Don't waste my time, show me!"*

AMNT member, Stephen Fallowell

Association of Member Nominated Trustees

View from the PLSA: No week is ever the same

The adage, 'no week is ever the same,' could not be more fitting for the pensions industry and the beginning of this year has proven just that.

Chief on the agenda this summer are the consultations and calls for evidence from the Chancellor's Mansion House reforms.

But as we carefully develop our responses with the support of our members, the summer is also a good moment to give you a peek behind the curtain at what we've got planned for the rest of the year.

Soon we will be welcoming the return of our nationwide Pay Your Pension Some Attention campaign, which we have been working on jointly with the ABI. The team has been busy developing the messaging, finalising the creative aspects and gearing up to unveil our new celebrity ambassador. While we can't yet reveal who this person is, we hope they will be as unexpected as Big Zuu and bring joy and surprise to this years' target audience: The hard-to-reach savers in the 30-55 age bracket.

We are also excited to be launching our updated adequacy report at our Annual Conference in October. This report will be the result of 12 months hard work building on last year's *Five Steps to Better Pensions* report, and will set out a series of recommendations to better achieve pension adequacy and improve the retirement outcomes for millions of savers.

But these are just a few campaigns we are looking forward to; there is much, much more laid ahead of us and we can't wait to share it with you. We expect the year to continue as it started, with no week being the same as the last.

PLSA chief executive, Julian Mund

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

View from the PMI: Consultation fatigue – there has to be a better way

It's becoming a summertime tradition – like those 'silly season' news stories we see in August. In late July, the DWP (Department for Work and Pensions) suddenly released four consultations and asked people to reply by the first week in September.

As president of the PMI, it's my job to coordinate responses. This isn't the first time we've been asked to comment on multiple consultations. And more often than not it happens in the summer, when many of us are taking holidays. The pensions industry has even coined the term 'consultation fatigue'.

The latest DWP consultations are particularly weighty, and if enacted, could result in material improvements to scheme members' lives. They came directly from the Chancellor's Mansion House speech in July, and are yet another example of issuing multiple consultations just before the summer.

These consultations deserve the in-depth input of pensions specialists. One of them looks at ending the continued increase in the number of deferred small pension pots. Another proposes helping savers understand their pension choices.

There has to be a better way. The DWP isn't the only culprit – could industry bodies coordinate their consultations throughout the year? How about extending summer consultations to the end of September?

We're all on the same side. We need to cover every angle when considering far-reaching pension changes that could transform the lives of millions.

PMI president, Robert Wakefield

The perils of yesterday's logic for DC pension investors

James Fouracre explains the new status quo for DC pension portfolios

Increasing inflation volatility represents the greatest challenge to pension investors for a generation. A new regime and the collapse of the financial market status quo requires us to reimagine defined contribution (DC) pension portfolios. No longer can we rely on yesterday's logic.

Why do we have such conviction in inflation volatility and what does this mean for DC pension investors? The reason the answers to these questions matter is that investing for inflation volatility is not the same as investing for inflation. Confusion in this respect will be costly to pension investors.

Our policymaking elite take it for granted that inflation is the outcome of an isolated economic mechanism and can be managed by a technocratic, independent central bank which understands the mechanism. Milton Friedman summed up this mechanistic view by saying "inflation is always and everywhere a monetary phenomenon". Fine for economists, but social and political contexts shape the dynamics of inflation in disparate and confounding ways.

It is tempting to simply invest for the inflationary endgame. After all, turbulence passes eventually. But inflation volatility could be with us for some time. And, when inflation is on a downswing, a pension portfolio positioned solely for inflation risks losing a wing.

To survive the turbulence of inflation volatility, pension investors will need a hedged portfolio. DC portfolios will need to be intricately constructed – active, for sure, as no static portfolio will survive. And the hedges may be expensive.

A portfolio positioned for resilience, rather than optimisation, will sometimes have a weighty cash balance. Cash is an uncomfortable asset to hold in an inflationary world, but it is an essential quiver – storing the portfolio arrows needed to pick off opportunities as they arise.

Beyond the immediate liquidity challenges, pension investors will have to steer portfolios through the twists and turns of more abrupt economic cycles interacting with liquidity cycles and changing policy reaction functions. It may take time to play out, but we know trip wires lie ahead. And inflation will fall sharply again when financial and economic volatility coincide.

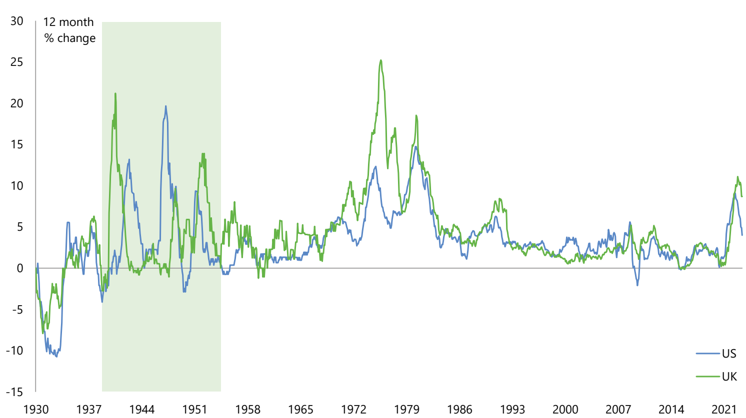
Inflation volatility will eventually give way to inflation, but investing now solely for the inflationary endgame would be a mistake. Peter Drucker, the father of modern management thinking, said: "The greatest danger in times of turbulence is not the turbulence. It is to act with yesterday's logic."

Turbulence lies ahead, that's for sure. The message to investors: portfolios will need to be steered on this journey, requiring new skills, new ways of constructing portfolios and imaginative thinking.

It is time to flick the switch off autopilot.

A new era of inflation volatility lies ahead

CHANGES TO SUPPLY, LABOUR AND POLICY ARE LIKELY TO RESULT IN A MORE INFLATION-PRONE REGIME



Source: Bank of England, ASR Ltd/ Refinitiv. Data to May 2023

Written by Ruffer director, UK institutional, James Fouracre

In association with Ruffer

British Broadcasting Corporation v (1) BBC Pension Trust Limited (2) Christina Burns

Matthew Swynnerton and Megan Sumpster discuss the court ruling on the BBC scheme's amendment power

In this recent High Court case, the judge ruled that the amendment power in the BBC Scheme rules is drafted in such a way as to prevent any reduction to future accrual of benefits.

Background

This Part 8 Claim, brought by the BBC, raises questions about the treatment of future service benefits under the BBC Pension Scheme. The BBC had hoped to limit the ongoing costs of funding the scheme. As at May 2022, the BBC was paying a contribution rate of 42.3 per cent of the pensionable salaries of active members to fund their ongoing pension accrual in the scheme, a defined benefit (DB) scheme, compared to an average 7-8 per cent rate for members of BBC DC schemes. Rule 19 of the scheme rules gives the trustee power to *"alter or modify any of the trusts, powers or provisions of the Trust Deed or the Rules"*. However, it is subject to a fetter, which provides that no alteration shall take effect as regards active members *"whose interests are certified by the Actuary to be affected thereby"*, unless certain criteria are fulfilled, which are designed to ensure that the relevant "interests" are not substantially prejudiced.

The BBC sought the court's findings on the scope of the term "interests" and whether they include future service benefits. The BBC contended that the correct construction of "interests" refers to the rights earned up to the date of any amendment i.e. not any future service benefits. The Representative Beneficiary, however, argued that the concept of "interests" includes future service benefits.

The Judgment

The judge, Johnson J, concluded that the concept of "interests" was sufficiently broad as to include a future salary linkage and future accrual of benefits.

In reaching his decision, Johnson J noted several significant pension cases. In *Barnardo's v Buckinghamshire [2018]*, the judge considered that emphasis should be given to textual analysis, noting pension schemes are usually the product of specialist drafting, designed to operate in the long term. Part of the BBC's case was that this approach to construction would lead to serious problems with the scheme's ongoing management, given the increasing costs, and the BBC argued that pension scheme terms should be construed to give reasonable and practical effect to the scheme. However, Johnson J disagreed and viewed giving practical effect to a scheme as meaning simply ensuring that the scheme works as intended under the rules.

Johnson J also cited the ruling in Re Courage *[1987]*, which also concerned a fetter on an amendment power and in which the judge stated, *"In the absence of express definition, I see no reason to exclude any benefit to which a member is prospectively entitled …* [from the definition of Accrued pensions]". Finally, Johnson J considered the case of *Bradbury v* BBC *[2012]*, *[2017]* but concluded that *Bradbury* was concerned with whether "interests" would be substantially prejudiced by a 2000 amendment to cap pensionable pay and not with the scope of the "interests" themselves.

In his analysis of the natural reading of the amendment power and fetter, Johnson J noted that, *"as a matter of ordinary language, the concept of interests does not seem to … suggest that the intended division between matters which are protected and matters which are not is marked by the fault line between benefits already earned by past service and those which are yet to be earned in the future."* Instead, the focus should be on the position that active members have under the Rules before, and after, an amendment. If their positions are different, Johnson J posited that it seems *"inescapable that their interests are affected"*.

Comment

This is a significant ruling. It is only the second time that the courts have ruled that a fetter on an amendment power protects future service benefits, and it means that the BBC cannot modify its DB scheme rules to reduce future benefit accrual or close the scheme to future accrual altogether.

Scheme rules differ, and the amendment powers of more recent schemes tend to avoid terms like "interests", in favour of "rights", which, as Johnson J argued, are potentially narrower in scope. That said, the decision highlights the continued willingness of the Courts to focus on textual analysis, rather than considerations of practicality or fairness.

The BBC will now have to decide whether to appeal.

Written by DLA Piper partner, Matthew Swynnerton and pension support lawyer, Megan Sumpster

Diary: September 2023 and beyond

PLSA Annual Conference

17-19 October 2023

Manchester Central, Manchester

Returning to a 2.5 day format, this event will bring together more than 1,000 pension professionals for a programme of world class keynotes, roundtable discussions, educational sessions and key topic deepdives. The conference will see the UK pension industry come together to discuss every aspect of pensions, from communications and engagement, to investment, to the geopolitical outlook, and the trustee agenda.

For more information, visit:

plsa.co.uk/events

PMI Trustee Workbench

2 November 2023

Allen & Overy LLP Offices

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

For more information, visit:

pensions-pmi.org.uk/events

Irish Pensions Awards 2023

2 November 2023

5* Shelbourne Hotel, Dublin

Now in their 12th successful year, the Irish Pensions Awards continue to go from strength to strength. Presented at a prestigious gala dinner, these awards aim to recognise those pension funds, pension providers, advisers and pension professionals who strive to maintain the highest standards of excellence and professionalism in everything they do, despite the challenging economic and political landscape.

For more information, visit:

europeanpensions.net/irishawards/

Pensions Age Awards 2024

21 February 2024

London Marriott Hotel

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

For more information, visit:

pensionsage.com/awards

Visit www.pensionsage.com for more diary listings

Key date reminder

Pension Awareness Week
11-15 September 2023

The Pension Awareness Campaign is celebrating its 10th anniversary, with a range of online events planned to help increase the public's understanding of saving for retirement.

https://pensionawarenessday.com/

VIEW FROM THE SPP: Improving DC outcomes during a CoL crisis

The cost-of-living crisis has squeezed the income of some members and questions are being asked about how DC schemes can help. This could involve offering more flexible access to DC benefits, such as lump sums or lower minimum employee contributions to maintain pension savings, and ensure members do not opt out, never to return.

Schemes are likely to have members with different characteristics, so the actions trustees and employers take need to reflect the membership to help particular groups of members who are suffering the most. A bespoke analysis of the membership should cover household inflation and the exposure to core items such as heating and fuel costs in conjunction with key drivers of behaviour such as members' disposable income and the amount of assets held outside of their DC arrangement.

From our experience, features that could be introduced for pension schemes or sections of schemes, include an ability to flex employee contributions or, skewing contributions away from employer matching contributions and offering a higher minimum employer contribution, or more flexibility in how members can draw their benefits in retirement.

This analysis driven approach is not just mitigating the cost-of-living crisis, it can help schemes tailor strategies based on information on members risk and return and ESG preferences.

Using analysis allows schemes to target activity and resources where it is required and delivers the best outcomes for members, trustees and employers.

THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

SPP member, Matt Plail

A week in the life of: Association of Real Estate Funds managing director, Paul Richards

The Association of Real Estate Funds (AREF) is a trade body for real estate fund managers, their advisers and their end customers – chiefly pension schemes. We've been going since the 1970s, have more than 200 members, and their aggregated fund assets add up to about £50 billion. My job is to lead the association, engage with policymakers and regulators, promote member interests and encourage industry best practice.

Monday

Up early for one of several days in London this week. Like many firms we have a hybrid approach, which suits me fine, and I work from the office two to three days a week.

Today it's a breakfast event for members on Scope 3 carbon emissions, which we're running with Better Buildings Partnership. You may know that these emissions, which come from an organisation's value chain, are hard to measure and manage. A very positive discussion among the panel of six experts, such as CBRE's Sam Carson, and also between them and the 50 or so of our members in the audience, all add up to plenty of ideas for solving the problem.

I congratulate Clare Whyte, our marketing chief, on a good job well done – and this turns into a broader conversation about the other five events she is leading on this month.

Then off to the office to talk about our FutureGen conference in September. This is a major effort by us, for the real estate industry, on supporting individuals at the start of their careers. It's being led dynamically by Tom Pinnell, who chairs that committee at AREF, and I'm not surprised to learn it's already a sellout.

Tuesday

Committees are the best way we've found to harness the energy, experience and ingenuity of our members. I try and ensure we get the right expertise around each table to solve specific problems – and that problem solving is aligned to our purpose.

One knotty problem cutting across many of our 13 committees is the pendulum swing from defined benefit to defined contribution schemes. You don't need me to contextualise this – but our angle is that many of the UK's near-30,000[1] defined contribution funds have no or limited access to real estate or other real assets.

It's because they use investment platforms that only handle daily traded funds. Worthy ideas, like long-term asset funds, don't fix this issue.

It'll remain broken until the platforms change their operating models and accept funds trading on different time horizons.

So I spend the day working with colleagues to distil our thinking into a submission to the UK government, via their consultation on getting more pension fund money into 'productive assets', which of course includes real estate.

Wednesday

More government-related work today – again from home. The UK parliament has a committee on levelling up, and they are looking at the finances and sustainability of the UK's social housing sector, which provides 4.4 million homes[2] in England alone.

Parliament asks whether we can provide expert residential property investment witnesses on the sector. Clearly the answer is yes – we frequently facilitate opportunities like this for members – and I spend the afternoon making sure all parties are happy with the scope of discussion.

Thursday

Residential funds are a growing part of the association. Our member engagement team have brought in several new funds from this sector, including social housing.

There's more growth for us here and we're also now talking to real estate debt funds because it's important that we reflect the changing shape of the industry. So I have a planning call with our leader here, Ed Protheroe.

I meet him later in any case, as it's our annual drinks reception. We take our remit of bringing members together seriously and, while most events are technical in nature, it's the networking opportunities that are always best attended.

Friday

Today is all about our mentoring scheme. This aims to support social mobility opportunities and I feel extremely pleased that we have 156 mentees this year, supported by 49 mentors.

We collaborate here with other industry bodies – such as CREFC Europe or the British Property Federation – to focus on the best opportunities and avoid duplication.

It's a positive way to conclude the week.

[1] https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2022-press-releases/defined-contribution-pension-market-consolidation-continues-tprs-latest-figures-show#:~:text=The%2012th%20DC%20Trust%20report,published%20on%2030%20March%202021.
[2] https://www.gov.uk/government/news/social-housing-sector-stock-and-rents-statistics-for-202122-show-small-net-increase-in-social-homes

In the spotlight

Smart Pension trustee director, Anna Darnley, chats to *Pensions Age* about her time on stage, her bilingual skills, and the triathlon challenges she is keen to take on next

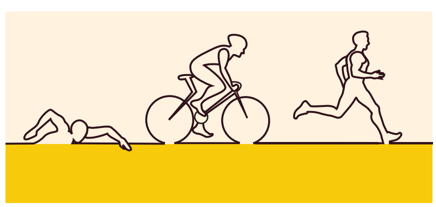
What's your employment history (including jobs outside of pensions)?
I've never actually worked in pensions per se. After I graduated from university, I joined Accenture in their digital strategy consulting division, specialising in Internet of Things (IoT). It's also where I made my first foray into pensions, becoming a member-nominated director of Accenture's pension scheme when I was just 24. After four years, including a six-month secondment to Tokyo, I moved to Hong Kong in 2019. I spent a few years with Oliver Wyman setting up virtual banks around South East Asia and last year joined PayMe, a digital payments start-up, as a senior product manager. Shortly after leaving Accenture back in 2019, I joined the board of Smart Pension where I have been ever since.

What's your favourite memory of working in the pensions sector?
Winning Trustee of the Year at the Professional Pensions Rising Star Awards 2019 and being nominated for Pensions Age Personality of the Year are definitely highlights! Generally it's been really interesting and fun to have parallel careers in pensions and tech and navigate a path to bring out the best of both.

If you did not work in pensions, what sector do you think you would be in instead?
I'd say technology but I'm doing that already! The reality would be something tech or finance related.

What was your dream job as a child?
I desperately wanted to perform – you had to fight me to get a microphone off me. I was a choral scholar through school and sang as part of a well-established choir in London. I got to do many cool things with them including singing at the opening of St Pancras Station and doing backing vocals for Lou Reed's 2009 Berlin Tour!

At university, I had a Youtube channel where I posted covers of pop songs in Mandarin and Korean – some of the videos went viral and I was invited to perform on TV shows in both China and Korea. I think some of the footage is still on Netflix...



What do you like to do in your spare time?
Juggling a day job and my director role keeps me very busy but during the extensive Covid lockdowns in Hong Kong, I got into triathlon. I completed my first 70.3 Ironman race earlier this year and now I'm eyeing up the full distance so I spend the free time I have swimming, biking and running around.

Do you have any hidden skills or talents?
I'm not sure I'd say it's hidden but people are pretty surprised to find out I speak Mandarin, Korean, Japanese and Cantonese.

If you had to choose one favourite book, which would you recommend people read?
I'm a big fan of sci-fi books and I thoroughly enjoyed Liu Cixin's *Three Body Problem*. It's the tale of an intergalactic battle taking place over thousands of years. The scale of it is immense and I found it really fun to read. My next challenge is to re-read it in Chinese.

And what film/boxset should people see?
I don't watch TV/films that much – my friends joke that I was raised under a rock due to my utter lack of film/tv trivia – but *Slow Horses* is the best series I've seen in years.

Who would be your dream dinner party guests?
Martha Gellhorn, Gertrude Bell and Kate Adie just for the adventures that they would share.

Is there an inspirational quote / saying you particularly like?
James Clear's saying, "it doesn't make sense to continue wanting something if you're not willing to do what it takes to get it. To crave the result, but not the process, is to guarantee disappointment", resonates strongly with me. Whether it's preparing for a race, learning a language or even just reading a board meeting pack, the journey is as important as the destination!

How can the government encourage pension fund investment in UK growth?

Nigel Peaple reflects on the Mansion House reforms and explains several ways the government could encourage further investment by UK pension funds in domestic growth

After much speculation in the run up to the Mansion House announcements, it is very welcome that the government has not taken away pension schemes' ability to direct their own investment strategies in the best interests of their members. Now the question is what can the government do to entice pension funds to invest in the UK?

Pipeline of investments suitable for pension funds

As is widely recognised, pension funds already support domestic growth via investments totalling around £1 trillion in UK assets and are a major source of long-term investment in the UK economy.

The Mansion House reforms (and the package of proposals announced by Pensions Minister, Laura Trott, a day later), include many elements that are aimed at extracting additional value from our £2.5 trillion pensions savings system through a combination of increasing potential investment opportunities, encouraging schemes to achieve greater scale and using the regulatory framework to make the system more efficient.

With the right policy and regulatory initiatives, and support from the right type of fiscal incentives, there is a potential for a win, win, win – for pension savers, schemes and the UK economy. However, this is a complex area, and it is easy to get the wrong outcomes, so the government is right to propose undertaking a public consultation on all the key issues over the summer.

The government's announcement of a bigger role for the British Business Bank (BBB) in establishing suitable investment vehicles is especially positive, and something we called for in the *Pensions and Growth* paper we published in June. We would like the BBB to help provide a pipeline of suitable UK growth assets for pension fund investment. And we look to the private sector to also develop suitable 'growth funds'.

Schemes will always be interested in exploring investments that have a strong likelihood of generating good returns net of fees, within their risk tolerances, and in the interests of their individual members.

Consolidation already underway

Many of the proposals are focused on bringing about a pension market with larger, but fewer, schemes. In many respects, there is already a great deal of consolidation happening in the UK landscape.

In the world of DC funds, consolidation is happening naturally: Under regulatory pressure, hastened by the government's existing policy of applying value for money tests, and through market forces; the 30+ DC master trusts are busy competing for automatic enrolment (AE) contributions. Barely a month goes by without news of another merger.

In the Local Government Pension Scheme (LGPS) assets held by the almost 90 pension funds are already being transferred to eight large asset pools. We have called for guidance and support to help the LGPS operate effectively.

And over time consolidation is also going to happen amongst closed DB schemes as they seek to buyout. In this respect, the proposals for a legislative regime for DB superfunds, and a consultation seeking views on a wider role for the Pension Protection Fund, could give more end game options for DB schemes.

Incentivising further investment in UK growth

It is important to remember that there are things other than consolidation that the government can do to facilitate investment in the UK. For example, amending the rules applying to the AE market, introducing more flexibility in The Pensions Regulator's DB Funding Code for open DB schemes, and supporting the good governance of the LGPS scheme. Fiscal incentives, such as Long-term Investment for Technology and Science (LIFTS), are also helpful. Importantly, pension funds want the government to support the economy though a strategic and long-term approach to industry, for example, by setting out a clear approach to the necessary green transition.

Greater scale can be achieved, not only at the level of the pension fund, but also at the level of the investment fund. Smaller pension funds could benefit from large – but low cost – growth funds specifically designed for them, especially if they blend a small quantity of higher risk assets with a larger amount of lower risk assets.

Written by PLSA director of policy and advocacy, Nigel Peaple

POLAR CAPITAL

Jorry Nøddekær
Head of Emerging Markets & Asia
Polar Capital

Francesca Fabrizi
Editor in Chief, Pensions Age

Spotlight on emerging markets

Francesca Fabrizi talks emerging markets with Polar Capital head of Emerging Markets & Asia, Jorry Nøddekær, exploring the opportunities for pension funds in the current global setting

How do you compare ESG in emerging markets versus developed markets?
Generally, we would argue that you get a bigger impact from your ESG analysis within the emerging markets space. It's still early days there; there is a lot more uncertainty around the whole stakeholder environment, how companies integrate there. So, if you can really analyse the situation well, and understand both opportunity as well as risk, your chances of being differentiated and finding better risk reward is actually higher in emerging markets than in developed markets.

How can an integrated ESG approach add value as an investor?
A lot of our work is about really understanding ESG risks – how they're managed, where they're unmanaged. For example, can you identify where a certain company has what you would call material ESG risks that are being unmanaged? Can you identify those risks and then put a price on them?

Where we do identify unmanaged risk in a given company, that does not mean we cannot invest in that company, but we want to be compensated for it. Then it's about how you adjust your cost of capital; how you get fair compensation from risk. So, in essence, it's about getting a better risk reward distribution curve than what you can find elsewhere, and there we think ESG analysis can help towards getting that better curve and optimisation for your risk reward.

Then finally, on top of that, a key part is around engagement – you can do a lot of comparisons with companies that do well in the Western world and say, for example, if you can navigate that a bit better, put that into your processes or structures, your capital can actually play and create a positive impact. So, de-risk the business model, enhance the growth opportunities and get what we would like to call responsible return, which in the end is what we're all after. We want the return, but we want it in a responsible way.

There's a lot going on at the moment weighing on pension funds' minds – inflation, US economics, China. How are you navigating all of these issues?
We still believe, at the end of the day, it's about picking the right stocks, and this is where our analysis plays an important role. But we are also fully aware that you do not invest in isolation, you are up

against a macroeconomic, political and economic environment and you need to navigate that. There have been several key challenges. Emerging markets have been hard hit by both the inflation scare as well as the geopolitical topics.

If we start with inflation, however, I genuinely think that the implied discount rate that is being applied to emerging markets – a lot of that driven by inflation but admittedly also the geopolitical side – seems to be extremely harsh given how well companies in these markets have generally been able to navigate this environment. We're still seeing inflation under a lot more control in emerging markets than we have generally seen in developed markets.

Also, some of the crazy monetary and fiscal policy that we saw in the developed world around Covid we never saw in emerging markets. Most of these countries managed to navigate it pretty well with very little stimuli. So a lot of the excesses that have built up in developed markets, the bubble around debt levels and so on, we don't really have in emerging markets.

Then, geopolitical-wise, we had the Russian event playing out but probably, in our minds, the biggest impact we have seen from an investment perspective has been the spillover to the China/Taiwan conflict.

Russia was, with everything else taken into consideration, a relatively small market, with relatively few companies. It was, in all modesty, relatively easy to navigate the exposure there, but when you are talking about China and Taiwan, then you are talking about bigger economies playing much more important roles in the global supply chain.

China's recovery to date has arguably disappointed. What's your outlook here?

We would agree that certain aspects have been a disappointing, but we also need to take a bigger perspective. In a bit of an odd way, China having a really tough time, having a stormy economic recovery, having youth unemployment at a very high level, in our minds is almost good news from the perspective that clearly one of the risks around China – and again, that very high risk premium we're now paying – is very much linked to geopolitics.

What we would like to see is China being pragmatic. We would like to see it tone down the geopolitical issue around Taiwan and de-escalate the conflict with the US. Indeed, we believe that a China under economic pressure is what will drive it to suddenly realise that maybe trying to take on the rest of the world in some kind of geopolitical stare down competition may not be the right approach.

We acknowledge that the conflict will be with us for a long time, but actually having a more pragmatic China, one that is really focusing on growth, will be a big driver for the market. So in the greater scheme of things, we think what we're seeing now will be part of what will get China back on a more normalised environment.

From a more short-term cyclical perspective around China, people are maybe also getting overly optimistic about how China could recover. We have to remember that the way Covid was dealt with in China was pretty extreme – a lot of consumers, a lot of corporates are still in shock about what happened there. It put a lot of pressure on them.

When you then combine that with what's happening on the global scene, you can understand why consumers or corporates are a little bit cautious.

Furthermore, if we go back and ask what the doctor prescribed for China, it wasn't to just go out and spend money on infrastructure and property, but that it needed to move away from an investment-driven economy to a much more service-driven economy, driven by the consumer. And that is what is happening now.

So if we actually look at the underlying consumers, they are recovering. It's gradual, but it's pretty steady and we still feel very comfortable we will get a gradual steady recovery in China driven by the consumer. Eventually when the consumers are back on track, then we will also see the corporate sector start to allocate CapEx and we will then get into more normalised development across most of the sectors.

But we will also be very frank – the China we knew pre-Covid will never come back. We had hit an inflection point and, for us, China is more like just another big domestic economy. That is probably how one should be viewing China.

Where else are you finding opportunities?

We believe we are getting very close to a new very strong up-cycle in technology. We believe that has been under way for a while, again a lot of it driven by what's happening on the supply side. AI is clearly also having an impact there.

The second area that we like is India. We believe one of the really big game changers there is that India is starting to become a manufacturing nation. I've been investing in India for more than 20 years and it's almost been the Achilles heel for India, that they did not really have that manufacturing side. It's always meant they had current account issues, they had trouble getting job creation going for a lot of the young people. But suddenly getting manufacturing, that can be a big driver.

To view the video in full, please visit www.pensionsage.com

Written by Francesca Fabrizi

In association with

POLAR CAPITAL

Pensions Age Autumn Conference: A sneak preview

14 September 2023 | The Waldorf Hilton, London

The Pensions Age Autumn Conference: Bringing the industry back together after the summer break

Taking place at the beautiful Waldorf Hilton Hotel, on London's famous Aldwych, and chaired by experienced pensions and investment professional, Gary Smith, this year's Pensions Age Autumn Conference will tackle a raft of issues relevant to DB and DC schemes alike. Topics include the Mansion House reforms, value for money, life after the liability-driven investment (LDI) crisis, de-risking, investment stewardship, dashboards, communication, investment solutions, data, scams and much more. We asked several of our speakers to offer a sneak preview of what they will be covering on the day.

Update from The Pensions Regulator (TPR)

Mark Potter, Policy Business Lead, The Pensions Regulator

It's been a while since I spoke at a *Pensions Age* event. Global pandemics notwithstanding there has been a lot of change since I joined TPR, and that's occupied much of my time.

Developments in responsibilities for trustees, progress on addressing the impact of climate change, movement on EDI issues and consequent demands on governance.

I'm really pleased to have an opportunity to take a trip inland and speak to delegates about what we are up to in Brighton. I'll be touching on some of the issues that are specifically in my domain and also reflecting on the impact of new leadership at the regulator.

You may have noticed renewed energy and conviction in recent statements from TPR. Much of that is related to the vigour of our new CEO. More assertive and front-footed regulation, even sharper focus on issues like consolidation and innovation. A tighter 'grip' and increased pace.

Over the next few months, we'll be working on some of the issues stemming from the Chancellor's recent Mansion House speech and developing strands of work like our pursuit of value for money. I'll be able to give a broad update on some of those issues and I very much hope I'll have time to listen to your views and fold your feedback into our developing work.

Dashboards Q&A with PDP and TPR

Chris Curry, Principal of the Pensions Dashboards Programme (PDP), Money and Pensions Service

Pensions dashboards will transform how people engage with their retirement savings, allowing users to view all their pensions information together in one place. The Pensions Dashboards Programme (PDP) is responsible for delivering the technical solution for dashboards and connecting pension providers and schemes in collaboration with the government, regulators and industry.

PDP is currently going through the process of revising its plan to align with the government's new connection deadline of 31 October 2026. Back in June, the Minister for Pensions announced that new guidance will set out connection dates for industry, with the expectation that pension providers and schemes will have regard to this guidance.

At this year's Pensions Age Autumn conference, as PDP's principal, I will take part in a panel session to provide an update on progress and discuss what is coming up. I will cover what the new connection deadline and guidance mean for industry, and what pension providers and schemes should be doing to prepare to connect. With the programme having a keen focus on collaboration, I will also discuss the various ways for industry to get involved in making a success of dashboards.

Lucy Stone, Dashboards Lead, The Pensions Regulator

Pensions dashboards are an exciting development for savers, and they are counting on industry to deliver. Trustees and scheme managers have new duties to connect to the technological infrastructure being built by the Money and Pensions Service, find members using data provided

Sponsored by:

by savers, and return information on their pension to them following strict standards. It's safe to say this is new territory to many!

Dashboards will shine a light on your data and systems and there is a lot to do to get ready. At this year's conference, I will take part in a panel session where I will set out the key actions trustees should be taking now, issues and risks to bear in mind, and how the regulator will support you in meeting your duties.

LDI, illiquidity and more: A professional trustee's view

Payam Kazemian, Client Director, ZEDRA Governance

I'm looking forward to this Q&A session at the Pensions Age Autumn Conference 2023. As a professional trustee dealing with the significant challenges of the LDI crisis in 2022, I found myself in a fortunate position of being able to navigate these chaotic events with some confidence, given my prior experience in designing LDI solutions as an investment professional over 15 years prior to becoming a pension trustee. In this Q&A session, I hope to share some of my experiences and the lessons learnt from a trustee perspective.

The rapid interest rate rise following the September 2022 mini-budget not only created uncertainty in the UK economy, but also forced most UK defined benefit pension schemes to make quick decisions that resulted in potentially significant changes to their asset allocations. In this session, we'll discuss the events of the LDI crisis through a trustee lens and consider what practical steps can be taken to mitigate any related risks associated with similar liquidity events.

Secondly, we'll cover the implications of such events for illiquid asset holdings and the different approaches that trustees can take from a governance perspective.

Lastly, we'll share the wider lessons learnt from this crisis and, since many schemes are now moving towards buy-in/buyout, share the trustee perspective in this respect.

Please visit www.pensionsage.com/autumnconference for full event details

Agenda

08.30 – 08.55: Registration and refreshments

08.55 – 9.00: Chair's welcome
Gary Smith, Pensions and Investment Professional

09.00 – 09.30: Fiduciary management research results
Bob Campion, Head of Fiduciary Management, Charles Stanley

09.30 – 10.00: Key steps on the road to de-risking
Ralph McClelland, Partner, Sackers

10.00 – 10.30: What insurers want: Standing out in a crowded BPA market
Kieran Mistry, Senior Business Development Manager, Standard Life

10.30 – 11.00: Investment stewardship: A fiduciary approach to engagement and voting
Manuel Isaza, Director, BlackRock

11.00 – 11.30: Coffee break

11.30 – 12.00: DC solutions in private markets
Harry Elliott, Vice President, MV Credit
Alex Thompson, VP, Loomis Sayles, Investment Director, Alpha Strategies

12.00 – 12.30: LDI, illiquidity and more: A professional trustee's view
Payam Kazemian, Client Director, ZEDRA Governance

12.30 – 13.00: Dashboards Q&A
Keynote Speakers:
Chris Curry, Principal of the Pensions Dashboards Programme, Money and Pensions Service
Lucy Stone, Pensions Dashboards Business Lead, The Pensions Regulator

13.00 – 14.00: Lunch break

14.00 – 14.30: The data maintenance conundrum - cost or investment?
Alan Clay, Head of Strategy for Customer Data Solutions, LexisNexis Risk Solutions

14.30 – 15.00: Communicating in the moments that matter, in ways that count
Michelle Brown, Marketing and Communications Strategist
Sarah Jones, Head of Retirement Communication, Gallagher

15.00 – 15.30: Pension scams: The ongoing battle
Matthew Swynnerton, Partner, DLA Piper

15.30 – 16.00: Keynote Speaker:
Mark Potter, Policy Business Lead, The Pensions Regulator

16.00: Close of conference & drinks reception

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Maintaining good governance: *Sue Austen explains how to make good governance central to everything trustees do* **p40**

A juggling act: *Maggie Williams explores increasing governance workloads, and what the future holds, for pension scheme trustees* **p42**

Governance focus:

The heart of trusteeship

Aon partner, Sue Austen

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Maintaining good governance

Sue Austen explains how to make good governance central to everything trustees do

Pension scheme trustee boards are struggling for time and resources. They need to manage regulatory change and navigate uncertain markets, alongside complex scheme-specific projects and fulfilling long-term strategic goals.

From acting on the fallout from 2022's market issues, to ensuring the board has the right mix of skills and expertise, trustee workloads have become broader and more complex than ever.

To keep up with this demanding workload against strict time constraints requires exceptional governance not just from the trustee board itself but also from its advisers and strategic partners.

Have a clear strategy

Defining and documenting long-term goals helps to make sure that all efforts bring the scheme closer to achieving those objectives. It also helps to manage costs and make sure that trustees have factored in the risks and opportunities the scheme faces.

• *Set a clear plan* – This should be focused on achieving the scheme's goals. For example, a defined benefit (DB) scheme targeting buyout will have a very different strategy plan from one that is planning to remain self-sufficient in the future.

• *Think about the big picture* - Creating a strategic plan helps trustees to think about governance beyond day-to-day activities, and to ensure that their work focuses on all the scheme's priorities, not just funding and investment. For defined contribution (DC) schemes, improving member experience and cyber security could be key strategic objectives, whereas DB schemes preparing for buyout might prioritise preparing benefits specifications or data cleansing alongside monitoring the funding position.

Focus on building resources and relationships

With so many demands on trustees' time, making sure that boards have the right resources and relationships with third parties is essential.

• *Explore board skills and knowledge* – Analysing trustees' strengths and identifying any gaps in skills and knowledge will strengthen a trustee board over time. Narrowing those gaps could mean expanding trustee training practices or identifying areas where the board needs to recruit new trustees or outsource work tasks to third parties. Nurturing new (and longer-standing) trustee potential through training courses and hands-on experience is also important to make sure governance remains strong.

• *Strengthen diversity of thought* – A board with diversity of experience, background and ways of thinking, leads to better quality decision-making. Having a good understanding of the range of personalities on a trustee board, their strengths, and weaknesses and how they can best work together is a vital part of good governance. Like all of us, trustees will have unconscious biases rooted in their own beliefs and experiences, so training to overcome these can also help to improve board dynamics.

• *Plan for the long term* – Good succession planning ensures that a board keeps the mix of skills and experience it needs, especially in key positions such as chair of the board or sub-committee leaders. It is also essential to document vital scheme knowledge so that it is retained when trustees move on.

• *Shake up recruitment methods* – Attracting trustees with new skills and diversifying talent could mean rethinking recruitment methods. Changing communication styles, channels and messages could make the role appeal to a wider audience and reach people who might not have previously thought about trusteeship.

• *Make sure that all voices are heard* – The chair of trustees has a vital role in making sure that all trustees can contribute confidently and effectively, to make the most of board diversity. This

may require training both for the chair and for trustees to build up confidence in making their voice heard.

• *Create strong relationships with advisers* – The relationship between trustees and scheme advisers can be the difference between a well-run scheme, and one that struggles to make decisions and progress. The willingness of advisers to work constructively together without direct trustee involvement, can also have a major impact on outcomes.

• *Work effectively with the sponsor* – Both the trustee board and scheme sponsor need to be aligned around the scheme's long-term goals and understand each other's roles in achieving them. That also means making sure that member nominated trustees (MNTs) are not put in a position where they feel conflicted if there are decisions to be made that affect both the scheme and the sponsoring company.

• *Appoint external resources as needed* – These could include secretariat services and project managers to make sure meetings and projects stick to time, goals, and budgets. It could also mean outsourcing specialist projects, such as member communications, or some day-to-day decision-making, for example by employing a fiduciary manager.

Use board time effectively

The pandemic forced trustees to make changes to the way that they work, with traditional quarterly meetings no longer possible at that time. As a result, most boards have become more agile and able to make decisions outside meetings, but making sure that trustee time continues to be used effectively and is focused on core board objectives, remains a priority.

• *Keep risk management up to date* – Documenting risks and maintaining risk management frameworks is an ongoing process, and the principles should be reviewed regularly.

• *Stay focused on scheme objectives* – Everything the board does should be contributing to achieving the strategic aims. Advisers and external project managers can help trustees to bring projects back on track if budgets or timelines shift for any reason.

• *Be agile* – Trustees must sometimes make quick decisions, for example in response to unexpected situations. Being able to do that may not be just about trustee experience, but also how effectively trustees can collaborate outside regular meetings, their decision-making structures, and the way they work with third-party advisers or other stakeholders.

Review the way the board works

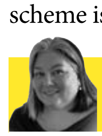
Even the most experienced trustee board can often find ways of working more efficiently or innovating to identify new ways of tackling old problems. By carrying out an operational review of their governance, trustees can find out more about what is working well and where there is room for improvement.

• *Prepare for the 'General Code'* – The Pensions Regulator's planned General Code, covering many aspects of scheme governance both for DB and DC scheme trustees, has yet to be finalised, but trustees can prepare by evaluating the way that their scheme operates against the draft code. That will help to minimise workloads when the final code is introduced.

• *Get feedback on board effectiveness* – It can be difficult for a trustee board (or any other management structure) to get truly objective feedback on its performance. Independent third-party reviews of how meetings are run, the way that scheme documents are presented, policies, practices and the experiences of people involved with the scheme are all invaluable sources of information for future governance improvements.

Aon has a range of tools and services to help trustee boards evaluate and improve all aspects of their governance. This leads to better outcomes for members, improved decision-making, and a smoother path towards the scheme's ultimate strategic goals.

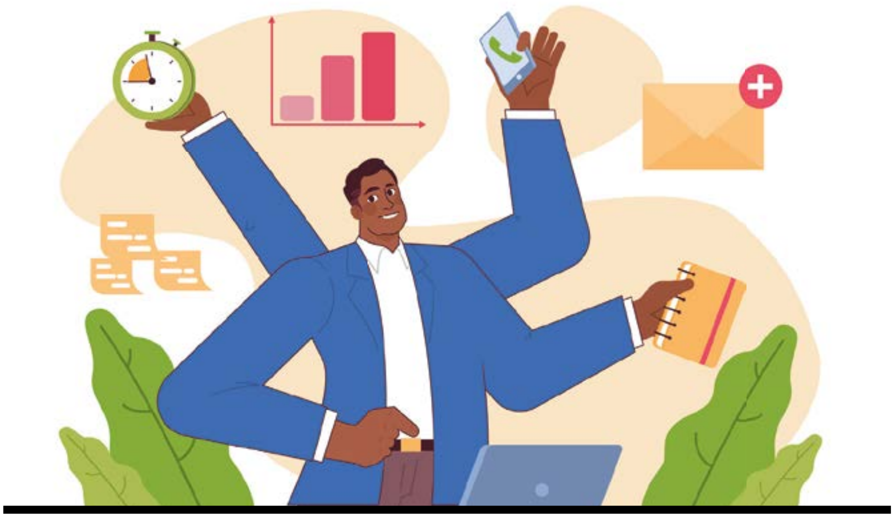
We have launched an information hub dedicated to pension board excellence, based on our governance framework. It brings together our latest thinking on governance, our services and the wide-ranging expertise of our team, to help trustees start conversations about how they can improve the way their scheme is run.



Written by Aon partner, Sue Austen

In association with AON

A juggling act



Maggie Williams explores increasing governance workloads, and what the future holds, for pension scheme trustees

Summary
- Trustees' roles have become wider ranging and more complex.
- There is also increasing scrutiny from government and regulators.
- Professional trustee appointments are on the rise, but MNT accreditation is also important.
- Sole trusteeship can deliver good governance, but at the risk of losing member voice.

Good pension scheme governance begins and ends with the trustee board. Whether that's a defined benefit (DB) scheme planning for buyout, or a defined contribution (DC) arrangement grappling with issues such as member engagement and value for members, trustees are at the heart of every decision that affects the scheme.

"Trusteeship is a more demanding role now, with a faster pace of work and much greater complexity," says Aon senior consultant, Sue Austen. "The breadth of issues that scheme trustees are facing is extremely wide, including diversity, equity and inclusion, sustainability, cyber, pension gaps and projects such as GMP equalisation that are not straightforward."

In addition to the breadth of issues that trustees face, Vidett director, Duncan Willsher, says that he sees increasing pressure on boards to compete with each other for services such as buyout. "It is becoming a competition between schemes to demonstrate that you are in the best place for insurers. The risk is that, in that rush, there is a herd mentality towards buyout and trustees can be slightly blinkered when other options exist. Sometimes there is a frenzy to get deals across the line, at the expense of other things."

Increasing regulation and scrutiny

The Pensions Regulator's delayed General Code of Practice, which will bring together guidance on a range of governance-related issues, is unlikely to be released before autumn this year. The impact on trustee governance of the new code could be relatively minimal in terms of trustee working methods, says Vidett assistant scheme manager, Kat Gruenewald. "Complying with the code may just be a matter of evidencing certain considerations and decisions or checking your advisers are following the correct procedures."

The main requirement of the legislation will be the introduction of requirements for an Effective System of Governance (ESOG) and Own Risk Assessment (ORA), which have been a long-standing part of the draft regulations.

In the meantime, the Department for Work and Pensions (DWP) is also taking an interest in trusteeship standards. In July 2023, the DWP released a joint call for evidence on pension trustee skills, capability and culture in association with the Treasury. The report says that in addition to a focus on "whether trustees have the right knowledge and skills to consider investment in the full breadth of investment opportunities", the consultation is intended to explore "the role of advice and other barriers to trustee effectiveness".

Association of Member Nominated Trustees (AMNT) co-chair and a member-nominated trustee (MNT) of the Church of England Pension Scheme, Maggie Roger, says that the consultation is a positive step. "It shows that governance is being taken seriously by the government. This needs to be about getting practices right for members and trustee boards, rather than focused on avoiding calls on the Pension Protection Fund, which has sometimes been the focus in the past."

However, Roger cautions that when it comes to investment strategy, trustees' priorities need to remain with the scheme. "We've seen various government policies taking shape, such as calling for trustees to invest in asset classes like unlisted equities. Governments can sometimes be short-term thinkers, but pension schemes need to be able to look at longer term risks and processes, especially around investment choices."

Effective decision-making

Roger's AMNT co-chair and MNT of the BECTU Staff Retirement Scheme, Janice Turner, says that one of the governance challenges for trustees is future liability for decisions that they make now. "Decisions taken now in good faith could be overturned and seen as a litigation risk in the future," she says. "All trustees need to be able to show a trail of how they reached their decisions."

Turner gives the example of schemes turning to buyout as a new potential risk. "Choosing an insurer is a big governance issue and trustees may be under pressure from a sponsor who wants to remove the scheme from balance sheets. But choices need to be carefully documented, to mitigate the risk of a buyout insurer failing."

"Schemes will need to be aware of the big decisions they are taking and the advice that they receive," says Austen. "Taking out cover with trustee indemnity insurance is a good policy."

The recent LDI crisis brought home to some trustee boards how little they knew about the strategies they had implemented. "The inexperience of some trustees, plus advisers and some fiduciary managers was highlighted in the crisis," says Willsher. "But the important thing is that everyone learns from it. To be caught out a second time and not understand would be inexcusable."

Future of trustee governance

With so many pressures on boards, how will trustee governance evolve in the future? "Covid-19 taught trustee boards that they could act nimbly and make decisions quickly without the need for a quarterly meeting," says Austen. "Not all schemes were capable of that before the pandemic." Willsher agrees: "Covid-19 definitely had a positive impact on trustees' drive and willingness to engage digitally and make decisions closer to real time."

He says that he is also seeing an increasing number of enquiries for professional trustee services, as well as a drive towards sole trusteeship. Austen agrees that wider use of professional trustees and sole trustees is a future trend. "Professional trustees will have been through similar projects before and can drive actions through."

"Trusteeship is a more demanding role now, with a faster pace of work and much greater complexity"

But, she cautions: "You lose connection with the membership by losing MNTs and risk not knowing what members need. Setting up governance committees to support sole professional trustees is a good approach and provides more diversity of thought."

While there have been calls to include a professional trustee on all trustee boards, Turner believes that including an accredited trustee – either an MNT who has completed the Pensions Management Institute's Certificate of Trusteeship, or a professional trustee with equivalent qualifications – would be a more fitting framework. "We'd like to see at least one accredited trustee on every board," she says. "The exams are the same for an accredited MNT and a professional trustee."

However, Roger says that not all schemes and sponsors are prepared to support trustees in this way. "In our recent research we explored what is holding trustees back. "Some boards are exemplary, but in others there is less support and trustees have been knocked back from becoming accredited because the employer won't provide the learning time or fees to do so."

Achieving diversity of thought is also important for future standards of governance, says Austen. "We see the benefits of diversity, equity and inclusion coming through when trustees have different skills, work preferences, life experiences and perspectives on an issue. For example, one trustee might be focused on very precise details, where another might want to understand more strategic angles. There is value in having both of those perspectives."

Willsher believes there will also be stronger calls to outsource aspects of governance – whether through a fiduciary manager, or in other areas of specialism such as data analysis. "Bringing people in to help trustees is important. That might include fiduciary management, or more operational support such as managing trades."

"Delegating to a specialist fiduciary management team with wide experience of investing and considerable resources, should give trustees comfort that they are in the best hands to achieve their objectives - without giving up control over their overall investment plan," explains Charles Stanley senior portfolio manager, Bob Campion. "It represents a professionalisation of the investment process for a defined benefit scheme."

The volume and complexity of governance work that trustee boards need to undertake is unlikely to ease any time soon. With the DWP as well as TPR taking a direct interest in trustees' skills and knowledge, there could also be future pressure for more accreditation and demonstrable standards of expertise on trustee boards. MNTs, professional trustees and sole trustee boards for DB schemes should all be prepared for closer scrutiny of their decision making and standards of governance in the future.

Written by Maggie Williams, a freelance journalist

In association with AON

Claire Felgate
BlackRock head of UK & MEA global consultant relations

Laura Blows
Editor, Pensions Age

Sustainable investing for DC schemes

Laura Blows discusses sustainable investing for defined contribution plans with BlackRock head of UK & MEA global consultant relations, Claire Felgate, in *Pensions Age's* latest video interview

The environmental, social and governance ("ESG") considerations discussed herein may affect an investment team's decision to invest in certain companies or industries from time to time. Results may differ from portfolios that do not apply similar ESG considerations to their investment process.

Sustainable investing is clearly taking centre stage now with investors. However, its implementation will be a multi-year journey. So, within DC, what would you say are the key drivers from the market for this journey?

DC investors have been interested in sustainable investing for a long time. There are three main drivers. The first is DC members and corporates themselves. Particularly if you think about DC being a more recent vehicle for people to save for their retirement. Members tend to be younger, and corporates often want to align the objectives of the DC scheme with their own corporate sustainability policies.

The second is regulation, for example Task Force on Climate-related Financial Disclosures. There is a lot of regulation in the UK supporting that trend towards sustainable investing.

Finally, but definitely not least, as this is what we are most focused on at BlackRock, is the opportunity for adding long-term value and also risk mitigation, managing that risk for clients. Certainly, for us, the goal is to deliver on the financial goals of our clients so that their DC members can enjoy financial wellbeing when they retire.

And then you can't have a conversation about sustainable and transition investing without talking about data. I think another big driver is the improvement that we have in availability of data, which has made it easier to understand where we are and invest in these structural trends.

You mentioned the differences between sustainable investing and transition investing. Could you elaborate?

Yes, and I personally found this quite interesting as well, that transition investing is not always sustainable investing, and sustainable investing is not always transition investing. I think people are more familiar with sustainable investing, which has quite a broad remit and covers things like natural capital, social implications and governance – it's quite a broad category.

Now if you think about transition investing, that is really specifically focused on the transition to a low-carbon economy. At BlackRock, we define transition investing as: Investing with a focus on preparing for, being aligned to, benefitting from and/or contributing to the transition to a low-carbon economy.

One of the things clients need to be aware of, particularly around transition investing, is that our expectation is this move to a low-carbon economy over time will have quite a big effect on some of the macro variables, such as the expected gross domestic product. When you break that down and look at how that leads you to invest in portfolios across the board, being really aware of transitioning will help make better investment choices, because we expect those variables, like macro factors, to change over time.

How does BlackRock specifically work with DC schemes to help them navigate climate risks and opportunities in their core allocations?
At BlackRock, we aim to bring clarity and transparency and choice to clients. So, it's not a one-size-fits-all but there are a few questions that I always encourage clients to ask themselves, which will help on that journey.

The first is to take stock of where you are at the moment. What is your current situation, what data is available to you to assess where you are from a sustainable or transition perspective?

The second thing is to understand where you want to go. If you think about DC schemes in the UK, it's really helpful to have a very strong policy around sustainable investing and transition investing. And often, this would end up like the corporate sponsors' policy. If you know where you are and where you want to get to, then the third and final step is how do you make that progress going forward.

Another tool that we have that I think in DC we don't always talk about enough is Aladdin Climate software and analytics, which enables clients to analyse their portfolios (while proprietary technology platforms may help manage risk, risk cannot be eliminated).

There's BlackRock data in there but we also have access to external data providers, so you can use that to really understand where you are within your portfolio.

You mentioned the different approaches clients have in how they invest, but what about the investment stewardship side of this?
BlackRock takes stewardship very seriously and it is important to us, and we know it is important to our clients.

We have arguably one of the largest stewardship teams in the market. We have over 70 of our colleagues, who are dedicated to stewardship, located around the world, so that they can have that local knowledge when they are engaging with companies and representing clients *[Source: BlackRock, 30 June 2023]*.

Our stewardship team have five key priorities, of which one focuses on climate and natural capital. But we also have something exciting, which we pioneered, and that is giving clients voting choice. We haven't yet been able to roll it out to all clients – it's coming, we are committed to that – but in the UK it will be select institutional investors who can actually exercise their own proxy voting choice. We think this is a really exciting development and one that we will continue to pursue as we go forward.

As we mentioned earlier, it is still early days of sustainable investing, so I'm sure you have DC schemes at different stages on this journey. How do you help them navigate their different starting points?
DC schemes will be at different points on that journey, but even if they are at the same point, a lot of them will have different objectives. Some will want to heavily lean into climate-related investments, while others will be focused more on transition. Some will be focused more on social aspects and a lot of this will be to do with their unique membership.

The first broad point to make is that our investment approach always starts with the client's objectives. So, we think about where the client is and their specific needs.

The second is that we always look to deliver clients the best risk-adjusted returns. And then the third piece is that we underpin all of this work with data, research and analytics.

So that is our overall framework, particularly when it comes to investing in the sustainability sphere.

So, what are the actual strategies that you would offer to clients?
Right now, BlackRock has over £510 billion that's already invested in a variety of sustainable strategies, going across index, active and alternative investments. *[Source: BlackRock, as at 30 June 2023]*.

When I think about UK DC schemes, it's actually been a really amazing journey. I was involved with BlackRock many years ago when we launched some of the first index strategies, particularly index equity, where DC schemes have been invested. So, I would say that a lot of our DC clients have actually been at the forefront of these innovations. And now we have even more products.

The last thing I would probably say for those DC schemes out there is that with the new application of the long-term asset fund (LTAF), it really opens up the availability for DC schemes to be able to access alternative markets. And there are some very interesting opportunities arising in alternatives that are linked to sustainability and the transition. Some of those deals and themes you can't actually access in liquid markets.

So, personally, I'm super excited about taking that transition and sustainability journey even further and for DC schemes to be able to access a full range of products to be able to deliver for their members.

To watch this video interview, please visit pensionsage.com

In association with

BlackRock

Employers to look again at DB? Two sides of the debate

Laura Blows hears the industry's opinions for and against private-sector DB schemes potentially having a resurgence in popularity with employers

Summary
- Concerns about DC, its attractiveness to employees, and the many possibilities DB surpluses can provide are all cited as reasons for potentially increased interested in DB schemes from employers.
- However, the financial considerations and regulatory burdens may mean that 'the ship has sailed' for DB schemes in the private sector.
- CDC could be the 'compromise' between DB and DC schemes.
- In contrast to the private sector, public-sector DB schemes look set to remain for the foreseeable future, due to the funding challenges of winding them up and the unions' pressure against doing so.

A few years ago, the notion that private-sector DB was on its slow journey to the history books seemed inevitable and the idea of a resurgence in it being offered by employers fanciful. And yet…

The case for

The shortcomings of the DC model, particularly in terms of contributions, engagement and outcomes, are a concern as savers will increasingly reach retirement with only DC savings.

"As younger employees become more aware of the value of workplace pensions, employers with open DB schemes become a very attractive option.

"And with some schemes in significant surplus, this could offer more predictable and affordable future costs for employers. As a result, open DB schemes may have more scope to invest in higher risk/return assets, if taking a longer-term view with younger members," Royal London director and policy and communications, Jamie Jenkins, says.

Another attractive reason to keep DB schemes open is that they are now just half as expensive to run as they were 18 months ago, Cartwright director, Sam Roberts, says.

Even reopening DB could be a strong positive to recruit and retain desirable employees, he states, and could "particularly appeal to paternal strong employers that do not need the surplus returned as cash (net of tax)".

This surplus currently enjoyed by many DB schemes could be used to pay for extra DB for existing active members or (selective) new entrants, Roberts adds.

Legislation to help change the position on surpluses may help with this, Zedra director, Colin Richardson, says.

However, this is to potentially continue existing DB schemes, rather than new ones opening, he states.

Richardson does however suggest that multi-employer DB could be created, with a more modest aim and cost compared to conventional DB, (less than 1/60th accrual) under a central, well-governed structure. "If these schemes are open to members and accrual then the costs reduce through a much longer-term investment strategy. This could be attractive to some employers, as costs are contained through the multi-employer structure."

WTW GB head of retirement, Rash Bhabra, thinks that closed DB schemes are not about to reopen and mature DB schemes will not go back to investing primarily in return-seeking assets.

However, "after years of worrying costs to employers and the security of members' benefits, attention is shifting to the upside that DB schemes can provide", he says.

"If policy made it easier for DB pension scheme surpluses to be put to use, DB pensions schemes could have extended lives and invest more productively. It should be made easier for schemes to use surpluses to benefit pensioners, sponsoring employers and current employees, so that they see value in pursuing higher investment returns. This would also allow surpluses that have emerged already to be used sooner," Bhabra explains.

"The current regulatory framework incentivises schemes to predominantly de-risk once they are well funded, rather than continue to invest more productively. Shifting that balance to change the environment in which schemes operate in, so that there is value in generating surpluses, could deliver a new lease of life for DB schemes," he adds.

The case against

So, with the new environment of lower operational costs and surpluses, what's stopping DB schemes from having a new lease of life?

According to Van Lanschot Kempen executive director, fiduciary management and institutional solutions, Arif Saad, "DB pension schemes can certainly experience a new lease of life, but the reality is that few probably will take advantage of the opportunity.

"Trustees and sponsors have spent decades working on a path to de-risking, de-costing and de-linking pension activities as part of their sponsors' businesses – the window created by surpluses and both regulatory and political openness to making DB more productive is unlikely to be open long enough to be seized against the tide of bulk annuities."

For Roberts, it is still "too soon" for any meaningful change.

"The high cost and risk of DB to employers is still a recent memory, so employers are likely to be reluctant to choose to again expose the company to this yet. Most employers are currently breathing a sigh of relief when the DB scheme is off their balance sheet," he explains.

A key issue is the financial burden of DB schemes for employers.

"At the moment employers on average are paying around 3-5 per cent of contributions to DC schemes, whereas, even in the post 'Liz Truss world', they have been paying around 20-25 per cent into existing DB schemes. Few employers will want to significantly increase their costs by returning to DB," PMI president, Robert Wakefield, explains.

"The often talked about 'Holy Grail' of a bulk annuity deal (and the ongoing question of whether superfunds can play a role) is perhaps final nail in DB schemes' coffins as sponsors look to get their scheme (and future costs) off the books," he adds.

For many employers, managing DB

schemes, "there is a sense of relief that the end is in sight", Russell Investments head of UK fiduciary management, Simon Partridge, says.

Along with the financial costs, another barrier is the regulatory burden of managing DB schemes.

"Having spent considerable money on DB deficits there is no employer fashion to take on risk; it goes against all corporate textbooks," Richardson states.

"With ever-increasing regulatory demands, as well as ongoing market and reputational risks, it's hard to imagine employers will decide to reopen DB schemes or start new ones," Partridge says.

Roberts highlights the "significant" political and regulatory risk for employers, which include investment restrictions, stricter funding requirements, or employer covenant actions restricting the employer's normal activities with personal director liability.

And then, in terms of employment principles, it is not clear why an employer should provide a pension for life after retirement for employees, especially given typically lengths of employment with one employer, Richardson says.

As Roberts puts it, "DB worked well when employees spent long periods with one employer, but many people now work for many different employers during their career".

Therefore, Wakefield states: "With a heavy heart, I have to say, it may be too late for a shift back to DB, as we are too far down the line."

Broadstone head of policy, David Brooks, agrees. He says: "For the resurrection of DB schemes, we would need the combination of a settled regulatory environment (we don't have that yet; see TPR code and Mansion House), an extended period of high gilt yields, a strong employer and competitive pressure. I won't be holding my breath."

Public-sector DB schemes

In contrast to the private sector, open DB schemes dominate the employment landscape within the public sector. Does this look set to continue?

The logic for many years has been that (off UK government balance sheet and unfunded) higher public-sector DB pensions have compensated for (on balance sheet) lower public-sector salaries Cartwright director of investment consulting, Sam Roberts, says. "Therefore, the clear short-term incentive for politicians seems to be to continue with the status quo."

This is despite public-sector DB schemes being "totally unaffordable", Zedra director, Colin Richardson, states, due to their £2 trillion of unfunded liabilities.

"However, because all policymakers in government and politicians have public-sector pensions, and the union pressure against pension changes, the current form of public-sector pensions will never change," he adds, "so, unfortunately, they are set to remain."

Demographics mean that public-sector DB will eventually become unaffordable, Roberts warns, "but this could take many years and will be paid for stealthily via higher price inflation by issuing and monetising the extra government debt needed (i.e. gradually converting off balance sheet debt into on balance sheet debt)".

Because of how they are funded, it would be particularly difficult to wind up public-sector DB schemes, Royal London director of policy and communications, Jamie Jenkins, warns.

"As they don't hold assets to cover liabilities, pension costs are met by current taxpayers. With no existing fund to secure future liabilities, the amounts involved to change this would be vast. Moves have been made to reduce the burden on taxpayers in recent years, but any plan to move entirely away from DB for the public sector will be politically challenging, and is likely to take many years, if not decades to implement," he explains.

Despite frequent reforms, the public sector will continue to enjoy DB pension scheme provision for some time, Isio director, Paul Moffat, agrees.

"The McCloud judgment and subsequent remedy tells us that large scale reform is fraught with risk. Balancing the interests of a long list of stakeholders, including public service workers, their unions, employers, the taxpayer, and politicians) will require a great deal of care over the next round of reforms when it inevitably comes," he adds.

"Therefore, DB is likely to stay part of the public-service pension offer beyond 2040, but innovation is imperative," Moffat says.

However, local government DB could come under pressure sooner as they are funded, Roberts suggests. "A tempting solution for central government could be to centralise and convert to unfunded schemes, bringing the assets onto its balance sheet and putting the pension liabilities off balance sheet. This will postpone any pain," he says.

Bridging the gap

However, one "glimmer of hope" could be collective DC (CDC) schemes, Wakefield suggests. "While challenges persist, a carefully administered CDC model might bridge the gap between traditional DB and DC extremes," he explains.

"The renewed focus on CDC schemes may provide a more attractive half-way house between DB and DC, for employers who want to provide more certainty," Jenkins agrees.

While CDC "remains untested in the UK and comes with a shaky international record", Brooks says, it "looks the more likely step *[than a return to DB]* for employers that have DC for current employees".

Written by Laura Blows

Oliver Morley

Growing from a lifeboat to a leader

Pension Protection Fund (PPF) CEO, Oliver Morley, chats with Sophie Smith about the lifeboat fund's recent funding improvements, and the future role that the PPF could play in efforts to reshape the pensions universe

The latest PPF *Annual Report and Accounts* revealed strong investment performance and improved reserves, despite recent market challenges. Given these recent improvements, has the PPF seen any increased interest in the use of potential excess reserves in the future, and is this an area that the PPF has had discussions with the government on?

The PPF has evolved from a small organisation that some doubted would succeed in standing up financially, to a robust fund that offers security and reassurance to around 10 million DB scheme members. However, like all financial organisations affected by the changing market, it must make considered and sensible decisions about its funding levels and appetite towards risk. As the backstop for all DB pensions schemes in the UK, we have a low appetite for risk and have worked hard to reach a certain level of confidence in our financial position.

As we reported in our latest *Annual Report and Accounts* for 2022-23, despite a challenging market backdrop we've made further progress on our funding journey. Our funding ratio increased significantly to 156 per cent, and our reserve grew by £0.4 billion to £12.1 billion.

In our *Funding Strategy* review published last autumn, we recognised that we're moving into a new 'maturing' phase. Scheme funding improvements, coupled with our own strong financial position, has meant our focus is increasingly turning towards maintaining our financial resilience, which is now our central funding objective. Our current level of reserves gives us good protection against the risk that we need to pay more in compensation than expected – for instance, from higher-than-expected future claims on the fund. This has allowed us to significantly reduce the levy we charge without risking our ability to pay members their compensation. This year's levy collection (in 2023-24) of £200 million is a near 50 per cent reduction on last year's levy (£395 million in 2022-23).

To protect against the most adverse tail scenarios we could face, our intention is to continue to grow our reserves above those needed to maintain our financial resilience. Importantly, we plan to do this predominately through our low-risk investment strategy. This approach will reduce the risk that our funding is eroded in future and the subsequent risk that we need to ask levy payers to pay more in the future. We recognise that our approach means there is a possibility that we may eventually end up with excess reserves.

While it is too soon to say what the eventual funding outcome for the PPF will be, we recognise the growing interest in this scenario among our stakeholders, particularly members and levy payers. We'll be working with DWP colleagues over the coming years to consider how we might utilise any excess reserves when the level of risks we are exposed to reduces significantly. The views of our stakeholders will be important in considering this scenario, and we expect there to be further engagement on this.

These funding improvements have enabled the PPF to cut its levy significantly, although concerns have been raised over the ability to further cut the levy given the limitations this could place on raising it again in the future. Are you able to share any insight around potential changes to the levy?

We were very grateful to receive the DWP's review of the PPF, which recommended reviewing the legislation around the levy, among a range of recommendations. We can see there is a case for that given how much the environment has changed since legislation was created. Such a review could explore not just the desirability of changes to support a move to a zero levy, covering the current obligation to charge and the 25 per cent year on year restriction; but also changes to support a better distribution of the levy charge in an environment of significantly improved scheme funding.

However, changes to legislation are clearly a matter for the government. It is also worth noting that primary legislation would be required, for which opportunities are extremely limited. The responsibility of the PPF Board is, therefore, to set an appropriate levy within the current legislative framework.

We understand this is an issue that will not fade away, and as the universe continues to change, we will share the impact and data with the government so they can make the best decision for the industry at that point in time.

The broader role of the PPF has recently been thrown into the spotlight, after the Chancellor launched a call for evidence on the possible role of the PPF as a consolidator and the role it could play in encouraging productive investment. What are the potential risks and/or benefits of these plans for the PPF (and wider industry)?

This is the topic on everyone's mind at the moment, and we're pleased to be considered as a potential key player in a discussion that will reshape the pension's universe. We can see the advantages of this proposal, as our current functions, skills and expertise mean we are well-placed to take on a role as a public consolidator without starting from scratch. This isn't just our view; Lesley Titcomb, who carried out the PPF's departmental review last year, included a recommendation that PPF explores with DWP how our skills could be used in other ways for public benefit.

Beyond our investment success, we have significant experience of preparing schemes for transfer to the PPF, and have successfully driven down the time it takes to do so. Having successfully insourced much of our investment work, and all of our now award-winning member services, taken on the scheme manager role for the Financial Assistance Scheme, and dealt with an entirely new class of claims on the Fraud Compensation Fund (FCF), we have shown that we are well able to respond to the challenge of major change.

There are of course risks for the PPF and our stakeholders if we were to act as a public consolidator, for example, in relation to any use of the PPF as an underwriter or source of funding; if the government were to choose to progress this option, the impact this would have on our existing function would need to be considered.

A number of recent cases, such as the Norton Motorcycles scheme, placed increased scrutiny on the FCF compensation process. What are the key issues, particularly in terms of speed, and what changes are needed?

As with all our FCF cases, we are looking at pragmatic ways in which we can progress to payment as quickly as possible. Although we know we have much more to do, we are making progress on the existing claims we've received – and have now begun paying compensation to schemes and reaching decisions in principle on acts of dishonesty, which is a key milestone towards reaching an outcome.

Once the FCF has received all the information from scheme trustees, the team is able to assess the claim. Processing a claim can take anywhere between six months and two years due to the highly complex nature of some cases and the difficulty in locating evidence from historic, and often incomplete, records. A ruling in November 2020 helped to clarify how the FCF could progress with investigating scam scheme and pension liberation cases, this has helped us to be able to make important decisions on each case.

Since then, the FCF has been working hard to pay compensation as quickly as possible. The FCF team support DWP in making legislative change to allow interim payments to be made where schemes have run out of assets and would otherwise not be able to progress a claim.

Written by Sophie Smith

How can you support your employees though the AI revolution?: *Donna Walsh considers whether trustees should be worried about the impact of artificial intelligence on master trusts* ***p54***

Master trusts - coming together: *Gill Wadsworth explores the current spate of consolidation within the master trust sector* ***p56***

Master trusts focus:

A bright future

Standard Life head of master trust workplace proposition, Donna Walsh

Should trustees be worried about the impact of artificial intelligence on master trusts?

Donna Walsh considers whether trustees should be worried about the impact of artificial intelligence on master trusts

Picture the scene. A well-known and widely trusted financial expert promotes an Elon Musk investment opportunity, via video. The video says that Elon Musk's new project "opens up great investment opportunities for British citizens". It is shared repeatedly across multiple social media platforms, including Facebook, Instagram and Twitter.

Interested? A lot of us might be. Particularly when so many of us are feeling the pinch. The trouble is, the promotion was completely fake. An AI-generated deepfake.

The financial expert supposedly promoting this opportunity was Martin Lewis, the MoneySavingExpert.com founder. Except that Martin Lewis had nothing to do with it.

Yet the video was terrifyingly convincing, due to the computer-generated impersonation of Martin Lewis' face and voice.

Martin Lewis soon posted his own message on social media, warning anyone who saw the video that it was an attempt by criminals to steal their money.

Robots have arrived

Sadly, such scams could be the tip of the iceberg in terms of what people may face in future. And they represent part of a much larger trend that seems likely to revolutionise our lives: Artificial intelligence (AI).

Recently, the use of AI has been seen in everything from song-and-essay writing, driverless cars, through to chatbot therapists and the development of medicine.

And it can be increasingly difficult to differentiate AI from human behaviour. For instance, the winner of a major photography award in 2023 revealed later that his work had actually been created using AI.

Meanwhile, a song using AI to clone the voices of Drake and The Weeknd recently went viral on social media.

So, what do these changes mean for how people might make financial decisions? How can people stay safe online when there are so many competing sources of information?

And what is the role of financial providers in this space, when some people – often young, but not always – might trust their social media platforms more than traditional financial services companies, and might be more inclined to invest in cryptocurrency than in a pension?

It's not all bad

ChatGPT itself was recently asked what AI could mean for DB pension schemes.

Its generated article was generally very supportive of the impact of AI (perhaps unsurprisingly), and suggested AI could add value in the following areas:

1. Enhancing operational efficiency and accuracy
2. Risk management and predictive analytics
3. Improved member engagement

Where the data is good enough, AI may well assist (or take over from) human administrators or investment managers in taking on repetitive tasks such as data processing, calculations and member communications while increasing efficiency and reducing errors.

With respect to risk management, AI could potentially help by analysing vast amounts of data to identify patterns. This could provide trustees with more accurate risk assessments, for example with respect to investment outcomes, data protection and cyber security.

And in terms of member engagement, pension member queries could potentially be dealt with in a similar manner to many online retailers, where chatbots and virtual assistants are becoming a common feature.

This might allow staff to focus on more complex tasks that will require more human judgement.

All of these opportunities are accompanied by risks, however. In pensions, neutrality is obviously vital and conflicts of interest must be thoroughly managed. For example, communications with members must be carefully drafted to not be perceived as advising on or influencing member decisions.

There may also be some susceptibility to bias in AI tools, which would have to be carefully monitored and controlled.

Recently, the EU's competition chief said AI's potential to amplify bias or discrimination was a pressing concern. Such bias was alleged when the Department for Work and Pensions (DWP) widened its use of AI to assess Universal Credit applications and tackle fraud. Such use of AI would therefore need to be accompanied by tight governance and control, with all final decisions needing to be made by a human.

More generally, there are also environmental considerations. Training large language models like ChatGPT uses significant energy and water resources, and trustees need to be mindful of this as part of their overall ESG strategy.

Balancing act

For master trusts, it will fall to trustees to try to find the right balance between allowing AI to be leveraged for the benefit of members, and not allowing undue risks to be taken.

This means understanding its current limitations, ensuring members' information is appropriately protected, and keeping pace as this technology evolves. However, it also means understanding the limitations of humans.

For the foreseeable future, at least, AI is unlikely to take over the pensions industry. Many of us will probably continue to want to interact with other people when making significant financial decisions. For instance, when deciding how to use our pension pots, many of us would still want to speak to a human expert, even if most of the calculations and recommendations up to that point had been produced by a computer or AI.

AI is also likely to have a tougher time empathising with people – particularly those with pronounced vulnerabilities, whether physical, mental or financial.

Often, it is only by living an experience first-hand, even just for a moment, that we can start to understand what people are going through. Imagine, for example, someone trying to access information online and make serious financial decisions while suffering from arthritis. Or an eye condition such as cataracts or tunnel vision.

AI may be able to understand the physical consequences of these conditions, but what about the feelings of vulnerability and isolation that someone in this situation might experience?

Staying safe online

None of us have all the solutions to the challenges that accelerating AI and automation might pose. We should, however, always be open to exploring how we carefully utilise emerging technology to enhance our propositions.

Sometimes even making apparently small changes can make a big difference to how customers engage with you. At Standard Life, this has included simplifying the navigation of our mobile app and member dashboard so that finding information takes as few clicks as possible on a smartphone or mouse.

We have recently partnered with Digital Unite to launch a digital skills hub, which hosts all our digital literacy resources in one place. This hub provides our customers with access to tutorials on a range of topics related to digital inclusion. Two areas of focus are 1) using the internet and staying safe online, and 2) managing your finances online.

We have also created a pilot series of webinars. These will provide guidance to help employees feel more financially secure at key life moments, such as having children, becoming a carer, getting divorced or experiencing menopause, which can greatly affect people's finances and retirement outcomes.

Somebody to listen

We are working to provide our staff with a greater understanding of digital inclusion, what it feels like to be excluded, and how they can act with confidence to help those most in need. We know that many of our customers have vulnerabilities, some may experience poor mental health and the rising cost of living is only making things harder.

Simulating the pressures of surviving on a tight budget is near-impossible. But Standard Life has created a virtual reality tool to allow our staff at least a glimpse. When you put on the VR headset, you find yourself witness to a simulated call between a customer and a Standard Life employee.

To your left you can see the customer sitting at her kitchen table on the phone, explaining how she is struggling with her finances and mental health.

She speaks at times with her head in her hands, tears rolling down her cheeks. It's as if you're in the same room as her. You can see her kitchen counter in the background, the ironing board, and a pile of laundry on the other side of the room, her houseplant and lino flooring.

To your right you can see a Standard Life employee. She is speaking in the office, complete with phone headset, mug of tea on her desk and colleagues working in the background. The employee listens sympathetically and tries to help.

Of course, this whole experience is triggered by technology. But it is felt by humans, all of whom crave a sense that what they feel is understood by another person. And perhaps this is where the real opportunity lies: Human emotion and engagement aided by technology to help provide better service and financial outcomes for members.

For avoidance of doubt, this article was written by a human!

Written by Standard Life head of master trust workplace proposition, Donna Walsh

Master trusts: Coming together

Gill Wadsworth explores the current spate of consolidation within the master trust sector

Summary
• Regulatory reform is driving UK master trust market to shrink to a predicted handful of providers.
• Concerns exist over whether market consolidation will lead to lower service levels for members.
• Trustees urged to focus on value rather than cost when evaluating the master trust market.

The ever-decreasing pool of UK master trusts shrank yet further this July with the acquisition of National Pension Trust from XPS Pensions Group by SEI Investments in a deal worth £425 million.

The purchase continues the well-publicised consolidation trend in the master trust sector, which has contracted considerably following the imposition of greater governance requirements by The Pensions Regulator (TPR).

The master trust authorisation regime introduced in 2018 demands those running such schemes are fit and proper; financially sustainable and supported by the funder; have adequate systems and processes in place; and have a continuity strategy.

In the years succeeding the rules, is the number of master trusts fell from 90 pre-regime to 36 at the last count.

Sackers partner and pension lawyer, Helen Ball, says: "We helped some master trusts to wind up in the period following authorisation because they knew they weren't designed to operate under that regime. Those that remain made a conscious decision to be authorised because they either see some profit to be made, or they were an industry-wide scheme with non-associated employers and they didn't really have a choice."

Looking to the potential for profit, TPR figures show that the assets under management for the sector have rocketed from £52.78 billion for the years 2020 to 2021 to £105.3 billion in the year 2022 to 2023, while membership has shot up from 18.8 million people to almost 24 million over the same period.

Figures from administrator Go Pensions covering the first six months of 2023 reveal 5,000 new employers have moved into DC master trusts, bringing with them over a million new members.

Skills, capability and culture

This growth is set to continue as the Mansion House package of reforms and consultations focus on whether trustees have the 'skills, capability and culture' to comply with their duties and legal obligations, which may lead them to conclude that members are better served by the economies of scale boasted by the master trusts.

Zedra managing director, Kim Nash, says: "If employers want the best outcomes for their members, they need a scheme that is able to offer a strong investment proposition and a communications and engagement strategy that genuinely supports the entire journey at retirement options."

Nash continues: "The cost of doing that in-house can be high and trustees may not get the best experience for their members. Also, smaller schemes typically can't offer drawdown and pension freedoms. Master trusts offer an affordable solution."

All signs point to the UK emulating the Australian DC market, which is dominated by a handful of super funds.

Hymans Robertson master trust lead, Alison Leslie, says: "The drive for size and scale in the UK is similar to what we've seen in more mature markets elsewhere. The Australian market gives a tried and tested example of where master trusts have done well and, while it will take some time, the UK will follow suit. Maybe in 15 years' time we might reach 25 master trusts, which will likely drop to a very small number."

But as the number of employers seek to move their DC schemes increases while simultaneously the number of master trusts dwindles, there are questions to be asked about the potential impact on the quality and cost of the services available.

A white paper from Master Trust Atlas, which was subject to an acquisition by SEI in 2021, states: "Competition *[among master trusts]* is fierce as providers seek to scale quickly. For example, offering conversion terms that are driven by deal fever and do not consider the potential long-term effect

of such terms on scheme members and the employer. The danger here lies in price becoming the only determinant of value, which can quickly result in a commodified business and a race to the bottom with unsustainable cost bases."

Leslie agrees, noting: "As more players leave the market, there is the risk of a herding instinct where every provider moves towards the middle *[rather than improving]*."

However, she argues that with enough competitors in the sector, there would still be a desire to innovate and deliver decent member outcomes.

"The Australian market gives a tried and tested example of where master trusts have done well and, while it will take some time, the UK will follow suit"

Quality without quantity

It is critical then that where schemes are subject to a bid from a master trust, incumbent trustees and employers focus on the merits of the service offering rather than be wooed by an attractive price.

The Financial Conduct Authority and TPR's joint Value for Money framework announced in July following an industry consultation will, they say, help to protect members from falling into cheap but poorly designed schemes.

The new approach will require all DC schemes, including master trusts, to publish metrics across three key areas: Investment performance, cost and charges and quality of services, including factors such as scheme administration and member communication.

A TPR spokesperson tells *Pensions Age*: "As consolidation continues at pace in the DC sector, our position is clear: No saver should be in a poorly performing scheme that does not offer value for money. The Value for Money framework enables comparisons on value to be made across the market, driving up standards."

The spokesperson adds: "In addition, master trusts are required to be authorised and supervised, which means demonstrating that they meet high standards across their people, processes and financial position on an ongoing basis."

Ball notes that value for money, alongside the Mansion House focus on trustees' duty of care, means master trusts will be under to pressure to maintain standards. Part of that pressure will be making sure firms are adequately equipped with the requisite skills and expertise to meet the needs of the diverse needs of millions of individual members.

Standard Life head of master trusts, Donna Walsh, says: "Any master trust that is growing, whether that is organically or through acquisitions, needs to have resourcing plans in place well in advance and across the entire business. As a provider, we want to grow and to do so safely, maintaining excellent service levels to members."

Getting personal

The ability of such multi-billion-pound operations to offer members any meaningful degree of personalised service is another consideration for single employer scheme trustees when weighing up the master trust offerings.

Nash says: "Trustees in a standalone scheme knew their members closely, which means master trusts increasingly are having to think about the different segments of their membership and tailor communication to different age cohorts for example."

Technology will play an ever-more important role in helping master trusts engage with individuals.

For example, Walsh says Standard Life is "already using dynamic, automated communications based on what we

know about the member and actions taken to date. This dynamic messaging is also used in the member dashboard and mobile app, including personalised videos".

"We are now taking this to the next level. For example, if you know that somebody has looked at our investment hub, we will use this information to effectively engage with them next in a way that is helpful, non-intrusive and empowers the member," she adds.

As the number of master trusts falls, concerns about corresponding declines in service appear – as yet – to be unfounded. Efforts to ensure providers are held to account and assessed on their efficacy rather than their price should continue to drive innovation and divert a race to the bottom.

The proposed Mansion House reforms – if they come to pass – may drive consolidation in the master trust market even more quickly, but they should also afford members greater protection and ensure their best interests remain front and centre of trustees' minds.

Written by Gill Wadsworth, a freelance journalist

In defence of transfer times

PASA explains the nuances of pensions transfers and the challenges of comparing the times taken to do so, in response to recent claims that transfers take too long for savers

Administrators spend more time speaking to members than any other sector in the pensions industry. So they're well versed in the importance of carrying out transfers effectively. They're very focused on the importance of the member and want the transaction to happen in the best way possible. However, a transfer isn't a simple bank transfer of funds that can happen at Amazon speed.

There are different types of transfer. This is important to note, as there are key procedural differences. For example, a transfer from a DC scheme to another DC scheme is simpler to complete than a transfer from a DB scheme to another DB scheme, or perhaps more commonly a DC scheme (although not without its own complexity).

Sometimes a DB transfer needs the administrator to liaise with the scheme actuary to obtain the transfer calculations. There are others where schemes have given the authority to the administrator to calculate them. Some are automated, some are not. As some DB schemes manage liabilities and are on a route to buyout, the transfer value factors are more dynamic. All of these can create delays.

When looking at timescales, it is important to clarify whether they are elapsed times from the beginning to the end of a transaction or the individual transaction times. There's an important difference between the two as many parties can be involved in the transaction – each of which can drive delay. The extensive documentation needed to complete a transfer is often either only partially completed or arrives over an extended period rather than all together. These factors all impact the elapsed time as missing items are chased and details clarified. The STAR initiative is of merit but focuses on the bundled DC space, and PASA has value to add in transfers from occupational schemes.

Transfers can be complex transactions and while the recent anti-scam measures are there to protect members, they don't make for an easy and smooth process:

- The new regulatory transfer process had to be put in place within very short timescales and it was a tribute to the industry it was made possible. This means, for some firms, interim arrangements had to be used – some of which might still be in place
- The potential red and amber flag analysis by the ceding scheme can be complex and nuanced
- The current regulations regard a 'refer a friend' scheme operating at the receiving scheme as a potential red flag. For the transfer to proceed this requires decisions by the ceding trustees on whether to adopt a different approach – this can take time
- If a member is referred to a Moneywise appointment this needs to be explained to them, set up and the results considered. This also takes time
- Checking the regulatory status of adviser firms and the individual adviser isn't a swift and slick process

Against all of this, we can't expect members – many of whom have a limited understanding of pensions – to understand the detail of transferring funds. The key is managing expectations effectively. If I move house, I might get frustrated at the time it might take but I recognise this is one of my most valuable assets and it needs to be done properly. For many people, the transfer value may well represent their single most valuable asset (more than their home if they're lucky enough to own one) so it needs to be treated with due care and attention. As my late mother would have said… "More haste, less speed".

Written by PASA director, Paul Sturgess

Does your actuary test your objectives?

Institute & Faculty of Actuaries (IFoA) senior review actuary, David Gordon, reveals that actuaries don't always articulate objectives to their corporate clients

As a sponsor, what are your objectives when you're agreeing how to fund your defined benefit pension scheme? Do you want to move to lower risk investments so there is less uncertainty in future years and further protect scheme members? Do you want to limit the impact on profits? Or do you simply want to minimise cash contributions up to the next valuation? When taking advice, are you seeking feedback on these objectives from your actuary?

In our latest thematic review, we found that actuaries don't always focus on articulating the sponsor's objectives or clearly communicating how they relate to funding.

Actuarial advice

In an actuarial valuation, an actuary is often employed to help the sponsoring employer reach agreement with the trustees. Our review consisted of looking at nearly 50 examples of advice given by actuaries to sponsors on funding and strategy. The trustees of course take their own separate advice from their scheme actuary.

We saw many examples of actuarial advice where the scope was a broad instruction to review the trustees' proposals and assist in responding to them without further qualification around the sponsor's overall objectives for the valuation. In such cases, the advice was then often simply a reactive commentary on areas where the valuation could be less prudent than the trustees' original proposal. This contrasts with examples we saw where the actuary articulated their understanding of the sponsor's objectives and there were often wider discussions on scheme strategy beyond simply advocating a less prudent valuation approach and lower contributions.

Why is it important to state objectives?

There are several good reasons why actuaries set out objectives in their advice:

1. It provides the opportunity for the actuary to confirm their understanding of the objectives to ensure they are aligned with the sponsor and to test whether they are appropriate. Perhaps circumstances have changed since the last valuation, so it may be worth reflecting on whether the sponsor's aims should similarly change. Articulating them brings clarity on why the advice has been given.

2. Actuaries can link their recommendations or commentary on assumptions to the sponsor's objectives. Rather than simply advocating say a higher discount rate or shorter life expectancies (both of which would reduce any pension scheme deficit) the actuary could explain why these are appropriate in terms of what the sponsor is seeking to achieve.

3. Actuaries could also describe the risks and uncertainties of following a particular approach with reference to the sponsor's stated objectives. For example, paying less money in now may improve the sponsor's finances today, which may be an objective. But this may result in increased risk of higher contributions being needed in the future. It is important for the actuary to make this clear.

4. Finally, it is helpful when looking back. This will enable the future reader to better understand the advice that was previously given, particularly if personnel at the sponsor have changed.

Code of conduct

This is also linked to the ethical code of conduct that all actuaries must follow, known as the Actuaries' Code, which requires actuaries to 'ensure their work is appropriate to the needs and, where applicable, instructions of users'. When providing funding advice, isn't reminding the sponsor of their objectives a good way for the actuary to show that their advice is appropriate to their needs?

Thematic review programme

This article has described just one of the 19 findings in this thematic review. We would like to thank the actuaries from 15 consultancies who took part in this exercise. The thematic review programme is part of the IFoA's Actuarial Monitoring Scheme, which independently reviews key areas of work in which actuaries have significant involvement and influence.

Written by Institute & Faculty of Actuaries senior review actuary, David Gordon

Photo credit: Circe Hamilton

Launch event of The Pension Chapter.

Left to right: Eleanor Daplyn (Sackers); Nathalie Sims (LCP); Nora Stolz (The Female Forum); standing: Charley Smith, CFA (Janus Henderson Investors); Georgina Stewart (Sackers); Rhonda Moon (Trustee Executive Ltd)

The Female Forum's pension chapter

Nora Stolz explains what impact the Female Forum's recent industry network, The Pension Chapter, has, with its aim to foster strategic connections and industry collaboration within the UK pensions industry

In June this year The Female Forum launched its first industry-specific initiative: 'The Pension Chapter'. The Pension Chapter is part of The Female Forum – a global network that helps to connect professional women across industries through its members-only platform.

We saw an opportunity to create a structured and collaborative industry initiative to connect some of the most influential women in the UK pension industry in person. We believe that bringing together diverse minds in one industry helps to foster trust, innovation, and collaboration.

"The event was an opportunity to connect with inspiring women and to gain insight into key pensions issues with thought-provoking discussions in a supportive environment" – Rachel Hallett, scheme secretary, BBC Pension Scheme

Through our quarterly in-person thematic industry roundtables – designed by and for leading women in the UK pension industry – we create an intimate forum that helps to spark interesting conversations, generate meaningful insights, and strengthen the networks of diversity leaders with the industry.

The pension industry – like many other industries – is going through dramatic and rapid change, from the rise of artificial intelligence, change of regulations and reporting, to shifting lifestyle and longevity trends, as well as tackling issues around diversity, equity, and inclusion to make the industry more representative. Being able to work together in a collaborative way is key for the industry to emerge stronger and more sustainable. We wanted to create a forum for that.

Together with our partners LCP, Janus Henderson Investors and Sackers, we are thrilled that we were able to bring such an impactful initiative to life that resonates with so many. Our top priority remains to create a positive experience for senior leaders in the industry; and we look forward to welcoming additional corporate partners to join and to back this collaborative industry initiative.

We are proud these pioneering leaders decided to support us in our vision of creating a professional world everyone can believe in and thrive, and we very much look forward to seeing the initiative develop over the coming months.

The first The Pension Chapter breakfast roundtable took place in June 2023 and was themed 'good governance and the importance of diversity of thoughts', facilitated by LCP partner, Zoë Burdo, and hosted in the offices of LCP. It showed how much this high-quality, thematic, and intimate industry-specific roundtable format resonates with leaders in the UK pension industry.

"What makes The Pension Chapter stand out is that it creates such an inspiring and intimate forum that encourages industry collaboration and idea sharing amongst industry leaders" – Rhonda Moon, COO of the National Grid Pension Scheme, and the lead of The Female Forum's The Pension Chapter

In October, Janus Henderson Investors will host the next The Pension Chapter breakfast themed 'Artificial intelligence – and the implications and applications for the UK pension industry', facilitated by Janus Henderson global tech portfolio manager, Alison Porter.

To join as corporate partner, please get in touch on info@thefemaleforum.com subject line 'The Pension Chapter'. Individuals are invited to apply to join The Female Forum https://www.thefemaleforum.com/pensionchapter.

Written by The Female Forum founder and CEO, Nora Stolz

A closed shop?

The pensions sector remains the preserve of those from higher socio-economic backgrounds, despite equivalent professions working to improve greater diversity in recent years. However, efforts to attract, and retain, people from lower socio-economic backgrounds are starting to increase, finds Laura Blows

Summary

• The pensions industry, and financial services generally, still mainly consists of people from higher socio-economic backgrounds, despite equivalent professions having made greater progress in improving their socio-economic diversity.
• Working-class people's lack of 'economic, social, and cultural capital', along with financial firms still typically hiring people from private schools and Russell Group universities, have contributed to the lack of socio-economic diversity in the industry.
• People from lower socio-economic backgrounds that are working in the financial services sector find that they earn less than their higher socio-economic peers, their careers progress slower and they are less likely to obtain senior-level positions.
• The profits of organisations focusing on social mobility can be 1.4 times higher than their competitors. Having people from a mix of economic backgrounds helps to minimise groupthink. Focusing on socio-economic diversity can also improve the mix of other diversity characteristics, such as gender or ethnicity.
• Collecting data to measure the scale of the problem is needed, along with applying techniques to recruit from a more diverse pool of candidates and fostering an open culture where working-class people feel supported within their organisations.
• Concerted efforts to improve the socio-economic diversity of the financial sector has ramped up in recent years, such as through the work of Progress Together and the Diversity Project, along with an increasing focus from organisations, such as The Pensions Regulator and the Association of British Insurers.

"The financial services industry remains a bastion of the middle classes."

Hardly shocking news from Association of British Insurers (ABI) director of policy, long-term savings, and executive sponsor for diversity, equity and inclusion (DEI), Yvonne Braun, as the sector has long had the reputation that it is the domain of rich, white, men.

Yet it is disappointing that this is still the reality, considering the efforts to facilitate DEI in the industry, and that other equivalent sectors are already seeing their efforts to shake off similar stereotypes yielding success. For instance, the legal profession's regulators already mandate data collection on companies' socio-economic diversity, and the Social Mobility Foundation's *Employer Index Report 2022's* top 75 employers list is dominated by legal firms.

Surveying the financial services landscape, the City of London's 2020 report, *Who gets ahead and how?*

Defining socio-economic backgrounds
The Social Mobility Commission places socio-economic backgrounds into three groups:
• *Professional backgrounds* – modern professional & traditional occupations; senior or junior managers or administrators.
• *Intermediate background*s – clerical and intermediate occupations; small business owners.
• *Lower socio-economic backgrounds [working class]* – technical and craft occupations; routine, semi-routine manual and service occupations; long-term unemployed.

The commission states that the key question for employers to ask when determining social background is the occupation of the main household earner when aged 14, followed by the type of school attended between 11-16, whether they were eligible for free school meals, and, for graduates, whether their parents also attended university.

Socio-economic background and career progression in financial services found that 51 per cent of respondents are from a higher socio-economic background *[see boxout for socio-economic definitions]* – a proportion, it says, that is higher compared with most elite professions in the UK.

For context, the Social Mobility Commission currently gives the class breakdown for England as 37 per cent professional, 24 per cent intermediate, 39 per cent working class.

But that's financial services generally; what about the pensions sector itself?

"The pensions industry in our view is much like the overall investment and savings industry and the financial services sector more broadly. Collectively, these industries are likely behind some other industries, such as professional services and the legal industry, which began to address the topic a little earlier," the Diversity Project (a cross-company initiative "championing a truly diverse, equitable and inclusive UK investment and savings industry") social mobility workstream co-lead, David Aulja, explains.

Whilst there are as yet no data points about socio-economic diversity in the pension industry, it stands to reason that this sub-sector of financial services doesn't look radically different, Braun says.

"And in some areas, little data is being collected to prove otherwise. In fact, The Pensions Regulator found that only 17 per cent of defined contribution schemes formally obtained and recorded any diversity data in relation to their trustees," she adds.

"Career progression all too often depends on attributes such as 'visibility', familial and education connections, shared cultural or social experience, and perceived gravitas"

The findings of Cardano's research earlier this year are even more stark, revealing that only 2 per cent of respondents said that their scheme/organisation collected socio-economic background data, Cardano Advisory CEO, Darren Redmayne, states.

However, in November last year, the ABI stated that 29 per cent of companies participating in its data collection are capturing some form of data on social mobility, and a further 20 per cent plan to do so.

Despite the lack of statistics for the pensions industry specifically, why does it, and the financial services sector generally, not seem so open to social mobility, compared to their peers?

Barriers

"One key barrier is the lack of capital. A mix of the lack of economic, social, and cultural capital is a significant factor too. Economic capital is a tailwind for those who have it, providing a safety net and more security as they seek careers in 'elite' industries. Social capital and the 'networks' that they provide access to means that awareness of such industries is higher and often routes to work experience and entry level roles are easier due to who you know. Cultural capital plays a meaningful role in the ability to 'fit in' as it means you are more likely to have common experiences," Aulja says.

He also gives the example of some selection processes that inherently perpetuate the status quo. "An example of this could be a recruitment focus on Russell Group universities. Lack of work experience and financial knowledge can also be additional barriers to successful entry to internships or graduate programmes, which again favour certain socio-economic groups," he explains.

Recruiting from Russell Group universities means entrants to the industry will only be as socio-economically diverse as those attending those universities.

The Social Mobility Foundation's *Employer Index Report* found that just 2 per cent of Russell Group students were eligible for free school meals. "In fact, young people from the most advantaged backgrounds are five times more likely to attend Russell Group universities than comparable peers," it stated.

Cardano's research highlights the dominance of university education within pension trustees, as 70 per cent of its respondents say that four out of every five board members have tertiary education. This 'closed shop' is also evidenced by trustees usually being "selected based on previous experience, including financial sector experience", Redmayne says.

In terms of recruitment, "it all depends on firms' vetting processes", NextGen (the membership body to encourage and promote younger voices within pensions) main committee member, Martin Wigfield, says.

"Firms that receive high volumes of applications will need a way of filtering them, and therefore will deploy pass/fail questions at the application stage. How far back they go varies, some may go as far back as GCSE results," he explains.

The impact can go even further back than GCSEs, to the start of secondary education.

The City of London's Socio-Economic Diversity Taskforce's August 2022 report, *Building the Baseline: Breaking the Class Barrier – Measuring socio-economic diversity at senior levels in UK financial and professional services* found that 19 per cent of all respondents and 26 per cent of senior-level employees had gone to independent or fee-paying schools, in contrast to the 7.5 per cent national benchmark.

More junior level respondents (20 per cent) attended an independent or fee-paying school compared to mid-level employees (16 per cent). "This is important because it affects the pipeline of talent moving to senior positions," it stated.

Based upon her experience of working alongside privately educated colleagues, Pinsent Masons partner, Christina Bowyer, says that private schooling "helps to bring out an innate confidence in many people, which I think is a key skill to have when working in a professional environment; state schools just don't instil that into pupils in the same way".

The lack of people in financial services from working-class backgrounds can also be attributed to the cost of education, even when attending a state school, she adds, giving the examples of the requirements for laptops and internet connection, "that not all can afford, even if they are earn enough not to qualify for assistance from the state or other organisations". The amount of debt accrued through student loans to attend university can be off-putting to working-class students too, she adds, knowing that they do not have family funds to assist and not wanting to risk creating extra financial strain to themselves or their families.

These monetary practicalities may result in working class people unable to afford to even attempt a career in financial services, particularly as the

Social Mobility Foundation's 2022 report was "disappointed" to find the financial services sector, among other professions, still have unpaid internships occur, meaning those that cannot afford to work for free have a barrier to entry.

"There is also the issue of 'sorting effects' where individuals either sort themselves into types of roles (as they don't see people who are similar to themselves in these roles already) or hiring firms may do this on their behalf," Aulja says.

Career progression

However, some areas within the pensions sector are more likely to see staff from a broader socio-economic background.

While Bowyer thinks that the legal and actuarial profession and the investment teams may largely consist of those from professional backgrounds, "pensions administration and consultancy teams may be more socio-economically diverse", potentially due to people being more able to access those professions straight from leaving school.

According to Progress Together, the not-for-profit membership body that aims to drive socio-economic diversity at senior levels in UK financial services (which was created as a result of the City of London's now-closed Socio-Economic Diversity Taskforce), there are also more people from working-class backgrounds within the lower levels of the financial services profession, but less so at senior levels.

Its head of strategy, Mona Vadher, says that financial services firms, including pensions companies, have done "an amazing job" at bringing people from lower socio-economic backgrounds into the industry, through degree-level apprenticeships, work experience programmes and access initiatives.

"However, unless there are processes in place to nurture and hold on to that talent, it is being lost," she states.

That support is currently lacking, as the *Building the Baseline* report found that working-class employees are 17 per cent less likely to have benefited from a senior level sponsor.

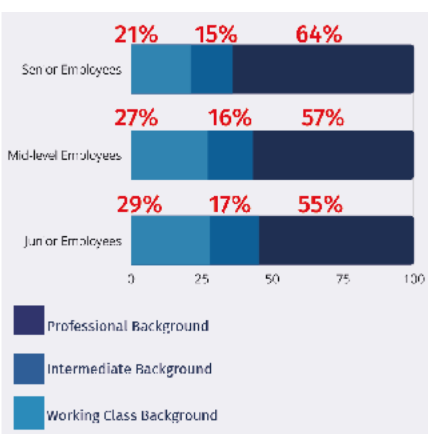
Also, the City of London's Socio-economic Diversity Taskforce's November 2022 report, *Breaking the Class Ceiling: Recommendations for Building a More Socio-Economically Diverse Financial and Professional Services Sector* found that, while around half of all employees in the sector are from non-professional backgrounds, these employees progress 25 per cent slower than their peers.

Only 36 per cent of working class and intermediate employees have progressed to senior levels, defined as board, executive committee, partner and two levels below, it reported. Employees from non-professional backgrounds are also likely to get paid up to £17,500 less per year – with zero link to job performance, it found.

According to Vadher, 89 per cent of people in senior roles within financial services are from higher socio-economic backgrounds, compared to 52 per cent for other comparable professions.

Braun cites the *Who gets ahead and how* research, which finds that opaque

Socio-economic breakdown of financial services industry workers



Source - Building the Baseline: Breaking the Class Barrier Measuring socio-economic diversity at senior levels in UK financial and professional services, City of London's Socio-Economic Diversity Taskforce, August 2022

processes exist around promotion, work allocation and senior level sponsorship. "This means career progression all too often depends on attributes such as 'visibility', familial and education connections, shared cultural or social experience, and perceived gravitas," she states.

The Diversity Project's report, *Socioeconomic Diversity in the Investment and Savings Industry; a study into the barriers and how they can be overcome*, highlighted the barriers faced by working-class people once in the industry.

"More diverse organisations lure better talent and improve their decision making, customer orientation and employee satisfaction"

These include the ongoing 'sorting effects', where access to more prestigious roles is often restricted to those with more privileged backgrounds, as assumptions are often made about what clients expect from a client-facing individual in terms of polish and confidence.

There is also the 'meritocracy myth', it said. "Many in the industry will argue that merit will win, while at the same time acknowledging the relationship between socio-economic background and career progression. The meritocracy myth goes unchallenged by those in the system for whom the status quo favours and who do not recognise the barriers those less privileged than themselves have to face," it explained.

Also highlighted in the report was a lack of 'belonging', with organisations being described as having hostile cultures for people with less privileged backgrounds, as the latter often do not share the same interests or experiences as the privileged majority, making it increasingly more difficult to build relationships and network within the industry.

Bowyer suggests that this may result in a lack of confidence, with people from working-class backgrounds potentially more likely to suffer from 'imposter syndrome'.

Accenture's report, *A fair chance to advance – The power of culture to break socioeconomic barriers in the workplace*, found that just 52 per cent of employees say they feel 'completely safe' being open about their socioeconomic background in the workplace and that 13 per cent do not feel safe.

In November 2022, the Sutton Trust, the foundation for social mobility, released its research into accents and social mobility. It found that for those in senior managerial roles from lower socio-economic backgrounds, 21 per cent were worried their accent could affect their ability to succeed in the future, compared to 12 per cent from better-off families.

Benefits of socio-economic diversity

While undoubtedly a shame for the individual from a lower socio-economic background, what effect does their lack of progression, or even entry into the industry, have on the sector's employers?

"A lack of socio-economic diversity in the industry is symptomatic of a broader issue, which is the 'mis-pricing of talent'. Outdated and simplistic notions of what constitutes talent in any given context are leading us to search in remarkably narrow talent pools. Exceptional talent is hiding in plain sight, right underneath our noses. It can be found in the council estates, tower blocks and middle-class suburbs up and down the country," Aulja says.

Quite simply, this lack of progression for working-class people within financial services is "driving down productivity, creativity and innovation", Braun states.

"The business benefits of greater

diversity at all levels of organisations should by now be well understood: More diverse organisations lure better talent and improve their decision making, customer orientation and employee satisfaction. As consultants McKinsey put it, diversity and inclusion are a 'powerful enabler of business performance'," she adds.

This is evidenced by Accenture's research, which finds that the profits of organisations focusing on social mobility are 1.4 times higher than their competitors.

"It doesn't just make good business sense; investors are increasingly interested in socio-economic diversity," Vadher says. "One asset manager told us that they'd seen a four-fold increase in enquiries from investors on this subject within the past 12 months."

Having a mix of people from differing socio-economic backgrounds can also help to minimise groupthink and promote diversity of thought, Bowyer adds.

The *Building the Baseline* report also found that socio-economic background can amplify other inequalities, particularly related to ethnicity and gender – diversity areas that the industry has typically focusing its attention. For instance, the report revealed that just 1 per cent of senior leaders are ethnic minority females from working-class backgrounds, compared to 45 per cent white males from professional backgrounds.

The *Breaking the Class Ceiling report* puts it strongly: "Companies should not, and cannot, continue to maintain the status quo. Lack of inclusion and barriers to progression for employees from working class and intermediate backgrounds poses a real risk to the future of the financial and professional services sector in the UK."

Case study: Aviva

As Aviva is the winner of the Pensions Age 2023 Diversity Award, *Pensions Age* spoke to its diversity, inclusion, and resourcing director, Jonny Briggs, to find out about its efforts to increase socio-economic diversity within its firm.

"Socio-economic diversity is a key part of our broader diversity, equity, and inclusion (DE&I) programme and is thought about at every stage of recruitment, training, and development. We have people from every walk of life working across our UK offices, including London, Norwich, Sheffield, and York," Briggs states.

"In our early talent programmes, we use blind CVs and often do not require a degree, to avoid bias and to level the playing field," he adds.

It has entered partnerships with organisations like Career Ready and upReach, which help to support those from lower socio-economic backgrounds to get paid internships, work experience, and to highlight opportunities at Aviva. Also, Aviva Internship is a dedicated programme for students from low social economic backgrounds.

"We believe progress is more of a widespread issue than recruitment and we work with Progress Together to help ensure those from lower socio-economic backgrounds progress at the same pace as other colleagues," Briggs says.

"We also provide non-inclusive behaviour training, which includes non-inclusive behaviours that may impact colleagues from lower socio-economic groups. For instance, we offer our people a corporate credit card for expenses, which recognises people might not have access to their own.

"It is important to us that we are always doing better for our people. We collect socio-economic background data, which is based on social mobility best practice, so we can monitor career progression and regularly understand how our people feel about working at Aviva," he adds.

Improving the socio-economic mix

So, what can companies do to improve the socio-economic diversity of their employees?

NextGen provides tips to improve diversity when recruiting staff. Its suggestions include working with local colleagues to find candidates, providing flexible working, being upfront with salary ranges, and to not to include niche requirements or qualifications unless necessary.

Meanwhile, the City of London's Socio-Economic Diversity Taskforce created a Five Point Pathway for employers to adopt to help them improve socio-economic diversity in senior levels of the workplace *[see table]*.

"Ultimately, employers should remove as many biases as possible from the processes associated with recruitment, and commit to looking where others are not," Aulja says.

"They should also heed these warnings when hiring and promoting internally, too. A huge amount of unlocked potential already lies within businesses – perhaps hiding in plain sight, either masking their true identities or yet uncaptured data points on a company's journey toward socioeconomic diversity," he adds.

Accenture's *A fair chance to advance* report recommends having role models, providing work structure flexibility, enabling openness and transparency for all employees to be their 'true self', incorporating anti-discrimination policies, and generating trust and responsibility to help lower socio-economic background employees progress.

People need to be able to 'see' themselves reflected back to feel comfortable in this environment, Bowyer says, suggesting mentorship schemes to help with this.

NextGen Research and Insights Committee head, Mark Ormston, highlights the need for the industry to be a 'safe space' for people to feel comfortable discussing their backgrounds and the challenges it may bring in their careers, which is where mentorships may help.

"We try to encourage people to get comfortable with getting uncomfortable, as we want people to share their stories and create a culture of communication. The more senior leaders that can be identified and transparent about their stories, the more you can create an open culture," Vadher states.

She also emphasises the importance of "fixing the process rather than the individual; not making them conform to these dominant cultures, as they waste a lot of energy doing so, which then makes them want to leave the sector".

A key issue with improving socio-economic diversity within the sector is that "it's not quantitative, so we tend to focus on issues that are easy to measure", Redmayne states.

This is an attitude that will need to change to improve socio-economic diversity. As, "ultimately, much of the future success (or lack of) in enhancing socio-economic diversity will be down to data and the ability to benchmark and measure progress", Aulja says.

The data collected needs to be granular enough to understand which type of roles are lacking in diversity, as it "can be the case that an organisation seems diverse from a socio-economic perspective but that the employees from a lower socio-economic background tend to be in lower-level administrative roles", he adds.

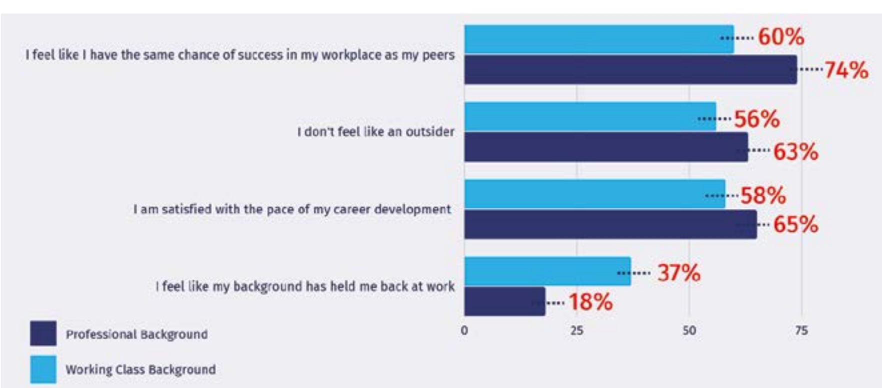
According to Braun, "first and foremost, organisations should start collecting diversity data to have a baseline".

Vadher warns that a culture of trust needs to be built when obtaining this data, to help minimise any discomfort in revealing this information, and to avoid 'diversity fatigue'.

"The collection of data is so important, as whilst it's easy to make assumptions about the industry's socio-economic make-up, what gets measured often gets done," she says.

"I would love more visibility, to see the scale of the socio-economic gap we are facing. Look at the gender pay gap; a few years ago, we didn't have the visibility or data to try and improve this and now that we do we're making progress," Vadher adds.

Feelings of 'belonging' in the financial services sector by socio-economic background



Source - Building the Baseline: Breaking the Class Barrier Measuring socio-economic diversity at senior levels in UK financial and professional services, City of London's Socio-Economic Diversity Taskforce, August 2022

Tackling the problem

Societal and cultural shifts may also naturally improve socio-economic diversity within the sector. For instance, a consequence of the Covid-19 pandemic is the rise in remote working. This may help improve the socio-economic mix of people entering the industry, as they no longer have to move to London/Edinburgh, which is too expensive for many, Ormston says.

Recent years have also seen more proactive, and combined, efforts to improve socio-economic diversity within the pensions and financial services sectors.

"Financial services businesses are ultimately people businesses in the sense that their talent is their main asset. Companies within the sector are beginning to realise the importance of recruiting and nurturing talent and ensuring true diversity of thought. However, it is perhaps a two-speed phenomenon and there is more to be done around awareness and around practical implementation to get to where it needs to be," Aulja says.

"The good news is that in the past couple of years there has been a notable change within financial services and the issue of socio-economic diversity is now much more front of mind and moving up the agenda rapidly," he adds.

Five-point pathway for employers to improve its company's socio-economic diversity

	Step 1: Leadership	Step 2: Assess	Step 3: Take action	Step 4: Set goals	Step 5: Publish
Employers	Assign clear **accountability and responsibility** to senior leaders.	**Collect data** on the socio-economic background of employees at all levels by end of 2024 (using questions recommended by the Social Mobility Commission)	**Take action** to increase socio-economic diversity at senior levels and monitor what works.	Set organisation **targets**– considering specific context for example, starting point, size, and subsector.	**Publish** data and what activities have worked.

Source: City of London's Socio-Economic Diversity Taskforce

For instance, between October 2021-March 2022, the City of London's Socio-Economic Diversity Taskforce conducted a socio-economic diversity in UK financial and professional services baseline survey report for the Institute and Faculty of Actuaries.

Since its launch 12 months ago, Progress Together's membership now represents more than 30 per cent of the UK financial services workforce.

"As the years go by, we will be able to make recommendations on the interventions that actually work, which will in turn improve socio-economic diversity in financial services. Our long-term aim is that the UK financial services sector is representative of the UK's working population," Vadher says.

Launched last November at its annual DEI Summit (with the next scheduled for October this year), the ABI's DEI Blueprint for the sector sets out a multi-year strategy and work plan to improve DEI within the insurance and long-term savings industry, across each stage of the employment journey.

This includes "using inclusive recruitment practices to attract the best talent from all backgrounds, to helping employees grow and progress their careers in the sector, and advancing understanding of what works to drive improvement", Braun explains.

Regulation is coming, she adds, stating that the FCA's "highly anticipated draft rules on improving diversity and inclusion across the financial services sector are expected to focus on gathering and using data to improve DEI".

The Pensions Regulator director of regulatory policy, analysis and advice, Louise Davey, states that the regulator believes diversity and inclusion is important to good governance and decision making and therefore to good saver outcomes and that diversity goes beyond protected characteristics.

"Our trustee diversity and inclusion survey *[which launched July 2023 and has recently closed to responses]* set out to build a clearer picture of trustee diversity, including in socio-economic background. The results of this work will help us build a picture of diversity on trustee boards so we can effectively measure our progress in promoting high standards of diversity and inclusion," she adds.

The survey is part of TPR's action plan, published in September 2022, which sets out its vision to support the trustee landscape to become more representative. In March 2023, TPR published equality, diversity and inclusion guidance for pension scheme governing bodies and employers.

According to the *Building the Baseline* report, in 2021, KPMG was among the first to voluntarily publish socio-economic pay gaps and also set a target for 29 per cent of its UK partners and directors to come from a lower socio-economic background by 2030.

Vadher also gives the example of Santander, which has "spent years tracking its data and has set a target of 35 per cent senior leaders from working-class backgrounds by 2030".

The *Building the Baseline* report called for 50 per cent of senior leaders in the UK financial and professional services sector to come from a working class or intermediate backgrounds by 2030.

"We will review this target in 2025 to ensure it remains representative and achievable by 2030. By this time, we expect all organisations in the sector to have started to collect data on the socioeconomic background of their employees, so as a sector we can have a better-informed baseline," it stated.

"We are under no illusions over the scale of the job in improving socio-economic diversity in a meaningful way," Aulja says. "However, we are optimistic that it can be achieved. The pensions sector, as a collection of asset owners, is very well placed to effect change within itself and more broadly amongst those whose services it employs, for example asset managers and investment consultants."

Its influence also extends beyond the financial industry itself. As Braun says: "The pensions industry has a really important social purpose: Helping people create a financially secure future. It is something that should speak to people from all walks of life as a great purpose for a career."

Written by Laura Blows

Social Mobility Day

Social Mobility Day is an initiative organised by Making The Leap, which exists to help raise the awareness of social mobility and encourage organisations to share their social mobility stories with the public. It launched in 2022 and takes place annually in June.

https://socialmobilityday.com/

Paying the pensions professionals

Hoffman Reed's *Pensions Salary Guide 2023* considers what might be impacting the salaries of a range of pensions roles

Several social trends in recent years may have resulted in changes to the salaries of a range of jobs within the pensions sector, Hoffman Reed finds.

According to its latest *Pensions Salary Guide 2023,* which explores compensation data for 34 different roles within the pensions industry, its findings suggest that lower earners have seen larger percentage pay increases than those in senior leadership roles, something it attributes to the current cost-of-living crisis. For example, on average, pensions administration salaries have received a 9.7 per cent increase since 2021, versus a 1.9 per cent increase for those in senior leadership roles across the board.

While the aftermath of the Covid-19 pandemic continues to reverberate, the guide finds that the pensions industry has typically been quite robust to its effects, with fewer job losses than other industries. Hoffman Reed's research sees a circa 20 per cent decrease in average base salaries for administration managers, yet total compensation only fell by 3.1 per cent. "This suggests that we have seen a number of promotions over the past two years resulting in lower base salaries but similar total compensation packages," the guide states.

According to Hoffman Reed, the pandemic also increased competition between consulting firms to acquire the best talent, with business development professionals within consultancies particularly in high demand, seeing an average increase of 8.8 per cent.

An increased focus on diversity, equality, and inclusion has led to increased salaries for female and ethnic minority candidates, "who have historically been paid less than their white male counterparts", the guide states. This has led "to an increased harmonisation of fees across board directors". The average fee for a director has risen 5.3 per cent since Hoffman Reed's last report.

The rise in remote working may well be the reason why the guide also finds a large rise of pension professionals based outside of London applying for roles within the capital, "because people are more willing to travel further for a hybrid role that only requires them to travel two to three days a week".

Remote working has not only created competition amongst candidates, as companies can attract talent from further away, but has also seen an increase in competition between companies. As such, organisations are offering larger total compensation packages to either retain current talent or attract talent from a more accessible talent pool. All roles within the guide's in-house executive category show the average total compensation rose by 2.5 per cent.

Hoffman Reed's *Pensions Salary Guide 2023*

Hoffman Reed's *Pensions Salary Guide 2023* provides up to date information for both base salaries and total compensation within the pensions industry, ranging from the highest to lowest, as well as the average.

The salary guide also shows the upper, median, and lower quartiles. The findings from the guide are based on data gathered from public records, external data providers and from Hoffman Reed's own records during the period 1 December 2022 to 28 February 2023.

Hoffman Reed notes that during the research for the salary guide, it collected significantly more data than in previous years. As such, this year's data set is much wider than its previous salary guides. Therefore, this may have affected its total data range, showing larger highest earners and smaller lowest earner figures in many of the roles covered.

Summary

- Research has shown that many remain reluctant to tell their employer about a cancer diagnosis, but there are steps that the industry can take to break down this stigma and ensure staff feel supported.
- Staff may require time off to undergo treatment, which will require flexibility and understanding from industry employers.
- Significant illness can often bring a financial hit, which can have a knock on effect on pension saving, but there are changes that could help mitigate this.

Offering a helping hand

Sophie Smith looks at the stigma that can surround working while ill, and the support the pensions industry can provide staff during challenging times

Dealing with vulnerable customers is an everyday occurrence for many in the pensions space.

Yet the industry rarely reflects this attention inwards, to consider how it is helping its own staff and ensuring they feel supported should they run into an unexpected health crisis.

But the chances of this happening are sadly very real. In the UK alone, someone is diagnosed with cancer every two minutes. And research from the Institute for Employment Studies (IES) shows that because of changes to retirement ages, around half of those diagnosed are of working age. This, together with improved survival rates, means employees who want or need to continue working after a diagnosis will be more common in workplaces.

Avoiding a long-term hit

Evidence of the financial hardship caused by significant illness is clear. It is not only day-to-day finances that can be impacted, however, as example analysis from Standard Life reveals that if someone at 45 missed just one year of contributions due to ill-health, their pension pot would be £10,000 less than expected, reaching £451,000 by the age of 66.

Meanwhile, someone who was only able to return to work three days a week would likely see a £77,000 reduction in their pension savings, to £384,000.

But there are steps employers can take to support savers during these difficult times.

"One-way employers can support employees impacted by long-term ill health is by continuing to pay their pension contributions," Standard Life head of customer vulnerability, Riffat Tufail, says.

LCP partner and head of people, Carla Lakey, agrees, suggesting that employers can aid members in retirement security by offering support, including flexible work arrangements that enable continued pension contributions and promoting awareness of suitable benefits.

"It's important that employers help employees to understand what benefit offering is available to them. For example, if an employer provides income protection as a benefit, the scheme may well cover an individual's pension contributions also. Communication plays a huge role here, ensuring employees understand what they are entitled to and providing information on options for pension deferrals or adjustments due to health challenges as well as wider benefits that can help pension members navigate financial uncertainties," she explains.

Despite this, research suggests that many employees are reluctant to talk to their employer when facing a significant health crisis, such as a cancer diagnosis.

Standard Life head of customer vulnerability, Riffat Tufail, says that it is "vital" that employees feel comfortable speaking to their employer if they are impacted by cancer, given evidence suggests that acting quickly can make a real difference in beating cancer.

Whilst underlying social stigma plays a part, LCP partner and head of people, Carla Lakey, says employers have a "pivotal role" in establishing a nurturing and supportive workplace environment.

Simply beginning the conversation can be the first step, as Lakey says that encouraging people internally to share experiences and stories is important in creating a culture where employees feel comfortable coming to their employer.

Additionally, Royal London pensions and protection insurance expert, Clare Moffat, says some employers are able to alleviate the issue of staff being reluctant to talk about a serious illness through their sick leave entitlement.

This type of support is clearly still needed, as the IES found that a quarter of those with a cancer diagnosis had to take annual leave during their treatment. But there are good examples out there, as Moffat notes that NHS staff with 5+ years' service are entitled to six months full pay followed by six months half pay.

"Policies like this offer employees longer recovery times, but, perhaps just as importantly, remove some of the financial stress employees may otherwise face if their income reduces to statutory sick pay quickly," she explains.

In addition to this, Moffat says some employers are offering varying degrees of occupational health, vocational rehabilitation and wellbeing services, which can come included within an Employee Assistance Programme (EAP).

These EAPs, according to Lakey, can make a big difference by providing key access to specialists, and confidential support at the end of a phoneline for employees, including financial and mental wellbeing support during what is understandably a very difficult time.

Tufail agrees that a robust EAP can help ensure employers are providing a supportive workplace, suggesting that insurance can also help: "Access to well-being and counselling services, as well as private medical insurance, with the option to add family members to these services, means that any colleagues facing significant health issues have support built into their workplace package."

And this support can be two-way, as Moffat explains that key person insurance cover can provide a financial safety net in the event that a person is unable to work or, indeed, passes away.

Flexibility will also likely be needed, as Lakey notes that, particularly during treatment time, it is understandable that plans may need to change. "Employers need to be flexible and ensure that employees feel comfortable flagging when/if something needs to change, even if plans have been agreed," she says.

But it is not only important to provide support when individuals are mid-treatment, but also to ensure that

Communicating in difficult times

Pensions are a long-term savings item, but allowances during times of ill-health are in place to ensure that savers are able to access their money when truly needed. For those with the most serious illnesses, public sector schemes offer ill-health retirement, which can see members begin to receive an unreduced pension before their normal retirement age. In addition to this, if someone has fewer than 12 months to live, they can access all of their DC pension fund income tax free, while someone in a DB scheme can also normally access all of their ill health benefits as a lump sum, which can help with expenses.

However, Royal London pensions and protection insurance expert, Clare Moffat, emphasises the need for advice around these decisions, pointing out that, if the person doesn't spend all the money, it could be subject to inheritance tax at 40 per cent. In contrast, if someone spends all of their DC pension, there could be nothing left for any dependants. Whilst this is a difficult conversation to have, Moffat says ensuring that staff know about this could help them make the most of their last few months.

LCP partner and head of people, Carla Lakey, agrees that effective communication is "crucial" when serious illness affects early pension eligibility, stressing the need to use empathetic communication, with clear messaging.

This is an area that the industry is always striving to improve in, as a spokesperson for Nest states: "We know how difficult it can be dealing with a serious illness, let alone the life administration that comes alongside this, which is why we've made sure our information about your rights in the serious ill health policy are clear and readily available. At Nest, we get around 40 serious ill health claims initiated each month, which indicates members who need to access this service are finding our policy. We're always looking at ways we can improve the information we provide for our employers as well and may look at whether this is a suitable place to signpost our serious ill health information."

However, Tufail stresses that is not just customers, but colleagues' well-being that is a concern during these types of interactions. "Our colleagues have access to a range of training materials, including our award-winning Vulnerable Customer E-Learning and our award-winning Listening Wheel training, created with the Samaritans, to help enhance listening skills so all colleagues listen with empathy," he explains. "Additionally we have created a highly innovative virtual reality experience that puts our colleagues at the heart of a re-enacted customer and colleague conversation."

Caring for our carers

Royal London pensions and protection insurance expert, Clare Moffat, points out that the diagnosis of a serious illness, such as cancer, can have a life-changing impact not just on the person diagnosed but their family too.

"The loss or reduction in household income caused by a premature death or long-term absence from work due to serious illness or injury is likely to mean families readjust their priorities and could result in long-term savings and insurances falling down the pecking order," she says.

In addition to this, many find themselves stepping into a carer role, which can effect the ability to save for a pension. Research from Now Pensions reveals that under-pensioned groups, in particular carers, are over-reliant on the state pension; accounting for nearly three quarters (72 per cent) of their income in retirement.

Now Pensions head of campaigns, Samantha Gould, states: "Taking on unpaid caring duties and balancing this alongside a career can have a significant burden on someone's finances and their financial resilience upon retirement.

"We want to ensure that everyone has the same opportunity to save for later life and have long advocated for the introduction of a carer's pension top up, whereby the government pays the equivalent of the employer's pension contribution at the same level as the National Living Wage. The top-up would amount to around £820 per year per person and would boost pension outcomes by approximately 20 per cent for anyone who take 10 years out of work due to caring responsibilities before returning to the workforce full time."

"Whether it's an employee or their family member who's received a diagnosis, financial and emotional strains become intertwined"

Business as usual

Even with the best support, there are times when illness will require time away from work, and this can cause a strain for businesses, particularly given recent key person concerns and resourcing issues seen in the industry.

Zedra client director, Louisa Harrold, says that, where an individual is unavailable to act as a trustee for a period of time (say a six-12 month period), open discussions should be had as to whether they wish to continue in the role, the key decisions expected to be made during the period of absence, and whether there are sufficient co-trustees available to pick up any strain.

"All of the above challenges can be worked through, and in most instances I would expect the trustee board be able to navigate through without seeking additional external support," she says, acknowledging that the employer may need to provide additional flexibility for a co-trustee who will be taking on extra responsibilities, or be flexible with the timing of non time-critical projects led by the employer, which require input from the trustee board.

those staff feel supported as and when they choose to return to the workplace.

The IES previously warned that HR professionals are not doing enough to raise awareness of employment rights and the obligation to offer reasonable adjustments, after it found that just 57 per cent of those who returned to work were aware of the 2010 Equality Act.

Yet Lakey says that, by adopting a range of strategies, the pensions industry can ensure that cancer survivors feel empowered and well-supported as they reintegrate into the workplace.

She says: "Central to this effort is the development of individualised return-to-work plans, often crafted with the employee and occupational health experts. Flexible work arrangements may also be necessary, such as part-time schedules, to ease their transition back to work and reduce any potential stressors."

And Zedra client director, Louisa Harrold, says that "luckily nowadays we are very attuned to ensuring trustee meetings are run in an inclusive manner", with any reasonable accommodations made for trustees who may have impairments or obstacles to being able to participate in a traditional style.

Harrold also clarifies that while not everyone will be happy to share the full extent of their illness or treatment, there is a onus on the chair and/or pensions manager as appropriate to sensitively enquire in a confidential manner whether there will be certain periods which may be more challenging in terms of energy levels, during which they should avoid scheduling meetings.

Importantly though, it is about talking to the individual to give one-to-one support. Isio director, Jen Norris, stresses that "whether it's an employee or their family member who's received a diagnosis, financial and emotional strains become intertwined". "The challenges presented by such events are unique – there's no 'one-size-fits all'," she says.

Written by Sophie Smith

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CHAIR

Manpreet Sohal, Trustee Director, IGG & Chair of APPT's diversity and inclusion sub-committee
Manpreet acts as professional trustee for schemes, as well as providing project management and governance-related services at Independent Governance Group (IGG). She is the firm's chief people officer and leads its equality, diversity and inclusion initiatives. Manpreet heads the internal working group focused on driving better results through diversity on the boards where they are appointed. She is also chair of the Association of Professional Pension Trustees diversity and inclusion sub-committee.

PANEL

Sarah Butlin, Associate Partner, Aon
Sarah is an associate partner at Aon, and has over 35 years' experience working in pensions consulting, management and governance in a range of different roles. She leads the development of Aon's governance services and works closely with trustee boards and pension managers on board composition, diversity and inclusion and board effectiveness. Sarah also leads the development and management of Aon Pension Organiser. She is a regular contributer to the pensions press.

Sharon Bellingham, Master Trust Lead, Scottish Widows
An experienced pensions professional, Sharon comes with over 25 years' experience of DC consulting and joined Scottish Widows in 2020. Sharon has responsibility for driving forward the strategy and development of the Scottish Widows Master Trust, working closely with the strategist committee and trustee board to deliver value for members. Sharon has unrivalled insight and well-rounded experience, gained from her time as a consultant as well as from being on the master trust 'front line'.

Christina Bowyer, Partner, Head of Pensions Services, Pinsent Masons
Christina is a partner and head of Pinsent Masons Pensions Services. As well as being a lawyer specialising in pensions, Christina is a professional independent trustee and was formerly an employee benefits consultant. She heads up a cross-office team comprising pension professionals from a range of backgrounds, including in-house pension management, scheme administration and consultancy. Christina and her team offer a unique skillset within the pensions group and in the legal market. She works closely with trustee boards, HR directors and finance directors.

Zoë Burdo, Partner and DEI Manager, Lane Clark & Peacock
Zoë is a qualified pensions actuary, providing actuarial advice to pension scheme trustees on all aspects of their pension arrangements. She is LCP's diversity, equity and inclusion (DEI) manager, meaning that she has a leading role driving forward LCP's internal DEI strategy and four employee led DEI networks, as well as developing relationships with industry and external groups. She is passionate about promoting DEI across the wider financial services industry and sits on a number of focus groups and organising boards across the industry.

Jonathan Hawkins, Principal Business Consultant, Bravura Solutions
Jonathan is a pensions specialist and principal consultant at Bravura with over 25 years' experience in the areas of pensions, platforms and business technology. His career started in pensions administration with Towers Perrin (now WTW) where he moved to supporting and implementing pensions systems with various key industry players including Xafinity (now XPS) /Equiniti, Aquila Heywood and ITM. As principal consultant at Bravura, he now designs industry-critical solutions, such as pensions dashboard technology.

Miriam Kimber, Director of Legal, Pension Protection Fund (PPF)
Miriam joined the PPF in 2006 and has worked in various roles within the legal department, sharing her knowledge and expertise of pensions law and litigation, and information law, including data protection and freedom of information. Miriam is passionate about working for diversity, inclusion and belonging, and being an agent for change, amplifier of voices and challenger of status quo. During her time at the PPF, she initiated and now leads the PPF Working Families' Alliance.

Zoe Plowman, Partner, Ensors
Zoe heads the award winning pensions team at regional accountancy firm Ensors Chartered accountants. She is an accounting and audit partner with over 25 years' experience in practice, providing audit, tax efficient planning and accountancy advice to owner managed businesses, international groups, local authority trading companies and a portfolio of DB, DC and hybrid trust based pension schemes. Zoe is a member by experience (EPMI) of the Pension Management Institute (PMI) and sits on the Eastern region committee as treasurer.

Diversity roundtable

DE&I: Driving change

Our panel of pension specialists from a range of disciplines explores what diversity, equity and inclusion means in the pensions arena, what has already been achieved and how much further there is to go

Chair: What does diversity, equity and inclusion (DE&I) mean in the context of pensions?

Butlin: Looking at it from the pension trustee board perspective, it's about understanding and valuing the different perspectives that individuals bring to a collective board. I always think about a trustee board being a team of individuals who are trying to achieve something, and it's about recognising the different backgrounds and skills that each individual brings to the board that are important in that context.

Hawkins: It's also about delivering the correct governance to both customers and employees. It has to involve everything we touch and do because we should be reflective of society and our customers. We should be reflective of who we have on our teams. If we see there are gaps, then we should be finding ways to fill them.

Making progress isn't going to be an overnight thing. How do we get people represented? How do we hand the ladder down to the next generations to pull them forward and pull them up? That, to me, is where we need to evolve. It's not a tickbox exercise. It is a sea change, and that's uncomfortable for some.

Chair: Why do we think DE&I is important to get across?

Kimber: There are two elements I hear talked about. One is the business case side of this, where we talk about how having a greater breadth and depth of who your people are gives you better insight into serving your customers better, and making your employees' experience better. I find the business case sometimes a little bit uncomfortable because I feel like I'm having to justify my existence a little bit. There's always a part of me that thinks, why isn't recognising my common humanity enough? Why does it have to be justified?

But often organisations go through phases where perhaps the way of getting senior level buy-in could be by focusing on a business case. But then, to make it work and to make it stick, you need more than that. You need the more values-driven aspect of it to work as well.

Also, if you focus solely on business case benefits, then it can be too easy for people to say, "well, that hasn't improved any measurable output, therefore, this whole thing hasn't worked".

One of the things I'm working on within the PPF is for us to really understand our purpose behind this, and understand how applying values of inclusion and equity are part of helping everyone thrive.

Bellingham: Whether it's as a board or a business, it's important to consider what DE&I means to you, looking inwards and reflecting and exploring who the board or committee members are, as well as who is supporting and advising them. For example, we've built DE&I

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into trustee adviser service agreements and clearly outline expectations – we ask them about their approach to DE&I, the detail of their frameworks and policies and what their DE&I aspirations are.

The professional trustee landscape has experienced a shift in recent years – there is more female representation for example; it's going to take time to shift further but I do feel that positive strives are being made.

For the people that we serve – our customers, the members of our pension schemes – I think it's important that they can see someone like them. I believe this will help to build trust and engagement.

The starting point is your DE&I policy as this informs everything that you do and why you're doing it.

Bowyer: You need to scope this as well because diversity is just so vast. In terms of bringing it back to pensions, it's about asking: What's the make-up in the membership of your scheme? Many schemes will be different. There are the really big diverse master trusts, then the older style defined benefit (DB) arrangements, where you've probably got less diversity, I would say.

We need to bring it back to that, understand your membership, so that you've got some kind of proportionality with what you're doing, and also that way you can devise a policy and practically implement what you want to do.

Bellingham: Single-employer trust arrangements also have the benefit of aligning with sponsor-led DE&I activity; lots of organisations are doing some

really great things within their businesses, so trustees should look to leverage that wherever possible.

It's an approach that we've taken and I'm aware that many organisations have similar networks and groups that support the diverse needs of their people.

"So, while it might not go far enough or quickly enough, TPR's guidance is out there and it's helpful in highlighting the fact that something needs to be done about diversity"

Bowyer: The Pensions Regulator (TPR) is suggesting that's what trustees do. They're not saying, start something new. They're saying, leverage off a sponsor if you can.

In terms of why it's important, I was looking at some statistics, and there's a wealth, pay and pensions gap in many diverse groups. The gender pensions gap I think has got worse recently, not better!

It's not all about statistics, of course, but statistics can help people understand what the problem is and the depth of the problem.

Hawkins: There was an interesting article I read where the author brought up the point that it isn't this versus that, because there is so much crossover, so much diversity within each of those characteristics, that actually we need to understand how it affects all of those groups. So you can look at socioeconomic and educational standards versus race, LGBTQ+, and male versus female, et cetera.

You can look at all those different things, and you can then start to really understand who's in your organisation versus the wider population, and how you are representative of the UK as a whole, which can then help you to identify where to spend your time. The author also pointed out how people tend to create teams of mini clones – people often recruit people who look like them and think like them.

Burdo: Part of the challenge is that there are so many different lenses through which to consider the impacts of DE&I for pension schemes. Are we talking about diversity on trustee boards, how well they're representing members? Are we talking about trustees as executive boards who are managing huge amounts of money as distinct decision-making entities? Are we talking about trustees' ability to communicate with diverse members? Are we talking about the member experience, and DE&I considerations within pensions administration? Are we talking about the impact of our investments on wider society?

People get really stuck on representation – they focus on what do the trustees of a group of, say, six people look like, but it's so much more than that. That's a great opportunity to broaden this discussion and increase engagement in DE&I instead of seeing it as a barrier.

TPR guidance

Chair: Does the recently issued guidance from TPR go far enough, quickly enough?

Bowyer: We can always do more. I think TPR itself recognises that it's going to take time. We all want it to go faster and for us all to be completely diverse. But we have to be realistic, and it will take some time to move things forward.

We also have to be balanced about the way we apply ourselves to this because we risk losing interest of trustee boards.

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Diversity is one of many items on a long list that includes dashboards, the General Code, and everything else that trustees have to think about in terms of scheme governance. So, we risk losing their interest if we are not balanced about it, but also we risk losing historical knowledge and experience on the board if we lose a number of our experienced trustees.

That's not to say that we shouldn't be talking about DE&I and putting it on trustee agendas, because if we don't do that, nothing will happen. But there is a bit of a mountain to climb. Certainly having spoken to a number of trustee boards myself, they see this as another area of governance they have to cover on top of all the others.

So, while it might not go far enough or quickly enough, TPR's guidance is out there and it's helpful in highlighting the fact that something needs to be done about diversity.

Bellingham: It's a stated TPR priority that they are very much committed to, and they are committed to driving change. I would argue, however, that we shouldn't be waiting for TPR to introduce further guidance, we should be just getting on with it, although I appreciate that getting on with it is not always easy for all trustee boards.

Master trust arrangements will typically have diverse memberships and are also more likely to have budget and resource, so it's right that we should be exemplars and at the vanguard of positive change.

It's also interesting to consider the direction from the regulator and the possibility of a professional trustee on all trustee boards. I don't personally believe that you need a full board of pensions experts and there is considerable value in looking across to different industries, which may help inform and provide additional diversity in a different way.

Bowyer: Yes – some people from different industries think differently. They have different problem-solving approaches and that can be a real breath of fresh air sometimes.

Plowman: I think, for the smaller schemes as well, you've got an issue where you've perhaps got employee representatives where this is a new subject for them. That's where diversity and inclusion is important as a training aspect as well for them to embed the knowledge.

Kimber: Is there something that we could be doing to help trustees frame TPR's guidance and obligations here? Not so much as, here's another thing that you now have to learn about, but more in terms of this being something that plays into a lot of your activities.

For example, it plays into how you communicate to members. It plays into how you operate as a board, and how robust your decision-making is. It plays into your decisions around your investments. From that perspective, it's not optional. It's not something that you can choose to shuffle up and down the list. It actually should inform everything that trustees are doing.

Burdo: For me, the most impactful policy is one that doesn't necessarily articulate every granular that you're doing. It's a statement of commitment to integrate DE&I within every policy that you come to review, and every decision that is made, as opposed to a standalone. There's the risk that if it is seen as a cost or an extra tick-box governance burden, it will just be done and forgotten instead of integrated into the whole breadth of pension scheme management in a sustainable way.

Plowman: The regulator was also saying that the chair needs to set the tone for DE&I, which is interesting.

Proportionality and DE&I

Butlin: When we consider DE&I on trustee boards, it is also about proportionality. For example, where a scheme is on its maturity scale might impact on how much it is relevant to engage on DE&I. There are always elements of it that you need to adopt, but if, for example, you're planning to buy out in a couple of years' time, you need a stable board that's got experience to get you over the line. Just ticking the box on DE&I for the sake of it isn't going to be hugely helpful in that scenario. But, in contrast, if you've got a younger defined contribution scheme that's got a long future ahead of it, you need your board to be representative of your members, and then you've got a whole different agenda. It's that proportionality piece about considering your priorities and developing a policy that is relevant to your scheme.

Chair: For that scheme that's close to buyout, there are however things that they could do, around their communications, investments and so on – they don't necessarily have to change the people around the table.

Hawkins: It could also involve thinking about how DE&I initiatives will impact who customers choose as a buyout provider.

Bellingham: That's an interesting point about buyout providers. As a commercial entity, we're routinely questioned and assessed about our approach to DE&I (what we do, and how

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we do it) as part of provider procurement activity – this is definitely coming through more, which is good to see.

Hawkins: Similarly, if you are choosing a professional trustee, you should ask what their DE&I policy is as an organisation. How do they bring a diverse range of ideas into their organisation? How do they move the dial for the future?

Burdo: One of the benefits of professional trustees is that, especially where they come from larger firms, you're not just getting the experience of the person in the room and the voice that they're adding to the conversation, but you're able to pull in a wider range of experiences and perspectives from others in their firm. LCP research has demonstrated that DE&I is a priority for many professional trustee firms and is being taken very seriously. We are slowly seeing positive change in the firms' hiring policies and overall workforce resulting in a more diverse pool of trustees available to enhance diversity amongst the full trustee board.

Also, just picking up on the argument I sometimes hear that it's perhaps not as relevant for DB schemes with short lifespans, I think that, if anything, sometimes that's the most important time to consider DE&I. It's the point at which you're codifying discretions, and you are deciding who's leading the member experience for the rest of their time being paid that pension. If you're not asking the

right questions of an insurance provider, and you're not prioritising DE&I in that decision, then you're missing the opportunity to influence that forever.

Bowyer: In terms of implementing it, how do you actually approach that? Do you do it when you're doing the benefit specification for the buyout?

Burdo: I have seen several ways – and I'm sure there are many others. You'll be looking at discretion logs when you're talking about codifying the benefits themselves.

Also, for many transactions the potential insurers will come in and talk about their administration, for example. You can ask targeted questions, for example how does the provider sensitively and respectfully interact with members with trans experiences? Do they have the capability and training within their admin teams to be able to do that? If not, can they guarantee before the point that they take over the admin they are willing to bring specialists in to do that?

If you think that there's expertise missing within that process, pushing for getting specialist trainers in for those teams, and committing to that in the long-term is key – we have this buying power as an industry, but we're often giving up and saying, "oh, well, they don't do that, so I guess we either accept the price or we don't". I don't think that is necessarily the end of the story, we can influence what they're doing into the future – not only for the scheme in question, but wider practice.

Hawkins: Another key consideration in all of this is whether you have allies on a board. It's not all about representation, but also about whether you have people on the board that understand the issues. Do they know what the issues are? And does that then fall into part of the trustee training and understanding – that these are societal issues that you need to be aware of, as a trustee?

And yes, for that scheme that is going to buy out in two years, there's probably not an awful lot they can do now. But for a long-running master trust, it's really important we get this right, not only reputationally, but as part of a new corporate system.

A female issue?

Hawkins: Is DE&I seen within your organisations as a female issue?

Plowman: Not at all, but I can see why more women are naturally behind striving for better equality.

Butlin: Trustee boards tend to focus on gender as well. When they start to look at their board diversity, they look at gender first, and then they look at age because these are the two things that we can see in the room. But when looking at DE&I on boards, we're looking for diversity of thought, perspective, backgrounds, all of those things that help to create a successful team of individuals. We always come back to this when we're talking to clients. Our discussions focus on what it is that they're trying to achieve as a trustee board and to consider the diversity on their board relative to their objectives and to take their agenda forward.

Kimber: There's an additional point to consider in all of this, and that is to reflect on how many diversity individual gains have been for white women. How much has it been white women benefiting? On a general level, how much of it is about enabling people to access the fruits of a still unequal world as opposed to actually changing anything? So, I see a broader structural question for us to ask ourselves here around who's benefiting from diversity work, as well as who seems to be representative at the moment.

Burdo: Unfortunately we are still

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working in a society where a lot of people see this as a zero-sum game. That there's a fixed pie. We empathise with people who might look like our sister or our mum, so we're willing to give them a bit of 'our piece' of the pie. But actually, this is not a zero-sum game. We can make the pie bigger, and we need to challenge that empathy barrier that means so many people are still judgemental about social class, disability, and so many elements of diversity.

Hawkins: There's a great video by Amber Hikes that highlights how important it is to look around the room, see who isn't there, and then try and work out how you get them in the room. It's not about mentorship. It's about sponsorship. It's about getting someone in the room with you, not necessarily even putting them on the board, but perhaps bringing them to the board with you so they can experience it and learn how the industry works.

Bowyer: You could do some shadowing, even. We did something similar – we had a group of young people shadowing all the different roles on the board. So you could bring people in, and have them shadow.

Bellingham: Being part of Lloyds Banking Group means that we have access to over a dozen different established colleague communities. DE&I very much runs through the DNA of the business and we are able to learn from those communities and we can also access training and guidance from specialists.

As well as considering DE&I from a governance perspective, we also consider inclusive operation and design, which includes a significant focus on vulnerable customer and accessibility.

We were discussing the pension gap amongst minority groups earlier – Scottish Widows has carried out a significant amount of research in this space and explored savings behaviours amongst minority groups. There are some cultural influences that I think that we should also recognise, such as preferences for tangible assets like gold or property, or a focus on saving to support higher education. It's import to consider this as well as wider wealth, not solely focusing on pension savings.

"When looking at DE&I on boards, we're looking for diversity of thought, perspective, backgrounds, all of those things that help to create a successful team of individuals"

DE&I and financial wellbeing

Chair: Talking about DE&I and financial wellbeing, how can the pensions industry do more to help savers?

Bellingham: There's a significant amount of research and insight that informs inclusive design as we develop products and think about how we communicate. Accessibility and a multi-channel approach is important – not everyone wants to, or is able to, engage in the same way.

Burdo: Inclusive product design is so important, but you also have to back it up with the right financial education. If people don't understand how to or don't have the confidence to engage with that or be able to interpret and understand the information that you're giving them, it's almost pointless.

Kimber: It is certainly more difficult to write something in an understandable way than to write something using all the technical jargon.

Just picking up on the point made earlier around vulnerable members, that's something the PPF has been trying to focus on. One of the things that has been effective has been empowering everyone up and down the chain to understand what the aims are here. For example, one of the policies we have is the 'prompting' policy, where there's somebody else who could be authorised to help the person.

It came about because someone from our call centre could hear someone in the background helping and asking questions. That then ended up in a policy that's proving quite useful for our whole membership. That came about because everyone in the contact centre understands the ethos and the aims of what we're trying to do to support the more vulnerable membership.

Bellingham: It's important to consider that we'll all be vulnerable at some time in our lives – perhaps due to getting older and experiencing cognitive decline, or due to bereavement or financial hardship.

Pensions dashboards

Hawkins: I've worked a lot on pensions dashboards over the past few years, and one of my real concerns with dashboards is that we are going to have to play to an entire population, and we have to assume nothing. The problem is we are very good as an industry at talking to ourselves. We aren't so good at going out and talking to the customer.

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From a software perspective, we always go out and do user testing. Just look at the big app developers – they spend a fortune talking to their customers and refining, changing and adapting as new technologies are introduced. Again, as an industry we don't tend to do that, so we often don't get that representative feedback.

Bellingham: In our recent master trust member survey we asked: 'What is the one thing that will really help you engage with your pension and savings in retirement?' The answer was, 'having everything in one place'. I think that speaks for itself.

Hawkins: The thing I love about dashboards is that we will get different players coming in to target different segments of society. They will tailor to certain demographics of the market. If we think about the sophisticated marketing and segmentation techniques used today in society generally and start to apply those in our world then we can make some fairly accurate assumptions about what they might need. Then we can actually start to be more specific about our direction.

Bellingham: If trustees are struggling to understand who their members are, it's worth considering what is available in the public domain and tapping into ONS and Census data for example – even member postcodes can help to provide insight and shape a theme.

Burdo: And that applies to wider stakeholders, too – we spend a lot of time

talking about members but, interestingly, even for schemes that might be 90 per cent men, that probably means that the overwhelming majority of your dependents are likely women.

What gets measured gets done, so the focus is probably on gender because all schemes hold that data (even if it is imperfect). So we can't talk about any of this without talking about data collection.

Bowyer: A lot of schemes, I would say, probably aren't in knowledge when it comes to the scope of their membership.

But unless you've got data from your own membership, how can you possibly know how to engage with the people that you've got in your scheme, and what sort of segmentation that you need to have?

"We take on graduates, but we also take on school-leavers because we believe there are different ways of doing things"

Marketing and communications

Chair: From a marketing and communication perspective, are there practical things that we could be doing?

Plowman: Making our marketing and communications accurate, relevant, clear to understand, and making sure they are accessible to everyone; and inclusive, considerate of backgrounds, needs and vulnerabilities in the membership.

Bellingham: I agree – it's about keeping things simple, straightforward and relevant and whether it's possible to leverage any partnerships or relationships already in place.

Bowyer: It's important to highlight that trustee boards are not alone in this – trustee board advisers should be able to help them. With a trustee board you have a group of people who, with the best will in the world, can't do everything, and they just need the right advisers in place, with the right training, to help them with some of this.

Chair: I do find that I'm using communication specialists more and more too, for example, giving them a document or series of documents and asking them to ensure the messaging is more inclusive and user-friendly.

Bowyer: And it's surprising what they come up with – communication specialists have a whole different thought process and approach.

Kimber: Yes and sometimes you have to allow yourself to be challenged – something that might be crystal clear to you might be incomprehensible to someone else.

Bowyer: Whenever I've written communications in the past, I have asked non-pensions people to read it through to ensure it can be understood.

Butlin: Research has shown that the average reading age of an adult in the UK is nine years old and we should bear that in mind when we are trying to communicate complex pensions topics to scheme members.

It all comes back to that point about understanding your membership, and trying to segment it so that you're targeting your communications.

Bowyer: And having the right media to communicate with your segmented audience, including videos, apps or other tech solutions – that is also important.

Hawkins: We are hearing a lot about AI and ChatGPT. Recently I was putting together an update about pensions dashboards. I'd written it all out and thought, this is really dry, so I put it into ChatGPT, and asked it to make it into the style of Dr Seuss. And it did it, and it was absolutely correct! It was in rhyming

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couplets. It was absolutely great. So that's what I posted as the update and the team really engaged with it.

Chair: I used ChatGPT for a job advert – asked it to use more inclusive language for the advert and it did it well!

Burdo: I think we should be testing all communications in this way. We should be making sure that the key points are the things that are going to come out in an AI-generated summary, and not the wrong key points.

Bellingham: It's also important to note that not all pension schemes fall within the scope of consumer duty and there's a danger that this may create a two-tier workplace environment for members from a communication and engagement perspective. Arguably, if you are subject to consumer duty, you are held to a high standard.

Burdo: It's interesting to think about how that might interact with insurer practice, too. Because, as we have more DB schemes moving to buyout, some of them will be using the same third party administration teams, but some will go in-house at an insurer. Will we then be introducing a two-tier system there as well, where you have some administration practices falling under insurer regulation, and some not?

DE&I and recruitment

Chair: How can the pensions industry itself ensure its own workforces are adequately diverse at all levels?

Plowman: I was reading the regulator guidance on this, and it was talking about the duties of governing bodies under the Equality Act to make reasonable adjustments for candidates and existing trustees, and these reasonable adjustments need to be considered as part of the trustee selection process. So when they're recruiting trustees to the board, they should be perhaps offering access to interviews remotely, providing member communications in braille or large-print documents for example.

Bowyer: I think for trustee boards, as well as the rest of us in the industry, things like blind reviews of CVs are interesting – so you exclude all of the information about that individual, and just take their experience to see whether it fits what you're looking for.

But also having the right job description is key – it starts with the job description, then it's about who's looking at the CVs. How are they thinking about people that are coming through the door?

Then maybe it's about setting some diversity targets in the industry.

Kimber: We have two sets of targets at the PPF – one for senior manager roles, and one for the whole organisation. Within each target, there's a sub-target for people who identify as Black. Those targets are challenging. It was a challenge getting them to begin with. It's a challenge to work out what actions are needed in order to make anything different. But while I would say that recruitment is an opportunity, it's not the only opportunity. For example, for those areas that might not have a lot of turnover, if you focus only on recruitment, you're missing a trick.

Retention for example is important. It drills all the way down to how people in an organisation are being championed and sponsored, whose careers are being developed, who's getting promoted.

We might think change is in the pipeline, but we have to stop hoping for a magical, natural, greater inclusivity that will just ebb its way through. There have to be actions identifying what the barriers are along the way.

Hawkins: We are the generation that needs to step up and make that change. We need to go from the way it is now and lay the foundations for the next generation so that this is less of an issue, or hopefully no issue at all. That's through accelerating, sponsoring, lifting people through the organisation, and that doesn't mean necessarily putting them in positions they're not comfortable with, but actually, where you recognise talent, you need to invest in helping those people get to where they need to go and speed it up.

Burdo: I think we've made really good progress with entry level and graduate recruitment. But with that focus, and because there have been some easy wins/low-hanging fruit, I don't think we have systematically addressed headwinds and drags in the way that we need to. There's so much focus on pipeline, and I see a lot of optimism that if we wait and see what happens things will just improve over time as a natural consequence of more inclusive entry-level recruitment, but we have to look at promotion, retention and drag, too. And we have to look at experienced hire recruitment.

I have heard so many reasons why experienced hire recruitment is "too difficult" to tackle – that, for example, the pool isn't diverse enough, so there's nothing we can do. I don't think this is necessarily the case and we know that often experienced hires are often found through our existing networks. I don't think we do enough as an industry to focus on equity within experienced hires and keeping people within the profession.

In association with

Diversity roundtable

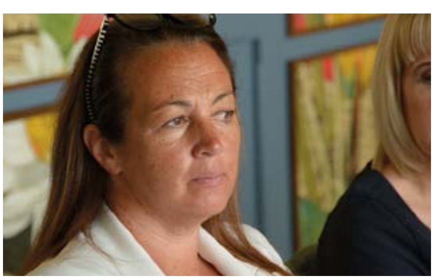
Hawkins: We don't hire on potential sometimes either. We hire based on what someone's already done. If we did hire more on potential, what we could do is get someone into a position and then support them in it through mentorship, training and support to get them to where they need to be.

Burdo: I have seen some interesting conflicting studies of the benefits and shortcoming of using anonymised applications. Using gender as an example, we see evidence that women are typically not as confident in talking about themselves as men are. So if you take gender signifiers out of a CV and cover letter, do you give the person who's reading that CV enough information to be able to take an equitable approach to reviewing that application?

Similarly, if you are taking out signifiers about where somebody went to university, or where they have worked, or cultural signifiers, you might not allow for the fact that English might not be someone's first language and be really harsh about spelling and grammar or misunderstand cultural references. So I think it has to be a combination of all of these approaches, because if you're talking about equity as opposed to just equality, you have to be able to level that playing field, and have enough information to do that.

Bowyer: It's also about the training of the people who are actually looking at those CVs in the first place.

Kimber: Social media can play a part as well in things like promoting ads, and sharing ads; and also, for those of us that have our own social media profiles, that can also be a signifier of saying that you're a safe space, that you're an ally. You'll support someone from an underrepresented group who joins an organisation. When I re-post ads that the PPF posts, I usually put a note on it encouraging people from under-represented groups to apply.



Or I might say, if you don't think you meet every single bit of the job description, why don't you let us decide? Let us be the judge of that! Again, trying to find different ways of networking.

Bellingham: We also have to go looking for people. We have to look in certain places or explore areas we've maybe not explored before.

Plowman: When assessing applicants, it's a matter of pairing back to the individual: not just considering their education, but focusing on what they – as a unique individual – can contribute and add to your organisation. However, it's also necessary to balance this with still being able to obtain sufficient information to provide assurance that they have the right skillset for the role you are recruiting for. It can be a difficult balancing act.

Butlin: I think in our industry – up until maybe the past five years when apprenticeship programmes were introduced for people who aren't graduates – we have been leaning towards graduates in every role within the pensions industry, regardless of their skillset. There is a whole talent pool emerging of potential future leaders that don't have that traditional background. I think that adds to the diversity and adds different perspectives to the discussions.

Plowman: We take on graduates, but we also take on school-leavers because we believe there are different ways of doing things – you can still make your way to the top, even if you don't go down the university route.

Burdo: There's so much more we can do to make the industry more attractive as well. Should we even be using the term 'pensions' to describe what we do? When we talk about pensions, people don't always understand that they can come in and have access to managing incredibly huge sums of money.

For example, there are ways in which we can make employer-nominated trustee positions more attractive – if we explain to someone that, even in their early career or mid-career, they could have the opportunity to go and help manage £500 million of long-term savings, and thousands of members with their experiences, that sounds so much more appealing than talking about it in terms of sitting on a pension board.

Explaining DE&I

Chair: There's a lot of talk about the bulk of trustees or professionals in the industry having certain characteristics, such as older, white male. How do we re-assure the industry that, whilst diversity is being sought, it is not designed to discriminate against that cohort?

Kimber: There is something here about helping people in the majority groups to understand that they have a really important part to play, and that this isn't a minority specialist issue. They have an important part to play in understanding the whole piece. If they have positional power, they can use it effectively. Why not focus on using it effectively rather than thinking that you might be losing something?

Hawkins: There are things that those people can help with, and one is to lift others up. For example, by bringing along a school leaver to the board, or a more junior person who doesn't look like you, In association with LCP, bravura solutions, Pension Protection Fund, Ensors Chartered Accountants

who doesn't react like you, who may be neurodivergent, whatever it is. Bring them to the table and that way you're maybe going to help this person to be able to lead in the future.

Kimber: It is hard work to get things like DE&I on the agenda – it has always been deprioritised. There remains, therefore, a burden on a lot of people in my position of both having to be a representative of their race but also to push forward these issues in the face of people perhaps being challenged by them or finding them difficult.

Bellingham: Alongside that, it's important for everyone to lean in and support – whilst there's a stated responsibility on a chair of trustees, the wider trustee board should be working together and supporting progress of DE&I.

Plowman: But it's also about not doing diversity for diversity's sake, and the unconscious bias where you're looking at, say, the white male, and questioning whether they can offer enough diversity of thought. Well, maybe they could. So it's about turning it on its head as well.

Butlin: It comes back to that question of what is it you're looking for that professional trustee to bring to your board, and who has the best skillset, background, diversity, perspective, whatever it is, to fulfil that role.

Final thoughts

Chair: Any key takeaways from today?

Butlin: From my perspective, it's about starting these discussions with trustee boards, and taking them on that journey, explaining that diversity isn't just a single facet; it's a whole range of things that need to be considered when they're looking at the diversity of their trustee board, and how to improve it.

Kimber: To try and encourage everyone to make diversity, inclusion, equity and equality everybody's issue, and not just an issue for those from under-represented groups.

Bowyer: It needs to be a top-down approach from chairs, and they need to understand that they've got to create a culture that allows the space for everyone to have their own view, and to bring in those views. People who lead boards are often very strong individuals and they need to be inclusive to allow that space for people to have their own views.

"We're not going to chuck out all the white men of a certain age. What we're going to do is make sure that the generations coming through are accelerated so that we get that equity"

Plowman: For smaller pension schemes especially, it's about embracing training, especially where you've got a lay trustee board, and understanding it's not just about getting a DE&I policy, and then having it sit there. It's about regularly reviewing it and updating it.

Bellingham: I agree, it's about policy in action and making things happen – it has potential to be overwhelming so just even beginning the DE&I journey with a short list of signature actions will help you to get started. We are all accountable and are ambassadors for implementing positive change.

Hawkins: I would argue that, in this industry, there's a lack of ambition in making it happen and getting on with it. We should challenge the industry more and be more forthright about saying that

what we are doing isn't good enough. We're making changes, but they're too slow. They're not imaginative enough to address the issue.

We need to raise our voices, and say: "Enough is enough. These are ways you can improve your organisations and your trustee boards, and here's some thinking on how you do it." We're not going to chuck out all the white men of a certain age. What we're going to do is make sure that the generations coming through are accelerated so that we get that equity.

Burdo: DE&I is multifaceted, but that doesn't have to be overwhelming. There are so many things we can do that don't just involve changing the trustee board overnight; and there are so many ways that you can get started. Then, once you've built momentum, the next step is easier. So it's about picking, for each team, for each company, for each employer, for the regulator, or whatever body it is within the pension space, what the next step is that we can make immediately.

Then we can think about what steps we can take in the medium term. Then consider, in the long term, where we are trying to get to. That's a positive message of building momentum and growth. It doesn't have to be scary.

Chair: To summarise, it's about talking about DE&I. Let's be ambassadors. Let's open discussions. Let's embrace change and let's get people to see this is a positive change.

Combining forces

Summary
• Collaborative cross-industry initiatives developed during the past decade to fight pension scams include the Pension Scams Industry Group (PSIG) and the Pension Scams Action Group (PSAG – formerly called Project Bloom).
• PSIG's work includes recent publication an Interim Practitioner's Guide, prior to a new Code of Good Practice that will follow the next set of new regulations to be issued by DWP. It is also planning to lead development of a scams intelligence database to help the pensions industry share intelligence more quickly and easily.
• PSAG members' work to defeat scammers includes intelligence sharing, TPR's Pledge campaign and the FCA's ScamSmart awareness campaign and resources.
• Effective industry collaboration is clearly vital as scammers continue to develop new ways to defraud pension scheme members and savers.

In the latest *Pensions Age* focus on scams, David Adams looks at the extent and effectiveness of collaborative efforts, both within and beyond the pensions industry, to take the fight to the scammers

The headline figures for pension scams are grim, but it's the victims who lose some or all their pension benefits who really matter. Recent research from the Money and Pensions Service (Maps) found that "the emotional and physical cost of being scammed, alongside the financial cost, is significant" and may cause "poorer health, loss of confidence, and breakdown in relationships," according to Maps senior policy manager, Jackie Spencer.

The pensions industry is well aware of its duty of care to pension savers and of the need for schemes and pension providers to work together and alongside scheme sponsors, regulators and other policymakers in the fight against the scammers. Collaborative initiatives developed during the past decade include the Pension Scams Industry Group (PSIG) and the Pension Scams Action Group (PSAG – formerly known as Project Bloom), which is led by The Pensions Regulator (TPR).

"Industry groups such as PSAG and PSIG are working to coordinate and target efforts to combat scams and fraud … addressing systemic issues to make it easier for consumers to understand, avoid and report scams to the appropriate place," says Spencer.

She highlights the need for "dynamic"

preventative action in response to evolving threats; and for the industry and pension schemes "to use clear language on scams and provide information on what to look out for … how to report it and how to claim compensation. Industry and schemes should gather and review information about scams, then share it with consumers, schemes and regulators."

PSIG: Promoting good practice and information sharing within the industry

PSIG has been working along these lines since its foundation in 2014. It published its first *Code of Good Practice* for the industry in 2015, with protection for consumers, particularly around pension transfers, at the heart of its work. Its advisory board includes legal firms, pensions companies, the Pensions and Lifetime Savings Association (PLSA) and the Pensions Administration Standards Association (PASA). PSIG also runs the Pension Scams Industry Forum, a monthly meeting of industry figures that focuses on pension scams threats and trends.

"Success in protecting savers from scammers relies on effective collaboration between the pensions industry, government and other authorities"

At present it is seeking to help shape new regulations being introduced by the DWP that will allow pension trustees and providers to block transfers and/or refer consumers to guidance in cases where they identify scamming risks. In March 2023, PSIG published an *Interim Practitioner's Guide* in anticipation of the proposed regulations. Its view – based on the collective view of members across the pensions industry – was that the proposed regulations did not reflect the original policy intent and would stop too many legitimate transfers, while loading new risks onto trustees and providers.

The interim guide is designed to offer practical help while the DWP reviews and amends the draft regulations. It contains guidance on topics linked to due diligence for transfers, including use of 'clean lists' of pension arrangements known to be unconnected to scammers, as well as member communications and data protection.

PSIG chair and PASA president, Margaret Snowdon, describes the process by which PSIG updates its *Code of Good Practice* as "a perfect example of cross-industry collaboration". Its other activities at present include working with various parts of government involved in fighting other types of scams and fraud; and trying to encourage the Treasury Select Committee to launch an enquiry into pension scams.

It also intends to lead development of a scams intelligence database to help the pensions industry share intelligence more quickly and easily. It has taken legal advice on the best way to structure such a service in order to mitigate legal risks linked to data protection and defamation claims through classification of the database as an arm of law enforcement. "That will cost a lot of money, so it depends on the industry backing us, financially," says Snowdon. "But I see huge industry support for everything that we do."

PSAG: Regulators and government supporting the industry

PSIG is also a core member of the Pension Scams Action Group (PSAG), alongside TPR, the DWP, the Treasury, the FCA, Maps and the National Economic Crime Centre. Key PSAG objectives include raising public awareness of scams, intelligence sharing to inform policymaking and support enforcement, promotion of good practice; and victim support.

Success in protecting savers from scammers "relies on effective collaboration between the pensions industry, government and other authorities," says a spokesperson for TPR and PSAG. "We are currently enhancing PSAG's multi-agency capability to bolster the sharing of intelligence and co-ordinate our efforts effectively ... This will involve developing greater access to a wider network of law enforcement agencies and regulators, creating opportunities for closer partnership working."

In 2022 PSAG and the National Fraud Intelligence Bureau (NFIB) published a joint threat assessment on emerging scam risks, highlighting a growth in the use of brand impersonation and 'cloned' company websites; and measures scammers were using to get around the 2019 ban on pensions cold calling. The regulator's spokesperson says PSAG is also exploring "creation of a dedicated PSAG scams hub to co-ordinate intelligence and direct fraud disruption and prevention activity".

TPR claims that its own Pledge campaign, launched in 2020, for which pension schemes pledge to combat scams – a form of arms-length cross-industry collaboration – has made significant progress. By May 2023 more than 600 schemes had made the pledge and 324 had completed self-certification to demonstrate the extent of their work to this end.

"Trustees and administrators have a vital part to play by reporting any suspicions about pensions scams, however small, to the authorities," says the regulator's spokesperson. "These reports provide TPR and our PSAG partners with the vital intelligence we need to fight fraud and criminality."

The need to persevere

These initiatives complement anti-scammer initiatives run by other PSAG members, such as the FCA's ScamSmart public awareness campaign and online resources. A spokesperson for the FCA also stresses the value of collaboration. "We are also seeking to enhance the working relationship between not just ourselves and other regulatory partners, but to continue to collaborate with the wider regulatory family and consumer organisations like PensionWise." In addition, the Wider Implications Framework helps the FCA, TPR and Maps to work with the Financial Ombudsman Service and the Financial Services Compensation Scheme (FSCS) on issues linked to fraud and scams.

PLSA deputy director of policy, Joe Dabrowski, believes the various cross-industry collaborations listed above have had some positive effects, but he is concerned these collective efforts may have lost momentum in recent months. "Maybe we've seen a slight slowdown in activity from the FCA and others," Dabrowski suggests. "They've obviously got other things on their plate, but it's important they don't take their foot off the pedal." He is also worried about the emergence of new risks – perhaps in relation to the introduction of the pensions dashboards, for example.

For Snowdon, the next important milestone will be the completion of the DWP's review of its new regulations. She and many others in the industry thinks it is vital that the regulator finds the right balance between freedom and safety when seeking to protect consumers looking to transfer pensions.

But overall, she wants to see a greater contribution from regulators and government to the fight against scammers. "It feels like we have lots of industry collaboration, the industry wants this to be tackled, but what we're missing is collaboration from some of the authorities," she says. "TPR and the DWP are committed to stopping scams, but it takes a long time to get agreement through regulation and law.

"Industry collaboration is excellent – everybody wants to stop scammers. But it's not just down to the industry: we do need help from government, regulators and law enforcement to do this."

The regulator's spokesperson asserts that regulators and the industry "are making important strides in the fight against scammers, but we acknowledge there is more that can, and must, be done".

That is unarguable: The scammers will not be scaling back their nefarious activities, so the industry's efforts to defeat them, building on the collective work of the past decade, must also be relentless.

Written by David Adams, a freelance journalist

How to stay one step ahead of the hackers

Summary
- Cyber criminals are constantly evolving techniques to gain access to data.
- TPR requires pension schemes to plan measures for a possible breach.
- Best practice is to maintain a well-prepared and tested incident response plan.
- Pension schemes need to regularly review and update their processes.

The pensions industry is a key target for cyber criminals, so what can providers do to protect themselves and what should they do if they fall victim to a data breach?

Pension providers hold huge amounts of valuable data, making them a prime target for criminal hackers seeking to access members' personal information. Several recent major data breaches have left the industry reeling, with many providers looking to protect themselves from a similar cyber attack.

Pension schemes and administrators hold key data, including members' names, addresses, national insurance numbers and even bank details, when the provider is paying out a pension. Data can be stored, handled and shared by various parties – including external third parties from communications consultants to independent financial advisers (IFAs) – as part of the normal running of a pension scheme.

Schemes and administrators are also particularly vulnerable to ransom requests. If a provider chooses not to pay the ransom, the stolen data can be sold on the dark web, leaving members vulnerable to identity theft. In addition, due to many members' reliance of receiving their pensions on time, the provider is under pressure to resolve the issue quickly so it can regain control of its data and resume its operations.

Time pressure

Time is a key factor when a provider's data is breached. Once providers notify a scheme's trustees that there has been a breach, they have 72 hours to inform the Information Commissioners Office (ICO).

"Cyber criminals are becoming increasingly sophisticated and the forms of attack are evolving all the time. We should accept that the pensions industry is a digital one and cyber risk is a very real threat," says Mercer senior principal, governance leader, Lindsay Sadler.

On the other hand, one of the benefits of the industry's digitalisation is that re-mobilising after a data breach has become a smoother process. Capital Cranfield professional trustee, Paul Watson, was working with a provider that was impacted by a data breach but was able to react to it quickly, partly thanks to the increasingly digital interconnections within the industry.

"We had a cyber policy in place and, as documented, we quickly mobilised the sub-group to consider the issue and the appropriate actions," he says. "One challenging feature we hadn't considered previously, in our preparations and policies, was the impact of such an event being across many schemes of the same provider at the same time."

The provider had limited resources available to support the board due to the requirements of the various schemes. "One reassuring aspect was the quality of the advisers we had in place – the individuals taking ownership and responsibility as well as the wider support of their firm. You don't always appreciate the value of an adviser until you're up against it. Although, naturally, it came at a considerable cost," he says.

Lessons for the sector

A pension scheme will never be completely immune to the risk of a cyber-security attack, particularly when cyber criminals are becoming increasingly sophisticated, and the forms of their attacks are constantly evolving. However, steps can be taken to mitigate the risk a breach poses and reassure members.

"We advocate an approach where pension scheme trustees and managers educate themselves on the threats and nature of cyber risk by undertaking training with cyber-risk experts, helping them understand their roles and responsibilities and prepare them to handle the difficult decisions they will face during an attack," Sadler says.

"Pensions knowledge does not equate to cyber knowledge and therefore this training should not be undertaken by pension advisers. This training should be specific to the pension scheme and its

Examples of security breaches within the pensions sector

In April 2023, Capita said that it had experienced a cyber incident and that there was evidence of "limited data exfiltration from the small proportion of affected service estate that might include some customer, supplier or colleague data".

The Pensions Regulator later revealed that it had written to pension schemes that use Capita as their administrator, asking trustees to speak to Capita as to whether there was a risk to scheme data, with the Financial Conduct Authority also engaging with the provider.

A number of pension schemes and providers, including the M&S Pension Scheme and Universities Superannuation Scheme, wrote to members to confirm they were impacted by the breach.

Capita revealed in May that it expected to spend between £15-£20 million in relation to the cyber incident, including specialist professional fees, recovery and remediation costs and investment to reinforce its cyber security.

A spokesperson for Capita said: "Capita continues to work closely with specialist advisers and forensic experts to investigate the incident and we have taken extensive steps to recover and secure the data.

"In line with our previous announcement, we are now informing those we have identified to be affected.

"We are working to provide our clients and their customers with information, reassurance and support while delivering for them as a business. In instances where we need to provide further support to those affected, we will do so."

Meanwhile, The Pensions Ombudsman (TPO) revealed in June that it had temporarily disabled some systems as a precautionary measure while it worked to investigate a cyber incident, with members instead told to get in touch via the ombudsman's phone lines or email options.

TPO confirmed that it has been working with the relevant agencies, including the National Cyber Security Centre, to respond to this cyber incident.

TPO stated: "As a precautionary measure, access to some systems was disabled which temporarily impacted on our ability to deliver services and manage enquiries from the public.

"Our priority has been to restore services securely and safely and we are pleased to confirm that services have been restored.

"There may be some service delays while we work through recent enquiries and applications. We apologise for any inconvenience."

In light of the potential delays expected, however, the ombudsman also confirmed that, wherever possible, it will use its discretion to expand the time limits for new applicants affected if it has not allowed them to apply within the legislative limits.

nuances, such as which third parties it works with and whether they outsource administration functions."

The pensions industry is very aware of the fact that it might be the target of data breaches, according to Eversheds Sutherland partner, Emma King. "Firms have been revisiting their contracts with suppliers and providers to ensure they are as watertight as possible, and looking at what recourse they have in the case of something going wrong. They've also looked at the protocols they have in place in the case of a breach and what steps need to be taken."

The Pensions Regulator (TPR) has set out its expectations for pension scheme trustees. In its new General Code, it states that for pension schemes to have an effective system of governance, its internal controls need to include measures that reduce cyber risk. It also states that functioning cyber controls will help trustees comply with data protection legislation and may reduce its liabilities in the event of a data breach.

Finbourne co-founder and head of platform engineering, Chris Brook, advises schemes to assess their business systems to ensure they remain protected.

"All business systems require constant maintenance and enhancement to remain protected against evolving security threats, and legacy or out-of-date technology platforms can present an easier target for attackers," he says. "Modern cloud-native SaaS solutions can offer very strong security protections, by building upon highly secure cloud infrastructure, and by harnessing economies of scale to provide cutting-edge security countermeasures that may not be commercially viable for self-hosted systems."

"We should accept that the pensions industry is a digital one and cyber risk is a very real threat"

However, Sadler points out that human error is the cause of the vast majority of cyber incidents. "The people who form part of the pensions ecosystem also need to ensure they are acting in a cyber secure way and are vigilant to their own working practices, such as the use of public wi-fi or personal devices. A cyber policy helps with this by setting out how third parties will be assessed and how the pension scheme trustees are expected to behave when interacting with scheme data," she says.

Forward planning

Breaches can have a devastating impact on the reputation and brand perception of pension schemes, their trustee boards and their parent companies. A proactive response to a breach is the best course of action for victims of cyber criminals.

Informing the ICO and TPR about a breach of personal data requires the scheme's designated data protection officer to have a very clear understanding of the guidance set out by the regulator. If not handled correctly, it could end up causing significant damage from a financial and reputational perspective. Therefore, undergoing crisis training is crucial.

"Having a well prepared and tested incident response plan would greatly reduce the impacts of an incident," Sadler says. "A good plan will set out the roles and responsibilities of the team who will be responsible for responding to the incident as well as the practical steps to deal with impacts, including the communications strategy both internally to impacted colleagues and externally to members of the scheme."

"Due to the evolving nature of cyber threats, protecting yourself from these isn't a 'one and done' exercise. We recommend regular training and review of policies and procedures to ensure these are kept up to date with the nature of the risk," she adds.

Large scale breaches have meant that trustees and members remain worried about the threat of a cyber-security attack.

"Our experience left us with a lot to reflect on as a trustee board and for our members it was, and remains, a very worrying period. The trustees may have legally met their obligations, but it was a highly uncomfortable experience for members that we are acutely aware of," Watson says.

Eversheds Sutherland global cyber security and data privacy team legal director, Lorna Doggett, recommends a three-pronged approach to preparing for a data breach.

"You need to do your due diligence, training, and have the governance documents and policies around cyber-security. In line with TPR's guidance, schemes should set out how they are ready for cyber risks," she says.

Written by Beth Ure, a freelance journalist

Reducing risk via buy-in

Earlier this year, Standard Life concluded an £80 million bulk purchase annuity transaction with the MGM Assurance Staff Pension Plan, with XPS Pensions Group acting as the lead adviser to the trustee. Francesca Fabrizi speaks to Standard Life senior business development manager, Rhian Littlewood, and XPS Pensions Group partner, Ash Williams, about the different stages of the transaction

Please give a short introduction to the MGM Assurance Staff Pension Plan.
Ash Williams: The MGM Assurance Staff Pension Plan provides final salary pensions to around 700 former members of MGM Assurance. MGM Assurance was transferred to Scottish Friendly Society in 2015, which is the current sponsoring employer of the plan.

What were the main objectives of the bulk purchase annuity (BPA) transaction and what has it achieved?
Williams: The trustees and sponsor of the plan had a joint objective to secure the pensions of the members via a buy-in policy to significantly reduce the risks that the plan is exposed to, including the investment and demographic risks. This would benefit the members through higher security of their pensions and help reduce the management time from the sponsor. The buy-in would also help the sponsor manage its own capital requirements, given it is a mutual insurer.

The plan had been well supported by the sponsor through contributions and its strong covenant, and had been targeting achieving a funding position to enable buy-in for a number of years.

Ensuring that members would have a positive experience as policyholders in future was also a key objective. Standard Life was able to demonstrate this through a huge investment into a very high quality customer proposition.

Rhian Littlewood: Throughout the process, the trustees and their advisers were clear on what they wanted to achieve. This helped us structure a proposal that met their objectives, de-risking the plan and executing quickly and smoothly.

Why did the trustees choose Standard Life for the policy?
Williams: XPS led the approach to the insurance market in Q3 2022. The plan received strong engagement and initial pricing from a number of insurers. We ran a detailed selection process on behalf of the trustees and sponsor, focusing on a range of factors including pricing, terms, ESG credentials, counterparty strength and administration capabilities.

The trustees and sponsor ran a detailed selection process and met with the bidding insurers to review their proposals and Standard Life was felt to have met its criteria with excellent financial strength, and a robust administration platform, as well as a competitive pricing proposal.

Following their selection, Standard Life continued to work collaboratively with all parties throughout the process. The trustees are pleased with their selection and what they've achieved.

Now that the buy-in has been concluded, please outline the different stages of the process from start to finish.
Williams: The main stages of the process were preparing the plan for a transaction, which involved focusing on accurately detailing the benefits of the scheme, thoroughly collecting and cleansing member data, and structuring the plan's assets to match movements in insurer pricing as well as possible.

Then engaging with the insurance market to understand likely interest in the transaction and obtain initial indicative pricing.

Obtaining best and final pricing proposals and running a detailed selection process for the preferred insurance provider was next.

After that was entering into exclusivity with Standard Life and contract negotiations, then finalisation of the contract and making the premium payment.

In total, the above process took around 12 months, with the trustees and their advisers at XPS and Hogan Lovells starting preparatory work early to ensure the plan was well placed to engage with the market when the funding position looked favourable.

Littlewood: We started working on the plan in October 2022. The trustee ran a two-stage process and selected us in January 2023, after meeting with the trustee and sponsor.

Once selected, the transaction completed very quickly, as the plan was well prepared and both parties worked collaboratively to ensure the smooth completion of the project. However this is an ongoing partnership, and we continue to work with the trustees to support the management of the plan.

What were the challenges along the way?

Williams: Purchasing a buy-in policy is a complex process involving many workstreams and advisers. It is key to make sure that objectives are clearly agreed between trustees and sponsor at the outset and a detailed project plan is set out in advance. It is vital that sufficient time is given to ensure that the benefits and data are rigorously checked before engaging with the insurers, in order to make the scheme attractive to insurers and to give everyone confidence in the pricing received.

As with many pension schemes, a small number of areas were identified that needed further attention and it is key to understand whether these areas will affect the ability of the trustees to purchase a buy-in or will impact insurer engagement. Nothing material was found for the plan.

Another key area for all transactions, but in particular for those that were approaching the market around the end of 2022, is to ensure that assets are well aligned to insurer pricing and available for payment in the envisaged timescales. During the preparation phase for this project, we helped the scheme navigate the volatility caused by the LDI crisis and advised on how to build engagement with insurers in light of the step-change in demand and the shift in supply and demand dynamics.

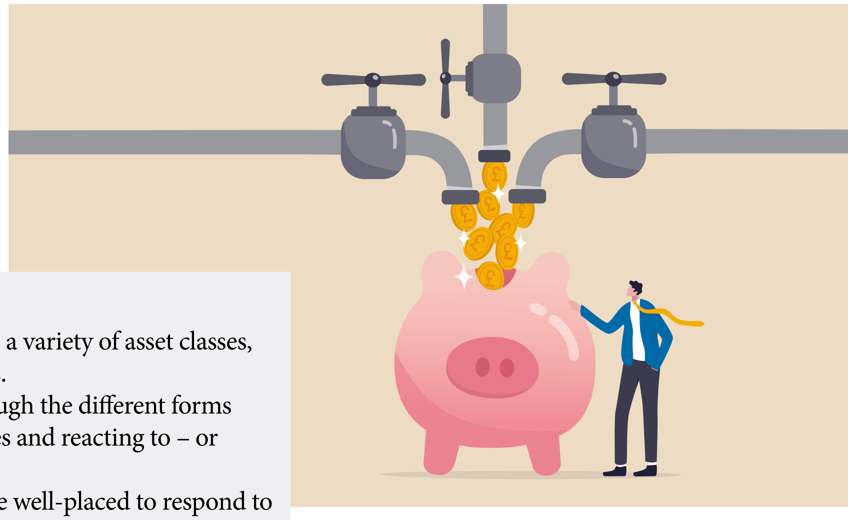
The trustees and XPS (as investment adviser) had been strategically aligning assets with insurer pricing over a number of years and crucially had ensured that the portfolio was fully liquid for the plan. This ensured that the funding position remained relatively stable throughout the process and ensured insurers had confidence in the plan's ability to transact.

What advice would Standard Life give to schemes looking to do something similar?

Littlewood: The plan was well prepared and this is vital for a successful transaction. In addition, our top piece of advice would be to ensure that decision makers have gone through training and education in advance, and that the governance is organised so that decisions can be made quickly and confidently. This enables the trustee to capture opportunities, and to allow all parties to focus on what really matters – achieving the right outcome for the members.

Written by Francesca Fabrizi

Containing multitudes



Summary

- Multi-asset funds are investment vehicles that contain a variety of asset classes, from 'classic' equities and bonds through to alternatives.
- By their very nature, they provide diversification through the different forms of assets, and this can be useful in tackling market cycles and reacting to – or preempting – crises.
- As a mixed, and changeable, bag, multi-asset funds are well-placed to respond to the demand for a greater focus on responsible investment strategies.
- The wider asset management industry is facing changing that are likely to be extremely relevant to multi-asset funds – including the rise of artificial intelligence, which could arguably change the way in which managers do their job.

Multi-asset funds, as the name suggests, are designed to hold a variety of different asset classes, including equities, bonds, real estate and more, finds Sandra Haurant

"Multi-asset funds provide diversification and a liquid, lower-risk alternative or complement to a pension scheme's traditional equity growth allocation," says Cardano senior multi-asset strategist, Ross Barr. "Multi-asset funds can be diverse, but the basic premise is to deliver stable returns over a market cycle. Multi-asset funds should therefore provide a lower volatility solution for pension schemes than allocating to passive strategies."

What's more, according to Columbia Threadneedle Investments head of dynamic real return, multi-asset, Christopher Mahon, these diversified funds can bring a raft of other advantages for pensions schemes – for example, access to asset allocations skills. "This is the key advantage a multi-asset solution offers," says Mahon. "Making both strategic and tactical recommendations is the core of our offering."

Then there is the question of governance – an area that has grown in importance over the past 15 or more years, says Mahon, who says the emphasis has shifted today to encompass a broader remit: "With the increased reporting focus that trustees now have, our governance solution has expanded to include many more elements including holistic reporting of environmental, social and governance (ESG) metrics such as carbon footprinting."

Crucially for pensions, connecting liability-driven investment (LDI) with multi-asset strategies can help to provide flexibility when schemes most need it, says Mahon. In Columbia Threadneedle's case, linking LDI with multi-asset funds, allowing the bulk of a scheme's assets to be on the same platform – he says helped funds during last year's turmoil.

And finally there are advantages both in terms of cost and scope: "*[Multi-asset funds]* offer advantages in terms of annual management charges and the ability to access a range of assets classes (depending on scheme size)," Mahon adds.

Diverse strategies

Given the diversification found within multi-asset funds, it's not surprising that there are also multiple ways in which to manage them. "At Cardano we have an economically-balanced investment philosophy," says Barr. "In our multi-asset funds, we invest in a variety of asset classes that are expected to generate returns at different stages of an economic cycle."

But, Barr explains, a 'static' portfolio – even one with healthy levels of diversification – will not always perform well in every given environment. "To solve this, we combine an active approach to asset allocation – informed by our view on the direction of the global economy – with thoughtful and flexible portfolio construction using a wide-ranging toolkit across various financial instruments," says Barr. "This helps to deliver our clients' objectives and ensure downside protection."

Meanwhile, at Columbia Threadneedle: "Our investment approach is active, in that we aim to add value through rotating across and within asset classes at different terms of the investment cycle, we are also active at the stock selection level," says Mahon. Risk levels vary according to the individual mandate, and some funds, such as the CT Dynamic Real Return Fund, have, "a great deal of flexibility within the asset classes, and so the magnitude will be different to a fund that is managed against a fixed benchmark, where the allowance will be lower in terms of magnitude".

For Mercer partner and global head of multi-asset team, Andrew McDougall: "It's about finding and offering portfolios which reflect different beliefs and constraints, rather than just risk profiles. So, for example, do you believe in active management? Where do you want to see it deployed? Is it just in fixed income or is it across equity and across hedge funds?" And, he adds: "The other key trend we have seen and have discussed with clients is around the simplicity versus complexity trade off, particularly in the context of private markets and illiquidity. Some schemes are better placed, with their time horizons and their governance, to take that on, and some are not."

Highs and lows

When it comes to performance, recent times have been interesting for multi-asset funds – ups and downs in the markets, in theory, give these diversified funds an opportunity to demonstrate their ability to ride out lows and benefit from highs.

Mahon says: "Looking at our funds, they have performed well in both absolute and relative terms across the range of managed funds and outcome orientated funds. Our decision to be on the receiving end of the higher rate environment particularly via overweight credit (including investment grade, high yield and emerging debt) has worked well." What's more, he adds: "Our decision to add to European ex UK equities earlier this year was well-timed and our portfolios benefited from increased allocations. We have since reduced this allocation given the sheer strength of the outperformance."

According to McDougall, for those funds that are equity and bond heavy, which he refers to as the "core style strategies," 2022 was "a really tough market" while more idiosyncratic funds fared better. In all cases, says McDougall, transparency, at a very granular level, is key. "We give the transparency to clients around which elements of what we're doing work, and which haven't worked, over given periods," he says.

"Multi-asset funds can be diverse, but the basic premise is to deliver stable returns over a market cycle"

A move towards multi-assets?

Broader changes in the pensions landscape are leading to different strategy requirements – and in the defined contributions (DC) universe, the draw of these balanced, diversified solutions is clear. Mahon explains: "As DC schemes continue to grow in size, the importance of multi-assets can only increase. This is a growing area of focus for our business and we have some very attractive funds from both a performance and fee perspective." However, he adds, for DB schemes the story is different. "It is more nuanced, as the market will slowly mature over time," Mahon says. "We feel there is ample opportunity to take market share, for instance, by offering a direct link between the LDI provider and the management of the growth assets. As schemes reflect on the operational risks seen during the LDI crisis, a streamlined approach is likely to appeal."

Changing landscapes

Indeed, the big advantage of multi-asset funds is that they have certain shape-shifting qualities that allow them to adapt and meet different needs at different times in the market. As Mahon says: "Multi-assets represent around a quarter of our firm's assets and is central to our strategy as a business. Having a breadth of capabilities across equities, fixed income and alternatives, and managing a range of strategies, means that we can tailor our service to the clients' requirements," says Mahon. After all, he adds: "Our 25-plus years of experience in managing active allocation mandates have taught us one thing – change is the only constant."

And that shape-shifting covers not just asset class choices, but also themes. As sustainable investment becomes mainstream, forming an essential element in any strategy, multi-assets can, arguably, respond to challenges and benefit from opportunities in a range of ways within the environmental sphere – with the potential to boost healthy competition among managers, too. "As a firm, our approach to responsible investing and engagement is available on a standalone basis and is powerful enough to win over $1 trillion of third-party assets," says Mahon. "The same approach to engagement applies to our multi-asset funds and as the industry examines competing claims for responsible investing, we feel our credentials here will differentiate us versus the competition."

Finally, in broader terms, asset management as an industry is likely to come in for some significant changes, too, McDougall says, which could have an impact on the ways in which these funds are managed: "I think in the context of artificial intelligence, and the advances in technology in general, one can see that the impact of technology is increasing all the time – and the asset management industry has probably been slower than others to adopt those material changes." Change, then, is perhaps on its way sooner rather than later – although, adds McDougall, "as we say at Mercer, the first rule of forecasting is don't do it".

Written by Sandra Haurant, a freelance journalist

Summary
- The pensions industry is becoming more aware of climate change and integrating it into its investment decisions, however campaigners argue there is more to be done.
- Most large providers have introduced emissions targets, but questions remain over whether these are strong enough.
- The regulator is watching closely and has identified data and climate scenario analysis as areas for improvement.
- Pension companies are hiring teams of analysts to tackle the problem and are needing to take climate impact into account when pitching for business.

Tackling climate change: Pensions' role to play

Sam Meadows considers the power and influence the pensions industry has in the fight against climate change

Extreme heat in southern Europe. Devastating fires in Hawaii. Scouts evacuated from a typhoon in South Korea.

Everywhere you look this summer, the world is coming to terms with increasingly extreme weather events – caused, at least in part, by climate change.

And while it is governments and scientists who are generally tasked with finding solutions, there is a shifting of focus within the workplace pensions industry.

With roughly £3 trillion invested in pensions in the UK, the potential power of schemes and trustees to shift the dial in investment in climate solutions is huge.

But to what extent are they wielding that power and contributing to the solution? Or are they burying their head in the sand?

There are a huge range of views on how the pensions industry – and inventors more widely – should approach the climate question.

Much of the discourse revolves around environmental, social and governance (ESG) factors, and these are very 'in vogue' in the investment industry.

But the extent to which these factors are taken seriously, and whether they properly address climate change, is up for debate.

Investors are also split over whether the best course of action is to divest completely from fossil fuel producing companies, or to push them towards investing more money in climate change solutions like renewable energy.

Make My Money Matter senior finance adviser, Huw Davies, says pension schemes are becoming more aware of the role they have to play – but he does feel more could be done.

"The industry has huge potential and a big role to play in the fight against climate change," he says. "We know that the public want healthy returns on their pensions, but they also want a healthy planet to retire in."

Pensions for Purpose is an industry group set up to promote impact investing. Its chief executive, Charlotte O'Leary, says the size of the industry means it wields "substantial influence" over markets.

Auto-enrolment has only increased this, she says.

"By making the decision to invest in green and sustainable projects or back companies that have robust environmental credentials, the pensions industry can steer the course of the business world towards a more eco-friendly direction," she adds.

What are companies doing?

In terms of action, there is plenty being done.

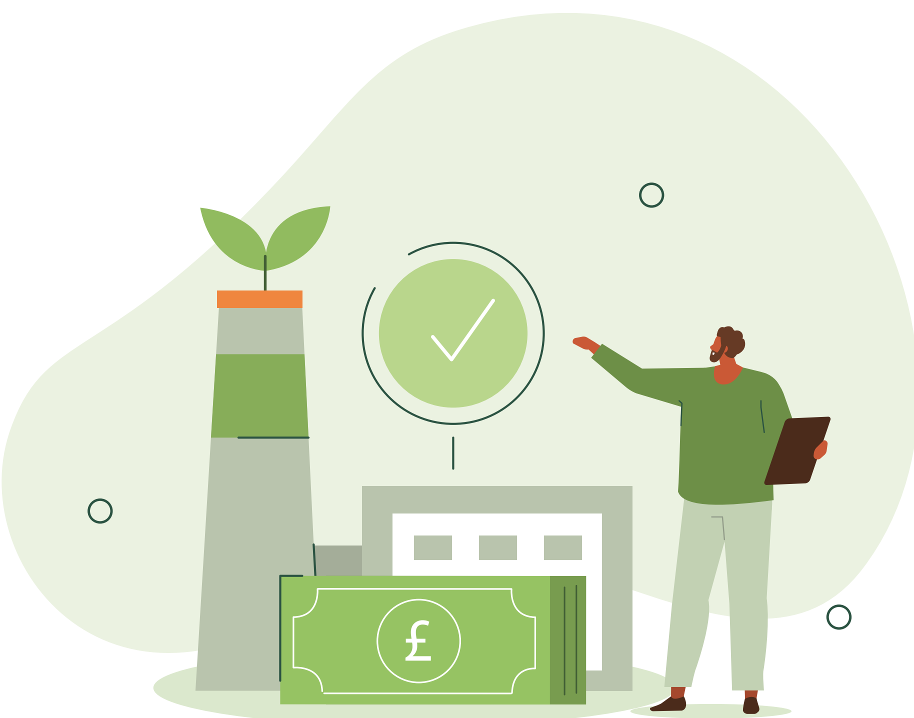
For instance, Royal London aims to halve the carbon intensity of its portfolio by 2030 and achieve net zero by 2050. It has introduced 'ESG-tilted' equities into its range of governed funds, as well as engaging with 19 companies in the past six months to improve their transition plans.

"We want pension companies to be clear to oil and gas companies that they must have real transition plans"

Its senior investment development manager, Ryan Medlock, says: "We believe in engagement over divestment, as divesting simply transfers the responsibility to other investors, who may be less inclined to influence the change we would like to see."

Meanwhile, Aviva has "enhanced the integration" of ESG factors into its default fund – as well as offering an ethical default – and also excludes investments in the 'most harmful' industries. It is targeting net zero by 2050.

Also, Scottish Widows has divested from stocks that did not meet its ESG criteria to the tune of £3 billion since the end of 2020. Like its rivals it also has targets to reduce the carbon emissions in its portfolio. And Aegon also aims to halve its carbon emissions by the end of the decade and reaching net zero by 2050, as part of its climate "road map".



More work to do?

Davies says: "It's certainly good that many of the leading providers have set targets to half their emissions this decade, which is what is needed. There's clearly a lot more focus on climate than there was a few years ago.

"But we would like to see more detailed action plans on actually making this happen."

One issue highlighted by campaigners is that firms' emissions targets usually rely on governments meeting the 1.5 °C target set by the Paris Agreement. The current trajectory, according to United Nations analysis, is closer to 2.5 °C.

Another report, published in July by Carbon Tracker, also warned that investment models used by the industry suggested a minimal impact on economic growth if temperatures were to rise by as much as 4.3 °C.

While academic estimates of the global GDP hit climate change could cause differ widely, there is concern that this could be too optimistic an approach.

O'Leary says: "Recent evidence on the problems with climate assumptions used in scenario analysis and risk modelling, are leading pension funds to believe they are in a better position than they are in reality."

Davies says that those that fail to take account of climate change factors in their investments will ultimately find it eventually damages returns.

He says: "There's clearly a risk management aspect to this. You need to understand the risk of climate change

to your portfolio and we think pension schemes really need to take action now to avoid future losses."

Amid the debate, The Pensions Regulator (TPR) has launched a new focus on climate change and ESG.

Its research finds that roughly one in five schemes had failed to provide a link to a Statement of Investment Principles (SIP) laying out their climate plans.

Even of those that did provide an SIP, the wording of some was found to be "vague and generic", the regulator says.

Corporate trustees can be fined up to £50,000 and the regulator has warned that it will consider enforcement in the area.

TPR's executive director of frontline regulation, Nicola Parish, says: "Our review of the first year of annual climate reports showed areas of emerging good practice, but also areas for improvement – not least in climate scenario analysis and data quality."

She says that the regulator recognises "the scale of the challenge", but that publication of ESG information was not good enough in 2020, leading to a greater focus from TPR.

An industry in transition

The industry is clearly in a state of transition with a growing focus on the climate crisis.

Aviva says it has a dedicated team of more than 30 ESG analysts working full time on solutions.

Aegon pensions director, Steven Cameron, says he has noticed a growing interest in climate impact both among the employers that the company pitches to and the employee benefits consultants who help employers find scheme providers.

"There's a strong feeling that the companies that take climate change seriously will be the ones who perform better and those who ignore it will struggle," he says. "It's for the 'greater good' but it also makes financial sense."

Pensions and Lifetime Savings Association policy director, Nigel Peaple, says: "Attitudes towards fighting climate change have been on an upward trajectory over the past several years, and the momentum does not appear to be easing.

"Pension firms and their service providers take climate change very seriously and invest in the expectation of a carbon-constrained future."

He adds: "Although pension schemes have a role to play in wielding influence over the companies in which they invest, climate change is not for one industry to combat in isolation and pension schemes cannot resolve these issues single-handedly.

"A system-wide approach is needed if there is to be any significant changes."

For the campaigners, the calls to action are clear. While the pensions industry has made progress when it comes to climate change, more direct, specific and robust action is needed.

Davies says: "We want pension companies to be clear to oil and gas companies that they must have real transition plans and they must not be investing in new oil and gas. We aren't seeing enough of that at the moment."

"The reality is that none of us are doing enough," O'Leary says. "We would like to see a swifter shift from fossil fuels, greater funding for green initiatives, educational resources on sustainable investing and collaboration with other financial entities would amplify their positive impact."

Written by Sam Meadows, a freelance journalist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Missing from Mansion House

Despite the wave of consultations and proposed reforms announced in the Chancellor's recent Mansion House speech, *Pensions Age* asks: What is the most important pensions issue that was not addressed in the Mansion House reforms?

The elephant in the Mansion House ballroom for me is the lack of focus on pension adequacy. The single biggest, most direct way to boost outcomes is to pay more in. The DWP produced a combined analysis of the Mansion House pension package alongside the Private Member's Bill automatic enrolment enhancements. The impact of removing the auto-enrolment offset alongside an earlier starting age of 18 is greater than all the Mansion House pensions pack combined.

Even after these long-overdue auto-enrolment enhancements, the government and industry must help individuals understand that saving 8 per cent of their total earnings, even throughout their whole working lives, won't be adequate for the outcomes many desire. And the answer isn't a new single percentage – it's a very personal assessment based on current pension provision, working age lifestyle and retirement aspirations. The challenge is how can we make that elephant fly.

Aegon pensions director, Steven Cameron

A recent study by the Institute for Fiscal Studies has exposed a worrisome trend in the UK: Declining retirement savings among private sector and self-employed workers. Approximately 20 per cent of private sector employees, around 3.5 million people, make no annual pension contributions. Among those who do, most are saving insufficiently. The situation is equally concerning among self-employed individuals, with fewer than 20 per cent contributing to pensions.

In his recent address, the Chancellor committed to tackle persistent inflation. This leaves him with a conundrum because his only viable strategies to achieve this are to either reduce the money supply or cap price rises. However, these options will disrupt the economy and bring about a recession and disrupt people's lives once again. The Chancellor said he aims for a 'sound money' policy, but to truly rectify the economy and boost pensions and savings, he must address the inherent issues of our current monetary system.

Addressing the decline in retirement savings necessitates a comprehensive approach, involving controlling inflation rates through a truly sound monetary system, responsible government spending, and policies to aid individuals in building adequate pension funds. This would help ensure a more financially secure retirement for citizens and a stable economic future for the UK.

Cartwright investment consultant and head of digital assets, Glenn Cameron

The Mansion House proposals add further to the level of uncertainty for those managing or responsible for corporate pension provision. A degree of uncertainty already existed. No sign of what is intended around 'notifiable events' from the Pension Schemes Act 2021, detailed but important differences between the DB Funding Code regulations and the draft Funding Code from the regulator are unresolved, the long-awaited General Code is still not finalised, and there is uncertainty of whether the abolition of the lifetime allowance will last post the next General Election. And what next for value for money assessments and climate related disclosures?

With improved funding levels schemes might be thinking about their end game. Should they now run on and hope that one of the innovative ideas set out in the Mansion House proposals come to pass? The long-awaited consultation response in superfunds is welcome but does it provide sufficient clarity for trustees to consider a transfer to a superfund? Are the various capital-backed journey plan products likely to be welcomed by the regulator or frowned upon?

And with a General Election looming, is there sufficient time to move any of these proposals through the legislative process? The current level of uncertainty surrounding long term retirement saving has never been greater.

LCP partner, David Fairs

We've seen no long-term plan addressing the shortfall many face in saving for retirement, and certainly nothing that looks as if it could survive successive parliaments. We have missed another opportunity to create a stable and enduring pensions framework that will be around for generations to come.

Part of this missed opportunity is the failure to both extend auto-enrolment to more people, and increase contributions from the current 8 per cent (although we acknowledge this might need phasing in given the current environment). After all, contributions are the greatest driver of retirement outcomes. Reallocating a saver's assets to potentially generate better investment returns will not have the same impact as simply saving more.

Lastly – and here, we come full circle – we have seen nothing outlining the benefits of long-term saving. If the industry only has short-term, reactive and opportunistic fixes, then why should the working population believe in the long-term benefits of saving for retirement?

SEI DC and solutions managing director, institutional group EMEA and Asia, Steve Charlton

There was a missed opportunity. Since 2012, automatic enrolment has brought an additional 10 million people into pension saving, with £115 billion saved in 2021 alone. The statutory minimum rates, however, remain unchanged, and few within the industry regard 8 per cent of qualifying earnings to be an adequate long-term rate. Increasing contribution rates at this time would have the effect of allowing members to accumulate larger funds and also directing more investment into private equity. Imminent reforms to auto-enrolment will see the minimum age reduced to 18 and the removal of the lower earnings threshold, and taking the opportunity now to increase contribution rates would be beneficial to both members and to those companies seeking new support from the pension system. This would have represented an exciting opportunity, and it is unfortunate that it was one that has been missed.

PMI director of policy and external affairs, Tim Middleton

Everyone in the industry knows that 8 per cent automatic enrolment (AE) minimum contributions isn't enough. Yet the Mansion House reforms were silent on savings adequacy. No amount of boosting returns or consolidation will turn 8 per cent into a decent retirement.

There has been progress on the 2017 AE Review findings. Reducing the minimum age from 22 to 18 and removing the lower earnings limit are both great. They will help tackle gender and ethnicity pension gaps. But they won't fix under-saving.

People don't realise they aren't saving enough. The gameplan was to 'wake-up' savers, through dashboards and simpler statements, so they choose to save more. It's taking longer than planned, meaning more people will find out too late and have to work longer.

We need a plan to 'save more tomorrow': Gradually increasing contributions over many years to a level that will deliver decent retirements. The cost-of-living squeeze makes this tougher now than it was in 2017. Procrastinating will make it harder still.

The Mansion House reforms encouraged consolidating defined benefit assets. This should go further, using DB assets to generate value that subsidises the cost of better pensions for current workers. Let's hope the DWP Select Committee's consultation knits these pieces together.

Hymans Robertson partner and senior actuary, Patrick Bloomfield

To support the Mansion House event, DC master trusts graciously committed to invest 5 per cent in illiquid investments. However, at least 20 per cent of all DC scheme assets are paid by the government (tax relief) and sometimes more (salary sacrifice). The government wants to invest in illiquid investments and unlisted shares, as it has finally started to understand that the regulation it created in DB has shifted the investment from equity to gilts. So, my thoughts are more what wasn't said in the Mansion House speech, in order to achieve the desired policy outcomes. Why didn't Jeremy Hunt say that the 20 per cent the government pays into DC schemes will be invested in accordance with government policy and DC providers need to set up the facilities to do so, LTAFs etc? The 20 per cent is government money. Surely it should have a say in where it is invested? Or is this a 'courageous policy' as Sir Humphrey Appleby was so fond of saying (apologies to anyone under 45 by now I guess).

Dalriada Trustees accredited professional trustee, Paul Tinslay

Pensions history

Going back to school

September's Pensions Awareness Week is the 10th anniversary of a campaign to encourage everyone to get to grips with retirement savings. Although not a new idea, pensions education has never been needed more. Most underestimate the savings needed to enjoy a comfortable retirement and may have wholly unrealistic expectations about what can be provided by the state and minimal auto-enrolment savings. More generally, current debates about constrained public resources and the generational divide will not be meaningful unless the public, press and politicians are better informed and more honest about the impact of pensions policy choices, particularly the value and sustainability of public sector pensions as part of an overall remuneration package, and the cost of the state pension 'triple lock'.

Communication has always been a challenge for pension schemes as a wealth of litigation illustrates. Pensions are complex; many of us only look at the small print when we near retirement, and the opportunity for misunderstanding and disappointment is considerable. Misleading or inadequate communication is often blamed, even though the real issue may be a failure to read or understand the significance of information which has been given.

Over the years, schemes have tried hard to improve engagement and communication. PAT's archive includes a wealth of member booklets and announcements, annual reports and member presentations that illustrates this trend. Pensions education is the key to ensuring that the efforts made by providers result in better informed retirement choices. **www.pensionsarchivetrust.org.uk/our collections**

Pensions Archive Trust director, Jane Marshall

The bright side

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

The **Quilter Foundation** agreed a three-year partnership with **The Brokerage**, a social mobility charity that works to break down barriers and create a more diverse workforce. The partnership will fund the expansion of its 'Pathway to the City' strategy, which aims to provide 4,020 young people aged 16-25 with the skills and confidence to complete valuable work experience.

Cartwright awarded each member of staff with a one-off cost-of-living payment of up to £2,000 in addition to their salary, profit share and other performance related bonuses. This builds on the firm's previous efforts to support their staff amid broader market challenges, as last year saw all staff receive an additional £1,000 to help ease the financial impact.

Royal London announced a new £1.2m charity partnership with **Cancer Research UK** to tackle cancer inequalities. The partnership aims to fund research into hard-to-treat cancers and initiatives to improve the pathway to early diagnosis, as well as support programmes that increase cancer awareness in communities.