Trustee Guide 2024:

Rising to the challenge

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Raising the bar: What to expect in 2024

After a busy 2023, there is little indication that things will slow down for pension trustees in 2024. We explore what's to come in the year ahead, and how boards can best prepare themselves

Summary
• The DB Funding Code, Mansion House reforms, and trustee skills and knowledge are all set to be under the spotlight again in 2024.
• While a skills review reflects positively on UK pension trustees, there will likely be a call for more demands, particularly around private markets.
• For most boards, preparedness is key and they have already invested significantly in governance improvements.

This year looks set to be a particularly busy one for UK pension trustees. If 2023 was the year of the consultation, 2024 will be the year of implementation – or at least preparation for implementation.

The Defined Benefit (DB) Funding Code, Mansion House reforms, changes to liability-driven investment (LDI) strategies, and the push for consolidation dominated the headlines last year and will likely do so again in 2024.

For trustees, there is also the prospect of additional skills and knowledge requirements after the Department for Work and Pensions' (DWP) review. The government's overall view of trustees' knowledge and understanding was positive, but it made clear that it expected additional training to ensure boards understood the full range of asset classes available to them – no doubt to support the private markets-related goals of the Mansion House reforms.

Under pressure?

The Pensions Management Institute (PMI) director of policy and external affairs, Tim Middleton, says: "It is clear from the Mansion House consultation that dealt with trusteeship that the government is seeking to drive up standards throughout the trustee universe as a whole and is considering options such as a requirement for a professional trustee to be appointed to every board and the consolidation of smaller schemes.

"Trustees are likely to come under increasing pressure to demonstrate that they have the skills necessary to manage their scheme effectively."

A big part of this is likely to be accreditation, with the government also calling for the launch of a trustee register to be overseen by The Pensions Regulator (TPR). While many professional and lay trustees already have some form of accreditation, for those yet to take this step, the time is now.

The Association of Member-Nominated Trustees (AMNT) co-chair, Maggie Rodger, says achieving accreditation is "an excellent way to show a certain level of training". For those that have completed the Pensions and Lifetime Savings Association's (PLSA) Trustee Toolkit training programme, getting accredited "should not be daunting", Rodger adds.

"However, the biggest barrier for lay trustees is often the cost and time required, if they are not given appropriate support by their employer, especially if their trustee role is unpaid," she continues. "AMNT has been calling for a much stronger stance on protected time off for meetings, preparation and training time as well as the coverage of costs incurred by lay trustees to carry out their duties."

In its response to the government's consultation on trustee 'skills, capability and culture' in September, the PLSA supported the idea of a trustee register. TPR currently runs a register for independent trustees only.

"Collecting this information would serve several purposes, including determining who currently serves as a trustee (either professional or otherwise), any gaps in knowledge and understanding among trustees (and trustee boards) of different scheme type, and what additional support might be needed from TPR," the PLSA said.

The association also called for a review and strengthening of TPR's Trustee

Knowledge and Understanding (TKU) toolkit, which it said was "not sufficiently demanding". The regulator should "consider offering additional guidance or continuing education opportunities for practicing trustees", it stated.

"By introducing a register of trustees and a stronger TKU regime, it would be possible to introduce a form of 'accreditation' for all trustees."

Speaking to *Pensions Age*, PLSA director of policy and advocacy, Nigel Peaple, explains that there are "proactive steps" to prepare for potential changes to standards.

"These may involve investing in continuous training and development programmes for existing trustees, fostering a culture of lifelong learning within the board, seeking professional accreditation or certifications, staying updated with relevant industry guidance and regulations, and reviewing readily available content such as the PLSA's Made Simple guides."

Are you ready?

How can trustees ensure they are best prepared for the challenges ahead? While accreditation is a strong option – and organisations such as the PMI offer this to lay trustees as well as professionals – the first step for most boards will be to understand where their collective strengths and weaknesses lie.

Macfarlanes pensions partner, Faye Jarvis, says: "When thinking about knowledge and skillsets you should consider the trustee board as a whole. Equally, when considering their shortfalls, you need to look at where there are gaps in the collective knowledge. This can be done by developing a skills matrix to record the different skills and experience of each board member."

Middleton agrees that the skills matrix is an optimal starting point. From here, trustees can identify knowledge gaps and address them through training or additional appointments. Training should be a continuous process, ensuring boards are up to date with developments in relevant markets and regulation.

Zedra client director, Colin Richardson, adds that resources such as professional trustees, advisers or TPR documentation can all help identify areas for ongoing development. He adds: "Good boards are doing this on an ongoing basis as best practice and doing so candidly – only in being rigorous and open can gaps be identified and addressed. This is not about judgement, but improvement.

"We are fortunate that we have a wealth of resources available to us – materials and training – so we start from a good base as an industry."

"Trustees are likely to come under increasing pressure to demonstrate that they have the skills necessary to manage their scheme effectively"

Pension scheme endgames

After the gilt market chaos of 2022 drastically affected some DB pension schemes' endgame planning, 2023 brought new challenges that may again cause some trustee boards to rethink their journeys.

There continues to be significant demand for insurance buy-ins and buyouts. Research by LCP in October 2023 found that the number of UK private sector DB schemes that were fully funded on a buyout basis had grown to 20 per cent – the equivalent of more than 1,000 schemes with approximately £275 billion of assets between them. A further 1,250 schemes are expected to reach buyout level funding within the next five years, LCP said.

While more entrants are predicted for the insurance market to help meet this demand, there may still be those who cannot access the insurance market and may need to consider a self-sufficiency or run-off approach.

The new DB Funding Code – currently scheduled to come into effect from April 2024 after several delays – is likely to focus many minds on creating a detailed journey plan towards some form of insurance transaction.

On top of this, a change to the way scheme surpluses are taxed may make it less onerous for employers to maintain a well-funded DB scheme. More long-term investors could also create a larger potential market for investing in unlisted UK assets, a key element of the Mansion House reforms.

"After many years of having to manage significant funding deficits, many DB schemes are now in surplus," says Middleton. "Historically, the obvious route to wind-up has been through bulk annuity buyout. However, many trustees are now considering the alternative of run-off with the ultimate objective of returning some of the surplus to the scheme sponsor. Trustees will need to give careful consideration as to which is the more suitable option for their scheme."

Reasons to be cheerful

It may seem a lot for trustee boards to tackle in 2024, especially on top of the day-to-day running of their schemes. Rodger says the new changes as planned will "not be a particular burden" on most trustee boards as they will already be monitoring their own training and skillsets.

She adds: "As in any of these situations, trustee boards should be looking to their advisers to not only help train them in all the aspects relevant to their scheme but also to advise on potential changes of investment strategy, for the board to discuss and review. This means that, apart from the new task of supplying data for the register, they should be ready for these changes."

Written by Nick Reeve, a freelance journalist

Supporting members to take the right course of action

Jonathan Watts-Lay looks at the challenges members may face in the year ahead, including the continuing pressure from rising costs and how this may impact pension savings, as well as the key considerations for members approaching retirement. With this in mind, he also outlines how schemes, trustees and employers can help members take the right course of action to optimise their retirement outcomes

Many households have faced severe financial pressures from rising costs over recent times. Yet, as we look to the year ahead, whilst inflation is expected to gradually continue falling, it seems that the strain on household budgets is set to continue for some time. In fact, our latest financial wellbeing research[1] found that employers are expecting financial pressures such as high childcare costs (64%), rental costs (66%) high consumer inflation (75%), and energy prices (77%) will continue to be a risk to the financial wellbeing of employees.

Increasing costs have meant for some that making regular contributions into a pension pot has become more of a challenge. Our research last April[2] showed that 13% of working adults had reduced or stopped pension savings because of rising costs. Yet more worryingly, 29% said that they may consider stopping payments in the future, while 30% said that they may consider reducing future payments.

The current environment is also causing disruption to the retirement plans of many, with our research finding that 33% of working adults thought that they won't ever be able to afford to retire. Not only this, 83% were concerned that the cost of-living crisis meant that they would have to work longer before retiring.

There are also others who are considering dipping into their pensions early to alleviate current financial pressures. Our research found that 31% of those eligible to withdraw pension savings, either intend to or may consider doing so in the future to supplement their income. However, this really should be a last resort and members must understand the dramatic impact this will have on their retirement savings to be used in later life.

However, as the year continues, those involved in the pensions industry will need to closely monitor member behaviour to see what the longer-term impact of rising costs may have on pensions.

What do members need to know?

It's important that members understand how their pension schemes work, what they should be contributing, what funds they should be selecting, and ultimately, what size of pot they need or want when they get to the point of retirement.

Then once at-retirement, people need to understand the options available to them for creating retirement income from pensions they have accumulated, as well as other savings such as ISAs or other investments. Understanding what their state pension will be and when they will receive it is also crucial.

There are common pension mistakes that members could make as they approach retirement, and it's important they understand these so that steps can be taken to avoid them. This includes withdrawing savings from a pension too early, or if a member's pension investments or 'glide path' isn't in line with their planned method of generating a retirement income, as well as not shopping around for product providers to get the best deal.

In addition, as many individuals will have more than one pension (not forgetting other available savings and investments such as ISAs or shares), it's important that they are looked at holistically to avoid paying more tax than necessary. Those with multiple pensions may also be better off consolidating their pensions to ensure a joined-up investment strategy.

There is also a real risk that people either underspend or overspend by underestimating or overestimating life expectancy, and devastatingly, that they lose their pension savings to scams. It's estimated that £2.5 trillion worth of pension wealth in the UK is 'accessible' to fraudsters, which represents a 'huge target base for criminals'.

For many, the decisions that are made at-retirement may be the biggest financial decision they make in their lives and as these pension pitfalls show, it could so easily go wrong. Yet our research showed that 51% of employees either spoke to family and friends or no one at all when getting support with their pension. This highlights the need to ensure members are guided by reliable sources.

What should be done?

It's exceptionally important that schemes, trustees and employers collectively work together to ensure that pension scheme members and employees are making the right decisions when it comes to their pensions.

Firstly, supporting individuals with their day-to-day needs, especially in the current environment, should be an area of focus. This should sit alongside support around longer-term needs such as pensions and retirement savings. Offering financial wellbeing programmes that help with a full range of money matters from debt and money management to preparing for retirement can really help. Many leading companies now deliver this sort of support through financial education workshops, one-to-one guidance or coaching sessions, digital tools and helplines, as well as providing access to regulated financial advice.

In fact, when it comes to retirement provision, the good news is that employers are viewing the ageing workforce as increasingly important, with 29% citing that it will be a driver of financial wellbeing strategy over the next two years. 44% say that they plan to offer targeted support for the over 55s during the same period – which has grown from 17% and represents a 159% increase in the past two years. Specifically, pre-retirement planning is set for a boost with 68% of employers either currently offering it or planning to do so.

But before proceeding with a programme, carrying out due diligence on providers is crucial. This should include checking that any financial education and guidance providers are workplace specialists with experience in providing support to members. Due diligence on regulated advice firms should cover areas such as qualifications of advisers, the regulatory record of the firm, compliance process e.g. compliance checks of 100% of cases, pricing structure, and experience of working with employers and trustees.

Ultimately, empowering members by providing them with access to appropriate support at the right time can improve financial capability and resilience. This can help members to navigate any challenges that may lie ahead which should result in better retirement outcomes for all.

Written by WEALTH at work director, Jonathan Watts-Lay

In association with
WEALTH at work
part of the Wealth at Work group

[1] The REBA and WEALTH at work Employee Financial Wellbeing Survey 2023 was carried out online between March and May 2023 and was launched on 26 September 2023. Responses were received from 195 wellbeing, HR and employee benefits specialists working at organisations representing over 1.5 million employees

[2] Are rising costs impacting pension savings and retirement plans? The research for WEALTH at work was carried out throughout April 2023 amongst a panel resulting in 2,025 UK adults aged 22+ in full time employment responding

How can master trust boards avoid confirmation bias?

By better understanding different people's needs and attitudes, we can build a more inclusive retirement savings system. But do we understand other people as well as we might think?

The UK workforce is increasingly diverse and set to change further in future. But before pension systems and services can be redesigned to reflect these demographic changes, member needs and attitudes need to be understood. I suspect this may sometimes be harder than some of us imagine.

Take, for example, some of the findings from Standard Life's *Retirement Voice 2023* survey, which explores the views of more than 6,000 people in the UK from all walks of life[1].

In this survey, half (51 per cent) of Gen Zers said they'd "rather invest in property than a pension". Millennials weren't so different, with two-fifths expressing the same attitude.

What should we make of this?

Open to interpretation

Perhaps these findings tell us that younger people plan or expect to have second or third homes in retirement, the rental income from which will provide better income than a pension?

Might they also indicate that many young people have little faith in pensions to provide them with financial security in later life?

Or do they indicate, instead, that many young people feel that getting on the property ladder is immensely difficult, but more immediately important to them than saving for retirement – and therefore, this is what they're prioritising?

Or might it be, rather, that we don't really know?

Without asking the respondents what they meant by these answers, and better understanding people in this age group, we lack the context surrounding these findings. And, as the saying goes, data without context is like a riddle waiting to be solved.

Context is everything

Other findings from the research perhaps also require further reflection. For example, around a third (32 per cent) of people from a black, Asian and minority ethnic background said they were not focusing on saving for retirement because they were "expecting to inherit money or property".

It would be easy to formulate a view about this finding, but, again, do we really know what it signifies? Understanding the proper context of many people's decision-making would seem to require a level of knowledge, empathy – and dare I say, imagination – that is, individually, beyond many of us (me included!).

As we know, data interpretation is not purely objective. Emotions, beliefs and experiences can easily colour our analysis. So if we're not careful, data analysis can mislead as much as it can instruct.

A team that includes individuals with varied backgrounds and perspectives can help to enrich the group's depth and range of sensibilities, and strengthen the overall interpretive process.

It also helps to stay humble. Embracing uncertainty and acknowledging the limitations of incomplete data – and our own understanding – is essential to avoid drawing erroneous conclusions. We are therefore proud to have a diverse Standard Life master trust board, which helps to improve decision-making – and stay alert to things we need to learn more about.

As the amount of data used in our working lives increases in the years ahead, however, having diverse decision-makers is likely to become even more important. This is why Standard Life has launched the Trustee Accelerator Programme (TAP) to support the next generation of trustees.

Widening the net

TAP will provide participants with knowledge and insight into the world of pensions, and provide the qualifications needed to become trustee ready. It is open to participants from all walks of life, including those without previous pension experience.

Launched in partnership with the Pensions Management Institute, the two-year programme starts in April 2024. It has been designed with flexibility in mind, putting people in control of their learning, so they can study around a job, caring responsibilities, and any other commitments.

We would welcome other providers joining forces with us, or launching their own programmes to increase diversity in our industry, with the ultimate aim of improving outcomes for all members.

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

In association with Standard Life, Part of Phoenix Group

[1] Between July and September 2023, Standard Life commissioned an independent study that sought to understand consumer attitudes to pensions and retirement plans. The study questioned a total of 6,350 UK adults, with the data weighted to give a nationally representative sample by age, gender, region and working status. The research sample included UK adults aged 18–80 and covered a range by income, savings, region, gender, ethnicity, and other key attributes.

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12 months later…

LDI and investment strategy considerations for a post gilt-crisis world

A year on from the 2022 gilt crisis, and a lot has changed in the DB and LDI marketplace. Now the dust has settled, this article highlights what trustees should be thinking of when considering their LDI allocations. Funding ratios are generally better than they were 18 months ago, and decent progress has been made rebalancing away from illiquid and to liquid assets. Additionally, it feels like the market has reached a steady state in terms of regulatory guidance and provider service offerings, meaning that now is a sensible time to reassess the appropriateness of one's LDI arrangements.

We have repeatedly been referring to headroom, liquidity, and governance to signpost the three key areas that trustees should focus on:

Headroom – Defined as the rate rise a portfolio can absorb before remedial action is required. There are several things to consider here. The first is a straightforward regulatory hygiene check. Regulatory bodies have guided towards minimum headroom levels of 2.5% to 3.0% (defined as the rate rise a portfolio could absorb before full asset exhaustion), trustees should verify that their LDI provider's approach is compliant with this guidance. Secondly, the LDI portfolio/fund will have a certain level of in-built day-to-day headroom before action is required to top up collateral. Trustees should be aware of what this is and fully understand the unique rebalancing process operated by their chosen provider. The devil is in the detail, and approaches differ between providers. Finally, trustees should determine what level of headroom they wish to accommodate with their non-LDI collateral assets. This will be scheme specific and linked to growth asset liquidity, governance, and return requirements etc. Your LDI provider should be able to offer detailed reporting, analysis, and input to help inform this decision making.

Liquidity – Any collateral waterfall asset or supplementary collateral MUST be sufficiently liquid, both day-to-day and in a crisis. As a minimum, this means daily traded and with short settlement cycles. Additionally, trustees should consider exit costs and whether such costs could increase in times of market stress. Price volatility is also relevant. Generally, assets with more stable values are more attractive as market timing risk is reduced. This has been steering investors towards short-dated global corporate bonds, diversified growth funds and absolute return strategies.

Governance – What model do the trustees wish to employ for instructing trades and moving money around to top up LDI collateral pools? The general trend is towards delegation. Even schemes with meaningful governance budgets, who were able to meet capital calls during the crisis are seeking to delegate this activity to reduce risk. The broadly accepted solution it to pre-agree what assets will be sold and in what order and to delegate this within a rules-based framework to someone operationally set-up to implement such activity day-to-day, such as the LDI manager, a fiduciary manager or the scheme's adviser.

What does all this mean for investment implementation?

- More pension schemes are **allocating to adjacent liquid asset strategies with their LDI manager**, to facilitate automatic rebalancing of leverage when required. Whilst pure investment capability and credentials remain important, the settlement cycle, exit costs and level of leverage rebalancing automation the manager can offer are becoming increasingly important.
- **Full integration of credit and LDI allocations** is attractive where possible. Apart from the obvious accuracy benefits of the LDI manager accounting for the credit accurately and in real time, there are some proven benefits should the credit need to be sold to top up the collateral pool. Firstly, it may be possible to avoid selling credit altogether by using maturity proceeds or by borrowing using credit repo. Secondly, where credit must be sold it can be done in a nuanced way, minimising the amount of credit that is sold and the impact of any sales on the remaining portfolio.
- Emergence of **demand for implementation manager solutions.** There has been a dawning realisation of a middle ground between full delegation via a fiduciary manager and the traditional advisory model. This involves the trustees continuing to take advice from a traditional adviser and owning the strategic and manager selection decisions, but then delegating the implementation of these decisions to a third party. Another way of describing it is as fiduciary management but without the advice. Such a solution ensures the right people are undertaking the right tasks. i.e. a market practitioner

takes responsibility for a lot of the operational tasks, freeing up bandwidth for the trustees to focus on strategic decision making.

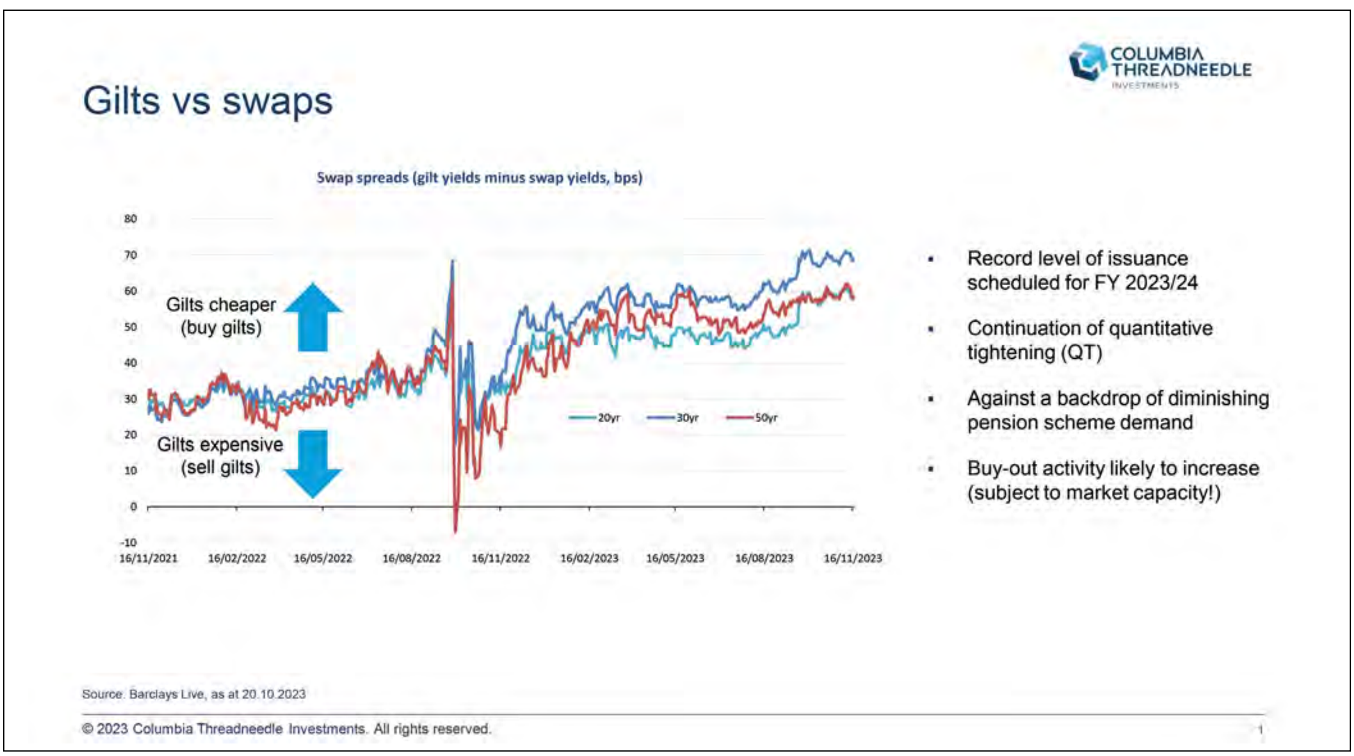
- **Short-dated credit is gaining a march on longer dated cashflow matching portfolios.** Two things have driven this. Firstly, shorter dated credit is better suited as supplementary collateral. It is more liquid, less volatile and contributes less to hedging than longer dated credit. Secondly, improvements in funding ratio place schemes closer to buyout than previously anticipated. Shorter dated credit is better suited to near- and medium-term buyout aspirations as it is easier to sell at the point of transition to an insurer.
- **Greater focus on end-game objectives.** Improved funding ratios have focused minds on whether run-on or an insurance solution is the desired outcome. This has led to an awareness that the insurance market is capacity constrained and so schemes need to make themselves as attractive as possible to a potential insurance suitor. In some instances, this requires meaningful work on data and liability management. Buy-ins have taken a bit of a back seat. Lower LDI leverage levels post gilt crisis mean that buy-ins can put an unjustifiable additional strain on the remaining scheme assets.
- **Dynamic LDI has returned to the fore.** Dynamic LDI involves biasing the liability hedge to the cheaper of gilts and swaps and systematically switching between them to add-value. Several things have combined to remind investors of the attractiveness of such an approach:
  - Increased market volatility has created more value-add switching opportunities.
  - Excess gilt supply versus demand has led gilts to underperform swaps, making pure gilt-based hedging less attractive.
  - The gilt crisis increased awareness of the flexibility benefits of a multi-asset hedging strategy.
  - Improved funding ratios and therefore proximity to buyout has reminded trustees that incorporating swaps in the hedging portfolio reduces basis risk relative to insurance pricing.

In summary, a lot has changed within the LDI market in the past 12 months, and now is a good time to reassess your LDI arrangements to ensure you are best placed to meet your scheme's objectives over the coming years.

Written by Columbia Threadneedle Investments managing director, head of solutions client portfolio management UK , Simon Bentley

In association with COLUMBIA THREADNEEDLE INVESTMENTS

Source: Refinitiv Datastream as at 16.11.2023



An alternative to buyout

Michael Burdett explains why run-on solutions are increasingly popular for DB pension schemes

Rising interest rates prompt re-evaluation of endgame options

In the face of rising interest rates seen since early 2022, defined benefit (DB) pension schemes have seen a rapid and remarkable change in their financial situations. Many have tipped into surplus, prompting trustees to evaluate their endgame options more closely and over much shorter time horizons than previously anticipated. Traditionally, a buyout with an insurance company has been viewed as the 'gold standard' for DB pension schemes. However, many are challenging whether conducting a buyout as soon as possible is the optimal solution for their scheme.

As a result, alternative strategies, specifically run-on strategies, are gaining traction. Approximately one in five schemes, are setting run-on as their most likely endgame strategy[1]. Run-on is where the pension scheme pays off liabilities (pensions, expenses, transfer values etc.) as they fall due over time. To achieve this, a pension scheme will typically aim to be 'self-sufficient'. This means it will seek to establish an investment portfolio that gives it a high probability of fulfilling all its pension obligations, with a no or 'low dependency' on the sponsoring employer. The liabilities are typically run off until the incremental cost of a full insurance buyout is acceptable relative to the costs and risks associated with governing the scheme on an ongoing basis. But why are run-on strategies becoming increasingly relevant in the current market?

In our view, this industry shift is driven by three factors: Changes to legislation that incentivise run-on, uncertainty around financial and practical capacity in the insurance market, and paternalistic sponsors wishing to remain at the helm.

Legislative changes: A catalyst for run-on strategies

The Mansion House speech, delivered by the Chancellor in July 2023, and built on by the Autumn Statement, in November 2023, provided further incentives to run-on DB schemes. In the Autumn Statement, the Chancellor made it clear that the government will encourage alternatives to buyout and look to increase the opportunities available for schemes to invest in productive finance, focusing on UK assets.

As part of the statement, the Chancellor proposed the tax applied to return surplus from the scheme to sponsor would be cut from 35 per cent to 25 per cent, further consultations on how surplus is repaid to sponsors and the ongoing role of the PPF; with the PPF being able to cover 100 per cent of member benefit payments in exchange for a higher levy and being able to act as a consolidator for schemes that are deemed "unattractive to commercial providers". As part of these reforms, we identify three potential benefits to trustees, namely, the ability to enhance benefits for existing DB members, a more streamlined way of returning surplus to sponsors and greater clarity on de-

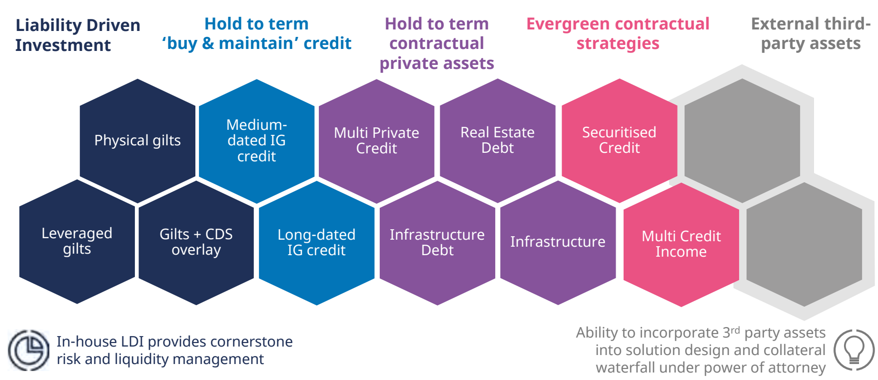


Figure 1 - The core building blocks of a run-on solution

risking standards, which allow schemes to run-on for longer and potentially secure better insurer pricing in the future. Ultimately, the increased flexibility given to DB schemes encourages investment in productive assets, in a risk-controlled manner, which can be beneficial to all stakeholders.

Potential limitations in the insurance market

Looking more closely at insurer capacity, the significant rise in interest rates has led to a surge in trustees and sponsoring companies looking to transfer their DB schemes to insurance companies.

According to the Pension Protection Fund (PPF), as of 31 October 2023 there were only 473 schemes in deficit whilst there were 4,658 schemes in surplus; as a comparison, there were 1,752 schemes in deficit and 3,379 in surplus as of 31 March 2022 when longer-dated yields were under 2 per cent. The increased demand for insurance has created a capacity constraint in the near term. Most participants expect insurers to become more selective around which schemes to quote for. Larger schemes (over £1 billion for example) will retain the most interest, and technology may help increase capacity for smaller schemes (under £100 million). For the swathe of schemes in the middle, uncertainty over capacity is an important factor in determining how to run your investments today. A risk-controlled approach, investing predominantly in contractual assets protects the funding progress built up over recent years, whilst making incremental gains towards funding on a solvency basis. Running-on allows trustees the flexibility on risk, return and timeframe, whether the ultimate goal is an insurance solution or not.

The investment skills needed from a run-on solution partner

There are three key attributes needed from an investment partner, to help you deliver a run-on solution:

Technical: The first skill required is to have strong strategy design skills in cashflow-driven investing (CDI). Your partner needs to have the design modelling, the risk tools, and the reporting to provide you with the full-service package.

Implementation: Any CDI solution manager needs an efficient way to implement the core building blocks. Hedging from corporate bond assets needs to be fully integrated into the liability hedging assets, and efficient collateral and liquidity management is paramount.

Breadth: It is important to partner with a firm who can both provide you with an appropriate range of asset classes going forward, but also deal with legacy issues, including careful management of legacy illiquid assets.

Conclusion

The evolving market and legislative landscape have led DB pension scheme trustees to consider alternatives to traditional buyout strategies. Run-on solutions, particularly those using a CDI strategy, are emerging as viable alternatives, offering control, flexibility, and certainty of outcomes.

At Schroders Solutions, our integrated team is ready to help navigate these complex decisions, providing bespoke solutions that meet each scheme's unique needs. As the pensions landscape evolves, we remain committed to delivering outcome-focused solutions that cater to this new reality.

Written by Schroders Solutions head of CDI, Michael Burdett

In association with Schroders solutions

[1] **Source: Trustee poll, PLSA Investment Conference 2023**

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The road to General Code

With most journeys, we usually have a clear idea of our destination, and how to get there. However, there are often challenges along the way. The road to the General Code is no different

The General Code of Practice (the code), formerly known as the Single Code, has suffered many delays. Originally expected in spring 2023, it's still yet to arrive. When it's published the code will be one of the most significant changes in occupational pensions in decades with new requirements around cyber security, so trustees must understand its requirements and get prepared.

Create a road to effective governance:
Even the most well-governed schemes will need some work to prepare for the requirements of the code, but complying with it shouldn't be rocket science; it's simply a redesign of the governance structure, including the introduction of a self-performed audit function.

Though implementing the code may appear daunting, it's crucial to remember the purpose behind it: **delivering enhanced governance that adds value and makes you think at the right times.** Enhanced governance translates to better outcomes for members, so it's important to not simply develop a system that leads to an annual box-ticking exercise. For example, a poor system may simply ask if there's a risk register in place. Meanwhile, a good system will stipulate when the risk register should be reviewed; ensuring all key risks are covered and mitigated as far as possible.

Get prepared:
To best prepare your scheme for the General Code, you can start by reviewing where it currently is. By assessing your current scheme's practices against the **effective system of governance** (ESOG) guidelines, you'll:

- understand how well your pension scheme already complies
- identify areas that need improvement; and
- pinpoint where a new policy or procedure is necessary.

Such analysis will also help guide you as the trustee, on where to prioritise and channel your efforts effectively. This is particularly important, given The Pensions Regulator's (TPR) guidelines stating that trustees must implement an ESOG that aligns with the size, nature, scale, and complexity of their scheme's activities.

While size shouldn't be a barrier to good governance, trustees of smaller schemes may understandably have concerns about addressing similar challenges with limited resources. However, they can take comfort that proportionality must be considered.

Speak to a professional:
It's the responsibility of pension trustees to ensure that their scheme is in compliant with the law and governed effectively. Seeking professional guidance can make this process more manageable offers trustees increased confidence.

At Vidett, our unique 'toolbox' can assist our clients in complying with the code, including:

• **Gap analysis** – our compliance review tool allows us to present initial results and an action plan to clients.

• **Template policies** – to comply with the draft code; implementing new policies and processes, which once drafted, accompany our progress summary report.

• **An ESOG planner** – to ensure each policy (once in place) is reviewed at appropriate times, including a risk register and dashboard to highlight key risks.

• **Training guides** – we've developed some for new trustees on key areas they should know about. Our equity, diversity and inclusion (EDI) guide is a prime example, it's not currently an area covered in the code but is something we want embedded to help optimise all trustee boards; building on existing work embracing TPR's EDI guidance to take the lead in conversations on EDI supporting our clients.

Prioritise essential policies and processes:
The General Code has been delayed, but there is still plenty that trustees can do in preparation for it. We recommend putting in place top priority policies and processes, such as a cyber security and incident response plans.

The high-profile cyber issues that impacted Capita's systems earlier this year were a timely reminder for all pension trustees and trustee boards to take stock of their IT security and data protection policies.

The loss of personal member data from a cyber-attack or denial of services through disruption to systems can be costly to members through the inability to settle benefits or pay pensions, as well as to trustees through potential fines from the Information Commissioner's Office (ICO) or TPR.

Pension trustees, as data controllers, have a legal duty under the UK General Data Protection Regulation (GDPR) to have 'appropriate technical and organisational measures' in place to process data securely. This 'security principle' extends to the processing of data by each of a pension scheme's data processors. **A cyber security policy setting out cyber risks and the management of them, is therefore the bare minimum required by trustees to put in place.**

TPR requires trustees to build cyber resilience into their systems to protect members against cyber risk. Their guidance on cyber security requires trustees to assess and understand the risks; putting controls in place; monitoring and reporting on those risks and controls. TPR also urges pension trustee boards to understand the potential cyber risks faced by their scheme; putting in place appropriate measures to assess and manage cyber risks.

If a cyber incident or data breach occurs, regulations require data controllers (trustees) to take immediate action and report matters to the ICO (within 72 hours), TPR and affected members without delay. To do so, trustees will need their policies and procedures in place.

Improve cyber security:
Here are our top tips to start doing right now:

• Assess and understand your scheme's 'cyber footprint' and any vulnerabilities

• Ensure roles and responsibilities of trustees, data processors and scheme managers are clearly defined and understood

• Speak to your sponsor as it's important to understand their cyber security and you may want to align your plans with their cyber policies

• Add cyber risk to your scheme's risk register and review it regularly

• Have back up plans in place e.g. in relation to the operation of pensioner payroll

• Ensure your data processors have robust internal controls in place to deal with cyber incidents and data breaches

• Put in place and test your incident response plan so that any cyber incidents or data breaches can be dealt with and how/when operations can resume

• Ensure reporting deadlines and processes are known so any incidents can be reported

• Record cyber incidents and data breaches so action can be taken to mitigate, reduce and learn from them

• Undertake regular training for all staff to understand cyber risks, new regulations and guidance

Reach the finish line
TPR's new code will introduce a new module relating to internal cyber controls, that will sit alongside the ESOG that trustees need to have in place and demonstrate compliance with. With the new code expected to be published soon, we can help you navigate and review your existing cyber security policies; ensuring they're appropriate and meet the code's requirements as you arrive at your final destination.

Written by Vidett client director, Simon Riviere

In association with Vidett

Member communications: Is AI ready to step up for pensions?

Johnathon Ryder examines the challenges that member communications face with the emergence of AI

Simplifying complexity is crucial for understanding and engaging with pensions, as well as delivering targeted, tailored, and timely messages to drive action. Traditionally, this has been done by humans, but is it time for a change?

AI is omnipresent

King Charles III addressed the topic in his November speech, emphasising the need for a gradual adoption with adequate safeguards. Elon Musk believes it could spell the end of humanity. It has even been named the 'word of the year' 2023 by Collins Dictionary. There is no escaping it. AI is causing divisions in various industries. The 2023 writer's strike in Hollywood, lasting 148 days, was the longest in its history. Writer's fear being replaced, and AI is even taking on the role of artists by generating artwork, images, music, songs, and data analysis.

What can we currently do with AI that is easily accessible and usable?

Quite a lot. Web tools like OpenAI's ChatGPT and Dall-E, Microsoft's Copilot, and phone apps like NovaAI offer a range of capabilities. According to ChatGPT, AI can assist with creativity and art, education, and automation. In essence, it can design a simple logo, create a newsletter, write an article, support learning, and perform data entry tasks. However, there are certain issues and considerations to keep in mind.

What is Landscape's experience with using generative AI?

Our experience with AI has been a mixed bag, but we continue to explore its potential whilst understanding the risks. We challenged ChatGPT to write a page explaining Pension Increase Exchange (PIE). Unfortunately, the output we received was fundamentally flawed and contained incorrect information. However, a second experiment to draft an article explaining the basics of inflation, how it is measured, and why it is important was more successful. With adjustments to match our writing style, it was accurate, correct, and saved time.

Generalists and specialists

This led us to consider the need for both generalists (graduates and junior team members) and specialists. Our four-eye review process involves a generalist conducting research, understanding the subject matter, and creating a first draft. The specialist then reviews it for technical accuracy, compliance with pensions rules and regulations, and ensures the accuracy of any figures. In the AI experiments, AI replaced the generalist in creating first drafts, which the specialist needed to review and edit. The inflation article required minimal changes, while the PIE article needed almost a complete rewrite.

Providing feedback to AI is currently challenging

Specialists often spend more time correcting the first draft instead of having the generalist do it. This means no real savings are achieved. The impact on generalists and specialists is another consideration. With the traditional process, generalists gain knowledge and understanding through the process, eventually becoming specialists themselves. With the AI approach, this knowledge transfer is lost.

So, are things ready to change?

Well, yes and no. For schemes with smaller budgets, AI tools can potentially serve as starting points for articles, reports, newsletters, etc. However, thorough checks for accuracy and compliance are necessary. AI can generate images to accompany the articles and even create a podcast version using generative voice AI tools.

Landscape believes that the process should be more collaborative between the generalist and AI. If the generalist can use AI to create a first draft and then conduct the initial check, the output will be more accurate when it reaches the specialist. This approach can potentially reduce the amount of work needed while knowledge is still being acquired and future specialists are being trained.

That's where we currently stand, but things are changing every day. In fact, this article is probably already outdated!

Written by Landscape client services director, Johnathon Ryder

In association with Landscape.


Get that pension feeling
Helping schemes deliver value for money through better engagement & communications
+ AI
+ Content creation
+ Web design & development
+ Strategy
+ Branding
+ Design
+ Mobile apps
+ Motion graphics
+ Social strategy
Landscape.
Pensions made simple

The trustee role in retirement planning

Aviva policy manager, workplace savings, Dale Critchley, examines the role trustees play in members' decumulation phase

The role of a trustee is changing. After years of helping savers turn income into pension wealth, there is a growing expectation that they will also help turn pension wealth into an income in retirement.

Decumulation has been described by William F. Sharpe, the Nobel Prize winning economist as "the nastiest, hardest problem in finance". It is a puzzle made more difficult for trustees by the fact that they are looking to act in the best interests of members with varying levels of wealth, needs, and ambitions, in retirement.

What does government expect of trustees?

The Department for Work and Pensions (DWP) consultation response[1] makes it clear that government will regulate to ensure trustees offer a suite of decumulation products and services which are suitable for members, and which are consistent with pension freedoms. This will include a default solution which operates on an opt-out basis if savers make no active choice.

Nausicaa Delfas, CEO of The Pensions Regulator (TPR) has indicated that interim guidance for trustees will be published in 2024[2]. The longer-term ambition is that "over time, all workplace schemes should become full-service providers …. providing services for saving into a pension, accessing pension savings and post-retirement support"[3].

The direction of travel is clear. Schemes will be able to link to other schemes to help turn pension wealth into income, but this is a stepping stone towards a future where defined contribution pension schemes provide a whole of life solution.

What is the problem?

Improved flexibility has opened opportunities to provide a retirement income that meets the individual needs of savers, but increased choice brings an increased risk of making a mistake. As defined contribution pots grow, both in value and importance, those mistakes are becoming increasingly costly. Data from the Institute for Fiscal Studies (IFS) shows that almost 45 per cent of pension savers in their 50's have defined contribution pensions only[4], a number which is surely set to increase.

The data[5] suggests that some people might not be making the best choices with 40 per cent of savers withdrawing more than 8 per cent of their pension pot in 2021/22, and that people are unprepared for the choices they will need to make. Aviva's Planning for Retirement in the 2050s report[6] found that amongst middle earners set to retire in the 2050s, nearly half said they did not know what they would do with what could be a typical defined contribution retirement pot of £225,000. One in ten said they would cash it in, triggering a tax bill of £73,539.50 and equivalent to their final 15 years' contributions.

Savers are looking for help. Almost three-quarters (72 per cent) of savers said they would like unbiased advice, but only 10 per cent of people in this middle-income and middle-aged group had taken advice.

What can trustees do?

It is clear that members are looking for help, advice, and guidance, and that should start well before retirement age. We see a spike in people taking benefits at age 55, simply because they can. Small pots seem especially susceptible to early access, something that could be mitigated through promotion of individual consolidation.

There is demand for advice, but savers are often at a loss when it comes to finding a trusted adviser. Trustees could consider working with employers to signpost to an advice firm and utilise employer and employee allowances to promote tax advantaged advice.

The Association of British Insurers (ABI) has recently demonstrated the potential for personalised guidance[7] with a remarkable 62 per cent increase in people choosing the right option when provided with a choice framework delivering personalised guidance.

Which products should trustees consider?

While the long-term view is that schemes should offer in-scheme solutions, the current position is that few trustees outside of master trusts offer a drawdown pension within their scheme. Solutions like collective defined contribution are some way off becoming a reality and will require the kind of scale that will not be achievable for most employers in anything but multi-employer schemes.

For most trustees, the DWP's suggestion that they partner with a provider to deliver decumulation options will be the way forward.

Trustees should be well equipped to assess the relative quality of decumulation service providers, and the advice market has a wealth of insight to share. But seeking a solution to "the

nastiest, hardest problem in finance" is not easy. Unlike in accumulation, there is not a universal good outcome.

Achieving the maximum level of predictable regular income could be assumed to be the aim. But what about the saver who experiences less than typical longevity? Or the saver who plans to spend more in the early years of retirement?

Pension freedoms opened-up options to play-off each of the measures of good value against each other.

- Level of income
- Certainty of income
- Inflation protection
- Flexibility of income
- Income or a capital return to beneficiaries on death

Schemes will have members who prioritise each of these factors differently, and for whom a single view of what good looks like is not going to be an optimum solution.

Trustees need to make conscious decisions and should be wary of the pseudo default; the line of least resistance that will be exposed by a pension scheme population seeking the simplest way to access their pension. They should already know what this looks like, and what the possible detriment is for their members through interrogation of their scheme data through systems like Aviva's Insight Hub.

The aim should be to direct members from 'easy' to their personal version of good. That could be through the provision of advice. It will involve guidance, but it will also include links to a trusted provider who can deliver the range of products and support that savers might need throughout their retirement, including an appropriate default.

Defaults that cannot be undone risk material and permanent disadvantage to members, depending on their personal circumstances. For example, there are thousands of savers who access tax-free cash while working, and for whom the provision of an immediate income could be detrimental.

Aviva is developing its 'Guided Retirement' solution, which aims to provide savers with tools to enable them to vary the proportion of their pension pot that they allocate to provide a flexible income, discretionary spending, and the amount set aside to provide a guaranteed income in later life. The same tools, and communications throughout retirement, will guide pensioners toward an optimal income while allowing them the flexibility to make their own choices based on their personal circumstances. Importantly, members are not tied into a single pathway, so if a life event happens, different choices can be made.

There will likely be a range of solutions that trustees will need to consider, they will need to lean on expert advice, but when seeking a way though the decumulation maze they should not lose sight of the diverse needs of savers.

Written by Aviva policy manager, workplace savings, Dale Critchley

In association with

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Securitised credit: Unlocking the pension opportunity in 2024

High interest rates, sticky inflation and weaker economic growth have combined to create a challenging environment for traditional fixed income investors. Securitised credit strategies could offer an attractive alternative for pension fund investors

This article reviews the key features of securitised credit, highlighting its potential diversification benefits. This includes the **floating rate** nature, where the opportunities lie, the potential to reduce credit risk via **credit enhancement**, common misconceptions surrounding securitised credit and its potential role in liability-driven investment (LDI) strategies.

Why should investors allocate to securitised credit?

As interest rates have risen, traditional fixed-income investments have incurred losses during this period, whilst securitised credit has been one of the best relative performing fixed income asset classes. Securitised credit is predominately floating rate and coupons increase in line with interest rates, limiting interest rate risk.

The investable universe provides ample opportunity for diversification across various market segments, with the distributed part of the global market representing around $4 trillion of mainly floating rate securities (excluding agency mortgage-backed securities).

Securitised floating rate characteristics can also prove beneficial, given low correlations versus traditional fixed income, adding asset class diversification. Securitised credit pays a higher rate of income when compared to equivalently rated corporate bonds, as the asset class benefits from complexity and illiquidity premiums – as this is an over the counter (OTC) traded marketplace, offering a higher spread level. Investors benefit further from credit enhancement – put simply; a cushion against potential cashflow losses.

How will the 'higher for longer' scenario impact securitised credit?

A 'higher for longer' interest rate environment is the perfect scenario for securitised credit, allowing high income levels to continue to drive returns. Interestingly, whilst coupons are high, spreads in the asset class remain at historic wides. A mild recession is expected (particularly in the US) in the middle of 2024, with central banks subsequently expected to gradually lower interest rates. In this scenario, returns would continue to be predominantly driven by income, with associated spread tightening providing another layer of returns, via capital appreciation.

How can investors allocate within securitised credit?

The securitised credit market is global in nature, with the US a large component of the opportunity set. When combining the US and Australia, these markets account for over 80 per cent of the global distributed market, whilst Europe and the UK less than 20 per cent. The US market is more diversified, with all segments having large weights and typically offering superior liquidity. Opportunities within securitised credit markets move frequently over time, across regions and sectors. Therefore, making a global, dynamic and active relative value approach is most likely to extract value. Yet some investors are missing this wider opportunity set.

Those securitised credit investors focusing only on Europe could benefit from broadening their geographic portfolio reach and allocating more dynamically. Including the US may provide the following benefits:

- Improved liquidity profile
- Access to attractive US-only segments - including single-family rentals (SFRs)
- Improved diversification, leading to more resilient portfolios
- Capable of delivering more stable investment returns

What are the risks associated?

High-quality securitised credit investments have demonstrated resilience during periods of market stress. Not all securitisations are equal and individual security selection remains key. However, key risks that must be evaluated are:

1. **Credit spread risk**
2. **Default risk**

We see limited credit spread risk within the current environment. Spreads are at historic wides, reflecting a lack of spread compression compared to investment grade corporates post multiple market events. This opportune spread backdrop may present investors with an attractive opportunity.

Whilst default risk clearly remains, defaults are currently low (and are expected to increase as we move through the cycle) – yet are not anticipated to increase above the long-term averages. Securitisations utilise special purpose vehicles – separate legal entities used to ring-fence and orient the risk of the securitisation towards the underlying pool of collateral. This structure creates opportunities for credit enhancement, with multiple debt tranches available at various seniority levels. Investors should only incur losses if total losses exceed the amount of credit enhancement behind the selected tranche. Credit enhancement refers to structural features which provide a cushion against collateral losses. Credit enhancements include cash reserve funds, over-collateralisation and excess spread.

Investor perception vs reality

When some investors hear 'securitised credit,' flashbacks of the global financial crisis are never far away. However, from a default perspective, most securitised sectors remained relatively robust to perceived defaults and recovered (outside of an initial risk-off credit market shock). Areas such as sub-prime residential mortgage-backed securities (RMBS) and collateralised debt obligations (CDO) experienced significant losses during this tumultuous period, yet the whole sector has been unfairly tarnished.

Since then, there have been significant developments and improvements within the securitisation market:

1. Securitisation regulations require originators to retain 5 per cent of origination exposure, known as 'skin in the game' – symbiotically aligning investors' and issuers' interests together
2. New regulations, which require extra disclosures with respect to affordability and credit ratings transparency, further protecting investors
3. Securitised credit is more liquid than one might think. The US market which is the deepest and most liquid, trades with c.$5 billion daily volume

Don't go chasing waterfalls

The LDI crisis of September 2022 is still fresh in investors' minds. The importance of pension funds having an allocation to low correlated liquid assets was highlighted. Many pension schemes did not have sufficient liquidity to meet their provider's urgent collateral calls and were forced into selling the most liquid assets. During this period, the securitised market provided liquidity to those that needed it.

High-quality securitised credit demonstrates a stable liquidity profile subject to market trading costs. Meaning, LDI strategies can continue to utilise securitised credit to meet their liquidity requirements, alongside other liquid asset classes.

Summary
- An alternative or complement to traditional fixed income.
- A higher-for-longer environment could generate high relative income for investors, with potential for capital appreciation through spread tightening.
- Securitised credit offers complexity and illiquidity premiums in the form of higher yields versus equivalently rated corporate debt, and investor protections via underlying credit enhancement.
- LDI strategies could benefit from liquid allocation to securitised credit.

Written by HSBC Asset Management senior investment specialist, global, securitised and sterling fixed income, Paul Mitchell

In association with HSBC Asset Management

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Company Profiles

WEALTH at work

WEALTH at work is a leading financial wellbeing and retirement specialist – helping employees and pension scheme members to improve their financial future.

This is achieved by providing support in the workplace on a range of financial matters from financial wellbeing issues such as debt and money management through to pensions and preparing for retirement.

We also specialise in delivering projects such as defined benefit scheme closures, redundancy, share scheme launch and maturity and so much more.

Established in 2005, we provide financial education and one to one guidance on a bespoke basis which can be delivered globally. As part of the Wealth at Work group, we deliver these services for hundreds of organisations, reaching millions of the workforce.

Employee engagement is driven by designing campaigns to create awareness of upcoming programmes and then digital nudge technology is used to encourage participation to maximise take-up.

Knowledge can also be supported through the creation of informative and stimulating content from our digital communication specialists who produce webcasts, animations, interactive calculators and tools including our Financial Healthcheck, as well as the implementation of websites and portals to support any programme.

Following this, for those wishing to understand their personal financial situation, support is provided through our helpline. At this point, we can offer access to investment advice which provides specific recommendations on, for example, retirement planning and can adapt in line with changing needs.

We also offer other investment options (on a non-advised basis) for those with simpler investment requirements. These can be initiated at individual level or arranged at employer level by setting up and offering a Corporate ISA.

WEALTH at work
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Standard Life

Standard Life is a brand that has been trusted to look after people's life savings and retirement needs for nearly 200 years.

Today, we serve millions of customers, who come to us directly, through advisers and through their employer pension scheme, and we're proud of the consistent high-level of customer service we provide.

Overall, people are living longer and we can support them at every step in their financial future – whether they're looking to maximise their long-term savings, explore options to have an income in retirement, or better understand financial wellness, we're here to help.

We know we can't achieve this without doing our part to build a strong and sustainable future. It's why we are integrating sustainability into everything we do; from incorporating responsible investing into our solutions, to fostering an inclusive savings culture and improving financial wellbeing for all.

We're part of Phoenix Group, the UK's largest long-term savings and retirement business. We both share an aligned ambition to help every customer enjoy a life full of possibilities.

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Columbia Threadneedle Investments is a leading global asset manager that provides a broad range of actively managed investment strategies and solutions for individual, institutional and corporate clients around the world. We invest to make a difference in your world, and the wider world, and millions of people rely on us to manage their money and invest for their future. We have more than 2,500 people including over 650 investment professionals based in North America, Europe and Asia, and assets under management of £481 billion. Whatever world you want, our purpose is to help you achieve it.

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Schroders Solutions is a £210 billion global capability with employees in the UK, US, Singapore, and Germany. Our dedicated solutions experts provide investment and advisory services to public and corporate pension schemes, official institutions, insurance companies, individual investors, intermediaries and wealth providers worldwide.

Solving investment problems is integral to what we do. We draw on our knowledge and experience as a global provider to build bespoke investment solutions and strategies. We partner with our clients to understand their investment challenges and construct investment portfolios that deliver their desired financial outcomes. Our consultative approach draws on both Schroders' investment skills and those of the wider investment industry.

Schroders Solutions offers Fiduciary Management, Outsourced CIO, liability, duration and cashflow driven investing, as well as derivatives-based growth strategies. Our solutions are accessible to clients of all sizes through a flexible approach to implementation, sensitive to their needs and objectives.

Source: Schroders as of 30 September 2023.

Company Profiles

Vidett

Vidett was formed in 2023 to facilitate a true merger of equals – Punter Southall Governance Services Limited and 20-20 Trustees Limited. With a team of over 120, Vidett is now the UK's largest professional trustee and pension governance firm by number of clients. With an unrivalled knowledge bank to support client needs, Vidett currently looks after over 475 client schemes with total assets of over £142bn and covering over 2,500,000 scheme members. Vidett is based on a shared ethos of dynamic, collaborative teamwork, sharing knowledge to drive progress for our clients and embracing innovation to find effective solutions to their challenges and drive efficiency. Coming together as Vidett demonstrates our offering and commitment to the market and growth. It's also great for our staff: They're part of a strong, confident business, committed to investing in our people to make us the employer of choice in a competitive market.

Vidett
trustee.governance.experts

LANDSCAPE

Landscape is an award-winning design and digital communications agency that specialises in simplifying complex information to make pensions, rewards, and benefits more accessible to those who need them. We are a part of the WEALTH at Work Group, a market leader in financial wellbeing and retirement planning. This affiliation provides us with access to a wealth of knowledge and expertise in the pension and financial wellbeing industry. We are proud to hold ISO 9001 and ISO 27001 accreditations, which verify our ability to deliver quality and mitigate information security risks for our clients. Our user-centric digital communication experiences, both online and offline, are evidence based and validated throughout the project lifecycle to ensure the best outcomes. We work closely with our pension clients, their members, and trustees to stay at the forefront of the UK pension market by actively listening to and considering their wants and needs. What sets us apart from other agencies is our creative thinking and value for money. Based on feedback from our clients, pension experts, and trustees who work with our peers, we have quickly gained a reputation as one of the most creative agencies in the industry. We believe that our approach to refining and enhancing communication strategies, based on learnings and additional insights, is what makes us stand out.

Landscape.

Company Profiles

Aviva

Aviva Master Trust delivering for its members

Aviva Master Trust has been chosen to provide pension saving for over 450,000 employees, working in over 400 companies across the UK. The scheme holds over £8.5 billion of pension saving trusted to it by scheme members. Aviva Master Trust brings together the skills, knowledge and expertise of the Trustee Board with Aviva's industry-leading product design, digital technology, and investment capability. Insight from members comes from a member research panel known as the Discovery Hub. These combine with the aim of delivering the best possible retirement outcomes for members.

Key areas of focus are:

Sustainable investment returns – a strategic objective is to deliver and maintain high quality investment solutions which meet climate change targets. The trustees believe that by including ESG factors within investment decision making, they will reduce overall investment risk for members while generating sustainable returns.

Member engagement – the trustees take advantage of Aviva's compelling digital proposition to enhance the member experience and improve engagement. Supported by online access and dedicated apps, members can log in via thumb print or facial recognition, making it incredibly easy to view, model and manage their pension.

Retirement solutions – the scheme offers a full range of pension freedoms, with communications designed to promote good decision making. The trustees are currently engaged with Aviva in their development of an innovative Guided Retirement solution.

Ease of transition – Aviva and the trustees recognise that transferring a pension scheme can seem daunting, but dedicated implementation managers, relationship managers, legal and transition management experts help things run smoothly and keep costs down.

Value for members – the above, along with a focus on charges and service levels, combine to deliver value for members, and the ultimate focus for both the trustees and Aviva, which is to help members achieve their future financial goals.

HSBC Asset Management

HSBC Asset Management is a major global asset management firm managing assets totaling USD651 billion as at 30 June 2023, with well-established businesses in Europe, Asia-Pacific, Americas and the Middle East. We are the asset management division of, and wholly-owned by HSBC Holdings plc (HSBC Group), one of the largest financial services organisations in the world. Our investment capabilities span across different asset classes – equities, fixed income, multi-asset and liquidity. HSBC Asset Management is well placed to provide a globally-consistent, disciplined investment process across our capabilities, drawing on the local knowledge and extensive expertise of our team of over 600 investment professionals across over 20 locations around the world.

For more details, please visit www.assetmanagement.hsbc.co.uk.

Source: HSBC Asset Management as at 30 June 2023