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Optimistic about DC developments?

The latest DC developments, including value for money, illiquid investment, engagement, transfers and dashboards, are explored by a panel of experts in our latest DC roundtable

Chair: Do we feel the pension industry is bustling with ideas to improve DC? Or do we think there's too much stopping us innovating?

Moore: I'm really excited by the DC space. Particularly around investment, there's tonnes of good innovation coming into the market. Compared to just a few years ago, we've seen big advances in things like DC strategy design and platform access. We are also seeing a lot of product development, particularly in the passive equity space and around responsible investment solutions, such as ESG indices, which are specifically designed to improve the ESG footprint, and better availability of climate aware indices and climate transition funds.

Better integration of illiquid assets has been in the spotlight recently, with the launch of the long-term asset fund regime. I guess we'll have to wait and see whether that's successful. We've got a bit of a chicken and egg situation where providers are waiting to see whether demand comes through in order to launch vehicles. But on the flipside demand might not appear until there are more available products and investors can get comfortable.

Innovation in default strategy design has been helped by master trusts bringing real scale to the market. I think the gap is now post-retirement investing, which needs to balance income, growth and security, and I can see a role for deferred annuities and CDC. Cognitive decline is going to become more of a problem, particularly as members get older and are accessing an income through drawdown, and we need solutions which help protect against that. There's some complex but interesting challenges and the potential to benefit a lot of members, and it feels like an exciting time for DC. So, I'm an optimist.

Chair: Keith *[Scott]*, how about you?

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CHAIR

Richard Butcher, Client Director, PTL
Richard joined PTL in 2008. He became managing director in 2010. Immediately before he was at PTL, he ran his own small independent trustee and consultancy business. Richard has been involved in pension scheme governance since 1985 and has worked with, or as, a pension scheme independent trustee since 1989. Richard is a Fellow of the Pensions Management Institute, and a former elected member of the PMI Council. He is an accredited professional trustee. In 2017 he was appointed chair of the Pensions and Lifetime Savings Association (PLSA).

PANEL

Sophie Moore, Associate Partner, Aon
Sophie advises DC pension schemes (£20 million to £2 billion plus) on all aspects of strategy and governance. She enjoys taking a collaborative approach to working with her clients, and brings a wealth of experience in delivering practical solutions, having joined Aon in 2005 and worked in both actuarial and DB investment roles prior to her current DC focus. She is part of Aon's DC Investment Committee, which meets regularly to consider DC issues and agree guidance for the wider business. She also leads Aon's DC relationships with professional trustee firms.

Matthew Swynnerton, Partner, DLA Piper
Matthew is a partner at global law firm DLA Piper and heads the London pensions team. He advises on all aspects of pensions law, including corporate and bulk annuity transactions, reorganisations, benefit redesign and liability management projects, reviewing and updating scheme documentation and advising trustees and employers on their legislative and trust law duties. Matthew drafted key legal sections of the Combatting Pension Scams Code of Practice, which received widespread praise from The Pensions Regulator, the Pensions Ombudsman and the Pensions Minister.

Donna Walsh, Head of Proposition Deployment, Standard Life
Donna has responsibility for the deployment of Standard Life's workplace propositions. She has been heavily involved in the company's workplace developments over the past 10 years and is passionate about improving the experience for members, employers, trustees and advisers. A qualified actuary, Donna has more than 20 years of experience across a variety of roles with Standard Life. She is a regular contributor to the pensions press and a popular speaker at key pensions industry events.

Stuart Walters, Trustee Director, 20-20 Trustees
Stuart joined 20-20 Trustees in October 2020 and has worked in the pensions industry for over 30 years. His previous employers include Wincanton logistics and TPT Retirement Solutions; where he built a unique skillset in corporate and trustee roles to help navigate sponsors and trustees through the pensions landscape. Stuart has run his own trustee business and created and led trustee teams to over 40 defined benefit/contribution schemes including a master trust DC. He has also managed an in-house DC trust scheme with assets of over £350 million.

Keith Scott, Trustee Director, Law Debenture
Keith brings the unique perspective of having been a trustee, corporate pension director and investment manager. He has considerable DC experience with a focus on investment strategy and ESG and is committed to improving member outcomes. Keith spent 17 years with IBM in various corporate pension and trustee roles. He also spent five years at BMO Global Asset Management. He is currently a trustee on five schemes including a large trust based DC scheme in the retail sector and acting COO for a large hybrid scheme in the banking sector.

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From a governance perspective, what's exciting you?

Scott: I'm going to be a bit more pessimistic, Richard *[Butcher, Chair]*. I don't disagree with all the things Sophie *[Moore]* said. The thing I worry about with DC is that I think we need some help from the government, in that we need a more stable framework for DC. The thing that constantly undermines DC is the constant tinkering and mucking about. If you compare it to the ISA framework, for example, it's a very stable framework, very simple, everybody understands it. It's been the same for a long time; people trust it. When you talk to people, they have more faith in their ISAs than they do in their DC.

Swynnerton: The increased layer of regulation is something we've been dealing with in DB for 20-30 years. It's happening in DC as well. However, I suppose the 2015 pensions freedoms was probably the last real major shift. There does often seem to be a conflict between policy in terms of the drive towards increased auto-enrolment which utilises inertia, which can seem at odds with pension freedoms, for example.

That said, I don't think there has been a big change to pensions taxation for some time. At one point it was such a politicised issue that successive governments would tinker with taxation a lot. I'm not sure we've seen that as much recently.

I would mention CDC as an area for innovation though. It's also an area where there do seem to be some significant barriers. So, it seems, at present, to favour large employers only, and I think there's probably a lot of interest in it for smaller and medium-sized employers. But that just doesn't seem like that's going to be viable at the moment with just single connected schemes being available.

Chair: Would you say you're detecting a demand for this at the employer level?

Swynnerton: It's very early days, but I think there's been some research published that indicates that there is demand for it in the smaller employers as well as the larger ones.

Chair: Donna *[Walsh]* are you getting a demand for this?

Walsh: We have seen a minimal amount of demand from our clients for CDC. However, we have been doing some research ourselves across the market to find out, more broadly, whether there is a demand for this. Following this research we are looking at, to your point Matthew *[Swynnerton]*, what the barriers are, the advantages of this, the opportunities from DB to CDC, and what, if any, are the opportunities from DC to CDC?

On the point on whether the industry is bustling with ideas to improve DC outcomes, as an industry, across providers, clients, trustees, advisers, and the government, we've got lots of ideas. The key question is which of them are going to have the biggest impact on member outcomes.

We are in a good place with auto-enrolment with more people saving into pensions than ever before and we would like to see this extended to younger members and people on lower incomes. Helping them to understand their retirement savings, build confidence and empower them to make financial decisions can have a significant impact on their retirement outcomes too. We have launched our Phoenix Insights Longer Lives Index, which covers over 16,000 UK adults, exploring expectations for and confidence in their financial wellbeing in retirement. Over the five critical factors of financial wellness in later life, savings, work, housing, health and financial support from and to friends and family, confidence in savings is the lowest.

Some key findings include, two in five people are not confident they'll have enough savings to support them in later life; 36 per cent are not saving enough to meet their retirement goals. There's a disconnect between the perception and the reality. One in three reporting high levels of confidence in their savings actually face a substantial savings shortfall, our modelling shows they're over £100,000 short. Half of this group are 45-65.

With 28 per cent of people expecting to be paying rent in retirement, and of those, 50 per cent are not confident that they can afford that at retirement we need to consider how housing costs can be factored into the PLSA Retirement Living Standards.

So, for me, we've got more people into saving, which is great, but more needs to be done around how we help them with their financial decisions across all life stages.

Walters: It's the 10th anniversary of auto-enrolment, so we should acknowledge its success in significantly

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boosting membership in DC schemes. Back then, many employers amended or replaced their pension offering. There's been a lot of constantly evolving change in the DC landscape, so I think it's fair to say that there are many schemes out there that are now quite outdated.

Financial wellbeing is hugely important, from the employer's point of view looking at the employee value proposition. It's not just about retirement savings, it's understanding the needs of a diverse workforce and also looking at things like debt, short to medium savings, and how people feel about their financial position.

In addition, along with all of the governance challenges that keep coming through, I think it's no surprise that there's a drive towards consolidation and tapping into economies of scale. Overall the foundations are there, but there's still much more to do in the DC space.

Chair: The innovations I'd like to see are those that result in people contributing more. It doesn't address the affordability question, but that's somewhat out of our control.

Value for money

Chair: Let's talk about value for money (VFM). Value, or improving value, is around fine-tuning the system. What do we think of the two regulators' joint effort on value for money?

Swynnerton: It's laudable that the regulators are coming together and trying to collaborate and VFM, in principle, seems like a good thing. I guess the challenge in standardising VFM is quite subjective in nature, meaning that standardisation is incredibly difficult to do. So, when they're looking at standardising investment performance, there's no accurate way of doing that. There's no single way of assessing risk. There's no single way of assessing what good value means, and on top of all that, I suppose it's not necessarily just the cost and the value that's important, it's also making sure that this is achieved without sacrificing the customer service element.

Chair: You risk creating a system that can be gamed. If you tell trustees what you will do is assess investment returns, investment risk, quality of service and quality of communications, then you risk the provider saying that's what's important, this is where we'll invest our money, so we'll ignore all of the other things that trustees might otherwise feel free to roam across when assessing value for money.

Walsh: I completely agree with Matthew *[Swynnerton]* in the subjectivity piece, and also with standardisation of measurement of different areas. So, a good example would be in service. Different providers have different measurements for service levels. How do you measure in a consistent way the quality and impact of conversations, the quality and impact of communications, digital experience, guidance given and so on.

Moore: We keep coming back to getting the industry in general to try and move away from just this focus on costs. Member outcomes after charges are more important than the charges themselves.

Looking back over the past couple of years, certainly there's now more recognition from trustees and sponsors that it's not just about the headline charges, and we can see that coming through in things like changes to the charge cap to allow schemes to integrate illiquids, which wouldn't be possible in a purely cost-constrained environment.

Defining value is not particularly easy and there are still challenges around the new prescribed value for members framework. There could be a significant cost for some of those smaller schemes currently impacted if they're going to do this properly.

Walters: Trustee decision making can be very subjective and the art is building consensus around the table. Then we've got the regulator's prescriptive value for money test. It's almost like a binary yes or no answer to whether you are going to carry on as an individual scheme or you're going to consolidate. It doesn't quite sit naturally with the fiduciary duty of a trustee.

Of course, it's not easy to run your own scheme and if you've got a healthy budget, you can focus on some of the most important areas for the employer, such as integrating pensions into a financial wellbeing strategy and creating an employee-centric culture.

In terms of a drive to consolidation, there's the possibility of a capacity crunch or captive market as more and more assets consolidate. It might then become a timing issue in terms of moving to a master trust at a competitive price. So we have potentially competing forces

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between the values and ethos of an employer versus the commerciality of a master trust.

Illiquids

Chair: One of the consultations that's currently around is around on increasing the charge cap so that illiquid investments can be more easily held. Do you think that will add to value, or is that just a distraction?

Moore: I think for trustees, it's not just going to be about cost holding things back. There's going to be concerns around liquidity. We also see that in a platform framework. Platforms will often push back from blending in more illiquid assets, because they view it as a high operational risk, similar to that encountered when we saw a lot of property funds gating. DC platforms need a big change of mindset in order to get comfortable with illiquid investment, which is where using target date funds to do this is easier.

Scott: I don't think the charge cap has been the limiting factor on adding things like illiquids. If you look at most big schemes and big master trusts, they're well below the charge cap. There's plenty headroom. If you wanted to add 10-15 per cent to your default fund of illiquids, there's plenty of room in terms of charges. It's been the liquidity issue that's worried trustees, and particularly with, as you say, the property funds last year and experiencing that, and gating.

Engagement

Chair: Let's go onto some areas of engagement. Stronger nudge towards Pension Wise, that's coming down the line. What have we got to do to prepare for that? How can we help employers and members navigate all of the options that are available to them?

Walsh: We know that people are living longer lives. That doesn't necessarily mean they're living better lives, and as an industry we can help change that. We commissioned some research from the Social Market Foundation and found that more than two-thirds of 50-64 year olds don't know how much they'll need in retirement. There are 13 million people in the UK in that age group. We're only seeing 14 per cent of 50-64 year olds actually using Pension Wise. A third of those people are unsure how to use the information that they do get from Pension Wise as well.

So, I think as an industry we need to do more to plug this guidance gap. We're part of Phoenix Group, the UK's largest long term savings and retirement business, which is calling for a few things. We're calling for a government-led industry working group, pulling together regulators, the advice community, providers, and consumer groups, to assess the complexities and look to how we address this as an industry; to enable everyone to get sufficient help and support when they need it.

We're working with the FCA on this and would like to see collaboration with stakeholders to develop effective reforms to the regulatory framework for advice and guidance to enable implementation of solutions. Can the FCA give more concrete examples of what 'common sense' help providers can give to customers in some specific areas to help. And finally, we would like to see the scope of Pension Wise expanded so it offers broader support and includes earlier ages.

Moore: We ran a workshop on this recently and the research showed that 30 per cent of members approaching retirement didn't know how they were going to take their benefits. When members do get to retirement, only 10 per cent are taking an annuity, so there's a question around the relevance of solutions that are in place. For the larger proportion of members who choose to enter drawdown, most are staying with the existing provider and there's not much evidence of shopping around. So, members kind of sleepwalk into retirement, taking the path of least resistance, not engaging with where they're investing, and can be losing out as a result.

One statistic from our Aon DC survey that was quite surprising, was as many as 70 per cent of members are looking to those in charge of schemes to tell them what to do. So, we've got this situation where, as well as members wanting and needing support because it is a really complicated decision when they get to retirement, there's an expectation, which might even go as far as perceived responsibility, around providing help with retirement decisions, which as far as members are concerned, is already sitting with trustees and sponsors.

The solution is not just going to be one form of communication, one form

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replicating being in person. This is where I believe technology has a huge part to play in delivering multi-channel communications throughout the working life. I'm a firm believer in providing focused and relevant support to help boost member of support, it's going to be the whole member journey. Making sure that as members get closer to retirement they're getting reminders, they're getting clear integrated communications across both DB and DC towards guidance, as well as towards signposted solutions, access to independent financial advice, and maybe robo-advice is part of that. We have helped a number of DC schemes put a preferred financial adviser service in place for their members approaching retirement.

Chair: Stuart *[Walters],* do you struggle as a fiduciary with the concept of the difference between advice and guidance

Walters: No, not at all. I feel very passionate in this area. I've delivered numerous group presentations and one-on-one sessions under different employment sectors such as schools, care homes, warehouses, manufacturing plants, distribution centres and charities. You simply can't beat taking pensions to the people. I can't say enough just how well engaged people become when you start talking to them. Pensions is a very emotive subject.

Now, I appreciate that employers often won't have the resources to do that, so you've got to find the best way of engagement and improve decision making, preferably delivered via the economies of scale that master trusts bring.

Scott: It's always been a huge frustration in DC schemes that members are not more engaged and particularly when you compare it with other countries like the US and the 401K plans, or Australian superannuations. You can go to a barbecue in the US where people stand around talking about the 401K plan. I've never been to a barbecue in the UK with people standing around talking about their DC scheme.

Part of the problem is we keep calling them pension schemes. We need to get rid of that word pension, because they're not pension schemes; they're long-term deferred tax savings plans. You're building up a pot of money, and we need to convince people of the value of that pot of money so they contribute more to it and they take an interest in it. But the problem is we keep sending them these statements once a year saying you'll get this very small amount when you buy an annuity. Well no, they're not going to buy an annuity. Most defaults are pointed at drawdown as a solution now.

Walsh: If you can engage people early on and help with what matters to them today, it can help build trust and confidence in their longer-term savings. So helping them with saving for their first home, debt management or budgeting, for example, can help build confidence in financial decision making and support the virtuous circle of increased planning supporting increased confidence, including their retirement saving.

Transfers

Chair: Another interesting area where there's a grey line is of course on the new transfer regulations and the amount of work we have to do there. Who wants to give a view on the new transfer regulations?

Swynnerton: Well this is a topic that is coming up at all the trustee meetings I'm attending at the moment. What's surprising about it is the real divergence of approaches, both in relation to the proposals being made by administrators to address the regulations, and also the views being taken by trustees and providers in relation to their willingness to accept risk in this area.

I'm a member of the Pensions Scams Industry Group technical committee and we're currently working on our updated Code of Good Practice, which will hopefully provide some much-needed guidance to the industry in respect of some of the trickier areas in relation to the new transfer regime. In that group are a number of people from various different disciplines within the pensions industry and its clear that there's a big difference between how providers are addressing these regulations compared to trustees, and how they deal with transfers generally compared to trustee boards.

There are different approaches in relation to the use of discretionary transfers and green (or clean) lists and the general willingness to take decisions on behalf of trustees. The issue in

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relation to green lists is that the policy intent behind the regulations is that it should be possible for trustees and administrators to use green lists. But due to the way in which the regulations have been drafted, it isn't possible without a technical breach of the regulations. This is because the regulations effectively say you can only use a green list if you're satisfied on the balance of probabilities that the receiving scheme doesn't contain overseas investments, which is an amber flag. Overseas investments is defined very broadly and also any receiving scheme will almost certainly contain overseas investments, which means that you can't be satisfied on the balance of probabilities that the receiving scheme doesn't contain the overseas investments amber flag. As a result, the member would need to be referred to MoneyHelper, even if the receiving scheme was clearly legitimate.

So, in a nutshell, the decision that trustees face is whether to adhere to the policy intent and use a green list, but risk a technical breach of the regulations, push everything to MoneyHelper and risk MoneyHelper being overwhelmed, delays being caused and complaints being received? We're seeing real divergence in views on trustee boards in terms of approach on that dilemma.

The second area where we are seeing markedly different approaches is in relation to decision-making. Pension scams have been around for over 10 years and administrators have been generally happy to undertake due diligence on behalf of trustees and take decisions in relation to transfer requests. Now we've got new regulations which formalise what's required, we're seeing a real aversion from some administrators in relation to decision-making in relation to red and amber flags which are revealed by the due diligence. Some administrators are insisting that all such decisions are referred to the trustee board so that the trustee has to take the ultimate decision as to whether to block a transfer if there's a red flag or refer the member to MoneyHelper if there's an amber flag.

Some providers, however, particularly the very large providers and insurers, are saying that they will take these decisions under delegated authority. As you can imagine, this approach is generally preferred by trustees.

Walters: You're right. There's much more onus being pushed on to the trustee, and I've seen it myself in terms of administrators, they're less willing to make decisions themselves. Surely as an industry, we can come up with one green list across the whole industry that we can work to, rather than having to monitor what different administrators are doing with their own green lists.

Swynnerton: I think it would be ideal. I think the problem is that, in order to do that, somebody has to accept responsibility for maintaining it. Also, I think the other concern is the hassle the entity maintaining it will get from the genuine, legitimate schemes that aren't on it, who may feel they are tainted in some way if they are not on this green list, not to mention scammers.

Moore: There's so much resting on scheme administrators to take charge, to use their wider knowledge and experience on identifying the lower risk transfers and pushing them through really efficiently. Otherwise, there is a risk that everything gets referred to trustees and that just becomes impossible to deal with.

So, say 95 per cent of transfers or more will not be an issue. This is going to be a minority issue and you could get this big backlog of trustees having to try and make decisions on something they don't necessarily have the qualifications for, or they shouldn't be asked to do. Linked to that is a member education piece to make it clear to members what's going on in the background and why their transfer may be taking so long, because that's where a lot of the member frustration is going to come from, if they're not realising the checks schemes need to undertake.

Walsh: We've taken a decision to treat statutory and discretionary transfers exactly the same, applying the new regulations to both. We were originally concerned about MoneyHelper being inundated leading to long process times, however we've not seen that materialise.

I agree with the points made about the regulations being contrary to the policy intent when we look at green lists. This is an area where risk tolerance will need to be balanced against member experience.

From the end of November, when the new regulations took effect to today (end March) we've had 80 MoneyHelper referrals with 25 per cent of those people have completed their safeguarding appointments and only one has opted not to proceed to the transfer as a result.

Once people do access their retirement savings, they can still be

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targeted by scammers. There's not going to be a silver bullet for scams. Transfers are one important part of the issue.

Chair: This is a really good example of a good bit of legislation where the unintended consequences are the difficulties of implementation. What we now have is a power as trustees that we were asking for, for donkey's years. We just have to work our way through the practical implications of getting out of this.

Dashboards

Chair: We also have virtual aggregation through the pensions dashboard. The consultation came out at the beginning of the year. What do we think? What do the panel think are the key items for schemes to consider?

Scott: It looks like it's really going to happen now. It's not going to be kicked into the long grass again. I mean, it's quite an undertaking in terms of getting all this data. For schemes, the key thing you need to think about is getting their data in the right state that we can do this. I'll still be amazed if this works. It's a laudable idea and it's great for people to be able to go on the dashboard and find all their pensions, it's fantastic. But whether all of that data is all going to come together quite the way they think it will, I don't know.

Walters: I think beyond dashboards as being just a technical data project. Thinking about it from the member point of view then, yes, this must be a good thing if the dashboard is user friendly and the output is informative. Of course, you'll be able to trace your lost pensions and potentially be able to consolidate lots of different pension pots. However, it will all come down to how good the functionality is.

There will be a number of questions from employees but who do they turn to? When it comes to financial knowledge, education etc, employees often place trust in their employer. You've also got the pension scheme provider, you've got Pension Wise and you've got the dashboard. How best can we co-ordinate all of those sources of information for the benefit of the member?

Walsh: We are, and have always been, supportive of the pensions dashboard. We have been working closely with the Pensions Dashboards Programme (PDP) and the three key considerations are sourcing the data across different scheme types and complexities, keeping customer data secure across the whole journey and agreeing accountability; who is liable if things go wrong?

With the technical challenges being worked on by the PDP and reaching a conclusion now it is time to really understand the design for members. We need to ensure it is something they can engage with, understand and get real value from.

Moore: There's a number of outstanding questions, on the DC side, that are already being worked through. One is around matching. What rules schemes are going to be able to adopt to maximise matching whilst minimising all the false matches? I was chatting to our specialist team the other day, they are expecting, say, five million searches a year, so 14,000 a day. Each person checked against something like 100 million pension records, so 1.4 trillion checks a day. So, some are going to go wrong. PASA have issued guidance for trust-based schemes, suggesting matching on surname, date of birth, NI number, with an 'all or nothing' match, but is that going to work for DC? We've got the same issue around matching for small pots, so we will have to see whether the industry and government can use dashboards as a way to crack that issue before we get overwhelmed with millions of small pots that absorb billions of pounds in cost.

Then there's an interesting one around new SMPI assumptions that are being discussed in the run-up to dashboards. At the moment, they continue to convert pots at retirement using a single life annuity with no spouse's pension. It's understandable as it's showing the highest possible number but isn't comparable to DB quotes *[which tend to be inflation linked and with spouses]* and not many buy annuities in practice. So there's a question around whether we need to quote something that is linked to income drawdown, or a projected total fund value, which could be simpler to calculate and understand, but clearly there is a more risk attached to drawdown compared to annuities.

Walters: It would be good to include the state pension in the dashboard too so that all retirement income sources are under the same system.

Chair: Yes, it doesn't really make sense without the state pension.

Future

Chair: So far, we've looked at the stuff that's right in front of our nose. But what do we think is on the horizon?

Swynnerton: Recently, we've all seen

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big shifts in people's job patterns with the gig economy and people changing jobs much more frequently these days. The industry needs to catch up a bit. It feeds into things like the dashboard, consolidation and small pots. It's likely that the shift in working pattens is only going to increase and that seems like it's going to be the area which we should try and address. It remains to be seen whether dashboards and consolidation will happen in a way that supports those different working habits.

Scott: One of the things I worry about the most actually is this resurgence in inflation because there's more and more assets that provide a negative real yield, so we don't keep up with inflation. We've been rescued a little bit over the past couple of years because equity markets have been so strong, so returns have been relatively good. But I worry about going forward, how are we going to keep members up with inflation, particularly members who are coming out of equities and starting to move towards drawdown and go into other assets?

I think that leads us back a little bit to our discussion of illiquids and other sorts of assets where we need to widen the breadth of assets that we're looking at, because we have to find things that are going to keep up with inflation. We can't just use government bonds and investment-grade credit because it's not going to work.

Moore: The inflation issue is still relevant post retirement, particularly with the challenge of how members make income drawdown last. I think delivering better member retirement support needs to be on the horizon, hopefully near term. There are already lots of 'quick wins' schemes can look at. And innovation in post-retirement decumulation solutions, which is something we are exploring and developing at Aon. What can we do there to help members? Over time more and more DC-only members are going to be reaching retirement, and there is potential to have a real positive impact on people's futures.

Walsh: Our research shows differences in confidence, motivations and outcomes based on factors such as gender, cultural background and social mobility. It is important to understand these different dynamics to engage people in a way and with solutions that will truly resonate with them. DEI will and should be taken into consideration more in proposition designs and communications, increasing personalisation and relevance to ultimately help increase member engagement.

Chair: I think I've got two on my mind or my list of things that are on the horizon which I don't think we're entirely considering at the moment. The first is increasing longevity, which obviously has an impact on adequacy, but also, and less obviously, has an impact on the number of vulnerable customers that we're dealing with. We're asking, because of freedom of choice, for people to be making very sophisticated decisions much later in life. Cognitive decline kicks in on average from the age of 75, and with increasing longevity, we're going to have more vulnerable people making those sorts of decisions.

So, what's the infrastructure that we're providing, and do we have sufficient capacity to be able to support those people?

Second is the growing financial divide, the difference between the wealthy and the poor. At the moment, the top 10 per cent of the population own 44 per cent of UK assets. The bottom 50 per cent own just 9 per cent and that gap is

growing. It's exactly the same in income. The gap is growing.

There's all sorts of knock-on impacts of that, health, wealth and economic opportunity. That's going to create lots more vulnerable members. So, the question is what are we doing to help those people who are at the lower end of the wealth divide to try and adequately provide.

Swynnerton: If I had to pick one thing, well, I'd like to get the transfer regulations sorted because it's something close to my heart and an issue that I'm currently spending so much of my time helping clients with.

Scott: If I was to pick one thing it would be to increase contributions. The one thing we could do to address a lot of the problems you talked about, Richard *[Butcher, Chair],* is contributions. So, increasing particularly employer contributions for auto-enrolment. Because that's what will really ultimately make a difference of how much money people have got when they retire.

Walters: I'm a firm believer in making auto-enrolment compulsory. I agree the contribution rates need to be ratcheted up. I would like to see the ability for employees to flex their finances along their career journey around debt, short to medium savings and longer retirement savings. They all interact with one another to varying degrees at different stages of life.