Adequacy, accountability and the next generation


Sophia Singleton

From auto-enrolment to AI, Sophia Singleton sits down with Paige Perrin to talk about how the Society of Pension Professionals (SPP) is driving progress to deliver better outcomes for savers and support the future of the pensions profession

With the Pension Commission examining retirement adequacy, an area where the Society of Pension Professionals (SPP) has been particularly vocal, what outcomes do you hope the commission will deliver for scheme members?

First and foremost, we need a long-term plan for increasing auto-enrolment contribution rates, to reach an adequate level of contributions, including a clear framework and timetable, which provides certainty for savers and employers alike. As we set out in our recent *Saving Retirement* paper, there are many other steps that the commission could recommend to help address the issue of adequacy, such as modifying the rules for means-tested benefits to ensure pension contributions do not disproportionately reduce benefit entitlements; exploring the benefits of introducing a carers' credit for the country's two million plus unpaid carers; increasing the existing £2,880 limit on which pension tax relief is payable for non-taxpayers; and establishing if pension sharing on separation could be legally required amongst many other potential changes.

During the recent Pension Schemes Bill Committee hearings, you highlighted the importance of trustees exercising fiduciary duty in investment decisions. How do you see trustees managing this responsibility with evolving regulatory expectations?

The SPP very much supports the Pension Schemes Bill – there are a number of DC proposals that will deliver better outcomes for savers and we were pleased to see stringent safeguards to protect DB member benefits.

However, as SPP has repeatedly made clear, the reserve power to mandate investment in private market assets is one of the very few parts of the Pension Schemes Bill that the SPP does not support and we have recommended that it should be removed from the Pension Schemes Bill.

The existence of a threat in the form of this power will inevitably add confusion in relation to trustee decision-making – to what extent is the threat of the exercise of a power to mandate (which may never be exercised) a relevant factor for trustees to take into account when exercising their investment powers and how does it interact with trustees' core fiduciary investment duties to, in the short hand, invest in the interests of beneficiaries? These are considerations that trustees are going to have to navigate.

The SPP is also concerned about the lack of a safe harbour for trustees if mandation conflicts with their fiduciary and/or other legislative duties (e.g. under the investment regulations/value for money requirements) and has made that clear in parliamentary submissions both in writing and in person. We hope that as the bill goes through its various parliamentary stages, these concerns will be addressed so that trustees have greater certainty in exercising their fiduciary duty in investment decisions.

The SPP has introduced guidance videos for early-career professionals and highlighted apprenticeships in the sector. How is the organisation fostering talent development and supporting the next generation of pensions professionals?

We are passionate about career development and run a very active network for early career professionals who are broadly those in their first six years in the industry. The shape of our market may be very different in 10 years' time, so supporting younger professionals and getting their input is really important to us. As part of this, we run a full programme of events for early career professionals and they can observe any of SPP's 12 technical committees.

Our early career professionals network has around 1,500 members, and events specifically designed for them have attracted hundreds of attendances over the past 12 months, demonstrating industry appetite for talent development.

On apprenticeships, we undertook some research because there didn't appear to be any reliable data about apprenticeship programmes in the pensions industry. We also wanted to know what benefit firms in the sector think apprenticeships bring, to help raise wider awareness and understanding. Our survey found that most firms in the sector (52 per cent) are offering apprenticeship programmes and that helping to diversify the workforce, increasing productivity, reducing staff turnover, and making a productive use of the Apprenticeship Levy were all positives associated with doing so.

The SPP has highlighted the need for greater efficiency and effectiveness in the risk transfer process. What practical steps are you encouraging trustees to take to achieve this?

We recently published a report on this following a roundtable with a diverse range of SPP members, so my first suggestion for trustees would be to read this paper. It highlighted that there is scope to increase efficiency in different parts of the risk transfer process, but it is also very important to consider the whole process, including the post-transaction phase and the journey to buyout. The paper also gives some practical advice for trustees to consider. For example, it notes there is a requirement from some trustees for schemes to use a pre-determined legal adviser for the standard terms in the contract, with the scheme's regular adviser covering the individual features of the benefit specification. This is something that should be reviewed because it means there are often two separate legal advisers, which can lead to a disconnect, and a risk of issues slipping between the different sets of advisers.

Given the SPP's findings on AI adoption, how is the organisation guiding pension firms to integrate AI effectively while managing potential risks?

As our survey found earlier this year, there is already widespread adoption of AI in the pensions industry, with 87 per cent of respondents confirming they are using it. However, the issue is that such adoption is far from fully utilised,with more than three-quarters of firms who use it saying they only do so in 1-5 per cent of their services.

SPP is keen to help improve awareness and understanding of the benefits of adopting AI and automation where it increases industry effectiveness and efficiency – improving member outcomes – and has done so via various articles in the media, through the sharing of our AI survey results with members, and responses to public enquiries on the subject like the recent one from the Treasury Select Committee. We always seek to include elements of AI for discussion where relevant, for example it was discussed when considering our response to the Financial Conduct Authority's consultation on targeted support and the role it could play in improving pensions adequacy when we produced our *Saving Retirement* paper.

Looking ahead, as you enter the second half of your presidency, can you share what initiatives or research the SPP is preparing next, and what impact you hope they will have on the pensions sector, trustees and members?

We are continuing to publish papers as part of our *Inclusive Futures* series, looking at diversity and inclusion across the board. We have already published papers on social mobility with the Social Mobility Foundation, neurodiversity with the Donaldson Trust and disability with Disability Rights UK. Over the coming weeks, we will have further papers on LGBTQ+ with Stonewall, gender with UN Women UK, and ethnicity with the Race Equality Foundation – accompanied by articles from SPP members on each. These are a great way of demonstrating our commitment to diversity and inclusion whilst also raising awareness and understanding in both the pensions and broader business worlds.

We also have papers on surplus release, a practical guide to collective DC and a covenant update on the DB Funding Code in the pipeline. These seek to both stimulate debate and help inform different audiences, whether industry, policymakers or regulators.

A big focus over the next year will continue to be adequacy and we will input into the work done by the Pensions Commission as it progresses.

But there are also steps the pensions industry can do now to drive progress. For instance, improving member engagement with savings targets and supporting under-pensioned groups. Collaboration across providers and employers is key to building momentum and influencing policy. We're in a great position to support this given our broad membership across the industry.

Our papers over the past 12 months, along with our consultation and enquiry responses, have demonstrably had an impact and we will seek to ensure future work does the same.

Written by Paige Perrin