Inheritance tax
Why bringing pensions into the scope of inheritance tax is proving controversial

Stewardship
Pension funds' stewardship responsibilities are coming under greater scrutiny

Biodiversity
Addressing biodiversity concerns through pension funds' investments

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April 2025

PENSIONS Age

The leading pensions magazine

DB scheme surpluses: *Most DB schemes were last in surplus in the 80s-90s. What are the similarities and differences this time around?*

Neurodiversity: *How to support neurodivergent colleagues and the benefits neurodiversity brings*

Eyes on the prize

Are the value for money proposals at risk of being swayed by other political priorities?

Case study: South Yorkshire Pensions Authority's investment strategy

Editorial Comment

2nd Floor, 5 Maidstone Buildings Mews, London. SE1 1GN

Looking back on my time here at *Pensions Age,* so much has happened over the past seven years. The national conversation around pensions has completely changed, from one of passive saving and under-engagement, to pension scheme money being seen as a potential saviour of the UK economy. Wide-ranging and sector-transforming regulations have been introduced as DB pensions move towards wind-up and DC schemes grow in size and scale, and the industry proved it was capable of dealing with large-scale challenges such as the gilts crisis and the impact of the Covid-19 pandemic.

In August last year, I announced (rather cryptically, according to my colleagues!) that I would be transitioning away from pensions over the coming months to start a new venture, still under the Perspective Publishing umbrella. During that period, I've been splitting my time between pensions and the new publication, *Wealth Investment News*, building it up to launch to the wealth management market. Unfortunately, the time has now come to hang up my pensions hat and focus fully on this new venture.

Like with any job change, it's a bittersweet moment. I'll miss working with my colleagues, many of whom I've been working alongside for my entire time at *Pensions Age*, and the hundreds of people I've met in the pensions industry. Events, such as our upcoming Spring Conference that is covered on page 30 of this issue, are so valuable and showcase the passion and determination of everyone working in the sector.

I'll also miss learning and writing about pensions, which has been my life for almost seven years now, and riding the roller coaster that is pension policy direction. While I will always keep one eye on what is happening in the pensions world, I would have liked to have seen some of the many policy proposals that have been undertaken during my time come to fruition, including pensions dashboards, which I think will be transformative when introduced and that we discuss in more detail on page 32.

I feel that, even during my relatively short time with the industry, the sector has become more inclusive, both for members and within the industry itself. This is a real positive change that is helping pensions to move with the times, innovate for members, and support those who may be vulnerable. The progress that has been made and the work that still needs to be done are explored in more detail with features this month on neurodiversity (page 57) and, also tying in with this issue's theme of money matters, value for money (page 54).

"I'll always be keeping an eye on goings-on in the pensions world – I don't think anyone ever truly leaves the industry"

While there are many things I will miss, I'm really excited to begin my new journey as editor of *Wealth Investment News.* Starting a publication with a new subject matter could have felt daunting, but working in pensions has given me a great foundation of knowledge that transfers to the wealth management industry, giving me a leg-up when it came to exploring a new sector. The journalistic and editorial lessons I learned at *Pensions Age,* with the help of a great team, have also put me in good stead to launch the new publication and make it a success. I'm hugely grateful to everyone who has supported me along the way, especially my editorial and newswriting colleagues, and those in the industry who gave me their time to share their expertise.

I leave the world of pensions with a heavy heart, but I know that *Pensions Age* will continue to go from strength to strength without me with the amazing team we have. It's time for me to fly the nest, but I'll always be keeping an eye on goings-on in the pensions world – I don't think anyone ever truly leaves the industry!

Jack Gray

COVER FEATURE

Theme: Money matters

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Eyes on the prize

Regulators and policymakers continue to consult on whether DC schemes provide value for money (VFM) to members. But is there a risk their good intentions will be overwhelmed by other political priorities? David Adams reports

Features and columns

News, views & regulars

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Features & columns

Continued from page 5

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NEW circulation figures

Pensions Age **now has its new circulation figure from the Audit Bureau of Circulations (ABC); 10,499 July 2023 to June 2024. This includes both requested readers and copies sent as a member benefit (PLSA, PMI, SPP, AMNT). Pensions Age is also sent as a Tablet Edition to our 37,000+ online subscribers (Source: Publishers Statement, Jan 2024).**

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Dateline - March 2025

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

3 March Brookfield Wealth Solutions announced plans to enter the UK insurance market, with a specific focus on delivering bulk purchase annuity solutions for UK pension schemes.

3 March The Pensions Regulator (TPR) shared its new data strategy, which challenged the industry to 'raise its game' on data, in order to improve outcomes and benefit the wider market *[read more on page 13].*

4 March The Work and Pensions Committee (WPC) held a session on pensions dashboards, where the **Pensions Dashboards Programme** confirmed that the first three pensions dashboards participants had completed their 'full end-to-end' connection *[read more on page 30-31 and 32-33].* The committee also heard from industry experts, who raised concerns over the slow progress on private sector dashboards.

4 March Data from **TPR** revealed that the DC market has continued to "radically reshape" towards fewer, larger pension schemes, with the number of DC schemes falling below 1,000 for the first time in 2024. TPR's report showed that the number of DC schemes fell by 15 per cent to 920, largely due to a drop in the number of schemes with fewer than 5,000 members. Despite the fall in the number of schemes, TPR found that members in DC schemes increased by 6 per cent.

6 March Legal advice shared by **Natwest Cushon** and **Eversheds Sutherland** suggested it is reasonable for trustees to take into account members' standard of living in retirement when making investment decisions. The interpretation is intended to increase trustees' ability to allocate assets to UK private markets.

10 March The **Financial Conduct Authority** (FCA) announced that the Pensions and Lifetime Savings Association (PLSA) will be responsible for future oversight of a template for asset managers to communicate to asset owner clients on their voting activity. The PLSA has since shared the updated Vote Reporting Template to help asset owners, investment managers and platform providers disclose how they enact their shareholder rights.

10 March The **government** confirmed that it will move forward with its planned amendments to the Teachers' Pension Scheme, with regulations set to come into force on 1 April 2025.

11 March The **Pension Protection Fund's** (PPF) 7800 Index revealed that the aggregate surplus of DB pension schemes fell to £232.7bn at the end of February 2025, down from £239bn.

11 March Pensions Minister, Torsten Bell, confirmed that he intends to lay the Pensions Bill in parliament before summer recess, with the final report on the Pension Investment Review to be finalised in "the coming weeks". This was one of a number of industry updates shared at the PLSA's Investment Conference 2025, which also covered climate concerns and DB surplus issues *[read more on pages 10-11].*

13 March The **PPF** revealed that it had made further progress against its diversity targets.

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

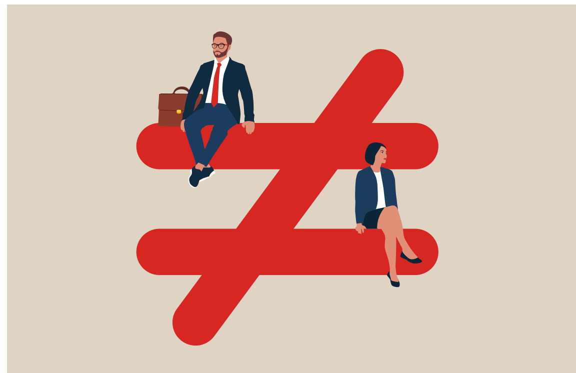
12 March The **Department for Work and Pensions** (DWP) wrote to the WPC confirming that it is expecting to resolve all remaining state pension underpayment cases by the end of March 2027.

18 March TPR pledged to reduce unnecessary regulatory burdens and improve data sharing, as part of the government's broader plans to cut the administrative cost of regulation on business and drive economic growth *[read more on page 14].*

19 March TPR announced that criminal proceedings against former company director, Nicholas Marks, had been dismissed after it was confirmed that he had passed away.

24 March Administration issues took centre stage at the Pensions Administration Standards Association conference. Speaking at the event, **TPR** interim director of supervision, David Walmsley, wanted schemes to "embrace" innovation and the data revolution. Walmsley urged the industry to "adopt modern data practices", noting that many administrators have already started to embrace innovation.

25 March The **FCA** launched a five-year strategy aimed at strengthening consumer protection, fostering innovation, and enhancing efforts to combat financial crime.



26 March TPR shared its diversity pay gap report, which showed that whilst the mean and median gender pay gaps are below 10 per cent, work is still needed for the regulator to reach its "ambitious" gender pay gap target of 2 per cent. Although TPR pointed out that its current pay gap compares "favourably" with the wider civil service, it confirmed that it has developed an action plan to address all its pay gaps, with specific attention to its ethnicity and sexual orientation pay gaps, which continue to be above 10 per cent.

26 March Chancellor, Rachel Reeves, delivered her Spring Statement, although no significant changes were announced in relation to pension policy or pension tax reliefs. Some in the industry had also been hoping for further detail on a number of key policies and upcoming reforms, many of which are expected to be shared this spring *[read more on page 13].*

26 March Origo Dashboard Connector became the latest pensions dashboards participant to successfully complete the programme's integration testing, marking a "significant milestone" on the provider's journey to connect to the government's architecture.

27 March Data from **HMRC** revealed that pensioners' average weekly income after housing costs (AHC) fell from £410 in 2022/23 to £407 in 2023/24, marking the lowest level seen since before the pandemic.

Bell shares updates ahead of final Pension Investment Review report

The Pensions Minister provided key updates on a number of issues at the PLSA Investment Conference 2025

Pensions Minister, Torsten Bell, provided an update on the government's ongoing pension review, confirming that the final Pension Investment Review report will be finalised in "the coming weeks", while the Pensions Bill is set to be laid in parliament before the summer recess.

Speaking at the Pensions and Lifetime Savings Association (PLSA) Investment Conference 2025, Bell said that the final report will be "all the better" for the consultation responses received.

"It – and the wider changes promised in the King's Speech – will form the basis of the Pensions Bill, which I will introduce before the summer recess," he confirmed.

The Minister announced that he will also provide an update on the timings and scope for phase two of the review in this final report.

However, he was not drawn into more detailed conversations around phase two of the review, which is expected to focus on adequacy.

"Getting absolutely the best value for savers is the priority to any wider debate on savings levels," Bell stated, continuing: "That's why phase one of the pensions review on the landscape, and the Pensions Bill that will help reduce costs in the system and put decumulation on a firmer footing, must come before phase two on adequacy.

"The damage done by poor returns – including during decumulation – maybe feels less binary and catastrophic than the risk of Maxwell-style broken promises… but it's a mistake to underestimate its impact on savers, which can in some cases be just as great."

However, Bell emphasised that he was not dismissing the concerns around pension contribution levels, but that he was "rebalancing the conversation".

And despite the lack of an update on phase two, Bell was able to share some updates ahead of the final report.

In particular, the Minister confirmed that the government will be sticking to the March 2026 deadline for its Local Government Pension Scheme (LGPS) pooling work.

Bell stressed that asset pooling is an "important step" in reducing fragmentation in the LGPS, revealing that the government is now working through the LGPS transition proposals put forward in response to its consultation.

"We put the onus on the LGPS to come forward with creative and collaborative plans and we are now considering the proposals that met that ask," he stated.

"You have also asked for clarity as quickly as possible, and I'm delighted to be meeting each and every pool in the next few weeks. And because it is important that concrete progress is made, I'm today confirming that we will plan to stick to the timeline of March 2026.

"The pooling project began 10 years ago. By this time next year, our world class LGPS will be made-up of large

Long-term commission branded a dream for those in 'la la land'

Whilst at the conference, Pensions Minister, Torsten Bell, seemingly ruled out the idea of a long-term savings commission as a way of building consensus, suggesting that those who think this is the best approach are "living in la la land" given shifts in the political landscape in Britain.

Bell acknowledged that "we all welcome the pension commission-like approach, because it worked", suggesting that this idea "implies there's some kind of Nirvana available of political consensus – when all the problems go away and the spreadsheet gives you the answer".

However, he argued "that world probably never existed, and it doesn't exist today".

Bell also argued that the stakes now are much higher, with the potential for public faith in mainstream politics to be undermined further if changes aren't seen soon.

"It is not the mid 2000s," he stated, continuing: "People are not happy. The economy's not been growing well for some time. It has affected people's wages. There are food banks all over the country, hospitals are not working and there are potholes on the roads... So this is not some fluffy 2004 – 'let's have a pension commission and we can all agree'. If you're calling for that, I'm afraid you're showing a naivety about the nature of where British politics and where Britain is.

"This whole technocratic notion that we can take the politics out of it. I'm afraid those people are living in la la land."

Instead, Bell suggested that clarity of purpose is a better way to build consensus.

pools of professionally managed capital, accountable to authorities by robust government structures and delivering for members and their communities."

Discussing the upcoming reforms more broadly, Bell said that consolidation and pooling is already the direction of travel, arguing that the government is "merely providing extra wind into the consolidation processes' sails".

"This shift to investing in a wider range of assets is one we are encouraging rather than instigating," he continued.

And whilst Bell acknowledged that some smaller schemes deliver great value for money, he said that, for the market as a whole, and savers on average, "consolidation is desirable".

However, Bell admitted that "scale of course is an enabler of change, and it is very far from a silver bullet", instead making up "one part of interlocking reforms", including reforms to focus more on value, and less narrowly on cost.

Sequencing is expected to be a crucial part of managing this work, as the Minister acknowledged that this "can sound like a lot, especially given wider changes – dashboards and the rest".

"There are limits on any organisation's ability to deliver, and I take those constraints very seriously," he continued.

"Not everything that could be legislated for will be legislated for in the forthcoming bill for exactly that reason. And we owe it to you to provide a clear roadmap of how these changes fit together."

In line with this, HM Treasury head of pensions investment review, Joanne Gibson, confirmed that the government is planning to share a roadmap to show how upcoming pension reforms and policy changes will fit together.

Also speaking at the conference in Edinburgh, Gibson acknowledged that "there is a lot of change happening quickly", agreeing that "sequencing is going to be really important, given all the other reforms that are happening".

And a lack of a roadmap could also prove detrimental in terms of the ability for the government's reforms to meet their "essential objective of investing in private markets", according to fellow conference panellist, Now Pensions director of public affairs and policy, Lizzy Holliday.

"There's going to be a lot of turmoil because of consolidation and scale, and that's probably going to put off some people from going for the private market investment because they may have to disinvest and all the costs and the resource that's going to be used for that," she explained.

"So getting the sequencing right actually has a material impact on the objective achievement as well."

Written by Sophie Smith and Callum Conway

Climate protestors back again

Climate protestors were once again at the PLSA Investment Conference in Edinburgh, urging delegates to update risk assessment methodologies amid concerns that many are relying on 'flawed' climate risk advice.

Protesting outside the Edinburgh International Conference Centre, the group attracted the attention of delegates with singing and a 'Big Oil Funk' dance, as well as a portrayal of a pension fund leader with his head in the sand being persuaded by actuaries and climate scientists to look up.

The protest, organised by Divest Lothian, Extinction Rebellion Scotland and Friends of the Earth Scotland, and supported by Protest in Harmony, comes after a report from the Institute and Faculty of Actuaries, in conjunction with the University of Exeter, found that climate change and nature-driven risks have been underestimated through flawed economic modelling and risk assessment processes.

The report warned that the planet is on a trajectory to catastrophic warming levels of > 2°C by 2050, leading to a possible 50 per cent contraction of the global economy within the lifetimes of current pension savers.

These concerns may be well placed, as, speaking inside the conference, British Business Bank chief investment officer, Leandros Kalisperas, said that it was "fair to call out" inaccuracies in climate risk assessments.

"It is widely understood that current assessments may not be credible," he said when asked about the protestors, "but the question is, what is better than what we have, and how can it be implemented?"

PLSA director of policy and advocacy, Zoe Alexander, pointed out that nearly all savers will be in a fund that has made a commitment to net zero, emphasising that "as professional investors with a fiduciary duty to grow and protect their members' savings over long horizons, pension schemes have a significant interest in ensuring that the companies they invest in are fully prepared for a lower carbon future".

"One of the most important ways they do this is by exercising their rights as shareholders and holding company directors to account on their climate strategies," she added.

Business as usual following Reeves' 2025 Spring Statement

Industry experts had hoped to potentially hear further updates on phase two of the government's pension review

Chancellor, Rachel Reeves, delivered her Spring Statement in March, with no significant changes announced in relation to pension policy or pension tax reliefs.

Standard Life retirement savings director, Mike Ambery, pointed out that "the Chancellor has remained true to her principle of sticking to one fiscal event per year and for many, it's 'as you were' following the Spring Statement".

In particular, Ambery noted that pensioner benefits have been "spared much to the relief of those on fixed incomes", despite the rising cost of the state pension.

"At an annual cost of nearly £140bn the state pension would have been an attractive but politically fraught area for cost saving, particularly given the government's manifesto commitment to the triple lock," he stated. "The sums of money involved are sure to make the state pension a focus of debate but for now at least it is business as usual."

Some in the industry had been hoping for further detail on a number key policies and reforms, many of which are expected to be shared this spring.

This includes the government's response to its consultation on options for DB pensions, which will provide further detail on plans to change DB surplus rules, the final Pension Investment Review, which is expected to outline next steps for phase two of the review, and updates on work to resolve state pension underpayments.

Given this, PensionBee UK chief business officer, Lisa Picardo, admitted it was "disheartening" to see pensions had been sidelined in the Spring Statement.

"While there are a lot of important issues being addressed, there is growing evidence that millions of Britons are simply not saving enough for retirement, and the government has chosen to overlook potential 'quick-win' reforms that would signal the importance and actively help individuals build long-term financial security," she stated.

Picardo continued: "As the first statement from a new government, it potentially sets a worrying tone for the years ahead – suggesting that these types of pension reform are not a priority.

"We cannot afford to keep kicking the can down the road when it comes to pension reform. Every year of inaction risks leaving more people financially vulnerable in later life. While we welcome discussions around the future of pension policy, we need decisive action, not just words. If we are serious about ensuring financial resilience for future generations, then the government must prioritise these long-overdue reforms."

However, Ambery said that whilst there was no mention of phase two of the review in the Spring Statement, there is still hope that the industry could hear more on the timings for review in the coming months/weeks.

"Increasing pension contributions right now at a time when economic growth is in short supply is a difficult message to manage but ultimately action needs to be taken as only one in seven people are on track for retirement," he stated.

"The adequacy review provides an opportunity to look at how this challenge is addressed over the long term, with the potential for a roadmap of changes giving individuals and business certainty about what to expect.

"Doing so will not only lead to better savings outcomes for individuals but also has the potential to create additional investment in the UK."

Indeed, Pensions and Lifetime Savings Association (PLSA) director of policy and advocacy, Zoe Alexander, suggested that "focus will return to pensions with the report of the Pensions Investment Review next month, and a Pension Schemes Bill due to be introduced soon".

"The growth reforms highlighted in the Chancellor's speech, such as planning reform, the National Wealth Fund, infrastructure and technology spending are all essential for creating a positive environment for the economy, with follow through benefits for pension fund investment returns," she continued.

Ambery agreed, noting that "despite pensions barely featuring in today's statement, both parliament and the industry will be kept busy in the weeks ahead as this legislation progresses."

"The other major event this year is the Pension Schemes Bill where we are expecting a first draft within weeks," he stated. "Previewed at the King's Speech, the bill will contain a number of significant developments designed to address pressing issues facing savers and the industry."

Written by Sophie Smith

TPR to cut unnecessary regulatory burdens

The pledge was made as part of a broader regulatory 'shake up', which is designed to lessen the burden on UK businesses

The Pensions Regulator (TPR) pledged to reduce unnecessary regulatory burdens and improve data sharing, as part of the government's broader plans to cut the administrative cost of regulation on business and drive economic growth.

Chancellor, Rachel Reeves, met with regulatory bosses on 17 March to reveal the action plan, which outlined proposals for a "radical shake up" designed to save businesses "billions" as more regulators are axed and core legal duties are streamlined.

In particular, TPR pledged to review the amount of capital reserves master trusts are required to hold, with a view to safely freeing up millions of pounds for schemes by the end of 2025/26.

In addition to this, it confirmed plans to develop an innovation framework and criteria to trial pensions innovation ideas and launch a hub to test a variety of innovation services with the market by the autumn of 2025, as previously announced at the end of last year.

TPR is also expected to support the government's broader growth agenda as part of the plans, having pledged to encourage consolidation and consideration of investment in productive assets by using the new value for money framework to drive public disclosure of long-term risk adjusted net returns to help drive competition, growth and better outcomes.

Ahead of this, TPR will look to drive consolidation and encourage voluntary disclosure of asset allocation data to highlight the relationship between asset allocation and net performance.

In addition to this, TPR pledged to reduce unnecessary regulatory burdens and improve data and data-sharing.

As part of this, TPR said it will monitor its engagements with schemes and employers over the course of 2025/26, seeking to reduce unnecessary regulatory burden whilst maintaining current high levels of compliance.

This will include monitoring the quality and value of regulatory interaction and making sure that new interventions are not just linked to delivery of better outcomes for savers but are also efficient and effective in delivery.

In addition to this, TPR will conduct a review of its scheme return and supervisory return data collection requirements by the end of March 2026 to identify options to reduce unnecessary burdens on schemes.

Subject to the outcome of the review, the government will consider how and what TPR captures, including amendments to legislation as required.

Data was also thrown into the spotlight after TPR shared its new data strategy, which challenged the industry to 'raise its game' on data, in order to improve outcomes and benefit the wider market through increased efficiencies, enhanced innovation and reduced regulatory burden.

Announcing the launch of the strategy, the regulator highlighted research showing that open banking has so far benefited the economy by £4bn, helping businesses and individuals manage their money in new and innovative ways.

Given this, it suggested that, by moving towards better data practices and taking practical steps on the way towards open finance, pension savers and schemes could similarly benefit.

"Good, modern investment and governance decisions require high-quality, fully digitised data to avoid inconsistencies, increased costs and security risks," TPR stated.

In particular, TPR will be focusing on three key areas: Building strong foundations by implementing data principles; taking a wider data approach and reducing regulatory burden by creating an internal data marketplace; and focusing on adding value by making sure all the data collected is directly related to good saver outcomes and supports efficient and effective regulation, competition and industry innovation.

As part of this work, TPR will be looking to establish a set of data taxonomies and standards for open data exchange, and will be exploring moving from a system where data is sent automatically, to one where data is requested as needed.

In addition to this, TPR is looking to create a working group to help the pensions industry improve its use of digital tools, data and technology in savers' interests.

Written by Sophie Smith

Focus on productive investment assets grows

The focus on productive assets has continued to increase in line with the government's focus on UK growth

Industry focus on allocations to productive assets has continued to grow, with The Pensions Regulator (TPR) arguing that 'sound' investment in diverse assets could improve outcomes for savers and generate growth for the UK economy.

TPR's recent analysis found that the majority (87 per cent) of DC pension savers are in schemes that invest in at least one productive asset class.

According to TPR's data, 45 per cent of DB schemes, 57 per cent of large DC schemes, and 72 per cent of DC master trusts hold some productive assets, such as infrastructure, private equity or renewables.

TPR chief executive, Nausicaa Delfas, said: "We believe sound investment in diverse assets could improve outcomes for savers and generate growth for the UK economy. The two do not have to be in conflict. We want to help all schemes to be able to consider a full range of investment options, either through ensuring strong governance or by encouraging them to consolidate."

However, the survey showed that while many larger DC schemes hold productive assets, a 'sizeable' proportion of small (57 per cent) and micro schemes (70 per cent) did not know if they held assets in these classes.

TPR highlighted this lack of understanding as a potential indicator of poor governance standards.

Smaller schemes were also found to be at risk of not performing as well against TPR's expectations on investment governance and governance more broadly.

In contrast, the regulator found that large-scale DB and DC schemes are more aware and engaged with their governance, which it suggested could put them in a stronger position to make decisions around diversified investments, cyber security and environmental, social and governance (ESG).

Given this, TPR emphasised that it is continuing to tackle poor governance in smaller schemes, including work to develop a value for money framework in partnership with the Department for Work and Pensions and the Financial Conduct Authority.

It also reiterated its plans to look to introduce a more proactive supervisory approach to improve the quality of trusteeship, with a greater emphasis on providing value.

The regulator is not the only one showing supportive for greater investment in productive assets, as broader industry research also revealed that many savers are keen to back the push for growth.

The survey from the Pensions and Lifetime Savings Association (PLSA) found that 53 per cent of UK savers would prefer their pension money be invested in the UK.

It also found that 37 per cent of pension savers would prefer to have UK investments if they generate comparable returns, while 16 per cent would prioritise UK investments even if they provided lower returns.

The PLSA highlighted this as further evidence of the principle that UK investment should be pursued when it directly benefits savers and their future retirement income.

And recent changes to DB surplus rules could make this a reality, as further research from the PLSA found that many DB pension schemes are reconsidering their endgame plans in light of improved funding levels and potential changes to how pension surpluses can be used.

But broader changes may be needed to support these investments, as indeed, industry experts at the PLSA Investment Conference 2025 argued that DB regulation must evolve to avoid being misaligned with the government's growth agenda.

Stagecoach Group Pension Scheme trustee and group pensions director, John Hamilton, said that "we need to evolve the regulation for the world we have right now", noting that the regulations were written in a "very different" context.

Further updates are expected soon, as Pensions Minister, Torsten Bell, also confirmed at the conference that the government is set to share more details on some of the broader DB surplus rule changes in its response to the options for DB schemes consultation "this spring".

Written by Sophie Smith

DB risk concerns weighing ‘heavily’ on UK businesses

Research has highlighted the increasing pressures businesses face in managing pension schemes, alongside broader risks

The vast majority (93 per cent) of financial decision makers in the UK believe that their company’s pension scheme poses a risk to their business’s balance sheet, despite the fact that 86 per cent of DB schemes currently have a surplus, research from LawDeb has revealed.

The findings showed that 7 per cent believe their pension scheme presents a significant risk, while 57 per cent categorise it as a moderate risk.

In addition to this, a further 29 per cent agree that their scheme brings limited risk, leaving only 6 per cent of decision-makers who see no risk at all from their pension scheme.

Cyber threats stood out as the top driver of risk, cited by 92 per cent of finance decision-makers as a key business risk, while 18 per cent of respondents classified it as the most severe risk.

In addition to this, 91 per cent highlighted concerns around financial risk and returning to deficit, and 91 per cent also cited ‘people risk’ as a key business concern, with particular concerns raised over the potential for increased or unsustainable workloads.

Environmental, social and governance (ESG) risk, such as the scheme’s ESG strategy not being aligned with business ambitions, is also weighing heavily on finance decision-makers (90 per cent), as are fears of data breaches (88 per cent).

LawDeb also noted that although reputational risk ranks as having the least risk on balance sheets, a significant number of finance decision makers (85 per cent) share concerns over its impact.

Written by Sophie Smith

Aberdeen to use DB surplus to fund DC contributions

The group is the latest in a number of large businesses to announce plans to make use of their DB pension surplus

Aberdeen has announced plans to use funds from its ‘significant’ DB pension scheme surplus to fund the cost of providing DC benefits to current employees, while also confirming it is changing its name to Aberdeen Group.

The group’s annual results revealed that it recently reached an agreement with the trustee of its main DB pension plan to unlock the plan’s surplus for the benefit of both the company and DB plan members.

The agreement, which is one of the largest of its kind, is designed to enable Aberdeen’s DC contributions to be funded from the DB surplus, while largely maintaining the surplus and maintaining future optionality, such as an insurance buyout.

Indeed, the group confirmed that DB members will benefit from enhanced pension entitlements and guardrails to ensure the continuing financial strength of the plan.

The changes are expected to result in an annual benefit to net capital generation of about £35m from July 2025.

The agreement also includes a modest increase to the target level of investment return, which is intended to ‘open up’ the possibility for a broader range of investments, including private as well as public market assets.

Written by Sophie Smith

News in brief

Pensions Age summarises some of the latest news in the pensions industry, including the latest product launches, climate commitments and best practice guidance...

Freedom and choice approaches 10-year anniversary

The past month brought a renewed focus on the impact of the freedom and choice reforms, as they approached their 10-year anniversary:

• Estimates from AJ Bell suggested that seven million pension pots have been accessed for the first time since the introduction of freedom and choice in April 2015, with drawdown now the most popular option amongst those with pots of £30,000 or more. The analysis, showed that whilst around 75 per cent of DC pension pots were used to buy an annuity before freedom and choice was introduced, that has since 'plummeted' to less than 10 per cent (2023-24) as annuities quickly fell out of fashion.

• Research from Standard Life revealed that the majority (84 per cent) of those who have accessed their retirement savings since the introduction of pension freedoms said they have benefited from taking money from their pension. It also found that people tended to use their pension money gradually, despite initial concerns that savers would spend their retirement savings frivolously.

• Research from Royal London also found that, despite initial concerns that people could buy a Lamborghini with their pension if they so wished, there was "little evidence of people doing so". However, there were broader concerns, as the survey found that less than two fifths (39 per cent) of over 50s took advice from a financial adviser before taking money out of their pension, while 18 per cent had not taken any advice at all.

De-risking momentum continues

Despite a renewed focus on run-on, several pension risk transfer transactions were announced over the past month:

• The Fuller's DB Pension Plan secured a full buy-in with Legal & General (L&G), following recent funding improvements.

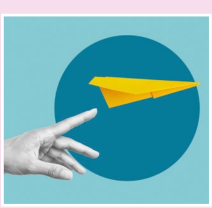
• The Church of Scotland Pension Trustees completed a £75m multi-scheme buy-in with Just Group, insuring the benefits of 1,500 pensioner and dependant members and 850 deferred members. The transaction, completed in December 2024, covers the benefits of three sections across two of the trustee's pension schemes.

• An unnamed pension scheme agreed a £361m full scheme buy-in with Canada Life, covering over 850 deferred members and 650 pensioners.

• Anglo American Services (UK) completed a £785m combined buy-in with L&G Assurance Society for three of its DB schemes: The Tarmac UK Pension Scheme, the Tarmac 'B' Pension Scheme and the Anglo UK Pension Scheme.

• The BT Pension Scheme secured two longevity reinsurance transactions, one with Swiss Re and the other with Reinsurance Group of America, totalling £10bn. This will have no impact on BT's cash contributions to the scheme.

A changing market



There have been more than a few acquisitions and partnerships in the pensions industry lately:

• Accenture acquired Altus Consulting from Equisoft for an undisclosed amount, as it seeks to strengthen its strategic advisory and delivery services for financial services firms in the UK.

• Global insurance and employee benefits intermediary group, Howden, has announced plans to acquire Barnett Waddingham for an undisclosed amount. The acquisition will see the creation of one of the largest pensions and employee benefits consultancies in the UK.

• The Pensions Management Institute renewed its master trust insight partnership with Scottish Widows.

• TPT Investment Management partnered with MSCI to develop a new risk management solution designed at providing comprehensive insights into the risk characteristics of pension schemes.

• First Actuarial and Legal & General launched a new affordable package of group protection employee benefits for smaller employers. The package is designed to put popular benefits such as life assurance and income protection within the typical budget of businesses employing up to 30 staff.

PLSA Investment Conference 2025

Looking back at last month's event in Edinburgh

Edinburgh buzzed with energy at the beginning of March as we welcomed a record-breaking 880 delegates to the PLSA Investment Conference, our highest attendance since the pandemic, to discuss the major themes in the investment landscape in 2025.

A clear vision from the pensions minister

Minister for Pensions Torsten Bell took to the stage to update delegates on the government's plans for the sector – specifically around investment.

The Rt Hon Member for Swansea said it was time to stop celebrating the success of automatic enrolment and start focusing on how coupling better savings rates with investment returns was the next key challenge for the defined contribution sector.

He noted how allocations to private markets by large asset pools could move the needle for both sides, adding that the scale offered by the current formation of the LGPS funds was not as substantial as his government had in mind.

Responding to questions from the floor, he also said how clear regulation and direction from government was essential to support the pensions sector and its members and committed to a timeline to see the Pensions Bill brought through parliament.

He also expressed support for corporate DB surpluses to be thoughtfully and lawfully fed back into the domestic economy.

Oh Canada

On day two, attendees were given a lesson from Canada. The so-called Maple 8 have for many years been seen as leaders in international infrastructure and other real assets – but it has not always been that way.

Session speakers, including Mei Mavin, head of global corporate communications at the Canada Pension Plan Investment Board, one of the country's largest investors, explained how the sector had not become a mature investment ecosystem overnight. Rather, there had been an evolution into active, global investment that had been carefully mapped alongside well-thought-out future plans and fiduciary duty.

Delegates were told, too, that the reluctance to privatise critical infrastructure in Canada meant a limited availability of domestic assets.

Updated vote reporting template

Elsewhere on the programme, delegates flocked to a session on the merged stewardship template, which has been many months in the making – thanks to significant industry and member consultation.

Railpen's Caroline Escott and the FCA's Sacha Sadan, who had both worked on its creation, explained how it had come into being, and how it should increase both transparency and value for members – but they noted something else too.

Sadan said the template, which is not a regulatory requirement, could help set asset managers apart when demonstrating to clients the efforts they were making on stewardship. In a world of squeezed margins and tight competition, this could be an important 'value add'.

"It brings savings to life," said Escott, noting the conference theme of engaging members with their investments.

Lessons from large schemes

In a session with three leaders of large UK pension schemes, a significant theme was the diverse challenges DC members face, particularly those from lower-income backgrounds, with the panel highlighting the need for improved confidence and understanding in managing retirement finances.

The panel agreed on the importance of simplifying investment decisions and making information accessible to members to reduce anxiety and uncertainty around pensions.

Yet, Carol Young from USS pointed out that many members do not engage with investment topics, often due to a lack of understanding or fear of financial concepts. Out of the 100 top-read articles on the scheme's members' website, not one was about investment.

Andrew Doyle, who oversees master trusts including WTW's Lifesight, said members wanted to know when they would be able to retire comfortably rather than get caught up in the specifics.

All in all, the PLSA Investment Conference was one of the liveliest in recent years and felt especially relevant as the government conducts its two-part review of the pensions sector. The investment landscape is evolving quickly and the PLSA will be working hard to ensure reforms work in the right way for savers and schemes.

Appointments, moves and mandates

Martyn Beauchamp

The Financial Services Compensation Scheme (FSCS) has appointed Martyn Beauchamp as CEO.

Beauchamp has been interim CEO of the FSCS since October 2023, and during this time, he has successfully overseen FSCS's transition to a new operating model. Before this, he worked in financial services for over 20 years. Commenting on his appointment, Beauchamp said: "FSCS puts customers back on track when their financial services firm fails, helping to build trust and stability in the UK financial services system and supporting long-term sector growth. This is a mission I'm proud to now lead as FSCS's chair, and I look forward to working to achieve it."

Chris Connelly

The Pensions Administration Standards Association (PASA) has appointed Chris Connelly as board director.

Connelly has over 30 years of experience in pensions and financial services. He is currently the chief strategy officer at Heywood, leading some of the industry's headline propositions and strategic initiatives. Across his career, he has held senior roles at NatWest, Fidelity, Aon Hewitt and Equiniti, gaining extensive experience across in-house pensions administration. In recognition of his contributions to the industry, Connelly was honoured at the 2022 Pensions Age Awards as 'Pensions Personality of the Year'.

Paula Walter

Brightwell has appointed Paula Walter as a non-executive director.

Walter has held numerous leadership roles in both executive and non-executive capacities and spent over two decades working in technology, digital, data and information security within the financial services industry. Walter also serves as a trustee for the University of Cape Town Trust and is a director and deputy chair of the German School London. Brightwell chair, Denise Le Gal, commented: "Paula's extensive experience in technology and risk management will add further breadth to our board. In addition to her technical expertise, her strategic leadership and ability to navigate challenges will be hugely valued."

Nick Ranson

Railpen has appointed Nick Ranson as chief financial officer and executive director.

Ranson will manage financial activity for the £34 billion railways pension schemes, securing the future for over 350,000 members and pensioners. Ranson is a qualified actuary with extensive experience in the insurance, funds management, and banking sectors. He joins Railpen from Standard Chartered Bank, where, as managing director, he was the global head of financial reporting transformation, and before that, served as M&G plc director of finance reporting and operations. He began his new position at Railpen on 3 March 2025.

The Pensions and Lifetime Savers Association (PLSA) has appointed 10 new members to its policy board.

Five new members will join the policy board immediately, while five will join from October 2025. Joining the policy board with immediate effect are Nest director of policy, Philip Brown, Kent County Council head of pensions and treasury, Nick Buckland, Legal & General head of product policy strategy, Colin Clarke, The People's Partnership head of pension policy, Tim Gosling, and Joanne Donnelly, who joins the London Pension Fund Authority in April. Joining from October will be Church of England Pension Board CEO, John Ball, Universities Superannuation Scheme head of investment product management, Naomi Clark, Mercer partner, Tess Page, PPI deputy director, Suzy Morrissey, and Barnett Waddingham chief investment officer, Matt Tickle. PLSA policy board chair, John Chilman, said he was "delighted" to see such a strong list of candidates and looked forward to working with those appointed to the policy board. "Having an experienced and diverse group of thought-leaders and experts from the PLSA's membership means we can shape the pensions and savings landscape to benefit both schemes and savers." he added.

PLSA director of policy and advocacy, Zoe Alexander, added: "I am excited about these new appointments, as well as the exceptionally strong field of applicants the process attracted. The policy board helps us develop solutions to the big policy issues of the day, and we are facing into a period in which we expect pension policy to remain a critical part of the national policy agenda."

The Local Government Pension Scheme (LGPS) Access pool has appointed Adams Street and HarbourVest as private equity allocators, while Arcmont and Golub Capital have been appointed to manage European and US senior secured direct lending strategies.

Adams Street and HarbourVest will oversee a multi-vintage programme whereby authorities can commit to vintages on an ongoing basis over the term of the mandate. Each vintage is expected to be globally diversified, with investments across primary, secondary, and co-investments. For the first five vintage years of the mandate, it is anticipated that the aggregate size of the annual commitments to both Adams Street and HarbourVest will be an average of £500 million or more each year. Access Pool joint committee chairman, Cllr Mark Kemp-Gee, said it marked the third phase of a private markets programme that has seen Access steadily add private markets assets into its investable universe.

Access Pool has also appointed Arcmont and Golub Capital to manage European and US senior secured direct lending strategies. Arcmont will oversee the European mandate, with an allocation of £200 million. Golub Capital will manage the US mandate, with an expected commitment of £150 million expected. The strategies from Arcmont and Golub Capital will provide senior secured direct loans to corporates, focusing on middle-market companies backed by private equity sponsors. The appointment comes after the Access Pool announced its intention to establish its own FCA-authorised investment management company.


Iain Armour

Trafalgar House has appointed Iain Armour as business solutions architect.

Armour has held senior architecture leadership roles within the RBS group, including central architecture, transformation programmes and operations roles with NatWest markets and international banking, covering system design, quality assurance, project delivery, and operational management. Trafalgar House managing director, Garry Wake, commented: "Pensions administration systems play a vital role in managing schemes effectively, but they come with significant challenges. Iain's background in technology brings a fresh perspective to the business which is a significant advantage."


Simon James

Squire Patton Boggs has promoted director Simon James to partner in its pensions practice group.

James joined the firm in 2010 as a trainee solicitor and qualified as a solicitor in 2012. He has extensive experience advising trustees and employers in the public and private sectors, including several funds with assets in excess of £1bn. Also, James recently advised on the launch of the UK's first collective defined contribution pension plan. "This is such a well-deserved promotion for Simon," said Squire Patton Boggs head of pensions, Matthew Giles. "He has always been at the forefront of our practice, working tirelessly on behalf of clients, and always keen to expand his knowledge and skillset."


Gavin Smith

LCP has announced that Gavin Smith has joined the firm from Legal & General (L&G).

Smith will join LCP's pensions actuarial and risk transfer teams as a principal, where he will help clients design, bespoke and implement their endgame strategies. He will also help pension schemes that wish to run on or utilise surplus do so in a robust way that optimises risk and member and stakeholder outcomes, drawing on his previous experience heading up the pricing and execution function at L&G. There, he was also responsible for new business quotes, setting pricing strategy, and post-sale actuarial implementation.


Lee Hollingworth

Royal London Asset Management has announced the appointment of Lee Hollingworth as DC and retirement proposition director.

Hollingworth will report to head of proposition, Susan Spiller, and work across Royal London Asset Management and Royal London Mutual Insurance Society in this newly created role. He will focus on developing innovative pension propositions for Royal London's members and DB and DC clients. Hollingworth brings extensive industry expertise and over two decades of experience in pensions and retirement solutions, most recently in his previous role as head of UK retirement at Franklin Templeton.

VIEW FROM TPR: Fighting pension fraud

The threat of pension scams is ever-evolving. To keep one step ahead of scams, we and our Pension Scams Action Group (PSAG) partners are stepping up our multi-agency response by enhancing our intelligence capability and collaborating more closely than ever before to disrupt emerging threats.

The Fighting Pension Fraud webinar on 25 March provided a great opportunity for industry experts, PSAG members and 587 participants to discuss how we can work together to strengthen our defences.

We heard from City of London Police service delivery director, Chris Bell, who told us about the new reporting service replacing Action Fraud. He underlined why your reports are so vital in helping us stay ahead of the scammers.

I spoke about a new fraudulent website detection tool we have developed, as part of our strategy to tackle online harm. The automated tool has been instrumental in early-stage detection of potentially suspicious websites. More widely in this work to date, we have reviewed 830 websites, taken down 29 high-risk sites and made 94 referrals to partner agencies.

Engagement from participants provided valuable insight into the challenges facing the industry. We will continue to find practical solutions that protect both providers and savers.

Watch the webinar at: thepensionsregulator.gov.uk/pension-fraud-webinar

The Pensions Regulator
Making workplace pensions work

TPR Pension Scams Action Group business lead, Paul Sweeney

VIEW FROM THE PLSA: Looking back at the PLSA Investment Conference

Edinburgh buzzed with energy at the beginning of March as we welcomed a record-breaking 880 delegates to the PLSA Investment Conference, our highest attendance since the pandemic.

Among the highlights were an analysis of the geopolitical landscape from Rt Hon Lord William Hague and a keynote address from the Minister for Pensions, Torsten Bell.

The debate about pension schemes' role in contributing to UK growth was also a major theme and our frequent engagement with the Minister has been very positive.

The Pensions Investment Review and the move towards fewer, larger schemes was also widely discussed. Bell confirmed the government intends to stick to the March 2026 pooling deadline for the LGPS. In DC, the scale test will happen, but he will take a 'pragmatic' approach to this for schemes who are clearly on the right track towards the scale the government is seeking.

On the DB side, many schemes are reconsidering their investment strategies and endgame plans in light of improved funding levels and the prospect of changes to the rules governing how pension surpluses can be used.

The investment landscape is evolving quickly at the moment and remains one of our priority areas in our work programme.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

PLSA director of policy and adequacy, Zoe Alexander

VIEW FROM THE PMI: Sequencing the changes ahead

It's going to be a busy couple of months. We are expecting the government's response to the Pensions Investment Review consultation, a further announcement on plans for DB surplus and the introduction of the Pensions Bill.

There are also numerous pensions policy and regulatory changes on the horizon. Some are already being implemented (dashboards), some under consultation (changes to inheritance tax and normal minimum pension age) others form part of the Pensions Bill (the value for money framework, small pots, guided retirement) and others are still being considered (DC consolidation, productive finance, DB surplus).

Whilst the objectives behind many of these proposals are laudable, the ambition is large and the proposed timescales relatively short given the size of the changes proposed. It is important the changes work together as a whole, avoiding any unintended consequences. Sequencing will be vital to ensure the changes are coherent and deliverable.

The starting point for all of this needs to be the impact on the saver, in particular how we avoid creating confusion and/or bombarding them with potentially conflicting communications over a short period of time. We look forward to scrutinising the government's promised pension reform roadmap.

PMI

PMI chief strategy officer, Helen Forrest Hall

Cutting costs, without cutting pensions

Employers have been urged to take advantage of salary sacrifice to mitigate the rising cost of NICs

Employers have been facing growing calls to maximise their pension contributions via salary sacrifice to help balance the additional costs they are set to face as a result of the increase in employer National Insurance contributions (NICs).

Chancellor, Rachel Reeves, previously announced plans to increase the rate of employer NICs from 13.8 per cent to 15 per cent, in a move that industry experts warned could represent a "major setback" to hopes of progress on Britain's under-saving crisis.

In addition to this, Reeves announced that the threshold for employers paying NICs will reduce from £9,100 to £5,000, which, analysis from Royal London showed, will result in an increase in employer NICs of £615 per employee per annum.

Royal London senior pensions technical manager, Craig Muir, acknowledged that the increase in employer NICs announced in the Autumn Budget has created concern around increased costs, and its impact on growth, recruitment and overall profitability for many businesses.

And this could have a knock-on impact on pension offerings, as a small survey of employers carried out by Royal London after the Autumn Budget found that some employers may have to look at reducing their employer pension contributions or stop any increases to their contributions to mitigate rising costs.

In addition to this, research from WTW found that 55 per cent of DC employers are set to reduce the cash payments they offer in lieu of pension contributions in order to cover the rising cost of employer NICs.

However, Muir suggested that employers can mitigate some of their NI costs as they do not pay NI on their employees' pension contributions.

Indeed, analysis from Royal London showed that, if an employer with 100 employees in their scheme used salary exchange, and redirected 50 per cent of their NI savings, they could reduce their £82,100 NI cost by £14,600 and boost each employee's pension contributions by £340 per annum.

Analysis from Hymans Robertson also strengthened the case for employers to make better use of salary sacrifice, revealing that, for every £100,000 of salary employees sacrifice into their pension, the saving in employer NICs will be £15,000 from 6 April.

Given this, Hymans Robertson said employers should seriously consider implementing this change, which benefits both employers and staff, arguing that "huge savings" could be made for employers who take action now, whether this is putting a salary sacrifice scheme in place, or encouraging staff to maximise their pension contributions.

Hymans Robertson head of DC corporate consulting, Hannah English, said: "The savings employers could benefit from, by introducing a salary sacrifice system for employee pension contributions, should not be understated.

"By increasing default employee contribution levels annually and providing staff with meaningful retirement guidance and advice support, employers could offset their looming NI costs while improving the retirement prospects of their employees.

"These simple changes could provide businesses a lifeline as the purse strings are tightened in the new financial year."

Aon also encouraged employers to look for the "opportunities" amid the NIC increase, with associate partner, Steve Leigh, emphasising that not all salary sacrifice arrangements are set up to maximise the savings available.

"Aon's 2024 *DC Pension Scheme Survey* showed that one in 10 employers are still not using pensions salary sacrifice," he pointed out. "This is often the case where there is an overseas parent company that is less familiar with UK pension and tax rules. There are also companies who simply haven't considered it. In these situations, introducing salary sacrifice could make a huge difference and could offset most of the forthcoming NI cost increases."

New tools are also being developed to help employers navigate these considerations, as Jarvis recently launched a new salary sacrifice calculator that allows businesses to see how much they can save while boosting pension contributions for their workforce in the upcoming financial year.

This suggested that small- and medium-sized enterprises could save up to £15,150 in NICs annually through salary sacrifice.

Written by Sophie Smith

VIEW FROM THE AMNT: Pension fund surplus – who is in most need?

"From each according to his ability, to each according to his needs" is a slogan by Karl Marx but is in fact a version of an earlier text from the acts of the Apostles: "And brought the prices of the things that were sold. And laid them down at the apostles' feet and distribution was made unto every man according as he had need."

We are in a pension era not seen before or certainly not for a long time, the era of DB surplus.

Where before DB schemes urgently sought to fund deficits, we now see others eager to take advantage of these surpluses.

Recently the Royal Borough of Kensington and Chelsea announced it will reduce employer pension contributions to zero for 2025-26 as it boasts a funding level of 207 per cent.

They claim the money will be used to help compensate those affected by the Grenfell Tower tragedy.

This decision was against the advice of officers and the scheme actuary and will probably lead to legal and regulatory challenges.

Irrespective as to the rights and wrong of the decision, it is a glimpse of what the future may hold for pension schemes with a DB surplus; various potential calls on these funds all with a different intent.

Trustees should now be considering their reaction to such calls, perhaps prioritising who is in most need of surplus funds.

AMNT member, Stephen Fallowell

AMNT Association of Member Nominated Trustees

VIEW FROM THE ABI: Digital public infrastructure

Recently, the phrase 'digital public infrastructure' has gained currency. This describes the foundational digital systems connecting people, businesses and governments. For pensions, this needs fixing. But whose job is that?

The industry can deliver it, but only up to a point. For example, initiatives on pension transfers are successful but still not universal. Solutions for Letters of Authority are available but need wider adoption.

The biggest challenge lies at the interface of public and private sectors, where the data tends to flow from industry to government, but rarely vice-versa. Pensions dashboards are an exception. Small pot consolidation and upcoming tax changes will also need collaborative efforts to integrate public and private systems.

Developments beyond pensions could address the fragmentation across government and multiple industries within finance. For instance, the government is giving the FCA broad powers to compel data-sharing.

What we need is a plan for pensions digital infrastructure, accommodating wider policy changes, with a clear owner. To deliver this amid public sector cuts, collaboration between industry and government is needed.

ABI

ABI head of long-term savings policy, Rob Yuille

VIEW FROM THE PPI: The Pensions Data Project has officially launched

After more than a decade in the making, the private beta phase of the Pensions Data Project is now fully underway. Initial analysis reveals that there's an overlap of around 40 per cent of scheme memberships between multiple master trust providers.

This ambitious initiative is spearheaded by five of the UK's largest master trusts: Legal & General, Nest Insight on behalf of Nest, Now Pensions, People's Partnership (provider of The People's Pension), and Smart Pension. Coordinated by the PPI and with analysis by PwC, the project aims to shed light on how UK workers' retirement savings are accumulating across various providers.

The research analysed over 76 million individual records from 2019 to 2022 and found the data quality impressively high, with 98 per cent of records containing valid identifiers.

While many exact matches were found when combining the data, there were also many partial matches (approximately 47 per cent of potential matches found in 2022). These partial matches will require further investigation for future initiatives such as pensions dashboards and small pot aggregation. This could lead to a significant administrative burden to ensure these initiatives run smoothly.

A comprehensive report scheduled for 2025 will delve deeper into the characteristics of these multiple and small pension pots.

PENSIONS POLICY INSTITUTE PPI

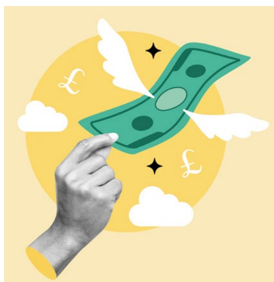
PPI project lead, Nicky Day

Soapbox: What gets funded, gets managed

There is a business phrase that people often like to use – what gets measured gets managed. But increasingly, I am becoming more pessimistic about this idea as, in reality, it seems that what gets funded, gets managed.

Last month brought the news that campaign group, Make My Money Matter (MMMM), would be closing its doors as a result of recent funding challenges.

The group shared various landmark reports since its launch in 2020, including its first report, which revealed, for the first time, how pension providers rank in terms of their efforts to combat climate change, whilst further updates have looked to hold the industry accountable on its progress.



It is perhaps unsurprising that the group has struggled to maintain funding, as MMMM co-founder, Richard Curtis, and CEO, Tony Burdon, admitted that "getting funding for campaigning is always hard".

This is especially true of organisations such as MMMM, which are likely to share messages that, at times, that may not serve the interests of those funding it.

Burdon and Curtis said that "the basic argument has always been the same: Money makes the world go round – but it also has the potential to destroy it".

But this is clearly no longer enough to convince organisations to foot the bill, as the group confirmed that it is now closing its doors – in what seems likely to be a blow to efforts to ensure that pensions are on the right side of climate change efforts.

This is particularly concerning given broader trends in this area, as recent research from Pensions for Purpose found that nearly all (93 per cent) UK and European institutional investors, including pension funds, have expressed significant unease over the future of sustainability practices under a Trump presidency, while the Net Zero Asset Managers Initiative has already announced that it will be suspending activities to track signatory implementation and reporting.

And this is not the only industry group struggling to gain funding that is so desperately needed.

The Pensions Scams Industry Group (PSIG) recently held a consultation on the future of the organisation, after its chair, Margaret Snowdon OBE, said that the group was ultimately unsustainable in its current form and, without a basic infrastructure, the burden on its volunteers was "considerable".

Funding was a key area of disappointment, as the consultation found that industry is not yet ready to fund this work, despite calling for more output from the group at the same time.

And this may not prove sustainable for long, as, in a recent interview with *Pensions Age*, Snowdon said that while PSIG volunteers "all love doing what we do, over time the costs of building and running a website and managing a community interest company are not sustainable without any income".

"We hated doing it, but we felt we needed to ask the industry to support us financially, hence the consultation – we needed to know if we were still relevant and test the water for industry funding," she said. "It was great that the industry finds our work invaluable and really wants us to carry on and even do more, but funding will only be considered if we can set out what we offer and work out the value to industry organisations. We will review our position later this year."

Organisations such as PSIG are incredibly important, not just for the pensions industry, but also for the government, regulators and of course savers themselves. So hearing that many industry organisations are not ready to help fund this work is incredibly disappointing, especially given how vocal many of those same organisations are about the need to combat pension scam concerns.

After all, *Pensions Age* had no trouble sourcing expert insight or comment throughout our year-long campaign on pension scams. In fact, most industry organisations were incredibly keen to be linked to the campaign in some way, eager to highlight their own resources and solutions being put in place to help.

But real change won't be driven by individual organisations' efforts – it requires cross-industry, and even cross-competitor, collaboration.

The pensions industry brands itself as one that is genuinely looking to do what is best for savers, but this can't just be shows of support on social media – it needs to be actionable change.

Snowdon, for instance, recently shared a number of posts about PSIG's latest petition, calling for fair tax treatment for pension and investment fraud victims.

But whilst her posts received much support, with hundreds of likes from industry professionals, it is disappointing comparing this to the petition and seeing how many of these same names appear (or don't appear) as signatories on the petition itself (trust me, I checked).

Rather than what gets measured gets managed, I think the industry should remember another well-known phrase – actions speak louder than words.

Written by Sophie Smith

Diary: April 2025 and beyond

Pensions Age Spring Conference
24 April 2025
Hilton London Tower Bridge Hotel
The Pensions Age Spring Conference is back this year to offer pension funds and those working in the pensions sector the opportunity to learn and network alongside their peers at a time when pensions is undergoing a time of dramatic evolution. The one-day event will offer delegates up-to-date knowledge and guidance to help them run their pension schemes and meet their members' needs.
pensionsage.com/springconference/

Pensions Age Northern Conference
26 June 2025
Park Plaza, Leeds
The Pensions Age Northern Conference returns to Leeds again this year, offering pension funds and those working in the pensions sector the opportunity to learn and network alongside their peers at possibly one of the most dramatic times in UK pensions history. Join us in Leeds to hear from leading associations, providers, investment specialists and peers, and catch up with friends old and new. Registration is now open.
pensionsage.com/northernconference/

European Pensions Awards
3 July 2025
London Marriott Grosvenor Square
Now in its 18th year, the European Pensions Awards were launched to give recognition to investment firms, consultancies and pension providers across Europe that have set the highest professional standards to best serve European pension funds over the past year. The awards are free to enter and open to any fund or firm that serves European pension funds.
More information and table bookings are at:
europeanpensions.net/awards/

PLSA Annual Conference 2025
14-16 October 2025
Manchester Central, Manchester
This event will bring together pension professionals for a programme of world class keynotes, roundtable discussions and educational sessions. The conference will see the discussion of every aspect of pensions, from communications and engagement, to investment and regulatory updates. There will be networking sessions allowing attendees to connect with peers, share insights, and discuss collaborative opportunities. More details to come in summer 2025.
plsa.co.uk/events/conferences

Visit www.pensionsage.com for more diary listings

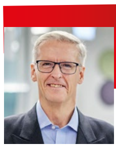
Don't forget...

The GMP Increase Order 2025 comes into force

6 April 2025

The Guaranteed Minimum Pensions Increase Order 2025 comes into force.

commonslibrary.parliament.uk/research-briefings



VIEW FROM THE SPP: Utilising DB surpluses

Proposals to utilise circa £160 billion in surplus DB scheme assets to bolster the UK economy, foster sustainable growth, raise tax revenue, while safeguarding member benefits, represent a golden opportunity that, like the surpluses themselves, may not last forever.

But what is a surplus? Above self-sufficiency will have raised eyebrows. Above buyout has a comforting familiarity. A margin above buyout isn't making the most of the opportunity. And who decides?

Overriding legislation must remove the rules lottery, but will it apply an even-handed approach balancing employer, member and Exchequer interests, or something racier? It won't be simple, but the opportunity mustn't be lost in the delay and grind of cautious decision-making dominated by fear of liability and comeback, so trustees must be provided with a safe harbour of statutory protection for their decision making.

Legislation mandating return to employers or an alternative division of assets may be simpler, speedier and create greater certainty over tax take, but is there the political will to grasp this nettle? But legislative enabling of a scheme-specific approach creates a less certain tax take and delays filtering these funds into the economy.

By fostering sustainable growth and safeguarding member benefits, this opportunity represents a truly win-win scenario that can help lead to a more robust and resilient economy, ultimately benefiting all stakeholders.

THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

SPP member, Steven Hull

A week in the life of: AMNT co-chair, Maggie Rodger

I worked for the Central Bodies of the Church of England, mainly in financial areas, for many years before becoming financial director for a local hospice. While at the hospice, I first stood for election as a member nominated trustee in 2012. A trustee colleague introduced me to the Association of Member Nominated Trustees (AMNT) soon after, although I didn't join the committee until 2021.

These days, my life is taken up with my Church Pension Scheme meetings, AMNT advocacy and administration, and a lower-than-expected share of social retirement activities.

Monday

A catch up call this morning with our public relations adviser. Deadlines for articles are approaching so we discuss who is available and the topics. I also have a call with our website providers about how we can improve our material for members with podcasts and videos. I make a note that this needs to be on the agenda at our next committee meeting in a few weeks.

Tuesday

Whenever possible, I like to start the day with a second coffee and time to check news and e-mails.

I don't have a call with a journalist until 11am, so I am able to do this. Increasingly, AMNT finds that the trustee, and especially member, perspective can be different or nuanced from comments from the industry or government. We are keen to ensure their voices are heard as much as possible.

In the evening, I attend the Pensions Age Awards dinner. Very enjoyable.

Wednesday

Up early for an industry meeting (no second coffee today!) but at least I get a seat on the tube. A fascinating discussion about fiduciary duty, which lies at the heart of trusteeship. A great session and a good chance to discuss that and other matters over the ensuing lunch.

Thursday

I receive an email to say that the papers for my scheme meeting next week have arrived in the app.

A quick check reveals 232 pages of material. I read through the topics quickly to see the range of items we will be covering – and then plan the time in the next few days to read everything more carefully. It usually takes me two goes to get round to all the backing material.

Today is also our regular catch-up conversation with the Department for Work and Pensions about new developments and our concerns.

Our AMNT conference is coming up in less than two weeks, so I need to check up on plans and talk to several of the speakers to answer their questions and get a feel for their content so I can plan introductions and questions.

It's also time to write the catch-up report for the members – so much has been happening since last autumn. And it's also time to be packing for the Pensions and Lifetime Savings Association Investment Conference in Edinburgh next week. That's going to be a very busy week.

Friday

I often keep Fridays free for lunch with friends, but today I start the day joining two calls with AMNT sponsors, to keep in touch with their priorities, how they see the evolving landscape, and the material they have for our website and newsletters.

AMNT is totally dependent on its sponsors for the funds we need to operate, but the committee is made up of unpaid volunteers, enabling us to remain independent of thought and voice.

Calls done, it's a nice day and I spend an hour tidying the garden. No lunch out today but cinema tickets to see *Conclave* this evening.

Sunday

My co-chair Janice Turner is still working, so our times to chat are invariably out of working hours. Sunday afternoons are our usual best catch-up times – to review what is coming up and who will do what. It's a purely informal sharing between us of attending industry meetings, writing advocacy papers, attending consultations, and the cyclical committee planning. So now I'm ready for the start of another busy but fulfilling week.

VIEW FROM THE PPF: Celebrating 20 years

This month the PPF turns 20, marking two decades of protecting and providing financial security for millions of pensioners. As we celebrate this milestone, we've also published our next three-year strategy setting out our priorities for the future.

We currently manage around £32bn on behalf of our members. Our investments help support long-term economic growth while ensuring the stability of the pensions we protect. Yet pension funds are not just about financial returns; they are a force for social good.

Over the past year, we have taken significant steps to enhance our support for schemes and their members. Our strong investment performance has enabled us to further reduce the PPF levy, demonstrating our responsible stewardship and commitment to only charging what is necessary. Our dedication to service excellence has also been recognised with a ServiceMark accreditation with distinction – an achievement we are incredibly proud of.

Looking ahead, we are acutely aware of the financial pressures faced by members and levy payers and we hear their calls for change on the compensation we pay and the levy we charge. We are ready to act quickly to implement any changes brought forward by government. As we enter our third decade, our mission remains clear: To safeguard pensions, invest responsibly, and contribute to a stronger, more resilient UK pensions landscape. Here's to the next 20 years.

Pension Protection Fund

PPF chief executive officer, Michelle Ostermann

VIEW FROM THE TSWG: Introducing the Trustee Sustainability Working Group

The Trustee Sustainability Working Group (TSWG), chaired by me, HS Trustees MD, Bobby Riddaway, has been formed as the leading voice of UK trustees on sustainability matters.

In breadth, TSWG has representatives from most of the major professional trustee firms, two members from the AMNT (including the co chair) and two trustees from large schemes. In depth, it has trustees who deal with the largest schemes in the country through to trustees who deal with micro, sub £100,000 schemes. It also contains the chair of the ESG committee of the Association of Professional Pension Trustees.

In its short life, TSWG has released a list of ambitious priorities for 2025 and a guide for pension schemes. This guide is the 'so what' when talking to pension schemes about climate change. The group recognises that there is still a large education piece to move trustees and consultants to action on climate change as a significant portion still don't think they can make much of a difference. This guide explains how large, medium and small schemes can take steps to make a difference in the battle against climate change.

As a result of this action since the launch in December 2024, the group is being invited to broadcast its message in various forms and has also been asked for its views on major industry developments. I have made it very clear, and has carried this into the TSWG, that the disclosures that pension schemes are making now are diverting resources away from taking real action in the fight against climate change.

TSWG chair, Bobby Riddaway

TS Trustee Sustainability Working Group

VIEW FROM THE ACA: Extracting surpluses safely

In a paper *Unlocking DB pensions surplus* sent to the Chancellor and Pensions Minister last month we welcomed government initiatives to increase flexibility for DB schemes in surplus and set out essential elements for how this could be incorporated within a sound risk management approach.

Our members are deeply involved in advising the pension scheme trustees who will need to make decisions on the use of DB surplus, and they will need to be satisfied that the new arrangements promised by the government provide adequate security to their members.

We propose seven key areas in our paper that any framework of legislation and supporting guidance should satisfy in what can be a very complex area.

It is essential that trustees have a formal role in assessing and agreeing any rule changes, and in determining any actual refund of surplus to the employer. This has the benefit that the trustees can flexibly assess the situation taking account of scheme and sponsor specific circumstances.

If guidance were to set out the acceptable funding level under specific circumstances – for example, expressed as low dependency plus a margin or a percentage of buyout cover – then trustees will be able to gauge the level of margin appropriate to their scheme's circumstances taking into account additional security provided to the scheme and the status of the employer and level of investment and funding risk, without needing legislation to specify every eventuality.

ACA ASSOCIATION OF CONSULTING ACTUARIES

ACA chair, Stewart Hastie

‘See it and become it’

Quantum Advisory partner and head of investment, Amanda Burge, discusses her secret talent as a football referee, her love of reading, and her ever-changing taste in music

What’s your employment history (including jobs outside of pensions)?
In my teens I had part-time jobs in retail and the local pub. I joined pensions straight out of university, having spent two summers working with the local NHS pension team in an administrative support role. I worked for Tesco Pensions, before joining a pension consultancy in Bristol, where I took additional qualifications to allow me to advise clients. So, after joining Quantum in 2001, it felt natural to move across to the investment team, which I lead.

What’s your favourite memory of working in the pensions sector?
I still remember some of the members I helped through retirement, or bereavement when I worked in administration. That’s what first drew me to pensions – the ability to support people and make a difference at some of their most trying times. Within investment it has been an incredible journey, helping clients navigate financial crises and more recently rising interest rates. Seeing the benefit of introducing improved investment strategies for schemes has been some of my most rewarding work. Last year I set up a Women in Pensions Network in the South West with some peers. Supporting the pensions community through this forum has been incredibly fulfilling.

If you did not work in pensions, what sector do you think you would be in instead?
A great question! It would be people focused, with a purpose. I love working with our marketing and business development teams and maybe that’s an area where I would focus my time. Or perhaps working for a charity and giving back to the community.

What was your dream job as a child?
Growing up, my dad worked for British Airways, so we travelled a lot, and I always imagined I would work in the travel industry. I also loved *LA Law* and I saw myself working in a law firm…

What do you like to do in your spare time?
I like to keep busy and enjoy walking, reading as much as I can, growing my own vegetables (with mixed success), and I am also vice chair of trustees for the Wales Air Ambulance Charity.

Do you have any hidden skills or talents we should know about?
I am a qualified football referee, although I haven’t refereed a match for many years! At the time I was only the second female referee in the league and when I refereed under 15s they would call me “Miss” instead of “Ref”!

Is there a particular sport/team that you follow?
I love all sports. Swansea City is my football team, and I still have a soft spot for the Chicago Bears, having followed them in my teens. I also love tennis and cricket, but can’t get the hang of baseball!

If you had to choose one favourite book, which would you recommend people read?
I read a lot, so this changes all the time. I loved Michelle Obama’s first book, *Becoming*, it was written so openly and her second is on my list. JK Galbraith’s *The Great Crash 1929* is a salient look at speculative euphoria and irrational exuberance – I return to this book every few years and it’s probably my favourite work-related book. The book I enjoyed most last year was a recommendation from the Inspirante Business Book Club – *Equal Power* by Jo Swinson. But my guilty pleasure is Jack Reacher novels (perfect holiday reads)!

And what film/boxset should people see?
I’d say *Grey’s Anatomy*, but that’s a big undertaking to start watching now (21 seasons!). I have been meaning to rewatch the *West Wing* – fantastically written and I hear it’s aged well. I’d also recommend the *Good Wife/Good Fight*.

Is there any particular music/band that you enjoy?
My musical tastes are quite changeable. I loved Nirvana as a teenager. Maybe I never lost that love because now I listen to the Foo Fighters a lot, but I also like Ezra Collective and Taylor Swift (I did say my tastes are varied!).

Do you have a favourite quote or saying?
“See it and become it”. Need I say more?

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Pensions Age Spring Conference: 24 April 2025

Hilton London Tower Bridge

• *Innovation in pensions is welcome, but how can it be effectively regulated?*

• *What are the DWP's priorities for pensions in the coming months?*

• *How do I best navigate my end-game options, be that buy-in, buyout or run on, or a combination of all of those?*

• *How can ensure I am listening to my members and giving them what they want?*

• *What can I learn from other schemes – DB, DC and hybrid - and their journeys?*

• *How can investment in UK PLC tally with ensuring better retirement provision for all?*

• *How can I ensure my data is ready for whatever is on the horizon?*

• *What can I do with my scheme to address adequacy shortfalls?*

• *What are the latest developments in pension scams?*

• *What are the big legal cases I should be aware of?*

• *How can I be sure my DC investment strategies are effective as they can be?*

These are just a few of the questions that will be answered at the Pensions Age Spring Conference, offering pension funds and those working in the pensions sector the opportunity to learn and network alongside their peers at a time when pensions are undergoing a time of dramatic evolution.

Visit www.pensionsage.com/springconference to register

Agenda

08.30 – 09.00: Registration and refreshments

09.00 – 09.05: Chairman's opening remarks
Jerry Gandhi, Director, **CAP Services**

09.05 – 09.35: Keynote: Supporting innovation in savers' interests
Patrick Coyne, Interim Director of Policy and Public Affairs, **The Pensions Regulator (TPR)**

09.35 – 10.00: Endgame optionality: How can schemes run-on for now, extract a surplus and pivot to buyout?
Rachel Cutts, Origination and Execution Director, Pension Risk Transfer, **L&G**
Mathew Webb, Head of Endgame Solutions, **L&G**

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10.00 – 10.30: Pensions Scheme Spotlight – USS: Fifty years young
Mel Duffield, Chief Pensions Strategy Officer, **Universities Superannuation Scheme (USS)**

10.30 – 10.55: Driving Long-term Growth
Ian Connatty, Managing Partner, **British Growth Partnership**
10.55 - 11.20: Coffee break

11.20 – 11.45: The pensions 1% club – Small steps to improving retirement adequacy
Steven Leigh, Associate Partner, **Aon**
Chloe Ludden, Associate Partner, **Aon**

11.45 – 12.10: Case Study – From theory to reality: Implementing a run-on solution in practice
Ajeet Manjrekar, Head of UK Client Solutions, **Schroders**

12.10 - 12.35: Endgame success: Challenges and solutions
Darran Blount, Chief Independent Consulting, **Lumera**
Samantha Chandler, Head of Bulk Annuity Solutions, **Lumera**

12.35 – 13.00: So, tell me what you want, what you really, really want – are we actually listening to members?
Karen Bolan, Director, Retirement Communication, **Gallagher**
James Pryor, Principal Consultant, **Gallagher**

13.00 – 14.00: Lunch break and networking

14.00 – 14.25: Legal Update - Hot Topics
Matthew Swynnerton, Partner, **DLA Piper**

14.25 – 14.55: Guest speaker: Kerstin Parker, Director for Private Pensions and Arm's-length Bodies, **DWP**

14.55 – 15.45: Investment update

15.45 – 16.15: Closing keynote: Turning up the heat
Margaret Snowdon OBE, Chair, **Pension Scams Industry Group (PSIG)**

16.15: Close of conference and networking drinks reception

Final countdown: Pensions dashboards deadline approaches

The first three pensions dashboards participants completed their connection journey last month, ahead of the 30 April deadline, but the programme faces challenges in accuracy, digitisation, and connectivity

The first cohort of pension schemes will be required to connect to the pensions dashboards system by 30 April 2025, marking a landmark moment for the industry.

The initial deadline applies to master trust schemes with 20,000 or more members and Financial Conduct Authority (FCA)-regulated operators of a personal pension scheme, stakeholder pension scheme, retirement annuity contract, pension buyout contract, or free-standing additional voluntary contributions with 5,000 or more members. The final connection deadline for all applicable schemes is 31 October 2026.

The approaching dashboards connection deadline was a hot topic at the Pensions and Lifetime Savers Association (PLSA) Investment Conference last month, with independent pensions consultant, Richard Smith, describing the programme as the "solution" to a lack of engagement in pensions.

However, while The Pensions Regulator (TPR) and the FCA have also emphasised the "transformational" potential of pensions dashboards, they warn of data quality, digitisation, and scheme connectivity challenges ahead of the final 2026 deadline.

Current data inaccuracies mean that nearly one fifth (18.54 per cent) of pension dashboards queries could result in a 'possible match' rather than a confirmed match, research from Heywood reveals.

The group's latest *Pension Pulse Report* finds that while pensions dashboards could 'revolutionise' how savers interact with their pensions, data quality remains a major barrier to a seamless experience for both schemes and members.

Despite these challenges, the first three pensions dashboards participants completed their 'full end-to-end' connection journey last month, marking a significant milestone for the programme.

The three participants, Heywood, Legal and General, and Pension Fusion, are part of a group of volunteer participants (VPs) that includes larger pension providers, schemes, and third-party organisations connecting on behalf of providers and schemes.

Heywood CEO, Sian Jones, says the firm is "delighted" to have played a key role as a 'pathfinder' organisation.

"Our involvement has reinforced Heywood's position at the forefront of pensions technology, and we are now fully prepared to support our customers in connecting to the PDP," she continues.

"This initiative is a crucial step in empowering savers with better access to their pensions information, and we're proud to contribute to making it a success."

To reach this point, the participants completed operational acceptance testing, which is a final system check that ensures everything is working smoothly in a real-world setting, verifying things like backups, security, performance, and user access before the system is ready to connect providers and schemes.

Pensions Dashboards Programme (PDP) senior responsible owner, Iain Patterson, assured a Work and Pensions Committee (WPC) last month that the vast number of remaining VPs will be connected and stated that the PDP is "highly confident" of their connection pace and ability to meet the October 2026 deadline.

The PDP has since also confirmed to *Pensions Age* that a further five have now also completed integration testing *[read more on page 32-33]*.

Money and Pensions Service (Maps) chief executive officer, Oliver Morley, added: "Pensions dashboards will be a vital tool in boosting people's engagement with their retirement savings, so the first three organisations connecting is an important moment.

"We're firmly focused on taking pension providers and schemes through their connection journeys, beginning user testing to inform the development of the MoneyHelper pensions dashboard, and, of course, working closely with industry on what is needed to pave the way for commercial dashboards."

Equisoft product manager, David Poynton, says that initial challenges during the onboarding process, including delays and adjustments to both their setup and the PDP's, were "expected" as part of being the first group to connect.

"We are incredibly proud of our collaboration with the PDP to ensure these challenges were understood, resolved, or addressed with guidance for subsequent industry participants starting their connection journey," Poynton continues.

"This success is evident in the speed at which other participants are now completing onboarding with the PDP," he said. "Some critical components, such as data cleansing and matching engines, fall outside the PDP's testing scope but are essential to delivering seamless dashboard journeys for users," adds Lumera commercial director for data and dashboards, Maurice Titley.

"Thanks to our long-standing collaboration, we have been able to anticipate and innovate in these areas over the past four years, ensuring our customers benefit from a robust, market-leading solution," he claims.

Since the connection of the initial three participants, the first pension scheme, Lifesight Master Trust, has been onboarded to the ecosystem using Pension Fusion – a partnership between Equisoft and Lumera.

Lifesight UK head, Jelena Croad, says the connection journey has been "very useful" for her company and WTW, which administers the LifeSight scheme.

"Connection is just one step on the dashboard journey," she says, "but the collaborative relationship between the trustees, the administration team, and Equisoft has helped that journey.

"Dashboards are there for the benefit of savers, and we are continuing to prepare to ensure we are operationally 'dashboard ready' to deliver the best end-to-end saver experience.

"We are excited by the potential for pensions dashboards to increase saver engagement and help people find lost pensions."

During a WPC meeting last month, the PDP confirmed that the standards for pension providers and schemes had been approved by the Secretary of State for Work and Pensions, Liz Kendall, with further updates expected later this year.

"We need to press ahead with FCA-regulated dashboards as soon as possible so we help people nudge up their contributions and understand their investments"

However, some industry experts have expressed concern about the future of private sector dashboards, highlighting specific issues around regulatory restrictions and launch timelines.

Speaking at a WPC meeting, the Pension Administration Standards Association (PASA) chair, Kim Gubler, emphasised the uncertainty surrounding the introduction of private sector dashboards.

"We have the commitment from the PDP and DWP saying private sector dashboards will happen, but we need to have more certainty," she urged.

In a later WPC panel session, Patterson confirmed that the programme was running the private sector dashboard pre-discovery and moving into the discovery phase.

"We are doing that with the people that have a vested interest in it and the regulators, so we can understand more about what they want to do, the reasons behind it and how that will actually work for them," he explained.

"That's very early days. It's only been running since the beginning of the year."

Patterson suggests that launching public and private sector dashboards simultaneously could confuse users.

"It's best to go forward with one, take the lessons from that, and run the proper discovery on what private sector dashboards would look like and what that would mean. Then we can better articulate what this would look like in practice and how it would work," he adds.

In recent months, there has also been speculation that dashboards may be able to offer 'targeted support' to consumers using the service.

The FCA has already proposed targeted support reforms for pension dashboards to help people make better financial decisions. Pension professionals have broadly welcomed the changes as part of the Advice/Guidance Boundary Review but raise concerns over regulatory restrictions and costs.

Speaking at the PLSA Investment Conference, FCA head of asset management and pensions policy, Nike Trost, confirmed that her company was working with the treasury to "change the regulatory framework" to ensure dashboards provide better choices for savers.

Also speaking on the topic, Smith says that with targeted support integrated into dashboards, "the sky is the limit" for pension engagement.

"We need to press ahead with FCA-regulated dashboards as soon as possible so we help people nudge up their contributions and understand their investments," he adds.

Written by Callum Conway and Paige Perrin

Chris Curry

Deadline day

***Pensions Age* sits down with Pensions Dashboards Programme (PDP) principal, Chris Curry, ahead of the first pensions dashboards connection deadline this month, to hear the latest updates on the connection process, and the key work still to be done**

The Pensions Dashboards Programme (PDP) recently announced that the first three pensions dashboards participants had successfully completed their 'full end-to-end' connection journey to connect to the dashboard's ecosystem. And the first pensions dashboards connection deadline is fast approaching, with the largest pension schemes in the UK expected to be connected to the dashboard's ecosystem this month. So, can you tell us a bit about how this process has been continuing, including any key lessons learned from early connectors, and whether you are confident most schemes will meet this deadline?

There has been a lot of good progress made over the past year. As we announced at the Work and Pension Committee (WPC) hearing, the first three volunteer participants have now gone all the way through the connection journey, and will be able to be staging their clients in April, which is brilliant.

The big lesson learned from those early connectors is that there are no major issues that we have come across, which is really important.

There are obviously always small things that we have found as each connection journey is different – and that in itself has been an important lesson, which I think we're still finding true as we go through the process with the remaining voluntary participants.

But I think overall we have not come across anything that gives us anything other than full confidence that all the schemes that are within scope are going to be able to connect by 31 October 2026.

There had previously been concerns around the pace volunteer participants would be able to go through the onboarding process, and the knock-on impact for schemes. Can you give us an update on this and whether these concerns are still valid?

All of the participants are on their journey, which is brilliant, and five have been through integration testing – which is the most time-consuming part of the process. A number are also just coming up to that stage.

At the town hall event last year, we were very clear that although we knew we could get some of the volunteer participants through and they'd be able to connect schemes, it was very unlikely that we get all of them through by the end of April – and that is still very much in line with where we are at the moment.

But it really doesn't matter too much for those that don't – as we're still progressing and there is nothing major coming up to suggest that the remaining participants are not going to be able to connect in the near future.

We've been talking very closely with the regulators as well, and they are very aware of what is going on, and have said that they will take a very pragmatic approach to this.

The key thing is that you have to have due regard to the guidance, so as long as you've been doing everything you can do – making good records, having good audit accounts, etc – then that's absolutely fine.

The majority of the pensions dashboards standards have now been finalised and shared with the industry, although further updates on the design standards are still expected. Can you tell us a bit about when the industry can expect these final standards, and any changes that may have been made since the initial consultation on this?

It was really pleasing to see the final confirmation and sign off of the standards by the Secretary of State for Work and Pensions.

The data standards, reporting standards, technical standards and code of connection are all in place now, and it was really important that we got those fixed for this next connection period.

The design standards are looking at the other end of the connection journey.

We did consult on those towards the end of 2022 and we are expecting to make some minor adjustments to those as we go through this year.

In particular, one of the things that will feed into that will be the consumer and user testing that the MoneyHelper pensions dashboard will be doing, which is due to start in the summer.

So we'll be taking information from there, which will help us understand a bit more about what people are doing and how they are using dashboards, which we'll then use to update the design standards.

I think it's fair to say we don't expect there to be many major significant changes to the principles-based approach, but there might be some minor tweaks as we go through.

We'll be keeping industry informed on that as we go throughout this year.

Looking ahead a bit further, there has been growing discussion around some of the post-view considerations for savers. Given this, are you able to provide any further updates on the work being done to investigate the user need for delegated access in particular?

So delegated access part is not one of the priority features that we are looking at or will be testing this year.

But I think it is worth remembering that what we are doing at the moment is only the first iteration, the first version of pensions dashboards, and we know that as well as delegated access, there may be other things that we'd like to include at some point in the future.

Currently though, we are just concentrating on getting that first version up and running and then testing that with consumers to find out what other features they think would be most useful.

Post-view services is an area of particular interest to those looking to operate private sector dashboards. But there have been particular concerns raised around the regulatory requirements for private sector dashboards, with the WPC recently told that the current regulations could prove too onerous and prevent dashboards from being a commercial opportunity. Do you have any thoughts on these concerns?

The regulations and rules have been in place for a while now. They have been consulted on a number of times over the past two to three years and I think it is really important that we strike the right balance, at least in this first iteration of pensions dashboards, between making sure that people get information in a way that's helpful to them, but in a safe and secure environment.

Obviously, some of those responding to the WPC are keen to be able to more transactional things, and I think eventually that could well be the way that pensions dashboards go.

But it is also really important that they are launched in a way that is not going to lead to consumer detriment. So I think we need to understand a lot more about how individuals are using pensions dashboards in order to make sure that we're not creating further problems, but are actually helping them to start on a really positive journey.

This is not the only concern facing private sector dashboards though. Industry experts have expressed doubt over the broader commitment to private sector dashboards. Given this, can you tell us a bit more about how the next steps are progressing, and perhaps offer any reassurance that commercial dashboards are still an area of priority?

I would definitely reinforce the commitment to private sector dashboards. The benefits of private sector dashboards are well known in terms of the reach that they might get so we know that is really important.

We've recently entered the discovery phase of this work. We've been working with KPMG for the past couple of months and have held roundtables with industry participants to understand their views as part of this.

What we're really looking to do is to understand what the right approach is to take private sector dashboards forward, and to understand what the industry needs from us in order to be able to start developing private sector dashboard and getting them ready.

We want to maximise the opportunities that they're going to have, but we really want to have feedback from them as to how the process can work as smoothly as possible.

It is worth bearing in mind that we're doing all this alongside the work to launch the MoneyHelper pensions dashboard, and of course, the work that we're doing on testing the MoneyHelper pensions dashboard will also feed into the development of private sector dashboards.

More broadly, what action would you like to see pension schemes and providers take now to make sure that they are prepared for the launch of dashboards, not only in terms of preparing for the connection process, but also beginning to look further ahead, at how they might manage customer queries?

I mean clearly data is really important and I think as soon as we get through and start connecting, we'll have an opportunity to start seeing the data and understand the quality that we're seeing.

So, I think as we've been saying for the past two to three, probably even four years, it's really important that the data schemes have is of good quality, that it's clean, and it's accessible.

And even once it's then ready for dashboards, it needs to be maintained at that level – is really important that we do that.

I'd also encourage schemes to understand their membership. We'll be sharing findings from the user testing as we go through, but I think each scheme's journey is probably going to be unique.

So, they need to understand their own members, both active and deferred, to understand what the likely onward journeys are going to be from the people when they access their information from the dashboard.

I think there is a lot of preparation work that should still be happening across the industry.

Written by Sophie Smith

Unlocking the full potential of pension trustee boards: *Aon senior consultant, Andy Nichols, looks at how trustees are unlocking the benefits of diversity, equity and inclusion (DEI) by focusing on representation, promoting fairness and equity within systems and processes and creating an inclusive environment where individual trustees feel valued and empowered to contribute, leading to better decision making and better outcomes for members* **p36**

Inclusion in practice: *Aon senior consultant, Andy Nichols, speaks to Pensions Age about implementing processes to encourage broader representation on trustee boards* **p38**

DEI focus:

Incorporating diversity, equity and inclusion within trustee boards

Aon senior consultant, Andy Nichols

Unlocking the full potential of pension trustee boards

Aon senior consultant, Andy Nichols, looks at how trustees are unlocking the benefits of diversity, equity and inclusion (DEI) by focusing on representation, promoting fairness and equity within systems and processes and creating an inclusive environment where individual trustees feel valued and empowered to contribute, leading to better decision making and better outcomes for members

Many pension schemes are strengthening their diversity, equity and inclusion (DEI) policies. Beyond regulatory compliance and what just 'feels like the right thing to do', they are recognising the value of a truly diverse and inclusive approach and are increasing their efforts to foster a culture to improve their effectiveness as a board.

Aon's 2023/24 *Global Pension Risk Survey* revealed that the most common area of DEI that schemes had considered was the composition of its trustee board and conducting a review of it, with 70 per cent of schemes reporting they have already done this or are planning to do so. This is a great place for trustees to start, but to continue to unlock the value of DEI for boards, it is important to consider more broadly how to foster a truly inclusive environment.

To understand the collective diversity of a trustee board involves going beyond the obvious and visible characteristics and gaining deeper insights into the behavioural differences, experiences and key skills of the individual trustees and then ensuring that the board has a broad mix of skills and perspectives.

There are various techniques available to secure a diverse mix of people on the board and to understand the key skills and experience so that these are utilised to the best effect. This approach will not only maximise the effectiveness of the board but will help prepare it to maintain this success in the future through more informed succession planning.

Attracting diverse individuals

A key challenge for schemes is to encourage a wide range of individuals to come forward as candidates for member-nominated trustee (MNT) roles. However, creating a rich talent pool of candidates from different backgrounds and with different experiences to take up the role of an MNT is the first fundamental step to improving board diversity. The role of an MNT, in particular, can provide schemes with greater opportunity for accessing a broader population than company nominated trustee (CNT) roles, for example pensioner members.

Our experience at Aon shows that with a shift in approach, trustees can overcome this challenge. Focusing MNT communications on the support available to MNTs, the role advisers play in providing expert advice and the ongoing training and development available can create excitement about the role and broaden out the candidates who then express interest in becoming an MNT.

It is also crucial to emphasise the real value of diverse backgrounds and experience when it comes to board membership. Not coming from the same background or having experienced the same life as others on the board should not discourage members from wanting to join. Instead, schemes should ensure that this is viewed as an opportunity to bring a fresh perspective to decision making and new energy to the board.

A similar approach may be taken for CNTs by working with the employer so that they understand the composition of the board and understand how new CNTs can complement the collective skills and experience of the board.

Using skills to the best effect

While attracting a range of different people to the role of trustee is important, there is much more to be done than simply filling board positions. Rather than focusing solely on who is on the board, schemes should look beyond this and consider what each trustee offers and ensure that everyone's potential is fully realised.

When looking at the full board, skills and diversity assessments will both help identify a trustee's strengths and weaknesses and potential skills gaps collectively. Acknowledgment of key skills and experience should be used to focus on getting the best from each board member.

People work in different ways, and these assessments help ensure you do not have too many similar or conflicting behaviours on the board. For example, having too many quiet individuals who

are reluctant to speak initially, or an excess of 'devil's advocates' can slow down the board's progress.

Assessing trustees' skills allows boards to align roles with key expertise, creating a more cohesive, efficient and effective board. Individual trustees may be more comfortable working in areas where they feel competent and confident, allowing their strengths to be fully utilised and valued or they may be looking for opportunities to stretch outside their comfort zone and seek new experiences and build new skills. Understanding this, helps to keep trustees engaged and motivated while reducing the risk of frustration and disengagement.

Ongoing training

Training is essential throughout a trustee's journey. Whether a new trustee is learning the role or an experienced trustee is updating their knowledge to meet regulatory standards, ongoing training should be provided.

Once skill gaps are identified, training can be tailored to enhance specific areas. For example, trustees with limited financial expertise might receive specialised training in pension scheme funding or actuarial analysis, while others could benefit from training in governance best practices, legal obligations or stakeholder communication. This targeted approach ensures that trustees are well-equipped to contribute effectively across all areas of decision-making.

Support in role

As boards improve their collective range of skills and experience, it is important to consider the ongoing support offered to trustees. This will be key in ensuring that all trustees have equal opportunity to contribute and add value to the board and will ensure that trustees remain engaged and are able to bring their best and authentic selves to the role.

The existence of any barriers for trustees should be considered and addressed. For example, access to technology, support for those working in a board environment for the first time and the ability to attend meetings in person. By breaking down any barriers, schemes open the door to a wider range of experience and skillsets.

A robust trustee induction programme and ongoing mentoring relationships will also provide valuable support to new trustees.

Succession planning

Succession planning is also vital – assessments can help identify current skill gaps and allow schemes to consider these gaps when recruiting new members for the future, ensuring the board remains diverse, well-rounded and effective.

Considering the length of tenure of individual trustees may also provide opportunities for reviewing the diversity of the board. For example, the best composition may include a third of experienced trustees with deep knowledge of the scheme, a third of trustees with two to three years of experience who are established in the role of trustee, and a third of new trustees. This strikes the balance of having the appropriate experience and expertise but with the fresh perspectives and energy of new trustees, while supporting stable succession planning and providing regular opportunities for reviewing collective skills and experience.

Implementing changes

Embedding changes to the board to unlock the benefits of DEI will take time and may begin as an aspiration. But, as new trustees are recruited to the board using the approaches set out above, the composition of the board will become more diverse, improving the range of skills and experience available on the board.

It is important that schemes do not treat DEI as a separate topic but ensure it is integrated into daily operations and decision-making, creating a more inclusive culture where it becomes a natural part of how they function.

There are a range of options available to schemes to improve board diversity. Schemes do not need to implement them all – they can pick and choose the appropriate techniques based on their circumstances, but all with the aim of driving forward change to fully benefit from DEI in the future.

You can download a copy of Aon's Global Pension Risk Survey 2023/24 at www.aon.com/gprs2023.

Written by Aon senior consultant, Andy Nichols

In association with AON

Inclusion in practice

Aon senior consultant, Andy Nichols, speaks to *Pensions Age* about implementing processes to encourage broader representation on trustee boards

What success have you seen with the efforts to increase the number, and diversity, of candidates putting themselves forward for member-nominated trustee (MNT) roles?
We've seen quite a bit of success in this area. The way we've approached it is to look closely at the way we communicate. We revisited all the communications that we send to members of pension schemes when it comes to MNT roles. Then, within that, we focus on support and training rather than experience.

The idea is to make the roles more appealing to more people. So, we moved to using more language that is typically regarded as more 'feminine'. This is, for instance, by using framers like 'communication' and 'relationship' instead of using words that might be regarded as more typically 'masculine' such as 'leadership' and 'responsibility'. In the past, that 'masculine' language might have put members off from considering becoming a trustee.

Interestingly, research has shown that using feminine language encourages women but doesn't put off men from applying to be trustees – it's all encompassing.

We also recognise the value that different backgrounds and experience bring to the roles, and we've emphasised that in our communications.

One way this is done is through a video aimed at explaining the MNT role and showing the diversity of candidates who can then step forward to become trustees. Really excitingly, in all the cases where we've used this DEI-focused communication style, we've seen a four-fold increase in the number of applicants that we had.

The increase in applicants also means there's more choice when it comes to selection, which helps to create a more diverse trustee population.

How can trustee boards ensure equity for all potential candidates? What have you seen working well in practice?
It can often depend on the type of organisation that the potential MNT is involved with. Some candidates might need a bit more encouragement and support to put themselves forward.

For instance, take shopfloor workers. They might bring a different perspective to the trustee board, but they might also need a bit more support creating a profile for elections or when preparing for interviews. Therefore, giving them a bit more support just helps to even things out where you've got, for example, other candidates who come from a 'head office' background.

It's possible that those in the head office might have been exposed to more opportunities and experiences that could be beneficial for them during elections. So, providing more support to those with retail backgrounds helps to deliver that equity.

Focusing on skills rather than prior experience is really key in this – it avoids anyone having an advantage. Anonymising profiles during the election process can help as well. That means not including the applicants' name, or gender – anything like that. The goal is to provide an equal footing for all candidates.

Do you have any practical examples of how trustee boards have used skills and diversity assessments to support their board effectiveness?
Lately, we've been doing a number of surveys that look at skills and diversity. I really like that we use these assessments to identify the best make-up for working groups or subcommittees. It's really important to get the right balance of skills and behaviours, as well as experience. This is because that's going to help trustees to make better decisions, and fundamentally to make those key projects and management more effective.

For these groups, we might use these assessments to find someone who likes to get close to the details. We might have a 'devil's advocate' there as well – someone who will challenge and ask questions, as well as somebody who likes to step back and take a look at the bigger picture.

When you bring those people together, it helps to provide a more robust approach to the project, building on those skills and approaches that they each have.

How should trustees engage with sponsors to support DEI?
Sponsors have got a massive role to play in driving DEI approaches forward. The way I see it happening is for the trustees and sponsor to have an ongoing dialogue – then, when it comes to sponsor-nominated candidates, they can identify potential people for those roles early on.

Inclusion within a board is generally driven by the chair. We have created a behavioural checklist for the chair to help with that.

The aim is to have an environment where trustees have got 'psychological safety' – they can feel comfortable asking what might seem to be a silly question, or even to disagree with the rest of the group.

When new trustees come in, it's also important to support them and make sure they've got the right induction to help them into the realm of trusteeship. This can be by providing buddies or mentors ahead of them meeting with the advisers, other trustees or the chair.

This can also help them to get up to speed with what they need to know, and, in turn, become more comfortable in asking questions during trustee board meetings.

Also, what we are seeing in some cases are 'trained pools' of people that are interested in becoming a trustee – they might have had trustee training in advance so they become used to getting the sort of information they are likely to receive.

It's also important during that trustee/sponsor conversation to look at the trustee business plan. What are they looking to achieve over the next year, or three years? What skills would be most appropriate for candidates coming in – and what's going to benefit the board as a whole?

That sponsor perspective can be really useful. We have found that the sponsors quite often are further ahead than trustee boards in the DEI space.

It therefore might be helpful for trustees and sponsors to develop some views on their diversity objectives, so trustees can use those as a starting point to inform their own views and take things forwards.

When pension schemes have established a diverse trustee board, how can they ensure they use this diversity of thoughts, skills and experience to get the best out of their board?

We assess the situation by carrying out an effectiveness review – that's in terms of the board and its make-up, and how it operates.

What future trends and developments are you noticing that will help drive DEI integration within the pensions industry forward?

I think we are seeing a lot in this space and a lot more awareness of the benefits of DEI. Traditionally it has been in terms of using MNT hires to increase diversity on the board. But I think it's fairly standard these days to think about DEI as a core part, instead of a separate issue. That's a massive step forward from where we've been in the past.

One area that I'm really interested in seeing developed further and examined more is neurodiversity.

What's important is recognising the differences in how everybody needs to be treated or how they need to receive information. That way they can contribute to the best of their ability. This is generally just about being more considerate and respectful of each other.

Creating that environment to support neurodivergent people is going to improve diversity of thought and better represent the membership.

There's now plenty of research that shows the value of neurodiversity on boards, driven by the fact that people thinking differently can drive innovation and change, resulting in better outcomes.

There are other ways as well, rather than just discussions, of exploring preferences for trustees, using our 'Reflection' tool, which uses neurotechnology. The tool asks you a series of questions. The idea is that they get to the bottom of a person's feelings, rather than just what they are saying at face value. It establishes how confident people are with answers and that can help to get to the heart of DEI on the board.

I expect to see it being integrated into trustee board decisions and the way that they operate. DEI doesn't work as a separate strand – and boards already have very heavy workloads. There are always new things coming up, so embedding it into everything they do will help break DEI down into manageable chunks.

The challenge I give my trustee boards is simply to ask, 'is there a DEI consideration here'? Doing that makes it become second nature, which, in turn, makes DEI something that is done. Then we'll see how things move over the next five years or, as that mindset becomes the standard.

South Yorkshire Pensions Authority investments assistant director, Andrew Stone

Driving change

South Yorkshire Pensions Authority investments assistant director, Andrew Stone, discusses the fund's investment strategy, its approach to responsible governance, and the evolving landscape of the Local Government Pension Scheme

Please tell us about the South Yorkshire Pensions Authority (SYPA).
The SYPA was established in 1988 to administer the South Yorkshire Pension Fund as part of the Local Government Pension Scheme (LGPS). Our work is structured around three key areas: Supporting members of the fund, investing the fund's assets and managing and developing our organisation. SYPA is unique among LGPS administering authorities as the only democratically accountable, standalone pensions organisation in the UK, with 180,000 scheme members and over £11 billion in assets under management. We are also a member of the Border to Coast Pensions Partnership (BCPP), collaborating with 10 other LGPS administrators.

What strategic initiatives has the SYPA undertaken to enhance its investment portfolio, and how has this impacted the fund's overall performance?
Overall our approach to investment risk is modest and diversification is a key element of this.

SYPA has been a long-term investor in alternative asset classes (chiefly private equity, private credit and infrastructure) which have provided attractive returns and reduced concentration risk from our allocations to equities and bonds. Taking infrastructure as an example, we have made commitments of over £1 billion to BCPP's offerings in this asset class, which incorporates investments enabling or benefitting from the move to a lower carbon economy, and those designed to meet the growing demands of the digital revolution.

Within our alternative investment allocation, SYPA has established a climate impact portfolio, including renewable energy generation, natural capital (such as forestry and agriculture) and other climate opportunity-related assets.

Furthermore, SYPA has, and is in the process of further developing, a portfolio of local impact investments. In addition to providing the required investment returns, this portfolio is seeking to achieve a genuine impact in South Yorkshire (and more widely) that is measurable by the likes of job creation, increasing supply of housing, office and industrial space and boosting small and medium-sized businesses. It is our belief that reporting in this area should follow the Place Based Impact Investing Framework developed on behalf of the Impact Investing Institute.

Could you explain SYPA's approach to environmental, social, and governance (ESG) considerations in its investment decisions?
SYPA is a firm believer in responsible investment, which involves incorporating ESG considerations into the decision-making process, and practicing investment stewardship to better manage risk and generate sustainable, long-term returns. We believe that this approach is entirely consistent with securing the long-term investment returns required, and that it is therefore in the best interests of both scheme members and employers.

SYPA has recently been confirmed as a signatory to the UK Stewardship Code, a significant milestone that highlights our ongoing commitment to responsible investment and transparency.

The UK Stewardship Code sets the highest standards for stewardship in the investment industry. It ensures that asset owners, asset managers and service providers act responsibly and effectively to create long-term value for UK savers, pensioners, and the institutions that support them.

Engagement with investee companies is undertaken by BCPP on SYPA's behalf. The intention is that engagement should have clear objectives, be time limited and link to clear consequences where necessary.

Can you discuss any collaborative efforts or partnerships the SYPA has engaged in to strengthen its operations and achieve its objectives?
In terms of stewardship and engagement of our investments, SYPA maintains overall responsibility – but the implementation of policy is delegated to BCPP. SYPA's role is to undertake monitoring, scrutiny and challenge to ensure that the objectives of its policy are

delivered, with a review taking place at least annually.

We view voting rights as an asset to SYPA and, in partnership with BCPP, use them carefully to promote and support good corporate governance principles with the aim of voting in all markets. A specialist proxy voting adviser, Robeco, has been appointed by BCPP to provide analysis of voting and governance issues and to ensure that votes are executed in accordance with policies. The proxy voting adviser will implement a set of detailed voting guidelines provided by BCPP and agreed by the partner funds. The voting guidelines are administered and assessed on a case-by-case basis.

A recent example of engagement relates to water utility companies. The water utility sector faces significant financial and reputational risk, with regular negative media coverage of sewage pollution into rivers and seas, and water and sewerage companies receiving a record amount in fines for pollution incidents in recent years.

In 2023, BCPP joined a collaborative engagement initiative with the UK water utility sector, co-ordinated by Royal London Asset Management. The aim was to improve practice, define best practice, and encourage a faster pace of change in companies persistently lagging. Specific areas of focus include sewage pollution, water leakage, climate change mitigation, and adaption including nature-based solutions, biodiversity, antimicrobial resistance, and industry collaboration.

All 11 UK water utility companies were subject to engagement, with BCPP leading the engagement with Yorkshire Water and Northumbrian Water on behalf of the collaboration. BCPP met with Yorkshire Water several times, including with the chief financial officer and various directors, to discuss their assessment of the company against a set of sector expectations.

The discussion focused on areas that had identified as priorities: Pollution and maintenance of good asset health, sustainable water abstraction, and biodiversity targets and net gain.

The company's response has been positive, and BCPP and SYPA both welcomed Yorkshire Water's announcement that it is bringing forward sewage infrastructure investment in Scarborough and the surrounding area, which the engagement had highlighted as in need of attention. Northumbrian Water also responded to engagement with further disclosure on areas the assessment had identified for priority action. All 11 water utility companies were reassessed following this activity, with engagement continuing.

How has the SYPA used technology to enhance its governance and reporting processes, and what benefits have been realised from these technological advancements?

In relation to governance, the authority uses technology for administering the democratic process with meetings streamed live on our website. The webcast available to view afterwards and meeting papers published online – all standard practice for local authorities.

We also make use of an online learning platform and a reading room for the delivery of e-learning and technical and training resources for authority elected members and Local Pension Board members to support the development and maintenance of their knowledge and understanding.

The authority is currently harnessing the benefits of using reporting tools and data analysis to enhance our performance management framework and ensure that management time and attention is freed up from the tasks of collating data and is instead focused on understanding what the data is telling us and taking actions accordingly. This work is also leading to benefits in enhancing the quality of reporting – both the visual presentation and the narrative analysis and explanation provided for our stakeholders.

Chancellor, Rachel Reeves, has proposed merging the UK's council pension schemes into larger 'pension megafunds' to improve investment in sectors like infrastructure. What is SYPA views on this and benefits for members?

Overall, SYPA is broadly positive on the proposals laid out, albeit the devil is in the detail – and there are still some details to be addressed. In particular around how the LGPS funds' investment beliefs and risk appetite will be reflected, as further pooling inevitably leads to compromises being required.

We believe it is positive that strategic asset allocation will remain with SYPA because it is the pension funds that are responsible for, and accountable to, scheme members, employers, and local taxpayers for the payment of pensions. It is also essential that the LGPS funds and their pooled managers work closely together in a constructive and collaborative manner on the development of investment strategy and its implementation. This has been, and will continue to be, the foundation of our approach.

Looking ahead, what are the SYPA strategic priorities for the next couple of years, and how does it plan to address emerging challenges in the pension fund landscape?

Overall, SYPA's objective is to deliver a sustainable and cost-effective pension for its members and employers, delivering high levels of customer service and strong investment returns to facilitate stable contributions. This means our priorities span a wide range of themes across pensions administration (including the implementation of the McCloud remedy and pensions dashboards), investment, governance and partnerships, and the development of our own organisation and people.

Written by Paige Perrin

Summary
• Equities, as a whole, have long been vital to pensions, thanks to their growth and income-generating properties.
• While historically pension schemes invested domestically, after the 1990s tax changes, UK equities were no longer more attractive than their global equivalent.
• Over the decades, portfolios have steadily shifted towards global equities so that they now have more overseas than domestic stocks.
• With their differing requirements, DB and DC schemes have adopted different approaches to global equities.
• US stocks dominate the sector, but today's uncertainties, trade wars and policy risks could see Europe taking the centre of the global equities stage.

Global equities: The highs and lows

Sandra Haurant looks at the ever-evolving trends in global equities investment

It is hard to imagine that only a few decades ago, global equities had a vanishingly small role to play in pensions investment. It wasn't until the 1980s that schemes began to branch out of domestic equities and fixed income, dipping their toes in overseas equities. In the 1990s, Gordon Brown removed the tax credit that pension funds had previously been able to reclaim on dividends paid by British companies, in doing so removing an incentive to invest domestically.

Pensions began to look further afield for the returns they needed and, by the middle of the 2000s, pension schemes' portfolios were becoming more heavily invested in global equities than in domestic shares. They had also begun to diversify far more into other asset classes, including real estate and alternatives; a shift that became even more significant after the global financial crisis.

Why global equities?

Equities, in general, have long played a crucial role for pensions, and the benefits they offer as investments have largely remained unchanged. Storebrand Asset Management head of UK, Lauren Juliff, says: "The obvious reasons that pension funds have always invested in global equities are capital growth, income generation, inflation protection, diversification, and liquidity benefits."

One thing that has changed, though, is what pensions need from their investments.

After all, there are significant differences between the requirements of private DB and public DB schemes, and those of DC schemes.

In the private DB sphere, says XPS Investments partner, Alastair Gill, the need for the key benefits that equities offer has diminished. "Because the schemes have matured and will become more legacy schemes and there's not a requirement for future accrual, it's become a much smaller part of the portfolio," he says. "And for many schemes, there are actually no equities left, particularly if they are fully funded."

Isio chief investment officer, Barry Jones, agrees. "The private sector DB has largely moved to bonds – the equity allocations have been drifting down and down; they don't need the returns and they don't need the risk or volatility."

For DC, though, the need for growth – and equities – is still strong. "For DC, global equities are still a fundamental part of the growth phase, and increasingly seen as part of post-retirement drawdown," says Gill. As such, he says: "Portfolios have generally migrated from regional weightings to global (market cap) weightings over the past 10 to 15 years, as regional domiciles became less important in the globalising economy."

Passive and active pursuits

As the name suggests, global equity funds contain an international range of assets, but the lion's share, unsurprisingly, hail from the United States. It's hard to overstate the significance of the key players in that market, the technology behemoths that have become known collectively as the Magnificent Seven. Those companies – Apple, Microsoft, Amazon, Alphabet, Meta, Nvidia, and Tesla – have hogged the headlines as much as they have driven growth in recent years.

The dominance of these players, in fact, has made it difficult for active managers to push for returns beyond the benchmark, according to Jones. "It has been hard to be overweight in the things that were going up, and driving the equity markets," he says. "It's been hard for global equity managers – with global benchmarks – to be overweight in US, as the US makes up 70 per cent of the equity markets. And it is specifically quite hard to be overweight in the Magnificent Seven, because they are simply so big."

Indeed, Gill says: "Active approaches have serially disappointed over the years, hence their declining popularity." In contrast, he adds that passive approaches have gained a huge amount of traction over the years as a great way to deliver market returns at low cost, both in management and turnover cost. While there are, Gill argues, reasons to consider active management, such as a more sustainably focused portfolio, there are many convincing arguments in favour of the passive approach.

In turbulent times

Those seven US tech stocks had been dominating the markets and the conversation, but since the Trump administration came to power in January, there have been plenty of other areas of discussion, and indeed concern. And as a result, some argue that sizeable shifts may be on the way in global equities. Tariffs and unpredictability have had an impact already, and US equity markets were down more than 10 per cent year to date (at time of writing), while German equities have risen by 15 per cent.

"A 25 per cent difference in performance in 10 weeks is noteworthy and already reflects increased pessimism to the US and optimism to Europe," says Royal London Asset Management head of equities, Mike Fox. Indeed, he adds: "Recent weeks have seen a significant dislocation in equity markets from the trends of recent years. This rotation can be thought of as the belief that US exceptionalism and US growth are weakening, at the same time as Europe is awakening from its slumber and China is emerging from a property bust."

But, Fox says: "Most investors are not positioned for a world where Europe and China lead equity returns and, were this to continue, they will need to make significant adjustments. We have begun to see this, with European equities seeing their biggest weekly inflow in 10 years. 'Will this trend continue?' is the question every investor is trying to answer."

WTW multi-asset strategy director, Tessa Mann, agrees: "Since Trump's return to office in January 2025, global equity markets have entered a more volatile and policy-sensitive phase. Initial post-election optimism gave way to a risk-off tone as protectionist rhetoric translated into action. The S&P 500, after peaking in February, has subsequently erased initial gains on Trump optimism. Global indices have been more resilient – the MSCI World is broadly flat, and Eurozone equities have surged, supported by relative political stability." It's a very different picture to that seen in Trump's first term, Mann says. Back then, "equities thrived on tax reform and deregulation", but "markets today are grappling with policy friction, not stimulus".

It's been seen in different ways across different sectors, says Mann. "Technology, initially a leader, has corrected sharply on tariff risks and policy unpredictability. Industrial and consumer sectors exposed to global supply chains have lagged, while defensives – particularly utilities – have offered relative shelter. Energy has held up, supported by the administration's pro-fossil fuel stance, although financials remain under pressure from a flatter yield curve."

What happens next for global equities in pensions?

Markets famously do not like uncertainty, but, Fox says: "Understanding that, in the short term, macroeconomic issues are more important to markets, but that in the long-term micro, company and industry trends are more important, helps." After all, he notes, it is important to understand that very few CEOs adjust their strategies to adapt to short-term news and events – "most concentrate on how they can improve their companies and grow".

And, he says: "Areas such as growth in the digital economy, investment in physical infrastructure, and increasing innovation in healthcare will happen regardless of the events in markets lately. In the end they are likely to be more important than politics and economic data."

Still, with so many turns in such a short time, it's not surprising the effects of the 'rotation' have been dizzying. RBC BlueBay Asset Management senior portfolio manager, global equities team, Jeremy Richardson, says: "It is remarkable how investors' attention has shifted in just a few weeks. At the end of 2024, most were marvelling at US exceptionalism and worrying about levels of market concentration. Today it is the threat of a US recession caused by policy uncertainty that is causing concern and capital to shift to European markets, as governments seek to re-arm." It is, he says "a good reminder of how quickly the market mood can change".

Written by Sandra Haurant, a freelance journalist

Balancing profit and planet

Summary

- The introduction of the Taskforce on Nature-related Financial Disclosures (TNFD) has increased focus on nature-related considerations in pension schemes, but a gap remains between awareness and action.
- Confusion persists around distinguishing between climate and nature risks, which complicates decision-making for asset owners.
- Despite regulatory developments challenges persist, such as a lack of governance structures for biodiversity and concerns over market returns.

Paige Perrin explores how pension funds integrate biodiversity into investments, the impact of the TNFD, and the challenges of managing nature-related financial risk

The urgency to address climate risks beyond climate change and net-zero commitments is growing, with pension funds increasingly recognising the need to integrate biodiversity considerations into their portfolios.

However, despite this awareness, the Pensions and Savings Lifetime Association (PLSA) reports that only 17 per cent of surveyed pension funds have a 'strong familiarity' with the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations.

Moreover, 55 per cent of funds have yet to identify nature-related financial risks in their portfolios, indicating that awareness of TNFD does not always translate into direct action or a positive understanding.

Pensions for Purpose chair and founder, Karen Shackleton, acknowledges this 'major shift' in priorities for the pension industry. Its analysis from the group reveals that 65 per cent of asset owners have already integrated nature and biodiversity into their sustainability strategies, with an additional 20 per cent planning to do so within the next year.

Despite this accelerating trend, Shackleton points out that it is primarily driven by financial materiality, rather than regulatory mandates, with 75 per cent of asset owners acknowledging the financial risks associated with biodiversity loss.

This financial dependency on nature is further emphasised by Hymans Robertson DB investment consultant and biodiversity lead, André Ranchin, who highlights that over half of global GDP ($58 trillion) is reliant on nature.

He also points to a joint report from the Environmental Change Institute and the Green Finance Institute, which indicates that nature-related risks could have a greater impact on the UK economy than the 2008 global financial crisis or the Covid-19 pandemic.

However, Phoenix Group sustainable investment nature lead, Chris Hart, challenges the separation of climate and nature risks, calling it "increasingly unhelpful".

Instead, he says: "Investors need to quickly move to integrated decision making that balances nature, climate, social and economic factors, redirecting finance at scale towards more optimal and sustainable outcomes, while meeting our most pressing environmental, social and economic priorities."

Regulations

Regulatory frameworks are gradually adapting to reflect the interconnectedness of climate and nature risks, with policymakers increasingly emphasising the need for pension schemes to align with broader sustainability goals.

WTW Thinking Ahead Institute co-founder, Roger Urwin, acknowledges that implementing nature-reporting frameworks is "a lot more challenging" than handling market risk metrics.

Urwin emphasises the principle of "what gets measured gets managed" and suggests that as trustees face increasing demands on their time, prioritising nature considerations can become difficult.

PLSA policy lead, George Dollner, emphasises the importance of the Financial Markets Law Committee (FMLC) paper, which, although primarily focused on climate change, also suggests applications for nature, biodiversity, and environmental issues.

Dollner explains: "This should provide reassurance to trustees that they can apply the principles of the FMLC guidance to a range of new objectives and issues."

At a global policy level, Ranchin views the Kunming Montreal Global Biodiversity Framework as a "key milestone" for biodiversity and nature-related considerations.

He states that this framework "helps pension funds and other financial institutions understand the direction of travel and scale of change required to reverse biodiversity loss".

Ranchin also highlights various biodiversity measurement frameworks, including guidance from the Finance for Biodiversity Foundation, the Science-Based Targets Network, and the Nature Positive Initiative, which help pension funds integrate biodiversity into their financial decision-making.

In addition to these frameworks, Shackleton says some funds are using corporate engagement strategies, pushing asset managers to disclose their nature-related dependencies and risks.

However, Hart argues that nature and biodiversity-related regulatory requirements are still "some way" behind climate and carbon emissions considerations but says the upcoming Environmental Improvement Plan, expected in mid-2025, could improve this as it will outline statutory actions necessary to meet environmental commitments and targets.

Challenges and opportunities

Hart also emphasises the urgency of addressing nature loss, stating: "Nature's continued degradation has very significant consequences in terms of the outlook for the global economy and financial system stability. Without action to stop and reverse nature loss, physical risks will rise significantly but it is harder to identify where these risks will manifest within investment portfolios."

Adding to this challenge, Shackleton remarks that few pension funds have dedicated governance structures for biodiversity, with most still embedding it within broader environmental, social and governance or climate policies.

However, she notes that this is beginning to change with the adoption of the TNFD framework.

"Reporting remains in its early stages, with many funds initially incorporating nature-related sections into responsible investment reports before committing to full TNFD-aligned disclosure," she says.

Hart highlights the success of the framework, noting that over 500 organisations have committed to producing TNFD reports and predicts that the adoption of voluntary disclosures on nature will grow in 2025 and 2026.

Beyond its usability, Hart stresses that TNFD's "substantial" guidance material and support for capacity building in both private and public sectors have helped drive its adoption.

Despite the growing momentum, Hart also points out a key challenge: Many investors perceive biodiversity initiatives as likely to yield sub-market-level returns.

He says that this perception creates tension for fiduciaries, especially those operating under mandates that do not explicitly include impact criteria but believes there is a growing alignment between restoring nature and delivering competitive, risk-adjusted returns for investors.

"Gaining exposure to the winners from economic system transformation can deliver attractive and competitive risk-adjusted returns across asset classes for investors again aligning fiduciary duty with climate and nature goals," he explains.

Next steps

To better integrate nature-related considerations into their portfolios, Dollner encourages pension funds to take proactive steps, emphasising that action does not need to be "perfect" or involve "drastic innovation".

He suggests engaging in training opportunities, conducting portfolio assessments, reviewing engagement and stewardship activities and exploring nature-based investment opportunities as useful starting points.

"We also urge pension funds to consider what they can learn from their experiences with Task Force on Climate-related Financial Disclosures reporting," he adds.

Ranchin highlights recent innovations in the nature investment space that can help pension funds manage biodiversity and nature-related risks. These include nature-based climate solutions, innovative technologies supporting the transition to sustainable practices, green and blue bonds, and biodiversity credits.

Looking ahead, Shackelton suggests the pension industry should view nature-based solutions as an investment opportunity, explaining: "Proactively investing in nature-positive strategies can help mitigate financial risks while unlocking long-term value."

She stresses the importance of integrating biodiversity risk into decision-making processes, supporting TNFD-aligned disclosures and engaging with policymakers.

It is crucial for both the pensions industry and policymakers to recognise the link between environmental stewardship and financial stability.

By prioritising sustainable investments, pension funds can secure strong returns for their members while contributing to a healthier planet for future generations.

Written by Paige Perrin

The stewardship questions pensions are having to answer

Summary
- The PLSA is continuing to standardise vote reporting requirements for pension schemes, but a recent change to the FRC's stewardship code has invited anger.
- The recent closure of Make My Money Matter has rung alarm bells for some and what this says about pension schemes' follow through with stewardship.
- The balance between engagement and divestment is increasingly fine, with the lack of the latter potentially undermining the former.
- A potential change in attitudes among corporates, evident in Trump's 2024 election victory, has the potential to further challenge pension stewardship.

With billions in influence, pension funds' stewardship responsibilities are coming under even greater scrutiny than before

With trillions in UK savers' retirement savings, pension schemes naturally command a great deal of influence, and this is increasingly commanding greater scrutiny. The Pension and Lifetime Saving Association's (PLSA) recent update to its Vote Reporting Template reignited debates around how pensions should leverage their stakes, and if more could be done to generate positive outcomes. The PLSA's update to its Vote Reporting Template has been largely welcomed, and described as "very helpful" by XPS Group head of ESG research, Alex Quant.

"As consultants, we are able to develop our reporting templates for our clients in line with the data collection template, and for investment managers so they can develop their systems to capture the information needed on voting outcomes in a way which meets the needs of asset owners and consultants," says Quant.

"The templates align to DWP expectations on information required for voting outcomes, so the templates enable schemes to meet those requirements and report on voting outcomes effectively in their Implementation Statements."

Currently, investment managers handle voting for savers and pension schemes but without strict guidelines on reporting these votes. This means reporting can be delayed, which Pensions for Purpose CEO, Charlotte O'Leary, says can complicate how pension schemes and savers track votes on their investments. Despite a 2021 recommendation by a DWP taskforce to mandate standardised reporting, a voluntary approach has remained the status quo.

"The PLSA's template could be a game changer," says O'Leary, "encouraging a more systematic approach that has been missing in the UK, helping everyone involved better understand and evaluate how their investments are being managed at shareholder meetings. In places like the US, standardised reporting has been mandatory for some time."

The Association of Member Nominated Trustees (AMNT) has also welcomed the PLSA's update, and co-chair, Janice Turner, sees it as a "supportive step" but argues that it is needed more than ever. This is because the Financial Reporting Council (FRC) recently updated its stewardship code, removing requirements for asset managers to explain how they manage assets in alignment with clients' stewardship policies and how they have taken account of these views.

"It is astonishing that the FRC has decided, apparently in the interests of streamlining its code, to relegate pension scheme trustees with all their legal responsibilities on stewardship, to be treated on a par with beneficiaries who have none," says Turner. "This is a substantial watering down of the code, it is categorically against the interests of asset owners and in our view is a climbdown in favour of those fund managers who have no intention of enabling trustees with investments in pooled funds any real influence over stewardship at all."

Talk is cheap

One telling indicator of the state of pension stewardship, and how much schemes are engaging with investees, was the recent closure of Make My Money Matter (MMMM). Launched in 2020 to raise awareness and drive climate change action through pension funds, the advocacy group closed in March 2025 after the donations it relied dried up. This development came to the disappointment of many in the industry and Irwin Mitchell partner, Penny Cogher, is concerned about the ramifications of this.

"While many pension groups may publicly endorse sustainable practices and sign up to various initiatives, the actual follow-through can be inconsistent," says Cogher. "The closure of MMMM reveals a gap between the desire to appear committed to change and the practical challenges of sustaining such efforts without robust financial support.

"This situation highlights the need for more stable and institutionalised funding mechanisms to ensure that the momentum for sustainable pension stewardship continues."

MMMM isn't the only collective to suffer, with Climate Action 100+ (CA100+) and the Net Zero Asset Managers Initiative (NZAM) having both recently lost several high profile signatories. Last year saw Goldman Sachs, J.P. Morgan Asset Management and State Street Global Advisors exit the former, while BlackRock's departure from NZAM forced the group to suspend its activities. When asked by *Pensions Age* if this review was ongoing, a NZAM spokesperson declined to comment.

"We see the voting activities of investment managers as under significant scrutiny in the media, and for several large managers, this has been a big part of why they have rowed back from collective initiatives like CA100+ because they were being accused of being too directive and climate-conscious in their voting," says Quant.

However, RPC partner, Rachael Healey, warns against reading into these developments and highlights there is still much to be optimistic about – for instance, with MMMM's successor the Finance Innovation Lab's Fair Green Pensions project.

"We'd caution against overdiagnosis of the closure; like any business, pension groups will state their commitments and action in the most positive light," adds Healey, "but MMMM running into funding issues does not mean any more than the pre-existing fact that pension groups' public statements need to be read critically and in light of their actions."

Engagement vs divestment

Pension scheme stewardship often puts an emphasis upon engagement, with stakes used to hold dialogues with company management teams. The often-made argument for this is that it's better to engage than divest, as once a stake is sold the conversation ends.

"While many pension groups may publicly endorse sustainable practices and sign up to various initiatives, the actual follow-through can be inconsistent"

However, as two stewardship tools, engagement and divestment can have the potential to enjoy an uneasy relationship. Quantum Advisory investment consultant, Joe Condy, points out that the effectiveness of the former is effectively undermined if there is a well-known reluctance to follow through with the latter.

"There is an argument to say that in some instances, to influence positive change, divestment might be more effective," says Condy. "But there will always be investors willing to buy, who would not hold companies to the same level of accountability. Our view is that remaining invested and being persistent and consistent in your approach to these issues is more effective."

Healey also sees this as the case, but argues a careful balance must be struck between the two: "Leadership in any investee company will end up making decisions based on a number of competing factors and often competing perspectives of varying institutional investors; and, given two or more competing options, one of which is backed by a pension fund, and another by a nimbler activist investor, it's easy to see why the pension fund is less likely to prevail.

"The key is for funds to retain such a balance between engagement and divestment such that divestment remains a credible threat without unduly impacting beneficiaries' interests."

Now more than ever…

There is an expectation for pension stewardship to come under even greater scrutiny, with Turner pointing to President Trump's second term as indicative of changing attitudes.

"There is not merely the dropping of net-zero commitments but the encouragement of oil and gas companies to find and dig up as much oil and gas as possible – even while some parts of America burn and others are blown down or submerged," says Turner. "Some companies based in the UK are starting to copy US corporates' actions to avoid being put at a disadvantage when trying to win business in the US. All this has consequences for investment and stewardship."

This changing of attitudes can lead to a lack of consistency among stewardship approaches from pension schemes, something that is already lacking in standardisation.

Therefore, O'Leary sees "consistent dialogue" between parties as essential: "Establishing a clear framework for engagement ensures alignment when asset managers are engaging with companies on the scheme's behalf. By closing this gap, accountability can be transformed into action, bring change and unlock the full potential of stewardship."

Written by Jon Yarker, a freelance journalist

Eyes on the prize

Summary
- The DWP, TPR and FCA continue to develop new value for money (VFM) frameworks, which will focus on investment performance and quality of service, as well as costs and charges.
- Current areas of concern for the industry about VFM frameworks include the volume of disclosures required, shortcomings of the assessment ratings system, and the difficulty of assessing qualitative metrics. There is also concern that VFM is now linked to government goals for pension scheme consolidation and greater investment in the UK economy.
- The FCA is currently considering responses to a 2024 consultation on VFM for contract-based schemes; the forthcoming Pension Schemes Bill should include measures enabling introduction of a new VFM framework for trust-based schemes.

Regulators and policymakers continue to consult on whether DC schemes provide value for money to members. But is there a risk their good intentions will be overwhelmed by other political priorities? David Adams reports

Creating new regulation demands a willingness to believe that the end result will achieve its intended purpose. An optimist might suggest that the time and effort going into creating new value for money (VFM) frameworks for DC schemes will result in effective regulation that safeguards the financial futures of millions of people. But a pessimist might ask why this process is now so closely linked to two other strands of government policy: Encouraging consolidation of smaller schemes into larger vehicles; and encouraging investment in long-term, UK-based 'productive assets' such as infrastructure. Is there a danger the need to keep member/saver interests and outcomes at the heart of these reforms is at risk of getting lost?

In July 2023, after a joint consultation, the Department for Work and Pensions (DWP), The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA) published a joint response document outlining revised proposals for the VFM frameworks. Their fundamental purpose would be to ensure that employers, trustees, independent governance committees (IGCs) overseeing contract-based schemes, and pension providers focus on delivering long-term value and optimum outcomes for scheme members and savers, rather than focusing on cutting short-term costs.

The proposed frameworks will require trustees and IGCs to consider value through investment performance, service and costs. Investment performance will be assessed by examining performance by age cohort and years to retirement, based on reporting periods of one, three, five, 10 and 15 years, alongside a forward-looking metric. A red/amber/green (RAG) system will denote, respectively, poor value, room for improvement or delivery of VFM. Schemes performing poorly may then be expected to either improve performance rapidly or enable members or savers to transfer to other vehicles that are delivering VFM.

The frameworks would be introduced in phases, starting with default workplace schemes, with further consultations to shape and guide the process. The FCA ran the next phase of these between August and October 2024, looking at default arrangements for contract-based workplace DC schemes. In October 2024, FCA head of asset management and pensions policy, Nike Trost, told the Pensions and Lifetime Savings Association (PLSA) Annual Conference that the regulators and DWP could spend "a good year … evolving the proposals". During that time, we should also see publication of the Pension Schemes Bill, incorporating legislative measures needed to create a VFM framework for trust-based schemes. The hope is that these two frameworks will be aligned and implemented, in parallel, from 2028.

A mixed reception

The DWP also ran another consultation between November 2024 and January 2025, within the Pensions Investment Review, looking at how to "deliver scale, accelerate consolidation and drive a focus on value over cost" in DC workplace pensions. This proposed minimum sizes for DC scheme default funds, aiming to create "fewer, larger funds … to invest in productive assets and … deliver greater returns to members". It also included proposals to enable contractual overrides for contract-based schemes, so members' pensions could be transferred without their consent into other, trust or contract-based arrangements.

Meanwhile, responses from the pensions industry to the proposed frameworks have been cautiously welcoming, but also critical.

"Some of it makes sense, some of it needs more work," says PLSA head of DC and master trusts, Ruari Grant.

The headline objection is the scale of disclosures required. The Society of Pension Professionals' (SPP) response to the FCA consultation expressed concern "about the volume of data that the proposed framework will require providers to collect … which … in some cases appears disproportionate", adding that some of the information requested "appears to be … unnecessary and largely unrelated to the objective of improving VFM".

"There are concerns about whether these metrics are going to be too specific, could stifle creativity and will be too onerous to report on," says independent pensions researcher, Daniela Silcock, formerly of the Pensions Policy Institute. "Will it be particularly difficult for smaller schemes with fewer resources?"

The parallel drive encouraging investment in productive assets may also hamper assessment of investment performance in the short term as these investments may take some years to deliver significant returns. The Pensions Management Institute (PMI) response to the consultation expresses "deep concerns that these two issues are being conflated but are deeply and inherently misaligned", noting that it might force schemes to invest in assets that then underperform.

Concerns have also been expressed about use of a forward metric, which would need to be based on assumptions about future market or macroeconomic conditions. But while conceding that finding an effective forward-looking metric would be difficult, Grant says many PLSA members believe it should be included in some form.

Some consultation responses also suggested additions. The PMI advocates inclusion of ESG disclosures in the VFM frameworks, in part because this would enable "a consistent adoption of ESG considerations being linked to member outcomes". PMI chief strategy officer, Helen Forrest Hall, points out that assessing management of climate risks could be particularly relevant to investing in productive assets.

"There are concerns about whether *[VFM]* metrics are going to be too specific, could stifle creativity and will be too onerous to report on"

A more general concern is the possibility that the nature of the metrics used to assess investment performance might "encourage herding around whichever investment is going to look good against those metrics", as Grant puts it. The SPP response to the FCA consultation notes that this type of behaviour has occurred in Australia following introduction of a VFM framework.

Waiting game

The proposed RAG scoring system has also attracted criticism, as being "far too basic a measure for … a complex set of variables", as the PMI puts it. Sackers partner and leader of its DC practice, Jacqui Reid, says RAG ratings prevent differentiation between schemes that are rated green, while also effectively condemning those receiving an amber rating. The PMI suggests a system based on five ratings, including variants of amber leaning towards either green or red allowing for future improvements. The SPP suggests amber be defined as "VFM with room for improvement", with perhaps two years allowed for improvements.

SPP DC committee member, Tim Box, questions whether an amber rating should prevent a provider accepting new contributions (or employers, in the case of a multi-employer arrangement). The SPP questions an amber rating being given to a multi-employer arrangement if VFM is being provided to some of the employers and members using the scheme.

The SPP argues that the consequences of a red rating should include several options for transferring members to other schemes or arrangements. This would mean settling the question of 'without consent' bulk transfers. It acknowledges potential complications if the original scheme offered additional features such as guarantees, but suggests such issues can be resolved.

The SPP and others also note the possible requirement for a receiving scheme or consolidator of last resort to accept less economically attractive transfers.

There are also concerns about the efficacy of qualitative metrics to assess quality of service. In part this is because schemes with fewer resources may face practical difficulties in obtaining the necessary data, in part because evaluations tend to be subjective and the interpretation of questions can vary considerably.

For now, though, we wait: To see how responses to the 2024 FCA consultation are used to adjust the proposals for the contract-based schemes VFM framework; and to see what will be included in the Pension Schemes Bill as a basis for trust-based schemes' VFM framework.

In the meantime, attitudes towards VFM will vary considerably, depending on the circumstances in which a scheme or a provider finds themselves, says Standard Life retirement savings director, Mike Ambery.

"This is relatively easy for us, as a big provider, but others may find it costly and feel it is not valuable for them to go through this process," he says.

Written by David Adams, a freelance journalist

Summary
- Annuity sales increased by 24 per cent in 2024, driven largely by rising annuity rates.
- Sales of joint and escalating annuities have also risen, up 93 per cent and 113 per cent since 2022.
- The increase is primarily driven by the advised market.
- A complete turnaround in annuity sales is unlikely as consumers continue to underestimate life expectancy and prefer flexible income.
- New retirement solutions, mixing annuities with drawdown could offer the best of both worlds.

At a turning point?

Ten years after pension freedoms, annuity sales are finally showing signs of a limited revival as retirees take advantage of increased annuity rates, finds Alice Guy

After years of stagnation, there is finally good news for annuities. Recent data from the ABI reveals that in 2024, annuity sales reached their highest level for 10 years, with a 24 per cent increase in contracts since 2023. Meanwhile, the total value of annuity sales reached £7 billion last year, representing a striking 34 per cent rise compared to 2023.

ABI head of long-term savings policy, Rob Yuille, says: "Higher interest rates are the main driver of the current demand we are seeing for annuities. Additionally, recent entrants to the wider retirement market mean there is an increase in competition."

He adds: "The rocketing sales have largely come via independent financial advisers," rather than retirees buying annuities directly.

Increase driven by higher rates

The surge in annuity sales comes as rates hit their highest level since 2009, prompting more consumers to opt for the certainty of an annuity income.

Soaring rates mean that a 65 year old can currently buy £7,639 worth of income for £100,000, compared with just £4,843 in summer 2022, based on single, level-annuity data from Sharing Pensions.

Hargreaves Lansdown head of retirement analysis, Helen Morrissey, says: "These increased rates have prompted retirees to take a closer look at whether annuities have a role to play in their retirement income strategy. They can be used to secure a level of guaranteed income, especially as fewer people now have final salary pensions. Annuities can be used in isolation or alongside income drawdown."

However, Ignition House owner and director, Janette Weir, adds a note of caution. "The uptick in annuities hasn't been massive," she says. "We're nowhere near back to where we were pre-pension freedoms and I don't think we ever will be. This increase may simply be temporary as people who were going to buy an annuity anyway have pulled forward that decision because they have read that interest rates are high and likely to fall."

Other annuity trends

Along with an increase in overall sales, the proportion of annuities sold with additional benefits like a survivor benefit and inflation-adjusted features is also rising.

According to ABI annuity data, the number of joint annuities sold between 2022 and 2024 increased by 93 per cent, while sales of escalating annuities more than doubled in the past two years, rising 113 per cent.

Yuille explains that financial advisers have been steering retirees towards annuities with additional benefits. "This increase in personal recommendations very likely has a number of knock-on effects on the options people choose, such as more escalating annuity sales that keep pace with inflation; more joint-life annuities that provide for dependents;

more enhanced – medically underwritten – annuities; more annuities bought using the open market option."

Royal London head of technical and marketing compliance, Clare Moffatt, says it is particularly encouraging to see the increase in joint-life annuities and escalating annuities. "If you purchased an annuity in 2021, escalating by either CPI or RPI, you will have seen growth in income thanks to high rates of inflation. If you didn't choose escalation, you'd be in a very different position as the purchasing power of your income will be reducing significantly. Although this means a lower income at outset, in times of high inflation, they have been invaluable."

Turnaround for annuities?

However, despite the rise in annuity sales, a complete turnaround seems unlikely. Many retirees remain cautious about purchasing annuities, often underestimating their life expectancy and preferring the flexibility of drawdown.

"There is a consistent theme, and I haven't seen that change, and it's about annuities being seen as a gamble," says Weir. "It's a very different view to the industry. Because you give the annuity provider your money, and you have no idea how long you're going to live for. It's the longevity risk issue. The thought they have in their mind is they could die the next day and have nothing to pass onto their family."

She believes that the inflexibility of annuities is a big issue for consumers. The cost-of-living crisis has highlighted how much costs can soar, and people want to know they can draw extra income when they need it.

Weir adds: "You can't get over the issue that if people haven't got very big pots, they're not going to get very much income out of it, and I think that's going to be the big challenge with these products."

Guiide founder and director, Kevin Hollister, agrees that understanding life expectancy is a big issue for consumers. "Many people underestimate their life expectancy, and that makes annuities seem like poor value. They're understandably worried about what happens if they buy an annuity and then die within five years."

The challenge for advisers and regulators

Looking ahead, the growing significance of the advised market in driving annuity sales has important implications for both financial planners and policymakers.

"These increased *[annuity]* rates have prompted retirees to take a closer look at whether annuities have a role to play in their retirement income strategy"

Aderdeen senior financial planner, Hollee Vivian, says: "Given that most financial planners have probably only advised on a handful of annuities over the past decade due to the poor rates, it is imperative that advisers are fully aware of all of the different add-ons that can be purchased using annuities and that they can explain these clearly to clients."

She adds: "Planners should also be using cashflow modelling in all scenarios to show the pros and cons of purchasing an annuity."

Additionally, the increase in advised annuity sales raises a flag for policymakers, as it underscores the contrast between the advised and non-advised market. Consumers who don't get advice may miss out on buying an annuity, even if it could be the best option.

"This has important implications for policy," warns Yuille, "as it shows that people without a financial adviser need more help to make retirement decisions tailored to them. The FCA is developing a Targeted Support framework to help consumers achieve better outcomes throughout retirement by enabling firms to more effectively utilise customer data. At the same time, DWP is introducing guided retirement solutions for occupational pensions – the 'guided' element of this is critical, because a one-size-fits-all default won't work for everyone."

A combined approach?

With challenges remaining for annuities, achieving the best outcomes in a post-pension freedoms world may require a combination of approaches beyond annuities alone.

Hollister comments that using a mix of options in retirement could be great news for pension savers, allowing flexibility while still mitigating longevity risk. This is often done by securing a tranche of guaranteed income and leaving the rest in drawdown. Another route may be to put aside money, which is expected to be used for later-life payments, into higher expected returning assets such as illiquid funds.

Whilst not eradicating all risk, this 'flex first, fix later' approach fundamentally shifts the problem from 'I need to make my whole pot last for life' to 'I need to make my liquid pot last until a set age'.

Phoenix Group head of annuity distribution at Standard Life, Jon Scannell, says that "approaches such as taking an annuity later in retirement, or annuitising in stages, can allow for a more flexible approach in combination with drawdown, while also letting people benefit from higher rates, which improve with age".

He adds: "The nature of retirement is evolving and with it, we're seeing more innovation to support people to take more nuanced retirement journeys."

Written by Alice Guy, a freelance journalist

Inherited problems

The government's plans to include pensions in the scope of inheritance tax has generated concern about how its rules can be feasibly implemented within the pensions industry. Laura Blows finds out more

Summary

- The government's plans to include pensions within the scope of inheritance tax (IHT) has proved controversial.
- The proposals may reduce the use of pensions for wealth transfer purposes and bring in more tax for the government.
- The pensions industry has expressed concerns about the change, including the feasibility of pension administrators being responsible for calculating IHT payments, and the fairness of unmarried couples within the threshold being subject to IHT, while those that are married or in a civil partnership are not.
- A number of suggestions for simpler ways to implement IHT into the scope of pensions have been suggested.
- Only a limited number of estates are expected to actually pay IHT, but the change may have a wider impact on many people's plans for retirement saving.

Of all the upcoming changes to the UK pensions system, arguably the one that has caused the greatest uproar is the idea of including pensions within the scope of inheritance tax (IHT).

The 2024 Autumn Budget in October saw Chancellor, Rachel Reeves, announce plans to remove the concession for pension pots to be passed on to anyone free of IHT, alongside plans to extend the freeze on IHT thresholds from 2028 until 2030.

IHT only applies to estates over £325,000, with any amount over this taxed at 40 per cent. It is not applicable to estates left to a spouse, civil partner, charity or community amateur sports club. The threshold increases to £500,000 if children or grandchildren inherit the home, and any unused threshold from an estate can be added to their partner's threshold.

"We will close the loophole created by the previous government – and made bigger when the lifetime allowance was abolished – by bringing inherited pensions into inheritance tax from April 2027," she stated, with the Budget papers describing it as "making the inheritance tax system fairer".

Industry response

As soon as it was announced, many in the industry responded with concern and calls for clarity about the proposals. Broadstone head of policy, David Brooks, succinctly summarises the current plans as "basically unworkable".

Industry professionals have highlighted significant concerns about the fairness and practicality of the IHT proposals, with 90 per cent believing that the introduction of IHT on unused pensions was retrospective and unfair, according to WBR Group's research, published in March.

Royal London pensions and tax expert, Clare Moffat, explains: "In the past, when changes were made to pensions, those who had already made plans were protected against that change, for example, when the lifetime allowance was reduced. But this change looks like it would affect every unused pension."

WBR Group's research also found that 97 per cent of respondents agreed or strongly agreed that the proposals forced pensions into an IHT regime that does not accommodate the practicalities of current pension rules or administration processes.

"Some of the main concerns I'm hearing from the industry, apart from the dislike of constant rule changing, are around the practical implications," Aon associate partner, Steven Leigh, says.

"Under the proposed process, pension administrators are being asked to work with the personal representatives to determine the IHT liability and deduct this from the pension death benefit before paying out the remainder. There is a six month time limit from date of death, but often pension administrators are not informed of a death for many months and there is a lot of potential complexity following the notification, for example the personal representatives will need to understand the overall value of the estate of the deceased, including certain pension benefits, in order to be able to calculate the appropriate IHT," he explains.

There are also a number of areas where greater clarity is needed and legislation may need amending, "such as the impact on the lump sum death benefits paid before the age of 75 where there is currently a two-year time limit, how to value DC pots when calculating IHT given that the final amount could fluctuate, and whether group life assurance policies would be counted in the IHT calculation", PMI chief strategy officer, Helen Forrest Hall, says.

"Any inconsistent treatment will lead to more complexity and a potential risk of unfairness, for example if death benefits from public sector or defined benefit pensions were to be taxed differently to those arising from defined contribution pensions, which are used by the vast majority of the private sector for ongoing pension saving," Leigh states.

It is worth noting that many cases that go to The Pensions Ombudsman concern trustee failure to properly exercise powers to distribute death benefits "so introducing more complexity could lead to an increase in complaints", Sackers partner, Eleanor Daplyn, adds.

The proposals are also "likely to trigger interest charges and penalties in cases where tax is due, as it will not be practical for personal representatives to gather all the information nor for pension scheme administrators to provide it in the time allowed", LCP partner, Alasdair Mayes, says. "The changes would cause delays in loved ones receiving their benefits at a time when they are vulnerable and in financial need, even though in many cases no tax will be due."

There is also the concern of double taxation occurring, Trafalgar House client director, Daniel Taylor, warns, explaining: "If someone dies after 75, their beneficiaries could be hit with both IHT and income tax on withdrawals, meaning they could lose more than two-thirds of their inheritance to tax.

"The perception of an additional tax may influence behaviours and potentially discourage people from saving adequately for retirement"

"That's not just unfair – it's punitive."

It could also be punitive to unmarried couples, Hargreaves Lansdown head of retirement analysis, Helen Morrissey, adds, as it "impacts unmarried couples who cannot benefit from the ability to inherit from their partner free of inheritance tax. This means they stand to receive significantly less than their married counterparts, which can put them under huge financial strain".

However, the industry isn't just highlighting problems; it is also putting forward suggested changes.

For instance, Leigh proposes for the scheme to be able to deduct IHT at a fixed rate, while Mayes says schemes should simply be allowed to pay benefits gross, and with either solution, for HMRC to liaise with the beneficiaries directly regarding any tax payment requirements.

Aegon head of pensions, Kate Smith, agrees with the idea of a "simpler and more effective" alternative, such as levying a tax on pensions in scope where above a certain level, for instance, £100,000.

"This has the added benefit of avoiding encouraging individuals to run down their pension too quickly to avoid an IHT charge," she adds.

Alternatively, the six-month window to pay IHT could only start once schemes have made a decision about who is to receive a death benefit, or the scheme only be liable if and when they have been provided with all the information necessary to work out the tax due, Daplyn suggests.

In January, HMRC confirmed that it is reviewing the issues and views expressed in the response to its IHT and pensions consultation and that it will publish both a formal response and draft legislation "later in the year".

Potential benefits

The government's consultation response will hopefully show, through its taking on board of industry concerns, that it did not decide to change IHT simply to make pensions administrators' work harder and add extra challenges to the recently bereaved; there must also be upsides to the proposal.

Daplyn highlights how the government has been clear that "a key driver for this change is to reverse a trend towards individuals using pension savings as an IHT planning tool".

Broadstone supports the government's objective to ensure that pensions are used for the primary purpose of providing an income for the member. "While individuals may have other assets to use in their retirement or later life, we do not believe that pensions should be used as a vehicle for wealth transfer," Brooks says.

However, some of the benefits that will be caught in the IHT net under the proposals do not really fit within this view of pensions being used for wealth transfer, Daplyn states.

"For example, a multiple of salary lump sum on death in service will be caught, but in many circumstances that isn't something a scheme member will have any control over, so it's difficult to see how it can be used for the 'mischief' (i.e. IHT planning) that is being targeted.

Although an individual may include these in their financial plans, this would be more in terms of ensuring their family would be appropriately provided for should they die unexpectedly and their income is no longer available, rather than estate planning/management of potential IHT liability," she explains.

The IHT change may be viewed as creating more of a level playing field between pensions and many other investments in terms of IHT planning, Leigh says, but ultimately "the main benefit is a hoped-for increase in tax to help with UK public finances".

Caught in the net

The government has said that it expects most estates to not meet the requirements for IHT to apply. However, inheritance tax receipts are still expected to hit c.£14 billion by 2030, Cartwright Pension Trusts senior investment consultant, Arash Nasri, says.

"Government numbers indicate that the pension IHT rule changes will cause a further 10,500 estates to become liable to some level of inheritance tax for the year 2027/8. This is against the backdrop of c.213,000 estates with some level of inheritable pension wealth. In effect, an approximate extra 5 per cent of estates with any pension assets to inherit will now pay some IHT. This is in addition to the c39,000 estates which are liable for IHT anyway; and which will now pay more," he states.

Mayes highlights how HMRC predicts that the first few years of the IHT change will raise less than £1.5 billion per annum.

"However, we expect the impact to be significant in the medium term, raising twice that each year, and the revenue to the Exchequer over the next 20 years could easily be in excess of £40 billion," he adds.

Moffat provides an example of how it is not only the extremely wealthy that may be caught in the IHT change.

"If a single person with no children, a house worth £250,000, a pension worth £500,000 and not much in the way of other assets, died today then there would be no IHT to pay. But the proposed change means that from 2027 there would be IHT on £425,000," she explains.

"If these changes go ahead as planned, the pensions landscape will never look the same again"

Yet according to Morrissey: "It's important to note that while IHT can be levied on estates worth in excess of £325,00, there is also the residential nil rate band that covers the main property being passed down to children and grandchildren, which is worth £175,000.

"Added to this, assets passed to spouses do not attract IHT regardless of value and they also have the ability to inherit the unused proportion of their spouse's nil rate bands. This means that many people could pass down assets worth up to £1 million before IHT becomes an issue."

Despite only a minority of people being expected to be impacted by these changes, Leigh is concerned that "the perception of an additional tax may influence behaviours and potentially discourage people from saving adequately for retirement".

Research conducted so far seems to validate his worry.

In November 2024, research from PensionBee found that 47 per cent of respondents expressed concern about the government's planned changes to IHT.

Meanwhile, "since the changes were announced at the end of last year, 82 per cent of IFAs are re-evaluating the role of pensions in their clients' plans... The upshot of all of this is that advisers are increasingly recommending clients withdraw more pension savings now to either enjoy the benefit or to gift the money", Standard Life retirement savings director, Mike Ambery, says.

Looking ahead

Smith hopes that, in the near future, the government will consider the nature of modern-day relationships when reviewing IHT. "IHT is designed around a number of exemptions and thresholds, specifically the nil-rate band of £325,000 and the spouse exemption for legal spouses and registered civil partners," she says. "This enables these individuals to inherit significantly more, after IHT, than other potential beneficiaries, such as common-law partners or children who may be financial dependants.

"Given the steady decline in opposite-sex marriage, the increase in co-habitation, and the number of children born to unmarried parents now exceeding the number born within a marriage, we believe this is out of step with today's societal norms."

For the pensions industry itself, Taylor says that "this could be the beginning of a long-term shift where pensions are treated more like other taxable assets rather than a protected form of savings. If this happens, the industry will need to rethink how pensions are structured to remain attractive and viable".

He warns: "Make no mistake – these changes go ahead as planned, the pensions landscape will never look the same again. We urge the government to engage with the industry, consider the practical challenges, and find a solution that works for both savers and pensions administrators before it's too late."

Written by Laura Blows

Thinking differently

As part of *Pensions Age*'s year-long special focus on diversity, equity and inclusion (DEI), Laura Blows explores neurodiversity and the pensions workplace

At least one in seven people are estimated to be neurodivergent.

According to the NHS, while 'neurotypical' describes the majority group that expresses themselves in ways that are seen as the societal 'norm', 'neurodivergent' describes the minority group that diverts neurologically from said 'norm', often having neurodiverse conditions such as autism, ADHD or dyslexia.

"Current estimates are that 15-20 per cent of the UK population have learning styles and process information in a way that is different from the majority, and quite a few may not have a formal diagnosis. That's a large proportion of the colleagues that we work with and people that we engage with on a daily basis; and a very good reason to raise awareness of neurodiversity," LCP partner, Paul Meredith, says.

Neurodiverse conditions

Neurodiverse conditions include Autism/Autism Spectrum Condition (ASC)/Autism Spectrum Disorder (ASD), Attention Deficit Hyperactivity Disorder (ADHD)/ Variable Attention Stimulus Trait (VAST), Dyspraxia, Dyslexia, Dysgraphia, Dyscalculia and Tourette's Syndrome (TS), among others. *[Source: NHS England]*

Workplace challenges

Despite such a significant percentage of the population being neurodiverse, the Department for Work and Pensions highlighted in January that just 31 per cent of people with a neurodiversity condition are in employment, compared to 54.7 per cent of disabled people overall.

This could be partly due to the many challenges those who are neurodivergent may face in the workplace, such as sensory overload from bright lights and a noisy environment, and the differences in processing information and social cues, making communication and teamwork more difficult.

Aviva head of pension engagement, Laura Stewart-Smith, highlights how its recent *Working Lives* report found that just under one in five employees believe there is still a stigma surrounding neurodiversity.

"Similarly, 19 per cent of employers and 16 per cent of employees reported that individuals are hesitant to disclose their neurodivergence to colleagues… there is still work to do to build trust and understanding so that neurodivergent people feel safe to talk about the adjustments they might need," she adds.

Embracing a neurodiverse workforce

To attract more neurodivergent people into the pensions workplace, the use of more 'inclusive' language within recruitment advertising is recommended. Also, ensuring that the hiring managers

Neurodiversity support within the finance sector

Group for Autism, Insurance, Investment, and Neurodiversity (GAIN): Founded in 2021, GAIN is a community interest company committed to radically improving the employment prospects of neurodivergent individuals. As a collaborative hub, GAIN brings together people and organisations from the insurance, investment and financial services sectors to foster an inclusive ecosystem. Through partnerships, resources and a dynamic community, GAIN works to create opportunities to build neuroinclusive workplaces that enable neurodivergent talent to thrive. ***https://www.gaintogether.org/***

Tailoring pensions communications for neurodiversity

When considering neurodiversity in the creation of pension communications to members, Quietroom senior writer and content designer, Christina Woodger, suggests using "ordinary, familiar language, for example, explaining any unavoidable industry or legal terms. Sticking to shorter sentences. Breaking big, intimidating blocks of text into more manageable paragraphs".

She also recommends multiple communication channels being provided, displaying information in a range of formats, without 'distracting' visual clutter or flashes.

Meanwhile, Group for Autism, Insurance, Investment, and Neurodiversity supervisory board member, Johnny Timpson, suggests the pension industry embraces "the short and accessible bitesize video communication of benefits *[of the sort]* being championed by MoneyAlive".

are neuroinclusion aware, for instance, by not putting any store in 'reading' candidates' body language, as it may differ for neurodiverse people, Group for Autism, Insurance, Investment and Neurodiversity (GAIN) supervisory board member, Johnny Timpson, suggests.

"The historic recruitment process of having one-to-one (or even two or more to one) interviews and possibly a maths and English test, might not be suitable and we might pass over very capable candidates. We need to consider alternatives like assessment days, more practical and discursive interviewing and task setting," PMI president, Robert Wakefield, says.

Once employed, workplace adaptations for neurodiverse people could include easy efforts such as simply asking all employees how they would best like to receive information, rather than the neurodiverse employee 'having' to disclose their diagnosis to receive additional support, Meredith suggests, along with allowing flexible working arrangements, "which is the norm these days for most people *[particularly since Covid lockdowns]*", Wakefield adds.

"Simple workplace adjustments such as making a sensory map *[of the workplace]* available to all colleagues, enabling colleagues to wear noise cancelling headphones, reducing background noise, being able to change the colour palette on a desktop, breaking tasks down into simple steps and checking for understanding, these I describe as 'kerb drop' issues, as when getting them right for neurodivergent colleagues you will often find that you do so for a wider range of colleagues, such as those with hearing loss issues, colleagues who are pregnant, menopausal etc," Timpson says.

"Some people with a neurodivergent condition would not consider themselves disabled, nor would their condition necessarily meet the definition of a disability as described in the Equality Act," DLA Piper partner, Matthew Swynnerton states.

"However, in many instances, the definition of disability prescribed by the Equality Act will encompass neurodiverse conditions, thus very likely placing a requirement on employers to put appropriate adjustments in place for their neurodivergent job applicants and employees, where they face a disadvantage in the workplace," he adds.

"From a legal perspective, failure to put in place reasonable adjustments may expose employers and service providers to claims of disability discrimination, along with a risk of serious reputational damage.

"Legal risks aside, putting in place accommodations and support processes for people with disabilities and neurodiverse conditions is also simply the right thing to do."

Navigating pensions industry events: Thoughts and tips for neurodiverse colleagues

For neurodiverse professionals, industry events can be demanding, often involving challenges invisible to neurotypical eyes: Sensory load, social unpredictability, and sheer endurance.

Planning can be key. How will you manage your energy across the day? That might mean skipping a late session or arriving slightly later if you know you'll need to stay until the end. Some choose a less stimulating plenary session as a decompression zone. Others may record audio to avoid the cognitive strain of note-taking.

Neurodiverse professionals shouldn't just survive these events; they can thrive. But doing so means having the confidence to adapt your approach, which can depend on employers offering flexibility, colleagues providing understanding, and organisers embracing inclusivity by design. We talk a lot about cognitive diversity in investment. Events are where it meets the real world.

Global Fund Search head of UK, Kris Shergold

Being neurodivergent in the pensions industry: The experience of PensionBee senior banking manager, Sam Clifford

I have received my official ADHD diagnosis and I am expecting an autism diagnosis soon. I benefit from receiving direct communication, so unclear instructions can be a challenge. When expectations aren't clearly outlined, it can lead to misunderstandings and frustration later on. Clear guidance helps me work more effectively and reduces the need for clarification down the line.

Remote/hybrid working allows me the safety to work in a space that I have cultivated for myself. This safety and comfort is incredibly important to me, as it means I don't need to 'mask' myself. When I don't need to mask, the best version of myself comes through and this allows me to produce the best work possible.

Being neurodivergent in the pensions industry: The experience of Tata Consultancy Services compliance manager, Michael de Souza

I think the key struggle for me is not being able to read something technical quickly and get to grips with it; I often must read it several times, and break it down into manageable chunks. *[Yet]* I can look at the bigger picture and can visualise things a lot more, often through diagrams and drawings. Also, it has helped me forge better working relationships with colleagues and has made me a better leader as I have an open mind to others' struggles.

It is sad to say, from my experience, I feel the industry wasn't understanding or supportive of my challenges in the early part of my career. It is only in the past six years that I have felt comfortable being truly open with my managers and colleagues concerning my dyslexia and the challenges I face.

Benefits to employers and employees

Accommodating adaptations for neurodiverse people should not be considered something an employer just 'has to do'; rather as something that could also provide many benefits to the business itself.

"Embracing neurodiversity can be hugely beneficial for businesses, encouraging innovation and breaking away from groupthink, when mediated by an inclusive culture," ABI senior policy adviser, diversity, equity and inclusion, Liisa Antola, states.

"A neuroinclusive workforce enables ways of thinking, learning and engaging, plus interacting and communicating with others with a range of perspectives, backgrounds and experiences can improve problem solving, innovation and creativity. In addition, it helps develop a culture and environment where all thrive," Timpson adds.

Growing awareness

In recent years, there has been increasing awareness of the benefits a neurodiverse workforce can provide.

For instance, Aviva's *Working Lives* report found that 43 per cent of employers had introduced support for neurodivergent employees over the previous year.

"A quarter of those employers have implemented support from specialist organisations. Similarly, around one in five have introduced employee training sessions or provided training for line managers," Stewart-Smith adds.

However, "pension industry awareness of the needs of neurodiverse people and those of us with disabilities lags other financial services sectors", Timpson says.

This may be on the cusp of change though. Since the ABI launched its DEI Blueprint in 2022, which provides guidance for supporting a diverse workforce, "we have seen a growing awareness and understanding of DEI measures and good practice, including on neurodiversity, within our industry", Antola says.

The ABI's recent research finds that 57 per cent of its firms captured data on neurodiversity in 2023, compared to 27 per cent in 2020. "And 30 per cent of our members had a specific policy in place to support neurodiverse employees in the workplace in 2023, up from 15 per cent in 2020," she adds.

"Awareness of neurodiversity has increased over the past few years; both in terms of a greater recognition of the benefit of, and support for, a diverse workforce, and also understanding that we are communicating with a diverse audience of scheme members and clients," Meredith notes.

Ultimately, he adds, "a neuroinclusive approach is not only better for our colleagues but better for our industry and the pension schemes and members that we support".

Written by Laura Blows

Being neurodivergent in the pensions industry: The experience of Heywood data analytics consultant, Sam Edwins

Taking in information from so many directions, especially in an office environment, can be a challenge. A lot of noise and background conversations can make it difficult for me to filter and process what's relevant.

I'm good at pattern recognition and think, like a lot of neurodivergent people, in a 'bottom-up' way. My team uses a lot of different processes and I like to break them down into individual components, which means I can spot areas where something that seems obscure can have an impact and connection to another area.

Being neurodivergent in the pensions industry: The experience of Barnett Waddingham pensions administrator, Jeff Stokes

Working in pensions as someone who is neurodiverse is a challenge, often due to complex jargon and anacronyms. This means we can get lost in the process and sometimes must redo tasks.

However, my neurodiversity makes me a superb communicator and problem solver. I am brilliant at seeing the issue from all angles, and naturally reverse engineer processes. I innately form teams, and am terrific at delegation, because I understand what is needed, and who is best to do that. And I am highly empathic, at all levels.

Through people like me being honest and demasking, the industry is seeing where we can excel. In a future world where AI will be dominant, the industry will need the skills that different minds bring to work alongside AI.

Being neurodivergent in the pensions industry: The experience of First Actuarial apprentice trainee pensions administrator, Aaron Parker

I am 21 years old and have just started both my career in pensions and my career in general, having worked as an apprentice trainee pensions administrator for six months. I have dyslexia, dyspraxia and sensory processing disorder.

As social cues do not come naturally to me, I have had to adapt and learn to recognise them over time. However, in a professional setting, social cues are very different to what I have adapted to, meaning that I'm not always sure how to respond, which can leave me feeling anxious or frustrated following a social interaction.

In my limited experience of working in pensions so far, I have found the industry to be accommodating, understanding and supportive. Also, seeing neurodiverse colleagues at various seniorities suggests to me that this is likely to be a universal experience.

Summary
- Most DB schemes are currently in a funding surplus; last time this was the case was the 1980s/1990s.
- The surpluses of the 1980s and 1990s were based upon a more relaxed valuation and funding regime.
- Surplus extraction, market movements and greater governance scrutiny swung DB schemes from surplus to deficit.
- Until DB schemes' liabilities are completely removed through an insurer, there remains the risk that schemes could now fall back into deficit. However, these scheme surpluses being based on a more prudent basis than the past, along with greater investment in low-risk assets such as bonds, and stricter regulation, minimises this risk.

Turning back time

DB schemes are currently enjoying funding surpluses, but haven't we been here before? Laura Blows considers the changes and challenges that have occurred since the previous era of DB surplus in the 1980s/1990s, and the lessons to be learnt from that time

The current world of surpluses that most DB schemes are living in feels like a welcome relief from the many years labouring under stubborn funding deficits. But this is not the first time that DB schemes have been in surplus. In the 1980s and 1990s, DB schemes were also enjoying a funding surplus, and, like now, debates were had then about how best to utilise that surplus. So, are we reliving the same scenario as 40 years ago, and what lessons can we take from last time to ensure DB schemes' funding positions do not swing back to a deficit once again?

A more relaxed, return-seeking time

To explore the similarities and differences, let's cast our minds back to how things were.

BESTrustees president, Alan Pickering, begins with the 1970s, when DB schemes were heavily invested in equities, and remained so even during the oil crisis affecting the markets in 1974/75, "on the basis that a leaky bucket with some money going into it is better than a bucket with none".

DB schemes investing heavily in equities, property, etc, continued during the 1980s and 1990s, as a return-seeking investment strategy was logical for these immature schemes that were still open to new members and future accrual.

Also, during this time, actuarial funding methodologies would implement a 'smoothed' funding process, "using the then-common assessed value method of asset valuation", ACA committee member, and WTW partner, Debbie Webb, says.

However, actuaries assuming 'future credit' from expected investment returns, which made schemes seem in surplus, was fine 'if' markets behaved "as expected", LCP partner, Jonathan Camfield, says.

If markets did not behave as expected, its impact was somewhat diminished by schemes not having to guarantee to provide any pension increases in payment, Webb adds.

The combination of strong investment returns (and future expectations of more) and a 'relaxed' funding regulatory requirement meant that many schemes were considered in surplus, based on the valuation approaches in use at the time.

Clouds on the horizon

But, unlike now, these surpluses were not necessarily seen as a reason to celebrate; more a problem to be solved, Pickering says.

Schroders global co-head of client solutions, Ajeet Manjrekar, highlights how, in the mid-1980s, a 5 per cent cap on surplus with tax on extraction was introduced by *[then-Chancellor]* Nigel Lawson.

Also, the 1986 Finance Act determined that pension schemes could be no more than 105 per cent funded on a prescribed valuation basis.

This was because the government was worried that employers were claiming too much tax relief by "shovelling money into their pension schemes to shelter profits from corporation tax", Pensions Archive Trust director, Jane Marshall, says.

This meant that the surplus needed to be removed, through such ways as refunding money to the employer, subject to a 40 per cent tax charge, or discretionary enhancements to past service benefits for members, or the sponsor taking a contribution 'holiday' of up to five years.

Similar to now, there was much debate around how to determine whether the employer or the member should receive some, or all, of the excess.

However, the 1987 *Courage* court case, which set out an approach to handling DB surpluses (i.e. that the surplus does not 'belong' to members, but they can expect trustees to press for them to share in it), became the authority, Marshall says.

The desire to access DB scheme surpluses also became a factor in corporate transactions, with companies with well-funded schemes targeted for acquisition. Sometimes a well-funded scheme acquired as a result of the transaction was merged with a less well funded (or underfunded) scheme elsewhere in the corporate group to make use of surplus, Marshall states.

Back then, "there was no real concern about the funding and security of pension schemes", because "the system had worked and people assumed that it would always work", she adds.

But then, come the 1990s, and things started to change, not least due to the Maxwell scandal *[where media mogul, Robert Maxwell, misappropriated millions of pounds from his company's pension funds into his failing businesses]* generating greater scrutiny of the management of DB schemes.

This resulted in the 1995 Pension Schemes Act, which required pensions to be converted from a 'best endeavours' basis to employers having to meet the full cost of insuring the scheme if they chose to walk away. It also established The Occupational Pensions Regulatory Authority (OPRA).

The 1990s also saw former Chancellors Norman Lamont and Gordon Brown respectively reduce, and then abolish, tax relief on dividends resulting in a material deterioriation in scheme surpluses.

Pension accounting rules were also changed, bringing volatility to companies' balance sheets, and asset values fell during the bursting of the tech equity bubble. New ideas about pension funding emerged, Webb says, which argued that pensions should be valued and considered using gilt-based methodologies, and that the high equity strategies were too risky.

As we moved into the new millennium, the 2004 Pensions Act resulted in the formation of the Pension Protection Fund, and OPRA being replaced by The Pensions Regulator (TPR). The regulator required that a pension scheme be funded prudently, so

> **"Surpluses are likely to be more persistent than those in the past, with the funding overall expected to be rather more stable"**

"basic things that we're used to now were not a requirement pre-2004. There is now a regulatory regime that is not just a little bit stronger, it's enormously stronger", Camfield highlights.

These changes, both the decrease in the funding position, and the increase in regulatory red tape, made DB schemes less attractive to employers. Therefore, over the years, they closed their DB schemes to new members and to future accrual.

"These closures in turn meant schemes were maturing quickly, which itself provided a further incentive to reduce exposure to return-seeking assets as a result of the shorter periods over which uncertain returns from riskier assets could be smoothed," Webb says.

"And then, after the 2008 crash and its aftermath, and as schemes were increasingly looking to invest in gilts and credit, interest rates fell further."

Different this time

The result was a "perfect storm", Webb says, which swung DB schemes into deficit, based on the more conservative funding approaches now employed.

"With the benefit of hindsight, some schemes looked back at the benefit improvements and contribution holidays of the 1990s and regretted that they had not chosen to keep the surplus in the scheme, or taken a different approach to measuring the liabilities and assets," Webb says.

This period of DB funding levels in deficit continued until both the 2022 gilt 'crash' and the current inflationary environment swung many DB schemes back into surplus.

Today's surpluses are not the same in structure as the surpluses of the 1980s and 1990s though.

The measures used to assess surplus now are much more rigorous and conservative, based on assuming very low future returns and building in prudent allowances for future mortality improvements. Downside risks are mitigated through interest and inflation swaps, lower exposure to volatile return-seeking assets, and through buy-ins and longevity swaps to mitigate longevity risk.

"So, there is a belief that the surpluses are likely to be more persistent than those in the past, with the funding overall expected to be rather more stable," Webb says.

One similarity, however, are the conversations about how to distribute the surplus to the employer or (DB/DC) members. Yet, "there is much less flexibility in the funding regime now than there used to be, hence concerns over 'trapped' surplus", Marshall says.

The government's response to last year's consultation on options for DB pensions, and its plans to lift restrictions on DB schemes accessing surplus, is expected in the spring.

"Before considering any surplus release, trustees will typically carefully consider remaining downside risks and investigate scenarios that could cause a deficit to recur," Webb says.

DB schemes' current surpluses could be redistributed back into the sponsor's business as recompense for the many years it put money into the scheme to try and plug its deficit. Or, the surplus could be used to fund DC benefits; or to provide discretionary increases for some pre-1997 benefits that have never received any pension increases.

Manjrekar highlights how trustees need to have careful consideration for the Trust Deed and Rules, member expectations for discretionary increases and the guardrails for surplus release (e.g. subsequent deterioration in scheme funding, covenant weakness, or scope to re-claim released surplus).

"It does worry me, the intellectual and political firepower being directed at pension schemes as a source of surpluses," Pickering says. "My mind goes back to those earlier decades when having a surplus was a source of industrial discontent, rather than euphoria."

However, there is confidence that DB scheme's surpluses are more persistent this time. "A return to pre-2022 levels of gilt yields is, in our view, unlikely," Webb says, "but potential risks could include a sudden acceleration in longevity improvements, or very low inflation or deflation. It is therefore likely that trustees will be seeking to retain appropriate buffers and/or contingency arrangements to absorb such fluctuations and risks, before considering using surplus in some way."

So, might there be a chance, however slight, of history repeating itself and DB schemes swinging back into deficit?

After all, as Pickering says, "there's no guarantee that if we're in surplus now, we'll be in surplus in the future".

"We might then be forced to go back to invest pension scheme assets in a much less adventurous way, which would not only make pension provision more expensive, but would undermine the growth that they're all assuming," he adds.

However, last time DB schemes were in surplus, it was while they were heavily invested in equities. In contrast, this era of surplus comes with DB schemes mainly holding bond assets. Therefore, a future stock market crash is less likely to affect DB schemes' funding positions, and "the gilt crisis of 2022 simply changed gilt prices and actually improved scheme funding for many", Camfield says.

However, "whilst some schemes are now in surplus, many are still on a primary pathway to secure members' benefits with a third-party insurer", Manjrekar says.

"We've pretty much learned all the lessons of the past – arguably too well"

It is still a long time until all DB schemes have substantially removed risk though, Camfield warns.

"Insurance capacity for buyouts is around £50 billion a year so far; there is still around £1 trillion of uninsured DB pension assets that could still be negatively affected by future developments", he explains.

It is these potential future risks that makes Pickering feel uncomfortable about rejoicing in today's surpluses.

"Deciding to run on the scheme must not be a purely financial issue," he warns. "I, as a trustee, would feel very exposed if I'd gone along with a solution that risks members' pensions; if I turn my back on this opportunity to cement that good financial position of the DB scheme."

Yet, the industry is now "so focused on taking risk off the table" that this surplus era is "too little too late" for risk attitudes to really change, Marshall says.

Lessons learnt?

So, with its cautious approach to DB scheme funding, even in a time of surplus, it appears that the pensions industry has learnt its lessons from the previous era of surplus to deficit swings.

In fact, according to Marshall, politicians, regulator and the industry have learnt the lessons – "or got burnt" – from the past "too well", with all the subsequent rules and regulations ultimately resulting in the retreat of private sector employers from the DB space. "I'm sure that wasn't intended, but that has been the consequence," she adds.

Meanwhile, "if I were to roll back to three or four years ago, I would say there are still more lessons to learn, as there are still some DB schemes that are invested in a way that is probably too risky for their employer covenant", Camfield says.

However, TPR's new Funding Code, with its emphasis on integrated risk management, has materially mitigated that concern, and so, "we've pretty much learned the key lessons of the past – arguably too well", he adds.

Camfield suggests that many DB schemes in surplus can now afford to take on slightly more risk than they currently do if they wanted to, by unlocking some of their assets to invest in return-seeking assets, such as those targeting a return of 1 per cent a year above gilt returns – "assets that are still quite safe, but not 'super-duper' safe".

Meanwhile, in contrast to the 1980s government, which wanted DB surpluses released for greater tax receipts, this government has expressed its desire for some of the excess funds be invested into the wider UK economy.

While the legislation for surplus extraction is still being determined, Marshall states that it would be an "own goal" if the rules remain "tied up so tight that it becomes difficult for many employers to sensibly take advantage of what is quite a welcome situation".

Whether in the realm of DB surpluses or deficits, determining the right balance between flexibility and returns, with security and prudence, is the lesson the industry grapples with throughout its past, present and, undoubtedly, future.

Written by Laura Blows

10 years of pension freedoms

Darren Winfield considers the various impacts and developments that have occurred due to a decade of freedom and choice

The introduction of pension freedoms, aka 'freedom and choice', in 2015 marked a significant shift in how individuals' access and manage their retirement savings. Here, we explore 10 key areas that have defined this era of pension freedoms.

1. Change in consumer behaviour

The FCA's retirement income market data highlights major shifts in consumer behaviour post-pension freedoms. More retirees now opt for flexible access drawdown instead of traditional annuities, although with current higher annuity rates the focus may well shift to a hybrid approach to drawdown. Lump sum withdrawals have also increased.

Additionally, there has been a growing trend of individuals delaying retirement or making multiple withdrawals over time, rather than taking a single defined route.

2. Constantly changing allowances

One of the biggest challenges introduced by pension freedoms has been the fluctuating allowances for tax-efficient savings and withdrawals. The Money Purchase Annual Allowance (MPAA), which restricts further tax-free contributions once flexible withdrawals are made, has changed multiple times. Lifetime and annual allowances have also been altered, leading to confusion and forcing savers to constantly reassess their financial plans. Inheritance tax (IHT) will be added to this list in April 2027.

3. Scams

The flexibility afforded by pension freedoms has unfortunately led to an increase in scams. The government and regulators have taken steps to curb this, including banning pension cold-calling and requiring trustees to scrutinise transfer requests more thoroughly, but the risk remains significant.

4. The FCA thematic review of retirement income advice reset advice standards

In response to concerns about mis-selling and poor retirement income decisions, the FCA conducted a thematic review, leading to a reset of financial advice standards. The updated standards place a greater onus on advisers to ensure clients fully understand the risks of drawdown and other flexible options.

5. Trustee Investment Plans (TIPs)

TIPs have grown in prominence as they allow savings to be managed with greater flexibility and provide access to a broader range of investment options. They also enable income, including from annuities to be held within the pension and even reinvested, rather than being paid out and becoming taxable.

6. Annuities

Once the default retirement option for most pensioners, annuities saw a steep decline following the introduction of pension freedoms. However, recent years have seen a resurgence in interest, particularly as annuity rates have improved due to rising interest rates.

7. UFPLS and drawdown

These have become the dominant choices for many retirees. UFPLS allows individuals to take lump sum withdrawals with 25 per cent tax-free and the remainder taxed as income, while drawdown offers ongoing access to pension funds with investment potential.

8. Rising solutions including with-profit funds, smoothed funds, master trusts, and CDC

New and old solutions have emerged to help individuals manage retirement risks. With-profit funds and smoothed funds aim to provide stability through controlled exposure to market fluctuations. Master trusts have gained popularity, offering economies of scale and professional governance. Collective defined contribution (CDC) schemes have also been introduced, pooling investment risk among members for potentially more sustainable retirement outcomes.

9. Today's market – an overview of options

The retirement income market today offers a broad range of choices. However, this also places greater responsibility on individuals to navigate complex decisions. Increased regulatory oversight and consumer education efforts aim to help retirees make informed choices tailored to their financial needs and risk appetite.

10. Online AI-led hybrid advice solutions

The rise of technology has led to the emergence of AI-driven hybrid advice models, combining robo-advice with human financial guidance. These solutions help bridge the gap between expensive independent financial advice and the need for tailored retirement planning.

Written by Defaqto insight consultant, Darren Winfield

LGPS: To pool or not to pool

Pensions Minister, Torsten Bell, has recently confirmed that the government will be sticking to the March 2026 deadline for Local Government Pension Schemes (LGPS) pooling work. *Pensions Age* asks: Do the benefits of LGPS consolidation significantly outweigh the possible downsides such as potential loss of control?

The Pensions and Lifetime Savings Association (PLSA) welcomes, in broad terms, the government's objectives of increasing scale, and of improving scheme governance and investment. The PLSA members have, however, a number of concerns relating both to the policy of what is proposed and its practical implementation.

In relation to policy, there is a risk that the funds will remain accountable for the performance of the LGPS but have limited means of controlling outcomes. Specific concerns relate to the pools becoming the principal source of advice and, potentially, carrying out the strategic asset allocation.

Practical issues include the feasibility of March 2026 for the transfer of assets, due to the absence of clear statutory requirements, and how local investments should be defined and then implemented, given wider changes in local authority structures.

PLSA head of DB, LGPS and investment, Justin Wray

We are supportive of the government's proposals to enhance the pooling and governance arrangement in the LGPS. The London Pensions Fund Authority (LPFA) has been fully pooled in Local Pensions Partnership Investments (LPPI) for many years now, so we've had time to build a collaborative working relationship under a structure very similar to the one proposed. The LPPI model under which we focus on our strategic asset allocation (taking advice from our pool while leaving the implementation to investment professionals) has delivered strong returns over both the medium and long term with robust risk management. In practice, we have not experienced any significant downsides such as a perceived loss of control. There will always be differing opinions, of course, but our experience is that conflicts of interest are manageable with appropriate oversight and are no more significant than arise in other structures today. In addition, we've achieved net cost savings of over £100 million from adopting LPPI's Whole Scheme Management approach. We do recognise the challenging timescales, as confirmed by the Pensions Minister, for pools to implement the minimum standards proposed in the consultation. We've had the benefit of time to build these capabilities with LPPI, and to recognise the benefits and make enhancements along the way. The benefits of such an internationally recognised model for asset management will provide considerable scale for the LGPS, with significant capabilities to invest in assets that can support UK growth and improve the communities of our members and employers.

LPFA funding and investment director, Lana Watson

The government's full commitment to the March 2026 deadline is ambitious, but the prize is significant if it unlocks investment in the UK, drives growth and provides strong returns to members.

Despite concerns, administering authorities (AAs) will still have significant control over how their assets are invested. They retain the fiduciary responsibility to set investment strategy, including responsible investment and level of UK investment. In addition, as partners/owners of the pools, they will have significant influence over where the pools direct their activities.

For Aon, the key risk is that the energy required to build new capabilities could distract the pools from their principal role of providing good investment performance for the AAs. The pools will need significant investment in people and modelling to develop the skills required to provide primary strategic advice, take on legacy assets and to investigate local investment opportunities.

To mitigate this risk, we believe pools will partner with organisations that have significant experience and resource in this space to help them build and transition their offerings to meet the government's target. With the right partners, the pools will be best placed to meet their key objective of delivering strong performance for the LGPS.

Aon partner and head of LGPS investment, Colin Cartwright

Views on this topic hinge on understanding the fundamental goals of further consolidation – who is driving this and why? Cited benefits are variously quoted as:

- (Further) potential economies of scale
- Potential access to better investments (or at least the ability to consider these with larger centralised specialist teams)
- Some levelling of outcomes (this could be bad or good, depending on who you ask!)

The consolidation would come with potential governance and regulatory changes for most pools (for example, falling under FCA regulations).

The relatively tight deadline has been a distraction for some pools, suspending other work to focus on this issue. There would in theory be winners and losers, which raises concerns that, in the rush for these perceived benefits, unintended consequences might be bad for an individual scheme exploring this issue. Specifically on the loss of control point, pooling may move 'local' investment initiatives further afield and end up focusing on national priorities or be subject to further (real or perceived) government interference.

There is also a case to be made that, beyond a certain scale, there is a diminishing marginal benefit to continuing to grow in terms of asset size. Fewer funds would reduce the risk of scarce assets being 'bid up' by competing schemes. Furthermore, as seen in the initial round of pooling some years ago, underlying schemes could undermine the spirit of the process by rushing through investments (potentially at odds with the broader consolidated pool strategies) which retain independence but are harder to later consolidate. In essence, unless everyone is on the same page and all clear as the motives and perceived benefits, there is potential for a bumpy ride in the implementation.

Cartwright Pension Trusts senior adviser, Ian McKnight

The majority of authorities will require significant transformation to meet wider proposals set out by the government. One of the biggest developments is for all investment matters to be managed internally – this will require significant change to current processes and could well incur undesired costs.

A more concentrated asset pool provides the opportunity to invest in ways that are desirable for government policies; whether this is in the best interest of members and sponsors can certainly be questioned. For example, asset allocators (AAs) could be forgoing more attractive global investment opportunities in order to align with government initiatives, which could be at the detriment of members.

The concern regarding implementation of pooled assets is one that should be considered further. In its current form, AAs will not have the ability to allocate between passive or active allocations, for example. This could have consequences with AAs expressing their views on areas such as ESG priorities.

Quantum Advisory senior investment consultant, Stefano Carnevale

Pensions history

Why do pension schemes invest?

In April 1984, a significant High Court judgment was handed down. *Cowan v Scargill* concerned the NUM Pension Scheme. Union-nominated trustees wanted the scheme to invest only in the UK, and to avoid investment in industries directly competing with coal. With the trustee board deadlocked, the court was asked to consider the appropriate exercise of scheme investment powers. It concluded that where the purpose of the trust was to provide financial benefits for the beneficiaries, the best interests of those beneficiaries were 'normally their financial interests'.

As other cases have reached the courts and the push for the consideration of social, ethical and environmental issues has grown, doubt has been cast on the decision, even though such issues may properly be considered where there is no significant detriment, or if they adversely impact investment returns.

The legal position is once again under discussion in response to calls for greater pension investment in the wider UK economy. The hope of long-term general economic benefit is unlikely on its own to justify investment and, as with any other investment, trustees will consider the attractiveness of opportunities offered compared with others available, the degree of risk presented and their scheme profile and strategy.

It may be that the law on investors' fiduciary duties needs yet another review. But the purpose of pension investment is and should be two-fold: To provide security for the pension promise and to ensure that the cost of that promise is sustainable.

www.pensionsarchivetrust.org.uk/ourcollections

Pensions Archive Trust director, Jane Marshall

The bright side

***Pensions Age* takes a closer look at some of the recent good news stories in the pensions industry...**

Royal London announced plans to provide a further £2m as part of its partnership with Turn2us, a charity dedicated to ending financial insecurity in the UK. Building on the success of the past three years, Royal London confirmed that it plans to provide an additional £2m over the next three years.

This renewed collaboration aims to tackle the stigma surrounding financial insecurity through research, advocacy and supporting the development of a collaborative advice network: A digital-first support network combining Turn2us's tools and information with subject-specific expertise from trusted, specialist organisations. Royal London has contributed over £1.4m to the partnership since the collaboration began in 2021, primarily supporting the Turn2us helpline, which provides immediate assistance to those struggling financially.