At-retirement products
How are providers ensuring at-retirement products stay relevant?

Career trajectories
How those working in the pensions industry wind down to retirement

Affordable housing
The investment opportunities for pension funds within the affordable housing sector

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December 2024

PENSIONS Age

The leading pensions magazine

Case study: *How the use of artificial intelligence has helped the Scottish & Newcastle Pension Plan*

Interview: *How the PPF has dealt with the challenges faced in 2024*

Time for a change?

Is DC lifestyling still fit for purpose?

De-risking Guide 2024: The many paths to choose


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Editorial Comment

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

So, the UK pensions industry is ending 2024 with a bang, with last month's Mansion House speech shaking up the sector's very foundations.

Chancellor, Rachel Reeves, used her first Mansion House speech to announce plans to create pension 'megafunds' by legislating for a minimum size and maximum number of DC pension scheme default funds. She also announced that the 86 LGPS administering authorities are to consolidate their assets into fewer, larger pools of capital. *[Read more on p12].*

Now I know it's not the most important takeaway from this announcement, but can I just say how much I hate the term 'megafunds'. It just seems that we've gone over the top and are getting sillier with naming conventions, having gone simple 'pension funds', to 'superfunds', to now 'megafunds'. It sounds like a word my 12 year old nephew would make up. What will the next one be? I predict 'gigantafunds' – you heard it here first.

"Can I just say how much I hate the term 'megafunds'"

But, irritating name aside, this announcement is expected to generate significant change to the structure of the UK pensions industry – moving to some hybrid Australian/Canadian model, with its own UK inflections, I'm sure. However, generating these megafunds comes as the industry is still grappling with a number of other major changes still to bed in.

As we highlight on p34, over the past year we have seen the first UK collective DC scheme launch, continued work on the imminent pensions dashboards, and had the delayed DB Funding Code come into force in November. The results of the Pension Investment Review are also in, with phase two still to come, and a Pension Schemes Bill set for the New Year.

While it's great that this new government is aiming big with its ambitions for the sector with so much structural change, its focus on pensions is arguably just a side-effect of its true aim to increase investment in the UK. Therefore, it is looking at the pensions sector's wealth with £ signs in its eyes, rather than being solely focused on creating much-needed fixes to the current pensions system itself.

For instance, as we explore in our cover story on p74, DC investment structure is still dominated by the 'lifestyling' investment approach of de-risking as a person gets closer to their retirement age. But, as so many people now want to stay invested post-retirement via drawdown products, is lifestyling still the most suitable investment approach to people's pension savings?

On the note of at-retirement products, our article on p58 considers how providers need to ensure that at-retirement products remain suitable for people's changing attitudes to retirement, with flexibility the key to future at-retirement product design.

However, despite my complaints, I promise I'm not all 'bah, humbug' this festive season. For instance, I was pleased to hear recently that the Financial Conduct Authority (FCA) has outlined the next steps of the Advice/Guidance Boundary Review, including a consultation on targeted support for pensions in December – read more about this on p16. This can only help to improve the support people desperately need when making pension decisions.

And, if I were to write a pensions Christmas wishlist to the Chancellor, the Pensions Minister, or Santa, (whoever may be more likely to act upon it), at the very top would be my request for the government to sink its teeth into the looming retirement crisis we have ahead, due to insufficient retirement savings. Setting out a timeline asap to increasing – and at the same time equalising between employer and employee – auto-enrolment contributions would be the best Christmas present we could receive.

So, whether you're going all-out, or having a smaller one, using the break to tackle new projects or to tick existing ones off the to-do list, from all of us at *Pensions Age*, have a wonderful Christmas break.

COVER FEATURE

Theme: The end game

74

Time for a change

Alex Janiaud considers whether the DC lifestyling investment pathway is still fit for purpose

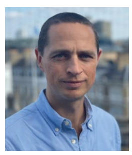
Features and columns

News, views & regulars

Continued on page 6

Features & columns

Continued from page 5



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Dateline - November 2024

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

1 November Industry experts reassured investors that fears of a repeat of the 2022 gilt market crisis, which saw rising yields trigger a liquidity squeeze for many DB pension schemes, were "not justified", after markets once again saw a "steady rise" in gilt yields following the Autumn Budget. **Barnett Waddingham** partner and head of DB endgame strategy, Ian Mills, said that this time it does not represent a cause for concern, as there were three key differences this time that reduced the likelihood of similar repercussions.

1 November The **Financial Conduct Authority** (FCA) banned Vintage Investment Services partners, Steven Hodgson and Paul Adams, from advising any customers on pension transfers and opt outs due to poor quality DB transfer advice.

4 November Mercer confirmed that it completed its acquisition of long-term savings specialist Cardano, for an undisclosed amount.

7 November Pensions Minister, Emma Reynolds, said the government intends to present regulations to extend collective defined contribution (CDC) provision beyond single or connected schemes to parliament "as soon as *[they]* are able to" *[read more on page 15].*

7 November The **Department for Work and Pensions** (DWP) announced that it had repaid £736m to individuals impacted by historical state pension underpayments as of 30 September 2024, having identified 119,050 underpayments.

8 November The **FCA** published its final rules and regulatory framework for pensions dashboard service firms *[read more on page 14].*

12 November The Pensions Regulator's (TPR) new DB Funding Code officially came into force *[read more on page 17].* TPR also confirmed that it will look to share covenant guidance "later this year".

12 November Secretary of State for Work and Pensions, Liz Kendall, made her first appearance in front of the **Work and Pensions Committee,** where she confirmed that the government is working to provide a response to the committee's report on DB pensions "in the new year".

13 November TPR shared its new compliance and enforcement policy for CDC pension schemes, which outlines how providers can expect it to supervise them *[read more on page 15].*

14 November Chancellor, **Rachel Reeves**, used her inaugural Mansion House speech to announce plans to create pension megafunds, as part of a "radical" set of pension reforms designed to unlock billions of pounds of investment in infrastructure and local projects *[read more on page 12].* Reeves also shared updates on a number of key pension investments, with both Aegon UK and NatWest Cushon committing to work with the British Business Bank on the launch of the British Growth Partnership *[read more on page 18].*

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

15 November The **FCA** outlined the next steps of the Advice/Guidance Boundary Review, including a consultation on targeted support for pensions in December *[read more on page 16]*.

18 November The **Money and Pensions Service**'s latest annual report revealed that it met all its pension guidance and Pension Wise targets in 2023/24.

19 November Industry feedback on legislation to extend CDC provision beyond single or connected schemes rolled in the **DWP**'s consultation came to a close, with some raising particular concerns over the proposed governance requirements *[read more on page 15]*.

20 November The **Pensions Dashboards Programme** published an updated version of its reporting standards, as the programme continues to move forward "with pace" *[read more on page 14]*.

19 November The Pensions Ombudsman (TPO) ordered a former company director to repay over £9.7m into the Uniway Systems Limited Retirement Benefit Scheme and the Genwick Limited Retirement Benefit Scheme *[read more on page 17]*.

20 November Research from the **Independent Governance Group** revealed that the majority of advisory firms expect to see a continuing "surge" in professional corporate sole trustee appointments in the next 12 months.

22 November Higher numbers of pension cyber incident reports increased the response time of the Information Commissioner's Office, research by law firm **Eversheds Sutherland** revealed.

26 November An All-Party Parliamentary Group (APPG) call for evidence report found "very significant shortcomings" at the **FCA**. The APPG on Investment Fraud and Fairer Financial Services said that testimony received suggested there were significant shortcomings at the FCA. In particular, it found that the FCA came across as an "opaque and unaccountable" organisation, it was slow to act, and "even slower to admit it had got things wrong and to change".

25 November Analysis from **Thinking Ahead Institute** revealed that the world's largest 100 asset owners now hold a record $26.3trn in total assets, although pension funds saw the smallest growth rate, with assets held rising by 8.9 per cent from the previous year. The research showed that the assets of the top 100 asset owners globally saw a return to growth in 2023, with the 12.3 per cent year-on-year increase helping to recover losses from the previous year. However, the *Asset Owner 100* study also revealed an evolving split between different types of asset owner, as whilst pension funds still form the largest assets under management by fund type (51.2 per cent), this group saw the smallest growth rate, while sovereign wealth funds are increasingly seen as a dominant force among other types of asset owners.

News focus

Reeves reveals 'radical' plans for pension megafunds

The 'radical' measures are part of the biggest set of pension reforms in 'decades', which are designed to unlock billions of pounds of investment

Chancellor, Rachel Reeves, has announced plans to create pension megafunds, as part of a "radical" set of pension reforms designed to unlock billions of pounds of investment in infrastructure and local projects.

Following the Budget in October, Reeves used her first Mansion House speech as Chancellor to take "bold action" to tackle the fragmented pensions landscape, deliver investment and drive economic growth, arguing that this is the only way to make people better off.

The reforms, to be introduced as part of the new Pension Schemes Bill next year (2025), look to create megafunds by legislating for a minimum size and maximum number of DC pension scheme default funds, and to require for the 86 Local Government Pension Scheme administering authorities (AA) to consolidate their assets into fewer, larger pools of capital.

Designed to mirror pension set-ups in Australia and Canada, these megafunds would be expected to take advantage of size to invest in assets that have higher growth potential, in an effort to boost investment in new businesses and critical infrastructure, while also improving DC savers' pension pots.

However, HMT acknowledged that these megafunds will need to meet "rigorous standards" to ensure they deliver for savers, such as needing to be authorised by the Financial Conduct Authority (FCA).

Announcing the plans, the government stressed that whilst the UK pension system is one of the largest in the world, there is still fragmentation and a lack of scale needed to invest in exciting new businesses or expensive projects like infrastructure.

Picking up the pace on consolidation

Indeed, its interim report on the Pensions Investment Review, which was shared alongside the Mansion House speech, said that it was "clear" that the future of the workplace DC market lies in fewer, bigger, better-run schemes, with the scale and capability to invest in a wide range of asset classes that can deliver better returns for savers in the long term and invest in the UK.

In line with this, the government's consultation, *Unlocking the UK pensions market for growth,* is looking at proposals to legislate for a minimum size and maximum number of DC pension scheme default funds.

Whilst the government acknowledged that the DC workplace market is already consolidating, it said that the reduction in the number of schemes has been most prominent for very small schemes, with growing evidence suggesting that a greater number of benefits can arise at £25bn-£50bn (or greater) of assets under management.

"At the large end of the market, there is variation in size across both master trusts and group personal pensions (GPPs), and there can be fragmentation with GPPs often having many default arrangements and default funds, meaning the average assets per default can be lower," it explained.

"Scale and consolidation among the larger schemes can therefore drive additional benefits."

Despite this, the government acknowledged that there was no consensus on the optimal size of a DC pension fund, confirming that the minimum size and maximum default numbers will be set following consultation, "at a level at which these efficiencies, economies, and investment benefits are realised and that addresses the current fragmentation within the pensions system".

It also acknowledged that "careful consideration" is required in the approach to implementation, to ensure innovation is maintained in occupational pensions.

Early timings have been provided though, as the consultation acknowledged these are "significant market changes and will not be achievable without a sufficient lead-in time", confirming that such a requirement would not apply before 2030 "at the earliest".

To support these measures, the government also outlined proposals to enable contractual overrides for contract-based pension arrangements, after industry feedback suggested that obtaining individual consent from savers to override individual contracts is a barrier that currently restricts consolidation.

According to the consultation, this override, which would be subject to appropriate member protections, would enable transfers without consent into either a trust-based or contract-based arrangement and would aid the shift to fewer, larger schemes.

The consultation is also looking to explore the role of differential pricing in a consolidated market and the roles of employers and their advisers.

An overhaul for the LGPS?

Alongside the DC proposals, the government launched a consultation seeking views on its plans to strengthen the management of LGPS investments.

In particular, the government is seeking views on plans to reform LGPS asset pools by mandating certain minimum standards deemed necessary for an optimal and consistent model, in line with international best practice.

The minimum standards proposed would require AAs to fully delegate the implementation of investment strategy to the pool, and to take their principal advice on their investment strategy from the pool. AAs would also be required to transfer legacy assets to the management of the pool.

In addition to this, pools would be required to be investment management companies authorised and regulated by the FCA, with the expertise and capacity to implement investment strategies.

The consultation is also seeking views on plans to boost LGPS investment in their localities and regions in the UK, by requiring AAs to set out their approach to local investment in their investment strategy, including a target range for the allocation and having regard to local growth plans and priorities.

These reforms, if taken forward, could also act as a boost for local economies, as HMT estimated that, if each AA were to set a 5 per cent target, this would secure £20bn of local investment.

It is also looking at plans to strengthen the governance of both LGPS AAs and LGPS pools, by building on the recommendations of the Scheme Advisory Board in their *2021 Good Governance Review.*

Further changes yet to come?

Whilst the government confirmed that, at this stage, it has decided not to make specific recommendations in relation to UK investment, beyond those outlined in relation to the LGPS, there could be further changes in future.

Indeed, the interim report confirmed that the next stage of the review will look to consider whether further interventions may be needed by the government to ensure that these reforms, and the "significant" predicted growth in DC and LGPS fund assets over the coming years, are benefiting UK growth.

The final report on the Pensions Investment Review will be published in the spring.

Written by Sophie Smith

'Missed opportunity' for DB changes

Despite the recent focus on DC and the LGPS amid the government's pensions investment review, industry experts had urged Chancellor, Rachel Reeves, not to overlook the role of DB pension schemes in her Mansion House Speech.

In particular, a number of industry organisations argued that Reeves should use the speech as an opportunity to provide "much needed clarity" on DB surplus sharing.

However, Reeves made no mention of the role of private sector DB in her speech, in what Brightwell CEO, Morten Nilsson, described as a "missed opportunity".

"As it stands, the current regulatory and legislative regime incentivises trustees and sponsors to pursue insurance buyouts as soon possible and more needs to be done to support those well-funded schemes with strong covenants who want to run-on," he said.

Further clarity for the DB space could be on the horizon, however, as Secretary of State for Work and Pensions, Liz Kendall, recently confirmed that the government is working to provide a response to the Work and Pensions Committee's report on DB pensions "in line with the government's priorities", with a view to responding in the new year".

FCA shares final pensions dashboards framework

Despite sharing the finalised framework, the watchdog said that the launch of private sector dashboards is "still some way into the future"

The Financial Conduct Authority (FCA) has published its final rules and regulatory framework for pensions dashboard service (PDS) firms, in what has been highlighted as a "big step forwards" for the programme.

The FCA's rules are split into two broad categories – the "high standards" it expects of all FCA regulated financial services firms, and the requirements that are specific to firms operating a PDS, which are intended to balance risks and opportunities.

In particular, the FCA said that it wants PDS to be platforms where consumers can confidently and positively engage with their pensions and be safely supported in retirement planning, warning that if consumers lose confidence in dashboards, it could risk losing future opportunities.

At the same time, however, the watchdog acknowledged that, if its standards are too stringent, it may prevent desirable innovation that helps consumers and deter reputable firms from entering the market, which could limit opportunities for consumers to meaningfully engage with their pensions.

Given this, the FCA said that whilst it considers its framework of rules to be proportionate for the first iteration of dashboards, it can also see the potential for dashboards to develop into, or contribute to, something more sophisticated over time.

Indeed, whilst the framework outlines its expectations for the initial launch of private sector PDS, the FCA recognised the potential for PDS to evolve over time, noting that there are both FCA and government initiatives and workstreams in various stages of development that could change the future landscape in which dashboards operate in future.

It therefore acknowledged that it may need to revisit the regulatory framework for PDS firms to explore how it might interact, support and appropriately protect in those new landscapes.

For instance, the FCA said that it is "open" to reviewing its limitations on whether and how 'view data' might be exported in future in the context of the Advice Guidance Boundary Review (AGBR).

"We need to explore the important and complex question of whether, how and in what circumstances dashboard data might enable consumers to access mass-market support outside the dashboard," it stated. We intend to use the AGBR to start that conversation."

Despite sharing the finalised framework, the FCA confirmed that it is not yet opening the gateway to receive applications for authorisation and variation of permission.

Instead, it said that it will open the gateway only when it is possible for a firm to show that it is ready, willing and organised to undertake the new activity of operating a PDS.

This means that the FCA will only look to open the gateway when the government and Pensions Dashboards Programme (PDP) have produced all the information necessary for a firm to design and build a PDS.

The FCA also emphasised more broadly that whilst it is finalising its rules now, in order to give interested parties some certainty over the initial FCA requirements, the launch of private sector dashboards is "still some way into the future", given the PDP's current focus on the Moneyhelper dashboard service.

Despite this, the latest update from the FCA was hailed as "a big step forwards" by Standard Life retirement saving director, Mike Ambery.

And this is not the only recent dashboards update, as the PDP also published an updated version of its reporting standards, moving forward "with pace".

The updated document set out the requirements on pension providers and schemes, and dashboard providers, for generating, recording and reporting data.

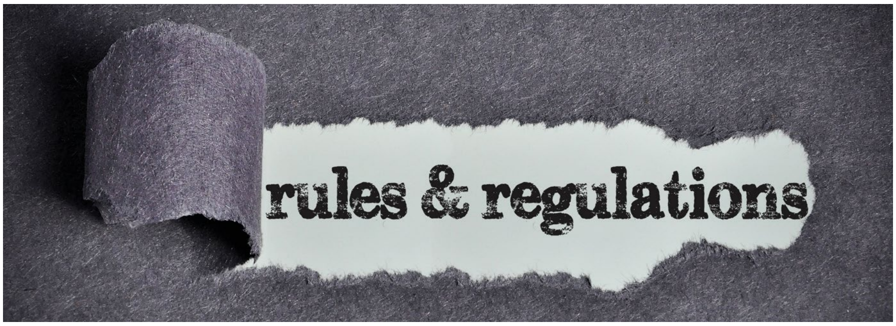
Alongside this, PDP shared minor changes to its data standards and the code of connection, and provided updates to Find and View JSON schemas.

It also released a view data model, which provides more information on the structure of a view response.

Written by Sophie Smith

Govt to present regs on CDC to parliament 'as soon as able to'

Work to extend collective defined contribution (CDC) to multi-employer schemes has continued, with the government set to introduce regulations to parliament "as soon as its able to"



Pensions Minister, Emma Reynolds, has said the government intends to present regulations to extend CDC provision beyond single or connected schemes to parliament "as soon as *[they]* are able to".

Earlier this month, a consultation was launched by the Department for Work and Pensions (DWP) on legislation to broaden CDC's scope, which currently limits these schemes to individual employers or groups with existing connections.

The extension seeks to allow unrelated employers to join CDC schemes, potentially opening up this pension option to a wider range of workers and industries.

Speaking at the launch of Royal Mail's CDC scheme, Reynolds emphasised that while the exact timeline would depend on issues arising from the consultation, the aim was to move forward with regulations for parliamentary approval "as soon as able to".

"We have to take this in stages," she said. "The plan would be to introduce regulation next year and then we would need that to go through parliament. Then we would bring the legislation and updated regulators code into force as soon as we can. So, pretty soon."

Industry responses to the DWP's consultation suggested that whilst there is broad support for the plans to extend CDC, there are some concerns over the proposed governance requirements.

In particular, the Society of Pension Professionals warned that the government's proposed draft legislation may be "unduly onerous", suggesting that the proposed regulations could inadvertently constrain activity.

In addition to this, industry experts highlighted the need for further regulatory clarification, with Aon partner and head of UK retirement policy, Matthew Arends, arguing that a "swift" extension of TPR's CDC guidance is of "equal importance" to the regulations.

Some broader CDC updates have been shared from TPR, however, as it published its new compliance and enforcement policy for CDC pension schemes, which outlines how providers can expect it to supervise them.

TPR said it will supervise CDC schemes in a "collaborative and proportionate" way, focusing on delivering outcomes for savers and preventing compliance breaches or harms to savers before they occur.

As part of its supervision, TPR will send CDC scheme trustees an annual evaluation regulatory report summarising its evaluation of the scheme, its intended supervisory intensity, the key risks observed, actions it expects the scheme to take, and its planned engagement timetable.

TPR said that it will keep the intensity, including frequency and detail, of its supervision of CDC schemes under review, with this to be primarily determined by its assessment of the scheme's level of risk.

However, TPR said it may also consider using its new powers, such as information requests, risk notices and improvement notices, when it is concerned a CDC scheme is not being effectively run, governed or funded.

According to TPR, it will use these risk notices where it wants to see trustees planning corrective action, with risk notices to be used instead of, or in advance of, more serious powers, including de-authorisation.

Ultimately, however, it warned that if those operating a scheme do not actively co-operate and engage, it will be difficult for TPR to be satisfied that it continues to meet the criteria and its wider obligations. It also confirmed that, if those operating a scheme do not actively co-operate and engage with TPR, it may de-authorise the scheme.

TPR executive director of market oversight, Neil Bull, said: "We support innovation in the market that benefits savers and believe CDCs offer trustees and employers a further option to provide members with a pension. But we expect savers to be protected.

"We are excited about the government's commitment to widening CDCs to multi-employer schemes."

Written by the *Pensions Age* team

FCA outlines next steps for Advice/Guidance Boundary Review

The watchdog confirmed plans for two upcoming consultations, including a consultation on targeted support for pensions in December

The Financial Conduct Authority (FCA) has outlined the next steps of the Advice/Guidance Boundary Review, including a consultation on targeted support for pensions in December.

It announced that the review, which seeks to improve people's confidence in financial decision making and give them access to the relevant support, will first focus on pensions.

The regulator stated that consumers were increasingly having to rely on DC pension savings and make more complex decisions in relation to these, including how to access their pension savings.

Therefore, the FCA will consult on 'high-level proposals' for targeted support in pensions, which will enable firms it regulates to provide support to pension savers in a new way.

Building on this work, the FCA plans to consult on rules for better support for consumers in retail investments and pensions in the first half of 2025.

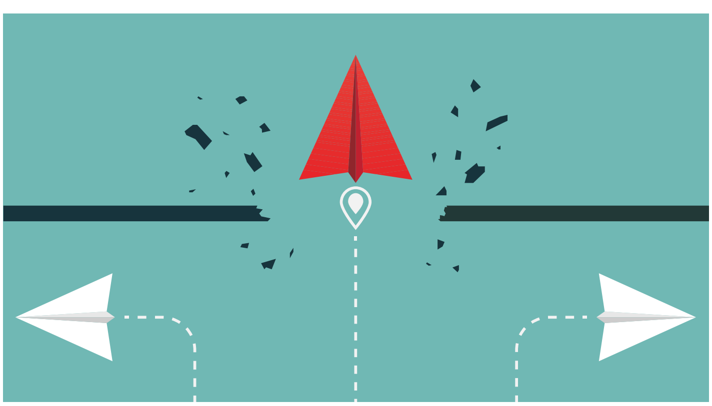
By the end of H1 2025, the FCA plans to develop related proposals for targeted support in relation to wider investments, and consult on the draft FCA rules that will apply across consumer investment and pensions.

The FCA also published a statement with The Pensions Regulator (TPR) and the Information Commissioner's Office, which aims to give firms greater clarity on communications they can make to help pensions and retail investment customers.

In its update on the Advice/Guidance Boundary Review, the FCA noted that a majority of respondents felt that targeted support offered the best way of helping consumers at scale.

While respondents also saw a role for simplified advice, they recognised that it may not meet the demands of the mass market, and some suggested that it was needed in conjunction with targeted support for those who cannot afford, or do not want, holistic advice but need additional help.

Furthermore, there was interest shown towards the proposal of the FCA further clarifying the boundary between regulated financial advice and unregulated guidance, but there was recognition that this on its own was unlikely to resolve the support gap.



"We will continue our engagement with firms and through our other statutory panels, industry working group and trade bodies," the FCA stated.

"We want firms to consider how they can better support their customers, and we want to collaborate with them to test options. We are working with our innovation function to support a more dynamic approach to policy.

"We will use the feedback to these consultations to finalise our proposals. There are different possible routes to delivering a targeted support regime, including through legislative change. The government and the FCA will keep these options under review as the proposals for this regime develop."

Commenting on the update, Standard Life retirement savings director, Mike Ambery, said: "The FCA's move to consult on pensions targeted support next month is hugely encouraging.

"For far too long we have had both a financial guidance and advice gap, with a majority of people making critical financial decisions with limited support.

"While financial advisers provide a very valuable service, advice currently serves those who are in most cases relatively well off and less than 10 per cent of those approaching retirement receive advice.

"Of the solutions that have been proposed so far, targeted support is the most promising. By being able to work with customers to determine whether there are common actions that people in similar circumstances typically take, the industry should be able to provide customers with beneficial journeys that can help them maximise their retirement income."

Written by Jack Gray

All change as new DB funding regime comes into force

The Pensions Regulator's new DB Funding Code officially came into force, with covenant guidance expected to follow "later this year"

The Pensions Regulator
Making workplace pensions work

The Pensions Regulator's (TPR) new DB Funding Code officially came into force on 12 November, with the regulator now set to improve its regulatory grip to ensure savers get the benefits they are expecting.

TPR also confirmed that it will look to share covenant guidance "later this year".

Replacing the existing DB Funding Code, introduced in 2014, the new DB Funding Code outlines TPR's guidance and expectations on how to comply with the Funding and Investment Strategy requirements.

Laid following extensive industry consultation, the new code aims to complement the change in DB regulations, which came into force in April this year and apply to valuations with effective dates on or after 22 September 2024.

This means that whilst the DB Funding Code officially came into force on 12 November, trustees of DB pension schemes with actuarial valuation dates on or after 22 September 2024 are required to use the new code.

Commenting on the introduction of the new code, TPR executive director of market oversight, Neil Bull, said: "I'm delighted that the new DB Funding Code has come into force.

"Together with the regulations, it focuses trustees' minds on the right long-term objective for their scheme and provides clarity of our expectations. It will improve our regulatory grip and should ensure savers get the benefits they expect."

Pensions Minister, Emma Reynolds, added: "DB pensions are a critical part of retirement provision for many. With around nine million people relying on them for their retirement income, it is essential that DB pension schemes are safe for members now and sustainable in the longer term."

Written by Sophie Smith

TPO orders company director to repay £9.7m

TPO highlighted the case as demonstration of the importance of pension savers being cautious when transferring pensions and being aware of the risks of scams and dishonest behaviour

The Pensions Ombudsman (TPO) ordered a former company director to repay over £9.7m into the Uniway Systems Limited Retirement Benefit Scheme and the Genwick Limited Retirement Benefit Scheme, following an investigation by its Pensions Dishonesty Unit (PDU).

The deputy ombudsman concluded that the two schemes were established with the primary intention of channelling money into specific, predetermined investments, and that, by facilitating this arrangement, the appointed trustee, Ecroignard Trustees, and Ecroignard director, Ankur Vijaykumar Shroff, failed to invest the schemes' funds for a proper purpose, with Schroff found to be a dishonest accessory to multiple breaches of trust.

According to TPO, Shroff invested £13.5m of the schemes' funds into high risk, overseas investments in his capacity as sole director of Ecroignard.

There were also "significant" conflicts of interest as TPO found that the individuals that set up the schemes and introduced savers to the two schemes had direct economic interests in the end investments.

Concerns around the scheme were raised after members became worried about a lack of information around investment performance, and an inability to take benefits or transfer their funds.

This triggered an investigation by TPO's PDU, which found a network of regulated and unregulated introducers arranging transfers into the schemes.

As a result, the deputy ombudsman, Anthony Arter, ordered Shroff to personally repay £9,776,035.99 into the schemes for the benefit of all members, and to pay each applicant £5,000 for "exceptional" distress and inconvenience.

Written by Sophie Smith

Mansion House: Pension providers back British Growth Partnership launch

Alongside the radical pension reforms, Chancellor, Rachel Reeves' Mansion House speech also provided updates on broader work to encourage pension investment in the UK economy

Aegon UK and NatWest Cushon have committed to working with the British Business Bank (BBB) on the launch of the British Growth Partnership (BGP), an investment vehicle that seeks to increase pension investment in UK high-growth companies.

As announced in Chancellor, Rachel Reeves' Mansion House speech, Aegon will provide cornerstone investment to the initial fund of the BGP, aimed at accessing the BBB's pipeline of opportunities in venture capital.

Meanwhile, NatWest Cushon has agreed to work with the BGP "with a view" to the Cushon Master Trust making an investment in the initial fund.

Both commitments are subject to completing commercial negotiations, regulatory and due diligence processes, and, in NatWest Cushon's case, obtaining agreement from the trustees.

The initial fund will seek to raise hundreds of millions of pounds, including a commitment from the BBB, to invest in the bank's venture capital pipeline, with the BGP to launch in 2025.

Aegon UK's initial investment will be integrated into its UK flagship workplace default, the Universal Balanced Collection fund, forming part of Aegon's private market allocation.

In partnering with the BBB, Aegon said it would seek to benefit from its scale, access, and experience in investing in innovative funds and companies.

Alongside its potential investment, NatWest Cushon has committed to continued collaboration with the BBB to provide input into the development of further products that access investment opportunities in UK growth assets.

"This announcement is an endorsement of the work the BBB is doing to support pension funds and other institutional investors to access venture capital opportunities," commented BBB CEO, Louis Taylor.

Aegon UK CEO, Mike Holliday-Williams, said: "This partnership with the BBB further demonstrates our cutting-edge capabilities, with the aim of providing workplace savers with access to innovative investment opportunities that have previously been out of reach to DC pensions."

Adding to this, NatWest Cushon CEO, Ben Pollard, stated: "As a signatory to the Mansion House Compact, we see the UK growth agenda as a win-win. By investing in impact focused sectors and UK high-growth companies, we're helping secure better outcomes for pension savers and a better future for them and broader society. Initiatives like the BGP are critical to giving pension schemes access to these investment opportunities."

This was not the only investment news confirmed in the Mansion House speech, as Reeves also announced that the BBB and Phoenix Group invested a combined £500m with Schroders Capital under the Long-Term Investment for Technology and Science (LIFTS) initiative. The funding will create a new investment vehicle available to pension schemes and other institutional investors.

The BBB has completed its £250m commitment, which will be matched by £250m of pension investment from Phoenix, to invest in UK companies focused on science and technology.

Phoenix will make its investment through its private markets joint venture with Schroders, Future Growth Capital.

The group previously received regulatory permission to launch the first UK dedicated Long-Term Asset Fund (LTAF) in September, with Schroders Capital expected to begin making investments before the end of 2024.

It will seek to offer DC schemes the opportunity to invest in the growth and development of UK companies focused on technology and science, with the government expecting 20 per cent of LIFTS capital to be invested in life sciences.

Written by Jack Gray

NEWS IN BRIEF

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

Private markets take centre stage

Pensions industry organisations have been upping their focus on private markets and investments in UK growth, particularly in light of the Chancellor's Mansion House speech:

• Fidelity International announced plans to integrate private assets into its £16.9bn default investment strategy for UK workplace pension schemes, Futurewise, through its first long-term asset fund (LTAF). The firm said the inclusion of the LTAF would provide members with "diversification benefits across multiple private asset classes, through a single building block offering specialist implementation".

• Research from DLA Piper revealed that UK insurers share a "strong appetite" for continued UK investment through their pension books, although a lack of market opportunities could be limiting their ability to invest.

• Aviva Investors launched the Multi-Sector Private Debt LTAF, with an initial £750m investment from Aviva's My Future Focus DC default solutions.

• Analysis from Van Lanschot Kempen Investment Management found that DC pension scheme members' pension pots could be increased by an estimated 40 per cent if employers productively invested their DB scheme surpluses.

• Abrdn found that the UK public was generally supportive of having more of their pensions invested in domestic shares and private assets, as 54 per cent would like their pension to have a greater allocation to private assets, while 32 per cent were not sure.

Reaching scale

Pension schemes and providers have been quick to highlight their scale in light of the renewed focus on consolidation:

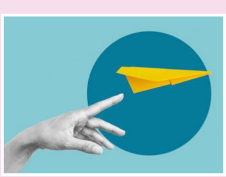
• Access LGPS Pool announced that it reached £50bn in assets under management (AUM). The collaboration of Central, Eastern and Southern Shires composed of 11 LGPS administering authorities revealed that listed assets held in its Authorised Contractual Scheme have broken through the £30bn mark. Access recently focused on alternative mandates, including £1.8bn in infrastructure, £4.7bn in real estate, and £900m in timber. The £50bn milestone takes the pooling progress of Access to over 75 per cent.

• Aon announced that it had taken on an additional £3.5bn in AUM with three new clients for its UK outsourced chief investment officer service.

• WTW secured five DB investment consulting appointments over the past nine months, totalling £30bn.

• Smart Pension announced that it had surpassed £6bn in AUM, having grown by 20 per cent in the seven months since it announced £5bn in AUM earlier in 2024. This was achieved through a combination of investment growth, new business wins, and master trust consolidations.

A changing market



The past month brought more than a few product and platform launches in the pensions industry:

• Isio launched a new service to support NHS employees affected by the McCloud pensions tax roll-back. Isio's new service, which will target NHS pension scheme members, was designed so that the fees are compensable under the NHS's McCloud 'Cost Claim Back' scheme, which means individuals should not be out of pocket.

• Trafalgar House announced the launch of an online transfer portal as part of a pilot programme to improve the pension transfer process for members and advisers. The portal is designed to simplify the transfer journey, accelerate processing times, and enhance communication.

• Smart Pension launched an integrated retirement savings calculator, designed to help members model and predict the monthly pension contributions required for a comfortable retirement.

• Aviva launched a Shariah investment strategy that includes a suite of funds compliant with Islamic principles. The new lifestyle investment strategy will build on Aviva's existing Shariah offering by providing its workplace pension members with a universal de-risking option and a target drawdown glide path.

Appointments, moves and mandates


Lara Desay

Hymans Robertson has appointed Lara Desay as head of risk transfer.
Desay has a range of experience and knowledge of the risk transfer market and joined Hymans Robertson in 2022 as a partner. She was previously at Scottish Widows, where she was head of origination and operations for its bulk annuity team. She takes over the role from James Mullins who had headed up the team since he founded it in 2007. Mullins will continue to be a key member of the Hymans Robertson risk transfer team, while also taking on additional responsibility chairing the firm's Partnership Council. Commenting on her appointment, Desay said she "looks forward" to leading its "highly" experienced team.

Barnett Waddingham announces Helena Morrissey as non-executive chair.
The appointment of Morrissey is effective from 1 January 2025. She will be responsible for providing independent oversight of the firm's strategy and governance, while ensuring the board maintains the highest standards of decision-making and accountability. She will work with senior partner, Andrew Vaughan, and four new managing partners. Morrissey has 15 years of experience as New Investment Management CEO. Morrissey currently chairs the Diversity Project. She also currently chairs the boards of Fidelis Insurance Group and Altum Group, and has previously held a number of other non-executive roles, including chair of the Investment Association from 2014 to 2017. She will take over the role from Elizabeth Renshaw-Ames, who leaves the role after six years.

The Pensions Management Institute (PMI) has appointed Mortality Manifest (MM) as an Insight Partner to help schemes improve their pension data capabilities.
The partnership will involve MM hosting webinars, interviews, and panel discussions for PMI members on critical issues of de-risking, data management and losing member contact. It also aims to support innovation on issues affecting the industry and will be available to pension scheme members across the UK.
Commenting on the appointment, MM managing director, Sam Dyre, said it was "delighted" to be partnering with the PMI and acknowledged that the partnership comes at a "good time" due to pension dashboards soon to go live.
PMI CEO, Gareth Tancred, added that it "looks forward to working alongside" MM.


Andy Marshall

Smart has appointed Andy Marshall as its chief commercial officer.
In this newly created role, Marshall will be responsible for Smart's sales and commercial activities and will work closely with Smart Pension's CEO and Smart's global CEO, to continue the growth of Smart's Keystone retirement savings technology platform and further growing Smart Pension in the UK. He has held several roles across multiple industries, including roles at LexisNexis and Experian.
Commenting on his appointment, Marshall said he was "excited" to be joining the Smart team and said there was "an exciting road ahead."


Rachel Croft

The Association of Professional Pension Trustees (APPT) has announced four new appointments, including appointing Rachel Croft as APPT chair.
Croft will succeed Harus Rai, who has led the association since 2021. Meanwhile, council member, Vassos Vassou, has been made APPT vice chair. Croft is a trustee director at Independence Governance Group and has over two decades of experience overseeing pension schemes. She has been on the APPT council since 2021 and focused on external affairs and furthering the role of professional trustees, having regular interaction with The Pensions Regulator and the Department for Work and Pensions. At the APPT's annual general meeting two new members also joined the council: Tova Docherty from Capital Cranfield and James Rickards from Law Debenture.
Commenting on her appointment, Croft said: "With the current Pensions Review, as well as the ongoing challenges of adequacy of DC member outcomes, agreeing long-term endgames for DB schemes that have optimal outcomes for all stakeholders, plus the government's drive towards consolidation and investing in UK assets, our members have a pivotal role to play.
"There is also the ongoing focus on the profession recently announced by the regulator, government and the industry generally to keep us busy in representing members' interests."


James Lavender

LawDeb Pegasus has expanded its pensions team with three appointments of executives to its pensions executive services team.

The new appointments are Clementine Chapman, James Lavender and Danny Gaskell. Chapman joins the team as an associate pensions executive having worked at Hymans Robertson as a pensions administrator and at HCI as a operations administrator. Lavender joins as a senior pensions executive following six years at PwC where he was a senior manager in its pensions management consulting wing. His experience of working closely with trust-based arrangements and trustee boards motivated his move into the trustee sector. Meanwhile, Gaskell has more than 10 years' experience in actuarial consultancy, focusing on advising trustees on DB funding strategy. He is joining as a pensions executive from Aon. Lavender and Chapman will join the London office, while Gaskell will be part of the Manchester office.

Commenting on the expansion of the team, LawDeb head of Pegasus, Mark Williamson, said: "Our Pegasus team is going from strength to strength, and the appointment of three new colleagues highlights our continued growth.

"James, Clementine and Danny bring a wealth of experience and will significantly bolster Pegasus' offering to customers. These appointments demonstrate our own commitment to enhancing our services and further cementing our position as an industry-leading service provider."

First Actuarial has appointed Gavin Thorn as financial wellbeing consultant *[read more on p25].*

With almost three decades' industry experience, Thorn has joined First Actuarial from Aon where he spent six years. He delivered financial wellbeing services to the employees of corporate clients, covering a range of personal finance themes. Prior to Aon, Thorn worked at Fidelus, in an employee benefits consultancy role which included delivering pension-themed financial education. He has also worked at Mercer and at Standard Life.

First Actuarial head of financial wellbeing, Catherine Lockyer, acknowledged the "huge impact" of financial education and support on wellbeing.

"At First Actuarial, we are building up our services and growing our team so we can meet even more of this demand."


Deanna Strable

Principal has named Deanna Strable as its next president and chief executive officer, effective from 7 January 2025.

Strable succeeds Dan Houston, who will continue to serve as executive chair of the board. Strable will also join the principal board of directors in January. Before being appointed president and chief operations officer in August 2024, she served as the company's chief financial officer from 2017 to 2024, and before that, as president of its workplace benefits and insurance business. She has worked for Principal 35 years. She helped build the company's benefits and protection business before stepping into the role of business unit president in 2015.

Eversheds Sutherland has appointed Isobel Carruthers as legal director.

Carruthers will be based in Eversheds Sutherlands London office and joins the firm's pension team from Slaughter and May, where she has worked for many years alongside the senior pension partners, having started her career at Freshfields. She brings knowledge and experience across all aspects of pension law, including in relation to very large industry-wide schemes, pensions litigation and restructuring projects. She is also a key member of the Association of Pensions Lawyers, having served for many years as secretary to the main committee.

Eversheds Sutherland partner and head of pensions, Jeremy Goodwin, said: "We are absolutely delighted to welcome Isobel to the team."


April Clark

Nest Pensions has appointed April Clark as chief people officer of the Nest pension scheme.

This role is a new addition to Nest's executive team. Clark has held senior positions in several leading organisations, including Saga Insurance, Aon and Prudential.

In addition to the appointment of Clark, the Minister for Pensions has made five appointments to the Nest board. These included Michael Gordon, Catherine Howarth and Stewart White, who have all been appointed for three-year terms, Faith Reynolds, who has been appointed for a four-year term, and Howard Walpole, who has been appointed for a five-year term.

VIEW FROM TPR: Pension schemes moving towards systemically important size

We welcome the bold reforms announced by the Chancellor at Mansion House, which will accelerate the move towards a market of fewer, larger pension schemes, better equipped to deliver for savers and invest in the UK economy.

Our own research suggests that in 10 years' time the master trust market will contain schemes of systemically important size. There will be seven schemes with more than £50 billion assets under management on a consolidated basis, with four of these over £100 billion each.

So what does this mean for TPR? We want savers to get good outcomes from pensions saving and our priorities are clear: Investments, data quality and crucially, trusteeship.

But the move to schemes of systemically important size also means that we are changing how we operate to become more proactive and market-facing. We are shifting to a more prudential-style of regulation, addressing risks not just at an individual scheme level, but also those risks which could impact the wider financial ecosystem.

We are also completely restructuring how we approach defined contribution supervision, with tiers of engagement depending on the risks schemes present to the market and saver outcomes.

At the same time, we are investing in digital, data and technology and embracing new ways of working across the organisation seeking to drive efficiency, automation and innovation.

The Pensions Regulator
Making workplace pensions work

TPR CEO, Nausicaa Delfas

View from the PLSA: The Mansion House proposals

The Mansion House proposals are a positive step towards ensuring our system delivers the best value for money for savers.

Aiming to drive consolidation, the reforms recognise that larger pension schemes can help achieve better outcomes for savers through economies of scale, stronger governance and negotiating power. The PLSA supports these aims, but of course as ever the devil is in the detail. Local Government Pension Scheme (LGPS) assets in England and Wales have already undergone substantial consolidation into pools. The PLSA supports the completion of the transfer of remaining assets and continued development of the LGPS Pool model. However, care must be taken to ensure this is done in a pragmatic way that is neither destructive of value nor incurs unnecessary investment costs.

In the auto-enrolment market, there are currently around 60 multi-employer schemes. Total DC assets are set to reach £800 billion by the end of the decade.

The government's proposals to set a minimum size requirement for these funds to ensure they deliver on their investment potential has the potential to significantly reshape the market. The level the government's 'minimum size' for these funds is set at, and the timeline for reaching it, will be central to the success of this proposal.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

PLSA director of policy and advocacy, Zoe

View from the PMI: Mansion House challenges

Rachel Reeves's much-anticipated first Mansion House speech proposed massive changes to the structure and investment policies of the UK's funded pension schemes. The 86 Local Authority schemes are to be merged into eight 'mega-funds' in order to introduce efficiencies such as a reduction in fees for professional services. These changes appear to be influenced by Canadian pensions policy, and comparisons have been made with Canada's 'Maple Eight' schemes.

Reeves also announced significant changes to workplace DC schemes. Here, the influence appears to be Australian: Ultimately, the Chancellor's vision is for a small number of very large pension schemes with up to £50 billion in assets.

However, there is also a potentially problematic aspect to the Chancellor's objectives. She wishes the UK's funded pension schemes to invest more extensively in the UK economy, with a particular emphasis on long-term growth assets such as patient capital. What is unclear, however, is the process of persuading trustees to restructure their portfolios to accommodate greater exposure to UK assets, and there are concerns that trustees will be under pressure to compromise their fiduciary duties by investing assets that do not suit members' best interests. Whilst we hope that the Chancellor will offer a carrot, we must also be prepared for the stick.

PMI

PMI director of policy and public affairs, Tim Middleton

Diary: December 2024 and beyond

Pensions Age Awards 2025
4 March 2025
Grosvenor House Hotel, London
The 12th Pensions Age Awards aim to recognise and celebrate the innovation, dedication, and excellence of both pension schemes and providers across the UK, especially those that have demonstrated outstanding performance and resilience in challenging economic conditions. The deadline for entries has closed, but bookings for the prestigious gala dinner are now open.
pensionsage.com/awards

PLSA Investment Conference 2025
11-13 March 2025
EICC, Edinburgh
The PLSA Investment Conference returns as the PLSA's first conference of 2025. It will aim to bring the full investment chain together to discuss big challenges and sector-specific issues, as well as sharing best practice. Confirmed topics include the government priorities, emerging market opportunities and the macroeconomic outlook, as well as private markets, investment during accumulation and investment in unstable times.
plsa.co.uk/events/conferences

Pensions Age Spring Conference
24 April 2025
London Marriott Hotel, London
The Pensions Age Spring Conference is back this year, offering pension funds and those working in the sector the opportunity to learn and network alongside their peers at a time when pensions is undergoing a time of dramatic evolution. With a new pensions minister leading the charge, a pensions review under way, and a government that is keen to encourage greater pension investment in UK growth, pensions are under the spotlight now more than ever.
pensionsage.com/springconference/

European Pensions Awards 2025
7 July 2025
London Marriott Hotel, London
Now in their 17th year, the European Pensions Awards were originally launched to give recognition to, and honour, the investment firms, consultancies and pension providers across Europe that have set the professional standards in order to best serve European pension funds over the past year, and continues to do so. The awards are free to enter and open to any pension fund or firm that serves European pension funds.
europeanpensions.net/awards/

Visit www.pensionsage.com for more diary listings

Don't forget...

LGPS and DC consultation dates 16 January 2025

The government's consultation on plans to create DC and LGPS 'megafunds' is set to close on 16 January 2025.

gov.uk/government/consultations

VIEW FROM THE SPP: Taking the long view

UK DB pension schemes are now very well funded, and the government is expected to offer an update on policy options for DB schemes in the New Year. This could drive even more interest in schemes' endgame options.

A likely target for many schemes will be their longevity risk. Historically, longevity risk has been hedged through an insurance buy-in or buyout, but in our view longevity swaps have become an attractive alternative.

The cost of longevity swaps has decreased materially. The risk fee charged by reinsurers for taking on longevity risk has fallen, driven by increased competition amongst reinsurers and the higher interest-rate environment relative to history. Another factor is that updates to the CMI longevity tables over the past two years suggest a roughly six-month reduction in pensioner life expectancy, which our analysis suggests is equivalent to a fall in liabilities of around 2 per cent.

As well as reduced costs, reinsurers are now more willing to take on longevity risk for non-pensioners as well as pensioners; and pension schemes are able to collateralise a longevity swap using a wide range of asset types, reducing the impact of a swap on wider investment strategy.

These dynamics have changed the game for pension schemes seeking to de-risk. Whether a scheme opts to run on, or to prioritise achieving buyout, using longevity swaps can make their goals more achievable.

THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

SPP Investment Committee, Jos Vermeulen

View from the AMNT: Christmas – 'it is better to give than to receive'

The actual phrase is 'it is more blessed to give than to receive'. It is found in the Acts of the Apostles with Paul saying that these words were said by Jesus though there is no specific mention of them in the Gospels. This phrase, although relevant throughout the year, is associated with Christmas encouraging charity in action and in spirit.

The recent Budget had both aspects of giving and receiving; though how this was viewed depended on your particular position; whether receiving or giving.

Pensions were little affected except by a tightening of inheritance laws regarding pension pots. However, the Chancellor still has pensions in her sights and is to set out plans to overhaul Britain's pension industry in her maiden Mansion House speech (due at the time of writing this article). She seems to be following the previous chancellor's stance in attempting to encourage both DB and DC schemes to invest in British industry, with particular emphasis on Local Authority pension schemes. But who will give and who will receive?

In answering that question the concerns of the trustees and pension members must be addressed and as The Pensions Regulator recently said: "We want all savers to get good outcomes from pensions." Let us hope that in this Christmas season goodwill extends to all.

Merry Christmas from the AMNT.

AMNT member, Stephen Fallowell

AMNT Association of Member Nominated Trustees

VIEW FROM THE ABI: Inheritance tax on pensions

Removing the inheritance tax (IHT) exemption on unused pension assets is not without its complexities. This is despite the fact that prior to pension freedoms, a single charge of 55 per cent was applied to unused pension assets on death.

HMRC's technical consultation published alongside the Budget proposes a different mechanism. The assets are to be included in the estate for IHT purposes, and the liability of paying this tax will fall on pension scheme administrators. The proposed timelines for doing this are much shorter than the normal pension two-year rule of paying death benefits, and there are policy questions around which products are in or out of scope.

There are operational challenges too. Our members tell us that they are often not notified of a death until sometime after the event; that it's not always clear who the legal personal representative is, and information is simply not available for months or even years. It is therefore welcome that we have a consultation, and that HMRC are proactively engaging with our industry.

What is clear is that we must avoid foreseeable risks to delays in payments to grieving relatives, who in many cases will be vulnerable and inexperienced in navigating the complex world of tax and pensions.

ABI

ABI manager for long-terms savings policy, Hetty Ahern

VIEW FROM THE PPI: Can alternative assets improve DC member outcomes?

Over the past decade, DC schemes have increasingly incorporated alternative assets into their investment strategies. The recently released 10th edition of *The DC Future Book*, published in collaboration with Columbia Threadneedle Investments, reflects on these investment trends.

The shift towards alternative assets in DC schemes aims to enhance returns and diversify portfolios, addressing the limitations of traditional low-cost, liquid investments such as listed bonds and passively managed equities. Historically, DC schemes have been cautious about alternatives due to concerns over liquidity, complexity, and regulatory constraints.

Despite these challenges, increased investment in alternative assets could improve retirement outcomes for members.Alternatives offer higher potential returns than traditional equities and bonds, potentially resulting in greater growth of DC pots. Additionally, alternatives provide improved diversification, reducing risk and better protecting members' savings during market downturns.

However, there are trade-offs. Illiquid alternatives may involve higher fees and complex administration, which could increase the cost of managing DC schemes and reduce overall returns. The introduction of new initiatives, such as Long-Term Asset Funds (LTAFs), are supporting this shift, but careful management remains essential.

PENSIONS POLICY INSTITUTE PPI

PPI policy researcher, Shantel Okello

A week in the life of: First Actuarial financial wellbeing consultant, Gavin Thorn

As an experienced financial wellbeing consultant, I recently moved to First Actuarial. Our financial wellbeing team delivers a range of activities for clients' employees – including live presentations, webinars and one-to-one sessions. Our team is spread across the firm's six offices. I'm based in Basingstoke and live in Bristol with my wife and three children. I love using my financial expertise to help people make better decisions about their money. There's always something I can say that will have a positive impact on their life and wellbeing.

Monday
It's a busy start to the week with a full day of one-to-ones with employees of a housing association. Because they're all online, I can work from home and walk my youngest daughter to her primary school 10 minutes away. Most of today's attendees want to discuss pensions. Some want to increase their personal contributions, for example, while others can't decide what to do with pensions from previous employers. What we give people isn't regulated financial advice, but an improved understanding of money. We use online tools, which attendees find helpful, but it's equally important to explain everything clearly and make people feel comfortable about asking the questions they really need answers to. There is no such thing as a 'daft question' when it comes to personal finance.

Tuesday
Today I need to be in the office, so I'm on the road to Basingstoke at 6.30am. Luckily, the roads are clear and I'm sitting at my desk with a coffee by 8.45am. This afternoon I'll be preparing for a webinar on how to make money go further, for one of First Actuarial's biggest clients. But this morning I've got time to catch up and discuss client projects with other financial wellbeing and employee benefits consultants. Because my role involves travel, I can't be in the office five days a week, so times like this are vital for keeping in touch with colleagues. I leave around 5.30pm and I'm back in time to take my eldest daughter to her swimming training at 7.45pm.

Wednesday
Today I'm at First Actuarial's Manchester office for a financial wellbeing team meeting. Once again, I'm in the car at 6.30am. It's proving to be a good week for traffic, and I'm in a meeting room in Manchester by 10.30am with colleagues from across the country. I'm still getting to know the rest of the team, and in-person meetings are the best way to build working relationships. It's a productive meeting, which includes some team training and discussion of upcoming projects. The next few months are going to be extremely busy, and it feels exciting. The meeting is over by 3pm, and I'm back in Bristol for 7pm to collect my youngest daughter from a dance class and take my eldest daughter to another swimming session.

Thursday
This will be my longest day of the week. I leave home before 6am to walk to Bristol Temple Meads where I catch the 6.30am train to Paddington. Ahead of me are 12 one-to-one sessions – starting at 9am – on a client site in central London. It turns out to be a satisfying day, with attendees raising a variety of subjects, including the impact of rising interest rates on the cost of debt and budget planning following a change in circumstances. I also cover more routine areas such as different ways to save and invest. With the final session cancelled, I leave slightly ahead of schedule and I'm back home by 8pm, ready to collect my son from football training and my eldest daughter from swimming practice (again!).

Friday
The week ends as it began, with a day of home-working. In the morning, I present our 'Saving enough to stop work' webinar to a small firm keen to get its workforce interested in its pension scheme. It's always popular, not least because it focuses on how pensions can improve your life rather than how much they cost. The afternoon is almost entirely spent in a long planning meeting with a key First Actuarial client. We're planning a series of employee webinars on a restructure exercise. Redundancy sessions are never pleasant, but they're a chance to deliver valuable support when people need it most, helping them understand their pension and financial options. At the end of the meeting, it's finally the weekend. Friday is the one evening where the whole family is at home, with no sporting activities involved. We use the time to sit down together for dinner (ordered in!), chat about the week that's just passed, and discuss what we have in store for the weekend.

VIEW FROM THE PPF: Collaboration is key to sustainability

It's been a busy year for everyone in the pensions industry with consultations, reports and reviews snowballing into our inboxes.

And things haven't quietened down in the final few months. Recently, we published our *Responsible Investment Report*, which summarises our stewardship and governance activities and reinforces our commitment to promoting sustainability in the pensions industry.

To ensure our investments are supportive of a fairer and sustainable future, the report highlights that, through our engagement service provider, we engaged with 667 companies on specific ESG issues and objectives, achieving significant progress with almost half (49 per cent). Collaboration is key to sustainability and, through our initiatives, we have advocated for a consistent approach to data so that all funds and investors can truly measure their impact.

This has very much been a year of engagement for the PPF, particularly in relation to the current shape and future opportunities of the pension industry.

We are grateful to everyone who responded to our consultations, attended our forums, and shared their views with us on important topics that impact our members and levy payers.

And we look forward to a new year on the horizon that brings further change and opportunities to collaborate with industry and government to shape the long term future of our sector.

Pension Protection Fund

PPF chief people officer, Katherine Easter

VIEW FROM PASA: Pensions and inheritance tax

Was Labour's Budget a damp squib for those of us in the pensions industry? Not if you read the detail behind the headlines. Subject to consultation schemes will inherit a significant job from April 2027 – to collate information from beneficiaries on death to assess, report and pay inheritance tax.

We can't see any industry positives in the proposed implementation of the approach, but here are some potential pitfalls:

- Pensions will be the first asset used against the tax-free inheritance allowance. This should help reduce the burden, but it relies on those managing estates knowing what to do and who to contact. Increased engagement with pensions through dashboards may help from an information availability viewpoint.
- The system will rely on beneficiaries disclosing accurate information about assets. Without that accurate information, errors in reporting and calculation will happen.
- Who bears the risk of errors? The scheme administrator or estate? There are no obvious mitigations for potential penalties/interest.
- Added complexity will bring unwelcome upward pressure on fees. For example, master trusts maintain standard approaches to help keep costs down and make arrangements attractive.
- Added complexity could limit services offered by providers. Could death benefits become too difficult to administer or come with too much risk?

While consultations imply openness to change, the fact there's so much detail already, it feels like a done deal – and that won't help anyone.

PASA assess | aspire | achieve

PASA board director, Chris Tagg

VIEW FROM THE ACA: The Mansion House proposals

Following the Mansion House speech, and the update and various papers that followed on the government's thinking on pension fund investment and on LGPS and DC, we applaud the bold ambition. In so far that it improves outcomes for the local community taxpayers that fund and underwrite the costs of LGPS and improves outcomes for DC savers, but the devil is in the detail of how to implement the ambition and over what timescales.

The Australian and Canadian models are not panaceas (big is not always better) and were not achieved over night. Where the government draws the line on minimum £billions for DC funds and how it might deal with identifying and consolidating 'underperforming' funds will be key and we look forward to positive engagement on forthcoming consultations.

However, the real disappointment is still the lack of anything on the £1.4 trillion in private sector DB and taking forward a vision for how these schemes can support economic growth and better outcomes for current and future workers. We would like to see greater support and flexibility on how surpluses can be utilised for the sponsors and members (and help with releasing some £100 billion to £250 billion of surplus over the next 10 years) combined with regulatory guidance that focuses on managing surpluses (as opposed to funding deficits!) to ensure appropriate safeguards are in place and help trustee navigate the requirements of their fiduciary duties.

ACA ASSOCIATION OF CONSULTING ACTUARIES

ACA chair, Stewart Hastie

Soapbox: Dear Santa

It's official – the festive season is upon us. The Christmas parties have begun, the mulled wine is flowing, and we are already becoming fed up with the Christmas songs playing in the shops.

But most importantly, we have all been busy putting together our Christmas lists for Santa.

This year, I have finally gotten the one thing that I've always wanted, a puppy, as we welcomed our very own Australian Shepherd in September – Bigby *[pictured]*. Named after the Big Bad Wolf, he is yet to grow into his name.

But why am I discussing this in a pensions magazine you may ask (other than hoping to get an excuse to shoehorn in a picture of him) – because it has meant that now I can have a new ask at the top of my Christmas list.

For those that may have seen my Valentine's Day blog (or been sat with me at any industry events over the past year), my new top ask may not be much of a surprise, because all I want for Christmas is some progress on auto-enrolment (AE) reform.

Whilst the government has repeatedly committed to the changes outlined in the *2017 AE Review*, as we enter 2025, the mid 2020s are not only upon us, but at risk of passing by.

The 2017 review, which outlined a number of key auto-enrolment recommendations, is now nearly eight years old – coincidentally, around the same age as my nephew.

But whilst my (nearly) eight-year-old nephew can ride a bike, play the cello and is a proud owner of his very own Karate orange belt – progress on AE reforms has remained stagnant.

Although last year saw hopes raised as a Private Member's Bill to extend AE cleared parliament and was granted Royal Assent, progress since has been limited.

It doesn't have to be now, but timings and greater clarity would be helpful, not just for the industry, but also for employers and workers, who have been forced to plan on the assumption that these changes will come through, without any certainty as to any timings, or exactly how these changes would be implemented.

The worrying results of this approach are already being seen, as whilst no timing has been given for the changes included in last year's Private Member'+s Bill, some employers are already making changes to their pension arrangements in order to balance the expected costs of more staff coming into scope of AE.

The slow progress on these initial reforms also makes it harder to set sights on the broader changes needed in industry.

So whilst the government has pledged to consider AE reform as part of phase two of its Pensions Review, it seems like a missed opportunity to have not already implemented the first steps towards better adequacy and use the review to look further into the future.

And it remains to be seen whether plans to increase minimum contributions or rearrange the divide in contributions between employers and employees be delayed once more, in favour of the same old conversations around AE scope.

We all have different ways of sharing our Christmas List – I only recently discovered that my family tradition of yelling our list up the chimney the night before (a Scottish tradition known as crying up the lum) was not a common one.

But with such slow progress on AE changes, I'm starting to think that simply yelling our wish list could be a better tactic than the many (many) written requests for change that we've seen from the industry.

I know I'm not alone in wanting these changes to come through, not least of all so the industry can start talking about new things, exciting innovations and ways to go above and help savers' money go further. But this feels like putting the cart before the horse when there are still so many being locked out from AE savings, and as a result, pensions more broadly.

Pension reform is a tricky area though, and I know that Santa's elves will be busy with much more important requests from children around the world, so in the meantime, I'll simply ask Santa for some new socks (and maybe some chocolate coins!)

Written by Sophie Smith

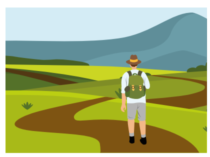
Making room at the table

Sackers partner, Andy Lewis, sits down with Sophie Smith to chat about his journey into the pensions industry, the joys of a countryside walk, and his many dream dinner party guests

What's your employment history (including jobs outside of pensions)?
I have been in pensions for more than 15 years now. My first-ever job was a paper round in Lee-on-the-Solent where I grew up, but other early employment included working in libraries, a tourist information centre and stacking shelves. The first seed of a possible legal career was planted on a work experience scheme with a local solicitor when I was 16. Pensions law has seen me train and qualify at Hogan Lovells, join Travers Smith, where I first made partner, and now arrive in the partnership at Sackers, which I am enormously excited about. It is a genuinely fascinating sector, but the best thing is that the people are brilliant.

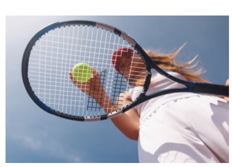
What's your favourite memory of working in the pensions sector?
What I love most about pensions are the 'eureka' moments that regularly come along – big and small. This is about so much more than solving technical legal issues. It's when you arrive at a genuine practical outcome and you know everyone is moving forward. The best times are working as part of a group facing a difficult decision or a challenging negotiation – it's great to reflect on a collective result and feel you made a genuine contribution. I want to be able to look back and think: "I did a good job. I helped to make a difference."

What was your dream job as a child?
I might say 'writer', but full disclosure: My grandmother tells me that at age four I got into a protracted debate with her about the meaning of the word 'hazard', and she had marked me down as a potential future lawyer from that day onwards. She knew young Andy better than I knew myself!



What do you like to do in your spare time?
Walking, preferably in the West Country or the Peak District but really anywhere with fresh air, good company and the possibility of a little pit stop in a nice pub. I find it a brilliant way to meet and get to know people, talk things through and be mindful. A bit of cold and mud can be a good thing. Family is important in my life too and I cherish the many weekends spent with my young niece and nephews. I am also a massive history buff, especially anything to do with my beloved Victorian Britain era.

Do you have any hidden skills or talents?
When I was younger there was a bit of a moment with theatre acting and directing. Describing this as a hidden talent might be ambitious, but it was a lot of fun and I kept going back for more.



Is there a particular sport you follow?
I enjoy keeping up with the tennis and have high hopes for Emma Raducanu. I am also a vicarious triathlon and athletics fan, mainly because my husband commandeers the TV when that's on. I have started to enjoy it despite myself.

And what film/boxset should people see?
I just re-watched *The West Wing*, which is easily the best TV show ever made. If that's not your cup of tea, could I recommend *Heartstopper* on Netflix? It's a wonderfully thoughtful and empathetic series about young LGBTQ+ lives, based on the excellent graphic novels by Alice Oseman.

Is there any particular music/band that you enjoy?
I love ambient music and electronica, especially Brian Eno and Blue States. I confess it can be an acquired taste so it's rarely on the playlist for houseguests and I'm equally happy with a bit of cheesy pop. *Espresso* by Sabrina Carpenter is currently on my most played, although that might be my niece's influence.

Who would be your dream dinner party guests?
So many names spring to mind – I would need a big table! For a start, Professors Hannah Fry and Alice Roberts and Dame Maggie Aderin-Pocock because they are amazing communicators on fascinating subjects and I am a science novice. Adjoa Andoh, the brilliant actress and advocate (for herself but also occasionally slipping into character as Lady Danbury if possible). And finally, Jennifer Saunders, who would be an absolute riot.

Written by Sophie Smith

Purple Book 2024: The PPF's present to the pensions industry

Shalin Bhagwan unwraps the goodies inside this year's *PPF Purple Book*

You know December is rolling around when the radio waves take on a rather eclectic mix, from Cliff Richard to The Pogues, and these days it seems the early signals come even earlier as shops seem to bring out the Christmas fare almost as early as the shelves are stocked with all the Halloween goodies. But as you tap your toes to the sounds of *Last Christmas* spare a thought for the elves at the Pension Protection Fund (PPF) who are hard at work across Croydon and London creating the latest edition of the *Purple Book* – the perfect early Christmas present!

Now in its 19th year, the *Purple Book*, also known as *The Pensions Universe Risk Profile*, is an important resource for DB pension professionals. It tells the story of the evolution of the DB landscape and how trustees are managing the risks they currently face.

This year, we have introduced two important changes to the *Purple Book*. First, we've updated our roll-forward methodology for calculating assets and liabilities by incorporating a broader range of market indices using more granular asset allocation data, which has recently become available to us, as well as allowing for benefit cashflow estimates. Second, we've updated the scheme status data based on analysis by The Pensions Regulator (TPR). Our new approach is similar, in principle, to the new methodology used by TPR and our new asset estimates will also be more comparable with those published by the Office for National Statistics (ONS), but the differences in how each organisation's figures are constructed and calculated will remain.

Ultimately, we believe these changes will enhance the value of the *Purple Book* and 7800 index and help inform schemes and broader industry on DB trends. We've made these updates in this year's figures and we've also restated the 2023 figures for easier comparison. They will also apply to the PPF 7800 index from the December 2024 update onwards.

Overall, the story the *Purple Book* tells this year is one of broad stability, with slight improvements in universe scheme funding in the year to 31 March 2024. The funding position on a section 179 basis showed a net surplus of £219 billion and a funding ratio of 123 per cent, largely consistent with last year's (restated) figures of £207 billion and 120 per cent, respectively. The net deficit of schemes that are in deficit, on the same basis, fell to £21 billion. Meanwhile the funding ratio, estimated on a full buyout basis, rose to 94 per cent.

In the context of the debate on how schemes' investments could help boost economic growth in the UK, this year's *Purple Book* provides some interesting insights into the asset allocation of DB schemes. What we have seen is another reduction in the overall proportion of assets held in equity – down to almost 15 per cent – and in UK equities within that – now less than 7 per cent. Meanwhile, the overall bond allocation has remained steady at around 70 per cent.

This continuing trend of risk reduction is also seen in other areas. DB pension schemes have continued to close to new benefit accrual, with only 4 per cent open to new members and future accrual, 19 per cent open to future accrual but not new members, leaving 77 per cent of the universe closed to both new members and future accrual. 2023 was also a record year for risk transfer (buy-ins, buyouts and longevity swaps), with £60 billion worth of deals being struck – this is around 5 per cent of the universe liabilities on an estimated full buyout basis.

So, while we've seen overall stability in scheme funding in the past year, the DB universe continues to mature, meaning the focus on endgames is only likely to sharpen in the years ahead.

Pension Protection Fund

Written by PPF chief actuary and interim chief financial officer, Shalin Bhagwan

Looking to India

Malcolm Reynolds explains how India can hold the key to the UK pensions administration capacity crunch

India is the world's fastest-growing economy and, after overtaking the UK in 2022, is on track to surpass Japan and Germany to be the third-biggest economy by the end of this decade.

Fuelled by global megatrends, earth's most populous country is reaping the rewards from decades of investment in its people, technology and infrastructure.

India's services exports are a large and rapidly growing element of this story. Services exports jumped from $53 billion in 2005 to $338 billion in 2023 – 10 per cent of GDP – and are set to hit $800 billion by 2030, Goldman Sachs estimates.

This growth was initially driven by the familiar story of offshoring and outsourcing as international companies moved their back offices to cut costs. But India has become more specialised and higher value as its global hubs have expanded in IT, finance, HR and project management.

Why does this matter to us in the world of UK pensions? Because India's service capability is proven to ease the capacity crunch in pensions administration. Put simply there aren't enough skilled people in the UK to carry out the mounting administration workloads created by trends such as:

- An ageing population – which means more people living longer in retirement
- Intensifying regulatory requirements such as Guaranteed Minimum Pension equalisation, pensions dashboards, tax changes (such as abolition of the Lifetime Allowance) and meeting consumer duty standards
- Changing member behaviour, where expectations have moved to expect immediate responses to complex situations operating in a digital world

Pension scheme projects are perhaps the most challenging element of this picture because they don't fit into day-to-day operations. They are generally complex, can be expensive and are nearly always urgent.

When I talk to clients, projects are the number one topic of conversation. Trustees and employers want reassurance that we at Aptia can support their strategic ambitions without any reduction in the service they provide their members.

Like other scheme administrators, we are working to retain our best people and investing in technology that will free employees to carry out higher value work. We're investing in artificial intelligence, automation and robotics – and as a specialist pensions administrator we have no other focus that competes for resources than providing good member experiences and outcomes.

But pensions administration still relies on people. That's where our Indian operations come in.

At the heart of India's growth is the country's greatest asset – a vast resource of highly qualified, ambitious and dedicated English-speaking workers. The average age of an Indian worker is just 29, and, from a population of 1.4 billion people, the country produces about three million graduates each year. That's two million more graduates than the UK produces each year.

As other pensions administrators explore or consider the opportunities in India, we are building on our established position in the market. We have operated in India since 2007 and have moved up the value chain as India has diversified into more specialised business services.

We opened our first Indian hub in Mumbai, the country's financial capital, and followed that two years later with a hub in Gurgaon, a satellite city of Delhi with big financial services and IT sectors. In 2015 we opened a third office in Pune, a large second-tier city that is also a major IT hub and is renowned for the quality of its universities.

We directly employ more than 1,500 people across our three offices in India, which is an important, seamless and growing part of the specialist capability we provide for our clients.

We employ just over 250 people working jointly on pensions administration projects from the UK, Portugal and India. Those teams deal exclusively with projects, ensuring that business as usual activities are unaffected by client demand for strategic work.

The project teams focus on GMP equalisation, data cleansing, pensions dashboards, and de-risking/risk transfer. Indian employees already carry out work on all these areas.

'Employ' is a key word here. At Aptia, we don't outsource; we own our Indian operations and employ our people directly. The Indian business is fully integrated into our group operations and mirrors our UK business.

This approach has wide-ranging benefits – from employee engagement and career progression to security and client confidence.

We invest heavily in training and educating our Indian employees to drive up quality levels and give them a clear career path. More than 20 per cent of employees in India hold Pensions Management Institute qualifications and we have asked the PMI to help us significantly increase this number.

We're also a diverse organisation, offering opportunities across the business. Women make up half our Indian workforce and fill more than 20 per cent of leadership roles. We're investing in the skills of our Indian employees so that we provide the best possible service, bring on future leaders and keep our best people.

This commitment to our employees is particularly important because, despite India's reserves of qualified people, there is fierce competition for talented employees and candidates. We have high retention levels across the business with a 93 per cent score among top performers, compared to an industry average of about 75 per cent.

Operating in India has other challenges as well as opportunities. Historically, some clients have been concerned about the security of their data in India, but all data resides in Europe and India only sees images of that data. There are no printing facilities, no open portals outside the business and no access to the internet for any of our administrators. And India has toughened its data protection law, driving up standards all round.

We took a group of clients and contacts to India in November to visit our offices and meet the teams who carry out work for them. We organise these visits regularly and everyone comes away in no doubt that India is an important part of Aptia.

India is a less predictable country than the UK on matters such as climate, weather and natural resources. We have adapted in many ways, but our geographically diversified offices give us options if one site were to be badly affected by an incident such as an earthquake.

Working from home makes managing the monsoon season much easier, but we have accommodation so that employees can stay there in comfort if they need to. Power cuts are rare these days in India, and our offices are each covered by separate generators that can bring energy from a different part of the world to limit business interruption.

We have learned and developed during our 17 years in India. One lesson is that understanding and embracing the country's distinctive culture and practices is essential. Here are some significant differences between our Indian offices and the UK:

- Most of our Indian employees' working days are aligned to the UK and they finish work around 9pm. To keep them safe and align with industry practice, we transport employees to and from work in cars and coaches, often across distances of hundreds of miles
- Staff canteens have largely died out in the UK but our Indian offices have busy canteens where employees can buy meals at a nominal cost (often less than £1). The canteens are also meeting points for our employees to interact and collaborate
- Family plays an important role in the Indian workplace, reflecting the country's familial culture and many Indian employees living in joint families. When we send congratulatory messages and well-done cards to colleagues we share them with their parents as well. We also invite employees' families to social events at the office so they can see where they work.

If you are looking at India to support your pensions business, I would say go for it. The potential rewards are enormous – not just financially but culturally. But to truly capitalise on the opportunities India offers, you need to make a full commitment to the country and its people.

At Aptia, we will continue to grow in India to improve our services and carry out whatever work our clients need from us. India is central to our future development.

Aptia in India at a glance

- Operating in India since 2007
- Three service hubs in Mumbai, Gurgaon and Pune
- More than 1,500 people employed directly by Aptia
- Women make up half the workforce and more than 20 per cent of leadership roles
- High levels of employee retention – and 93 per cent among top performers
- More than 20 per cent of employees hold PMI qualifications, with plans for more

Written by Aptia president, UK and Portugal, Malcolm Reynolds

In association with Aptia

SCOTTISH WIDOWS

Jill Henderson, Head of Strategic Relationships, Scottish Widows

Laura Blows
Pensions Age Editor

Closing the gender pension gap

Laura Blows discusses the gender pension gap with Scottish Widows head of workplace strategic relationships, Jill Henderson, in our latest *Pensions Age* video interview

Over the past 20 years there has been progress made in closing the gender pensions gap, as evidenced through your Scottish Widows *Women and Retirement* reports. Over the years, what trends and insights have you seen? Most importantly, are we seeing that gap shrinking?

Well, the good news is we have seen change, which is great. It's 20 years of research, and, in that time, we've been able to see a whole generational shift. So, we can see that the gender pensions gap has shrunk by a third, which is brilliant. However, there is still lots more for us to do in terms of making sure that women are financially resilient, that we are getting the most out of the pension policies that we have, such as support with childcare, and to make sure that women are getting the most they can for their retirement.

That's good news that the pensions gender gap is shrinking. What would you say is the biggest policy intervention that has helped with that?

Without doubt, auto-enrolment. That's definitely had the biggest impact. It's helped so many men and women save in their workplace environment for the first time, which is fantastic, but we still have a lot to do. We still have 42 per cent of women that will retire into poverty, which is a stark fact, and something that we want to change.

This lack of pension saving that women still generally have, is it perhaps the case that some women are preparing for their retirement

in different ways instead of using a pension pot? For instance, by investing in property or the stock market?

Well, interestingly, we have been looking at investments specifically this year as part of our report. What we've seen is that investing is something that women are still less confident about doing than men, and we see that particularly at younger ages. So, to take the ages of 18 to 24, 34 per cent of women are looking at investing, which is great, but that's against 64 per cent of men. So, there's a big discrepancy there. What we want to do is ensure that women feel confident and comfortable to think about broader investments, because they get the benefit of that compound interest over all those years, and that can help cover things like a career break, for example, or a break in earnings for whatever reason.

It's quite a gap there between men and women's investment trends. How much of a difference would it make to a woman's final pension pot, if they were also to look at investments?

So, for example, if a woman was to invest £1,000 at age 20, when they come to age 65 that would be worth £2,500. If the same lady was to do that at age 40, it would be worth £1,700. So you can see the difference that the age gap makes. At Scottish Widows, we're really keen to help women think about investing. We have something called ready-made investments, and what that does is it provide tools, guidance and lots of information for people looking to invest. So, if it is something that someone is interested in, they've got the support and help to make choices and make those considerations around investments.

Another issue, I feel, is that we do talk about women in quite a broad sense. Drilling down further, there is also the impact ethnicity can have on a woman's investment and retirement saving journey. I know that's something that Scottish Widows has looked at before in previous reports. Is that something that you're continuing to look at? And if so, what have you found out recently?

Definitely. We've done a deep dive looking at the impact of gender and ethnicity again this year, and what we see is a real contrast between different ethnic communities, their approach to saving and their propensity to earn. So, if we take British white individuals as a benchmark, we can see that Pakistani ladies, for example, have a much lower earnings propensity, and therefore their ability to save for their retirement is subsequently affected.

Thinking back to the question you asked me around investments, we see that black women are actually much more confident in making investment choices and looking more broadly with saving for their retirement than just using a pension vehicle. So, I think what we need to think about is a tailored approach, so that every community, with whatever savings product they are comfortable with and confident in, is able to receive support, education and encouragement from us, to look at investments and receive financial messages that is tailored to them.

As you mentioned before, progress has been made over these past 20 years. But while there is still that gender pensions gap, it's still not enough progress, clearly. So, as a final point, if you could make a plea for one change that you feel would have the biggest impact to close the gender pensions gap, what would you like it to be?

I would love for us to make additional changes to automatic enrolment rules. The government has laid out some proposals to change auto-enrolment, which are fantastic and would make a real difference. For instance, if we were to remove the lower earnings limit to just over £6,000 and to move the lower age limit of 22 to 18, that can make a difference of £47,000 in a person's pot, which is huge. And if we take the earnings limit of £10,000 out of that equation, that takes us up to £63,000. So that's a real, tangible difference to a women's pension pot. And if you think about most of the UK population, thinking about the self-employed, 75 per cent are women, and are earning often less than £10,000. So, these changes would make a vast difference. That would be my number one wish.

This is an edited summary. To watch this video interview in full, please visit pensionsage.com

2024: A year of change

2024 has been a year defined by transformation, marked by a new government, the introduction of the Pension Schemes Bill, a Pension Investment Review, and the introduction of several significant pieces of legislation. Paige Perrin looks back on an eventful year

January
• The Pensions Regulator (TPR) shared the long-awaited General Code of Practice
• The government shared the final DB funding regulations
• TPR published new guidance to help trustees improve member outcomes through private market investments

February
• Then Chancellor, Jeremy Hunt, shared updates on pension reforms in his Spring Budget, including the next steps for the Mansion House reforms
• TPR consulted on plans to help trustees meet new requirements for submitting a statement of strategy, with the full DB Funding Code expected to follow in 'summer'
• The Department for Work and Pensions' (DWP) Taskforce published final guidance
• Auto-enrolment thresholds for 2024/25 will remain at 2023/24 levels, despite industry frustration over delays in removing the lower earnings limit

March
• The DWP issued new pensions dashboards connection guidance, setting the end of April 2025 as the deadline for larger schemes to connect
• TPR shared early findings from its value for member requirements pilot and results of its first trustee diversity survey
• The government announced it needed time to assess the Parliamentary and Health Service Ombudsman's report on how changes to the women's state pension age were communicated
• The Financial Conduct Authority (FCA) revealed a 'mixed picture' on retirement income advice, encouraging advice firms to consider the findings of its review
• The FCA introduced a modification allowing firms to connect to the pensions dashboards' digital architecture before 31 October 2026

April
• FCA data revealed pension withdrawals continued to increase in 2022/23, with a growing number of savers failing to take advice before cashing-in their pension

May
• Analysis from the National Audit Office showed that costs for the Pensions Dashboards Programme (PDP) rose by 23 per cent since 2020, with digital skills shortage blamed for delays
• The Pensions Scams Industry Group published a consultation aimed at determining the future of the organisation
• TPR reported ongoing consolidation in the DC market, although assets growth per member has slowed since 2012

June
• The number of organisations adopting the Taskforce on Nature-related Financial Disclosures' (TNFD) reporting recommendations increased by 30 per cent since January
• Lumera entered an agreement to acquire ITM and Mercer reached an agreement to acquire Cardano, including Now Pensions

July
• Following the general election, the new Labour government appointed Emma Reynolds as Pension Minister, becoming the first to work across both the DWP and Treasury
• The Pension Schemes Bill was announced in the King's Speech, with the speech also highlighting plans for the National Wealth Fund (NWF)
• Chancellor, Rachel Reeves, launched a pension review
• TPR's long-awaited DB Funding Code was laid in parliament
• The Court of Appeal upheld the *Virgin Media v NTL* ruling

August

- The FCA launched a consultation on the proposed rules and guidance for the value for money framework for contract-based pension schemes
- The LGPS published the first version of its dashboards connection guide for LGPS administering authorities, alongside an additional voluntary contribution and dashboards guide

September

- A call for evidence was issued to help inform the first phase of the government's Pension Investment Review
- Key updates on pensions dashboards were shared by PDP and TPR
- The Pension Protection Fund proposed a £100m levy estimate, sparking calls for legislative reform to lower levies further

October

- The Autumn Budget proposed extending inheritance tax to pension pots, although other tax changes were omitted
- The UK's first collective defined contribution (CDC) scheme, the Royal Mail Collective Plan (RMCP), launched
- The DWP launched a consultation on draft legislation to extend CDC provision beyond single or connected schemes
- The FCA announced plans to launch two consultations on the Advice/Guidance Boundary Review next year
- Reynolds stated the PDP would prioritise launching the MoneyHelper dashboard service, before expanding commercial dashboard connections

- Reeves outlined the next steps for the NWF and the new British Growth Partnership
- PPF confirms bespoke s143 assumptions for small schemes

November

- The new DB Funding Code came into force
- The FCA released its final rules and regulatory framework for pensions dashboard service firms.
- Reynolds affirmed plans to extend CDC provisions beyond single or connected schemes to parliament "as soon as *[they]* are able to".
- The government announced plans to create DC and LGPS 'megafunds' in Mansion House Speech
- TPR shared CDC compliance and enforcement policy
- The FCA outlined its next steps for the Advice/Guidance Boundary Review

Labour government

Arguably the most significant change this year in pensions was the election of the Labour Party into government. In its first month following the election, the new government announced a Pension Schemes Bill during the King's Speech and launched a 'landmark' Pensions Review, to improve pension outcomes and increase investment in UK markets.

Pension Schemes Bill

The Pension Schemes Bill was announced in July, confirming plans to legislate on proposals for a value for money framework and the consolidation of small pension pots. The bill is also set to include measures for trust-based schemes to be legally required to offer members retirement income solutions, including default investment options. Proposals for legislation on DB commercial superfunds were also part of the bill. There was no mention of plans to expand auto-enrolment or allow the PPF to act as a public-sector consolidator, but both issues are still under consideration by the new government, awaiting the outcome of the Pension Review.

'Landmark' Pension Investment Review

The government's review of the UK pension landscape focuses on assessing how to improve pension outcomes, particularly through assessing retirement adequacy and increasing investment in UK markets. The first phase concentrated on increasing investment in pension pots and "tackling waste" in the pension system. A call for evidence was launched in September to help inform this first phase. This was broadly welcomed by experts but also urged the government against relying on scale alone.

Following the Chancellor's maiden Mansion House speech, the government shared the interim Pension Investment Review report, which proposed legislating for a minimum size and maximum number of DC pension scheme default funds. It also proposed legislation to require the 86 LGPS administering authorities to consolidate their assets into fewer, larger pools of capital. The report confirmed the next stage of the review will look to consider whether further interventions may be needed by the government to ensure that these reforms are benefiting UK growth.

Autumn Budget

The government's first Autumn Budget also announced big pension plans, including to remove the concession for pension pots to be passed on to anyone free of inheritance tax, as well as plans to increase employer national insurance contributions. The Chancellor also announced a rise to the state pension and committed to transferring the Investment Reserve Fund in the Mineworkers' Pension Scheme to members.

Pensions dashboards

2024 saw a continued focus on pensions dashboards, with several key updates announced throughout the year. This included the DWP publishing new connection guidance in March and setting the deadline for larger schemes to connect at the end of April 2025. In the same month, the FCA introduced a modification allowing firms to connect to the dashboard's digital architecture before 31 October 2026, even if they cannot provide 100 per cent of their relevant scheme members' data.

May revealed rising costs for the PDP, up 23 per cent since 2020, as analysis revealed that costs rose by 20 per cent since 2020. In the same month, the LGPS published the first version of its dashboard's connection guide for LGPS administering authorities, alongside an AVC and dashboards guide. It is tailored for the LGPS to support the development of project plans to implement dashboards.

Later on in the year, TPR shared a new compliance and enforcement policy, emphasising the importance of early planning to avoid regulatory action. Meanwhile, the PDP updated the dashboards technical standards and code of connection and confirmed Gov.UK One Login will be the identity service provider for anyone using the dashboards service.

In October, Pensions Minister, Emma Reynolds, said the PDP would prioritise launching the MoneyHelper dashboard service before turning to the work of connecting commercial dashboard services. She stressed the government was "firmly committed" to delivering dashboards, promoting greater engagement and finding lost pots. She confirmed that the timing for providers and schemes to connect was not expected to change. In November, the FCA published its final rules and regulatory framework for pensions dashboard service firms but emphasised that the launch of private sector dashboards is "still some way into the future".

DB Funding Code

Despite delays last year, TPR's new DB Funding Code officially came into force in November, replacing the existing 2014 framework. The new DB Funding Code was laid in parliament in July. It sets out TPR's guidance and expectations on how schemes should comply with the funding and investment strategy requirements. Industry experts welcomed the news of the code being laid in parliament, suggesting it was a "big moment" for schemes and sponsors who had been waiting for the final parameters to define their own long-term funding target. However, many noted the continued absence of updated employer covenant guidance, which was subsequently published by TPR in December.

CDC

The latter half of 2024 saw important moves in CDC schemes with the launch of RMCP, the UK's first CDC scheme. The RMCP scheme was initially announced in 2018 and became the UK's first CDC scheme after passing TPR's assessment process. Despite this scheme being hailed as a "milestone" in the industry, experts said they hoped this would act as a "stepping stone" towards scalable whole-life multi-employer CDC schemes.

The day after, the DWP launched a consultation on a draft regulation to extend CDC provision beyond single or connected schemes. Meanwhile, at the launch event for the RMCP, Pensions Minister, Emma Reynolds, stated that the government intended to extend CDC provision beyond single or connected schemes to parliament "as soon as *[they]* are able to".

The consultation closed on 19 November, with the industry expressing concerns over governance requirements. Key concerns included the safeguarding of members' pensions regardless of the type of CDC scheme selected on their behalf, ensuring robust regulation, and the "swift" extension of TPR's CDC guidance. Concerns were also raised about the role of the scheme proprietor, as well as the adequacy of marketing and communications.

The National Wealth Fund

Reeves, and Business Secretary, Jonathan Reynolds, instructed officials to work on aligning the UK Infrastructure Bank and the British Business Bank under a new NWF that will invest in "new industries of the future". The fund was aimed at "boosting" growth and unlocking investment in the UK, with a NWF Taskforce established alongside this. In October, at the International Investment Summit, Reeves outlined the next steps for the NWF and a new British Growth Partnership, in a move that was expected to release "hundreds of millions" of pension fund investment. Reeves confirmed that the UK Infrastructure Bank would operate as the NWF, to "catalyse" 10s of billions of pounds of private investment into UK clean energy and growth industries, including green hydrogen, carbon capture, and gigafactories.

Virgin Media v NTL ruling upheld

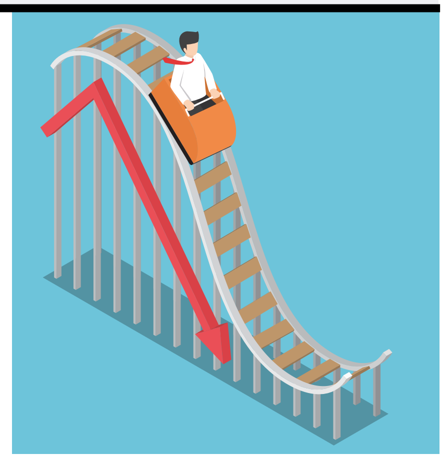
The legal landscape saw a major development in 2024 with the Court of Appeal's decision to uphold the High Court's ruling in the *Virgin Media v NTL Pension Trustees II* court case relating to section 37 and contracted-out DB scheme amendments. In June 2023, the High Court ruled that a lack of actuarial confirmation would render relevant amendments to affected contracted-out DB pension schemes' rules invalid and void. The Court of Appeal rejected the appeal to this decision in July. Industry experts warned that this could have "far-reaching implications" for a "significant" number of DB schemes. This promoted calls on the government to bring forward "clarifying" legislation or regulations to help schemes and their sponsors address the situation, suggesting that without this it could add pressure to scheme administration and member services.

Written by Paige Perrin

> **Summary**
> - At the start of 2024, there were fears of a hard landing for the US economy – but the reality was less severe, with boosts to the US economy in the form of consumer demand and AI gains.
> - The big tech firms fulfilled expectations and continued to fly.
> - As a result, performance in the sectors on which they depend, particularly energy, has also been strong.
> - In fixed income, credit ratings improved at aggregate emerging market level, while has benefited from structural reforms and other areas (including Argentina, Oman and Azerbaijan) have achieved investment grade from at least one agency.
> - The US elections confounded the polls and had 'mixed market impacts' and the outlook is uncertain with Donald Trump's promise to cut inflation potentially at odds with his other promise to raise tariffs on foreign goods (which could increase inflation).
> - ESG has faced a backlash from some quarters, but high numbers of managers are incorporating net-zero carbon targets into their funds.

A wild ride?

Sandra Haurant looks back at what occurred within investment markets during 2024



It's been a turbulent year, in which around half the population of the globe went to the polls, geopolitics continued to be unstable, and what seemed to be a too-close-to-call US election turned out to be near enough a clean Republican sweep. We look at how the world of pensions investment navigated 2024.

What was expected to happen?

As dawn broke on 2024, the world's markets knew they were in for something of a bumpy ride. Russell Investments head of multi asset, EMEA, Alain Zeitouni, says: "At the start of 2024, most financial forecasters were still fearing a hard landing of the US economy that could lead to a very adverse outcome for equity markets, given that valuations (particularly in the technology sector) were very high from a historic standpoint."

But, he says, the predictions were not quite right: "Against all odds, despite elevated interest rates and inflation, the US economy has been very resilient and has continued to grow by close to 3 per cent year-to-date. This has been boosted by strong consumer demand, productivity gains coming from the AI revolution, and receding political risks. It has translated into strong equity returns, especially for US markets, which are up by 23 per cent as of 15 November 2024."

In some areas, though, predictions were on the nose. As XPS Group chief investment officer, Simeon Willis, says: "In terms of the economy, expectations at the start of the year were for sluggish growth, moderating inflation and central bank rate cuts. This is broadly what has played out."

What has happened in the equities markets?

Some of the success stories in equities were widely anticipated. WTW multi asset strategy director, Tessa Mann, says: "The 'Magnificent Seven' (Microsoft, Apple, Amazon, Nvidia, Meta, Alphabet (Google) and Tesla) continued to dominate headlines over 2024; as well as generating an outsized share of market returns." Indeed, Mann says: "On a price-weighted basis, the 'Magnificent Seven' have so far increased 57 per cent over the year to date (at the time of writing). This compares with a return of 103 per cent over 2023. Nvidia's stock price has increased by nearly 200 per cent over the year to date."

Linked to this is one of 2024's surprises. "Utilities have been the stand-out success story within equity markets," says Zeitouni. "Usually, they are defensive stocks with an elevated level of debt; in an environment where growth stocks have overperformed and with elevated interest rates, you would not expect utilities to perform strongly."

However, Zeitouni explains, the rise of artificial intelligence (AI) is leading to an increased need for power usage, which, he says, "should drive electricity prices upwards and benefit the overall sector". What's more, deals between some of the tech giants and private energy companies have helped lead to overperformance in utilities, which were up by 25 per cent in mid-November 2024, Zeitouni adds.

And in other sectors?

As a result of geopolitical instability and rising defence budgets, another standout sector in 2024 is defence technology, according to Global X ETFs head of investment strategy, Morgane Delledonne.

"Donald Trump's re-election amplified this trend, with proposals to increase US defence spending to 5 per cent of GDP, while NATO nations are targeting a minimum of 2 per cent amidst rising populism in Europe, following this year's European parliamentary elections. Investments in technologies such as AI, cybersecurity, and unmanned systems have surged, aligning with projected 40 per cent growth in global defence spending by 2030," says Delledonne.

Other central themes have been the reshoring of industrial capacities, reducing supply chain dependencies – particularly in energy. "Infrastructure investment remains uneven. In the US, 40 per cent of Infrastructure Investment and Jobs Act (IIJA) funds have been allocated, but regulatory and administrative delays hinder further progress. Nevertheless, the remaining 60 per cent of this bipartisan stimulus represents significant long-term growth potential," Delledonne explains.

Infrastructure investment in Europe has largely been focused on renewable energy (including nuclear) as well as digital transformation. "Public-private funding integration ensures scalability and creates opportunities across industries from construction to advanced technologies," says Delledonne.

How did fixed income fare?

"At an aggregate emerging market level, credit ratings have improved this year. For example, year-to-date, 64 per cent of the sovereign rating actions were upgrades. This is stronger than any year we have seen since the Covid-19 pandemic," says Payden & Rygel senior vice president and emerging market sovereign analyst, Alexis Roach.

"Within the emerging markets (EM) universe, we focus on individual country stories instead of regional winners and losers, given the, at times, significant performance dispersion within regions," adds Roach.

"India continues to be a country story that we think is well-positioned from an investment perspective. This is due to recent structural reforms, strong growth, and a growing menu of investment opportunities available for foreigners." Other countries meriting attention are those that achieved investment grade from at least one agency, says Roach – notably Azerbaijan, Oman, Paraguay, and Serbia, she says.

And, Roach adds: "There are also countries where there has been a surprising turnaround in macroeconomic policy. […] in Latin America, Argentina is the stand-out this year, in that regard. Argentine bonds have rallied close to 90 per cent year to date, due to the success of a macroeconomic stabilisation implemented by its recently elected President, Javier Milei. […] Costa Rica has also performed well after implementing an important fiscal adjustment after the pandemic."

What can we expect as the year draws to a close?

Of course, it's impossible to discuss 2024 without mentioning elections. As Willis says: "The US elections were a source of considerable unease *[at the start of the year]*, and in the EU a clear tilt towards right-wing politics was emerging."

In the US, the polls had many believing that the battle would be tight, and that we would be in for a long wait before the result was clear. Of course, that's not how things panned out – and, says Delledonne, Trump's decisive victory has had "mixed market impacts".

"Stocks fell in response, reflecting concerns over inflationary pressures from tax cuts and proposed tariffs, which could disrupt supply chains," she says. "However, increased defence and infrastructure spending are expected to bolster US innovation and manufacturing. Investors are cautiously navigating volatility through defensive and income diversification strategies, including covered calls on US benchmarks."

An immediate surge was seen in the world of Bitcoin, due to an assumption that a Trump administration could wave in less stringent regulation. But, Willis warns: "Contrary to conventional wisdom, this does nothing to lend support to its investment case. The main role of currencies is to facilitate transactions – not direct investment. The case for not investing in Bitcoin hinges on its lack of income. Bitcoin doesn't pay interest and the carry trade doesn't work on an asset with no carry."

Nonetheless, Willis says, the markets will have a close eye on upcoming changes: "Trump has continually raised the prospect of tax cuts and tariffs on foreign goods. It is highly likely these actions would be inflationary, something Trump has also vowed to reduce. The election resulted in sharp rallies in markets driven by these expectations of tax cuts and deregulation. The combination of winning the upper and lower house, plus his cabinet appointments so far, suggest that he's better placed to get them implemented than his first term."

One area that merits closer attention is that of environmental, social and governance (ESG) strategies. Here, says Willis, we have seen a "mixed mindset", including a "prominent backlash against ESG, particularly in the US, feeding through to behaviour and policy of international investment managers."

In this context, a number of investment managers have withdrawn from industry initiatives such as Climate Action 100+, says Willis. "That said, more managers than ever are incorporating net-zero carbon targets into their funds, and the general adoption of good ESG practices continues to build in the asset management industry." But this could all change again, with advent of another Trump administration, and the prospect of a US withdrawal from the Paris agreement.

While some predictions made at the start of the year proved to be off the mark, then, one overriding forecast has held true. There's no doubt that we continue to live in interesting times.

Written by Sandra Haurant, a freelance journalist

Lessons learnt

As we reach the end of our year-long focus into financial literacy, *Pensions Age* hears from the industry about its success stories this year in improving its members' financial education and wellbeing

2024 has been a strong year for engagement – a recent survey of our registered master trust members found that 84 per cent had viewed their pension this year, an 11 per cent increase from 2023.

We launched a TikTok page to get young adults engaged in their pension. In that time, the channel's videos have amassed over 176 million impressions and drove over half a million visits to our digital hubs – a clear sign that demand for alternative engagement strategies is stronger than ever.

We've observed incredible levels of engagement with digital assets like our 'beat the gap' and 'pension mirror' games which have, in tandem with our many other gamification features, helped to educate users about their pensions.

These new features have driven more people to register to view their pensions but it's what they do once they're using the app that matters. Weekly logins have more than doubled but the big one is digital transactions - in just one year these have more than trebled. That's people updating pension details, filling in their nomination of beneficiaries, changing their retirement dates and doing all the simple but important things needed to help improve outcomes.

Scottish Widows workplace savings engagement and innovation specialist, Robert Cochran

At Octopus Money, we've been working hard to help people take control of their financial futures. Over the past year, our team of expert coaches has had thousands of conversations aimed at inspiring our clients to take action on their pensions. A one-size-fits-all approach to pension advice just doesn't work. So we take the time to understand each client's unique situation and provide tailored advice. Whether it's maximising employer contributions, consolidating old pension pots, or getting to grips with investment options. More than 30 per cent of people who meet with our coaches and get a financial plan go onto to journeys to take more control of their pension savings. By breaking down complex pension concepts, we've helped many clients gain a better understanding of their options and make informed decisions.

Octopus Money head financial coach, Ali Poulton

Aviva's *Working Lives Report 2024* found almost three-quarters (73 per cent) of employees surveyed said financial education programmes offered by their employer that were personalised to them would be useful. This year, we have provided financial education seminars to over 63,000 workplace pension scheme members, which are designed to improve understanding and support better financial planning. The seminars provide information on pensions, mortgages, budgeting, saving money on household bills and understanding debt.

By signposting to useful tools and further guidance, the sessions build understanding and empower members to take positive next steps.

Aviva head of pension engagement, Laura Stewart-Smith

In general, customers across all life stages are emerging from the worst of the cost-of-living crisis and we're seeing positive progress from activity we've led with our customers to support them in improving their financial literacy and resilience. We've more than doubled the number of customers using our mobile app in the past two years, which we know increases financial confidence. And we've seen record numbers of attendees across our customer webinar series – with over 9,000 customers across five sessions building knowledge and understanding of pensions, savings, and retirement.

I've been very proud, in particular, about the work we've done in partnership with one of our employer clients, a charity focused on improving the lives of autistic people. As well as working with them to support their members effectively, we benefitted from working with the charity to improve how we support our autistic customers generally. This included a number of training sessions to ensure we provide the right service support when individuals need our help.

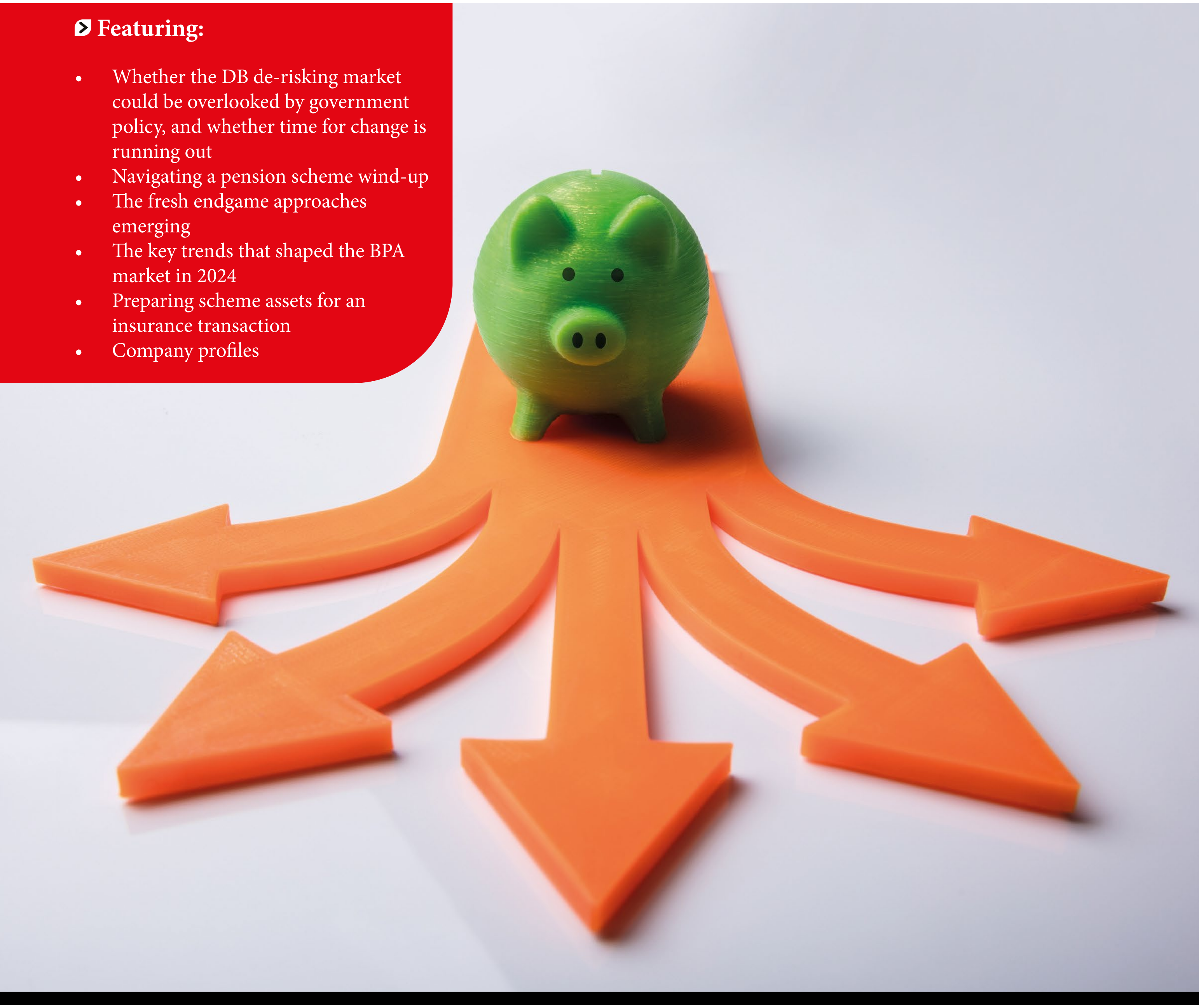
Royal London workplace pension director, Rory Marsh

De-risking Guide 2024:

The many paths to choose

Featuring:

- Whether the DB de-risking market could be overlooked by government policy, and whether time for change is running out
- Navigating a pension scheme wind-up
- The fresh endgame approaches emerging
- The key trends that shaped the BPA market in 2024
- Preparing scheme assets for an insurance transaction
- Company profiles



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Summary

- The DB de-risking market has been thriving in recent years, as scheme sponsors sought to lock in recent funding improvements, with more money transitioning from the pension industry to the insurance sector.
- Some schemes are still adopting a 'wait and see' approach while awaiting further clarity on DB surplus sharing rules, although many have already set their endgame strategies.
- Industry experts have raised concerns that this lack of clarity could therefore limit the DB sector's ability to help meet the government's intent to increase UK investment.

Too little, too late?

The DB de-risking market has seen record-breaking volumes in recent years, but is the DB space being overlooked by broader government policy, and is time for change running out? Sophie Smith reports

The DB pension market has faced growing scrutiny in recent years, after being thrown into the spotlight amid the 2022 gilt crisis, as headlines claimed that the sector was "on the brink of collapse".

But it seems reports of the death of DB were greatly exaggerated, and the significant funding improvements seen in the wake of the 2022 mini-Budget opened the door for record-breaking volumes in the bulk purchase annuity (BPA) market, as DB schemes and their sponsoring employers took the opportunity to de-risk.

Indeed, Standard Life BPA transaction manager, Alex Oakley, says that the BPA market has continued to thrive this year, with volumes expected to top £40 billion yet again.

"In addition, the pipeline of 2025 transactions is very strong and we are continuing to see strong demand from pension schemes of all size for insurance de-risking solutions," he says, highlighting this as demonstration that trustees and sponsors continue to see BPA as a secure home for members' benefits.

But the government's focus on DB has been dwindling, as the limelight recently shifted towards DC and the LGPS, in line with the focus of the government's Pensions Review.

And whilst the BPA market has continued to thrive, updates on alternative endgame options and broader DB changes have been sparse, despite industry calls for greater clarity around DB surplus rules.

A forgotten market?

In particular, whilst industry experts urged Chancellor, Rachel Reeves, not to overlook the role of DB pension schemes, the sector was omitted from her inaugural Mansion House speech to the disappointment of many in the industry.

"It is a shame that the recent Mansion House speech had no mention of possible changes in this area, as clearly the window for schemes to consider changing their long-term targets (or objectives) has a finite period and the longer the government remains silent on this issue the harder it will be for schemes to justify not securing their benefits with an insurer," XPS Group partner and head of investment risk settlement, Sian Pringle, says.

However, M&G associate director, corporate risk solutions, Max Koe, says that the group has seen some evidence of trustees and sponsors adopting a 'wait-and-see' approach in order to better understand the implications of any regulatory changes.

Pringle agrees, revealing that discussions about what the outcome of some of the various government consultations around the DB surplus sharing rules might mean for them has "undoubtedly" piqued the interest of a few schemes who are now considering run-on in the short term to see where these rules might land.

But with the BPA market showing no signs of slowing down, and limited progress on the clarity needed to encourage greater run-on, there has been some suggestion that the UK government could be 'missing its window' to make the most of DB investment in its push to encourage greater investment in the UK.

"Without unlocking the potential for run-on soon, it is hard to see that DB schemes will be able to provide sufficient investment in long-term growth assets to have an adequate impact on growth in the UK economy which could also lead to better outcomes for members," Pringle warns.

And whilst the government has been focused on how DC and LGPS investment could help address the £22 billion blackhole left in public finances, industry estimates suggest that 2024 volumes to date are around c.£40 billion, thanks to a number of 'megadeals'.

However, Isio partner, Steve Robinson, points out that the assets involved in these transactions are consolidating within the insurance sector, where the government can play a role in creating opportunities for productive investment.

"There are already billions of pounds in the insurance sector that could be allocated to suitable UK investments, even before the forecasted record-breaking wave of new business," he says.

Indeed, Koe also points out that, when a scheme transacts a buy-in, the insurer will typically invest those gilts or other de-risked assets into corporate bonds and private 'productive assets' such as infrastructure, social housing and the green economy, much of it in the UK.

Shifting policy focus

But this could make policy changes in the insurance sector a more attractive option than DB policy changes, if the government is looking to encourage greater investment in the UK.

In particular, Robinson says that, given insurers must comply with PRA regulatory constraints, the government could help by enabling the development of appropriate investment opportunities, such as addressing the non-Matching Adjustment complaint equity component.

Creating more options

Industry innovation could also prompt a shift in strategy, as M&G recently agreed the market's first BPA deal to share value with a corporate sponsor with an unnamed UK pension scheme.

The deal was completed using M&G's newly launched Value Share BPA proposition, which was designed to allow trustees to insure the scheme in exactly the same way as a traditional buy-in transaction, whilst also allowing corporate sponsors to participate in the risk and reward generated from insuring their DB scheme.

Indeed, Koe says that the mindset of sponsors seems to be a shifting and many are considering how they could participate in the potential profit created by schemes approaching the insurance market.

And whilst larger schemes are thought to be the main target for run-on, Koe confirmed that group will also be targeting larger DB schemes for its Value Share BPA proposition, with future transactions expected to be at least £1 billion in size.

"We see our Value Share BPA proposition working within the definition of run-on, given the sponsor is retaining skin in the game over a long-time horizon but providing trustees and members with the ultimate security of a buy-in," he states.

Written by Sophie Smith

Allowing the market to thrive

Whilst discussion around the potential public sector consolidator (PSC) has slowed since the general election, it has not been ruled out, with the Pensions Minister recently suggesting that further updates on this idea could be seen "in the coming months" *[read more about the PPF's latest thoughts on a potential PSC on page 56].*

But recent record-breaking volumes in the BPA market have prompted industry experts to caution the government against these plans.

Indeed, M&G associate director, corporate risk solutions, Max Koe, says that the BPA market is a competitive and thriving market, with "significant innovations" over the past few years.

"Market consensus from advisers suggests that a vast majority of schemes that approach the BPA market are able to receive affordable buy-in quotes from a number of insurers, and competition at the smaller end of the market in particular has increased significantly, which can only benefit trustees," Koe continues.

"We would expect any public sector consolidator to be focused on schemes that are not well-served by the insurance market, i.e. they would not be looking to cover the same schemes that insurers already do."

Isio partner, Steve Robinson, echoes this, arguing that the BPA market is already responding to accommodate these needs, although new entrants face barriers to entry such as regulatory requirements.

"Capacity in the bulk annuity market is at an all-time high, and operational consolidators already serve small schemes," he states. "Furthermore, most new entrants to the BPA market have explicitly stated their focus on smaller schemes. The market is demonstrating its ability to provide solutions without the need for a public sector intervention."

XPS Group partner and head of investment risk settlement, Sian Pringle, also says that there has been little evidence of barriers to scheme's getting quotes, revealing that, every single scheme that XPS has taken to market over the past two years has managed to get competitive insurer pricing.

"However, if the PPF considers extending its role to provide stewardship and support to insolvent sponsors' schemes that are well-funded but cannot afford to transact with an insurer imminently. It could assist those schemes to buyout over the medium term providing better outcomes for members," Pringle acknowledges.

Navigating a pension scheme wind-up

How to balance member, sponsor, and trustee interests when implementing a scheme wind-up

Insurance buy-in transactions are a large and growing part of the pensions industry. Yet, while there is often a strong emphasis on executing the transactions efficiently, there can be less focus on the subsequent process of completing the buyout process and winding up the pension scheme. In some cases, a lack of resources and inexperienced teams can lead to direct impacts for your scheme members, the sponsor and pension scheme trustees alike. So, how can you ensure all parties have a positive experience?

Placing members at the heart of the process

Winding-up a pension scheme can be an unsettling time for members if the process isn't handled with care. With their benefits transitioning to be paid by a different party, the loss of the familiarity of regular newsletters and potential changes to terms for options such as transfer values, it's easy to see how members might feel uneasy.

The wind-up is also the last chance for the trustee to interact with its members so effective communication is essential to ensure a positive member experience. At worst, a complaint from a member about their benefits or the process followed could delay the whole wind-up so it's crucial to ensure members have confidence in the action taken.

Steps to help:

- Craft a clear member communication strategy
- Implement a well-managed project plan – to ensure you deliver on what you've told members you'll do; and
- Manage a smooth payroll transfer with the insurer – so members have confidence in the insurer from day one.

What sponsors need to know

From a sponsor perspective, winding up a closed defined benefit pension scheme removes balance sheet risk and helps control costs.

However, the complexities and costs associated with the buyout and wind-up phases can lead to frustration, especially if timelines aren't clearly communicated and progress is slower than expected.

There can also be difficult conversations over topics such as return of surplus, who carries the risk for any historical errors or future claims, and the tricky task of managing budgets.

Steps to help:

- Clearly outline the key tasks, timelines and budgets up front, ideally before the buy-in is signed so all parties understand the process
- Maintain regular communication between the sponsor, trustees and advisers to monitor progress
- Work collaboratively to address any challenges, with all parties understanding and acknowledging their respective interests.

Supporting trustees on the journey

Trustees can often feel a sense of relief when a buy-in transaction is completed. Securing all benefits in full with a regulated insurance company is a milestone for any pension scheme.

However, it's crucial to keep momentum as there are priority tasks at this point, including communicating with members, potentially implementing new member option terms and ensuring there is no risk that the trustee bank account will run dry.

Moving forwards, trustees will also need to keep a close eye on progress of the data cleanse process, as well as grappling with technical areas such as surplus refunds, GMP equalisation and legal uncertainties like the recent Virgin Media case. Not forgetting there are often other member benefits to secure outside the scheme such as AVCs or DC funds and historical annuity policies.

Trustees will also need to ensure they have adequate protection in place through trustee indemnity insurance and/or a sponsor indemnity in case a claim were to arise at the end of the wind-up process.

Steps to help:

- Set clear project plans, budgets and regular reporting so all parties hit the ground running post transaction
- Obtain practical advice from experienced specialists on technical areas and common issues; and
- Initiate discussions early to ensure robust trustee protections at the end of the wind-up process.

Ensuring a seamless transition

Transitioning from a buy-in to buyout and full wind-up is one of the most involved projects trustees and sponsors will face. Success hinges on a thorough understanding of the process, an actively managed plan and robust reporting – all overseen by experienced specialists. By doing so, you can achieve a smooth process with better outcomes for your members.

Written by LCP partner and post transaction lead, Rachel Banham, partner, Ken Hardman, and partner, Julian Jones

Opportunity in the endgame

What's next for DB pension schemes?

As UK defined benefit (DB) pension schemes mature, trustees face a pivotal moment: securing members' futures in a dynamic market. With new pathways like superfunds and an increasing focus on liability-driven investing (LDI), fresh endgame approaches are clearly emerging.

The past two years have transformed the UK's 5,000 DB schemes. Trustees face changing funding, rising interest rates, and macroeconomic uncertainties. However, amid these challenges there are some strong, new opportunities.

State Street Global Advisors, in partnership with Van Lanschot Kempen Investment Management and Clara-Pensions, surveyed 100 UK corporate DB scheme trustees in Q3 2024 to understand these dynamics and what schemes really want. All schemes were closed to new members; 52 per cent were also closed to accrual, and 52 per cent were 90 per cent funded or higher.

Finding the right strategy

The survey revealed no single dominant endgame path. Indeed, while traditional strategies like buyout (43 per cent) and run-on (38 per cent) remain popular, newer options, such as superfunds (10 per cent) and capital-backed journey plans (7 per cent), are fast gaining traction. Run-on strategies – which allow schemes to operate independently using robust funding and investment strategies – are challenging buyout's long-held gold standard perception.

Trustees identified three main challenges in setting an endgame strategy:

1. **Volatility and macroeconomic uncertainty (23 per cent)**
2. **Balancing stakeholder and member expectations (19 per cent)**
3. **Risk management and timing (18 per cent)**

While trustees generally feel well-informed about buyout (89 per cent) and run-on (91 per cent) options, they report knowledge gaps for less conventional strategies like superfunds (74 per cent) and capital-backed plans (55 per cent). A small but significant minority of trustees are targeting consolidation (10 per cent) and capital-backed journey plans (7 per cent) as their endgame strategy.

The role of scheme sponsors adds complexity. Nearly half (45 per cent) of trustees report shared influence between sponsors and themselves, while 17 per cent believe sponsors are more influential. External advisers are often brought in for endgame planning (68 per cent). This negotiation between sponsors and trustees requires careful balancing of multiple perspectives, often relying on third-party advice.

The growing role of superfunds
Superfunds have emerged as a compelling alternative endgame for schemes seeking to enhance member outcomes while lowering sponsor costs compared to buyouts. By consolidating multiple schemes under one trust, superfunds pool resources to create stronger financial foundations, improve governance, and potentially replace weaker sponsor covenants.

The appeal of superfunds lies in:
1. **Improved member outcomes (66 per cent)** – resource pooling and governance can secure or enhance benefits.
2. **Lower cost to sponsors (52 per cent)** – economies of scale free up resources compared to buyouts.
3. **Replacing weak covenants (31 per cent)** – particularly relevant for schemes with weaker financial backing.
4. **Access to additional funding (27 per cent)** – supporting the scheme in the short term.
5. **Governance improvements (24 per cent)** – consolidated governance offers robust oversight.

Trustees see superfunds as particularly advantageous for schemes with weak sponsor covenants, with 50 per cent citing this as a key factor. However, for schemes with strong covenants, only 27 per cent view superfunds as appealing.

Despite growing interest, participants cited: Financial stability and risk management (17 per cent), protecting member outcomes and choice (17 per cent), regulatory uncertainty (12 per cent) and lack of trust and familiarity (12 per cent) amongst the obstacles faced.

Addressing these concerns will be critical for broader adoption. Many trustees worry about the newness of superfunds and cite regulatory uncertainty as a challenge.

Nonetheless, 55 per cent of trustees expect a rise in schemes transferring to superfunds within the next two years, with 61 per cent believing superfunds could deliver better outcomes than insurers for schemes exiting Pension Protection Fund assessments.

Liability-driven investing (LDI): A cornerstone of endgame planning
For DB schemes nearing their endgame, LDI plays a pivotal role in aligning assets with liabilities. LDI mitigates risks from interest rate changes and inflation, and an estimated 60 per cent of DB scheme portfolios being LDI-aligned.

However, recent events have also highlighted vulnerabilities in LDI strategies. The 2022 UK gilts crisis exposed liquidity risks, prompting many schemes to review their LDI managers. But, while 77 per cent of trustees have reviewed providers, only 23 per cent switched, citing concerns such as institutional knowledge loss (45 per cent) and governance disruption (39 per cent).

Trustees are starting to expect more from their LDI
LDI provider concentration is strongly on trustees' minds: With a few players dominating the market, 81 per cent of trustees are concerned that this lack of competition weakens service quality. Additionally, 80 per cent believe limited competition drives up fees, while 78 per cent worry the high concentration of providers may lead to inadequate servicing in a future market crisis.

Evidently, schemes are traditionally underserved by their LDI managers, and many are beginning to expect more. Risk management is the key area where trustees want their LDI managers to improve, such as through more bespoke hedging, robust stress testing and liquidity management, with 31 per cent saying this is the key change they wish to see in the LDI market. Nearly one-fifth (18 per cent) also want to see better communication and reporting.

A technology-led approach to LDI portfolio management may help providers alleviate these pain points. Integrating real-time analytics into portfolio management can give schemes greater portfolio visibility, allowing their status to be viewed as needed. This technological approach could also address the gaps in service delivery and communication, streamlining regular reporting and thus increasing the capacity of LDI portfolio managers to respond to specific client needs.

Conclusion: Opportunities amid transformation
The current environment presents an important opportunity for the trustees of DB pension schemes to reconsider and redefine their strategies. From buyouts and run-on strategies to newer pathways like superfunds and capital-backed journey plans, trustees must leverage this expanded market to make informed, member-focused decisions that balance sponsor and stakeholder interests.

At the same time, trustees should push for higher standards from LDI providers, particularly since market concentration is perceived to impact service quality. Real-time analytics, improved risk management, and streamlined reporting can strengthen LDI portfolios, enhancing trustees' ability to meet endgame goals.

By embracing a proactive, technology-driven approach, trustees can secure a more resilient future for members. The endgame market is evolving rapidly, and trustees have the opportunity to shape its direction, ensuring that member benefits remain squarely at the heart of their strategies.

Reflecting on 2024: Key trends that shaped the BPA market

Joe Haswell, BPA transaction manager at Standard Life, part of Phoenix Group, shares his views and discusses trends he observed in bulk purchase annuity origination over 2024

Relative to some lofty predictions at the start of the year, the consensus expectation that around £45 billion of bulk purchase annuities (BPAs) will be written in 2024 sounds pedestrian. For the first quarter of 2024 the pace did feel more like a stroll than a sprint, with the trickle of medium and large transactions (£100 million-plus) attracting near-full insurer participation, which has been uncommon over the past couple of years. The trickle became a flood with spring's arrival; thereafter, the market has been busy and closing in on near record volumes.

Are schemes trying to time the market for a better price?

The market for medium and large transactions feels back-end loaded each year, and looking at transaction volumes that is historically true. I reviewed our records since 2020 and filtering for schemes over £100 million in size that are targeting same-year execution, the number of request for quotes received in Q1 has remained broadly stable, while those received after has gradually increased by half over time. It confirms what I thought, requests ramp up around the start of summer, most often from schemes looking to sign in early winter.

It's hard to tell if this is by design, chance or a natural result of governance cycles; there's certainly a view among some that waiting can lead to better pricing as insurers compete to meet annual targets towards the end of the year. I'm sceptical of that, particularly for small and medium schemes, as insurers have limited human capital. Schemes may find that they receive fewer quotes than if they had approached the market earlier in the year. Nonetheless, both the large and small transactions we participated in from Q2 onwards have attracted multiple quotes, helped by consultancies and insurers remaining flexible and adapting to the most suitable timetables.

The market has coped well with high demand from small schemes

A key trend for 2024 has been the sheer number of bulk annuity policies written. The six months to June saw the greatest number of deals completed in any half-year, which is despite the general trend for greater second-half volumes. While volumes might fall short of record levels, I expect the number of transactions to comfortably set a record this year. This has been driven by schemes under £100 million approaching the market and finding it better serviced than ever before, with four established providers quoting regularly on small schemes and new entrants looking to find their feet in this segment of the market. I expect this trend for a greater number of smaller trades to continue into 2025 and beyond: out of the c.5,000 total universe of UK DB schemes, roughly two-thirds of pension schemes are under £100 million in size. However, transacting and subsequently transitioning buy-in policies to individual policies is time consuming regardless of size, so increasing numbers of smaller transactions will need to be accompanied by continuous investment from insurers into their pricing and onboarding processes.

Insurers are increasing operational capacity, but there's no golden bullet (yet)

Human capital remains one of the key constraining factors for the risk transfer market. Specifically for transactions, it means insurers cannot quote on every opportunity and need to be selective. The straightforward approach to increasing capacity is growing the team, and we have done this in 2024 by hiring across the full spectrum, from experienced hires to school-leavers. We have also focused heavily on using technology to improve team efficiency, by building a team whose main focus is on improving our platforms and processes within bulk annuity pricing.

Generative AI has been touted as a technology with the potential to revolutionise how we prepare quotes and cleanse data. In the medium and long term, I think this is true. However, I've yet to see an off-the-shelf product for BPA quotations. There would need to be – amongst other things - strong controls to protect confidential and restricted data before any is implemented, so it might be some time until it's possible to feed raw data and benefits in and get a premium out. For me at least that's a good thing; my house keeps finding new ways to leak, so I need the work. In the short term, there could be some quick wins for efficiency from generative AI, such as finding information from simple databases, summarising information and for drafting written communication (not for this article, but I did try it).

Schemes are better prepared

Schemes and their advisers can also do their part in increasing capacity for writing new business, by coming to market well-prepared and with clear objectives. Over 2024 the trend of schemes being better prepared has continued from previous years, particularly at the smaller end with respect to data and benefits.

Schemes are also increasingly coming to us with a solution for illiquid asset holdings already decided and in progress, or alternatives available to assess the value of insurer solutions against. Time has passed since the rapid increases in funding levels seen over 2022 and into 2023, which saw some schemes reach buyout affordability sooner than expected and subsequently transacting quickly to take advantage of this. Funding levels have been relatively stable since, and schemes that have taken more time to come to market have had time to explore solutions outside of the BPA process. Moreover, the industry's collective experience on dealing with illiquid assets has improved, meaning advisers and insurers can offer a wider range of solutions.

Full-scheme transactions dominate

Partial scheme buy-ins, where schemes insure only a portion of their membership, dominated our pipeline five years ago. Like 2023, partial buy-ins remained in the minority this year and are often reserved for the very largest of schemes which are insuring liabilities in (still very large) chunks. When the occasional pensioner-only buy-in is discussed at the triage meeting, the room becomes very nostalgic! No doubt improved scheme funding positions have meant a series of partial buy-ins is no longer required, but the narrowing pricing differential between pensioner and deferred members will have played a part too.

With full scheme buy-ins, the timeframe for the scheme to transition to individual policies is typically shorter and the moment that scheme members will become individual policy holders is more tangible. Coupled with more schemes expecting to retain a surplus after buying out, trustees and their advisers are putting ever greater importance on member experience when choosing an insurer.

If full scheme buy-ins are good, why not do a double?

Another notable theme in 2024 was for separate schemes which share a sponsor, or whose sponsors have some corporate relationship, approaching the market as a single process. This has been a favoured approach for some time, in order to bring a larger total transaction size to the market as a single process with the aim of driving greater insurer interest. This year, it has been more common and with more distantly related schemes. I expect setting up efficient governance processes under this approach takes some patience, but they are effective and take only marginally more time than a single policy to execute.

Looking forward

Typically, January would see a lull of activity, but we are already working on a number of proposals due promptly in the new year, so I'm expecting the pace to start quickly next year. In my view the market can comfortably support record volumes of £50 billion-plus, but for these to be hit we would need to see a return of more £2 billion-plus transactions, which were relatively uncommon in 2024. Even at record volumes, I am expecting pricing to remain highly competitive, and I will be interested to see whether the recent (re)entrants affect that as they look to build a market share.

But for now, as we get to the end of the year, I hope everyone in the market gets some time to wind down and pursue other interests. Personally, I will be experimenting with some market-timing of my own, waiting until the right moment to buy large numbers of tulip bulbs for a pittance.

Written by Standard Life BPA transaction manager, Joe Haswell

In association with

Standard Life
Part of Phoenix Group

Pre-transaction planning: Getting asset-ready

Preparing scheme assets for an insurance transaction is one of the key steps trustees need to take to get their schemes ready to go to market, but what does this mean in practice?

There are several key considerations that go beyond the value of the assets required to pay an insurance premium.

Should/can the assets of the scheme be reshaped to make them more suitable for an insurance transaction?
Many smaller transactions have a premium that is paid in cash and gilts only. Often, schemes will have such assets as part of their asset portfolio. Larger transactions may have a premium that can also be paid using corporate bonds, synthetics (such as derivatives) and other more complex assets.

If the assets of the scheme need to be transitioned, who will do this? It could be an existing manager, or the trustee may need to appoint a dedicated transition manager. In either case, trustees should liaise with their investment and legal advisers to prepare a transition plan. Where possible, early engagement with the insurer can help to ensure that when the scheme enters price-lock, its assets are in good shape.

A note of caution here is what happens if the transaction does not go ahead for any reason? Are the transitioned assets the sort that trustees would want to hold long term? Would they be suitable for transacting with a different insurer?

Can the assets be transferred to the insurer, and will the insurer want those assets?
Scheme assets will be subject to pensions-specific regulations, which insurers are not subject to. Similarly, the assets of an insurer will be subject to insurer-specific regulations, which pension schemes are not subject to. This impacts the desirability of certain types of assets from an insurer perspective and whether an insurer will want to hold assets itself for the longer term. This, in turn, can have pricing implications. Whilst trustees don't need to have a detailed understanding of the regulatory and capital requirements of the insurer, having a working understanding will help to assist in a smooth transaction, and might also inform the decisions that are taken to re-shape assets pre-transaction.

How will the assets be transferred to the insurer, or realised for cash?
Assets held directly, albeit in custody, can normally be transferred to an insurer on instruction. However, there will be different requirements and settlement periods for different types of assets. Trustees should ensure they have a detailed plan for the asset transfer process, as well as a contingency plan to deal with any assets that fail to transfer.

For assets that need to be sold in advance of an insurance transaction, how will this value be realised? For investments held indirectly, for example in a pooled fund, trustees are unlikely to have any rights in respect of the underlying asset and so will need to redeem their fund interest instead. This will require consideration of the permitted redemption dates as well as any restrictions on the number of interests that can be redeemed on any date. For synthetic assets (for example derivatives used as part of a scheme's LDI strategy), often these will need to be 'closed out' for a cash value, which will require advance engagement with counterparties.

Illiquid fund assets – case study
A key focus in recent years has been in relation to illiquid fund interests held by pension schemes (e.g. in private equity or private credit). Many insurers are reluctant to accept such assets, meaning that trustees will need to arrange a sale in what is known as the secondaries market.

Trustees are unlikely to have a unilateral right to sell an illiquid asset and so will need to engage with the relevant manager to obtain its consent. In advance, the transfer provisions (and any conditions that apply) and any applicable restrictions will need to be considered. These may include other investors having a right of first refusal or a right of first offer. There may also be restrictions on who the asset can be sold to, limiting the number of potential buyers for the asset.

Trustees may wish to appoint a specialist third-party broker to help with marketing the illiquid asset, providing advice on valuation (because it is unlikely that there will be a public price) and to support the transfer of the illiquid asset.

Once a buyer has been sourced, and consent has been obtained from the manager, a secondaries transaction operates like a mini M&A transaction. There will be various transfer documents and, importantly, a sale and purchase agreement, which will deal with considerations such as any liabilities retained by the trustees and the taxes that are payable.

A final practical point to note is that it is likely to be challenging to sell an illiquid asset during any price-lock period. This should be factored in

through early engagement or, in certain cases, by reaching agreement with the insurer to defer a portion of the consideration payable until the asset is sold.

Surplus assets on wind-up – a nice problem to have?

Having done the hard work to ensure that assets are transaction-ready, what happens if trustees end up having more than they need? Dealing with a surplus on wind-up is something that an increasing number of trustees are having to get to grips with.

There is no one-size-fits-all solution, and the options available in relation to use of surplus will depend on a number of factors. Some key issues to consider are:

- **Is there really a surplus?** Trustees and sponsors will want to have a clear picture of the likely amount of any surplus, after taking into account expected expenses, premium adjustment or other contingency that may be needed to deal with data cleanse or other benefit issues.
- **Who owns the surplus?** What scheme rules say on this point will be key, but reputational risk can also play a part in shaping any agreement about how surplus is used. It is a legal requirement that members must be notified about any proposal to return surplus to an employer on wind-up and given an opportunity to make representations. Experience to date indicates that some trustees and sponsors are open to revising proposals about how surplus is used in response to feedback from members.
- **Benefit augmentations** Trustees and sponsors might want to consider whether part or all of any surplus could be used to augment member benefits. Scheme rules should be reviewed carefully when weighing up this option.

  Careful planning is needed to decide what form a benefit augmentation will take and when. A key consideration for trustees will be ensuring value and fairness between different cohorts of members. Other factors (including potential tax implications) may also be relevant to the shape of benefits provided.

  Trustees don't necessarily have to pin down details of any augmentations at the point of transacting, but if benefit augmentations are likely in future, it is advisable to build flexibility into the contract terms agreed with any insurer upfront so that these can be reflected in the benefits secured at buyout.
- **Payment of surplus to an employer** Where surplus is being returned to a sponsor, the timing of any payment will be important to ensure that the scheme retains sufficient assets to cover the costs of buyout and wind-up. Return of surplus does not always need to take the form of a cash payment. Different considerations (including in relation to tax) will apply if surplus is being returned in other forms, for example, through transfer of an illiquid asset.

For trustees preparing for an insurance transaction, the message is clear: plan ahead. Ensuring that scheme assets are of the right type and in the right place at the right time will be key to ensuring that a scheme is in the best possible position to transact.

Written by Joseph Wren, Partner, Travers Smith (Derivatives & Structure Products) & Niamh Hamlyn, Partner, Travers Smith (Pensions)

Other key contacts
Susie Daykin, Partner and Head of Pensions, Travers Smith
Chris Widdison, Partner, Travers Smith (Pensions)

Company Profiles

LCP

LCP helps clients to create and uncover new possibility by distilling clarity from complexity; fusing human expertise with powerful analytics to shape a more positive future. LCP is powered by bright and passionate people with a relentless sense of curiosity.

We are a tech-enabled consultancy known for our market-leading advice in pensions, investment and insurance, and we strive to help create a financially better future for our society. Our love of data, technology and posing solutions to the difficult questions of today, has taken us into newer areas. We now have a reputation for excellence in energy transition, health analytics and sport analytics.

As well as our award-winning pension risk transfer team, we have a dedicated post transaction team, which provides strategic advice and project management support to successfully move schemes to buyout and wind-up after a buy-in.

We provide structure and accountability to these multi-strand projects – coordinating stakeholders efficiently and offering practical solutions to any issues – allowing clients to focus on the important decisions relating to members' benefits, treatment of any surplus and managing residual risks.

Our specialist post-transaction team brings detailed technical knowledge, a wealth of experience and strong relationships with all the insurers in the market to provide clients with the confidence that their wind-up is in safe hands.

We draw on the expertise of wider LCP services (including our pension risk transfer team, data services, DC and our specialist trustee liability insurance broking team) to provide additional support to help ensure a successful outcome within desired timeframes.

Our well-established team is unique in its range of skills, depth of experience and robust project management capabilities. We have worked on over 100 wind-up projects for schemes ranging in size from £1 million to more than £1 billion.

LCP powering possibility

State Street Global Advisors (SSGA)

For over four decades, State Street Global Advisors has served the world's governments, institutions, and financial advisors. With a rigorous, risk-aware approach built on research, analysis, and market-tested experience, and as pioneers in index and ETF investing, we are always inventing new ways to invest. As a result, we have become the world's fourth-largest asset manager* with US $4.73 trillion† under our care.

STATE STREET GLOBAL ADVISORS

**Pensions & Investments Research Center, as of 12/31/23.*

†This figure is presented as of September 30, 2024 and includes ETF AUM of $1,515.67 billion USD of which approximately $82.59 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

Company Profiles

Standard Life

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

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

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

Standard Life's Defined Benefit Solutions support us on this mission, providing tailored bulk annuity solutions to DB pension schemes. We pride ourselves on thinking outside the box, finding innovative solutions to meet the needs of our clients.

Standard Life
Part of Phoenix Group

Travers Smith

Travers Smith has a market-leading pensions practice advising some of the UK's largest pension funds, corporate sponsors, and established and emerging de-risking providers on all types of pensions risk transfer transactions.

We offer our clients a genuine multi-disciplinary approach provided by a fully integrated team where lawyers work closely together across all of the legal specialisms our pensions clients need including investment funds, derivatives and structured products, financial services and markets, corporate finance, private equity, finance, tax, employment, outsourcing and commercial contracts, data protection and dispute resolution. Whatever their needs, our clients get clear answers and options from lawyers who really understand pensions as well as being leading experts in their field.

TRAVERS SMITH

From an industry lifeboat to an industry leader

David Shaw

Pension Protection Fund (PPF) director of strategy and policy, David Shaw, sits down with Sophie Smith to talk about how the lifeboat dealt with the challenges faced in 2024, and the work still to do as we head into 2025

The past year was challenging for many given the backdrop of uncertain inflation and interest rates, but the PPF maintained its strong funding position, with reserves growing to £13.2 billion. Can you tell us a bit about how the PPF was able to achieve this result?

As you say, we've maintained our strong funding position in the past year. Our latest *Annual Report and Accounts* for 2023-24 showed another year of strong investment performance helping further build our reserves. This is really positive for our current PPF members and the circa nine million DB scheme members that depend on us.

We've sustained this strong investment performance over many years – reflecting the solid foundations we've built, namely having the right people, approach and framework to deliver.

We operate a split portfolio – a matching portfolio, which helps to manage the risk of changing interest and inflation rates, and a growth portfolio, which is focused on protecting and building our reserves to protect against longevity and future claims.

Our growth portfolio performed positively over the year, delivering an annual return of 7.2 per cent – public equity, absolute return strategies and emerging market debt were the highest returning asset classes. The higher interest rate environment meant we experienced a fall in the value of our liabilities, which contributed to the increase in our reserves.

We keep our approach under constant review and remain focused on continuing to deliver against our mandate in 2025.

Whilst this year has been very encouraging for the PPF, there are still some outstanding areas to be addressed. In particular, the Work and Pensions Committee (WPC) report previously recommended that the policy of not providing indexation of pre-1997 benefits for members of the PPF and Financial Assistance Scheme (FAS) be revisited "as a matter of urgency". What conversations have you had on this issue with the new committee members or government, if any, and what are the next steps in navigating this issue?

The concerns of FAS and PPF members about the absence of pre-97 indexation are uppermost in our minds. I recently attended one of our regular member forums and heard firsthand the impact this is having on members.

We've shared these with government on a regular basis and through submissions to the previous WPC. We expect to discuss this further when we meet with new committee members in the coming months.

This is ultimately a matter for government – legislative change would be required – but we'd welcome any steps by the government to look afresh at our indexation rules. We've made publicly available our analysis of the impact of any prospective changes to PPF indexation levels to help inform the wider discussion and will continue to do so.

We're expecting the government's response to the committee's report in the New Year.

Whilst the strong funding level enabled the PPF to confirm its lowest ever levy estimate of £100 million for 2024/25, legislative constraints have continued to limit its ability for further cuts. We're aware that the PPF is in discussion with the government on this issue though, so can you tell us a bit about how these conversations are progressing?

As you'd expect, we speak to colleagues in government on this, and other topics, regularly. On levy, we've highlighted for some time the need for greater flexibility in the legislation. This was a key conclusion from our funding strategy review back in 2022.

It's important to stress that changing the law is ultimately a matter for government and parliament. It's rightly for ministers to decide on this, not us. We also recognise that policy makers may see this in a broader context, for instance alongside growing calls from our members for improved inflation protection, particularly on pre-97 increases.

That said, we believe there would be broad consensus among stakeholders for changing the law to support our future levy plans. Respondents to our recent levy consultation made a clear call for the legislation to be changed as soon as possible – we have made sure DWP are aware of these.

Many respondents noted that the coming Pension Schemes Bill gives a potential legislative opportunity, although changes for the levy aren't currently among the proposed measures for this bill.

Some industry experts have argued that the lifeboat should look to cut its levy even without, or in advance, of any legislative changes to the levy rules. Given this industry feedback, can you tell us what is preventing the PPF from doing this, and the main concerns around lowering the levy further?

We've made very significant reductions to the levy over the past few years. However, as you say, there have been calls for us to go further and commit to reducing the levy, if not stopping it entirely, even in the absence of legislative change.

Our concern is that doing so would effectively mean giving up our ability to raise a material levy in the future should we need to do so, because legislation limits annual increases in the levy to 25 per cent.

As you would expect our board take their responsibility of ensuring financial security for our current and future members extremely seriously. And whilst it currently looks unlikely we'll need to reintroduce a material levy that cannot be ruled out – after all we are effectively underwriting an industry with liabilities of around £1 trillion.

At the same time we do understand levy payers' desire to see the levy fall as rapidly as possible. We don't want to charge the levy for any longer than is needed. We are currently in the process of considering responses to our consultation and intend to publish our conclusions for 2025/26 in the coming weeks.

Levy aside, the start of this year saw a lot of focus on the PPF, particularly in terms of what role the lifeboat could play as a public sector consolidator. Whilst discussion around the potential PSC has slowed since the general election, it has not been ruled out, with the Pensions Minister recently suggesting that further updates on this idea could be seen "in the coming months". Can you tell us a bit about whether you've had any discussions with the new government about this idea?

Greater consolidation seems to be a common thread that runs through the reforms set out so far. So, perhaps we might expect to see some measures to deal with the fragmentation of the DB market and the derisking that has seen schemes increasingly move away from investment in UK private markets. And we know from our discussions that the government is continuing to consider the potential role of a public sector consolidator. However, obviously the government will be looking at a range of priorities across the pensions landscape and we need to wait and see where and when DB will ultimately fit into this. For our part, we remain ready to use the skills and capabilities we have at the PPF to help government improve outcomes – whether that's through a public sector consolidator or other means.

Finally, given the government's expected updates on the DB market, and the broader pensions review, what are the key pension policies, ideas and developments that you would like to see taken forward by the government in 2025?

We will be closely following the passage of the Pension Schemes Bill and next steps on the consolidation agenda beyond LGPS and DC.

It would make sense for DB to part of that conversation. Given the £1 trillion scale and highly fragmented nature of the DB market – almost 1,000 schemes have less than £5 million in assets – consolidation could drive better outcomes for members and employers and unlock significant benefits for the wider economy.

We also look forward to the second phase of the Pensions Review. Addressing the adequacy challenge remains vital and it'll be interesting to see whether interest in CDC solutions grows. For our part, we have been thinking about how the pensions landscape might evolve in the future which could help inform the debate.

And of course, next year is a significant year for the PPF as we mark 20 years in operation. So, next year, when we set out our new strategy for the next three years we will be reflecting on how far we have come, where we stand and looking ahead to the future.

Written by Sophie Smith

Summary
- More providers are reviewing their at-retirement product offerings, with greater interest in smoothed funds and annuities as a result.
- Flexibility is now key to at-retirement product design, to cater for both custom income needs and account for later-life health issues.
- There are calls for providers to play greater role in saver education, but questions are raised over how much this can tackle saving shortcomings.

How at-retirement products are changing

With people retiring in different ways, and living longer, how are providers ensuring at-retirement products stay relevant?

It's a well-known fact that retirement is changing and for many is no longer a binary moment. This has brought at-retirement products into focus as providers recognise change is required to make these both relevant and beneficial to those retiring. According to Standard Life managing director of individual retirement, Claire Altman, more is now being asked of these products.

"Until relatively recently it was not possible both to work and to take a retirement income at the same time," says Altman. "However the decline of DB and the changes to working patterns has put a coach and horses through this kind of thinking, so we need to completely revisit the way we think about 'at-retirement' and consequently the 'at-retirement period.'"

What at-retirement innovation looks like

Numerous drivers are pushing providers to amend their at-retirement range. LCP partner, Steve Webb, sees a range of reasons for this, including the expected legal requirement on trustees and others to have a default post-retirement journey, a gradual increase in DC pot sizes at retirement and the continued impact implementation phase of pension freedoms.

"We are currently seeing most of the big providers reviewing their post-retirement proposition," adds Webb. "I expect the offerings in two to three years' time to be quite different to what we currently see."

Consequently, an area more providers are exploring is smoothed funds, strategies designed to provider steadier long-term growth. They do this by holding a range of different investments, balancing out the ups and downs of the market.

"The renaissance of smoothed managed funds, of one kind and another, is an interesting development we're seeing from a handful of providers," comments The Lang Cat director of public affairs, Tom McPhail. "It's all about hitting the sweet spot in between risk and growth assets on the one hand, and on the other optimising security of income and peace of mind."

Altman also appreciates what smoothed funds can bring, pointing out that they can help people remain invested during periods of high volatility. This, she explains, means those with otherwise risk-averse investment selections can still benefit from positive equity market movements.

"And when people do finally stop working entirely, or cut down their working hours, the case for having an element of guaranteed income has never been stronger," adds Altman. "Supported by strong annuity rates, this has led to an increase in annuity sales over the last year, which demonstrates how people are looking for certainty from retirement income."

At-retirement products don't just have to change to support changing retirement patterns, but also reflect how people's finances have changed. Royal London director of policy, Jamie Jenkins, points out that with people having more wealth tied up in their house than in savings, and a growing need across society for later-life care, at-retirement products must also take this into account.

"Many people will have insufficient pension savings, but a large amount of housing wealth that they could use to part-fund their retirement, but equity release remains a very distinct advice activity," says Jenkins.

"No-one wants to have to set aside money for care needs, but invariably some people will need to find the necessary funds when the need does arise. This is a very challenging area to consider when there is still no coherent funding policy from the government, and the costs could be catastrophic."

Design necessities

With more criteria to satisfy, designing a fit-for-purpose at-retirement product is easier said than done. Importantly, this is also about giving retirees more options, according to Webb. He points out that some providers have recognised that, early on in retirement, people can have little idea of what they'll need in terms of benefits. Therefore, he says product design must reflect this period of flux.

"This tends to imply greater flexibility at/around retirement, and not 'locking in' to something at once," says Webb. "But there is also a need to recognise that people may have limited ability/inclination to manage an investment pot for decades post-retirement, so there will need to be good defaults, and a recognition that attitudes to risk may change over retirement."

Similarly, Jenkins highlights the importance of supporting coinciding financial needs. He explains that retirees will often want to draw an income from their product while also making gifts with their legacy in mind.

"In servicing this need, the biggest decision will be whether a client wants to stay in drawdown and manage their own longevity risk or secure an income," says Jenkins. "Products that enable a blend of both are likely to be most appealing, as retirees value certainty of income to allow them to plan, and flexibility or income to allow them to adjust to the unplanned."

Growing awareness of dementia and other later-life cognitive issues is also impacting how providers design these products. Such health issues can have a significant impact on a person's financial needs, and who oversees their assets, with experts arguing this is a subject that should be addressed earlier on.

"Cognitive impairment and vulnerability in general can be particularly challenging in retirement, especially as it is not always obvious when someone is vulnerable," says AJ Bell director of public policy, Tom Selby. "But communications and good data hold the key to helping people in all circumstances make the most of their retirement, rather than new products."

In agreement is McPhail, who points out that firms have done a lot around protecting vulnerable customers, ensuring they have systems and processes to accommodate them.

"I'm not sure to what extent that includes actual product design," he caveats, "I think it's more about the communication protocols."

"We are currently seeing most of the big providers reviewing their post-retirement proposition. I expect the offerings in two to three years' time to be quite different to what we currently see"

Working with financial planning

Financial advice adoption is still low in the UK, but providers understand that they are not creating at-retirement products in a vacuum. The person who needs the product will have numerous needs and wants to satisfy in retirement and are more than likely to have questions as they approach this period.

With concerns around the public's general lack of awareness, or even apathy, towards retirement planning, questions are raised as to how at-retirement products could play a bigger role in such a crucial period. However, Selby does not see product providers having to account for this challenge as well in their at-retirement designs.

"Rather than obsessing over new products, we need to focus on helping people understand the choices in front of them and ultimately navigate a path that suits their needs," he says. "Increasing access to advice and improving the usefulness of guidance are central to this, which is why the FCA and Treasury's Advice/Guidance Boundary Review is so important."

Crucially, in this review the regulator is interested in how pension providers – alongside other FCA-authorised firms like banks, insurers and asset managers – can offer 'non-advised support'. McPhail agrees the review is an important factor in how it could influence product design: "Potentially firms will be given more scope to interact with customers and actually have a dialogue with them around their plans. Arguably this should go further, given the ongoing challenge the Money and Pensions Service faces in actually connecting with individuals."

A key challenge for pension providers is the fact many people are not saving enough for retirement, with Standard Life data showing 36 per cent are in this bracket. Altman says this is compounded by longer life expectancies and although product innovation can "offset some challenges," there are limits to what providers can do with these products. According to Altman, this means the focus for future generations' retirement savings must be tackled much sooner in life and before the general at-retirement phase is reached.

"This must also be supported by advice models that work for the market and make it easier for customers to get the best outcomes in retirement," she says. "The government and regulators also have a role to play, and there are consultations underway from both the FCA and DWP to help drive action that will create the framework necessary to support people as they move from saving to accessing their pension."

Written by Jon Yarker, a freelance journalist

Summary
• Many people who work in the pensions industry are in a very similar position to people working in other industries as they approach the end of their careers – except that hopefully they possess some useful financial knowledge and understanding of the pensions system.
• Some people who work in senior positions within the pensions industry are able to take on non-executive or other strategic roles as they reach the end of their careers, reducing the intensity of their work.
• Even if you do know a lot about pensions, there is still a need to prepare for the emotional and psychological reality, as well as the financial reality, of retirement.
• Whatever you want to do as you approach retirement and beyond, practice as the industry preaches, and plan ahead.

Retiring from the retirement business

You might think that people who work in pensions should be well equipped to find a good route towards retirement, including a gradual reduction in working hours, if that is what they want. But does being in the industry make a helpful difference? David Adams finds out whether pensions veterans are benefitting as much as they should

As someone who works in the pensions industry, you probably spend more time than most people thinking about retirement; and perhaps also about how retirement is evolving away from a cliff-edge hard stop to a slow wind-down, with reduced working hours, or a move into a different role. But does a greater level of knowledge mean people working in pensions are planning the latter part of their careers, or their retirement, more effectively than other people?

Richard Butcher, former managing director of PTL (acquired by Zedra in 2021), a part-retired, experienced professional pension scheme trustee and consultant, thinks not.

"For some people in this industry there is an opportunity to wind down their careers in part-time roles, but the only way in which we may be different is that hopefully we can approach the financial aspects of retirement with the benefit of a little additional knowledge," he says.

People who work in pensions may have some extra knowledge, but research published by Aviva in 2023 showed that almost half of people then aged between 55 and 64 (44 per cent of this group) working in any industry were planning to move into semi-retirement before the age of 65. Also in 2023, research commissioned by Aegon showed that only 27 per cent of people in employment expect to experience a hard-stop retirement.

Those trends are being driven by many different positive and negative factors: People may be able to change their lifestyle and work/life balance as they get older, or they may have pleasant, or less pleasant caring responsibilities or other obligations that mean it is helpful to be work fewer hours. But even within the pensions industry, says Mercer senior partner, Graham Pearce, it will be easier for some people to take this step than for others. He thinks people working in senior roles are most likely to feel confident about doing so, in part because their financial circumstances are likely to be relatively healthy anyway.

Late stage careers

Some people who have held senior roles within the pensions industry have been able to construct a late-stage career based on work in less intense, less time-consuming non-executive, trustee or consultancy-type roles. For example, Lawrence Churchill, a former chief executive of three insurance groups, has spent the past 20 years in various roles including serving as founding chairman of both the Pension Protection Fund

(PPF) and of the National Employment Savings Trust (NEST). At present, he is chair of DB scheme consolidator Clara-Pensions, and of the Independence Governance Committee at Vanguard. He has also served as a trustee for organisations including the International Longevity Centre (ILC) and the Pensions Policy Institute. He will become chair of the ILC in February 2025.

Churchill says he first started thinking about retiring more than 20 years ago, when in his late 50s, married for a second time and wanting to spend more time with his family than had been possible as a CEO. Since then, he has often held four or more non-executive or trustee roles simultaneously, for organisations in the private, public and/or third sectors. He says he enjoys the work because he is so interested in the organisations he is working for. "All of them are grappling with fascinating problems," he says. "Do I have to work? The answer is, not for money. But for my mental health, absolutely. I need problems to solve."

ILC chief executive, David Sinclair, points out that not everyone in the industry who tries to pursue this course is able to do so. "There's a group of people who want to become consultants but struggle to find the work," he says. He wonders if ageism sometimes counts against people in this group. It can clearly be a factor, even in this industry: Even someone with as remarkable a CV as Lawrence Churchill says he thinks he has sometimes not been offered jobs because of conscious or unconscious ageism.

Concerns

But concerns have also been expressed by some in the industry about a possible downside if more older people continue to work for longer: A reduction in promotion opportunities for younger people. Sinclair thinks these fears are sometimes exaggerated.

"Generally speaking, older people don't take jobs from younger people," he says. "If a company is employing very experienced older people to add value at a senior level they may be more likely to be creating business opportunities that support jobs for younger people within the business."

Every organisation is different, and every career is different, but some issues are the same in any industry. Aries Insight co-founder, Ian Neale, has now largely retired after more than 30 years working in the pensions industry, but his route to semi-retirement has been complicated by the fact that he was co-owner of a small business.

Neale and his business partner, Gary Chamberlin, turned Aries into a huge success after its foundation in the 1990s, specialising in swift provision of definitive information and guidance on the evolution and application of pensions legislation. But Neale always felt that running the business had stopped him spending as much time with his family as he would have liked. He promised his wife he would retire no later than his 72nd birthday, which fell in May 2022.

As this milestone approached, Neale and Chamberlin considered selling the business, but neither wanted to see it disappear. Instead, as Chamberlin currently has no plans to retire, he purchased Neale's stake. Neale is still involved with Aries on a small-scale and retains his Aries email address, but he and his wife now run the Balmaha Bunkhouse, a self-catering (and by Neale's account, a very comfortable) bunkhouse beside the West Highland Way long distance footpath near Loch Lomond. It sleeps up to 12 people and is open between April and October.

"So this is my retirement job and it does keep me busy," says Neale. "It's more work than I anticipated!"

The experience in late career/retirement of both Neale and Churchill highlight the fact that family circumstances can have a huge influence on late career or retirement planning. Carefully thought-out plans for semi-retirement may also be disrupted by unexpected events – by an individual or a close family member becoming seriously ill, for example.

Even if everything runs smoothly, Butcher says his own experience of moving towards retirement has showed him how important it is for people to try to prepare emotionally and psychologically for the transition from work to retirement. In his own case, semi-retirement has arrived more quickly than anticipated, because an opportunity to participate in a management buyout at PTL arose in 2017; and was then followed by an unexpected opportunity to sell the business to Zedra in 2021.

"I hadn't anticipated those transactions, but they have allowed me to substantially retire," says Butcher. The experience has been enjoyable and stimulating; he is now working part-time for Zedra – he "just looks after his clients", as he puts it, usually for no more than three days a week. He also holds a couple of non-executive roles, as a governor at the Pensions Policy Institute; and for a start-up charity, the Trail Riders Fellowship.

Will he eventually retire completely? "I expect so," he replies. "But if someone said: 'Here's a really interesting non-exec role', I would think about it."

Churchill is also not ready to retire completely. "Not yet!" he says. "It's always another five years away." He says he bases his plans on what actuarial tables tell him about when he is likely to die – which is surely something that people who have not worked in the pensions industry are much less likely to do – but whatever the tables say, Churchill's default position has always been "to keep going".

"As soon as I don't like it, I'll stop," he says. "It gets me out of the house and meeting new people. I enjoy what I do, so why would I want to give it up?"

Written by David Adams, a freelance journalist

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CHAIR

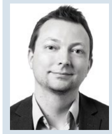
Andy Cheseldine, Professional Trustee, Capital Cranfield

Andy joined Capital Cranfield in 2017 after a career as an adviser to trustees and employers at Watson Wyatt, Hewitt Bacon & Woodrow and LCP. Using his experience of over 30 years in consulting on both DC and DB, and liaising with regulators throughout the pension and financial services industry, he is able to use his wide knowledge and understanding for the practical benefit of trustee boards. He has served on the PLSA DC Council since 2013 and has a successful record of advising on regulatory, governance, change management, investment issues and more.

PANEL

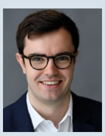
Simon Bramwell, Business Development, Rothesay

Simon is in Rothesay's business development team, responsible for originating bulk annuity transactions. An actuary and consultant by background, Simon has worked in pension risk transfer for more than 10 years and has been involved in transactions ranging from £2 million through to £10 billion. He joined Rothesay in June 2024, having previously been a partner at Barnett Waddingham. Prior to this, he worked at Pacific Life Re and Mercer, and started his career in 2007 as a pensions administrator with JLT.



Alan Greenlees, Client Director, Zedra Governance

Alan is an accredited professional trustee at Zedra. He is significantly involved in all aspects of DB and DC pensions work with a wide range of companies and schemes, including small and large DB schemes and workplace pension providers. His areas of specialism include governance, investment strategy and end-game solutions for small to mid-tier DB schemes. He is head of risk transfer at Zedra Governance and is a former pensions actuary and investment consultant. Alan is also a regular panellist on *Pensions Age*'s roundtables.

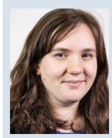


Joe Haswell, BPA Transaction Manager, Standard Life

Joe is a bulk purchase annuities (BPA) transaction manager at Standard Life, managing the pricing and submission of bids for buy-ins, and then navigating execution. Joe has a particular interest in improving processes and using technology so Standard Life can serve more BPA clients. Previously, he was a pricing actuary, supporting a number of Standard Life's biggest and most complex transactions. Prior to joining Standard Life in 2020, he was a pensions consultant at a big four firm.

Peter Jennings, Head of DB Sales, Just Group

Pete's team is responsible for managing and executing Just's bulk annuity transactions. This includes the initial pipeline discussions with consultants, the ever more important triaging of opportunities, proposing the premium to quote and negotiation of legal terms. Pete has worked in life insurance for 20 years in a number of roles including the strategic pricing of retail annuities and proposition development. For the past seven years, Pete has been in the Just DB risk transfer team where he led on over 100 transactions.



Louise Nash, Senior Origination Actuary, Pension Insurance Corporation (PIC)

Louise is a senior actuary in PIC's origination team, responsible for business development and bulk annuity pricing. Louise has been with PIC since 2023, previously working at WTW for 14 years in their pension risk transfer team. Louise has worked with trustees and companies on a huge range of pension risk reduction projects and has been involved in transactions ranging from £1 million through to £16 billion.

Sarah Parkin, Partner, Linklaters LLP

Sarah is a partner in the Linklaters pensions group. She has a particular interest and extensive experience advising trustees and sponsors on de-risking solutions. With a breadth of experience over the years across numerous buy-ins (including framework agreements, tranched arrangements and full buy-ins), longevity swaps and residual risks cover. She is a regular speaker at industry events on de-risking, and a regular contributor to the pensions and legal press.

Kelvin Wilson, Director, Pension Risk Transfer, Heywood Pension Technologies

Kelvin is Heywood's director of Pension Risk Transfer (PRT), overseeing the firm's development and growth strategy in the PRT market, including Heywood's very own tech-based PRT solution, Heywood Passport. With over 15 years' experience in PRT at insurance companies or actuarial consultancies, Kelvin has advised on and structured leading risk transfer solutions, including bulk purchase annuities, longevity swaps, LDI strategies and commercial consolidation.

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De-risking roundtable

De-risking dynamics

Our panel of experts reflects on the key trends in the pensions de-risking space, with a spotlight on capacity constraints, surplus, residual risk and more

Chair: How is the panel currently feeling about the pensions de-risking space? Excited? Overwhelmed?

Louise Nash: I think it's an exciting time to be on this side of the market. There's a lot of business being written, there are a lot of dynamic developments going on with new entrants and new solutions coming into various sectors of the market. Given all this, I think there's a lot of scope to get some really good outcomes for pension schemes, so 'excited' would be my choice of word.

Joe Haswell: I'd agree. There's a lot of innovation that could be done, whether that's with the aim of doing more of the same more quickly, or doing new things, so it is exciting. It's just hard to find the time to do all of it sometimes, although we do want to.

Sarah Parkin: I would echo the word 'excited', as there's a bit more innovation happening. On the trustee side, there's maybe a few more asks, which are pushing that innovation. I also think it feels slightly calmer, at least from a legal perspective, with not so many clients rushing to market like they may have been before.

Alan Greenlees: I'm probably about 60 per cent excited, 40 per cent overwhelmed. Because of what the markets have experienced, a lot of pension schemes are almost caught out by where they are in their funding positions. I therefore struggle sometimes when it comes to managing their expectations about how long certain things will take, so I am spending time trying to help them understand what's actually required.

Kelvin Wilson: I'm keen and excited to see how this great opportunity that schemes and insurers have is going to translate into market and product innovation, how things are going to change for the benefit of members. And when I talk about innovation, I'm talking about going beyond just bulk purchase annuities (BPAs), going beyond insurance – what is it that insurers and risk takers are going to provide over and above what members have been promised? Is there any capacity for that?

Peter Jennings: I wouldn't say I'm overwhelmed; I'd say I am probably just whelmed. The market was incredibly hyped after last year. It's been a strange 2024 – H1 was actually quieter than people expected which, certainly in the insurance space, led to some interesting pricing at times, as people got ahead or more commonly behind in their business plans. Most insurers promised their investors growth this year but the market is likely to be broadly stable – that makes it quite a challenge. One thing I am confident of is that it will set a new record for number of transactions, if not volumes.

Simon Bramwell: I would echo those comments – people were expecting this to be a more overwhelming year than has transpired.

However, whilst we haven't felt overwhelmed I suspect there are pockets of the industry that are. If they're not overwhelmed now, they certainly could be over the next few years. I also think you can be excited and overwhelmed at the same time.

Chair: Does anyone have any views on the capacity of the ceding providers, particularly the administrators?

Wilson: Certainly, in conversations and dialogues that we're having with third-party administrators (TPAs), they have always expected a steady stream of schemes and clients to be engaging insurers and going through buy-ins and buyouts, but they've all been caught out to some extent by the huge volume and the shift in funding that's made it possible for so many more schemes to be engaging and asking for data all at the same time. There's certainly a bit of a capacity crunch in that area.

Greenlees: I agree, TPAs are under enormous pressure, not just from the risk transfer space but in terms of other

De-risking roundtable

business as usual work, like dashboards for example. You'll find that a lot of the administrators are almost following the work as well. Some insurers, for example, are taking on administrators from some of the advisors. There's definitely a crunch point. It's not at breaking point, but there are some creaks there on the admin side.

Key trends

Chair: One trend we are seeing is new de-risking routes coming to the fore. How much extra work does that mean from a legal perspective?

Parkin: If people are looking at different options that can be an awful lot of work, because a lot of these different options are not well-trodden paths. That inevitably takes time and there is always the possibility that deals such as these fall over because you cannot get agreement to the commercials.

But we are still seeing buy-ins/buyouts as predominantly the main option being considered. A few schemes are looking at run-on and, even if it is run-on, for some it can be more about holding their ground for now – they'll still be doing their benefit specifications in the background so that they can decide to do a buy-in if the circumstances are right. Very few have decided to go to a different provider.

Greenlees: Another trend is that small schemes, I believe, are better served than ever before – and by small, I mean approximately less than £50 million. We haven't found any issues with getting quotes from insurers for schemes of this size. As long as you can be a bit more pragmatic and practical with what you're expecting, as in, you might only be able to get one or two quotes from the market, I don't see size as a barrier to completing a transaction. That's a myth I come up against quite a lot.

Jennings: I absolutely agree that the

smaller scheme side of the market has never been as well-served as it is now – at Just, we are certainly very active in that space. Indeed we have already completed a lot of deals smaller than £50 million this year and have more planned. And there are three other insurers who now have specialist streamlined processes.

The complaint you hear most frequently now is that it's a hassle to fill out more than one template, which is quite a first world problem given where the market was two or three years ago and shows how much things have improved in this sector.

Wilson: I agree that there are more offerings today at the smaller end of the market. Different insurers are developing solutions that cater for the nuances of some of those smaller schemes. I think the potential development of a market portal that would feed and allow all insurers to participate is an interesting concept which I've been hearing about.

So, there is certainly technological innovation – that is the trend that we are seeing. There's still some way to go and I'm interested to see how, particularly the insurers, adapt their solutions to cater for the large demand that is there.

Bramwell: In terms of other general trends, one is that we've seen fewer illiquid solutions required this year and that, presumably, has been driven by the fact that every conference, every webinar, every trustee event last year was giving out the message that schemes needed to consider how illiquids fitted into their transaction strategy. This is more pronounced for smaller schemes that may struggle to get traction in the market with their illiquid holdings.

We've seen very few illiquid portfolios that we either can't solve readily or where some form of solution hasn't already been found by the trustees. It doesn't seem like the blocker that it might have been perceived to have been – I think there was a bit of scaremongering last year.

Nash: Another trend worth highlighting is the fact that we've got a lot of schemes coming to market in a surplus position, which means we have been having some really interesting conversations around what trustees are looking for in the risk transfer space, so not just in terms of what benefits they secure, but also around the focus they have on things like what insurers are actually offering to their members when they get to the point of buyout.

We've had some really good conversations here around what the trustees view as the gold standard for member service and what they expect from insurers. Things are moving in that space and that's another area for potential innovation – we're certainly continuing to push in this space to deliver great outcomes for our policyholders.

Parkin: I've certainly seen schemes that, for example, offer access to an advice service at retirement for members, or a pension increase exchange offering. In the past, they would have been told they wouldn't get that on a buy-in, most likely. Now however there seems to be more possibility for it. Trustees really care about the member experience.

Haswell: In terms of illiquids, it definitely feels as though schemes are coming to market with a kind of solution or an alternative, so they're not reliant on whatever an insurer can offer them.

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They have a backup and they're doing a value assessment.

The other trend worth highlighting is technology. Technology's been talked about for the whole year – new technologies that might help us do things quicker, for example, or that might help with the capacity issues inherent in certain parts of the market.

Service standards

Chair: How much do trustees insist on gold standards of service, or is it just 'good enough' that's the target?

Greenlees: It goes back to what the trustees are trying to do, and that is trying to focus on the member outcomes aspect. They also need to be quite realistic about what it is they're trying to do and trying to achieve in any deals. Of course, buy-ins and buyouts are not the only game in town anymore, and some of the advisors are certainly pushing alternatives quite hard. But I do think there's a trade-off there in that larger schemes can probably afford to think about some of those alternatives rather than smaller schemes.

But I also have regular conversations with the sponsors where they are probably looking for something that is just good enough to remove their liabilities. Therefore, from a trustee point of view, we want to make sure we get the best outcomes for members, and if there is surplus, then we can maybe start to exercise some of those options to improve those outcomes for members.

Jennings: When it comes to surpluses we are certainly seeing this 'problem' a lot more frequently. At Just we have developed a menu for augmenting benefits and can also now agree to pre-funded advice as part of that transaction.

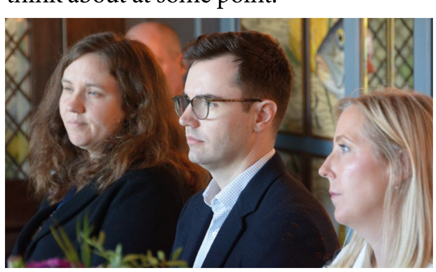
On service standards more generally it is something insurers spend a lot of time and effort on. Many including Just use TPAs and it's not unusual for trustees to have had different experiences working with them. We spend a lot of time explaining that "your experience with ABC administrator is different to ours" – typically insurers have ringfenced teams and a team of people managing the relationship. We have consistently had >98 per cent hitting of SLAs with our TPA, for example.

Chair: The difficulty is determining how you share surplus between people.

Parkin: It's a thorny issue – do you prioritise increases to pensions in payment, but what about deferred members? Do you look at pensions as a whole? Legally, you don't have to treat people the same, but you have to treat them fairly. When you get to the nitty-gritty of it, it is quite hard for trustees, assuming they've got the power to make those decisions.

Greenlees: That's the key point. You have to look at the rules to understand who's got access to surplus, because without that the sponsors will very much have a different view on how they want to view it compared to trustees.

Bramwell: Also, some rules are frustratingly vague about how you may actually use surplus. Sometimes rules will say, for example, surplus can be used by the trustees 'at the discretion of the company' and this can lead to quite circular discussions with competing priorities. I expect this is because many rules weren't written on the basis that there would be a significant surplus to think about at some point.



Parkin: Yes, it's a different world to when they were written. It also can be an emotive subject. On any return or surplus you will need to engage with members and the members may have a view.

Wilson: Just moving away from what members ought to get, let's just assume members get what they are entitled to. You then move from the pension regime to the insurance regime or to whatever the end destination is. The bit I'm interested in is, given the huge opportunity that we have at the moment in terms of surpluses, in terms of resources, investments that insurers have got, I don't see anyone – maybe one company – thinking about enhancing members' benefits.

So, the members have come into the insurance regime, and this is the contract that's been signed with the trustees, and they're now trying to put in place a structure that give enhancements to members or policyholders once that insurance contract is in place.

Haswell: Who pays for the enhancement?

Wilson: The insurer; it will be an additional feature of their proposition which is, if you come to us, yes, we're going to pay you what you're entitled to, but there's capacity to increase it under certain conditions.

Bramwell: In the interests of policyholder fairness, I just don't know how you could give a bonus to some but not others. I also think the insurance regime is particularly well set up to provide any discretionary promises in a cost-effective manner, unfortunately.

Wilson: I think there are ways that you can allocate outperformance across the policyholder spectrum. Bear in mind obviously treating customers fairly is important, but I think there are structures and ways that you can do that.

But what I'm really interested in

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is just the innovation around being able to share some sort of uplift with policyholders, given there's a recognition in the industry that retirement savings for most people is not going to be enough.

Capacity

Chair: How is capacity holding up?

Jennings: From an insurance side, when it gets busy you typically start seeing two or three insurers participating in a tender process as opposed to five, six or even seven which we've seen on occasion this year. There are relatively few non-competitive processes – there's a strong, functioning market in play.

I think the reason insurers can cope and are generally holding up well is because of the bottlenecks further up the supply chain we discussed earlier, particularly around administration. An illustration of this is that the dates on the long-term pipelines we aggregate from consultants across the industry have slipped, I'd say, this year more than ever. It is quite stark how, for example, you'd be expecting another 40 requests to quote to land on your desk. You call and they are still coming; it's just that things are being pushed back often by many months.

Chair: Because there are two different capacities – there's capacity money-wise and capacity people-wise, which is probably the bigger problem.

Jennings: People can and do work harder but there are limits to that and there's an overall talent pool that isn't growing in line with the market. At Just, we have invested massively in both people and technology over the past two years which has enabled us to increase both the number and complexity of schemes we can engage with.

Wilson: What I've seen as a potential issue is lack of skilled, experienced people. We've got multiple new entrants coming to the market, we have streams of schemes looking to embark on a transaction or certainly on a journey and they need advice. So, in order to deliver on that, you need skilled resources, you need trained actuaries, you need lawyers, you need all of the skilled advisers who are in this market.

The danger I see is that it takes time to train those people, and you suddenly have a swarm of insurers, newly created or growing advisory teams, all competing for that resource. I haven't even mentioned the reinsurance market yet. I just think that there's a potential huge issue around being able to fill the right skilled people in these positions.

Also, you've got potentially a public sector consolidator – that's also going to require the same skill set and resources. So, for me, people resources is a big thing and I think the way around it is to use technology.

Bramwell: I think the 'people' you are referring to here are the administrator, the project manager, the skilled person who can specifically do buy-in to buyout work. I believe everyone – consultancies, insurers, trustee firms – are probably lacking those people to some extent.

Actuaries are interesting – there are lots of scheme actuaries losing their clients and so they are moving across into the de-risking world and the wind-up work. And I think there's still a lot of talented people coming into the pensions industry, so maybe less of a concern there.

But in terms of general capacity, at least for us and other insurers, we probably haven't seen as much demand coming and therefore, actually, capacity has not been a problem. If you look at how each insurer has set up what they want to write, it'll be less probably than actually has been written this year. So, there's probably some excess capacity at the moment in the insurance world and we could write more – albeit probably not the £80 billion that was at the top end of predictions last year.

One factor that does influence things significantly are these very large, intense residual risk transactions that can soak up tens if not hundreds of people across the industry at once, which we haven't seen this year, but we have seen before.

Nash: I agree there's a lot of capacity at the insurers. The capacity crunch we are seeing is more on the admin side, which was probably partly behind the delays we experienced in the earlier part of the year and why it has been a bit quieter than expected – pension schemes have a lot of work to get through on their administration tasklist.

But there's also another capacity struggle in that there's just an awful lot going on in the industry at the moment on the trustee side. Trustees have got so much to consider when thinking about their schemes and, actually, when you're in surplus, you're maybe not in as much of a rush to get to buy-in and buyout. You've got that time; you've got a lot you can do with it, and perhaps that is helping to stagger the approach of schemes to the insurance market as scheme's work through their governance and preparation.

Greenlees: There is a lot for the trustees to think about at the moment, particularly lay trustees. Does that cause delays? I don't know – I think it's about making sure you prioritise the right tasks.

On the capacity point, the only area where we might see a bit of a pinch point

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are those schemes looking to transact within a set timeframe. That may be more driven by the sponsor, where there is maybe some M&A activity, where they do have a hard deadline. That's quite difficult to factor in sometimes with insurers and maybe sometimes the sponsors' deadlines are unrealistic to do a deal. That's the only pinch point I've seen. Otherwise, supply and demand feels about okay at the moment.

Haswell: I agree with the comments already made on capacity and I agree that yes, maybe, you don't get six quotes anymore, but you'll get two or three; and I think it's more competitive than ever, more smaller schemes are receiving multiple quotes than before.

I also agree with the point on delays, – it seems like each year it's happening more and more, that quotes requests will come in at the start of summer with the aim to transact by the end of the year. At the start of the year, it was quite quiet. I think that probably affects how many quotes a scheme can get and if you came to the market in December/ January and you wanted to transact in March, you'd probably get a higher number of quotes than if you came in August. When the timetable does become congested and schemes find they're expecting fewer quotes that they hoped for, most are willing to change their process to drive more engagement. This can be by cutting the number of rounds to one, cutting the number of pricing sensitivities, or making sure their objectives are clear.

Chair: Is there any capacity for a big organisation to transition people from one department into another? Or is it too specialised?

Haswell: There definitely is; whether people want to is another thing. When it comes to insurers, consultancies and administration firms, all are trying to hire administrators that are experienced, that have really got into the weeds of operating pension benefits. That is a relatively small pool of talent that people are going for which is less than the market demand. It would be hard to transition maybe someone who worked on the origination side to manage administration, but it's certainly possible.

More broadly moving between specialisms is certainly possible at Standard Life and a number of my colleagues have moved between BPA origination, finance, reinsurance or asset management.

I don't think moving the workforce between different employers will help as much as trying to get people fresh into the industry as school leavers or graduates. Historically, as an insurer, we've tended to build teams by hiring from consulting or administration firms. I'm not sure we can do that anymore as there's not enough people being trained by consulting firms to do it that way – we need to take people direct.

But it's hard to get, for example, university leavers enthused about what feels like quite a niche industry still.

Chair: Do you take graduates?

Haswell: We do take graduates, and we have them on a rotation, so they don't just work in BPAs – they might work in investment, they might work in administration, they might work in risk. They do a few cycles over the three years of the scheme to work out what they might like the most. We have also just started taking school leavers into our client services (administration) team.

Parkin: On the legal side, I wouldn't necessarily say there was a capacity crunch, in that we can do the work, but if you are looking to hire, it's a difficult market to hire in. There are a lot of law firms out there wanting pensions lawyers, as there's an awful lot going on.

The role of the professional trustee

Chair: Is there a difference between working with lay trustees as opposed to professional trustees on a transaction?

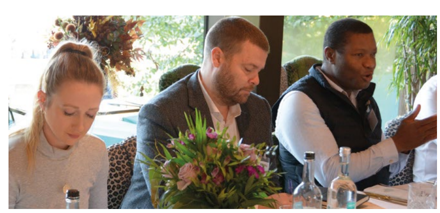
Bramwell: In my experience, lay trustees will typically ask different questions and have differing priorities than professional trustees. For instance, lay trustees may focus on more paternalistic or member-focused aspects, which is understandable given their background.

Therefore, we will probably do more to try and get in front of lay trustees and let them know who we are and what the industry is like, and how we can deliver on member outcomes. To them, handing over however many millions of pounds is a much more personal decision. So, I think, if anything, we would have to do more work with lay trustees to educate them about our world.

Nash: Where we see it make a real difference is actually not just with the original transaction, but what happens afterwards. Doing the original deal is just a small part of the story. There's an awful lot of work that goes on afterwards.

That's where having someone on the trustee side with the experience of having been through this before, knowing how to corral all the various advisers involved, and getting through that two years in an efficient way, makes a real difference.

That's a hard thing for a lay trustee to do and, actually, in relation to each individual advisor, someone's got to bring all those together and make it work as a process. The insurer does some of that, but there's also got to be some real collaboration to make that go well. We do



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see that potentially going more smoothly where someone on the trustee side has that experience of doing it before.

Jennings: I'd say the majority of schemes we work with do now seem to have a professional trustee on board. We spend a lot of time making sure we have positive relationships with the major firms. It does feel like professional trusteeship is getting more competitive with most firms expanding the number of trustee directors in their organisations.

Chair: It's probably a minority of schemes in general that have a professional trustee, but a majority of schemes that go to buyout will have one. I think that will also change.

Wilson: Where the professional trustee brings value, from our perspective and the work we do, is in relation to topics like data cleansing – understanding what the actual data cleansing process means; what the components of that are; and having the experience of being on transactions previously to know what that process ought to look like. For me, that's where the professional trustee knowledge and experience is useful for schemes.

Greenlees: I think for these sorts of projects, as long as schemes have a good governance structure with a clear path of how they make a decision – whether that means a joint working group or subcommittees – that's the key part. I agree professional trustees can add some experience there.

Parkin: There is value in lay trustees supplementing professional trustees – it's the benefit of diversity of thought.

Challenges

Chair: What are the biggest challenges before, during and after a transaction?

Bramwell: The main challenge we'd see before and during a process is where

the asks of us are not necessarily 100 per cent clear or nailed down. You might have speculative questions about whether we can insure this or that benefit or contractual term. Also, there are standard questions that we answer dozens of times a year, so I think some of the processes could definitely be optimised, and some consultancies are better than others (and some individual consultants are better than others) on that.

Lawyers are good at actually just getting to the nub of 'this is what we want, this is how we're going to make a decision, these are the points that matter to us'. Especially in a first round, for that filtering process, having a really clear process and really clear data and benefits, and the information that goes alongside it, all helps. There's still quite a lot of work to do on that despite a lot of messaging being put out there about being well prepared and clear, in order to appeal to the insurers where you can. I still think there's a bit of mixed experience there.

Nash: We've covered the administration and the data challenge quite a lot, but that's always a big one – getting the data right; not just before the transaction, but also how you deal with it post-transaction.

There's a governance challenge as well, particularly with surplus cases, in terms of understanding what the ask is for the scheme and whether that changes over the process. I appreciate that schemes don't know what their ask is until you know what the premium is. But there's probably something we could do to work together better in terms of how that's navigated and how the decisions are made over the course of the process and what's asked for when.

Haswell: Yes. There can sometimes be a request for a quote, you'll read it, it'll be very long with a number of requests and then you'll call the consultancy running the process and ask what the scheme actually cares about. Sometimes all of the requests will affect the decision on the insurer and that's fine, but quite often the key criteria for selection is shorter. Maybe that's okay as an approach and after that conversation it can solve the problem of the quote taking too long to prepare. However, it could mean that when we read it initially, we might even say 'no, we're not going to be able to quote on that one because we don't have capacity and it's going to take four times the amount of time as a normal quote'.

When it comes to asking for non-price commercial terms prior to an insurer being selected, there is a balance to be struck. Before a final round, schemes definitely want to ask for the things that they need on legal terms for example, so they don't come as a surprise and there's no animosity later. On the flipside, multiple requests that are only required in case this might happen or might not happen can take a good amount of time to prepare and approve. There needs to be some trust in us – a belief that we do want the best outcome for the scheme and that rarely, if ever, do processes fall over once in exclusivity.

Parkin: One of the challenges we see is when there is a disconnect between the trustee and the sponsor, particularly when the sponsor is trying to strongarm trustees into a process. You just resist or agree begrudgingly, but then it just doesn't work. That obviously doesn't happen a lot, but when it does, it can create issues.

Also, being clear about what you actually want is key – it's right to ask the trustees, 'what do you really care about?' Because that focuses the mind.

Surplus uncertainty is another challenge – what's the ask around surplus? Usually, you can't exercise the power until you're in wind-up so, in some ways, until you know exactly what money you've got, it's hard to think about. But are there opportunities there? What are the options? What's the kind of easy thing insurers can provide for surplus?

The other big thing at the moment for some trustees is the *Virgin Media* case. It can be hard for trustees to say now what they're going to do around that because, at the moment, there is a lot of uncertainty.

Chair: One thing that seems unlikely is that government will intervene and make life easier for everybody.

Parkin: The risk is doing something now that could turn out to be an over correction.

Greenlees: Picking up on sponsor interaction, from a trustee point of view, we want clear guidance from the sponsor and almost signoff that they're happy to go ahead with the deal. There's been several instances where we all thought we had that from the sponsor, only for the overseas parent to say no, we're not doing that, and that is very frustrating.

Also, as I mentioned, another challenge we have is managing expectations with the sponsor. If they've had their eye on buyout for some time and now see suddenly it's within touching distance, their expectation is that we, as the trustee, can just pick up the phone to the insurer and do a deal tomorrow. Managing that, telling them it is going to take longer than that, and that they then have maybe 18 months-two years to fully get rid of the scheme, assuming everything ties in with the benefit spec and so on, is all part of the challenge.

So, managing expectations with the sponsor is key, and then with the member as well. We talk about communication with the membership all the time. We need to reinforce the point that this is a good outcome for them. Because, if not, I'd question why we're doing a transaction in the first place.

Jennings: Pre-transaction, things are relatively slick – some small schemes may need to be more flexible in terms of process or timing but if they can be they will certainly get traction with ourselves and other insurers. Large schemes naturally take up more resource across the business, but that's only proportionate with the scale of the prize. Post-transaction, GMP equalisation and the administrator crunch are still the major blockers for things getting to buyout.

Wilson: I guess there are two main challenges that we face. We act for both insurers and schemes, and pre-transaction for schemes it is always a rush to try and get the data in a format that they can send across. So (1) being able to get the right information, that's a challenge. (2) Being able to translate that information into the format that it needs to go into for the destination risk taker.

So, we're facing challenges on the scheme and getting schemes ready and then we're also facing challenges with our insurance clients who want benefits to be audited, whether it be at a high level or in deep dive scenarios and with a particularly challenging timeframe. But fortunately, we have got technology that allows us to be able to do that.

They're the sorts of challenges that we are seeing pre- and post-transaction, and I haven't even gone onto GMP equalisation yet. So, many challenges, but we'd rather have those challenges than not be busy.

Trustee help

Chair: How can we help trustees from the start to the end of their de-risking journeys?

Haswell: I think pick advisers who have a track record – there are a lot of advisory firms that do. That's going to be an essential help with insurer engagement when it comes to receiving a quote, because we trust that they can run the bidding process and they talk to us all the time to tell us their pipeline, which helps to line up resources for quoting.

I know we publish articles and things, other insurers do too, and they host days for example.

Lay trustees might find this harder to get hold of, though. Professional firms have regular events, training sessions, etc, so a question I would ask is, for lay trustees, is it easy to find this material and use it? Do they find it hard to get education pieces, or is it readily available?

Parkin: It's easier if they're asking their legal adviser, or other advisers, to point them in the right direction. If you look at this industry-wide, you've got lots of organisations offering information, but they're all moving on in the discussion. Last year, for example, it was all about illiquids, but where's the 'back-to-basics' information? There's not necessarily an incredibly easy resource for lay trustees to find on this.

There is some available, for example, we have a jargon buster on our website but it's not all in one place.

Greenlees: Even if there's material there, it needs to be really accessible to lay trustees. When I've seen training sessions, either from advisers or from insurers, they go down particularly well with lay trustees, but if there is material

De-risking roundtable

there, make sure it is very easy to follow.

Bramwell: Many lay trustees have not done bulk annuities before, but a large number of professional trustees will not have done a bulk annuity either. They can sometimes be more challenging because they've may have done one transaction before with one insurer a number of years ago, so their learning process is harder because they're anchored to how the market was at a very different time. I'm always surprised how few professional trustees have done more than one bulk annuity, especially all the way through to buyout. Of course, this will change quite rapidly.

Wilson: I think the trustee community is incredibly well served in terms of access to advisers, and the willingness and openness of insurers and risk takers to educate them about their propositions. I've been in this market for a while – 20 years ago there weren't that many insurers around. As a trustee, you didn't have the choice, and you certainly didn't get the level of engagement that you're getting now. So, in terms of being able to help trustees, I think they are very well served.

Saying that, the information needs to perhaps be better structured and timelier to allow for the nuances of different experiences of trustees. But overall, the advisory community/the insurance community are open to serving the trustees.

Jennings: Irrespective of the size of the deal in question, we are always happy to meet trustees before or after inception of the policy. It's easy to become blasé given the very large numbers we work with on a day-to-day basis, but it's important to remember, for lay trustees in particular, this will likely be the biggest decision they ever make in their capacity as a trustee.

Also, they will likely be in the scheme themselves, they'll have friends in the scheme, so even on the smallest transactions, we'll always take the time to see people and speak to them and make sure they are 100 per cent comfortable with all aspects before they make that decision.

Bramwell: I completely agree with what has been said in terms of the amount of information available to trustees and the fact that insurers are willing to do the necessary legwork. The bit that I find interesting, especially in this world of surpluses where you may expect more discretion about the price you pay, is that whilst there is a lot of focus on non-financial factors – member experience, ESG, etc. – the reality is, we very rarely see anyone paying more than the cheapest price.

Parkin: I think that's changing, especially within the surplus world.

Nash: I agree there is a lot of information out there. When it comes to comparisons though, it is very easy to compare insurers on price. But you also get an awful lot of information on the other things like ESG, like covenant, and actually the information is out there for trustees, but it's very hard to bring it to life for trustees as to what that really means in terms of each impact and how they can compare. Maybe that's the area where we need to try and do more.

There are some good initiatives out there, whereby we can be compared better on sustainability, for example, because it's very hard to read everyone's 200-page report on their ESG credentials and then figure out what you're doing with them. But there's definitely some more work there that we can do as an industry to make it easier for trustees to think about the real-life implications of some of these other factors.

Haswell: I'd agree with Louise *[Nash]* – price is easier to compare. But member experience is very important. If you're a new entrant, especially, you're not going to win by just being the cheapest by a small amount, because you have no track record.

Greenlees: Some of the other factors though are hard to measure. Typically lay trustees will then default to, 'what can I easily understand?' and it will be price. Not all the time, but maybe that's where some of the value can be had, from asking some more difficult questions about what members are actually going to see, experience and so on.

Jennings: It's also a 'point in time' decision – there is potentially a 30/40 – year tail to a transaction; maybe they see price therefore as the main factor because that's one of the few certainties. Which administrator an insurer uses now or what the current SLAs are for turning around member quotes are all subject to change over the period of the policy.

Residual risk

Chair: How much of a concern is residual risk? Is it a common ask from trustees and should they always be considering it? What are the thoughts from those of you around the table?

Greenlees: I don't think schemes place enough emphasis on this upfront, and that's even moreso the case when there's lay trustees involved as well. They probably don't think about risk as something else they need to consider, particularly post transaction. It's something we still need to try and get our heads around as trustees.

Jennings: Personally, I'm not necessarily sold on the value of this from a trustee's perspective. If you look hard enough, and insurers will, you will find things you don't like and not find everything you should. These will then typically be excluded from the residual risk cover or be put back to the trustees to remedy at scheme expense.

From an insurer viewpoint, when we see an opportunity that has residual risk, it is not something that necessarily fills you with joy. If there's a similar opportunity and we only have capacity to do one of them, all things being equal we will likely choose the process without the ask for residual risk. So, it is something I'd advise trustees to be absolutely certain they want before asking for it. That having been said, it is something we are happy to engage with for the right opportunity.

Wilson: I think the starting basis for schemes and trustees is you need to do your own internal due diligence. You need to find out what data you have, what data you need, and you need to make sure that you have got all of the information that you need in order to transfer the risk to the insurer properly.

So, if you've done the work, if you've done the audit, if you've looked at your data and you've been looking at your data from the start all the way to today – because data is not fixed, it's not static, it evolves – if you've had good, thorough administration, you've recorded all of the changes that you've made and you've got a good record and a good audit trail of both benefits that have been paid and the underlying data that's associated with liabilities, then the question is, how much residual risk actually will you be left with? Because if you've done the work, then actually the residual risk shouldn't be that great.

Parkin: It's the unknowns though, isn't it? You don't necessarily go back and check every deed was signed by the right person.

Wilson: Yes, there's always an unknown. But the only positive thing you can do is to correct the information/make sure the information that's in front of you is as complete as possible.

Bramwell: I also struggle to see the value in it. We don't try to 'sell' residual risk cover, but we know people want to buy it. Therefore, we have an offering; but are we excited about being asked to quote on it and do the work for it? Not really.

There are isolated scenarios where it makes sense, so if you are working with, for example, a particularly disengaged company that's not going to provide an indemnity, a company that just wants a clean break and wants everything done within six months, then it's probably in the trustees' best interests to look at those sorts of processes. Otherwise, I think there are more practical and proportionate solutions to explore.

Nash: It's a lot of work, but I completely understand why trustees think they want it because it's a big, scary decision they are making. Not as many of these policies have been written over the last year compared to years before, for example, which is an interesting development, potentially reflecting the value the trustees see in it because of the exclusions you get on the cover and the cost of it.

There are always going to be situations where there's a particular driver, as you say, for the trustees to want cover like this.

Chair: Is it mainly for large schemes?

Nash: It is pretty much exclusively the domain of the larger schemes – it's definitely not a solution that's ever going to be there for the whole of the market, just because of the sheer amount of work covered.

To me, if you're really worried about these residual risks, there's just no replacement for doing the work both on the legal and the data side. Also, you have to ask the question in a situation where there's surplus to spend on this, is this the best use of that money? Or are members going to value a different treatment of that money that results in a more direct uplift to their benefits? It's an interesting call for the trustees to make.

Parkin: We wouldn't say to trustees you are obliged to get residual risk – it's very much a choice. What we're also seeing is more developed thinking on the trustee side in that, if you're not going for residual risk, is there anything else you might ask for.

Haswell: We have it as a product, but we don't actively go out to sell it.

One trend I've started to see – and I wonder if we'll see it more – is where schemes are getting towards the buyout stage and have done a series of pensioner buy-ins. So they might have liabilities insured with different firms. For the final chunk of liabilities they want to run a competitive process on the main quote but they want to run it on the residual risk too and do some kind of wraparound cover. This is where one insurer does all the residual risk but not all of the pension liabilities. I'm sceptical if that's good for customers – if someone's being paid by PIC, for example, and they then find something they need to claim for, but for that they need to go to Standard Life, it's quite a confusing journey for them. It can be navigated, but I'm not sure that's a good outcome for members relative to any saving in cost between the different providers on the cover.

"Cheers" to good governance

Scottish & Newcastle Pension Plan head of pensions, Neil Parfrey, and Knowa chief commercial officer, Aled Davies, tell Francesca Fabrizi how artificial intelligence (AI), when used in the right way, can assist pension schemes in meeting their general code and wider governance obligations

Aled Davies, chief commercial officer, Knowa

Neil Parfrey, head of pensions, Scottish & Newcastle Pension Plan

Please tell us about the Scottish & Newcastle Pension Plan and, separately, Knowa.

Neil Parfrey: The Scottish & Newcastle Pension Plan is a closed defined benefit scheme. It has approximately 30,000 members and assets in excess of £2 billion. The plan is overseen by a trustee board of nine, of whom three are independent directors. Day-to-day operations are the responsibility of the pensions team.

Aled Davies: Knowa is an AI-powered governance and meeting pack platform designed for pension schemes. Knowa has garnered the trust of over 500 pension schemes managing over £160 billion of pension scheme assets, and over 5,000 industry professionals as it continues to set the benchmark for board governance in the pensions industry.

The Pensions Regulator's General Code of Practice came into force earlier this year. What have been the biggest challenges regarding compliance?

Parfrey: One of the biggest challenges we encountered was managing the sheer volume of compliance requirements. While we were already compliant with most aspects of the code, our evidence, such as logs, policies, and reports, were scattered. This made it difficult to present a unified and coherent picture of our compliance status.

Our priorities were therefore twofold. First, collating and connecting all these disparate pieces of information into a single, accessible repository. Second, formalising our processes to monitor and maintain compliance effectively, bringing more of these elements into our business-as-usual oversight. This meant not only gathering the existing documentation but also establishing a systematic approach to keeping everything up to date.

To address these priorities, we needed to find the most efficient way to make this information accessible to the trustee board, integrating our compliance evidence into their oversight processes. We therefore focused on enhancing our reporting mechanisms and ensuring that the trustees had easy access to all relevant information, which supports better governance and informed decision-making.

How did you address those challenges and how have the services provided by Knowa helped?

Parfrey: We were able to start from a strong position, with the plan well-managed with a foundation of agreed policies and protocols. However, while these policies were typically agreed at meetings and known to the pensions team, they weren't always formally documented. This made it difficult to present a comprehensive and effective system of governance.

To address this, we conducted a thorough gap analysis to identify any unwritten policies and areas where we were deficient. One of our key objectives was to eliminate the use of spreadsheets that, until now, had been critical to governance and compliance. Relying on spreadsheets introduced version control frustrations and challenges in maintaining a single source of truth, which could compromise our governance efforts.

We collaborated with Knowa to integrate and, where possible, automate our governance responsibilities. This partnership offered numerous advantages. Importantly, we didn't have to reinvent the wheel; we had already invested significant time in developing our policies and processes, so it was crucial for the technology to adapt to our existing framework rather than forcing us to adjust to fit the technology. This ensured there was no disruption to our governance.

Davies: It's why we believe that offering great technology alone isn't enough. To truly unlock its value for a scheme, it's essential to combine it with people who understand both pensions and the technology itself. This way we can tailor solutions that effectively accommodate the unique structure and needs of each scheme.

Parfrey: So, by leveraging modern technology through Knowa, our directors have found the new tools to be user-friendly and easily accessible. We also had the opportunity to work with Knowa on several new features like our meeting attendance tracker, allowing us to customise solutions to meet our specific needs. With access to live information, we're now making decisions based on the most current data available.

Where are you now and what are your next steps?

Parfrey: The first step is now complete, as all information critical to our governance is consolidated on Knowa. This centralisation has been transformative, with the trustees already commenting on how much easier it is to access all the information they need to govern. It also means our data is now accessible through Knowa Q, Knowa's AI-powered tool for querying and discovering our knowledge. So, our focus is now turning to developing new habits to make Knowa Q an integral part of our business-as-usual practices. By doing so, the trustees and pensions team will be able to find insights in seconds, significantly boosting our productivity.

Our next step is to embed this technology deeply into our working practices to continue reaping its value and insights. We're aware that with compliance initiatives, there's always a risk that after substantial investment, old habits might resurface, and important tasks could be neglected. To prevent this, we're integrating live views of our logs, registers, and other essential documents directly into our meeting packs via Knowa. This approach keeps critical information at the forefront during our meetings and decision-making processes.

Looking ahead, our first Own Risk Assessment (ORA), as required by the general code, isn't due until October 2026, but we're already taking proactive steps toward compiling it. Even though it's a compliance requirement, we view this as an opportunity to thoroughly review and enhance our governance well ahead of the statutory deadline. This early start allows us to identify areas for improvement and implement necessary changes in a timely manner. I hope to be able to integrate this into our Knowa account in due course too.

What tips would you offer other pension funds going forward working on complying with the code?

Parfrey: When it comes to complying with the code, my primary advice to other pension funds is to start as early as possible and seek proper guidance to help you through the process. Instead of viewing the code as a burdensome obligation, consider it an opportunity to "road test" and strengthen your governance framework.

Davies: We've had a great time working with Neil, the pensions team and the trustees, as we enjoy working with schemes with the ambition and vision to overhaul governance in one go.

This isn't the only approach of course. Smaller schemes might find it effective to break the process into different priorities. For example, as a first step, rather than creating your first Effective System of Governance (ESOG) on a spreadsheet and falling immediately into old habits, you could start by using our ESOG best practice template. This would help avoid common pitfalls associated with manual spreadsheets that Neil mentioned.

The next step could be to integrate the most critical or challenging compliance tools, such as the risk register or trustee training log. For many schemes, this might be all they need from technology to comply with the code, but others can continue to expand their use of tech as resources permit over time.

Two crucial questions to keep asking are: "What knowledge do my trustees need at their fingertips to govern effectively?" and "how do I avoid gaps in my data?". Once you've identified this information, focus on making it accessible through platforms like Knowa.

Looking ahead to the ORA, I encourage schemes to explore practical and proportionate methods to comply, such as implementing live dashboards. These tools can provide real-time data to help decision-making and make the compliance process more meaningful, manageable and efficient.

Anything else you would like to add?

Parfrey: One area that can sometimes be overlooked with any adoption of new technology is the importance of maintaining strong in-house discipline to keep it up to date and relevant. This includes regularly updating documents, policies, and maintaining tools like the calendar. We've initiated regular training sessions with our directors during trustee meetings to ensure they not only review Knowa before each meeting but are also fully aware of where all relevant documents and policies are stored. This practice is invaluable for succession planning, as it ensures that new members can quickly familiarise themselves with our governance processes.

Davies: From the beginning, Knowa's mission has been to deliver a profound and enduring transformation to trustee boards by making collective board knowledge and memory instantly accessible with no data gaps. Compliance with the general code aligns perfectly with this goal. By adopting a technology-enabled approach to compliance, not only is critical governance information centralised, but trustees are also empowered to make more informed decisions.

Written by Francesca Fabrizi

Time for a change

Alex Janiaud considers whether the DC lifestyling investment pathway is still fit for purpose

Summary
- 'Lifestyling' is the default defined contribution investment pathway in the UK.
- Some experts believe that lifestyling is leading to poor outcomes for savers.
- Target-date funds can offer greater flexibility but have not been universally embraced.

There is more than one way to build a defined contribution (DC) investment strategy. Yet the most conventional DC investment pathways are under scrutiny over their ability to deliver good retirement outcomes at a time when trustees are also being pressured to invest in UK plc.

'Lifestyling' involves gradually de-risking DC pension pots as savers age, with pots typically holding a higher allocation to bonds as retirement nears. This change in asset allocation may occur as early as between five and 15 years before retirement, according to The Pensions Regulator (TPR). Average equity allocations are slashed from approximately 75 per cent to 25 per cent, according to *Corporate Adviser* data cited by Columbia Threadneedle.

Therefore, some providers are instead looking to 'target-date funds', which are single funds that are usually managed by investment professionals according to an expected retirement window, when a member is likely to access their savings. Proponents of target-date funds argue that they are more flexible than lifestyle funds, arguing that the latter are unable to respond to market conditions, owing to their automatic de-risking process.

And as providers try to figure out the optimal investment pathway for their members, they face relentless demands to consolidate and invest in UK assets.

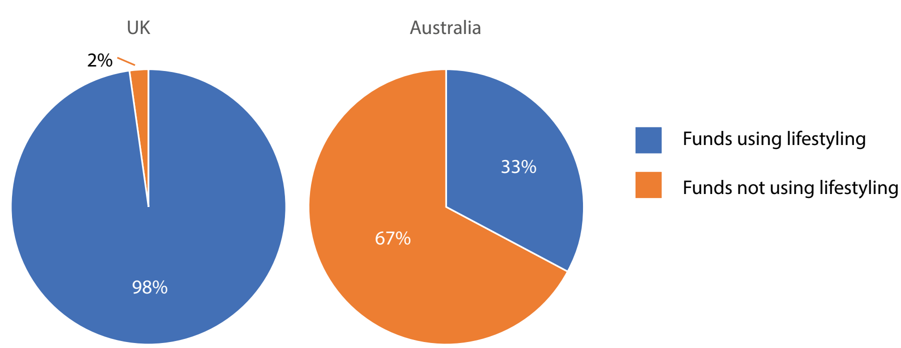
'Excessive de-risking' in lifestyling

Lifestyling is the dominant DC investment strategy in the UK, where it is used by 98 per cent of schemes, according to the Policy Exchange.

"Fundamentally, lifestyling is still a sensible way of offering a default strategy," says Broadstone head of DC workplace savings, Damon Hopkins. But lifestyling "doesn't offer the same flexibility or ease with which different cohorts of members can be accommodated, in the way, for example, target date funds can – which can enhance returns", he admits to *Pensions Age.*

"Often employers or trustees are somewhat hamstrung by the way a provider's default strategy is set up," Hopkins observes, noting that many providers do not offer a choice on how their default investment strategies are structured.

A November 2024 report authored by Columbia Threadneedle Investments head of dynamic real return, Christopher Mahon, is more damning. Observing that other DC pensions systems such as that of Australia do not de-risk as retirement nears, the report claims that



Source: Policy Exchange *Growing Pension Capital: Lessons from Australia*, 2024

the UK is "something of an outlier", estimating the annual cost of "excessive de-risking" to savers at 2.3 per cent, which is approximately equivalent to cost of £12,000 to a conventional £100,000 pre-retirement pot.

The report also argues that "tackling excessive de-risking" could create a £10-25 billion boost to UK capital markets and investment.

A 2024 report authored by Mahon and the Policy Exchange head of political economy, James Vitali, recommends that TPR should "review and reverse the regulatory preference for de-risking strategies and lifestyling", arguing that "this has led to poor outcomes, particularly for older savers closer to retirement". The report suggests that regulators should instead look to incentivise innovation in the annuity market.

But Quantum Advisory investment consultant, Joe Condy, argues that the risk reduction usually seen in lifestyling "doesn't necessarily mean no risk", noting that "some risk may be maintained to generate returns post-retirement where income is being drawn".

Target-date funds offer greater flexibility

UK providers, including Vanguard and Nest, have adopted target-date funds. In a 2023 newsletter, the Rolls-Royce Retirement Savings Trust announced that it was closing its lifestyle investment programme from June 2023 to members who are more than three years from their retirement dates, also closing its other lifestyle programmes, replacing its lifestyle arrangements with a target-date fund that invests in BlackRock funds.

The trust said that the change would deliver over £500,000 of annual fee savings, as well as help to provide "a more sustainable investment proposal" to its members.

"Larger master trusts, because of their size and scale, have the ability to create their own, tailored, target-date funds," says Condy.

"As a result, they have the opportunity to introduce alternative and illiquid asset classes, which could potentially benefit members over the long term", he continues, suggesting that the adoption of target-date funds could increase in the event of more consolidation in the market.

A target-date fund "gives you a lot more flexibility, and you can change things under the bonnet much more easily in a target-date fund structure than you quite often can in a lifestyle structure," says Hymans Robertson head of DC investment, Alison Leslie.

However, the Defined Contribution Investment Forum chair, Mark Austin, observes that "target-date funds haven't really taken off in this country" and that changing schemes from long-standing default arrangements would be "quite difficult", in part due to the need to engage extensively with members.

Target-date funds can also prove too complicated for smaller providers, according to Aon senior DC consultant, Steve Leigh. Of the single trust schemes that Leigh has observed, "very few are using target-date funds just because of the complexity", other than schemes that have delegated investment management to consultancies like Aon.

These schemes are still in the minority, Leigh believes, suggesting that these schemes tend to want to manage their own investments but lack the necessary infrastructure for target-date funds.

Innovation and Mansion House

The UK's DC investment landscape looks ripe for innovation led both by industry and the government.

"How DC funds invest will likely be drastically altered by the government's growth agenda"

"More innovation is required," says Hopkins. "While many providers offer different investment solutions or pathways, these tend to target a single retirement outcome or decision such as purchasing an annuity or drawdown."

"In reality, most members, particularly those retiring in years to come who have much larger DC pots than those currently retiring and potentially more complex retirement income needs, are likely to want a combination of options," he continues. "This may be, for example, drawdown for a period and then purchasing an annuity for a period/portion of their savings."

How DC funds invest will likely be drastically altered by the government's growth agenda, which in Chancellor of the Exchequer Rachel Reeves' Mansion House address in November reiterated Labour's desire to see DC pensions invested in UK assets.

Observing that there will be £800 billion in workplace DC schemes by the end of the decade, Reeves said that for "too long, pensions capital has not been used to support the development of British start-ups, scale-ups or to meet our infrastructure needs". She pledged to consolidate the DC market.

The reforms "will result in more focus on the composition of defaults and inclusion of a wider range of asset classes, especially private markets," says Zedra client director, Sam Burden.

Law Debenture director, Elizabeth Hartress, believes that the reforms "will be a catalyst for change, although the direction of travel in the past few years has already been for bigger funds and new ideas".

"Both the impact of auto-enrolment, which is pushing DC funds towards large aggregate numbers, as well as the consolidation already happening in the master trust arena post-authorisation, mean that the current players are having to find innovative strategies," she adds.

"Innovation doesn't need to come from the obvious, largest, or incumbent players: we are keen to see enough flexibility in the eventual plans to allow disruptive, brilliant, member-focused solutions to break through and challenge the prevailing approach.

"At the same time, we remain concerned about pensions adequacy, and hope the industry doesn't get distracted from the fundamental challenge of helping people save enough for the retirement they want and need."

Written by Alex Janiaud, a freelance journalist

From bricks to billions?

Summary

- The UK is facing a housing crisis due to a growing urban population, high house prices, and a supply shortage.
- The new government has prioritised solving the crisis by aiming to build 1.5 million homes over the course of a parliament.
- Affordable housing offers a potential investment opportunity for pension funds, due to the significant demand, long-term returns, and diversification benefits.
- Investment in single-family housing, a rapidly growing market, could be the 'missing piece' in the broader conversation on affordable rental housing.

Callum Conway looks at the investment opportunities for pension funds within the affordable housing sector

It is no secret that the UK is facing a housing crisis. A growing urban population, skyrocketing house prices, and a supply shortage have created a lethal cocktail for the housing market, particularly for young people trying to get onto the property ladder for the first time.

According to the Office for National Statistics (ONS), the average house price in the UK reached £286,000 in 2023, up from £230,000 in 2013 – an increase of nearly 25 per cent over the past decade. Meanwhile, the National Housing Federation (NHF) says that at least 3.5 million people are waiting for social housing across England.

Ambitious targets

The new government has prioritised solving the crisis by creating more affordable housing – defined as offering a subsidised route to home ownership or subsidised rents for people on low incomes.

Its election manifesto, supported by the Autumn Budget, targets building 1.5 million new homes over the course of a parliament, including 100,000 social homes annually, and controlling rent prices by linking them to local income levels. Between 2022-2023, there was a net loss of 11,700 social rent homes, highlighting the scale of the challenge the government faces to reach their targets.

An opportunity for pension schemes?

As we reach a critical juncture in the housing crisis, do affordable housing funds represent an attractive investment opportunity for pension schemes? Hymans Robertson senior investment research consultant, Steven Grahame, says investing in UK residential real estate has several merits for three principal reasons. Firstly, there is significant demand for housing and a lack of new supply, which helps maintain rental and capital values over a forecastable period. Secondly, investment in housing generally requires new building and development, providing the opportunity to earn a potentially higher long-term return. This also delivers local and community benefits, including additional housing, employment and training opportunities, and broader community advantages. Thirdly, the inflation-linked affordable housing sector offers diversification benefits against commercial property.

A 2023 report from the British Property Federation (BPF), *Catalysing investment in social housing,* recognised the potential for pension schemes to help solve the housing crisis. The report said that UK pension funds are increasingly seen as a crucial source of capital for constructing and managing affordable housing, particularly in urban areas where demand outstrips supply.

In the report, BPF policy director, Ian Fletcher, wrote that "pension funds and other sources of institutional capital are attracted to these sectors as they offer secure long-term income, but the government must do more to give them the confidence to invest".

Are pension funds capitalising on this potentially ripening investment market? According to an annual assessment by Better Society Capital (BSC), a social impact investor, more than half of £10 billion in social impact investment is driven into housing by pension funds, growing the market by 7 per cent in 2023. Pension funds are the biggest investors in Britain's social and affordable housing sector, representing around 40 per cent of the market, BSC said.

However, there is room for growth. In 2023, the allocation of pension funds to real estate and infrastructure (which includes affordable housing) was estimated to be around 10-15 per cent of total assets for many large pension funds, according to data from Preqin. But, a significant portion of this allocation is often directed toward commercial real estate, focusing less on affordable housing, which remains a largely untapped market.

Recent activity

One such body that has caught on to the attraction of affordable housing investment is the Access Pool – an investment partnership between 11 Local Government Pension Scheme (LGPS) funds across the UK. In the past year, it has overseen a flurry of commitments to real estate funds, such as Legal and General's (L&G) affordable housing fund, launched in July. Backed by a £125 million investment from the LGPS, the affordable housing fund holds over 750 homes, most of which will benefit from affordable rent, with the remainder being shared ownership and social rented homes. It aims to deliver a diversified, inflation-linked cashflow for investors. In August, the Greater Manchester Pension Fund (GMPF) invested a further £120 million into the fund.

"With traditional housing associations facing financial pressures, institutional investors, like Access, are proving themselves as reliable partners in directing long-term pension capital into areas that support society by unlocking more homes," L&G fund manager, Ali Farrell, says.

The L&G affordable housing fund outlines 'health and wellbeing' and 'equity and affordability' as its core social priorities, a goal that has become increasingly common for pension funds. According to the PLSA, 57 per cent of UK pension funds now track social impact metrics as part of their real estate investment strategies. This represents one aspect of environmental, social, and governance (ESG) investment considerations for pension funds.

Last month, *Pensions Age* reported on the Gresham House and Thriving Investments partnership, which aimed to create a UK-leading, eco-friendly affordable housing fund management platform which would eventually become a net-zero investment.

To date, the fund has successfully deployed nearly £200 million, amassing a portfolio of 1,557 affordable homes across England, of which over 1,100 are operational.

Thriving Investments CEO, Catherine Webster, says the partnership represents an increasing pension appetite for exposure to the UK housing market.

"Affordable housing represents a steady, long-term, and CPI-linked investment, which is particularly attractive for pension funds," she says.

Webster adds that her company's affordable housing partnership also aligns with pension schemes' ESG demands.

"We aim for our homes to use air-source heat pumps to help deliver a low-cost, low-carbon approach to energy.

"We also try to keep embodied

carbon as low as possible by looking for biodiversity net gain in the areas we build in. For example, we want the homes to be close to public transport so that we can reduce emissions released by cars."

Obstacles to investment

Despite the numerous 'green flags' affordable housing offers as an investment for pension funds, some barriers could make schemes think twice.

Regulation and planning legislation remain issues, the BPF warns, given the complexity of security permissions for new developments, especially in high-demand areas.

"Long delays in the planning process can increase risks and project costs significantly, particularly on larger complex schemes," reads its 2023 report.

The planning regime in the UK can delay the start-to-completion date, currently averaging around 2.8 years outside of London, according to data from Litchfields consultancy.

However, it says investors can mitigate these challenges through partnerships with local authorities, such as the Access Pool or housing associations.

Given the long-term nature of rental housing schemes, direct affordable housing investment also creates liquidity concerns, the Impact Investment Institute suggests, which may deter some pension funds that prefer liquid assets with quicker returns.

There are also reputational risks as the product is delivered to end users as consumers rather than businesses, according to Grahame.

"Selecting the right investment managers and partners is critical to alleviating these reputational risks and securing the targeted return," he says.

While the new government has declared its intention to address many of these obstacles through new policies and legislation, some commentators remain sceptical.

"They're saying the right things," says Webster, "but actions speak louder than words, and the devil will be in the detail.

"It's fantastic to have a new government that is so pro-housing and very vocally pro-housing. But their targets are ambitious, and they must find the money to achieve them."

WTW senior investment manager, Douglas Crawshaw, is also sceptical about Labour's promises.

He says that although affordable housing could become a more attractive investment for pension funds under the new government, political parties tend to say things to get votes and then not necessarily deliver on their promises.

"Inward investment into the sector must be encouraged by new government legislation, not stifled", he adds.

"Affordable housing represents a steady, long-term, and CPI-linked investment, which is particularly attractive for pension funds"

What about single-family housing?

One area of affordable housing that may mitigate many of these obstacles, while simultaneously working towards the government's goal of 1.5 million new homes, is single-family housing (SFH).

While the term 'affordable housing' includes social housing and private rental properties, SFH refers to single-family rental housing units, which can be newly built or renovated, according to Savills.

Savills head of build-to-rent research, Guy Whittaker, says most SFH falls into the "affordable" category, due to lower maintenance costs and fewer ancillary services required.

"This makes them immensely popular among young couples and families, with almost 90 per cent of occupiers under the age of 45."

L&G build-to-rent scheme director, David Reid, describes SFH as "the missing piece" in the broader conversation on rental housing.

Reid says the demand for affordable housing is enormous, but SFH has an important point of difference.

"Affordable housing is government regulated; SFH is not. Government-funded organisations provide social housing, while affordable housing is usually offered through private developers or landlords. In the single-family market, there is no grant or subsidy. It is funded by a solid investment from your capital partner's capital structure."

Reid points out that while operating costs are higher in the private market, rent is also considerably higher, meaning returns over time can be much more substantial for pension funds.

However, Crawshaw suggests the maintenance costs for SFH can be significantly more than those of other forms of affordable housing.

"If you have 200 units in a single block, you need one maintenance person on-site to fix your leaky taps or whatever the issue might be. The issue with SFH is that if you have 200 houses, unless they're all relatively close to one another, you'll need a team of maintenance people to manage the properties, driving up costs."

Yet, the UK's SFH sector is rapidly gaining momentum.

According to a Savills report, over £1 billion was invested in SFH in the first nine months of 2023 – more than triple the amount invested in 2022.

"Investors surveyed are aiming to commit more than £25 billion to the sector over the next five to 10 years," the report says.

While the demand for affordable housing outstrips supply, the sector could represent an attractive investment opportunity for pension funds, particularly those looking to target the social aspect of ESG considerations.

Written by Callum Conway

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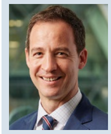
Sustainability roundtable

MODERATOR

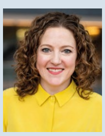
Jerry Gandhi, Director, CAP Services
Jerry is an independent pensions professional with extensive experience as a pensions manager. He is also a professional independent trustee. Jerry has worked within small and large pension operations covering projects, hands-on management and delivering to both trustees and company. He is a leader in the field of trustee governance and operational excellence for both DB and DC schemes. He fully appreciates, and has extensive experience in, managing the conflicts between company/commercial economic impact versus trustees' member/fiduciary responsibilities.

PANEL

Mark Hill, ESG, Climate & Sustainability Strategy, Policy and Analysis, The Pensions Regulator (TPR)
Mark is the climate and sustainability lead within TPR, responsible for developing the regulatory response to climate change and sustainability disclosure requirements, and delivering TPR's climate change strategy. He brings 30 years of experience working predominantly in the public sector. Mark is involved in work across government and the sector, from the Climate Financial Risk Forum to the Transition Plan Taskforce, in support of sustainable finance and better outcomes for savers.

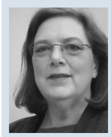


Martyn James, Director of Investment, now:pensions
Martyn is the director of investment for now:pensions, the UK master trust provider. He is responsible for leading the investment strategy for the business, with a focus on improving returns and retirement outcomes for its members, and enhancing the sustainability characteristics of the portfolio. Martyn joined now:pensions in 2024. Prior to this, he spent 22 years at Mercer, most recently as partner within its UK DC business, also with a two and a half year secondment leading Mercer's Wealth (pensions and investments) business in Latin America.



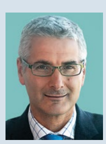
Lauren Juliff, Climate and Sustainability Product Lead, Head of UK Institutional, Storebrand Asset Management
Lauren is a climate change specialist and a product specialist on the Storebrand Plus fund range. She is responsible for working with clients on their sustainability goals, specifically helping develop and deliver tools to assist clients meet and demonstrate progress on their goals. Lauren joined Storebrand as part of the SKAGEN merger in 2018. She joined SKAGEN in 2013 as head of UK institutional and has over 20 years' experience working with UK institutional investors.

Ben O'Donnell, Chief Investment Officer, Climate Asset Management
Ben has more than 20 years' experience in fund management and investment banking, and across a range of natural capital industries. As CIO, he oversees deployment of more than $1 billion into a developed market real asset fund and two emerging market carbon strategies. Climate Asset Management's funds are Article 9 aligned, applying an impact framework to guide investments towards improved environmental and climate outcomes in addition to attractive financial returns.



Anne Sander, Client Director, Zedra Governance
Anne holds numerous professional trustee appointments and is chair of several contract based pension governance committees. She is currently head of Zedra's governance advisory arrangement and leads the ESG forum. Prior to becoming a professional trustee, Anne worked in consulting, insurance and asset management businesses as a qualified actuary, assisting corporate and trustee clients, advising on investment strategy, governance, risks and controls and working in project management roles.

Jane Wadia, Head of Sustainability, Core Products & Clients, AXA IM Core
Jane's responsibilities include engaging with clients on sustainability topics and working with teams across AXA IM to ensure that the firm's investment capabilities reflect the needs of its clients with regards to responsible investing (RI). She is responsible for defining and developing the RI product and client vision, and is a key stakeholder in shaping the overall RI priorities for the AXA IM Core business. Jane is also a member of AXA IM's strategic sustainability committee and the AXA IM Core RI steering committee.



Justin Wray, Head of DB, LGPS and Investment, Pensions and Lifetime Savings Association (PLSA)
Justin leads the PLSA's team covering DB, LGPS and investment issues. He was previously head of the policy department at the EU's insurance and occupational pensions regulator, EIOPA, where he led its work on regulatory policy, including reviews of the IORP II directive for pensions and the Solvency II directive for insurance. Before joining EIOPA, Justin worked at The Pensions Regulator; HM Treasury; and at the Department for International Development.

Sustainability roundtable

Sustainability in the spotlight

Our panel of experts reflects on the evolution of sustainable investing in pensions today, the challenges facing trustees looking to meet their sustainability requirements, and the increasing focus on biodiversity

Chair: What does sustainability mean to pension trustees?

Ben O'Donnell: The mandate is to deliver risk-adjusted returns to underlying members, which is done in a way with responsible investment objectives and reporting regulations in mind. If you don't deliver on that, then sustainability beyond that doesn't carry a lot of weight.

So, from our perspective, you should incorporate sustainability into products that can deliver attractive risk-adjusted returns and portfolio benefits, but also assist trustees in reporting around climate, biodiversity and the overall impact initiatives that they would like to support – all the while, meeting the needs of their members.

What we see in the pension market globally is that people have a desire to look at this space, but often the regulation is not supporting a proactive approach to that – people are looking to build their portfolios and in doing so identify products where sustainability can become part of the overall narrative that they receive.

So how do we get people to focus on delivering products that are fundamentally sustainable as well as delivering all those other portfolio benefits with an allocation to the sector? I think it's starting, but the dialogue and the learning still has a long way to go.

Anne Sander: To offer a trustee view, first, in terms of the regulation, there isn't anything stopping us investing in sustainable assets. What's stopping us is being able to show that these sustainable assets are going to deliver value to members. Climate risks/ESG risks and so on are often out in the future before they might materialise. So, being able to weigh that up against delivering for members today creates a challenge.

Then we're also thinking about reputation, and particularly our sponsors' reputation. If the sponsors support sustainability, it makes it easier and almost expected that we will follow.

One of our problems is that the regulations are driven by reporting, and we can tick the reporting box; but winning people over to understand what the long-term value is of investing this way is where we struggle.

Lauren Juliff: Earlier this year, the Financial Markets Law Committee (FMLC) published a report looking at what fiduciary duty means in the context of sustainable investing. That was helpful in terms of trying to modernise understandings of fiduciary duty, because we're going through a huge global, economy-wide transition, so we have to start thinking about things differently and talking about things differently.

Ultimately, the way that we see sustainability risk is financial risk. But the FMLC was helpful in that it said there were several contextual things we need to think about. One is that narrative is important on this because we don't have all the right data yet, so we won't necessarily assess value for money in the same way that we have before.

Another one is timeframe – if your timeframe as a pension scheme is long-term, then climate change is a risk, it's a financial risk, and that's what the FMLC has been clear about. So, we must also shift that focus on short-term timeframes to long-term thinking.

Martyn James: The trustees on our board do obviously want to deliver strong returns for members at the right risk, but they also want to make a real-world impact with their investments. The investment strategy therefore was changed at the start of the year to terminate third party manager appointments and manage the assets directly in-house, with the aim of investing responsibly and of stewarding those assets to target net zero by 2050.

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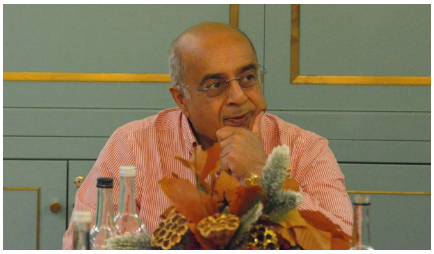

The trustees have obviously looked at their fiduciary duties too and, in their recent Task Force on Climate-Related Financial Disclosures (TCFD) report, they've undertaken scenario analysis and it's just confirmed their view that a three degree warming world or more is going to be catastrophic for global economies. It's going to impact investment portfolios poorly, and they feel it's their duty to invest in a way and steward the assets to not get to that point.

They benchmark listed global equities versus the MSCI All Country World Index (ACWI), but disinvest companies that do not have credible plans to transition to net zero by 2050. Otherwise, there is engagement with the company holdings to support the transition. So, they've managed to align the need for strong returns and the fiduciary duty there, but also are able to have a real-world impact so their members can retire into a better future.

Chair: Does that include private assets?

James: There are different parts of the portfolio. We are working on implementing a private markets portfolio in 2025, which will possibly have investment solutions related to climate change; but I was referring to the listed global equity portfolio. Our in-house fund manager assesses each company in the index – for example, if a company is a high emitter, does it have a credible transition plan? If so, we will invest, we will engage and we will vote in the right way. If there's no credible transition plan, we may disinvest from that company, which obviously then creates tracking error against the MSCI ACWI, but we then re-weight factor and sector exposures back to the index. So, it's a passive portfolio with enhanced ESG characteristics.

Passive investing

Chair: What are the panel's thoughts on passive investing in the sustainable arena?

Juliff: We've done a lot of research on the passive offerings in this space – on the Paris-aligned benchmarks (PABs), for example. Our conclusion is that none of them are passive. There can be substantial active risk depending on which one you choose, the tracking error between the different options is varied and large.

They can also have substantial tracking error from the parent benchmark, and it's not necessarily managed. It's also not necessarily aligned with climate. Our research shows that most of them have meaningful Magnificent Seven risk.

Also, we need to be flexible, we need to adapt and evolve with the transition, as there's new data, new policy and new science coming in all the time – this makes setting a 'passive' strategy around an index particularly difficult. The other issue with the PABs is that this seven per cent indiscriminate decarbonisation approach is not what Paris-aligned is in reality, but that's how it's being defined by those benchmarks. One of the key things with the Paris Agreement is about equity for emerging markets. That isn't covered by that either. That 7 per cent is just applied across every region, company and sector which can lead to some unintended consequences in portfolio construction, like divesting emerging markets and solutions.

Jane Wadia: We hear a lot about the Paris-aligned benchmarks, they're being used more and more, and there are pros and cons there. Where I would agree is that they can be useful from a measurement perspective, but if you're a mature pension scheme with a lot of fixed income managed in a buy-and-hold type approach, it's slightly hard to be necessarily churning the portfolio and meeting this seven per cent decarbonisation year-on-year (which looks very nice on a linear chart that we can put in front of clients, but real life doesn't quite work that way).

It also doesn't take into account the allocation to climate solution-type strategies as well, which are key in terms of decarbonising the economy.

So, they do need to be looked at with a lot of care and consideration and, like everything, it's about really understanding what you're putting into your portfolio. You can measure it against something, but ultimately the returns are coming from your actual portfolio and not the benchmark.

Chair: What is The Pensions Regulator (TPR) view here?

Mark Hill: As a regulator, we look at this through a sustainable finance lens. So, it's about downside risk management in terms of material financial risks – be they climate, be they nature, be they social factors – and then maximising the upside opportunities, such as new and emerging technologies and companies key to the transition to net zero, ultimately with a view to increasing portfolio and investment strategy resilience to the impacts.

It's not TPR's role to say what trustees should invest in, that is their decision, but we have been raising awareness through various means such as articles, blogs, speaking events and roundtables. We have also launched a landing page on our website with links to internal and external resources that is accessible to trustees.

We appreciate it is a big challenge for trustees to get up to speed from a governance and reporting perspective and work out what is material for their scheme. It's one thing to get your head around climate, but now people are talking about nature and social factors, which brings in another set of data requirements, another level of understanding.

For TPR it's about trying to support trustees, it's about getting the guidance out there, updating the Trustee Toolkit so ESG is woven all the way through the core modules, taking part in discussions like these to get a good feel for where trustees are, finding out what are the barriers, what are the enablers and what we, as a regulator, can do to help.

Thinking about disclosures, I believe it's fair to say, looking at our reviews of TCFD reports and talking to trustees, the first two years of climate-related disclosure reporting successfully placed the issue of climate change on the agenda. It's got it on the radar for trustees and steps have been taken to understand and manage the risks and opportunities. The danger now that the reporting is established is that it becomes viewed by schemes as a compliance exercise and not a tool to help drive continuous improvements in governance and risk and opportunity management.

So, I'm looking forward to the Department for Work and Pensions (DWP) undertaking its review of TCFD and taking the opportunity to look at what could be done to avoid this, such as changes to the frequency of reporting. With the government's manifesto commitment to roll out Paris-aligned transition plans there is an opportunity to make disclosure reporting more forward looking and more decision-useful. As a regulator, we are cognisant of the reporting burden – you've got Statements of Investment Principles, Implementation Statements, TCFD and the voluntary UK Stewardship Code, not to mention reporting obligations in other jurisdictions. Add to this the requirements and guidance set out by the Taskforce on Nature-related Financial Disclosures (TNFD), the Taskforce on Social Factors and Transition Plan Taskforce and that's quite a bit for trustees and schemes to consider and manage.

Chair: What's the Pensions and Lifetime Savings Association (PLSA) view here?

Justin Wray: When I joined the PLSA, I was surprised at how supportive of, and how much it was pushing, sustainable finance and ESG – the association is certainly a supporter of the importance of climate and other sustainability risks.

Like TPR, we offer trustee guidance, how-to guides and so on, and we are very aware of how the pensions world is so diverse – large schemes will have their own resources, and they can hire consultants but, as you go down the scale, having an organisation like ours that can provide schemes with material, even on things like ESG terminology, is useful.

It's interesting to see also that more things are coming into the sphere of sustainable investing – nature and biodiversity, for example. You can see that TNFD, if it follows the same kind of sequencing as TCFD, is going to be compulsory. So, part of what we want to do is prepare PLSA members for that.

Likewise, in relation to transition plans, as has been mentioned, it was in the Labour Party's manifesto so, again, we know it's coming but, as a term, that can cover a huge range of outcomes. One of the things we're doing there is talking to DWP and others asking what exactly they mean by this.

The role of the consultants

Chair: How do asset managers face the challenge of persuading the consultants that your product is the right one?

O'Donnell: The consultants want to see demand from the underlying members before they rate a product so, while we've got to have dialogue and education with the consultants, we've also got to engage the underlying trustees to generate some demand, so that the consultants can see a pathway to generating income from reviewing a product.

Consultants are seeing more inbound enquiries – whether that's because people can see the problem in real time when they see changes in the weather patterns, or whether the reporting is encouraging people at the trustee boards to say we need more products, I am not sure.

But getting consultants engaged is one of life's challenges in the asset management space and we're hoping that more coverage, more engagement and more education brings them to the table to review product and ultimately commit more money into these products that can help diversify portfolios but also increase nature and climate outcomes.

Wadia: I agree that things are evolving there and it's moving in the right direction. For example, in the last four years, certainly in fixed income, 100 per cent of the new Buy & Maintain mandates that we've launched have had some climate consideration. I'm not saying they all have a net-zero objective, but there will be some sort of climate consideration that is effectively binding

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from an investment perspective. That's quite telling.

Also, we launched a Carbon Transition Global Short Duration Bond Fund in January, seeded by Aon, which provides investors with a truly actively managed global fund that aims to enhance cash returns while supporting the transition to a net-zero world through an explicit decarbonisation objective. Often you launch funds more for a retail/wholesale-type distribution network. Here it was done for a consultant because they were seeing that end-demand from their clients. So, we are starting to see movement in that area.

The role of the asset owner

Chair: How much power does the asset owner here have to change things?

Juliff: There are several levers that asset owners can pull, and one of them is choosing the asset manager. In making that choice, they need to think about many different things – what that asset manager is doing on voting and engagement, for example, and you can judge an asset manager by how they vote on ESG right across their organisation, not just on certain portfolios. Also, if they've got net-zero targets, are they following through on them? Are they escalating their engagements if those engagements aren't working?

As asset managers, there are three ways in which we can pull levers. There's asset allocation – we can invest (or not invest if we decide a company is not moving in the right direction or is not transitioning); there is corporate engagement, which is part of that whole process and then we can escalate that; and there's a third lever that is not being pulled that well at the moment which is policy level engagement and macro stewardship.

We are seeing more focus on this. We're seeing asset managers stepping into this space and it's certainly something that Storebrand has been doing for a while. It's also a space where asset owners can engage as well. For example, in relation to transition planning, we need a policy framework for that; it can't all be on the private sector – there's something for governments to do here as well.

James: I totally agree with the point that choosing the right asset manager is important so that they are aligned with the trustees' values on how they're engaging and voting companies etc. I also agree that Paris-aligned benchmarks aren't ideal for a passive approach because it relies on a 1.5-degree environment being reached and it's just decarbonising today rather than trying to make a real-world impact on those underlying companies that are high emitters of today but have credible plans to transition in the future.

One of the challenges that we have as a master trust in the UK relate to fees. To have a passive mandate with associated lower fees for the listed equity portion is almost a must. You can't get away from that, which is why we still have a tracking mandate against the broader index – the difference is that it's an enhanced passive approach, disinvesting and stewarding assets in the way I described earlier. Where we're going to spend our budget next year is in the private markets/investment solutions space, to try and have an impact in terms of the solutions to drive net zero and/or other environmental and social areas.

So, we are wanting to see new and good private market investment solutions from asset managers for the DC master trust market, recognising that there are fee restrictions that we have and other operational barriers which are very well known in the industry.

Sander: That fee issue is not restricted to master trusts. In DC, it's very clearly about value for money because the members are paying those fees. Then, as a trustee of a DB scheme, we're spending the company's money when we pay asset manager fees. So, we need to be sure that we are getting value for the company's money when we choose particularly active strategies or higher fee-incurring investments. We need to be sure that, if we're going to pay more, we are going to deliver a higher return to compensate.

O'Donnell: I'm in the real asset space and, sitting from the outside looking in, it seems very difficult to effect direct change from an indirect or an equities strategy. We are therefore encouraging the market to take action, to invest into direct asset owners with a clear mandate to effect change on the ground that is effectively regulatorily aligned to fiduciary obligations.

There's so much sustainability capital wrapped up in passive strategies that arguably is or isn't making a difference. It's very hard to get a company to change behaviour in a passive portfolio.

We would like to see more capital recognising that, to make a genuine difference, you have to invest directly into underlying assets that are trying to effect change to drive outcomes that really deliver better planetary returns from a sustainability perspective.

A lot of people are doing passive strategies and wrapping sustainability around them, and we struggle to see how that is really delivering benefit because the companies that you're not investing into are still out there doing what they're doing.

Wray: On the fee point, with both DB and DC, it's one of our five asks of government that value for money be expanded from fees to other considerations and this is particularly in mind of unlisted assets and the new government's drive for greater investment in what they call UK productive assets. This is going to be an issue because fees could certainly be a constraint if costs alone are the only consideration.

There is also an interesting dynamic between the central government and the regulators. You have independent regulators and that's a good thing, but they're not always saying the same thing.

O'Donnell: And that creates conflict. It creates a conflict between the obligations from a fiduciary respect and where reporting is going, and also underlying member interests from a portfolio construction perspective.

More education perhaps is needed there to try and make sure that the regulation and the fiduciary obligation is moving the same way. There is a global need from a planetary perspective to try and invest in a way that enhances portfolios, enhances climate outcomes and builds resilience against volatility when you think about where the money is going and how it's building value for investment portfolios.

We struggle with that in different engagements. Does somebody have an allocation or not to the space? Do they feel that's an impact bucket that people like to see or are they genuinely changing portfolios? Because just selling somebody's stock because they're not impact-oriented or ESG-oriented or their climate metrics aren't meeting the standards is not really a way to tell them how to change the game. You must hold them to account and have a report that says 'this is what you're doing wrong', as opposed to just selling, or you won't effect change.

Sander: Small pension schemes in particular feel that they're a small voice here. Trying to get their voice heard by some of the global asset managers feels like an impossible task on an individual scheme basis. A discussion we have been having with other professional trustees is around how we can use our collective voices as trustees. Can we even create a collective voice, because we all have different opinions? So, we're working through that at the moment – looking at whether we can, as a collective, become that voice so that we can influence the companies that we invest in or the asset managers that we invest with.

Hill: As a regulator, we welcome the opportunity to engage and would support such an initiative for a collective voice. It's only through engagement that we can better understand the challenges trustees and the wider industry face and their view when it comes to what regulation is actually achieving. The Asset Owners Council and the Investment Consultants Sustainability Working Group are two such groups we engage with that provide a collective voice.

What I'd be interested to hear about are your views and experience when it comes to the real-world outcomes that result from improvements in the resilience of portfolios and investment strategies to the impacts of climate change and nature loss. Are they mostly positive in terms of emissions reductions, reversing nature loss and advancing the transition, or are there any unintended consequences? For instance, moving capital away from firms that are relatively high emitters but play a key role in the transition to net zero?

James: The issue with these climate transition benchmarks is that you are indiscriminately disinvesting from certain stocks and sectors that are high emitters, and there are plenty of other investors around the world willing to buy those. So, you're not actually having the real-world impact that you want to have.

So, if a high-emitting company today, for example, is looking to transition to net-zero, has a plan, and has put it into place, whether that's Scope 1, 2 or 3, then we would prefer to stay invested and engage with them and vote to create the real-world impact that we desire.

Sander: So, it comes down to the question of whether we, as trustees, are able to engage? And it's highly unlikely we're going to be able to engage at a company level. We're more likely to be engaged at a policy level. But moving into policy and politics is not necessarily where trustees feel comfortable. And when it comes to the smaller schemes, where their only option is pooled funds, how do they get their voices heard?

James: That's where the asset manager is important; and the asset manager, possibly even on its own, isn't going to make an impact. It's the collaboration across the entire industry and across global investors that's going to make the difference. So, there is a chain here of alignment. But trustees, even the trustees of smaller pension schemes, can make a difference through the selection of their asset managers.

Wadia: The engagement part is critical, especially in the listed space where you can argue that you're a shareholder, but you don't have a seat at the table in the same way that you would

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in private assets. That's also why it's important that trustees are holding their managers accountable and understanding how they're carrying out that engagement because, if we just say we're engaging, but we don't actually think that we're going to be able to enact the change, it's effectively window dressing.

That's why it is important to think about aggregating your assets to engage at corporate level on behalf of all of the assets, because that is what gives us scale.

It's also about the quality of the engagement. We often get asked how many engagements we have done and, yes, numbers are important, but it's the quality of engagement that is key. We are very open and transparent on this. We have what we call 'engagement with objectives', whereby there's a predetermined challenge or issue that we've identified – it could be environmental, social, etc – and we come up with a list of questions or areas that we would like to see the company evolve on.

We can see that things are developing here just from the types of questions that we get asked from our clients now – they don't just want to know who we have engaged with, how many, what are the themes, but they will ask what were the outcomes, has x,y,z company achieved its aims, and so on.

I'm not suggesting that all of our engagement will be successful. But it's more about the ability to say, yes, we started it and it's progressing or it's not progressing. Then, if it's not progressing, you've got various escalation techniques, disinvestment being the ultimate one, but usually not the preferred option and certainly not the starting point.

Divestment

Juliff: I agree and, ultimately, some companies aren't going to transition. What do we do with those? Also, some are not listening to asset managers. They're not prepared to engage. So, then how are you managing that risk? That's where divestment comes in.

It also can come in when you've got clear outlined asks for a company – where you say that 'these are our specific issues'. We've had situations where we have divested and then we've reinvested again when those things have been met. So, for us, it's an ongoing process.

We also must think about how we're judging companies that are transitioning or not – increasingly, portfolios are being judged on this emissions intensity figure, yet some of the companies in our portfolio with the highest emissions intensity are the transition companies.

For example, some of our grid investments, which are key to the transition, have much higher Scope 3 emissions than Exxon. So it's about how you're using the data you have available, how you're dissecting it. We find that a lot of the benchmarks integrate Scope 3 emissions intensity and don't invest in some of the grid companies.

Even when you're looking at Scope 1, Scope 2, Scope 3 emissions intensity, Scope 3 emissions is not one single category. There's upstream and downstream, which is another important thing to break apart. Also, how many of those Scope 3 emissions are coming from your solutions portfolio? These are all things we need to be breaking down.

Defining impact

Chair: How can we best explain to trustees the difference between an impact fund and a sustainability fund?

James: If you consider oil and gas companies, for example, there is demand for oil at the moment. So, the way to tackle that is to invest in solutions to have an impact for that – to invest in the green transition, in renewables, in solar, in wind, and so on. You're going to have an impact on the demand side there.

We would like to invest in solutions as well as listed companies. We invest in green bonds, which has a place in the bond allocation of the portfolio, and that's financing the green transition; but we want to invest in more of those real infrastructure assets to make an impact as well. The key is whether these solutions are available to DC master trust investors.

We have spoken a lot about climate change today, but there are other social and sustainable issues that we would like to have an impact on as well. So, both parts of the portfolio are important. But the solutions part, that's probably going to come in a private markets portfolio, and probably where our fee budget is going to go to try and make a difference.

Wadia: I agree there's a distinction between impact investing versus broader sustainability goals. It's like a subset of sustainable type investing and it's around the solutions. Again, some of these companies may be high emitting or they're building solutions to precisely enable others to decarbonise or become nature positive, and so on.

The simple distinction is the solutions part, but it's also the ability to demonstrate and measure that world impact. So, it's not just about decarbonising the portfolio. It's demonstrating that the companies that you're investing in – or the bonds in the case of green or social bonds, for example – are delivering on the impact.

We're definitely seeing more and

more interest in that area from clients.

Green bonds are interesting in that they are both instruments as part of an asset class and an investment strategy in their own right. We see some clients allocate to green bonds as part of their wider portfolio and then others choose to have a dedicated sleeve to them.

Then, on the listed equity side and the private assets, nature and biodiversity are probably the biggest areas where we're seeing interest because, after climate, biodiversity is the next big thing on the agenda. I do believe that in equities you can build a dedicated biodiversity solutions strategy in a relatively concentrated portfolio. There you've also got to get very granular around the data and analysis, and make sure that you are confident this is all going to deliver the right impact because there's always a risk of greenwashing/impact washing there.

O'Donnell: Sustainability is about limiting negative outcomes and ensuring that you're not creating negative outcomes from the activities you undertake. Impact is about additionality. You can be proactive in delivering impact and still be doing some things that maybe compromise sustainability, like chemical use in farming, but you're balancing the outcomes on a property when you're integrating biodiversity, you're planting more trees, you're planting cover crops to increase soil carbon, all of those things.

Sustainability is also about how you can manage a landscape or manage an asset so that you're not creating negative outcomes and you're not compromising the future of that asset. But impact for us is when you can measure and baseline additionality from a reference point in time and enhance that and track it over time. That's important to how we see investment in the natural capital space; but, more fundamentally, to really get a handle on that and be able to baseline something and claim impact and additionality, you need to be directly controlling the asset. Indirect control doesn't really give you any impact because you're just not creating that additionality through your own actions.

Hill: Going back to the FMLC paper, I'd be interested in your thoughts on whether there is a fiduciary duty challenge for those seeking to invest primarily for impact?

Juliff: An academic recently described this issue like a Venn diagram in terms of the different arms underlying sustainability – there's impact, financial risk management, and values, and they can all meet somewhere, but they don't necessarily always do. So, impact might not be good for financial returns; financial returns might not always be good for impact; and values can sit somewhere else. But somewhere they overlie. That's for trustees to think about in terms of what their objectives are – whether they are impact, financial risk management, values and so on.

Biodiversity

Chair: There is a lot more focus now on biodiversity. To what extent do trustees understand it?

Sander: I recently did an internal survey with my colleagues as to what they would like their ESG training to be on, and biodiversity (including what you can invest in) came high up on that list. However, there's almost nothing coming though from investment consultants on this. Right now, trustees want to know about it; want to better understand it; how to invest in it; what it's going to deliver; and also, how you measure it.

Wadia: I agree there is that demand coming through from trustees – I have never done so many biodiversity trustee trainings as I have in the past six months.

It's a topic we've been talking more on, we've been active in the space for a while and it's something that we share with our clients globally. But, specifically in the UK, it seems to have ratcheted up the agenda.

Chair: Why should pension investors care about it?

Wadia: There are two main reasons. One, there's a financial material risk of not considering it. In 2022, the World Economic Forum assessed that about 50 per cent of global GDP depends on high-functioning biodiversity. That explains what the systemic risk can be over the long term.

Also, there is a climate/biodiversity nexus – climate change is creating biodiversity loss and biodiversity loss isn't helping cool the planet. So, that interdependency is there. Therefore, if you have pension schemes that have made net-zero commitments, however hard or soft they may be, then they need to start, as a scheme, incorporating biodiversity thinking into their investment approach if they are going to meet their net-zero goals.

Chair: Do schemes know how to invest in it?

Wadia: I see two main approaches there. One is, looking at it from that aggregate portfolio level across large, core asset classes (fixed income and equities for example), around assessing your portfolio: Where do you have high exposures, low exposures? Can you measure your biodiversity footprint? Where do you want to engage? What do you want to exclude? For example,

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we have a deforestation policy on the exclusion side. That's the benefit of something that can be done at an overall portfolio level.

Then, if you want to have a more targeted approach to supporting the biodiversity transition, there it's nature capital, clearly, on the private asset side, and forestry would be another area too.

Then, in the listed space, we feel comfortable that we can manage dedicated biodiversity equities strategies at this juncture. There's enough depth in the investment universe, although we're typically going to invest in mid/smaller companies that are enabling that transition.

Then in fixed income, you do have things like blue bonds, but the issuance is so small that you couldn't build a well-diversified portfolio out of it if you wanted. Green bonds are interesting because actually, by investing in green bonds, you are addressing biodiversity, but it's very hard to target the percentage because the percentage of the project targeting biodiversity in green bonds can go from less than 10 per cent to more than 90. So, the purity is much harder to measure.

Juliff: In response to the question of 'how do you invest in it'? We're all invested in it. It's more a case of how we manage the risks around it. The foundation of integrating biodiversity into investment decisions for us lies in the risk assessment framework. We've been working on, in particular, the LEAP (Locate, Evaluate, Assess and Prepare) approach through the TNFD, using tools like ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure), which are high level. Looking at total portfolio exposures, where our impacts and dependencies are. Then we've worked with NGOs and other providers to try and improve the data available such as on the Forest IQ dataset, for example.

So, it's about having these engagements in the market, talking to the companies and the data providers about how we get better data. Then, again, how we use that data.

We brought out a new nature policy, for example, several years ago where we said there were certain areas that we didn't want to invest in – deep sea mining was one of those. So, we would divest on that basis. So, it's about having all these different levels of how we're thinking about that nature risk and how we're addressing it.

A lot of it, for us, also comes back to this question of policy engagement.

O'Donnell: The unfortunate reality is that it's very difficult to invest into biodiversity-positive outcomes in the current markets. Nearly everywhere people are investing to reduce the decline of biodiversity; and I'm not aware of a regulatory structure to encourage positive investment into biodiversity that is not an offset for biodiversity loss of some form. That is disappointing and challenging. The scale of the market is not big enough to warrant somebody building a product that is purely oriented around biodiversity. Again, it comes back to impact and additionality and stacking this into outcomes. You've got to invest with an awareness that you're unlikely to get a direct return from the biodiversity initiatives that you undertake, but you've got to see them as value creating in the long term in the context of global decline, which they are. But it has to be in conjunction with meeting the other needs of a portfolio.

Bringing new capital into the sector is really challenging without a regulatory environment to support positive investment in biodiversity. Whether it's the UK government or somewhere else, they've got to step up and say, 'we are going to create a market and a regulatory demand for biodiversity credits that stimulates investment from the institutional side in order to generate a return from biodiversity' increase and it's not there yet.

James: It is such a wide-ranging topic also which makes it challenging for all trustees. We have tried to break it down – deforestation, for example, is a big focus for them. They've got a target for net-zero deforestation by 2030.

In the listed equity portfolio, they want to engage with companies on this issue. Cardano, our in-house fund manager, has set up a collaboration group using a company called Satelligence, which is looking at satellite images of deforestation around the world and then linking those images to supply chains for companies – and some very large companies (it's palm oil that is the focused product) – and then using that within their engagement with those companies.

Chair: What's the regulatory perspective here?

Hill: The Department for Environment, Food and Rural Affairs (Defra) is leading on TNFD and how that will be integrated in the future. We engage regularly with their team.

But in terms of where we sit as TPR, it's very much about using frameworks such as LEAP to take stock of where schemes are in terms of their exposure to nature loss, as part of a holistic risk management approach. Then looking at what action to take to address the risks and pursue opportunities to invest, such as nature-based solutions. But one criticism has been that there isn't a strong enough pipeline of investable nature-related projects for the UK.

O'Donnell: There's no regulation to support demand.

Sander: From a smaller scheme perspective, they will have limited governance budgets – they may not have the governance budget therefore to look at biodiversity necessarily separate from climate change. So, having a fund that is sustainable that covers both is where we'll most likely invest.

Wray: The PLSA will shortly be publishing guidance on TNFD and, yes, there is always scope for us to do more but, whatever the PLSA does, it cannot overcome some of the fundamental difficulties here – for example, an earlier PLSA survey found that 60 per cent of trustees say that data is the biggest challenge when it comes to climate. And for biodiversity, it's even more difficult!

Some of the approaches outlined already today are helpful – you can be more qualitative about it and look at what the processes are and accept that data is going to be difficult unless you're prepared to narrow down to a particular sector like forestry, for example. But the PLSA and others cannot create data where it's hard to get at the moment.

Juliff: In terms of climate and nature, we see them already as interdependent. So, aside from just having a TCFD report, we now have a climate and nature report. So, we have our climate scenario analysis and then we have our nature impacts and dependencies assessment. We have a deforestation policy – and there is data there. There's the new Forest IQ platform, for example. They've got data on over 2,000 companies on links to deforestation – that's relatively new. But there's enough data there for us to start looking at what companies are doing, where the risks are and address some of those risks.

The other point about governments, to quote our CEO Jan Erik Saugestad as he was preparing to negotiate for a more enabling environment for business to protect nature at COP16 recently, is that it's not just about supporting positive activities, but about making sure that national policies don't support activities that harm nature. Globally, we see at least $400 billion annually in environmentally harmful subsidies.

O'Donnell: But the economic exploitation of landscapes has been happening since the beginning of time and, without regulation to stop it, and without pension funds/institutional investors saying 'we want to take some positive action, we know we've got to do this in the context of meeting our other objectives', and encouraging the consultants to get out there and find the products that can deliver these objectives, nothing will change. There needs to be a concerted effort to allocate capital to deliver positive outcomes as it relates to climate/nature/biodiversity.

It would also be great for government to start to push people in that direction alongside their other fiduciary obligations. It won't happen from an investment point of view. You've got to create the demand so that the market can deliver the supply.

Wray: On the point of fiduciary duty, though, actually the retention of fiduciary duty more or less unamended is something that, as an industry, we've tended to advocate. And while it has always been said that part of being a good fiduciary is taking sustainability into account, it is not a requirement that sustainability is uniquely added to fiduciary duty. So, moving away from that would be quite a significant shift.

Sander: Also, none of these sustainability issues are without risk. So, if we think of fiduciary duty as managing performance in consideration of risk, there's no conflict there. The biggest issue perhaps with fiduciary duty is being able to say it's not just looking at it in terms of what exists now, but it's looking also at future risk. It's that timeframe that is the biggest challenge we need to overcome.

O'Donnell: I'm not saying regulation on the institutional demand side should be increased. What should be recognised is that without some regulation to create demand for nature positive credits, you can't access investment opportunities that would be suitable for institutional capital coming into the space. Inherently, once market demand is created, then institutional capital will come in on the supply side to support people developing nature positive assets.

Wray: It is indeed a multi-faceted issue with multiple challenges – you have highlighted regulation shortfalls; we have already talked today about data constraints; and the need for better education is another.

James: Fees is another issue for master trusts. We have a budget that we can spend on these types of assets, but it is a limited budget, needs specific solutions designed for DC investors. Those are coming along. But still, in all of these solutions, whether it's natural capital or climate change solutions, the availability of product for the right fee isn't there with large choice at the moment and that will evolve over time.

Risks and rewards

Pension professionals have been encouraged to ensure they understand the risks and opportunities of the new DB funding regime, which came into effect in November. *Pensions Age* asks: What risks and opportunities should be considered?

It will take time to fully understand and explore the many nuances of the new code and may be several years before we understand how The Pensions Regulator (TPR) is responding to submissions in practice.

Aside from the risks that TPR encourages schemes to focus on (investment, covenant etc.), I see significant risk of herding towards the fast-track parameters (discount rates, recovery plan lengths) and excessive prudence, particularly for strong employers with maturing schemes. This will increase costs for sponsors and lead to missed opportunities to capitalise on the less restrictive elements of the new code.

For the huge number of smaller (below £40 million) schemes, I fear that the volume of additional work being required under the new regime, and the associated costs, will mean they feel they do not have the time or budget to engage with the more useful strategic elements. Instead, they will focus on looking for short cuts or tick-box solutions, which could lead to sub-optimal solutions even for those with relatively short expected time horizons.

As for opportunities, some trustee boards will undoubtedly benefit from having more honest and collaborative discussions with the employer around longer-term strategy. There is also much greater emphasis on understanding and questioning the employer's financial projections and understanding the implications of these for their ability to support the scheme.

Broadstone chief actuary, David Hamilton

The biggest opportunity of the new DB funding regime is the need to agree a journey plan towards low dependency with the employer.

Research we conducted in collaboration with Mallowstreet at the beginning of the year revealed that 41 per cent of schemes have not yet determined their endgame, with a lack of agreement with the sponsor cited by a quarter as an obstacle.

The new funding regime will require employers to engage more proactively with their pension schemes, providing many trustees with much-needed clarity.

One of the potential risks, is the lack of guidance on considerations once schemes achieve full funding on a low dependency basis.

Running on could bring benefits for sponsors and members in terms of potential return of surplus, wider value retention and greater control over both the assets and administration.

A run-on investment strategy and would need to look quite different to that of a scheme planning to buyout. Managing the decumulation phase is just as challenging as the accumulation phase and this can't be overlooked. Schemes that are running on need to shift towards cashflow optimisation, managing illiquid assets, and enhancing operational efficiency to continue to deliver value for money.

Brightwell CEO, Morten Nilsson

Trustees are used to managing risks and meeting governance requirements. The new funding regime combines both of these elements together. The Funding Code provides clear expectations on the level of covenant work which is expected to be undertaken. This provides opportunity to be able to actively engage with sponsors and potentially receive fuller information where it may not have been willingly provided previously. Conversations with sponsors which lead to your statement of strategy may be uncomfortable and require some negotiation, but schemes run most effectively when all parties have a clear and shared objective. The act of writing this down and agreeing the statement enables future decisions to be taken with this agreed strategy in mind.

Trustees should grasp this opportunity to ensure that all parties – trustees, sponsors, and advisers – are aligned with both the ultimate goal and the planned journey to achieve it.

There are a number of specific risks to consider around resilience of the investment portfolio, meeting liquidity requirements, how expenses will be managed and longevity. None of these risks are new to pension schemes and the testing required to determine what high resilience means will enable a better understanding of the potential risks, the relative sizes and a discussion on the most appropriate mitigations.

Zedra Governance managing director, Kim Nash

Long-term planning is at the heart of the DB Funding Code. Trustees and sponsors will need to set down in their 'statement of strategy' how the scheme intends to provide benefits over the long term. That presents an opportunity – indeed a requirement – for trustees and sponsors to come together to discuss and review the long-term objectives for a scheme. Even if the next actuarial valuation is still a while off. At a time when the risk transfer and provider market is expanding, and improved scheme funding has helped to stimulate debate among policymakers, schemes and their sponsors about running schemes on and sharing value, trustees and sponsors have a great opportunity as part of the actuarial valuation to pause, take stock and refine their strategic plans. Going Fast Track may be attractive as a more streamlined route to compliance. But it would be disappointing if valuations became an exercise in 'box-ticking', and if the opportunities for trustees and sponsors to engage on the bigger, long-term issues were missed.

Hymans Robertson head of DB actuarial consulting, Laura McLaren

The majority of schemes are now in surplus, with many fully funded on a low dependency basis. The new funding regime poses a risk by not adequately addressing how trustees and sponsors should manage this surplus, but consideration of the requirements as they stand may prompt action.

This is a chance to reconsider risk management holistically and consider whether continual de-risking is just leading to 'de-returning' with minimal risk reduction. The new regime explicitly allows even mature schemes to invest up to 30 per cent in growth assets, so the regulatory position is not demanding full de-risking.

Focusing on long-term strategy is beneficial, especially for schemes that haven't yet turned their attention to it. Having an aspiration to fully buyout doesn't automatically mean this needs to be encoded into long-term technical provisions. It's essential to recognise the flexibility within the new regime.

Trustees and sponsors must adapt to new terminology, documentation, and processes proportionate to the scheme's risks. The fast-track option offers simpler documentation and processes, particularly for smaller schemes with fewer than 200 members. This will provide a clearer framework for trustee and sponsor negotiations, thanks to more tangible guidelines from TPR.

Incorporating an expense allowance into long-term funding targets is something we need to see play out in market practice. It may drive the government's consolidation agenda and even mark the subtle introduction of DB value for money.

Isio partner, Stewart Hastie

Pensions history

Rights and expectations

Expectations – as well as rights – often crop up in relation to pensions. In a celebrated case back in 1987 – *Courage* – we find reference to employees' expectations about the use of surplus. Members had no absolute right to surplus, but it was legitimate for them to expect trustees to press for benefit improvements on their behalf.

The leading authority is the 2017 case of *IBM UK Holdings v Dalgliesh*, where the court considered a package of benefit changes, including the closure of the schemes to future accrual and a new early retirement policy. The High Court had decided that members had reasonable expectations that the existing benefits package would continue unchanged. The Court of Appeal disagreed. Members' reasonable expectations were only one factor decision makers might take into account.

The careful distinctions made by lawyers in these sorts of cases are not always understood, and people often feel aggrieved by changes over which they have no control. The WASPI women for example, challenging the increase in their state pension age, said that they had made retirement plans on what they had expected. Plenty of notice was given, but even had communication been better those nearing retirement had limited ability to change their plans.

If there is one lesson to be gained from the Budget (a lesson easily learnt from our archives) it is that pensions are complicated and involve long-term planning, and that abrupt changes to the tax framework will inevitably lead to disappointment – and sometimes to unintended consequences.

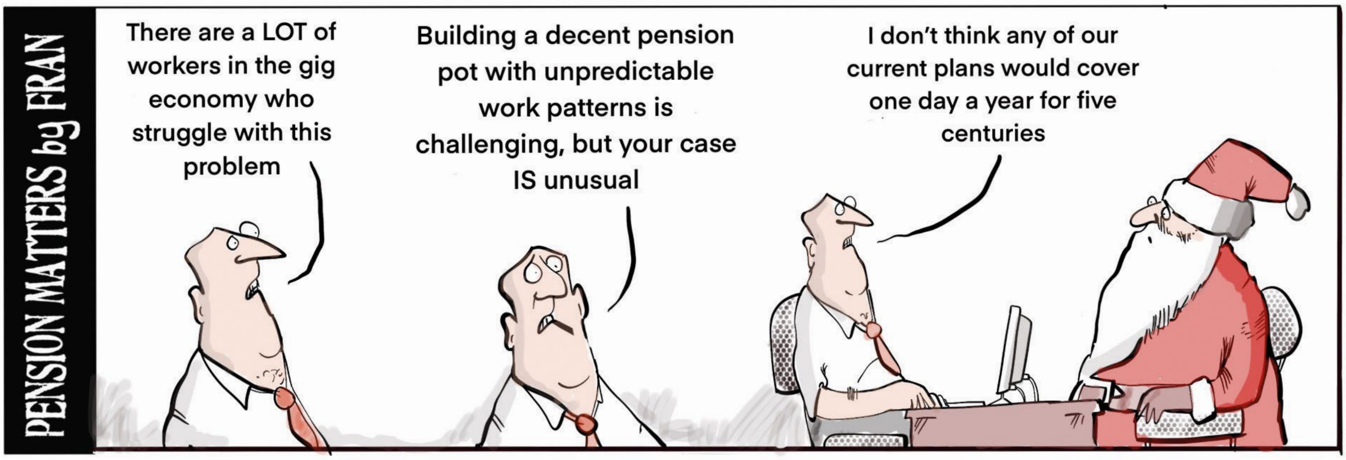
Pensions Archive Trust director, Jane Marshall

The bright side

***Pensions Age* takes a closer look at some of the recent good news stories in the pensions industry...**

HS Trustees managing director, Bobby Riddaway's dog Lyla has welcomed a new litter of puppies. The litter from Lyla comprised five girls and one boy *[pictured]*.

The Rothesay Foundation has made a £2.47 million donation to expand the Age UK benefits check service for older people, building on the success of its 2023 pilot campaign. The funding is expected to help over 11,000 older people check whether they are eligible for unclaimed benefits through both Age UK's free national advice line and 11 local Age UKs providing dedicated staff to support older people through the application process.



Thank you to everyone we've worked with this year, we look forward to assisting you in 2025

DC Pensions Governance
Hybrid/Scotland to £60000 pa **82432 JW**

Pensions Business Analyst
Hybrid/London to £53000 pa **73264 JW**

Associate Pensions Executive, Governance
Hybrid/London or Manchester £competitive + excellent bens **72362 NMJ**

Assistant Trustee Executive
Hybrid/London or Herts/Work from home £excellent **73740 NMJ**

Associate DB Pensions Consultant
Hybrid/UK Wide £in line with experience **68709 NMJ**

Senior Pensions Technician
Work from home to c.£40000 pa **83191 NMJ**

Associate Trustee Executive
Hybrid/Scotland 2 days a week to c.£45000 pa **81548 NMJ**

Pensions & Compliance Payroll Lead (P/T)
Work from home/some travel to Nottingham to £35000 FTE **81753 JW**

Pensions Payroll Administrator
Hybrid/Winchester c.2 days a week to £32000 pa **82135 MV**

Pensions Administrator
Hybrid/Peterborough c.3 days a week to £32000 pa **80917 MV**

Pensions Administrator
Hybrid/Manchester, Ipswich, Bristol, Birmingham to £32000 pa **76264 MV**

Pensions Administrator
Hybrid/Manchester 2-3 days a week £excellent **72684 MV**

Assistant Pensions Administrator
Hybrid/London 2 days a week to £28000 pa **72983 MV**

Trainee Pensions Administrator
Hybrid/London 2 days a week to £25000 pa **82102 MV**

Head of Pensions, in-house
Hybrid/West Sussex c.3 days a week £six figure **81904 SB**

Senior Professional Trustee
Hybrid/London or North West 3 days a week £six figure **70402 SB**

Senior Pensions Manager, in-house
Hybrid/London 3 days a week £six figure package **81614 SB**

Benefits & Wellbeing Senior Manager, in-house
Hybrid/London 3 days a week £six figure package **81736 SB**

Head of DC Pensions & Benefits, in-house
Remote £six figure **82729 SB**

Senior Pension Trustee Executive
Remote working £attractive **59729 SB**

Senior Client Relationship Manager
Hybrid/Offices Countrywide/Remote £excellent **81830 BC**

Pensions Data Director
Hybrid/Offices Countrywide/Remote £superb salary/bonus **82201 BC**

Deputy Pensions Manager
Hybrid/London 2 days a week £attractive package **83323 SB**

Senior DC Consultant
Hybrid/Offices Countrywide/Remote to £65000 - £85000 pa **74009 BC**

Trustee Executive
Remote £55000 - £75000 pa **81046 BC**

Pensions Risk and Governance Manager
Hybrid/Surrey to £65000 pa **73110 JW**

Pensions Trustee Specialist, in-house
Hybrid/London or West Midlands 2-3 days £competitive **81485 JW**

Pensions Business Analyst
Hybrid/London to £53000 pa **73264 JW**

Sammons Pensions Annual Salary Survey, 2024 – closing soon for participation
Visit www.sammons.co.uk/pensions/salary to access the survey or contact us for more information
All respondents receive a copy of the survey and will be entered into a prize draw

sammons
PENSIONS RECRUITMENT

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Abenefit2u

contactus@abenefit2u.com
Call us on 0207 243 3201

Been in your role for a long time? Even the very best jobs can become a little repetitive... check out our website for the latest new vacancies!

Seasons Greetings to all & a very Happy New Year 2025

Thank you to everyone we have worked with during 2024. We look forward to being on hand whenever you might need us in 2025...

Pension Trustee Director — £DOE

Hybrid Working on offer — CE15799

An experienced Pension's professional is required for this highly respected pensions trustee provider. You will be a credible and valuable addition to a portfolio of Trustee boards as well as work with your colleagues to secure new appointments.

Pensions Admin+Buyout — Circa £60k OTE

Home Working or London if prefer — DB15808C

As the stand alone In-house pensions expert, joining after a buy-in, our client hopes you are happy helping with day to day administration, whilst also dealing with a buy-out project, which ideally you have done before.

In House Pensions Advisor — £35k

Home working or Scotland if prefer — DB15805

You will enjoy helping members with day to day queries and handling/undertaking a lot of manual data/pension administration work. This is a very busy small in-house department, so you are also self motivated and focused.

Technical Pensions Specialists? — £DOE

3 days office Derbyshire — DB multiple

This large in-house client currently has two roles at Manager and Intermediate level they are very keen to fill with pensions technical specialists. You will need past experience in a technical capacity to apply.

Team Leader — Up to £50k

Bristol / Surrey — TD15788

As the Team Leader, you will manage a team of DB and DC administrators looking after a portfolio of occupational pension schemes. The Surrey vacancy is based in a Project Team. Previous people management experience essential, your team will range from trainee to senior administrator level.

Pensions Project Manager — Up to £80k

Hybrid Working on offer — CE15745

Do you have experience of running projects in the pension's admin arena and seeking a new role for a leading third-party pensions administrator? If so, this could be for you. Prince II or similar is desirable. Junior/Trainee Managers also considered.

Client Relationship Managers — Up to £75k

Flexible Working, UK-Wide — CE15744

This senior role will see you managing a portfolio of key clients for this well-respected provider, which will include some trustee governance. Good experience of budgets, relevant scheme change projects working with senior external and internal parties.

Pensions Business Analyst — Up to £53k

City of London / home working — TD15779

You will be working with this highly regarded firm alongside pension experts and system development specialists to identify and specify the most appropriate solutions for changes and improvements. Hybrid, flexible working with great benefits.

Senior Pensions Administrators — Up to £37k

London/Yorkshire/Surrey/Sussex/Scotland — TD15665

Opportunities available within the administration teams of various Third Party Administrator firms across the UK. You will need experience of working on DB occupational schemes. 2 days per week in the office. 100% remote will be considered.

Specialist Scheme Events Administrator — £DOE

Leeds — TD15778

This is a fantastic opportunity to move into a project role if this is somewhere you would like to develop your career. Ideally you will have good experience across **scheme events** and be used to checking the work of less experienced colleagues.

Contact Craig English (CE)
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07884 493 361

Contact Dianne Beer (DB)
dianne@abenefit2u.com
0207 243 3201 / 07747 800 740

Contact Tasha Davidson (TD)
tasha@abenefit2u.com
0208 274 2842 / 07958 958 626

REC Member

Working in partnership with employer and employee

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