Sustainability
Whether schemes' focus is remaining on climate change during this time of inflation

Administration
With GMPs, dashboards, buyouts and more, are administrators at risk of a capacity crunch?

Consultancies
Is the relationship between trustees and advisers/consultants changing?

www.pensionsage.com

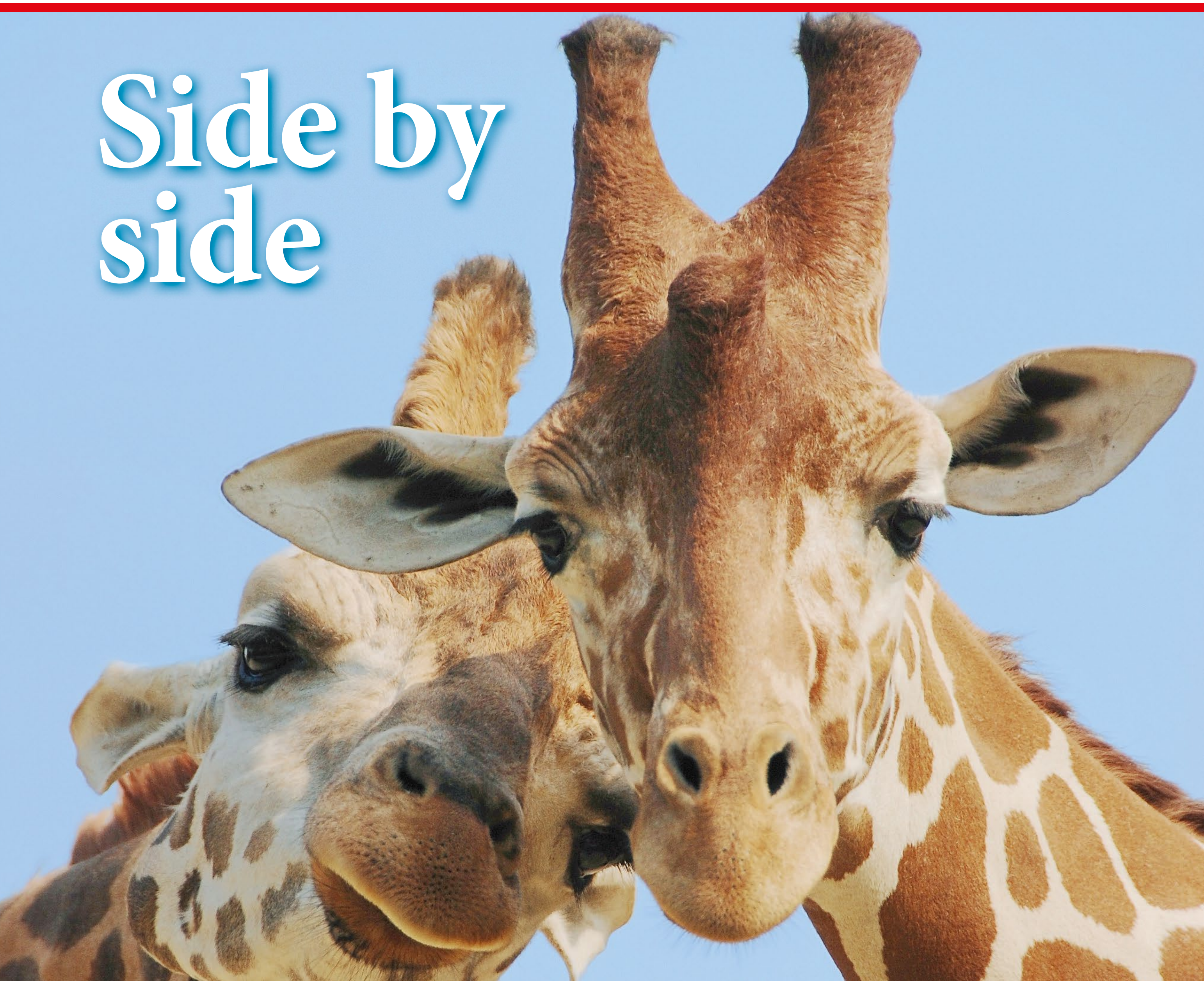
March 2023

PENSIONS*Age*

The leading pensions magazine

Scams focus 2023: *The psychological tactics scammers use and the emotional impact of scams on victims*

Members' pensions ownership: *The dangers of members' lack of 'ownership' and connection to their pensions savings*



The role of advice/guidance throughout the DC savings journey

Interview: TPR CEO, Charles Counsell, discusses the regulator's priorities for the coming year


PENSIONS Age
AWARDS
2023
Gala Dinner and Ceremony: 21 March 2023
Great Room, Grosvenor House, Park Lane, London
10th annual Pensions Age Awards: Celebrating excellence within the UK Pensions Industry
BOOK YOUR TABLE
Supported by
Sponsored by
PENSIONS AND LIFETIME SAVINGS ASSOCIATION
AVIVA
intellica
CONSULT · IMPROVE · SUCCEED
PHOENIX CORPORATE INVESTMENT SERVICES
Part of Phoenix Group
Standard Life
Part of Phoenix Group
Trafalgar House
www.pensionsage.com/awards
Celebrating excellence within the UK Pensions Industry – organised by Pensions Age
Follow us for the latest news:
@PensionsAge #PensionsAgeAwards

Editorial Comment

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

Coincidentally, just as we were taking this 'connections'-themed issue of *Pensions Age* to press, came the breaking news of a vital missed connection.

The Department for Work and Pensions announced plans for a 'reset' of the Pensions Dashboards Programme (PDP), with new connection deadlines and timelines to be announced, although the framework for dashboards will remain unchanged, it stated.

> **"The use of available guidance/advice may actually increase if people had more of a sense of 'ownership' towards their retirement savings"**

Another major event this month is International Women's Day, which many in the industry take as an opportunity to highlight the pensions discrepancy between men and women. And we at *Pensions Age* are no different – see our article on page 30 for more about the gender pensions gap.

While chatting about this subject with *PA*'s news editor, and author of the above piece, Sophie Smith, what soon came up was a clear frustration at how financial matters are often communicated to women.

Being in her 20s, she finds the 'bimbo' trope of using 'shopping' or 'night out' analogies when explaining complex financial topics to people her age annoying, while at 10 years her senior, I find the usual messages for women in my age group about how being a wife/mother affects finances irrelevant (as I am neither) and mildly irritating that I may be experiencing the 'invisible woman syndrome' early.

But going too far the other way, avoiding using stereotypes and instead providing comms filled with enthusiastic 'you got this' and 'women can do finance too' messaging can be just as problematic. Here, it rather feels like women are being treated as precocious toddlers, cheered on by an indulgent parent. '*Well done darling, you understood a money thing! That was hard, wasn't it? Have a lollipop.*'

Financial communications targeted at men don't often use cliché car or beer analogies. Nor do they urge them to be 'brave' and make the leap into saving. In fact, you don't often see pension savings comms targeted specifically at men at all. It's almost as if they get the privilege of being considered the default, and not as the 'other'.

Yet you could argue that there should be more savings communications aimed specifically at men, as More2Life data found women save an average of 5.1 per cent of their monthly income into their pension, compared to men's 4.9 per cent of monthly income.

And recent research from Hargreaves Lansdown found that while far more men open stocks and shares ISAs, when women do invest, they typically hold more on average in their ISAs than men.

This implies that it's not a lack of understanding about saving and investment that is generating the gender pensions gap, which negatively affects women, but a lack of accessibility.

While placing the onus to remove systemic and societal barriers to women's saving solely on the doorstep of the pensions industry is unfair, the industry can work to increase access to plain-English, non-patronising guidance/advice throughout the savings journey. This is increasingly important as growing numbers of people will save in 'to and through' DC pension products during the decades ahead, our cover feature on page 38 finds.

The use of available guidance/advice may actually increase if people had more of a sense of 'ownership' towards their retirement savings; a recognition and responsibility that it is their money, as our feature on page 42 explores. This is especially important now we will soon have cohorts of retirees with only DC savings.

Which brings us back to pensions dashboards. Their technical connection timeline may be delayed, but once up and running, it is hoped that dashboards will bring significant pensions engagement and ownership connections – for all genders.

Laura Blows, Editor

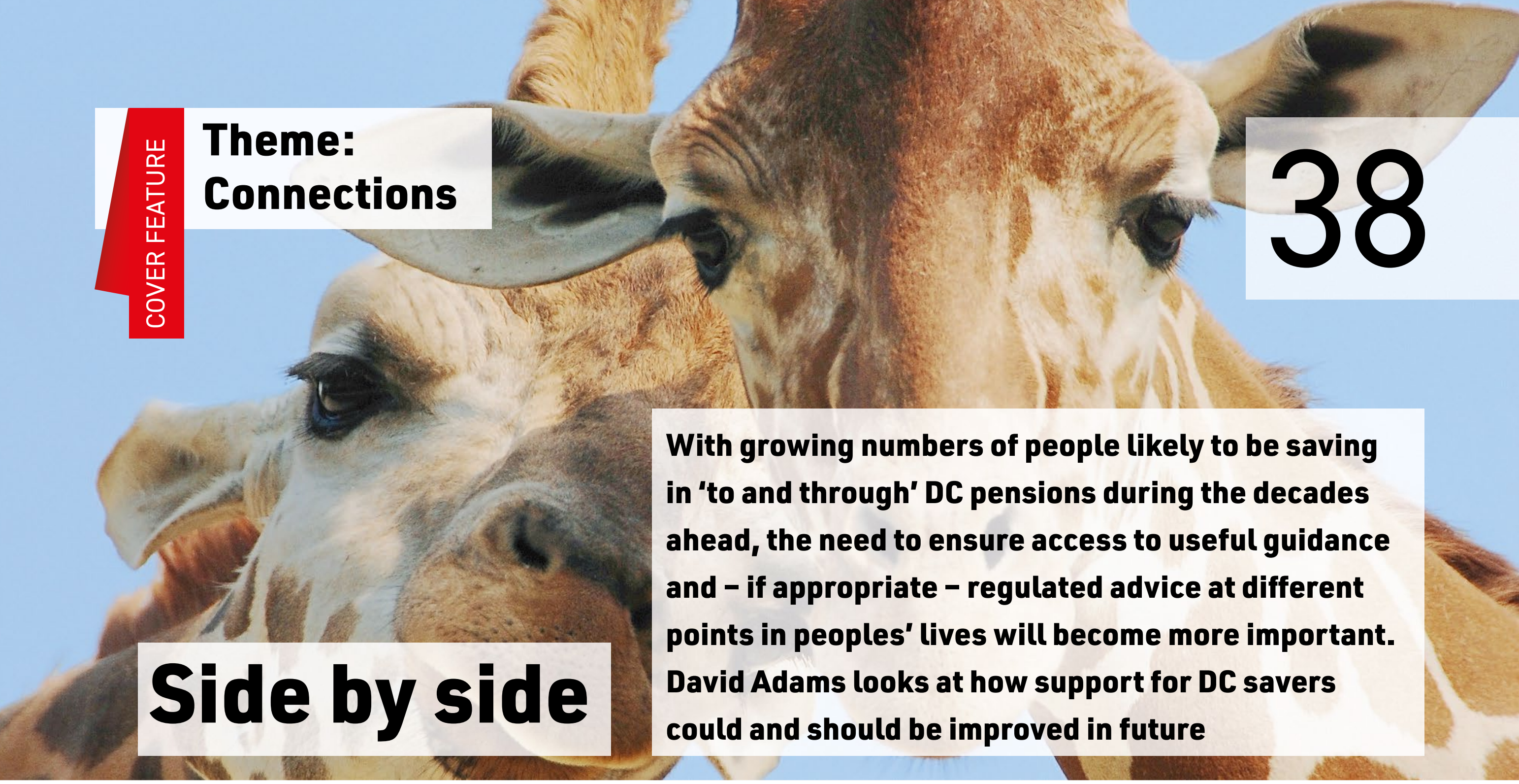
profit
for
people

Products
for everyone

*During 2021, we provided members of The People's Pension with a total of c.£1 million rebate on their management charge every month. For further information visit thepeoplespension.co.uk/member-annual-management-charge

People's Partnership Limited
Manor Royal, Crawley, West Sussex, RH10 9QP. Tel 0300 2000 555. www.peoplespartnership.co.uk


PENSIONS Age
CONFERENCES



COVER FEATURE

Theme: Connections

38

Side by side

With growing numbers of people likely to be saving in 'to and through' DC pensions during the decades ahead, the need to ensure access to useful guidance and – if appropriate – regulated advice at different points in peoples' lives will become more important. David Adams looks at how support for DC savers could and should be improved in future

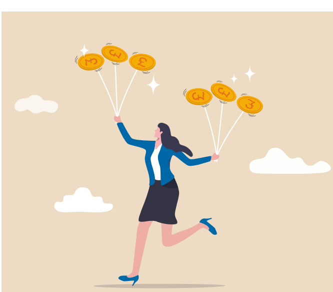
Features and columns

News, views & regulars

Continued on page 8

Features & columns

Continued from page 7



PENSIONSAge

Publisher
John Woods
Tel: 020 7562 2421

Editor-in-Chief
Francesca Fabrizi
Tel: 020 7562 2409

Editor
Laura Blows
Tel: 020 7562 2408

Associate Editor
Natalie Tuck
Tel: 020 7562 2407

Deputy Editor
Jack Gray
Tel: 020 7562 2437

News Editor
Sophie Smith
Tel: 020 7562 2425

Reporter
Tom Dunstan
Tel: 020 7562 4380

Design & Production
Jason Tucker
Tel: 0207 562 2404

Accounts
Marilou Tait
Tel: 020 7562 2432

Commercial
John Woods
Tel: 020 7562 2421

Camilla Capece
Tel: 020 7562 2438

Lucie Fisher
Tel: 020 7562 4382

Subscriptions
Tel: 01635 588 861
£149 pa within the UK
£197 pa overseas by air

NEW circulation figures

Pensions Age now has its new circulation figure from the Audit Bureau of Circulations (ABC). 13,004 July 2020-June 2021 print distribution. This is 100% requested and/or copies sent as a member benefit (PLSA, PMI, SPP, AMNT). Pensions Age is also sent as a Tablet Edition to our 30,000+ online subscribers (source: Publishers Statement Sept 20).

Managing Director
John Woods

Publishing Director
Mark Evans

ISSN 1366-8366
www.pensionsage.com

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

Dateline - February 2022

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

1 February The **Bank of England** (BofE) confirmed that it is midway through work to decide on the appropriate steady-state response to the gilt market volatility seen in autumn 2022, and is aiming to publish the framework in the second half of March.

1 February Strike action across 150 universities began, with over 70,000 staff taking part as part of the **University and College Union**'s dispute over pay, conditions and pensions.

2 February Work and Pensions Committee chair, Stephen Timms, raised concerns that the government is "keeping the evidence hidden" by delaying the publication of the state pension age review reports ahead of the government's review.

2 February The **BofE** increased interest rates from 3.5 per cent to 4 per cent, marking the 10th time in a row that the BofE increased interest rates.

7 February Ross Trustees and **Independent Trustee Services** merged to form the Independent Governance Group (IGG), with full integration of the two businesses expected to be completed later in 2023.

7 February The Pensions Regulator (TPR) faced criticism for not focusing sufficiently on the risks that borrowing to boost investment returns could pose to pension scheme finances, and wider financial stability, in the event of interest rates rising. The comments were made by the Industry and Regulators Committee in a letter to Economic Secretary to the Treasury, Andrew Griffith, and Pensions Minister, Laura Trott *[further details on page 14]*.

8 February Trott announced plans to begin monitoring and reporting on the gender pension gap "regularly", including work to create a definition of the pensions gender gap ongoing.

9 February The **Public Accounts Committee** launched an inquiry into the Atomic Energy Agency Technology pension case, looking at the scheme's restructure in 1996 and subsequent issues.

9 February UK pension schemes **Nest** and **London CIV** backed a legal claim against the Shell board of directors for allegedly failing to manage the foreseeable risks posed to the company by climate change.

10 February Broadstone agreed to acquire **H&C Consulting Actuaries** for an undisclosed amount, with the transition expected to complete later in Q1 2023.

10 February The **Department for Levelling Up, Housing and Communities** launched a consultation on plans to change the Local Government Pension Scheme career average revalued earnings annual revaluation date, aiming to mitigate the impact of high inflation on the annual allowance.

13 February Natwest announced plans to acquire an 85 per cent shareholding of workplace savings and pensions fintech, Cushon, with 15 per cent to be retained by Cushon management. The proposed acquisition is subject to regulatory approval and expected to complete in "late 2023".

13 February The **Department for Work and Pensions** (DWP) appointed Mary Starks to lead its review of TPR, with a report expected by May 2023. The review will examine how TPR is performing and where it can improve, providing greater efficiency and value to taxpayers. This is in line with the expectation that public bodies are reviewed each parliament, with Starks expected to aim to identify efficiency savings of more than 5 per cent where possible.

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

15 February Industry concerns over the impact of rising inflation on savers persisted, despite the latest **Consumer Prices Index** revealing that the growth of inflation continued to slow, falling from 10.5 per cent in December to 10.1 per cent in January 2023.

16 February A number of UK pension schemes have become signatories to the UK Stewardship Code, taking the total number of signatories to 254, the **Financial Reporting Council** has confirmed. Signatories to the code now include 179 asset managers, 58 asset owners and 17 service providers, with the additional signatories bringing the total assets under management of the list to £46.4trn, up from £40.7trn in September.

16 February The **Pensions Dashboards Programme** and **Financial Conduct Authority** (FCA)'s consultations on pensions dashboards closed, with industry experts raising a number of concerns around user testing, data requirements, and user safety.

20 February The latest monitoring update from the **Universities Superannuation Scheme** revealed that the next scheme valuation in March 2023 could provide scope to improve benefits and reduce contributions.

20 February The **Government Actuary's Department**'s retirement calculator, designed to help people understand the pension implications of the McCloud ruling, was extended to 12 different pension schemes.

22 February TPR launched a campaign to ensure pension trustees are meeting their environmental, social, and governance (ESG) reporting duties, with a regulatory initiative to check if trustees are publishing key ESG data expected in spring. Following this, TPR is expected to undertake a review of a cross-section of statements of investment principles and implementation statements in the summer, with the outcome of this review to be shared with industry to highlight good practice.

22 February The **Pensions Management Institute** (PMI) launched its new membership and qualification structure, PMI Pathways, which aims to ensure that the institute is more aligned with a wider range of pension career aspirations.

23 February The **FCA** formally required two firms to stop making unsolicited settlement offers to former members of the British Steel Pension Scheme (BSPS), after previously warning firms to cease making offers, and to withdraw any existing settlement offers. The FCA also identified 15 firms that have engaged in misconduct regarding BSPS members after receiving reports of firms making unsolicited offers to former BSPS members, in what it warned could constitute a "deliberate attempt" to exclude former members from participating in its redress scheme.

27 February Punter Southall Governance Services and **20-20 Trustees** announced plans to merge to create the company Vidett.

28 February The newly formed trustee company, **IGG**, announced its acquisition of Clarity Trustees.

28 February A **Taskforce on Social Factors** has been established following the DWP's consultation on consideration of social risks and opportunities by occupational pension schemes. The taskforce aims to support pension scheme trustees and the wider pensions industry with some of the key challenges around managing social factors, including the identification of reliable data and metrics. It will operate for one year, with this work expected to contribute to further development of wider social factor principles, standards, and metrics. The DWP, which will provide secretariat support, identified a number of specific objectives for the taskforce, including work on international standards.

News focus

DWP announces plans for pensions dashboards reset

The Department for Work and Pensions has announced plans for a 'reset' on the Pensions Dashboards Programme (PDP). Whilst industry experts have highlighted the delays as a 'disappointment', they have also suggested that this was not a surprise, with industry concerns having emerged around the initial timeline

The Department for Work and Pensions (DWP) has announced plans for a "reset" of the Pensions Dashboards Programme (PDP), with a further update on the delivery of pensions dashboards expected before summer recess.

The framework for dashboards will remain unchanged, although DWP will legislate to provide new connection deadlines and further information on the revised timeline will be available following agreement on the delivery plan.

In a written statement, Pensions Minister, Laura Trott, emphasised that the project is a "significant undertaking", confirming that whilst the first connection deadline is 31 August 2023, additional time will be required to deliver the "complex technical solution to enable the connection of pension providers and schemes".

She stated: "More time is needed to deliver this complex build, and for the pensions industry to help facilitate the successful connection of a wide range of different IT systems to the dashboards digital architecture.

"Given these delays, I have initiated a reset of the PDP in which DWP will play a full role. The new chair of the programme board will develop a new plan for delivery."

As part of that, Trott confirmed plans for DWP to legislate "at the earliest opportunity" to amend the timing of the obligations to provide clarity to schemes.

However, she said that the initial framework set out in the regulations for pensions dashboards remains fit for purpose.

"We will ensure that the pensions industry has adequate time and the necessary technical information to prepare for any revised connection deadlines," she continued. "I will provide a further update to the House before summer recess."

Commenting on the delay, PDP principal, Chris Curry, stated: "Delivering the central digital architecture for pensions dashboards is a complex undertaking. DWP and the Money and Pensions Service (Maps) remain committed to dashboards.

"Significant progress has already been made. However, we need to do more work to ensure the connection journey is stable and secure for the industry, and that it's achievable ahead of mandatory connection. The industry has played a significant role in getting us to this point, whether as early participants, inputting on standards or continually feeding back on getting dashboards right.

"We will continue to work closely with the industry to deliver dashboards that will transform retirement planning and create new opportunities for engagement with savers."

Adding to this, Maps chief executive, Caroline Siarkiewicz, said that the reset provides an opportunity to "replan the work of PDP, collaborating closely with industry partners on the way forward".

"Pensions dashboards will be a vital tool for pensions savers, helping them plan effectively for and in later life, so it's essential that we take the time to get them right," she continued. "Maps, alongside the government, remains committed to this programme, and will continue to work with industry to ensure that pensions dashboards are delivered."

More broadly, the pensions industry was quick to express its disappointment, but not surprise, at the delay following the DWP's announcement.

Technology partner to the PDP, Equisoft, products director, Nick Meredith, stated that while the deferral of the implementation of the PDP is "disappointing, and we are frustrated that there is no hard deadline for restart, it is not surprising that with a project of this complexity there will be some delays".

However, this pause should mean that all sides "will hopefully be ready to move ahead with a fully comprehensive and effective solution, which is good news for individuals and organisations with multiple pensions everywhere", he added.

Adding to this, LCP partner and former Pensions Minister, Steve Webb, described the delay as "deeply frustrating".

"The end goal, of a website where people can see all of their pensions in one place, would be of huge value to pension savers," he stated, continuing: "It will help people to find pension pots they have lost track of, and will enable them to rationalise and make best use of the pots that they do have.

"The government must ensure that any delay is kept to an absolute minimum. The lack of a firm new timetable will leave industry in limbo and this uncertainty must be resolved as soon as possible."

"We will ensure the industry has adequate time and the necessary technical information to prepare for any revised connection deadlines"

PLSA director of policy and advocacy, Nigel Peaple, acknowledged that the PDP is an "enormous task" involving a complex central architecture to be built by government, the connection of tens of thousands of pension schemes, and the identification of millions of people.

"We welcome the government's promise to ensure that, once the current issues with the central digital architecture are resolved, the industry will be given adequate time and technical information to play its part in this endeavour," he stated, continuing: "The announcement that the project will be delayed, apparently by several months, is disappointing but it is the right decision. The government is wise to prioritise doing the job well rather doing it in a rush, which would result in a bad outcome for the pension industry and savers."

Pensions Administration Standards Association (Pasa) chair, Kim Gubler, noted that getting thousands of schemes ready for connection over the next two years "was always a huge challenge for the industry and our members have been expressing concerns – a delay in the connection timetable buys some welcome contingency to achieve this".

"Our advice for pension schemes, providers and administrators is to continue their preparation, following the guidance and support provided by Pasa and The Pensions Regulator, and to aim to be ready by their staging date as defined in current legislation – but now with the benefit of this extra contingency if it's needed," she added.

Association of British Insurers (ABI) director of policy, long-term savings, health and protection, Yvonne Braun, also agreed that a reset is "appropriate to work through the complex technical solutions and challenges".

She stated: "While having to delay such an important programme is always disappointing, we remain strong advocates for the project to progress as quickly as it safely can.

"It's right that the regulatory deadlines for providers are pushed back in line with this delay.

"There needs to be enough time for testing and onboarding, with the industry closely involved and learning shared widely, to ensure that dashboards work for consumers and that they can fulfil their potential. It is also important that work to help firms prepare to connect should continue during this reset."

This was echoed by Arc Pensions Law senior partner, Anna Rogers, who suggested that the delay will be a "welcome relief" to those schemes in the early waves of connection, highlighting the news as a "welcome development".

Written by Sophie Smith and Laura Blows

HoL blames market volatility on leveraged LDI; TPR faces further criticism

The Industry and Regulators Committee has critiqued the use of leveraged liability-driven investment by DB pension schemes, calling on the government to consider whether tighter controls are needed in future. The committee also raised regulatory concerns, arguing that The Pensions Regulator failed to sufficiently focus on the risks that borrowing to boost returns could pose to scheme finances in the event of interest rates rising

The Pensions Regulator (TPR) has faced criticism for not focusing sufficiently on the risks that borrowing to boost investment returns could pose to pension scheme finances, and wider financial stability in the event of interest rates rising.

The comments were made by the Industry and Regulators Committee in a letter to Economic Secretary to the Treasury, Andrew Griffith, and Pensions Minister, Laura Trott, which critiqued the use of leveraged liability-driven investment (LDI) strategies by DB pension schemes.

In particular, the committee argued that LDI strategies, particularly those using leverage, were created as a solution to an "artificial problem" created by accounting standards, which pushed sponsoring companies to focus heavily on current estimates of pension deficits.

In addition to this, the committee argued that it is likely some pension scheme trustees were not aware of the potential implications of their LDI strategies and their decision-making struggled to match the pace of markets.

The committee also raised concerns around the regulatory response seen since, stating that despite calls for more information and a review of stress tests from the Financial Policy Committee, regulators appear to have been slow to recognise the systemic risks caused by the concentration of pension schemes' ownership of assets such as index-linked gilts, and the increasing use of more complex, bank-like strategies and instruments by pension funds.

In light of these conclusions, the committee urged the government to improve regulation and reduce the risk of similar disruption in the future.

The committee also encouraged the government to review the relevant regulations and consider whether the use of repos and derivatives should be more tightly controlled and supervised in future, arguing that "far stricter limits and reporting on the amount of leverage allowed in LDI funds" is needed.

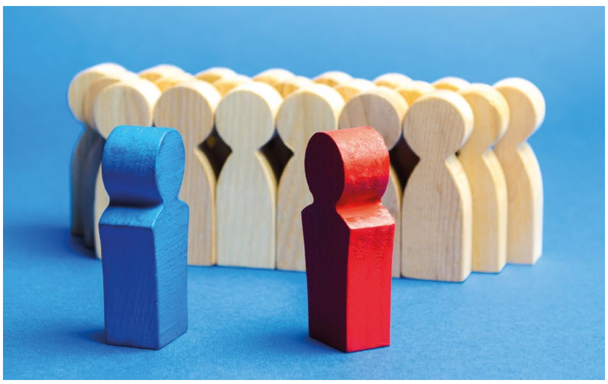
It also said that investment consultants should be brought within the regulatory perimeter, "as a matter of urgency".

Commenting in response, a spokesperson for TPR said: "We note the committee's recommendations and are already taking action to learn lessons and address many of the issues raised, while operating within the scope of our statutory objectives. We will work with our key partners to consider other areas of focus set out by the committee. Through guidance released in October and November last year, we have clearly set out how we expect scheme trustees to improve the resilience and governance of their LDI holdings in a number of areas. We will continue to work with our regulatory partners, including the FCA and overseas regulators, to monitor compliance with these minimum standards, and take coordinated action where necessary if they are not being met. Adequate monitoring of resilience will require enhanced data collection, and TPR is actively considering how to expand our collection of data on LDI arrangements and consequent liquidity buffers."

Written by Sophie Smith

DWP backs Private Member's Bill to expand auto-enrolment

Pensions Minister, Laura Trott, has backed a Private Member's Bill on plans to expand auto-enrolment, in what has been highlighted as a 'landmark' moment for UK pensions. Trott also confirmed that a timeline for the 2017 auto-enrolment reforms will be shared once a collective agreement has been reached, although concerns over the ability for the government to meet its mid-2020s deadline have grown



The Department for Work and Pensions (DWP) has backed MP Jonathan Gullis' Private Member's Bill to expand auto-enrolment (AE).

The bill, which passed the second reading stage on 3 March, seeks two extensions to AE, abolishing the lower earnings limit and reducing the age for being automatically enrolled to 18.

The provisions in the bill are not intended to result in any immediate change, and will instead give powers to amend the age limit and lower qualifying earnings limit for AE.

However, there would be a requirement to consult and report on the outcomes to inform the implementation approach and timing before using these powers.

"We know that these widely supported measures will make a meaningful difference to people's pension saving over the years ahead," Pensions Minister, Laura Trott, stated. "Doing this will see the government deliver on our commitment to help grow the economy and support the hard-working people of this country, particularly groups such as women, young people and lower earners who have historically found it harder to save for retirement."

The Pensions and Lifetime Savings Association (PLSA) also backed the bill, highlighting that the DWP's support meant these changes are "very likely to make it into law at some point over the next year with the result that millions of people will get a better pension when they retire".

LCP partner, Steve Webb, also highlighted the news as a "landmark day for UK pensions", arguing that, "with pensions policy having been stuck since the 2017 review there was a real risk that the gains from AE would be stalled".

He added: "Now that the government is backing the necessary legislation the way is cleared for younger workers to be brought in and for lower earners in particular to build up pensions more quickly. The new minister, Laura Trott, deserves huge credit for her role in unlocking this logjam."

In the accompanying notes to the bill, the government estimated that the first year of implementation would cost around £2bn, made up of £0.8bn of extra employer contributions, £0.9bn of extra employee contributions and £0.2bn of income tax relief. This estimate is approximately half of the £3.8bn estimate that was detailed in the 2017 AE Review.

Trott also provided an update on broader AE reform plans earlier in the month, stating that a timeline for the 2017 AE reforms would be set out once a collective agreement has been reached.

"We know that these widely supported measures will make a meaningful difference to people's pension saving over the years ahead"

She stated: "The 2017 recommendations will change the landscape for the better. They will enable people to save for longer and begin their savings journey from the first pound of their earnings. That will give younger people and people in part-time jobs, particularly women, the opportunity to be brought into the world of pension savings for the first time.

"I know the committee is keen for me to set out a timeline. I, too, am keen to set out a timeline, and as soon as I have collective agreement I will come back to the committee and the House of Commons to announce that."

However, Work and Pensions Committee chair, Stephen Timms pointed, out that the "mid-2020s are approaching rapidly", suggesting that legislation is needed this year for the proposed mid-2020s timeline to be met.

In addition to this, Timms raised broader concerns over the current AE contribution levels, arguing that "the government now need to make the case for higher contributions".

Written by Sophie Smith and Jack Gray

ESG regulatory focus ramps up

Focus on environmental, social and governance (ESG) factors has increased over the past month, as The Pensions Regulator announced plans for an ESG non-compliance initiative in the spring. This was alongside a specific focus on social considerations, with a Taskforce on Social Factors launched, which has support from the Department for Work and Pensions and a range of industry organisations

The Pensions Regulator (TPR) has launched a campaign to ensure pension trustees are meeting their environmental, social, and governance (ESG) reporting duties, with a regulatory initiative to check if trustees are publishing key ESG data expected in spring 2023.

TPR confirmed that it is sending emails to DB, DC and hybrid schemes, making it clear that it is analysing scheme return data to monitor compliance.

In particular, TPR will be checking whether trustees of schemes with more than 100 members (unless exempt) have published a statement of investment principles (SIP), which details the policies controlling how a scheme invests, including consideration of financially material ESG and climate factors, as well as an implementation statement (IS).

Following this, in the summer, the TPR will undertake a review of a cross-section of SIP and IS statements, with the outcome of this to be shared with industry to highlight good practice.

The regulator also warned trustees of schemes in scope that enforcement action may be taken against them if they fail to publish their SIP and/or implementation statement, as TPR holds the power to impose a fine up to £50,000 (where the trustee is a corporate body).

In addition to the upcoming regulatory initiative, TPR confirmed that it is currently reviewing the SIP and IS data provided through the 2022 DC scheme return, with initial analysis revealing that a number of schemes did not provide valid website addresses of the SIP and IS statements. TPR will be communicating with these schemes.

Spring will see further updates, as TPR confirmed plans to issue a statement on Task Force on Climate-related Financial Disclosures (TCFD) reports.

TPR executive director of frontline regulation, Nicola Parish, stated: "All savers deserve to be in well-governed schemes which protect their retirements by appropriately managing and reporting on ESG and climate-related risks and opportunities.

"These reporting disclosures represent compliance with the basic requirements in relation to ESG and climate change, so it's disappointing some trustees are failing to meet them. Trustees who fail to comply risk us taking enforcement action against them and I expect to see an improvement in compliance levels."

The social aspect of ESG has also seen heightened attention over the past month, as a Taskforce on Social Factors (TSF) was launched following the Department for Work and Pensions' (DWP) consultation on consideration of social risks and opportunities last year.

The TSF will aim to support scheme trustees and the wider industry with some of the key challenges around managing social factors, including the identification of reliable data and metrics.

The taskforce will operate for one year, with this work to contribute to the further development of wider social factor principles, standards, and metrics.

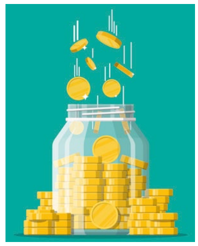
The DWP, which will provide secretariat support to the group, identified a number of specific objectives for the taskforce, including identifying reliable data sources that can be used by schemes to identify, assess and manage financially material social risks and opportunities.

This was alongside monitoring and reporting on developments relating to the International Sustainability Standards Board and developing thinking around how trustees can identify, assess and manage the financial risks posed by modern slavery and supply chain issues.

The taskforce includes representatives from pensions schemes, asset managers, data providers and cross-industry collaboration groups, as well as a number of government departments and regulators, such as the Financial Conduct Authority and TPR.

Written by Sophie Smith

USS trustee to move forward with 'cautious optimism'



'High probability' that funding improvements to the Universities Superannuation Scheme could result in improved benefits and reduced contributions

Changes to the Universities Superannuation Scheme (USS) could be reversed after recent funding improvements, with the latest monitoring update suggesting that the next scheme valuation in March 2023 could provide scope to improve benefits and reduce contributions.

The changes to the scheme were agreed in 2022 amid concerns that the deficit recorded in 2020 could result in "unaffordable" contributions for both employers and employees.

And whilst UK universities have since faced unprecedented strike action across both the pensions dispute, as well as pay and working conditions, change could be on the horizon. The latest monitoring update from the trustee suggested that the forthcoming 2023 valuation could reveal a high probability of being able to improve benefits and reduce contributions.

In particular, the Financial Monitoring Plan (FMP) update showed a scheme surplus on a technical provisions basis of £5bn, marking a £19.1bn increase on the £14.1bn deficit recorded at the last valuation in March 2020.

Based on this, the FMP estimated a future service cost of 17.9 per cent, down 7.3 percentage points since March 2020, and 0 per cent deficit recovery contributions, down from 6.2 per cent.

Commenting on the update, USS group chief executive, Bill Galvin, clarified that while "there could yet be more ups and downs before the valuation date", the update has provided "grounds to look forward with cautious optimism".

Indeed, Galvin suggested that, based on the end-of-December position and how market conditions have changed since, stakeholders might want to plan for the 2023 valuation on the basis that the overall contribution rate required for the current level of benefits is unlikely to be in excess of 20 per cent of payroll.

He also suggested that they plan on the basis that the rate that would be required for the pre-1 April 2022 benefit structure going forward is unlikely to be in excess of the current cost of future service (25.2 per cent).

In a joint statement, the University and College Union and Universities UK, on behalf of USS employers, stated that should the funding improvements be confirmed, "this would allow for a return to a comparable level of future benefits as existed before the April 2022 changes, as well as achieve a reduction in costs for members and employers. We jointly agree to prioritise the improvement of benefits in this way, where this can be done in a demonstrably sustainable manner".

Written by Sophie Smith

NEWS IN BRIEF

RSA Group completed the largest ever pension bulk annuity transaction, agreeing a £6.5bn buy-in for two of its schemes with the Pension Insurance Corporation. The deal covers 40,000 members of the Sal Pension Scheme and Royal Insurance Group Pension Scheme.

A **High Court** case has begun over the government's proposed method of paying for costs incurred by the McCloud remedy in relation to public sector pension schemes.

Fidelity International partnered with Plain Numbers on a campaign to help workplace pension members' understand their finances. The partnership will last for three years.

Smart Pension revealed that the emissions from its default growth fund fell by 50 per cent compared to 2019, two years ahead of schedule.

The trustee of the **Arcadia Group** and Arcadia Group Senior Executive Pension Schemes agreed an £850m buy-in with Aviva, securing benefits in excess of Pension Protection Fund (PPF) levels for 8,800 members.

Pasa shared guidance for scheme trustees on data readiness for buy-in and buyout transactions. This was alongside a separate whitepaper, which encouraged schemes to leverage technology to improve the member experience.

Legal & General Mastertrust passed £20bn in assets under management, marking the first commercial master trust in the UK to reach this milestone.

The **Financial Reporting Council** concluded that no changes are needed to the assumptions under Actuarial Standard Technical Memorandum 1, which is set to remain in force from 1 October 2023 to 5 April 2024.

VIEW FROM TPR: Time to join the 600 schemes already fighting scams

We know pension scams screw up lives – and with the cost-of-living crisis continuing and pension transfers on the rise, savers may be more vulnerable than ever to the lure of scammers.

As an industry, we are well positioned to warn savers about the perils of pension scams. That's why just over two years ago, we launched our Pledge to Combat Pension Scams, which offers trustees clear principles to adopt so they can take action to keep savers safe. These are to raise awareness of the risks, know the warning signs and report any suspicions to Action Fraud.

I'm delighted to say that more than 600 schemes have now made the pledge – and as a result, we believe around 16 million pension pots are now better protected. I am also heartened by indications from research we carried out in 2022 that 75 per cent of lay trustees report they are aware of the pledge while 85 per cent agreed that TPR's approach to fighting scams is an effective one.

Furthermore, 84 per cent of trustees, scheme managers and administrators said they were now communicating warnings to members on a regular basis, while two-thirds had added web content on pension scams. It's great to see this progress in just two years.

But there is much still to do. We are urging any schemes that haven't yet made the pledge, to do so. And we're calling on those who have, to take the next step and self-certify they have taken action to meet their commitments.

Join our mission – make the pledge, take action and help us protect savers.

TPR executive director of frontline regulation, Nicola Parish

The Pensions Regulator
Making workplace pensions work

VIEW FROM THE ABI: The industry's social care relationship

"Many disabled adults and older people continue to be denied choice and control over their lives", a recent Lords report found. Wider reform is overdue, but the insurance and long-term savings industry has a part to play in helping people meet their care and care-related costs so they can have more choice and control.

In our report, *Prepare for Care,* the ABI looked at the needs of people who use care, such as affording to pay extra to have more choice over their care package or support for unpaid carers. We showed how current and potential financial products, including pensions, investments, insurance and property, can help people meet these needs.

However, we also found several barriers to developing or selling such products. For instance, larger pension withdrawals can be taxed at 40 per cent or even 45 per cent. This may make pensioners reluctant to invest in adaptations to remain more independent and delay moving into residential care. It also discourages them from buying an immediate needs annuity, which would give them more assurance that they can afford their care indefinitely.

People also find it difficult to think ahead about social care and prepare in advance. To do so, they need to receive appropriate information, guidance and support. The industry is keen to continue to work together with the government on guidance and advice, so that people get the support they need.

ABI

ABI long-term savings policy adviser, Maria Busca

VIEW FROM THE PPI: Accessing the youth

After being auto-enrolled into a pension during my second job working in retail, I felt a little perturbed as a small portion of my salary was sacrificed. The action to opt out appeared to be appropriate at the time, but in hindsight it would have been very knee-jerk. This initial disconnect from my new pension pot was underpinned by a lack of financial education and an ignorance towards the importance of retirement planning. Fortunately, my experience of working at the Pensions Policy Institute illuminated me on the dangers of such an attitude.

My original stance is shared by many people in my age group entering the labour market. More than a quarter of respondents in the PPI's *Young People and Pensions Survey 2021* identified "a better understanding of how pensions work" and "access to better information/tools" as essential to increasing their engagement with pensions. From my own viewpoint, pensions initially came across as a complex system that only required attention in later life, but increased financial knowledge has changed that view, and could for others in my age group too.

On a macro level, addressing the lack of youth engagement with pensions poses many strategic and logistical challenges for industry and government. We need to consider both the social and the technological landscape when seeking to implement changes. Potential approaches could range from channelling pensions knowledge through social media platforms to embedding financial education into the school curriculum.

PPI research intern, Joel Redgewell

PENSIONS POLICY INSTITUTE
PPI

Pension scammers screw up lives.

Over 600 pension schemes have now made the pledge to combat pension scams.

That's an estimated **16 million** pension pots better protected. With millions more still at risk, we're relying on your pledge to:

- ☑ raise awareness of the risks
- ☑ know the warning signs
- ☑ report any suspicions

Join our mission. Make the pledge.
tpr.gov.uk/scams-pledge

The Pensions Regulator

Our pledge to **combat pension scams**®

Appointments, moves and mandates


Sara Weller

The **Department for Work and Pensions** (DWP) has appointed Sara Weller as chair of the Money and Pensions Service (Maps). Weller will take up the role from 29 March 2023, having been serving as a non-executive board member since September 2022. Prior to this, she was Sainsbury's joint managing director, Argos managing director, and Lloyds Bank Group responsible business committee chair and non-executive director. Commenting on the appointment, Pensions Minister, Laura Trott, said: "Sara will bring a wealth of experience to this challenging but rewarding role, continuing the work of her predecessor in supporting people across the country with vital money guidance."

People's Partnership has appointed David Meliveo as its new chief commercial officer.
Joining from Royal London, Meliveo has previous experience across a number of industries, with companies including GSK, EasyJet, Autoglass, SAGA and the AA. Meliveo will lead the organisation's proposition, marketing, and business development teams. Commenting on the appointment, People's Partnership chief executive officer, Patrick Heath-Lay, stated: "David is a dynamic leader, whose breadth of ideas and ability to get things done will be powerful strengths for the organisation. He has a wealth of experience driving brands and launching new propositions. This will be invaluable as we grow and continue striving to provide straightforward, accessible, trusted products and support that help people become financially stronger."


Robert Waugh

Robert Waugh has been appointed as chair of trustees for the **Legal & General (L&G) Mastertrust**.
Waugh has over 35 years of investment and pensions experience, most recently as the CEO and CIO of the NatWest Group Pension Fund. He succeeds Dermot Courtier, who is stepping down on the 30 June 2023 after two terms as the chair of trustees, having joined in 2017.
Commenting on the news, Courtier stated: "It has been a privilege to serve as the chair of trustees over the past two terms. As I step down, I believe the L&G Mastertrust is in a position of real strength and I wish Robert and the board all the best in this next chapter."


Jamie Goodfellow

Pegasus Pension has announced the appointment of Jamie Goodfellow as senior pensions executive.
Goodfellow joins Pegasus from Punter Southall Governance Services, where he was senior scheme manager. Prior to this, he worked at National Grid on its £20bn DB scheme as governance manager, where he supported the trustee board by managing governance, compliance and audit requirements, as well as the trustee's relationship with the then in-house administrator. He also has previous experience as a trustee, as well as experience at TPAS (part of the Money and Pensions Service) and as chair of the Employers' Panel at Nest for five years.

The Department for Work and Pensions (DWP) has appointed Mary Starks to lead its review of The Pensions Regulator (TPR), with a report expected to be delivered by May 2023.
Starks, currently partner at Flint Global, was recruited by direct appointment. Prior to this, she served at the Financial Conduct Authority (FCA) as an executive member of the board, director of competition and chief economist, and also previously Ofgem executive director. The DWP review will examine how the regulator is performing its role and where it can improve, providing greater efficiency and value to taxpayers. This is in line with the expectation that public bodies are reviewed each parliament, with DWP confirming that Starks will aim to identify efficiency savings of more than 5 per cent where possible.
Commenting on the appointment, Pensions Minister, Laura Trott, stated: "All public bodies must ensure that they are accountable and working for taxpayers. Mary Starks has a background working in the regulatory sector and with public bodies, which will help her to deliver effective recommendations."
Adding to this, Starks commented: "I am delighted to be appointed to lead this review. TPR plays a vital role protecting the interests of savers and ensuring employees benefit from workplace pensions. As well as drawing on my own regulatory experience, I look forward to hearing from stakeholders from across the pensions sector and working closely with the teams at DWP and TPR."

The Royal Mail Pension Plan (RMPP) has selected BlackRock to manage its £8.8bn defined benefit (DB) scheme assets as an outsourced chief investment officer. As part of the appointment, members of RMPP's investment team will move to BlackRock and continue to manage the scheme's investments, while being able to benefit from the scale and risk management capabilities of a full-service asset manager. The transfer of staff and assets was completed on 1 February.

Commenting on the news, RMPP chief executive officer, Richard Law-Deeks, emphasised that the trustee's main priority, "as ever", is to "ensure the retirement benefits of our members are well managed and protected". He continued: "Our in-house team has delivered strong investment performance during some challenging markets over the past 20-plus years, meaning we are well funded. It is now time to consider how to lock in the stability and continuity of this position. With this agreement, we ensure that key institutional knowledge is retained, while benefitting from BlackRock's wider expertise and scale. We have long worked with BlackRock and look forward now to deepening that partnership further."

BlackRock head of UK business, Sarah Melvin, added: "The scheme has been run exceptionally well by the in-house team to date and we're excited to welcome them to BlackRock to continue to serve the plan's evolving needs. BlackRock has been partnering with businesses as an outsourced chief investment officer since 2005, helping schemes meet their objectives and providing financial security for their members. We manage the savings of over 11 million people in the UK, and we believe strongly in putting people's retirement needs at the heart of everything we do."


Russell Davies

Barnett Waddingham has appointed Russell Davies as a principal and senior consultant in its pension executive and management services(PEMS) team.

Davies joins the team from Isio, and has 23 years' experience in pensions, having also caried out the role of secretary to the trustees for several years. In his new role, he will lead client delivery teams, develop the governance client portfolio and join the board setting the strategy of the PEMS team.

This appointment was also announced shorty after the hiring of Gavin Paul as senior pensions consultant in its public sector consulting team, bringing over 20 years' experience as a pensions lawyer.


David Fairs

LCP has announced the appointment of David Fairs as a partner.

Fairs previously spent four years at The Pensions Regulator, where he was executive director of regulatory policy, analysis and advice, overseeing the introduction of a range of important policy initiatives.

Prior to this, he was a pensions partner at KPMG. He joins the team from April, and will be working closely with clients to navigate the issues facing the industry, as well as supporting the firm to expand its offering. Fairs commented: "I have long been an admirer of LCP and am excited to join a firm that has such a strong reputation for being people-centric, ambitious in its approach and not afraid to challenge the status quo."


David Hamilton

Broadstone has announced the appointment of David Hamilton as its new chief actuary.

He will be responsible for leading the firm's actuarial thinking, from both a technical and professional standpoint, and will look to ensure that this is disseminated across Broadstone's actuarial team. Having joined the business in 2019, Hamilton also chairs Broadstone's Joint Funding and Investment Committee. He brings over 20 years of experience to the role, and will continue to maintain an active client portfolio in his new role, supporting trustees in sensibly managing their DB pension schemes in a pragmatic and cost-effective manner.


Louise Lane

Hymans Robertson has appointed Louise Lane to its risk transfer team.

Lane joins from the WTW risk transfer team, and has worked and advised on a variety of transactions, ranging in value from £100m to almost £2bn. Commenting on the news, Hymans Robertson head of risk transfer, James Mullins, said: "Louise will be a brilliant addition to our successful and growing team of over 25 experts, with her experience across many areas of risk transfer. We expect the next 12 months to be an interesting and busy period across the buy-in, buyout and longevity swap markets and look forward to announcing some more experienced joiners to the team over the next few months."

Soapbox: The light at the end of the tunnel

Last month, I had the pleasure of attending an event put on by the Association of Member Nominated Trustees (AMNT) where I had the amazing opportunity to listen to pension experts and catch up with various industry members.

The highlight of the event were the speakers, each of whom gave incredible and informative talks, but one in particular stood out. In his section of the day, Columbia Threadneedle Investments chief economist, Steven Bell, stated that, by the end of the year inflation could be as low as 2 per cent.

Whilst this was met with some scepticism in the room, and I am certainly in no position to predict the level of inflation in nine months' time, it did fill me with optimism.

After so many months of experiencing negative economic news and hearing about the causes, longevity and effects of the cost-of-living crisis, it was comforting to be given some hope from some economic news. This positivity did not last long, however, as I soon started to wonder how the pensions industry would be able to adjust to this change in the future.

The cost-of-living crisis has, of course, had a large impact on pension savings as some people have been unable to invest in their pension. This has led to, in some cases, savers cancelling their pension contributions or even taking money out of the pension pot just to make ends meet.

This reduction in savings has worsened what many have identified as a dire situation as, in the past, industry experts have voiced concerns about savers 'sleep walking' into retirement poverty by remaining at minimum automatic enrolment contribution rates and not saving enough as a result.

With the possibility of the end of the crisis and people starting to have a bit more money to spend, pension schemes need to be ready and able to convince people to invest that extra money into their future.

Savers might have become comfortable with not contributing to their pension, or indeed just forgot they ever stopped the contributions in the first place, and schemes need to be prepared to convince them to start saving again to avoid any kind of drastic consequences in later life.

I also think that this encouragement requires a delicate balance to be struck between encouraging people to save to make up for the time they spent not saving and asking them to save too much and thereby putting them off. As people make it through the crisis they will, of course, be relieved to have enough money to reliably pay for their essentials and asking savers to invest all their newly saved money may dissuade them from saving at all, therefore being careful with encouragement may be important to reach certain savers.

How long the cost-of-living crisis will go on for remains to be seen but the industry needs to be ready to bring jaded savers back into the wonderful world of pension saving as soon as they are able, should this turbulent economic period come to an end in the near future.

Written by Tom Dunstan

VIEW FROM THE ACA: The McCloud remedy

Following our formal response to the draft regulations relating to the McCloud remedy for public-sector employees, we have recently provided further comment to HMRC.

We understand the desire to mitigate the possible adverse tax impacts and administration complications arising from McCloud. However, we would point out that rectifications are not limited to the public sector. Parallel examples are regularly seen in the private sector (for example a review of past practice, or a court judgment or counsel opinion, may show that a past benefit change was not implemented correctly) requiring adjustment to benefits, with many of the adverse tax consequences potentially experienced due to McCloud. The operation of pensions tax incurs disproportionate administration complexity for schemes and HMRC, associated costs for employers and negative impacts for members.

Given that McCloud has shone a light on the possible issues and shows that changes can be made to mitigate them, we would ask for consideration that some of these easements (or adapted ones) can be adopted more widely and made available for other comparable situations so that pensions tax issues are not a block to practical solutions. We hope HMRC is open to such a dialogue.

ACA chair, Steven Taylor

View from the AMNT: Guided or advice

'Financial adviser' is a generic term with no precise industry definition covering many different types of financial professionals, including pension advisers. Put simply, it is a person whose job is to provide financial advice to clients.

According to the Financial Conduct Authority, there were approximately 50,000 advisers in 2010 compared to 36,000 in 2021. I suspect the number is still decreasing, with many that are left not providing pension advice. There are a number of reasons for the decline: The move away from commission-based fees, increasing regulations and the aftermath following the Tata Steel pension scandal. Even those that are left tend to favour clients at the upper end of the market.

So that leaves the vast number of persons seeking pension advice with the option of either paying high fees or taking pension 'guidance' from organisations like Pension Wise and, as excellent as the information and guidance is, it remains information and guidance when the majority of individuals are seeking personal advice. The problem is the regulation on providing pension advice, particularly following scandals such as Tata Steel. Although rightly protecting individuals, it means that many 'take a punt' on their pension assets. What is needed is a system that gives sufficient 'advice' to enable people to make good decisions.

AMNT member, Stephen Fallowell

AMNT Association of Member Nominated Trustees

View from the PLSA: The dashboards regime

In our submissions to the two latest consultations on the pensions dashboards – on design standards from the Pensions Dashboards Programme (PDP) and on the proposed regulatory framework for pensions dashboards service companies from the FCA – we emphasised the need for testing, security and saver understanding.

We are pleased the design standards put forward by the PDP prioritise the reliability and security of data displayed on dashboards, as well as the importance that savers understand the information being presented to them.

It is vital that the information savers see on dashboards is presented clearly and objectively and does not influence their decision making in a harmful way. The standards proposed by the PDP are a very good start, but they will need to remain flexible as real-world experience from extensive testing informs communication approaches.

The purpose of the FCA's regime to regulate Pensions Dashboard Services (PDS) firms is primarily to ensure that users' savings are not put at risk through their use of dashboards.

Saver protection is paramount and the PLSA welcomes the high bar for authorisation proposed. Security of data, reliability of PDS firms and messaging to ensure consumers understand the service they are using, are all paramount to ensure they act on the information in the right way, and do not take irreversible decisions that could lead to long term poorer outcomes.

PLSA director policy and advocacy, Nigel Peaple

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

View from the PMI: Trustee understanding

One disturbing aspect of last year's liability-driven investment crisis was the revelation that far too many trustee boards are heavily reliant on their professional advisers when making key decisions.

This is not a particularly new problem; the introduction of the Trustee Knowledge and Understandings (TKU) provisions within the Pensions Act 2004 required trustees to become 'conversant' with basic pensions law and their own scheme's trust deed and rules within six months of appointment. The aim was trustees should have sufficient confidence to challenge their professional advisers about recommendations made.

In practice, this has always been an ambitious objective – even though the requirement for it to be achieved is now irrefutable. Funded UK pension schemes currently hold over £3trn in assets, yet far too many of those responsible for their stewardship are essentially well-meaning amateurs who are ill-equipped to implement effective governance without the close supervision of professional consultants.

The autumn's crisis should prompt the government to recognise the urgent requirement for trustee boards to demonstrate a significantly higher standard of competence than the existing TKU requirements. This might for example involve the introduction of mandatory qualifications and a formal CPD scheme. Whilst this may prove difficult to achieve, recent events have shown all too clearly that it is absolutely necessary if the requisite standards of governance are to be implemented.

PMI director of policy and external affairs, Tim Middleton

Diary: March 2023 and beyond

Pensions Age Awards 2023
21 March 2023
Great Room, Grosvenor House, Park Lane, London
The Pensions Age Awards, celebrating their 10th successful year, aim to reward the pension schemes and the pension providers across the UK that have proved themselves worthy of recognition in these increasingly challenging economic times. The awards are open to any UK pension scheme or provider firm that serves UK pension schemes.
For more information, visit:
pensionsage.com/awards

PLSA Investment Conference
6-8 June 2023
EICC, Edinburgh
The Pensions and Lifetime Savings Association's (PLSA) Investment Conference returns to Edinburgh for 2023. The three-day conference is open to CIOs, trustees, investment board members, pension managers, finance professionals and advisers, and will provide insight into the major trends and events affecting UK investors and markets.
For more information, visit:
plsa.co.uk/events

PLSA Local Authority Conference
26-28 June 2023
DeVere Cotswold Waterpark, Gloucestershire
The PLSA's must-attend event for anyone involved in the Local Government Pension Scheme (LGPS), covering practical challenges and future opportunities in the ever-evolving landscape of local authority pensions. The largest event of its kind dedicated to the LGPS offers a dynamic mix of plenary and breakout sessions and roundtables for specialist groups.
For more information, visit:
plsa.co.uk/events

European Pensions Awards 2023
6 July 2023
London Marriott Hotel
The European Pensions Awards, now in their 16th year, were 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. The awards are free to enter and open to any pension fund or firm that serves European pension funds.
For more information, visit:
europeanpensions.net/awards

Visit www.pensionsage.com for more diary listings

Month in numbers

$60.6bn

Global pension assets increased by around 7 per cent in 2021 from $56.3trn to $60.6trn. Nearly two-thirds (64 per cent), or $38.5trn, of pension assets were assets were managed by pension funds.

34%

More than a third (34 per cent) of UK savers say being able to afford day-to-day living costs in retirement is a 'key' concern, the biggest single concern for UK savers in 2022.

0.3 years

The average time for FTSE 350 defined benefit (DB) pension schemes to reach buyout rose by 0.3 years over January. Barnett Waddingham revealed that the time to buyout increased from the 5.1 years recorded at the end of December 2022 to 5.4 years at the end of January 2023. This increase was attributed by Barnett Waddingham to a fall in bond yields causing liabilities to rise which, although partially offset by a slight drop in long-term inflation expectations, outweighed 'strong' asset performance over the month.

VIEW FROM THE SPP: Beware the covenant complacency trap

We've gone through challenging times lately, but most DB schemes and sponsors have survived. Funding levels are looking better than they have for a long time, and many schemes are enjoying the pleasant surprise of being within reach of buyout funding.

Against this backdrop, does covenant still matter? The answer is "yes".

Covenant is the ultimate underpin for DB scheme risks to ensure members get their benefits in full. A rapid improvement in funding levels can be reversed, and whilst many sponsors have shown great resilience in recent years, this has often come with increased debt or a pause on investment. Further economic headwinds will apply continued pressure to weaker sponsors.

Whilst the draft regulations on funding and investment put covenant at the heart of journey planning, TPR's approach to regulation leaves covenant out of its fast-track 'low regulation' channel entirely. TPR risks sending mixed messages to trustees and sponsors, particularly at a time when increased regulation may lead overburdened trustees towards a box-ticking mentality, amidst a perception that fast track represents lower risk.

The covenant complacency trap is easily avoided. Start with the right mindset: Remember that your scheme is reliant on covenant until all risks are transferred from the sponsor.

Then it's about practical risk management: What are the covenant risks? How are they correlated with scheme risks? How can plausible downside scenarios be mitigated?

THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

SPP covenant committee member, Emily Goodridge

A week in the life of: SPP president and Barnett Waddingham partner, Steve Hitchiner

I work as an actuary at Barnett Waddingham, advising both trustees and employers in relation to their pension schemes. I am based in our London office, spending two to three days in the office or at external meetings, with the rest of my time spent working from home.

I am also the current president of the Society of Pension Professionals (SPP), a two-year term running until June 2024. The SPP is a diverse organisation, with member firms including actuaries, lawyers, investment advisers, investment managers, administrators, independent trustees, DC consultants, covenant advisers and providers.

Monday

My week starts with a relatively free day, which I spend catching-up on correspondence and client work.

Although my main role is providing actuarial advice, I act as client relationship manager across a wide range of services. I also have a variety of internal management and strategic responsibilities, as well as my role as SPP president. Inevitably, therefore, a big part of my job is dealing with day-to-day issues, and I always set aside sufficient time throughout the week to deal with these promptly.

It is also important that I don't become a 'bottleneck' for client advice. I have a fantastic team that do a lot of the hard work, but I need to provide the necessary direction and oversight, and ultimately approve the final work to be delivered to the client.

The only meeting I have today is an initial planning meeting for a forthcoming SPP event. We have a vibrant events programme, typically with two events each month and strong attendee numbers. One of my main roles as SPP president is to help steer these events, in conjunction with the in-house team, to ensure we deliver appropriate and valuable content for our members. It is very rewarding to see any event grow from an initial idea, through to bringing together the speakers and then seeing the final event on the day.

Tuesday

This morning I have my regular catch-up with the SPP's chief executive, Fred Emden. We cover a variety of topics relating to the SPP's industry priorities as well as internal operational matters. There are a few actions that come out of this, which I get on with after our meeting.

In the afternoon, I attend our monthly Actuarial Consulting Board meeting, which is responsible for client service and strategy for our actuarial consulting area.

Wednesday

I am chairing an online SPP event this morning, on the subject of 'alternative risk transfer solutions'. I oversee the panel discussion, filtering through the questions and directing these to the appropriate speaker. This is very different to the usual presentation of a technical topic I am used to, and requires different skills, including the ability to review questions and listen to answers at the same time!

I spend the rest of the day working on client projects, including a bulk annuity transaction that is now nearing completion.

Thursday

We are hosting a roundtable for charities at our London office today, on the new DB funding regime, and I am leading the discussion. I have a particular focus on the charity and not-for-profit sector, with half of my clients in the sector, and I was also part of The Pensions Regulator's industry working group for the development of the new funding code.

Friday

I am in the London office again today, as we have our monthly team meeting.

I also have a meeting to kick off a new client project, looking at a potential alternative risk transfer solution. I will be overseeing the project, working with several specialists at Barnett Waddingham. I spend a large part of my day preparing for this meeting and thinking through an initial plan for the project.

Making the smart choice

Sophie Smith sits down with Smart UK CEO, Jamie Fiveash, to talk about the highs of the auto-enrolment journey, the secret to a good roast dinner, and the work still waiting on his bucket list

What's your employment history (including jobs outside of pensions)?
I began my career at Barclays Bank at the tender age of 15! After four years I joined B&CE, now People's Partnership, where I eventually rose to chief operating officer and helped lead the launch of The People's Pension. I then joined Smart in 2017 as chief operating officer before taking on the UK CEO role in 2020.

What's your favourite memory of working in the pensions sector?
Some great memories over the years and some are not suitable for print! I love being part of fast-growing businesses – getting the first big win or award is such a buzz – I can still remember those moments vividly. Generally, it's been great being part of the AE journey, seeing millions of people come into pension saving for the first time.

If you did not work in pensions, what sector do you think you would be in instead?
I would like to say something more extravagant, but the reality is that it would be doing something else related to finance.

What was your dream job as a child?
I never really had one beyond playing professional football – which I realised pretty quickly was just a dream! After that, my ambition has always been to run my own business and do something meaningful for people. I am lucky that I have been empowered to do both at Smart. I think one day I would like to start something from scratch on my own, to produce or deliver something the world doesn't realise it needs yet…. that's still on the bucket list!

What do you like to do in your spare time?
Beyond work and running after our three young boys I don't have much spare time! When I do, I'll be watching and coaching football or going out for good food and drink with friends and family.

Do you have any hidden skills or talents?
If I had a talent I wouldn't keep it hidden! I am probably above average at table tennis and I've been told I make a good roast dinner if that counts!

Is there a particular sport/team that you follow?
Tottenham are my main team but I have a season ticket for Brighton and Hove Albion – the stadium is only 10 minutes away from home. It's such a well-run club and a good place to go with friends or family.

If you had to choose one favourite book, which would you recommend people read?
I tend to read biographies or auto-biographies… mostly sporting or business people/leaders. Alex Ferguson's *Leading* was enjoyable and a good combination of both!

And what film/boxset should people see?
I don't like watching things more than once, but *Goodfellas* and *Shawshank Redemption* are two classic films that pass that test!

Is there any particular music/band that you enjoy?
I've grown up with dance music and is a favourite to listen to when I am in the gym, but I like all sorts of music from soul/Motown to bands. My wife can't be in a room without noise in it so there is always music or the radio playing in our house!

Who would be your dream dinner party guests?
Peter Kay, Mickey Flannigan and Jimmy Carr just for the laughs!

Is there an inspirational quote/ saying you particularly like?
I do like a good quote; I have a book of them perched on my desk at home. Einstein's classic 'if you can't explain it simply you don't understand it yourself' is something that resonates with me. We make too many things too complicated for people, especially in our industry.

Written by Sophie Smith

ESG – it’s not a compromise

Jess Pilz explains how the spotlight on ESG is shining as brightly as ever

It looks as though we’re in for another ESG-focused year, with continued pressure placed on investment managers to meet increasing expectations from their investors – a result of their growing regulatory and reporting requirements. Global and political events over the past year have left a wake of uncertainty and concern in the market; and with a recession on the horizon, some may wonder whether ESG will maintain its current status. However, I am not.

Unlike the global financial crisis, when ‘the green agenda’ made a swift disappearance after markets crashed, we have not seen even a hint of its demise. In fact, if anything, we’ve seen an even greater level of emphasis being placed on ESG than ever before. This is almost certainly a combination of the action already taken from a policy perspective, including increased regulatory and reporting pressure, as well as the increasingly tangible impact of the climate crisis on the natural environment.

That said, ESG has not replaced a fund manager’s fiduciary duty to deliver financial performance, and this is where difficulties begin to arise. Despite the attention being given to ESG, it’s clear that investors expect both to be considered alongside one another. In some ways we are at a critical juncture where costs, market uncertainty, geopolitical instability and a looming recession could force many to deprioritise their ESG efforts.

So, as we head into an uncertain year, what can we be certain of from an ESG perspective and what is it that investors will be expecting of their managers?

Undoubtedly, one of the primary focus areas for private market investment managers in 2023 should be investment-grade ESG data, which supports robust reporting processes. Investors are looking for detailed, verifiable data, the likes of which supports their TCFD and other reporting requirements. In addition, they are seeking regular, consistent and comparable reporting of this data across all asset classes where they hold investments with managers. Anyone working in private markets, especially ESG professionals, are aware of the complexity and magnitude of this request. Unfortunately, the reality is, this level of expectation is only increasing.

Another theme that was starting to emerge at the back end of 2022, perhaps as a result of COP27, is climate change adaptation. For a while now, we have been focused on climate change mitigation – the drive to reduce and avoid carbon emissions. Whilst this is still a key priority, it is also imperative that we build strategies that focus on adapting to the changes we are already seeing due to climate change. Closely linked to this theme is that of a ‘just transition’, which requires all of us, though investment managers in particular, to address how their investments impact those most affected by the challenges caused by changes in climate, as well as those who may be less economically able to respond to this urgent call to action.

The ‘just transition’ touches on an important social theme. Other social metrics, including community engagement, will continue to be a priority in 2023, with greater requirements for more meaningful metrics across all asset classes (noting the limitations and nuances in each).

Another theme gaining attention is biodiversity, which investment

managers will need to dedicate more resource to in the future. Biodiversity has been quietly living in the shadow of its twin crisis, climate change, for some time now. However, in the build up to and following the COP15 Biodiversity Summit in Montreal at the end of last year, it has emerged as a key area of focus for many investors. There is an urgent call to reverse the decline of nature, not only because of its contribution to the global economy (think of food systems, where 99 per cent of our food comes from healthy soils), but also because the recovery of the natural world is crucial for fighting climate change. Decarbonisation and the natural world are not separate challenges, they are inextricably linked. We can’t resolve one crisis without considering the other.

As with any issue, it is likely we will see more areas of focus emerge as we dig deeper into solving the challenges that lay ahead. I’ve only scraped the surface of what should be on any investment manager’s radar (I’ve stayed clear of regulation!). But, as we head into a new and uncertain year, my reminder is simply that ESG is not a compromise; there is room for both financial performance and ESG considerations. Indeed, as with biodiversity and climate change, the success of each depends upon the other.

Written by Fiera Real Estate global head of ESG, Jess Pilz

Requests for reform

With the spring Budget this month, *Pensions Age* summarises recent pleas to the government to reform auto-enrolment, advice/guidance, tax relief and pension age, and the debates these requests generated

Through all aspects of the pension-saving process, from initial saving to post-retirement, calls have been made on the government to make reforms – cries that became louder in the run up to this month's Budget.

Auto-enrolment (AE)

Early in February, the government once again faced calls to introduce auto-enrolment reforms, after research from the Social Market Foundation (SMF) found that just 25 per cent of people from ethnic minorities have a workplace pension, compared to a national rate of 38 per cent.

According to the analysis, 16 per cent of ethnic minority consumers whose household earned under £30,000 a year contribute to a pension, compared to 26 per cent of the general population.

In light of this, the SMF urged the government to deliver a reduction in the age of eligibility for auto-enrolled pensions from 22 to 18, as well as looking at the earnings threshold for eligibility, suggesting that this should be reviewed and lowered, possibly to zero.

Good news came the following month, as the Department for Work and Pensions (DWP) backed MP Jonathan Gullis' Private Member's Bill on plans to expand AE by abolishing the lower earnings limit for contributions and reducing the age for being automatically enrolled to 18.

The provisions in the bill are not intended to result in any immediate change, and will instead give the Secretary of State powers to amend the age limit and lower qualifying earnings limit for AE.

Commenting at the time, Pensions Minister, Laura Trott, stated: "We know that these widely supported measures will make a meaningful difference to people's pension saving over the years ahead.

"Doing this will see the government deliver on our commitment to help grow the economy and support the hard-working people of this country, particularly groups such as women, young people and lower earners who have historically found it harder to save for retirement."

Advice/guidance

At the start of the month, the Investment Association called for the government to review financial advice and guidance regulation by broadening access to simplified advice for those with less complex needs and widening financial guidance to help those who are already investing.

Responding to advice/guidance concerns at the Association of British Insurers' Annual Conference in February, Economic Secretary to the Treasury, Andrew Griffith, stressed that while the advice/guidance boundary is a "thorny" issue, he is keen to be able to have a broader range of products that people can access with guidance, instead of requiring "fully-baked" advice.

He stated: "I agree that, through well-intentioned regulation, we've lifted that level of what constitutes advice out of the reach of millions of people who would benefit from that and that cannot be a good outcome of a regulatory system."

Tax relief

Early February saw the Institute for Fiscal Studies (IFS) publish a report calling on the government to reform the ability for pension savers to take 25 per cent of their pension savings as tax-free cash, to provide a 'more equal' subsidy to all private pensions.

Although the IFS acknowledged the popularity of the current arrangement, it argued that this is of "no value at all" to those with the lowest incomes in retirement, non-taxpayers, and instead provides a large tax subsidy to those with high incomes and big pensions.

It therefore suggested that the tax-free component should be capped so that it only applies to 25 per cent of, for example, the first £400,000 of accumulated pension wealth, estimating that this would still leave about four-in-five of those approaching retirement unaffected.

However, Pensions and Lifetime Savings Association (PLSA) director of policy and advocacy, Nigel Peaple, raised concerns that changes to the 25 per cent tax-free lump sum would "reduce a very popular and widely understood element of the pensions tax regime".

Adding to this, AJ Bell head of retirement policy, Tom Selby, warned that capping pensions tax-free cash could be "deeply controversial and risk a backlash of biblical proportions from voters", which could be a key factor given a general election is drawing near.

Normal minimum pension age (NMPA)

The earliest age that people can withdraw a pension without significant tax penalties has also been debated lately, as a recent report from the Resolution Foundation argued that the current plans for the NMPA to rise to 57 from 2028, therefore remaining 10 years below the state pension age, will support early retirement only for wealthier individuals.

In light of this, it suggested that policy makers should consider further raising this age, or at least slowing the rate at which money can be withdrawn before state pension age.

However, LCP partner, Steve Webb, argued that "the existing plan to raise the age to 57 is already adding to the complexity of the system and further increases would add more complexity with no obvious benefit. Any changes to pension rules need to be justifiable for their own sake and not a knee-jerk reaction to the rise in economic inactivity".

State pension age

At present, the state pension age is 66 and set to rise to 67 by 2028, then to 68 over a two-year period between 2044 and 2046.

Yet Money Minder chartered financial planner, Ray Black, notes there has been much speculation that the state pension age could rise to 68 sooner than expected, as the government has already said they plan to review it later this year.

"If the chancellor announces the increase in the state pension age is being brought forward by 10 years, it could affect everyone born after 6 April 1967. This action has the potential to save the government billions, however, it's not a short-term gain that will put money into either their purse or the voting public's pocket now," he says.

"As such, I would normally expect this kind of announcement (which is unlikely to be well received by those affected) to be made in the early years of a new government. This gives plenty of time before the next general election for people to have forgotten about it, rather than being at a time when politicians are mainly focused on gaining votes, instead of losing them."

Money Purchase Annual Allowance (MPAA)

The government faced further calls in February to increase the Money Purchase Annual Allowance (MPAA) of £4,000, after the Treasury revealed that around 25 per cent of pension savers aged 55 and over contributed above the MPAA in 2020/21.

However, Griffith argued that the MPAA is a "simpler and more appropriate method than any alternative", stating: "These rules therefore minimise the extent to which there is a continuing opportunity for individuals to reduce their tax bill in a way that is not consistent with the spirit of the pensions tax system."

In response, Selby suggested that the government should consider increasing the MPAA, or removing it altogether, as "in the first three months of the 2022/23 tax year, for example, over half a million people withdrew £3.6 billion from their retirement pots, a 23 per cent increase versus the same period in 2021/22".

"The government is desperately trying to get older people back into the workforce, yet by setting such a low MPAA it is creating a disincentive by limiting their ability to build or rebuild their pension," he said.

"As a minimum, the Chancellor should increase the MPAA to £10,000, the level it was originally established at. However, over the medium term the Treasury should consider whether the MPAA is necessary at all."

At the start of the month, a joint industry letter sent to ministers at the Treasury and DWP, signed by 17 financial services organisations, urged the government to increase the MPAA from £4,000 to £10,000 in the March Budget. It also called for a longer-term review of the impact of the MPAA.

Recent analysis from Just Group revealed that, in real terms, the MPAA allowance is £8,480 less than when it first came into force in 2015, as the original allowance of £10,000 would now be worth £12,480 if adjusted for rising prices.

Written by *Pensions Age* team

International Women's Day 2023: Embracing equity

Sophie Smith reflects on recent industry efforts to address the gender pensions gap, and the policy reforms that could help bring the industry one step closer to equity

Equity not equality

International Women's Day's 2023 #EmbraceEquity campaign aims to get the world talking about why equal opportunities aren't enough, and to consider that people start from different places, so true inclusion and belonging require equitable action.

And whilst International Women's Day shines a light on the issues around gender more broadly, industry research has revealed that women from ethnic minorities in particular are facing an uphill battle at every stage of their financial life, compared to white women and the wider adult population.

A report from Scottish Widows found that one in five (21 per cent) black women are ineligible for auto-enrolment pension schemes as they do not meet the £10,000 earning criteria, compared to 17 per cent of South Asian women and just 4 per cent of white women. In addition, more than half (54 per cent) of black women have little or nothing saved for retirement, compared to just 35 per cent of white women.

This is perhaps unsurprising, as ethnic minority women are also disadvantaged by a broad range of issues that intensify financial instability. For instance, they are more likely to rely on rented accommodation with 62 per cent of black women renting compared to 31 per cent of South Asian women and 26 per cent of white women.

Scottish Widows intermediary distribution director, Ranila Ravi-Burslem, stated: "As International Women's Day this year challenges us all to 'embrace equity' it's a perfect time to focus on addressing some of these deep-seated issues. It's time to break the cycle of financial injustice and we see this event as a crucial step in the journey to more accessible finance for all."

With another International Women's Day just passed, industry focus on the issue of the gender pensions gap has seen a heightened focus. Various organisations again urged the government to consider policy changes, whilst also encouraging individuals to up their contributions to help close the gap.

Efforts in this area are of course needed and very welcome. Recent research from Hargreaves Lansdown found that whilst 44 per cent men were confident about retirement, this compared to just 26 per cent of women.

But it is important to remember that any lack of confidence may not be through a lack of trying. Data from More2Life previously suggested that women are actually contributing a higher portion of their monthly income to their pension than men, with women saving an average of 5.1 per cent of their earnings compared to men's 4.9 per cent.

And there is a desire for more information, as research from Phoenix Insight found that 54 per cent of women would like their employer to engage with them more on their workplace pension.

Part of the problem is that much of the gender gap stems from issues that are not of our own making – whether it is caring responsibilities, in a maternal capacity or otherwise, social stigma, the impact of divorce, or unconscious (as well as just plain conscious) bias.

Some of the discussions around this issue can also quickly become patronising (I don't need to be told how to understand my pension through fashion metaphors or a shoe store analogy).

Discussing this issue with women, both inside and outside of the industry, the most common ask is a simple one: A safe space to ask the stupid questions, without fear of judgement.

But broader policy reform will also be needed if we are to address some of the key inequalities seen around pensions.

Progress may be on the horizon, as

A system for confusion

Discussions around the gender pensions gap are often very mindful of the holistic issues that contribute to this inequality, whether this is the broader underlying pay gap, or crucial issues around the cost and accessibility of childcare.

Indeed, research from Aviva recently found that the gender pensions gap first begins to widen significantly from the age of 35, with Aviva managing director for wealth and advice, Michele Golunska, highlighting this as a "clear line in the sand around the age that women are often making milestone career and childcare decisions and considering opting to work part time".

But the ramifications of maternity leave in particular are often less discussed, with expectant mothers dealt an instant blow even before considering their childcare considerations, or whether they will need to take a prolonged career break.

Previous research from Aegon, for instance, found that a woman who has two children in her early 30s takes a full two years of maternity leave and returns to work after the first child part time, could miss out on between £20,000 and £50,000.

Commenting at the time, Aegon head of pensions, Kate Smith, stated: "Antenatal classes are the tip of the iceberg when preparing for motherhood. Women planning to take maternity leave and reduce their working hours should be prepared to make up for the breaks in their retirement savings in any way they can.

"Even better, they should plan ahead and start saving as much as they can before having children, to minimise the impact of pension savings gaps later on in life."

Echoing this, Golunska argued that whilst pension contributions are unlikely to be a deciding factor when considering whether to work part time, "what is important is that the long-term impact on a pension is understood when making that decision".

But good financial planning requires clear resources and information. Finding information on this issue can be incredibly confusing, with a huge range of conflicting information shared online, much of which is dependent on the individual knowing complicated details about their scheme.

Add in the likely low levels of sleep and high levels of stress that many new parents are under, and trying to find answers can quickly feel like an impossible task. The pensions industry is an incredibly complicated one, and it is simply not fair to expect savers to make such technical decisions blind.

International Women's Day, as always, will conjure up many advertising campaigns and initiatives focused on addressing gender inequalities. But addressing the loopholes and system issues that exacerbate gender inequalities is not a one-day fix.

Walking the walk

As expectations around gender inequality have grown, companies have faced unprecedented scrutiny from consumers, investors, and the media.

And whilst an increasing number of pension schemes and providers are publicly publishing annual diversity, equity and inclusion (DEI) reports, The Pensions Regulator (TPR) has warned that there is still "a long way to go" to improve DEI.

Indeed, previous research from TPR found that just 10 per cent of DB and 14 per cent of DC schemes record any trustee diversity data. And this data may not be being properly utilised, as 40 per cent of DB schemes and nearly half (47 per cent) of DC schemes did not identify any uses for the trustee diversity data captured.

These findings, whilst concerning, have already prompted change, with TPR sharing an action plan to improve DEI across trustee boards.

The Pensions Management Institute also partnered with Nelu Solutions to provide DEI certificate training for trustees and administrators, which will be available from June 2023.

The progress so far is encouraging, but it is important that the industry is walking the walk, as well as talking the talk.

Pensions Minister, Laura Trott, recently confirmed plans to begin monitoring and reporting on the gender pension gap regularly, with work to create a definition of the gender pensions gap also ongoing.

And further work to define and understand the gender gap is clearly needed, with data from Aviva revealing that 19 per cent of employers have never heard of the gender pension gap.

Commenting on the news, Barnett Waddingham policy and strategy lead, Amanda Latham, argued that "it is about time the government instigates regular reporting on the gender pensions gap".

"It's time to take the burden of solving this financial failure away from women," she continued. "We need to consider fiscal, behavioural, and societal issues collectively, and work to create a more robust and inclusive pensions framework that offers fairer solutions for all."

In particular, calls for auto-enrolment reform have surged in recent months, as research from Now Pensions and the Pensions Policy Institute revealed that of the 14.6 million employed women in the UK, around 2.5 million (17 per cent) don't meet the auto-enrolment qualifying criteria, compared to 8 per cent of men.

Auto-enrolment reforms could hold a potential solution, however, as the analysis found that basing pension contributions from the first pound earned would increase pension wealth for single mothers by 52 per cent.

Although the government has been reluctant to publish a timeline on such reforms, some changes have been included in a new Private Member's Bill *[further details on page 15]*.

With industry efforts surging during the recent IWD campaign, and women taking the lead in a number of pensions and financial organisations recently, we can only hope that further progress will be on the horizon.

Written by Sophie Smith

Past, present and future

Charles Counsell

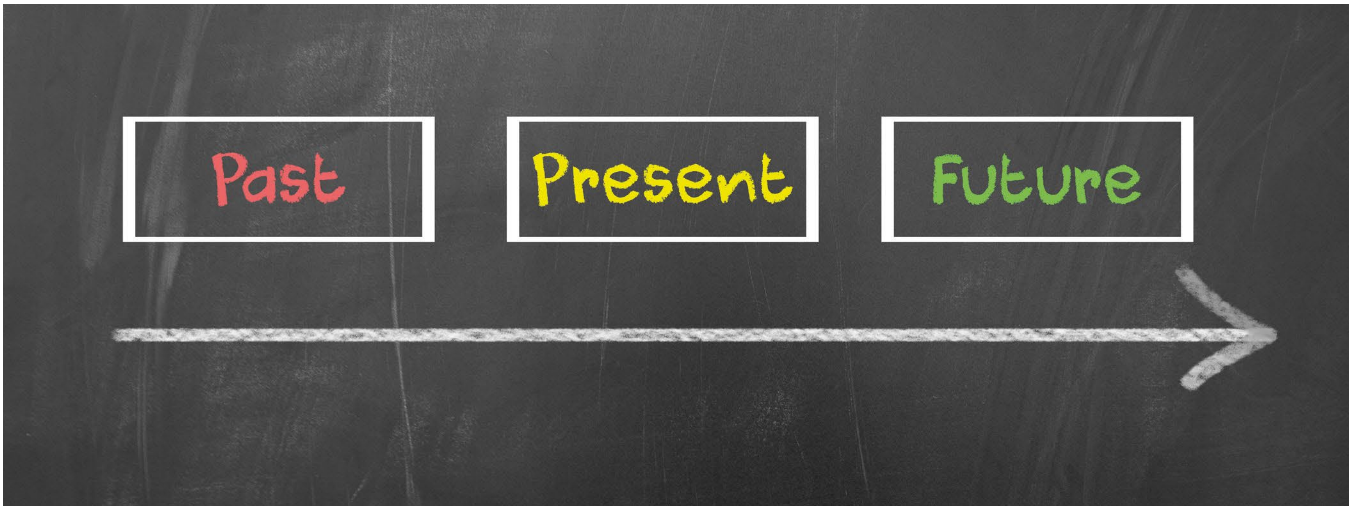
Jack Gray sits down with TPR CEO, Charles Counsell, to discuss the regulator's priorities for the coming year, professional trustee authorisation and his plans for when he steps down from the role

What are TPR's aims and priorities in the DC space for 2023/24?
What you can expect from TPR is a continuation of the journey that we are on and that is reflected in our corporate strategy. In that respect, it is about putting the savers at the heart of what we do. A good example of that is the value for money (VFM) consultation we've just launched alongside the DWP and FCA. That is fundamental for the future. We know that the majority of people that are being auto-enrolled are being auto-enrolled into DC schemes and the majority of those are going into master trusts. For DC schemes to therefore demonstrate they are delivering VFM and that savers can expect good outcomes is hugely important. What we expect with the VFM framework, once it's in place and we start to see the publication of assessments schemes are making around VFM, is to see schemes beginning to drive their own VFM. We would expect to see the people around schemes, such as advisers and influencers, beginning to drive improvements in VFM. To an extent we would expect to see employers looking at the VFM that schemes are offering and making buying decisions on that, but I will be realistic and I don't think that will be true if you are a very small employer. However, I hope larger employers will look at the VFM framework.

You will have heard us talking about improving standards of governance and trusteeship in pension schemes. One of the things we will exploring is how we want to take that forward. We'd like to see a professional trustee on every trustee board. Of course, the maths doesn't work, there aren't enough professional trustees for the number of schemes we have. As we see further consolidation, the numbers start to come into balance. If we can get to the point where we have a professional trustee on every board, what sort of regime should we have to make sure professional trustees are able to do their job as well as they possibly can? We've already got a system of accreditation, and it's a good system, but we know that not all professional trustees are accredited, so there is a questions as to whether all professional trustees should be accredited. But then, should we be going further? Should we be looking at the authorisation of professional trustees? There's a bit of work to be done to do that assessment as to whether that's the right answer, and we will carry that out during next year.

On consolidation, we know that we already have the value for member assessments in place through the legislation, and schemes will be carrying out that value for member assessment. One of the things you'll expect to see from us next year is looking at those value for member assessments to see whether they make sense, and at the commitments schemes are setting out. We'll start taking a much more active role in that.

Do you see the industry having a role in making the job of a professional trustee making more attractive?
Yes, it absolutely does. The role of a professional trustee is exciting and important, so I think everything the industry can do to promote what it means to be running a scheme is what should be happening. Pensions are important products and, fundamentally, this is about helping savers having a good standard of living in retirement. There is a real opportunity here for the industry to promote that. There's also the opportunity to bring a more diverse set of trustees into the industry. That's something you'll be seeing shortly, the guidance we'll be publishing around diversity of trustee boards and guidance for employers to improve diversity. We've got some way to go to improve the diversity of trustee boards. One of the ways of doing that is through professional trustees and another is through member-nominated trustees, who play an important part in the landscape. It may well be that having some sort of authorisation regime may make it more attractive, because there is a bit of substance to the idea of being



a professional. I can see there's also an argument for the opposite.

What are TPR's aims and priorities in the DB space for 2023/24?
The DB Funding Code is crucial. We published our consultation on the funding code at the beginning of the calendar year. We'll be assessing that consultation and the responses we get. We've been doing a lot of work during the consultation period to explain the details of the code and we continue to do that. We're also working with the DWP on the regulations. We would expect to get both the regulations and the code out during 2023. It's a significant change in terms of the regulatory framework to make sure everyone has long-term goals in place and that the investment strategies etc that sit below that support those long-term goals. Good schemes already have them of course, and rolling that out across the industry is really important.

How has progress on the Single Code of Practice been?
We're planning to launch the single code, which will be called the General Code, in spring 2023. In terms of putting it in place, it has taken a little while and it has been a massive undertaking, both for us and for those who have been responding to our consultations. It will be time well spent at the end of it, because the single code will be so much easier to use than it has been. What we have been trying to do in putting the single code together is update it with things where legislation has moved on. So, not only will it be easier to use, it will be up to date, and going forward, it will be easier to keep up to date.

"There is a questions as to whether all professional trustees should be accredited"

How have the recent changes and announcements on pension policy and TPR's initiatives changed the way TPR works?
We must become a data-led, digital-enabled organisation. We've already started to make significant changes. All of the things we've talked about require us to have the ability to collect data and be able to use that data as a regulatory tool in a way that perhaps we haven't in the past. Being able to utilise that data as a regulatory tool will enable us to really help the outcomes that savers get. The funding code is an example; there's data requirements that sit under the funding code, and we're working on that at the moment and we'll have that in place in parallel with the funding code. Also, having data that means we understand what schemes are doing around climate change is fundamental to driving the improvements we need. Being able to be data led and digital enabled is what we need to be; we've got a long way to go but we're getting there.

You are leaving your role at the end of March, how have you found the job and what's next for you?
This is a great job, and I've loved doing it and I'm honoured to have had the opportunity to do it for the past four years, being in a position where you are able to make such a difference to so many people. It's very difficult for us to look at what we do today and be able to project forward to real people getting a better standard of living, but you can. You can see it in auto-enrolment, you can see people saving who weren't saving before. It's a fantastic role, I've really enjoyed it. The time is now right for me to step down; I'm very excited that Nausicaa *[Delfas]* is joining us and I'm sure she'll do a fantastic job.

I will be looking to take up non-exec roles, and what I hope to be able to do is to contribute across several organisations with a focus on organisations that help to make people's lives better.

Written by Jack Gray

Mind over money

Summary

- Scammers use psychological tricks, such as getting a foot in the door and pretending social similarity, to convince people to part with their money.
- Anyone can fall for a scam, but particularly the vulnerable and overconfident.
- The emotional impacts of falling for a scam can be devastating, ranging from shame and anxiety to suicidal thoughts.
- The industry can also utilise psychological tactics to help protect people from scams.

In the latest in *Pensions Age's* scams focus, Laura Blows explores the psychological tricks used by scammers and the emotional impact of victims falling for such techniques

In the fight against pension scams, the type of cons employed by the criminals to convince people to hand over their money are ever-evolving.

However, one consistent weapon in their arsenal is the use of psychological techniques to lower their victims' guard and gain their trust.

As The Pensions Regulator (TPR) states in its strategy to combat pension scams, "scammers use psychological deception and professional-looking materials to trick people out of their savings".

Psychological tricks

In terms of the tricks used by the scammers, the key advantage they have is the opportunity to build a rapport with their victim and gain their trust, Pension Scams Industry Group deputy chair, Tommy Burns, says.

He explains: "A pension scheme member may have very limited engagement with their existing pension provider, particularly if the pension is not from their current employer. Often the only communication that members receive is their annual pension statement and even these statements can be difficult for someone unfamiliar with pensions to understand."

Typically, scammers make initial contact with individuals via cold call or text but there are also instances where the scammer is known to the victim, Dalriada Trustees accredited professional trustee, Sean Browes, says.

"Once the scammers have identified individuals who may be interested in transferring their pensions, they generally work hard to build a rapport with the members. Through phone calls, emails and home visits, the scammers will discuss the specifics of joining the scheme and guide members through the transfer process out of their current scheme," he explains.

"A variety of techniques will be employed, such as fabricated examples of their own family members joining the scheme, and understanding and playing on the existing vulnerabilities of victims.

"Scammers tap into the victims' needs and wants. For example, those who are in need of cash at the time will be promised early, even immediate, access to their pension. If the need for money is not so pressing the scammers will imply or say outright that their current pension plans are no good and that their current providers are doing them a disservice.

"Victims are also encouraged by the personal service that they receive, which helps to build trust. Scammers will go to great lengths to alleviate any concerns that are raised to help convince individuals to complete the transfer of their hard-earned pensions."

To understand the psychological skills used by scammers, in 2019 the Financial Conduct Authority (FCA) worked with psychologist, Honey Langcaster-James.

"Scammers employ clever techniques, such as seeking to establish 'social similarity' by faking empathy and a friendly rapport with their victims. They can win your trust in a short space of time and by engaging with them you leave yourself vulnerable to losing a lot of money very quickly. People need to know how to spot the signs of a scam so they don't fall for psychological tricks," Langcaster-James said at the time.

That same year, she highlighted to *This is Money* five psychological techniques scammers use to convince people to hand over their pension savings.

These are the 'foot-in-the-door' technique, whereby they get the victim to agree to something small initially, such as a phone conversation, to then convince the victim to agree to more requests.

Another method is 'social similarity' to quickly gain trust and establish a friendly rapport. "Psychologically, we are far more likely to trust people who we see as being like us in some way and sharing similar thoughts and feelings," she explained.

"The key advantage *[scammers]* have is the opportunity to build a rapport with their victim and to gain their trust"

Scammers may also emphasise 'scarcity' by using language that is designed to make the victim feel anxious, hurried and fearful of missing out. This may be disguised as trying to 'help', while actually creating anxiety, so the person agrees to the scam without thoroughly considering it first.

Another technique is the 'halo effect', where the criminals use authoritative or complicated sounding language to seem like a trusted authority with legitimate and credible ability.

Finally, scammers deliberately play with and even break the unwritten rules about social interaction, Langcaster-James stated.

"For example, they might call you up and ask if you've been having a nice day so far, and the cognitive schema we have about such a social interaction kicks in and leads you to respond in a 'normal' human way by saying 'yes, thank you' politely.

"They are counting on the fact that you will most likely observe the normal, polite, rules of society, when in fact, the best thing you can do is put the phone down and not respond at all," she explained.

All at risk

This manipulation of standard human behaviour means anyone can be at risk of falling for scams.

For instance, in November 2019, the joint TPR and FCA campaign, ScamSmart, revealed that the more highly educated people are, the more likely they are to fall for a pension scam. Those with a university degree are 40 per cent more likely to accept a free pension review from a company they've not dealt with before, and 21 per cent more likely to take up the offer of early access to their pension pot, it stated.

Overconfidence may be a factor in those statistics. In July 2021, FCA research found that despite 68 per cent of pension holders claiming they were confident they could spot the signs of a pensions scam, only 28 per cent of pension holders realised that a free pension review was a sign of a scam, and just 40 per cent knew to be wary of opportunities to transfer their pension.

Those suffering financial or emotional desperation can also be more vulnerable to scams, which, in the current cost-of-living crisis, is an increasing number of people.

Isio head of pensions administration, Girish Menezes, puts it simply: "Scamsters take advantage of vulnerable people through preying on their insecurity and desperation".

"Fraudsters will look to target the vulnerable and with the cost-of-living increases, global uncertainty and stock market volatility, it is no surprise that we see their continued activity in the pensions arena, especially when one considers the sums of money which are held within pensions savings," Burns says.

Scottish Widows senior corporate pension specialist, Robert Cochran, notes that "incidents of pension scams are on the sharp incline, with scammers increasingly using factors such as the rising cost in living and loneliness to take advantage, with 13 per cent people revealing they've been targeted recently".

Emotional impact

The impact of falling for scammers' psychological tricks is not just financial harm. According to the European Commission's January 2020 survey on scams and fraud experienced by consumers, 79 per cent suffered some form of emotional harm as a result of the scam or fraud they experienced. This included irritation (68 per cent), anger (56 per cent), stress (30 per cent) and embarrassment (16 per cent).

The survey found that most people who experienced scams or fraud (57 per cent) suffered 'only' emotional or physical harm. A further 22 per cent suffered financial and emotional or physical harm. Perhaps unsurprisingly, just 1 per cent only experienced financial harm, "which shows that financial harm goes hand in hand with emotional and physical detriment".

These figures echo *Which?*'s March 2021 research, which found victims suffer personal harm from fraud regardless of whether they lost money or were reimbursed.

Action Fraud data, shared with *Which?*, identified 300-350 fraud reports a week where victims show signs of severe emotional distress – equalling up to 18,000 reports a year.

However, it is difficult to accurately know the full extent – financial or otherwise – of pension scams.

While the average loss in 2021 was £50,949, according to complaints filed with Action Fraud, victims of pensions scams are reluctant to report that they have been scammed or do not realise they have been scammed until years later, so the total amount lost may be much higher, the FCA stated in July 2021.

The Money and Mental Health Policy Institute, writing in December 2020, noted that "many victims *[of scams]* feel embarrassed and ashamed, often blaming themselves, which can have a lasting impact on their confidence using the internet".

As Financial Services Compensation Scheme chief communications officer, Lila Pleban, says: "Not only have they lost their hard-earned savings, but the anxiety and stress of having been deceived or putting their trust in the wrong person can pose a significant detriment to a person's wellbeing."

In addition to the fear and stress of how they will provide for their retirement, victims feel angry, betrayed and in some cases, foolish for falling victim to a scam, Browes says.

"The tendency to blame themselves is a natural reaction, but obviously misplaced, as these people were (and are) victims of an intricate and dedicated deception," he adds.

"This can lead to members not telling anyone about what has happened and even isolating themselves. At the other end of the spectrum, the scam can take over victims' lives. They contact everyone they can, from the trustees appointed by TPR to their MPs, to local and national media and make it their mission to bring the perpetrators to justice. This is also a perfectly natural reaction. Both responses can lead to victims ending up in bad health, particularly bad mental health. It can also lead to them using whatever funds they have and selling their assets, including their homes, to deal with the financial issues they face as a result of

the scammers' actions… Quite simply, the scammers take a lot more than just money from their victims."

The consequences of falling victim to a pension scam can be absolutely devastating and victims are racked with guilt when they realise what they have done, Burns says. "Sadly, many have indeed faced financial ruin with no other savings in retirement to fall back on. Some victims have taken their own lives."

Browes also highlights the "shattering impact" of scams. He says: "Members have reported that the additional stress of falling victim to the scam has had a massive and devastating impact on their lives, such as the breakdown of marriages, families being torn apart, victims needing to return to work and/or retire later, an inability to work due to the impact the scam has had on their mental health, and in some extreme but sadly not uncommon instances, feeling suicidal."

Champion Health's *Financial wellbeing statistics UK 2023* finds this to be the case, stating that employees experiencing financial stress are twice as likely to experience thoughts of suicide or self-harm.

Which? noted that Action Fraud received 241 phone calls between January and November 2020 where a 'threat to life' was flagged, meaning call operatives must attempt to keep callers talking until police or an ambulance crew arrive.

Also, the emotional impact of scams can be exacerbated when the victim is elderly.

According to Cochran, pensioners between the ages of 65 and 74 are the most likely age group to be scammed into sending money to fraudsters, with the number of cases in this age bracket rising by almost 75 per cent year on year, "posing a huge threat to their now accessible retirement savings, and ultimately the security of their immediate future".

As the FCA noted in November 2019, "victims can be left facing retirement with limited income, and little or no opportunity to build their years of savings back up", highlighting that it would take someone an average of 22 years to build up the average pension pot lost to scams *[in 2018]* of £82,000.

"Pension scams take various forms, all of which can result in people losing significant amounts of money or even their life savings, often at a point when they would have been thinking about retiring or have recently done so," Age UK charity director, Caroline Abrahams, says.

"This can be financially and emotionally devastating, leading to changes in retirement plans or a deterioration in overall standard of living. Arguably even worse, falling victim to a scam can lead to a loss in self-confidence, and a feeling of shame that can stay with people for years."

A *Psychology Today* article, from January 2021, noted that "a senior's feelings of betrayal, bitterness, and shame can also translate into changes in attitudes, which in turn impact their relationships. They may be less trusting of people in general, but more specifically friends, family members, and institutions. This distrust leads to isolation and a loss of relationships, which in turn leads to a lower quality of life… While most younger people could expect to eventually recover from these impacts, older adults have different time horizons, so any effects will have a greater sense of permanency for them".

Action

It is clearly vital that the fight against pension scams tackle the emotional, as well as the financial, consequences of these crimes.

And, just as the fraudsters use psychological tricks for its goals, so too can these be used by those fighting against the scammers.

Taking this approach is Lloyds Bank, which in 2020 signed Harvard psychologist, Maria Konnikova, to help tackle fraud.

Speaking to *This is Money* at the time, Lloyds Bank director of fraud, Paul Davis, said: "Quite often the solutions we've been throwing at the problem tend to be technological.

"But this fraud has a very human element to it, and you can have the best systems to detect unusual payments in the world, but unless you have a high-quality conversation with the customer, which actually takes account of their mental state while they're being scammed, you might as well turn them off."

Konnikova stated that when people are emotional, they are less able to spot logical flaws in arguments and red flags, so the aim is to have them "take a step back, realise no matter what type of con it is, that nothing has to be instantaneous".

When speaking to a potential scam victim, "you want to make sure nothing sounds like a script, that it sounds personal, and you need to treat victims as people", she added.

To that end, the FCA in July 2021 compared making financial decisions to taking advice from people down the pub.

Its research showed pension holders were nine times more likely to accept advice from someone online than they would from a stranger met in person. They are five times as likely to be interested in a free pension review from a stranger online than someone in their local pub.

"The way people make decisions is naturally affected by their environment and scammers take advantage of this. We are urging anyone saving for retirement to 'flip the context' and imagine what they would do if they received pension advice from a stranger while enjoying a quiet pint in their local, or out shopping with friends… 'Flipping the context' by putting these signs in an everyday, offline setting makes pension scams easier to spot and avoid," the FCA stated.

Written by Laura Blows

Side by side

Summary
- As more people rely on DC pension arrangements the need for guidance at, before and beyond retirement around how to use pensions savings and other assets to fund retirement income becomes more urgent.
- While guidance may be sufficient for many people, and services like Pension Wise and MoneyHelper can be very useful, take up of these services is still relatively low. People working for smaller private sector employers and members of smaller schemes are sometimes poorly served and informed about guidance or advice.
- Employers can also play a valuable role in helping people access guidance or advice.
- Regulatory changes may help improve the scope, clarity, reach and value of guidance.
- Tying guidance into a more holistic view of financial wellbeing may deliver better outcomes and help to engage younger people in thinking about pensions and retirement.

With growing numbers of people likely to be saving in ‘to and through’ DC pensions during the decades ahead, the need to ensure access to useful guidance and – if appropriate – regulated advice at different points in peoples’ lives will become more important. David Adams looks at how support for DC savers could and should be improved in future

The UK's DC pension savers need help. Auto-enrolment has brought millions more people into pension saving, but the nature of the DC system and widespread passive reliance on default contribution rates and investment pathways means they will need accessible, comprehensible and affordable support and guidance before, at and beyond retirement.

"The DC pension challenge is unique," says Scottish Widows master trust lead, Sharon Bellingham. "No other product is as critically important and so long term, against a backdrop of low levels of engagement, no sense of ownership and relative complexity." She says recent Scottish Widows research found that "people who considered themselves financially literate and financially confident did not necessarily feel and behave the same when it came to managing their pension".

Wealth at Work director, Jonathan Watts-Lay, suggests that: "Ten years before your estimated retirement date, you should be getting guidance on the options available at retirement, particularly if people are going into drawdown."

In need of guidance

For many people the answers to the most important questions could be found through guidance, rather than regulated financial advice, says Buck UK benefits consulting leader, Mark Pemberthy. "The decisions that really matter are, how should I be accessing income from my pension – annuity or drawdown; and if I go into drawdown what is a sensible level of income?" he says. "The answers to those questions can be delivered by guidance."

The growing numbers of DC savers whose pots are managed by master trusts or other large pension providers may benefit from the scale and resources of those trusts and providers enabling them to access guidance services. But not all DC schemes will be able to offer much dedicated or tailored support.

In addition, the process of trying to engage savers or members may be hampered by poorly designed materials and processes, says Hymans Robertson DC investment consultant, Kirsty Moffat. "A lot of communications are very jargon-heavy, using terms that we in the pensions industry are comfortable with, but that are new to many people," she explains. "It's about getting the message across in bite-sized pieces, telling people where they can go for guidance."

In theory, savers with pots managed by large providers or master trusts should be able to rely on some well-resourced, well managed communications processes. But it may be difficult for guidance delivered by providers or master trusts to provide a more holistic picture without straying towards the line between guidance and regulated advice.

"No other product is as critically important and so long term, against a backdrop of low levels of engagement, no sense of ownership and relative complexity"

"*[Employers and trustees]* are quite reluctant to risk stepping into that regulated advice area," says The Pensions Regulator interim director of policy, analysis and advice, Lou Davey. "But are people being too risk averse? That boundary could possibly be pushed a little bit more. That's something [*the regulator*] would quite like to explore."

Spreading the message

Even when comprehensive guidance is available it may not be used by many members/savers. "There are some really good solutions out there – a lot of schemes provide good support for people at retirement and mid-life MOTs – but levels of usage are pretty low," says Pemberthy.

This is also the case for the guidance provided by the Money and Pensions Service (Maps) through Pension Wise and MoneyHelper. Figures from Maps show that about half a million people per year accessed its digital tools (such as contribution or annuities and drawdown calculators) between 2018 and 2021, while roughly 200,000 people used its guidance services across all service channels (phone, writing, virtual and face to face).

Davey points to work that has been done to increase take up of these services. Everyone aged 50 and over is now entitled to a Pension Wise appointment and national communications campaigns have spread this message.

Since June 2021 scheme trustees and providers of personal and stakeholder pensions have also been required by the FCA to give savers a 'stronger nudge' to use Pension Wise if the saver decides to access their pension savings (not if transferring to another FCA-regulated pension scheme). Trustees or providers must refer individuals to the service, explain its purpose and offer to book an appointment for them. Individuals must either use the appointment or provide a formal notification that they have declined it.

Clearly, some people slip through the net: Watts-Lay cites employees of smaller private sector companies. "I think organisations like Maps need to be more focused at that smaller end and on the self-employed," he says.

The need for regulated advice is less likely to be urgent for a majority of DC savers. "I think it is important to see advice as a premium service," says Pemberthy. "It can cost a couple of thousand pounds, so you've got to be getting a couple of thousand pounds' worth of value in order for it to be worth your while taking that advice. Are most people, with assets in well-regulated pension plans, going to get thousands of pounds' worth of value by taking advice? In a lot of cases, probably not."

Personal Investment Management and Financial Advice Association (PIMFA) head of public affairs, Simon Harrington, says there is a need for government and regulators to improve access to regulated advice where appropriate, but also suggests that many people with a workplace pension "should be well catered for by organisations like Pension Wise, which will give them the right information about what sorts of solutions may be right for them".

A coordinated efforts across industry

Pemberthy also highlights the importance of the employer. "We already see differentiation between how people engage with their pensions depending on the level of prominence and support employers give to this issue," he says. "More encouragement to engage gets more take-up. Employers can make a difference."

Barnett Waddingham partner, Paul Leandro, thinks regulatory/legislative change could help to bring more clarity to communications between schemes or providers and members/savers.

"One frustration for providers is the amount of regulation they have to comply with when communicating," he explains. "If providers are talking about a particular product they have to use certain language and there are pages of information and risk warnings. If regulators could allow the industry to simplify that language, that would be helpful."

Harrington says PIMFA would also like "an element of liberalisation of the advice/guidance boundary, in order to allow providers to use an element of personalisation in order to get people to a better outcome".

"Providers should be able to write to an individual and say: 'We are concerned that you are decumulating too quickly', or 'You could be making further contributions,'" he says. "A liberalisation of guidance in order to allow an element of personalisation … *[would allow]* firms to provide information that is more engaging, more specific to the individual; and which encourages them to make a decision without recommending what that decision should be. A solution like that would benefit Pension Wise as well."

Davey says The Pensions Regulator and the FCA are discussing the possibility of making changes that could help employers and trustees to provide guidance.

Tying discussion of pensions into broader questions about an individual's overall financial wellbeing will also help.

"If you want to influence younger members around saving more it's important to talk to people about their retirement in the context of their overall financial circumstances," says Pemberthy. "That's the missing piece for me: Stopping talking about pensions in isolation. If we extend guidance so it is more holistic, with rules of thumb around what good behaviours are, in terms of how you access money and a sustainable level of income … with a proportionate regulatory environment, that to me feels like an environment where people can be supported to take a decision. I think guidance is the right way to help most people, if you can make that guidance more holistic and relevant."

"I think it is about having a coordinated effort across industry – both the pensions industry and employers running pension schemes," says Davey. But she also thinks better engagement and ultimately better outcomes may result from a greater willingness to discuss broader issues around people's finances. "Let's just get more people talking about their financial situations, because retirement planning is part of your overall financial wellbeing," she says. "We need to get more people talking about it."

Written by David Adams, a freelance journalist

The menace of indifference

The UK's general lack of workplace pensions ownership continues to lead to low contributions, operational inefficiencies and a danger of a lost cohort of savers, finds Marek Handzel

Summary
- Pensions engagement remains low in the UK despite – or even because of – the introduction of auto-enrolment more than a decade ago.
- This has led to lower contributions, scheme inefficiencies and a growing savings disparity among men and women and different ethnic groups.
- Lack of ownership also means that people are at more risk of making poor decisions about their pensions at crucial stages of their working lives.
- High-profile campaigns to raise awareness have borne some fruit, but much hope lies in the pensions dashboards, which continue to be delayed.

Ever since it became evident that defined contribution (DC) provision would supplant defined benefit (DB) schemes across the UK's private employment sector, pensions specialists have endeavoured to boost pensions engagement – largely to no avail.

The most damning indictment of this failure to get workers to pay attention to their retirement savings has been staring everyone in the face for more than a decade now in the form of auto-enrolment. But criticising the pensions industry for not fostering better active participation in what appears at face value as a bland financial product, is a short-sighted take on matters.

Pensions engagement is a relatively novel idea in the UK, with no generational experience for workers or providers to draw upon. Today's employees have parents and grandparents whose idea of pension ownership was signing on a dotted line in their early working years and then seeing the first pensions payment slip come through the post a week after their retirement party.

Two recent reports have provided further proof of how detached UK workers are from their pensions. In January, a report from the Department for Work & Pensions (DWP) based on work by the Ipsos Mori Social Research Institute, concluded that auto-enrolment had no discernible effect whatsoever on people's level of interest in their savings. The report's authors emphasised attitudes to pensions being characterised by detachment, fear, and complacency, which acted as barriers to engagement.

And in February, SEI called for a "fundamental shift" in industry thinking around engagement, after finding in a survey that nearly three quarters of workplace pension savers report low, or no ownership, over their pensions.

Real world experience also continues to reinforce the findings of these types of studies. Pensions Geeks co-founder, Jonathan Bland, says that when he and his colleagues enter workplaces to deliver presentations on the importance of saving, a recurring theme they hear is that people simply do not know where to start with their pension.

"We need to give people clear steps on how to take ownership, give them support, and arm them with the knowledge they need to understand pensions, so that they can take the reins for their future," says Bland.

The PLSA director of policy and advocacy, Nigel Peaple, laments the fact that the best efforts of government and the industry have only had limited success in encouraging more saving.

"People generally do not understand that their pension is invested and will compound over time, they don't tend to understand the tax incentives to save into a pension and, as we experience rising prices and a cost-of-living crisis, they don't have the confidence in their finances to lock up money for the long term," he says.

Concentrate more, contribute more

This confidence is crucial of course, and can make the difference between a miserly and at least semi-comfortable retirement.

"People are not saving enough," says WTW DC consulting new business, director, Stuart Arnold. "Research from the PLSA has shown that 50 per cent of people in the UK are not going to build up enough of a pot to meet retirement income targets set by the Pensions Commission. That is quite terrifying."

At present, as Arnold highlights, contributions across the county are at 8 per cent on average, but industry bodies such as the Association of British Insurers (ABI) have officially stated that they should be at 12 per cent, at least. To bridge that gap between now and where savings need to be however, there are only really three options.

"One is that the employer pays more, which is tough at the best of times," says Arnold. "Two, regulation forces people to pay more in. But depending on how long it takes for that to happen, is it going to be too late for a lot of people? The third option is that make their own decisions on how much they need to contribute. Right now, that really is the solution to getting people to where they need to be."

But higher contribution levels are only one benefit of engagement. The earlier that scheme members pay close attention to their pensions, the easier it will be for them when they come to make crucial decisions, explains Arnold. If a saver only properly engages with their pensions a few days before a selection has to be made on drawdown or an annuity, for example, then they are at greater risk of getting that vital decision wrong.

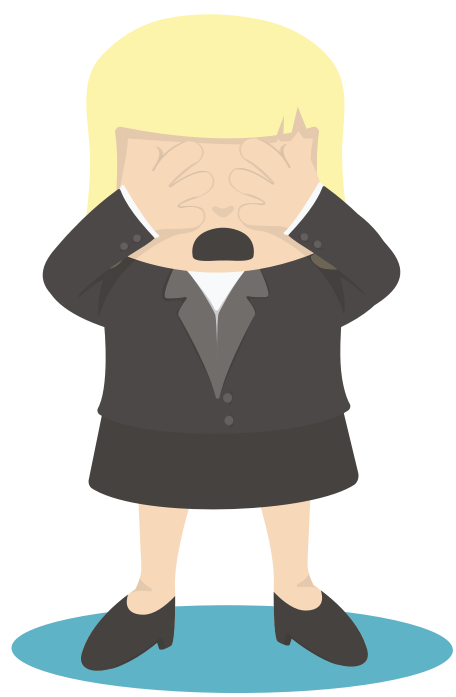
"It also means that it is too late in terms of making early decisions *[that could have a positive impact on your savings]*," he says. "To help people get more out of their savings over time, they need to engage with what they've already built up, *[not just future contributions.]*"

The bifurcation problem

Another problem with a lack of buy-in, is the bifurcation of workplace savers into the haves and have nots.

"From the perspective of diversity and inclusion, if people continue to not do what is right for their individual circumstances, then we're going to compound the problem that we're seeing in terms of wealth disparity between men and women, and across ethnicity as well," says Arnold's colleague at WTW, Frances Fourgeaud. "Schemes have a responsibility and will have their own strict ESG values to nudge that dial and build people's financial resilience."

The situation is being intensified by consolidation in the pensions market. "We're generally moving towards a world where bigger is better," says Arnold. "We're using master trusts, with huge diverse populations, to come up with a single default position for everyone. But, unfortunately, not many of us are actually typical. There are big disparities across the workforce. And anyone who doesn't fit into that default is going to be hamstrung by the fact that they might



be in something that's not quite right for them. So, if we're going to tackle inclusion and diversity, engagement has to be a really big part of that."

Avoiding inefficiencies

Operational inefficiencies also build up due to disinterest in pensions. As people move jobs more frequently and lose track of their old pensions, schemes are having to administer increasing numbers of small pots.

As Peaple says, there are currently over eight million deferred pension pots and eight million active pots in master trust schemes – with many more in other DC plans. It is estimated that, in master trusts alone, without intervention, this could increase to around 27 million deferred pension pots and nine million active pots by 2035. As the ABI and Pensions and Lifetime Savings Association's Small Pots Co-ordination Group works with policymakers to derive a long-term solution to this issue, it is clear that individual active participation in pensions would help alleviate this growing difficulty.

"Poor engagement risks people forgetting where their assets are or that they even exist," says the ABI's long-term savings policy manager, Hetty Hughes. "ABI research with the Pensions Policy Institute last year found there is £26.6 billion of defined contribution pension saving currently going unclaimed, an average of just under £10,000 per pot."

The Ikea effect

Somewhat ironically, employee connection with DC workplace pension savings may have been hampered by auto-enrolment itself.

As Legal & General Investment Management co-head of DC, Rita Butler-Jones, points out, while auto-enrolment has undoubtedly improved the overall retirement outlook for members, it is also understandable that there can be a lack of connection when an employee joins a company and is automatically enrolled into their pension scheme.

Reversing these unwanted effects of the UK's mass nudge theory experiment could be a long climb, however. There is greater public awareness of the importance of pension saving, but this is yet to translate into tangible – and permanent – results.

Once engagement levels rise however, positive fruits should follow. "We talk about it as 'the Ikea effect', explains Fourgeaud. "You know that you're more likely to love something and own something and feel connected with something if you've actually built it yourself, if you're actually actively participating in it."

In an attempt to kickstart the Ikea effect last year, the PLSA and the ABI, backed by a number of providers, attempted to get down with the kids by hiring the rapper Big Zuu to come up with a short song designed to attract attention from DC's youngest cohorts. 'Pay Your Pension Some Attention' may not exactly enhance Big Zuu's street cred, but it did gain traction on social media. A survey of the public by the PLSA and ABI found that 19 per cent of people could recall seeing the campaign, with 91 per cent of those respondents then going on to look into pensions a little more.

"Extrapolating that out, a potential three million savers were inspired to go and pay their pension some attention as a direct result of the campaign," says Peaple. "The industry has committed to continuing the campaign again in 2023 and 2024, which will give us time to assess whether it has had any meaningful impact over the longer term."

It is highly anticipated that these signs of progress will be further amplified by the introduction of the pensions dashboards. But with the government announcing in early March that the dashboard was set to be delayed yet again, the industry will have to wait a while longer for what is fast becoming the DC sector's last great hope.

For some workers, sadly, it will all be too little, and too late.

Written by Marek Handzel, a freelance journalist

Making connections

Pensions Age hears of significant connections that have been made while working in the pensions industry

I bumped into my future husband at a financial services conference in Interlaken, Switzerland! My then-company invited me to a conference as a thank you for a particular project brilliantly managed by yours truly. For that top-notch conference, spouses were also invited. There were a few of us singles, and to avoid us cramping the style of the married lot, we were packed off to a lovely smaller hotel. In revenge for the segregation, some of us organised a bicycle tour of the area, and I met my future husband, Mike, as we both stopped off at a small ice cream vendor and strolled down to the lake to scoff our 99s. We did not know one another, despite being in the same industry. He was also tall, very posh and owned a Porsche! Thirty-two years later we are still soul mates (and still have a Porsche). The conference never again segregated singles!
Pensions Administration Standards Association president, and Pension Scams Industry Group chair, Margaret Snowdon

I was made redundant at the end of 2012 due to a business restructuring and, whilst on a career break, continued supporting PMI by chairing one of their committees. A new volunteer joined that committee and, as you would expect, we all provided a two-minute elevator pitch on what we did. After that meeting the new committee member approached me and asked whether he could introduce me to a colleague who was in the process of setting up a new service offering within Barnett Waddingham.

Following a successful round of interviews, I joined Barnett Waddingham shortly afterwards and we went live with the new service in June 2013. Almost 10 years later that service offering has gone from strength to strength and is now its own business area – the Pension Management and Executive Services team. It just goes to show that you should always keep your personal elevator pitch up to date and that a chance encounter can lead to something great in your career.
PMI president, Sara Cook

I and Matt Burrell (who was working at the PLSA at the time, and is now at Phoenix Group, while at the time I was working for USS) made a very significant connection through the pensions industry! We first met in that most auspicious of places – a pensions dashboards meeting at the PLSA. Our story really began, though, at *Pensions Age*'s sister title, *European Pensions'* awards of 2017, where we were seated next to each other. Two years later, our engagement was announced in this very publication, and we married in November 2020 in a small (Covid) wedding of 15 people. We recently celebrated two years of marriage and look forward to many more.
Money and Pensions Service Pensions Policy and Propositions Manager, Laura Burrell (nee MacPhee)

Written by Laura Blows

Spinning plates

Laura Blows explores how administrators are facing up to the simultaneous pressures of special projects, such as preparing for dashboards and GMP equalisation, along with handling increasing numbers of buyouts and member enquiries, all while maintaining business as usual

Summary

• Administrators are currently facing additional pressure from projects such as preparing for dashboards and GMP equalisation, and the rise in buyout activity and member enquiries.
• These extra projects are in addition to the challenges of legacy technology and understaffing that some administrators face.
• The extra pressure risks a reduction in the quality of service.
• To tackle this, investment in resources and technology is required.
• Trustees and sponsors can help relieve the pressure in administrators by encouraging members to use online portals, and by including administrators when planning strategic objectives.

"It's always nice to be wanted," Pensions and Administration Standards Association board director (Pasa), Paul Sturgess, says, "but there's been quite a regular stream *[of additional pensions administration work]* following closely on the massive adaptations required by the Covid-19 pandemic".

Recently, it seems the 'popularity' currently enjoyed by administrators is rapidly turning into pressure.

Project pressure

"The pensions administration industry is generally very busy now, with peaks of work in several areas, including GMP equalisation, dashboards and buyout exercises," XPS Pensions head of private sector business development, Darryl James, says.

"The dashboards and GMP equalisation project work are probably here for a while, so it is important that they are resourced correctly, with a clear delivery plan. Buyout-related project levels are likely to remain high too, based on current market conditions," he adds.

Broadstone head of pensions administration, Gavin Giles, envisions the pressure of these major projects to remain "for a good number of years".

"While many schemes are closed to new entrants and accrual, so fewer salary renewals are needed for example, they are maturing rapidly and so, therefore, is the incidence of retirement quotes, settlements and other member-related activity. This transition will take time and be a busy period for 'business-as-usual' teams. We do also anticipate the launch of dashboards will increase member engagement, with an increase in requests for quotations and transfer values," he says.

However, member enquiries are already increasing, even before dashboards have been launched to the public.

"Over the past two to three years there's been a fairly general and material increase in the volume of enquiries and correspondence being received from members," Sturgess states, "in some schemes it has nearly doubled over this period."

The increase in member activity volumes seems to be a 'new normal', he adds, calling it not dissimilar to the new benchmark increase in volumes flowing from the DC freedom and choice launch. "Like then, it's affected most schemes."

Some of this comes as a result of members engaging with their pensions, Sturgess says, "which has to be a good thing for the UK in the round, but it does create some very practical challenges".

These practical challenges include potential knock-on effects with transfer values, as administrators embed efficient scam protection measures to protect members, James notes.

These "big, strategic projects", along with increasing levels of day-to-day contact with members, creates "a real risk of a capacity crunch for administrators who have not developed their resourcing model", Aon partner, Becky McGowan, warns.

"Big, strategic projects, along with increasing levels of day-to-day contact with members, creates a real risk of a capacity crunch for administrators"

Recently, Zedra Governance client director, Alison Bostock, noted that "there is a capacity crunch within pension administration at the moment, which is threatening to become a crisis. Providers simply do not have the resource and capacity to do the work that the market needs doing. The issue is across the board and certainly not within a certain type or size of provider, and this is not really something we have seen before as trustees – when something needed doing we could, in the main, just get it done. This is no longer the case and now we could be looking at a typical wait time of 12-18 months for big administration-led projects."

Ongoing challenges

For some administrators, they were already facing challenges before these recent pressures added to their struggles.

"Many third-party administrators also have longer-term data problems, legacy systems and low levels of automation, all of which are expensive and time-consuming issues to address," Isio head of pensions administration, Girish Menezes, says.

The biggest risk of these legacy issues, coupled with resource-intensive projects, is poor quality due to lack of resources, he warns.

"This leads to expensive errors and poor customer service. This is compounded by administrators focusing resources on high-value projects, rather than business-as-usual administration," Menezes adds.

"There will undoubtedly be a risk of a worsening day-to-day experience for members where administrators have not invested in automation and are still heavily reliant on manual processing," McGowan adds. "A greater risk may well be the ability to complete strategic projects in time as many schemes compete for the same resources."

The increased pressure of these projects must have an impact, Sturgess agrees, noting that the pool of available skilled, experienced administrators has been shrinking due to consolidation amongst suppliers and individuals' retiring and leaving the sector.

"This is especially true in the DB area and it'll take the industry a while to

adapt. Some schemes are maintaining high service levels, but it's far from universal. Many schemes will have witnessed limits in the industry's ability to support project activity, some of which is very important to sponsors," he adds.

Response

So, as Sturgess states, "it is fair to say pressures, or to look at it more positively – the opportunities – have increased".

But what are administrators doing to respond to these challenging 'opportunities'?

According to McGowan, automation has become 'critical', rather than a 'nice to have', as "schemes will need to invest in supporting automation and full data digitisation in order to maintain member service levels".

Sturgess also highlights the importance of being "brave in taking advantage of digital opportunities", as "smart organisations are looking at data quality and persuading trustees, managers and sponsors to invest in improving data because this means better and more effective automation with less inefficiency".

However, he warns not to fall into the trap of thinking digitisation is all about DC. "Pasa members administer DB schemes where members carry out large numbers of DB transactions through online functionality hundreds of thousands of times," he explains.

Technology is not a cure-all though. The effective utilisation of people's skills is also essential.

When managing the extra projects, it is vital that dedicated resources are ring-fenced to be able to deliver any analysis and cleansing work required, so that day-to-day administration work is not affected, James says.

"Having a dedicated projects team will allow the member-facing administration team to focus on business-as-usual work," he explains.

This may require some adaptations of resourcing models, Sturgess suggests.

"There has been additional hiring, but the talent pool is restricted so that won't get you far. Flexible and remote working has helped some administration suppliers access resource in the best way, so the old adage of adapt and thrive/survive remains true," he states.

Administrators have already introduced several initiatives to tackle the problem of increased pressure, Menezes notes.

This includes apprenticeships and "hiring administrators as expensive contractors on a day rate", he says, while "a number of administrators have given up on local resources and are driving forward with their offshore agenda".

For any in-house administrators facing capacity issues, considering "outsourcing to an appropriate provider is recommended, even if only partially; for instance, project work or specific workstreams", James suggests.

Collaboration

No matter the solutions implemented, pension administrators should not have to tackle these challenges alone.

Sponsors and trustees can help in the extent they lead and embrace members using digital offerings, Sturgess states.

James agrees that allowing members to be self-sufficient through web portals, "could free up time for administrators".

Arguably of greater help is ensuring a mutually beneficial relationship between the trustees/sponsor and its administrator.

"Too often administration has been seen as the 'poor relation' of running the pension scheme, with an emphasis on their more glamorous actuarial and investment cousins. That has changed in the past few years but needs to change more," Giles states.

The issue, for Menezes, is that trustees continue to want cheap administration and bespoke services, without cleansing data.

"This creates a complex delivery environment, which becomes even more difficult to deliver when understaffed, staffed by inexperienced staff, or when the service is offshored. Supporting good administration practice ensures better member outcomes and allows the trustees to focus on strategic matters," he says.

For Sturgess, the time has come for change.

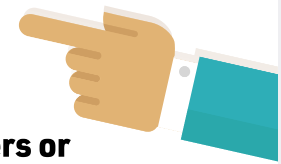
"Pension scheme managers and trustees need to be aware the challenge is real and sustained. A traditional master/slave relationship with suppliers won't help, neither will hanging on to an old cost and service model. This is less about inadequate suppliers and more about market dynamics," he warns.

Administrators are 'wanted' now more than ever for their services, but they should also be wanted for their strategic insight, McGowan suggests.

She says: "Pensions administration has long been undervalued. If we want to maintain consumer confidence in our industry, trustees and sponsors will need to invest in their pensions administration. It is important to have the administrator round the table when considering the scheme's strategy, as the administrator will be vital in ensuring those strategic objectives are agreed."

Written by Laura Blows

It's not you, it's me



The relationship between scheme advisers or consultants and trustees is at the heart of good scheme governance. Maggie Williams asks, are shifts in the consultant market and in the way that trustees work changing this partnership?

Summary

- Relationships between trustees and consultants are based on openness, honesty, and trust.
- Consultants will become more focused on implementation and less on training as professional trusteeship increases.
- Schemes may require more than one consultant to cover the specialisms they need.
- Technology has enabled a shift in the way that consultants and trustees work together.

Ongoing consolidation among pension consultants, such as AJ Gallagher's recent acquisition of Buck and Isio's purchase of Deloitte's pensions advisory services, means the number of consultancy options for trustees to choose between continues to shrink.

From a scheme perspective, the type of support and advice that trustees need is also changing with the rise of sole trustees for defined benefit (DB) schemes and professional trustees for both DB and defined contribution (DC) arrangements.

"Professional trustees change the dynamic within schemes, and consultants' service and delivery models are evolving to reflect that," says Hymans Robertson senior actuary, Patrick Bloomfield.

LCP partner, Helen Howell, adds that as the number of professional and sole trustees increases, "consultants will spend less time providing training and more time supporting and implementing decisions".

However, says WTW head of trustee consulting, Adam Boyes, the fundamental pillars of a good bond between a scheme and its advisers remain the same regardless of the type of trustees on the board: "Good relationships, from a consultancy perspective, are built on trust, transparency and openness with the trustee."

"Any trustee board needs clear advice and recommendations so we can make decisions," says Zedra Governance client director, Dan Richards. "If we can't do that, we are lost. That means regular open and honest feedback from trustees to their advisers and vice versa is vital, both formal and informal. Trustees need to be clear about what they want and to ask for help, talk it through and make sure there is clarity for everyone."

"For many trustees, it is the relationship with an individual person rather than the consultancy firm that matters," says Hymans Robertson partner and senior consultant, Rona Train. "All consultants should be able to carry out the role but it is often about an individual's approach and philosophy and how well they fit with the client scheme."

Richards adds that the nature of trustee and consultant communications has also changed. "Quarterly board-only trustee meetings don't happen as much any more, and there's been a shift to more regular catch ups."

Howell agrees: "We've all got so much better at using technology since 2020. Schemes now often meet virtually or in a hybrid way, and when they need to, rather than in line with the traditional quarterly cycle. Monitoring is much more up to date, using online tools, rather than a hard copy report that's already out of date. The result has been quicker decision making, with more recent information, and more nimble responses to emerging opportunities."

Different schemes, different priorities

While honesty and openness are at the heart of every relationship, different types of scheme will have varying requirements from their consultants.

In DB schemes, says Howell, the focus is increasingly on de-risking and long-term goals, managing strategic risk, climate change, and supporting members with retirement options such as selecting IFAs, and protecting against pension scams. De-risking in particular has put more of an emphasis on consultants' project management skills and the ability to collaborate with the scheme sponsor.

Richards adds that DB consultants' skillsets are likely to continue to grow in the future. "We have not yet seen what long-term self-sufficiency in a DB scheme looks like. That may require a different type of consultant or different expertise again."

The way that consultants work with DC schemes and the range of expertise that they need is also changing. "The biggest difference between DB and DC is that a consultant needs to be able to put themselves both in the shoes of the scheme, and those of the

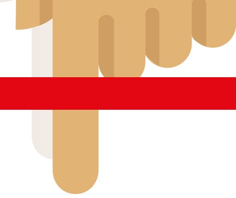
member. That could apply to designing communications, for example, and making sure they are suited to the membership," explains Capital Cranfield professional trustee, Allan Course.

"In the past many DC consultants were generalists, but this is changing now," says Train, adding that this reflects the growth of DC sections within hybrid DB/DC schemes, but also the rise of master trusts. "Master trusts will have in-house teams, so are likely to need specific specialisms to support them, such as Task Force on Climate-Related Financial Disclosures (TCFD) reporting or to advise on the use of illiquid assets. There is also often a three-way relationship now between the scheme funder, the master trust and the member, which consultants need to be able to support."

What can trustees do to make sure their relationship stays on track?

Getting consultant appointments right requires careful thought, says Course. "When engaging with a new consultant and firm, it's about finding out what they are like as an individual – is their style reserved, or informal? Will their approach complement that of the trustees? For example, I'd describe myself as a 'big picture' person, so my consultants need to bear that in mind and support me with the detail. Cognitive diversity is important."

From technology to TCFD reporting, the information needs and governance requirements of trustees has shifted significantly over the past five years

and will continue to evolve. Richards points out that it's also important to explore whether a consultant's skills fit with the scheme's needs. "Consultants will sometimes claim they are good at everything, but trustees need to be prepared to push back and make sure they are being completely open about their real areas of expertise."

"It's rare to have one adviser that covers everything now," Richards continues. "Schemes are more likely to have two or three specialists. Regulatory complexity, the rise of new relationships such as fiduciary management, and other specialisms such as GMP equalisation or de-risking mean that we're starting to see less generalist advisers and more specialists."

However, cautions Course, with many consultants offering additional services and functions that cause potential conflicts of interest, "we need to trust consultants not to cross-sell or add in additional extras to an assignment without proper consultation".

Boyes argues that the challenges of Covid-19 and subsequent economic and geopolitical crises have proved an acid test of the relationships between trustees and their advisers. "Schemes will have a greater understanding of whether their advisers were there for them when they needed them, how they have helped trustees overcome challenges and where the gaps between advisers may have opened up."

He predicts that over the next five years, "we will see a greater desire for advisers to collaborate and be joined-up, particularly to help with many schemes' improved funding positions, and requirements from new funding and investment regulations". That includes their relationships with other advisers, as well as with the trustee board itself. Projects such as de-risking require actuaries, lawyers, consultants and others to work together outside of trustee meetings in order to move projects forward for a scheme.

Regulatory complexity will continue to shape governance for all trustee boards, alongside scheme-specific projects such as de-risking for DB and value for money in DC arrangements. The role of consultants as advisers, experts and project managers will continue to be as important as ever – as will their underlying characteristics of openness, honesty and building trust.


Written by Maggie Williams, a freelance journalist

What to do if a relationship goes wrong

"Almost everyone will have had experience of a rough patch in a relationship with a scheme," says Hymans Robertson senior actuary and partner, Patrick Bloomfield. "How you handle that can be an opportunity in itself. It can be as case of listening to each other and addressing a problem, or of finding a different person who gels more effectively with the trustee. And sometimes even if a consultant has a wealth of knowledge and experience with a scheme, a new approach is beneficial, with a fresh pair of eyes."

"If there are concerns, I'd prefer to work with an adviser to improve the relationship – and also to flip the conversation around to ask if there is anything the scheme can do to help," says Richards. "Sometimes honest feedback is enough to help improve things. And if there is a complete breakdown, most consultancies have a client relationship function and can discuss this."

Monitoring the relationship is part of good governance from trustees' perspective. Capital Cranfield professional trustee, Allan Course, explains that his schemes use a questionnaire approach to assessing adviser performance, based around quality of service and advice, communications, reliability and client management.

Communicating the pensions message

WHSmith pensions manager, Stephen Tiley, shares his tips for maximising the effectiveness of member communication

I have worked in pensions for most of my career, and much of that time has been spent at the 'coal face' – managing and administering pension schemes for employers.

In these roles, part of the job is helping to explain the great deal on offer from membership of an occupational pension scheme or group personal pension (GPP). Too often employers these days don't always have the luxury of an in-house pensions team, and not that many managers are keen to discuss pensions with their staff.

This was recognised some years ago by the Financial Conduct Authority (FCA) issuing a leaflet* explaining what you can do as an employer without contravening the Financial Services Act on giving regulated financial advice.

There is an exemption for employers that don't receive a commercial benefit from the pension arrangements (apart from a happy workforce!) in that you are free to promote membership of GPPs or similar contract-based pension arrangements. Occupational pension trusts are not regulated by the FCA and are treated as company benefits, so they too can be promoted by employers and fall outside the regulations.

Managers need not feel restricted in encouraging membership since they are not giving regulated financial advice as professionals. It goes without saying that it should be generic guidance based on factual information rather than any sort of bespoke recommendation on what investment funds to choose etc, but employers should not shirk from promoting valuable company benefits.

Cost-of-living crisis

Many employees are facing cost-of-living pressures, and unfortunately too often pensions can be seen as a luxury that cannot be afforded in the current climate. Regrettably, some members are opting out of pension schemes. After the success of auto-enrolment, it would be a great shame if this becomes a trend. Inertia can work both ways and it could be almost three years before re-enrolment kicks in – let's hope it's a temporary phenomenon.

Language

Just the word 'pension' or 'annuity' puts many younger colleagues off – one phrase I've 'borrowed' is that 'future spending money' sounds so much more exciting! We love spending money, we just don't like saving that much.

Tactics

Another tactic I've employed is the old spending money routine: Often people will relate to spending money on a holiday – let's say £500 for a two-week holiday. My game plan is to then say how much spending money will you need for a 25-year holiday? How much money do you think you will need to stretch over that long period? Then explain that the best thing they can do is get as much financial help from every employer they work for and get the taxman to help too!

Bear in mind that it's too easy to become 'case hardened' to pensions terminology and slip in some jargon without even noticing it. Just remember to know your audience and then talk to them as if they are 11 years old! That's a good rule of thumb.

Unattainable aspiration

Another tactic I use is to suggest that a target income in retirement (or 'replacement ratio' for pension geeks) seems much more attainable if broken down into how it's arrived at. At first look, it may appear like an unattainable aspiration. By this I mean it is too easy to put people off saving by making it seem an impossible task to save enough to make a meaningful difference, i.e. save enough to buy a decent pension.

Example

For example, Mrs Smith has an income of £22,000 a year and has worked most of her life. She can look forward to a full state pension of roughly £10,000 a year (as at April 2023 rates).

A decent level of pension overall may well be £16,000 a year (let's say) and that is around 73 per cent of her salary at present. I'm ignoring inflation here for ease of communication, but clearly high inflation will soon reduce numbers in real terms so it's worth mentioning that as a note of caution.

So, if we are targeting an additional

£6,000 a year on top of the state pension, let's assume that for a basic pension Mrs Smith will need to have saved around £120,000 (I'm ignoring tax-free cash, but that is of course still an option – at the time of writing anyway!).

If the employer has paid half (for example), then after allowing for investment returns it may well be that Mrs Smith has only needed to contribute around £50,000 gross or £40,000 net, less any NICs savings if paid via salary sacrifice, as many schemes operate under this regime to help their members save more towards their pension.

So asking a colleague to save £40,000 over a number of years is a lot more realistic than trying to aim for what may seem a huge pension pot that just seems unattainable to many modest earners.

The other point worth making is that the earlier you start the better and the eighth Wonder of the World – compound interest/investment returns – can really make a difference. I also explain here that when investments go down in price you get more for your regular contribution – this 'pound cost averaging' effect can improve your risk-adjusted returns. We will also take some investment risk off the table automatically as you approach retirement age if you don't want to choose your own investments. That sounds more accessible than 'Lifestyle Investment Strategy'.

Then you can explain that when they are retired they won't be paying pension contributions, or National Insurance (based on rules at time of writing) – that could be a 17 per cent saving straight away!

They may also have less expenses for things like commuting, lunches at work and associated costs that we take for granted when working but are less likely in retirement. Many will have mortgages paid off by retirement reducing their outgoings substantially, but renters will still have relatively high housing costs.

Low income retired households may receive help through pension credit and housing benefit. Some would say that private pensions or savings will then impact means-tested benefits, but surely it is the responsible thing to do – try and save for our retirement and not be a burden on future taxpayers. If we can save and aspire to be self-sufficient in retirement then surely we should. Retired households will often spend more on heating and so on, so it is not all win-win, but there is that bus pass to look forward to!

Stephen Tiley has been working in pensions for over 35 years and has worked for Thomson Directories, Wincanton, House of Fraser, INVISTA Textiles UK, WS Atkins, Nuffield Health and is currently a trustee and pensions manager for WHSmith.

***https://www.fca.org.uk/publication/archive/fsa-promoting-pensions-employees.pdf**

Two steps forward, one step back?

Amid market uncertainty and rising inflation, Sophie Smith considers whether pension schemes' focus on climate could be slipping, or whether a renewed focus could be on the horizon

Summary

- A number of pension schemes made net-zero commitments in recent years, yet many remain in the internal discussion phase, with a clear lag effect between commitment and action.
- Recent market volatility saw the immediate focus shift away from climate considerations, although it has also further reinforced the need to confront ESG-related issues.
- New climate-related regulation has also proven helpful for many schemes, and whilst industry research has revealed flaws in this area, industry experts have stressed the need for patience.

In recent years, the focus on environmental, social and governance (ESG) factors has surged, as campaigning efforts placed growing pressure on the pensions industry, and businesses more widely, to consider their climate change impact.

And this renewed focus has been particularly pronounced amid the annual UN Climate Change Conference, bringing with it a string of climate-related announcements and commitments, as well as heightened public scrutiny.

COP26, for instance, saw CEOs of Nordic and UK pension funds announce a collective commitment to invest $130 billion in clean energy and climate investments by 2030, whilst protestors made their voices heard on the key topics being discussed by policy makers inside.

This trend towards responsible investment has been one of the strongest the investment industry has seen in decades, according to Hargreaves Lansdown lead ESG analyst, Dominic Rowles, as governments and companies alike search for ways to reduce carbon emissions to have less of a negative impact on the environment and society.

"Those left behind could face a media backlash, regulatory issues or even a customer boycott," he warns. "Ultimately, this could impact their prospects and their prices."

Yet the impact of many of these commitments has yet to be seen. Premier Miton head of responsible investing, Helene Winch, points out that whilst much of the work around net-zero commitments has prompted increased flows into sustainable and ESG-labelled funds, there is a huge amount of pension scheme capital that remains invested in high carbon producing assets.

Pensions for Purpose chair and founder, Karen Shackleton, also confirms that despite several pension schemes publicly declaring net-zero goals by 2050, or earlier, the majority are either at the stage of discussing it, agreeing on interim goals internally and mapping their journey, or working towards net zero without setting specific public goals.

And in recent months, updates around climate progress seemed to have slowed, particularly as attention was diverted amid the gilt market volatility following the mini-Budget.

This is perhaps unsurprising, as Rowles says that the past year has been a challenging time for investors around the world, explaining that "crippling" inflation, the cost-of-living crisis, and the repercussions of Russia's invasion of Ukraine have created an environment of uncertainty and volatility.

This in turn, according to Van Lanschot Kempen head of client advice, Arif Saad, has diverted the conversation away from net zero and sustainability.

In particular, Winch says that the war in Ukraine and the subsequent oil price shock has meant many portfolios with a focus on investing in low carbon or 'net-zero' companies have underperformed their benchmarks.

"This, quite rightly, will always raise questions as part of a pension scheme's fiduciary responsibility," she continues. "The challenge will be around whether it is in the best interest of a scheme and its members in terms of pure financial returns to follow a portfolio investing in rapidly decarbonising companies."

Yet Winch argues that the long-term climate benefits of this approach are "clear and well documented".

Building momentum amid the storm

And whilst recent attentions may have shifted immediate focus, Saad argues that the long-term commitments and momentum that have built up over the past few years mean that the direction of travel is clear.

Recent challenges may have also renewed focus in some areas, as Franklin Templeton head of UK institutional, Dean Heaney, says that while the Russian invasion of Ukraine and focus on access to affordable energy in the cost-of-living crisis has presented immediate concerns, it also added to the recognition that science and economics are accelerating the shift to a low-carbon economy.

Equally, whilst the autumn market volatility may have seen a renewed focus on liquidity requirements and diverted immediate focus away from climate efforts, Heaney notes that, for those pensions schemes now closer to buyout following the funding improvements triggered by this market volatility, "we see greater focus from bulk annuity providers to ensure these commitments continue for the life of the pension".

Echoing this, Legal & General Investment Management head of client solutions, Laura Brown, says that the next five to 10 years will be critical, both in terms of the journey to net zero for DB schemes moving towards full funding and, potentially, buyout, suggesting that managing downside risks over this time period is very important.

Creating the framework

Industry experts have also recently raised concerns around the regulatory focus in this area, with particular concerns around the limited mention of ESG in The Pensions Regulator's (TPR) DB Funding Code and the proposed value for money framework.

Yet, Janus Henderson director of institutional DC, Dave Whitehair, argues that the regulatory focus is "clear", highlighting TPR's new ESG compliance campaign as re-enforcement of this.

The campaign *[further details on page 16]* aims to ensure trustees are meeting their ESG reporting duties, with a regulatory initiative to check if trustees are sharing ESG data planned for spring.

Despite a continued focus on ESG, however, TPR's initial analysis has not proved promising, with initial analysis of the statement of investment principles (SIP) and implementation statement (IS) data provided through 2022 revealing that a number of schemes did not provide valid website addresses of the SIP and IS statements.

Industry research has revealed similar trends, with analysis from Pensions for Purpose revealing that the majority of schemes are not yet using Task Force on Climate-related Financial Disclosures (TCFD) reporting to inform and drive their climate investment strategy.

However, discussing the research further, Shackleton reveals that some schemes did say that the output from their TCFD report corroborated decisions that the trustees had already taken and that it was helpful.

Smart Pension investment proposition manager, Fiona Smith, agrees, explaining that the master trust found the increased climate reporting

requirements helpful in supporting its overall net-zero strategy and targets.

"The processes and work undertaken to report these disclosures have allowed us to further develop our policies, processes and beliefs for managing climate-related risks and opportunities," she says. "We have gained a better understanding of the greenhouse gas emissions associated with our investments, the current data limitations, and areas for improvement and further development. These are important considerations that feed into the setting of our investment strategy and any future changes to our strategy that we make."

Whitehair also reveals that many DC schemes have made changes to their investment design already, explaining that this might not apply across the complete default offering.

Instead, he says that the growth phase, and in particular equity investing, has been the core focus given the availability of data, investment solutions and the fact that it is where the majority of member assets are invested.

Data, data, data

"The main concern over data quality and data coverage is nervousness about making investment decisions that may prove to be less than optimal in years to come as data improved," Shackleton explains. "Other funds told us that this was the first time they had been obligated to report, and that they would be more likely to use their reporting to drive decision-making as and when trend data became available."

Indeed, Winch says that "patience is very much key in this area", explaining that climate reporting can take time to deliver accurate data and results.

In particular, Whitehair explains that many schemes are using this first data cut as an input into the process of forming their collective views and beliefs on sustainability and climate change specifically before implementing changes.

Saad also notes that while many of TCFD requirements currently only apply to the largest pension schemes, over time this will apply to a larger percentage.

"The impact on how money is allocated and the climate transition effort will truly be seen when, firstly, there are multiple years to compare against each other and, secondly, targets are set that need to be complied," he continues. "The latter is likely to be more controversial if dictated to investors, but may be required if the goals set are to be achieved."

Adding to this, Redington global head of sustainable investment, Anastasia Guha, says there are things trustees can do before making an allocation decision.

"Progressives find a way," she states. "There are many sensible things you can do to protect your scheme from the risks arising from sustainability issues. We need to stop getting analysis paralysis."

Ramping up the regulation

Pressure seems set to build further, as Winch says that the update to the UK green finance strategy alongside the new government department of energy security and net zero could potentially be a "game changer" for the UK and its pensions sector, if it focuses in on encouraging the low carbon sector and supports the required investment in related jobs.

Proactive industry backing for climate efforts has also grown, as Shackleton says that "the pension funds we work with are already maintaining their focus on climate considerations, with or without that additional regulatory or reporting obligation".

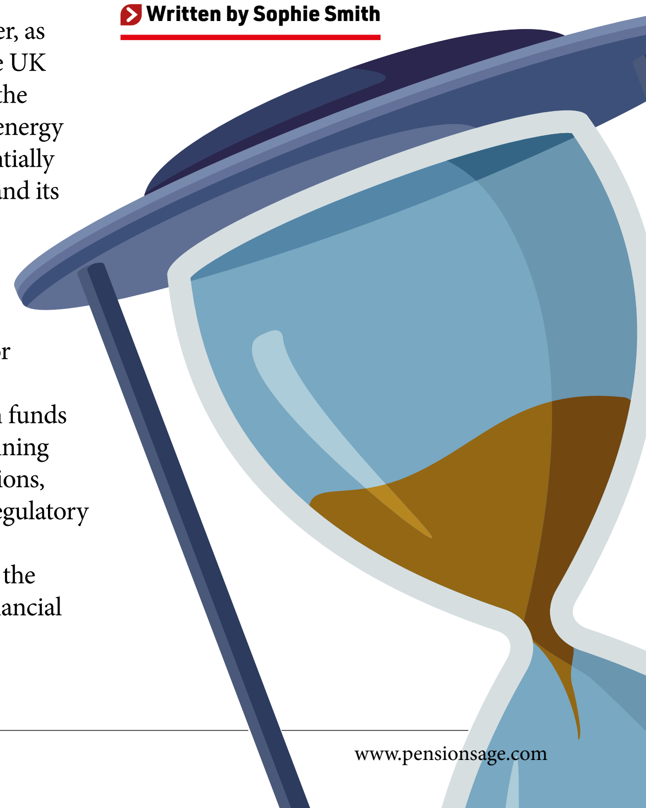
This trend can be seen across the industry more broadly, as the Financial Reporting Council recently revealed that a raft of UK pension schemes had become signatories to the UK Stewardship Code, taking the total number of signatories to 254, up from 235 in September 2022.

Despite these improvements, Guha warns that the financial sector cannot change the world by itself or shoulder the decarbonisation of the global economy alone, it must be a joint effort with global policymakers taking the lead.

"We need to start thinking more about decarbonising the world rather than decarbonising portfolios," she continues, querying how it will work if schemes have got a portfolio that's already heavily decarbonised when the world is headed to 2.7 degrees.

"Essentially, it's greenwashing if it makes no difference in the real world. Also post the war in Ukraine and energy firms doing very well – questions about fiduciary duty are arising again. It's a pretty tricky conundrum, especially because a lot of the schemes who went first decarbonised by tilting out of high emitting sectors, so they're essentially losing money by not being in the sector at all. The lesson is that you really have to take a strategic, long-term approach."

Written by Sophie Smith



Emerging opportunities

Sandra Haurant explores the investment opportunities in the dynamic world of emerging markets

Summary
- Emerging markets (EM) covers a wide spread of countries, as diverse as China, Brazil, UAE and Greece.
- EM did extremely well in the noughties, outperforming the developed world.
- The 2010s brought lows, with EM underperforming significantly.
- China – the biggest influence on EM– has reopened and lifted its zero-Covid policy, bringing new potential to the space.
- But with ongoing global economic and geopolitical uncertainty, caution is still a watchword.

Emerging markets (EM) have brought impressive returns in the past, but challenges caused by global events over recent years have seen the sector struggle. So, what's next for this potentially dynamic investment space?

What are 'emerging markets' anyway?

According to the International Monetary Fund (IMF), the main criteria used when dividing the world into developed or advanced economies and emerging markets are 'per capita income level', 'export diversification' and 'degree of integration into the global financial system'. According to the *Financial Times*, the result seen on indices is "a haphazard collection of countries with varying economic sizes and growth rates".

Indeed, some argue that the very term 'emerging market' is outdated, but it is nonetheless still very much in use, although the states that count as emerging are up for debate. The MSCI Emerging Markets Index shows large and mid-cap representation across 24 EM countries, including Brazil, China, Colombia, Egypt, Indonesia, Malaysia, Greece and United Arab Emirates.

Highs and lows

Broadly speaking, for investors the appeal of EM is the harnessing of potential, as a country moves from earlier stages of development (or emerges from a crisis) and on to a greater level of economic maturity. When the sector performs well, the rewards can be significant – but in times of turmoil, EM can be severely shaken. "Emerging markets assets did extremely well in the noughties and outperformed more or less everything, including US assets," says Mercer head of asset allocation, Rupert Watson. "And then in the 2010s, it was the exact opposite, with US equities outperforming, and emerging market assets underperforming."

As a result, Aon asset allocation specialist, Lucinda Downing, says: "EM assets have been unloved for many years." After all, she adds: "EM equities have underperformed developed equities for the past decade as the emerging region's economic growth advantage over developed markets has narrowed."

And for much of last year, EM continued to face significant challenges. As GQG Partners managing director, Mark Barker, says: "The MSCI EM Index lost 20 per cent in 2022, with every sector down for the year." Particularly hard-hit sectors included IT, communication services, and 'consumer discretionary' – that is to say, companies providing goods and services that people want but can manage without. In terms of geographical areas: "Losses were led by China, Taiwan, and South Korea," says Barker.

Changing tides

Most of 2022 was tough, but the end of the year did bring signs of a shift in EM's fortunes. While both equities and bonds fell last year, says Downing, "they held up quite well relative to their developed counterparts in a year when global growth slowed and the US dollar and US interest rates rose strongly, which are typically negative for EM assets".

Cardano senior multi-asset strategist, Ross Barr, agrees: "Despite several years of underperformance, EM *[assets]* have been the clear outperformers in the equities space through the fourth quarter of 2022 and into the beginning of this year."

Arguably the most significant factor in this shift is one very big country, says Downing: "China is the largest region in emerging equities and a dominant influence on the whole index." Over recent years the country's problems and policies have had an enormous impact on the markets. "The Chinese economy last year was very weak, in contrast to the rest of the world," says Watson. "And the Chinese economy was very weak because it was locked down because of Covid."

The recent change in China's Covid policies, and the opening up of that country, suggest a change in the fortunes for the EM space is possible. "We see the reopening of the Chinese economy as an important catalyst for this and the pace of withdrawal from zero-Covid has accelerated quicker than anticipated," says Barr. "As a result, growth expectations have risen and the market's pessimism, which was embedded into 2022's depressed valuations, is fading."

There is already evidence of an upturn, Watson says. "Chinese growth this year is going to be very strong, not only because of the 'Covid Bounce,' but also because *[the Chinese state]* has put in supports for the property sector, which was very, very weak last year, and more generally, a favourable policy mix that should lead to trends above average growth this year, in contrast to soft growth in the US and soft growth across Europe."

Nevertheless, others are more cautious. "We are currently less constructive on China and Taiwan," Barker says. "We believe when economic activity normalises in China following the relaxation of its zero-Covid policy, the pace of growth in that country may be slower for longer than investors currently expect. President Xi's recent consolidation of power may result in an even more unpredictable regulatory environment, in our opinion, while his emphasis on common prosperity may have a negative impact on the profitability of certain businesses. We believe this dynamic reduces earnings visibility." What's more, tensions between China and Taiwan, he says, could elevate "the risk profile of both countries".

Barker does, though, see potential in other parts of the developing world. "In India, for example, select banks are generating nearly five-year highs for return on assets, while also seeing non-performing loans fall." The recent growth in mortgages in Indian cities beyond the major metropolises is also "a good barometer of robust, sustainable economic growth", according to Barker, while wider issues related to the Russian invasion of Ukraine have led to "unintended consequences", with India being able to accumulate increasing amounts of oil at a discount, he adds.

"Despite several years of underperformance, EM *[assets]* have been the clear outperformers in the equities space through the fourth quarter of 2022 and into the beginning of this year"

Benefits in bonds

EM bonds – fixed income debt issued by countries within the EM sphere, and companies within those countries – bring with them their own pros and cons. Being generally higher risk than bonds in the developed world, they pay higher yields. And, says Barr: "EM bonds can also be useful within a growth investment strategy, particularly given their potential to perform well in periods when the US dollar is cyclically weakening."

Essentially, says Watson: "If you're a bond holder, you care about whether countries default or whether they don't. And they either do or they don't, and if they do, you get back all your money and make a decent return. And if they don't, well, you will lose a certain amount of money, depending on how the default works."

If today's positive predictions by some parties play out, Watson says, "the chances are that both equities and bonds will do well. But equities will do better than bonds". However, he adds that, in the same scenario, it's likely that "developed world corporate bonds and high yield bonds could do better than developed world equities".

Looking forward

While EM has had something of a rollercoaster ride since the start of the millennium, it has nonetheless remained part of the mix. "Pension schemes never divested completely away from emerging markets," says Watson. "But trustees, of course, are aware of the swings and roundabouts in financial markets and are very cautious not to be aiming to put too many of their eggs in one basket. What schemes are looking to do is to diversify as broadly as possible, which includes an allocation to emerging markets."

When developed markets are not doing well, emerging markets may fair better – and this lack of correlation is beneficial. "EM is a diversifying equity market investment," says Barr. "Often, as is the case now, economies and markets operate within cycles that are not synchronised with developed markets."

What's more, says Barr: "The long-run risk premium that can be achieved within EM is higher, and this can be a valuable component of a pension fund's growth investment strategy. However, the volatility of returns within EM is higher too." As a result, Barr argues that EM risk must be actively managed, within a multi-asset investment approach.

Economic and geopolitical uncertainties remain prevalent across the world, whether 'developing' or 'developed,' and predicting the future for EM is a difficult game to play. But some argue that there is scope for cautious optimism. As Watson says: "I think it's possible, looking forward over the next decade, that emerging market assets will outperform US assets across the equity – and probably in the debt space as well."

Written by Sandra Haurant, a freelance journalist

Changing operations

With recent research finding nine out of 10 schemes think the new DB Funding Code will affect the way they operate, and almost half expecting this to be a moderate-significant impact, *Pensions Age* asks: What are the differing ways you expect to see the DB Funding Code affect schemes?

As currently drafted, the funding code (and underlying regulations) will have a major impact on schemes. The level of prescriptive actions for future actuarial valuations, even for schemes looking for a 'light-touch' solution, will surprise many trustees as they get to grips with it. The code appears to be fighting some battles from the past and the level of accuracy placed on schemes by the code will result in little added value to those schemes already doing the right things but a great deal of added cost.

A key concern is the volume of additional information and detail required by the code in the proposed content of the Statement of Strategy. Thanks to clear signposting by The Pensions Regulator, we believe the vast majority of DB schemes are already working hard to reduce investment risk while balancing the needs of the sponsor with member security and secure funding levels. Given the limited time and financial resource available, there is a danger that trustees and sponsors look for tick-box solutions to aspects of the new code and focus undue attention on particular details or metrics to the detriment of establishing a bespoke understanding of their wider strategic picture.

Broadstone head of policy, David Brooks

In many ways the new funding world will shift on its axis away from the scheme-specific regime, and schemes will need to adapt existing processes. As Elizabeth Barrett Browning said in a different context (how do I love thee?), let us count the ways:

- The need to get more prescribed covenant advice as both the code and draft regs have a lot in them that is new in terms of black letter law
- Smaller schemes may not have had such detailed formal covenant advice before
- The word 'duration' will mean more input from the actuary
- Investment strategy – the differences between, for example, the ongoing basis and long-term basis will need documenting in a formal way. For many this will be a pulling together of current work, for others an additional job on the to-do list
- Who agrees what in terms of the new funding regime is still up for clarification and for multi-employer schemes it may be a headache the first time
- Open schemes will need to ensure they have a narrative of what they are doing and how it fits into the easements in the draft code, while being mindful that the code is not the regs, which may not be as flexible towards them and always be mindful that open schemes will need to justify use of surplus and investment risk

Sackers partner, Janet Brown

The code includes significant expectations regarding how trustees design their journey plan to reach a point where it is expected that no further contributions will be required from the employer by the time the scheme reaches significant maturity. These expectations should encourage a greater focus on longer-term planning among schemes that do not already meet the requirements of the new rules. The code also introduces some challenging new requirements around covenant assessments, with more detail still to come on what is expected.

The new funding code could also trigger more 'herding' of schemes in terms of their approach to funding. This could ensure outlier schemes follow industry best practice. However, the new code is also likely to lead to greater compliance costs, even for those schemes which are already largely following the main principles set out. These costs could potentially be a burden for some smaller schemes. As a result, the funding code could be a catalyst that encourages trustees of these schemes to look to buy out, or to consolidate into a master trust or superfund.

TPT Retirement Solutions head of actuarial services, Rob Archer

There is a risk that the prescriptive nature of the funding code pushes trustees towards 'box-ticking' when it comes to covenant. However, we are optimistic that trustees will take a smarter approach. Covenant is the ultimate underpin for scheme risks; the DB Funding Code recognises that what a scheme needs from its covenant varies over time (from deficit repair contributions, to underwriting investment risk, to just needing a solvent sponsor) and the strength and visibility of covenant also varies over time. A smarter approach to covenant brings together the sponsor's evolving covenant and the scheme's needs to focus on the elements of covenant that actually drive scheme strategy – this is very different to just meeting the disclosure requirements set out in the funding code.

Cardano Advisory managing director, Emily Goodridge

The draft funding code enshrines a requirement to identify, plan for and monitor progress towards a low-risk funding and investment objective. For closed schemes at least, there is little new in that – Aon's *Global Pension Risk Survey 2021/22* showed that over 80 per cent of schemes already have a low-risk target. The challenge is the level of prescription required to comply with the draft code (which provides a liberal interpretation of some apparently strict wording in the draft funding regulations). But the prescription will affect different schemes differently. For example, open schemes will need to adopt a long-term target even if they are not maturing, while the low-risk target must be reached by the time of 'significant maturity' and so, if there is underperformance, additional contributions will be required, not an extension to timelines.

Also, the options once significant maturity is reached appear limited – such schemes potentially face long grinds towards buyout funding due to their low risk/low return investments.

Taking covenant into account involves two new metrics ('covenant reliability' and 'covenant longevity' periods) created solely for this purpose. It's unclear how these subjective values will be assessed consistently.

Given the extent of these challenges one wonders if the new code and regulations really are improving the UK's funding regime.

Aon head of UK retirement policy, Matthew Arends

The draft new funding code contains just three explicit references to smaller schemes and some of the new guidance may be more challenging for these schemes to comply with. From a covenant perspective, for example, it would be reasonable to expect a FTSE 100 company to produce a medium-term forecast that can be used to determine the covenant longevity. However, the reality for many smaller businesses is that producing even a one-year forecast is challenging, meaning that these schemes may be forced to have a correspondingly shorter covenant longevity.

Similarly, while TPR has provided some useful guidance on how to assess the covenant of schemes with a not-for-profit sponsor, in practice there will need to be a pragmatic compromise between funding the scheme over a short period of time and supporting the activities of the not-for-profit. Let's hope that smaller schemes feature in at least some of the 200 pages of additional covenant guidance we have been promised in the spring.

Independent Trustee Services associate director, Dan Gilmour

Pensions history

It’s always about investment

In March 2022, The Pensions Regulator published guidance to pension trustees about the conflict in Ukraine. Noting that schemes were adopting a range of responses, from writing down the value of Russian assets to disinvesting entirely where practical, it reminded them that they needed to prioritise their fiduciary duties “although you can also take account of other factors, such as member views on ethical and social governance. Your decisions should also reflect your scheme’s investment policy as set out in the statement of investment principles”.

The extent to which member views should influence investment policy is not straightforward and schemes and their advisers will differ on their approach to the underlying legal and practical issues. It is not easy to gauge member views in a large pension scheme or to ensure that trustee responsibilities are not in practice delegated to pressure groups or consultant ‘groupthink’. And in a defined benefit scheme where the employer pays the balance of cost, the trustees will be mindful of the desirability of making investments as productive as possible.

In a 1969 speech to the Institute of Chartered Accountants of Scotland, George Ross Goobey, the first manager of the Imperial Tobacco Pension Fund, made a plea for sentiment to be banished in the choice of investment. He pointed out that even if one didn’t read a particular newspaper plenty of people did, so that investing in it might be worth considering!

www: pensionsarchivetrust.org.uk/our collections

Pensions Archive Trust director, Jane Marshall

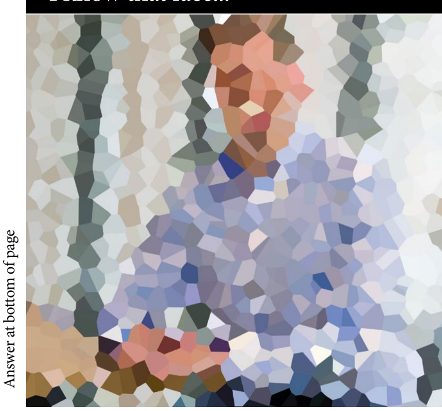
Fun and games

Wordsearch

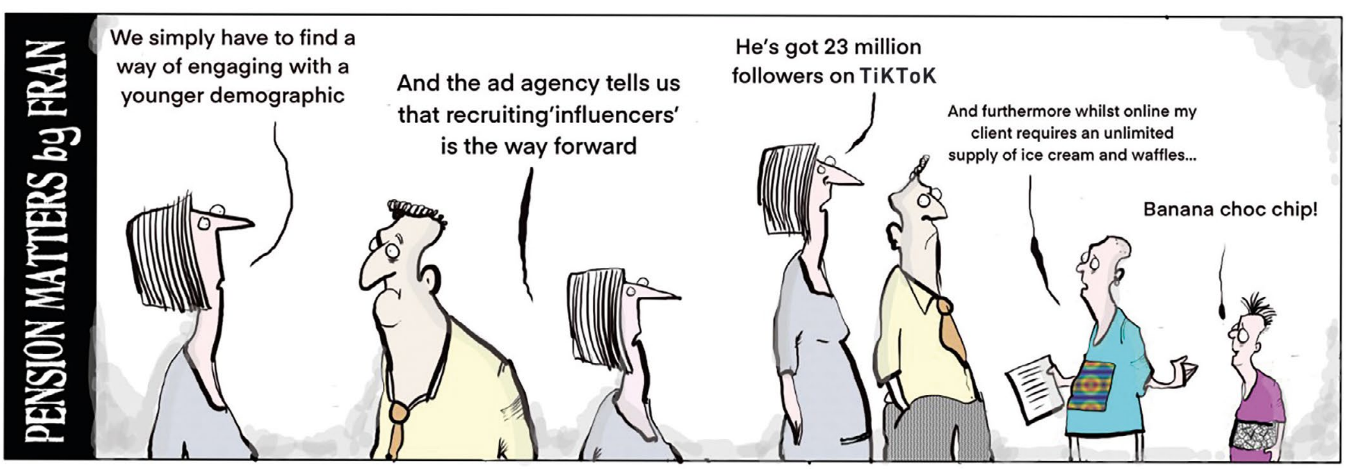
S	B	U	N	K	X	T	C	R	S	O	O	A	S
O	U	U	I	A	Y	H	E	A	S	F	P	U	J
I	D	I	M	K	N	D	L	C	C	I	S	L	T
L	G	Z	D	D	N	C	A	P	H	T	B	K	R
E	E	R	A	E	C	M	L	S	A	E	T	P	E
C	T	V	G	L	S	R	R	I	L	G	T	A	V
N	R	S	U	U	A	E	N	C	V	U	H	M	R
A	S	E	I	C	N	A	T	L	U	S	N	O	C
D	D	J	L	W	B	L	K	N	J	S	O	F	A
I	S	N	O	I	T	C	E	N	N	O	C	S	O
U	U	B	L	A	O	P	U	E	W	L	D	Z	H
G	S	I	J	X	O	L	W	E	O	B	S	S	K
E	T	Z	T	T	C	E	C	I	V	D	A	T	Q
Y	I	R	O	A	Y	O	H	F	P	I	S	U	F

ADMIN
ADVICE
BUDGET
CONNECTIONS
CONSULTANCIES
GENDER
GUIDANCE
OWNERSHIP
SCAMS
SUSTAINABILITY

I know that face...



Answer at bottom of page



I know that face... Answer: Smart UK CEO, Jamie Fiveash