

A decorative graphic on the left side of the slide, consisting of several overlapping teal-colored triangles of varying shades, pointing towards the right.

PENSIONS POLICY

JAMES WALSH

JUNE 2019

POST-LUNCH AGENDA

- ▶ PLSA policy priorities
- ▶ Retirement Income Targets
- ▶ Pensions Dashboard
- ▶ Brexit



2019 POLICY PRIORITIES

1. Well-run schemes

- ▶ VFM / Cost Transparency Initiative
- ▶ ESG reporting
- ▶ Voting guidelines
- ▶ DC decumulation

2. Adequate contributions

- ▶ 12% AE minimum. 50-50 split
- ▶ Case for removal of LEL
- ▶ Pensions tax relief

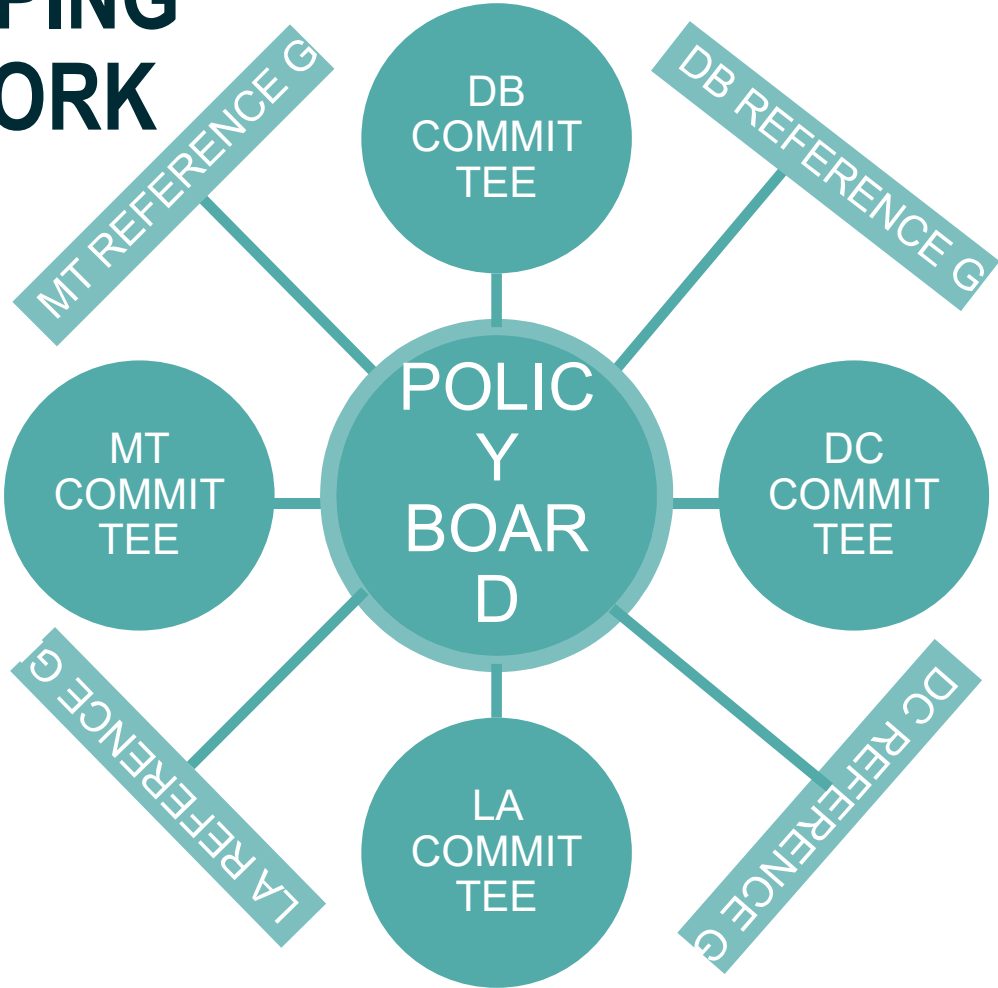
3. Effective engagement

- ▶ Retirement Income Targets
- ▶ Simpler Annual Statements
- ▶ Pensions Dashboard

4. Scale / consolidation

- ▶ DWP consultation on DB Super Funds
- ▶ Master Trust supervision
- ▶ LGPS governance / pooling / resources

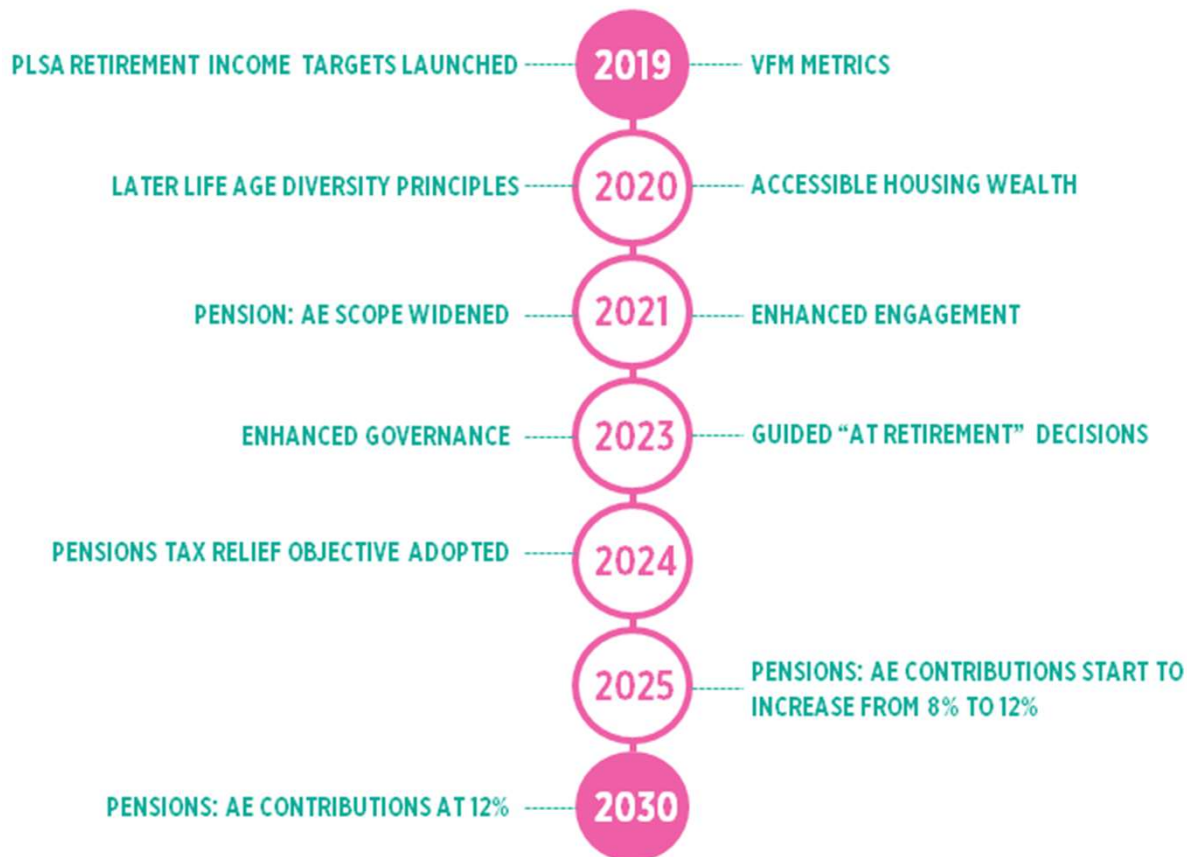
MEMBERS SHAPING OUR POLICY WORK



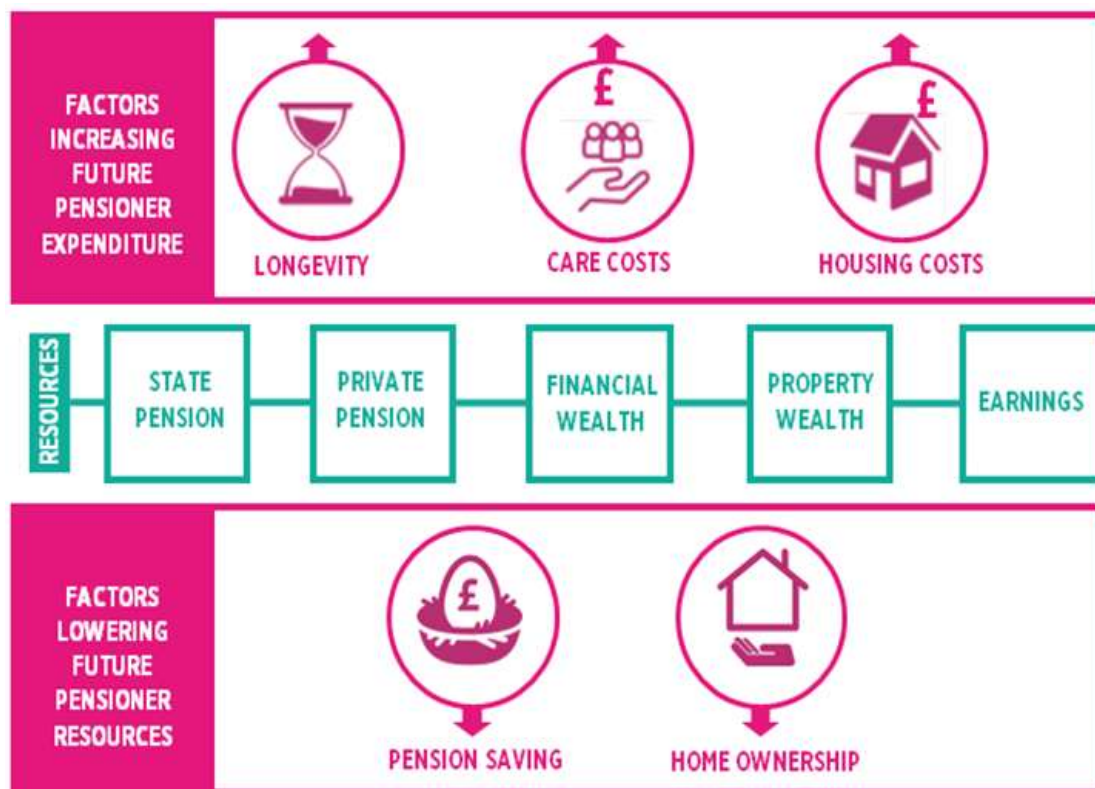
A decorative graphic on the left side of the slide, consisting of several overlapping teal-colored triangles of varying shades, pointing towards the right.

RETIREMENT INCOME TARGETS

HITTING THE TARGET – FINAL RECOMMENDATIONS













THE NEED FOR TARGETS

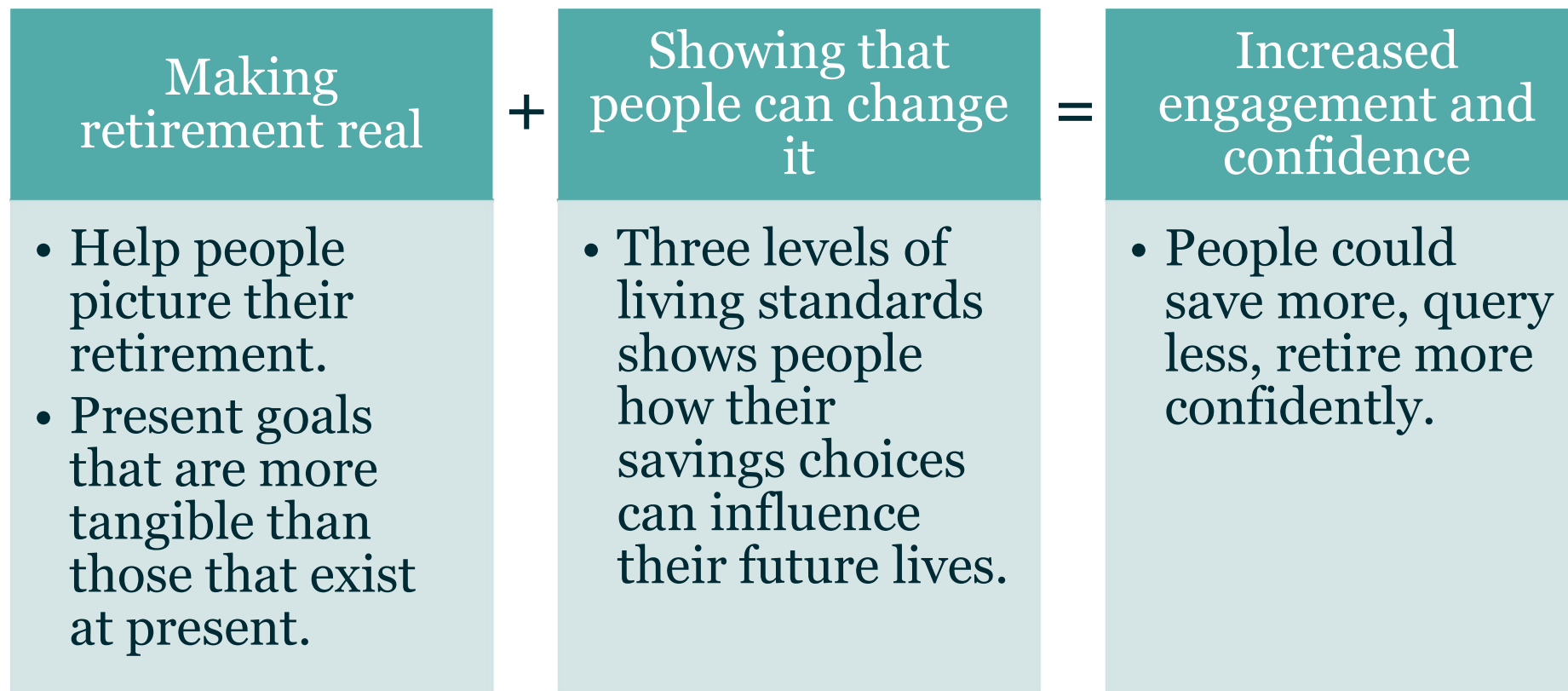


- Only **23%** of people claim to know how much they need to save in order to achieve an adequate retirement income.
- **51%** of savers (**13.6 million** people) are unlikely to achieve an adequate retirement income.
- Only **3%** of Defined Contribution pension savers are on track to achieve an adequate retirement income.
- **50%** of pensioners will possess either little or no housing wealth in 2030.

AUSTRALIAN- STYLE TARGETS

	COMFORTABLE RETIREMENT	MODEST RETIREMENT	AGE PENSION
	One annual holiday in Australia	One or two short breaks in Australia near where you live each year	Even shorter breaks or day trips in your own city
	Regularly eat out at restaurants. Good range and quality of food	Infrequently eat out at restaurants that have cheap food than a 'comfortable' lifestyle standard	Only club special meals or inexpensive takeaway
	Owning a reasonable car	Owning an older, less reliable car	No car or, if you have a car, it will be a struggle to afford repairs
	Afford bottled wine	Afford cask wine	Home brew beer or no alcohol at all
	Good clothes	Reasonable clothes	Basic clothes
	Afford regular hair cuts at a good hairdresser	Afford regular hair cuts only at a basic salon or pensioner special day	Less frequent hair cuts or getting a friend to cut your hair
	Take part in a range of regular leisure activities	Take part in one paid leisure activity infrequently. Some trips to the cinema	Only taking part in no cost or very low cost leisure activities. Rare trips to the cinema
	A range of electronic equipment	Not much scope to run air conditioner	Less heating in winter
	Replace kitchen and bathroom over 20 years	No budget for home improvements. Can do repairs, but can't replace kitchen or bathroom	No budget to fix home problems like a leaky roof
	Private health insurance	Private health insurance	No private health insurance
	\$43,695 (single)	\$24,270 (single)	\$21,164 (single)
	\$60,063 (couple)	\$34,911 (couple)	\$31,907 (couple)

THE BENEFIT OF TARGETS



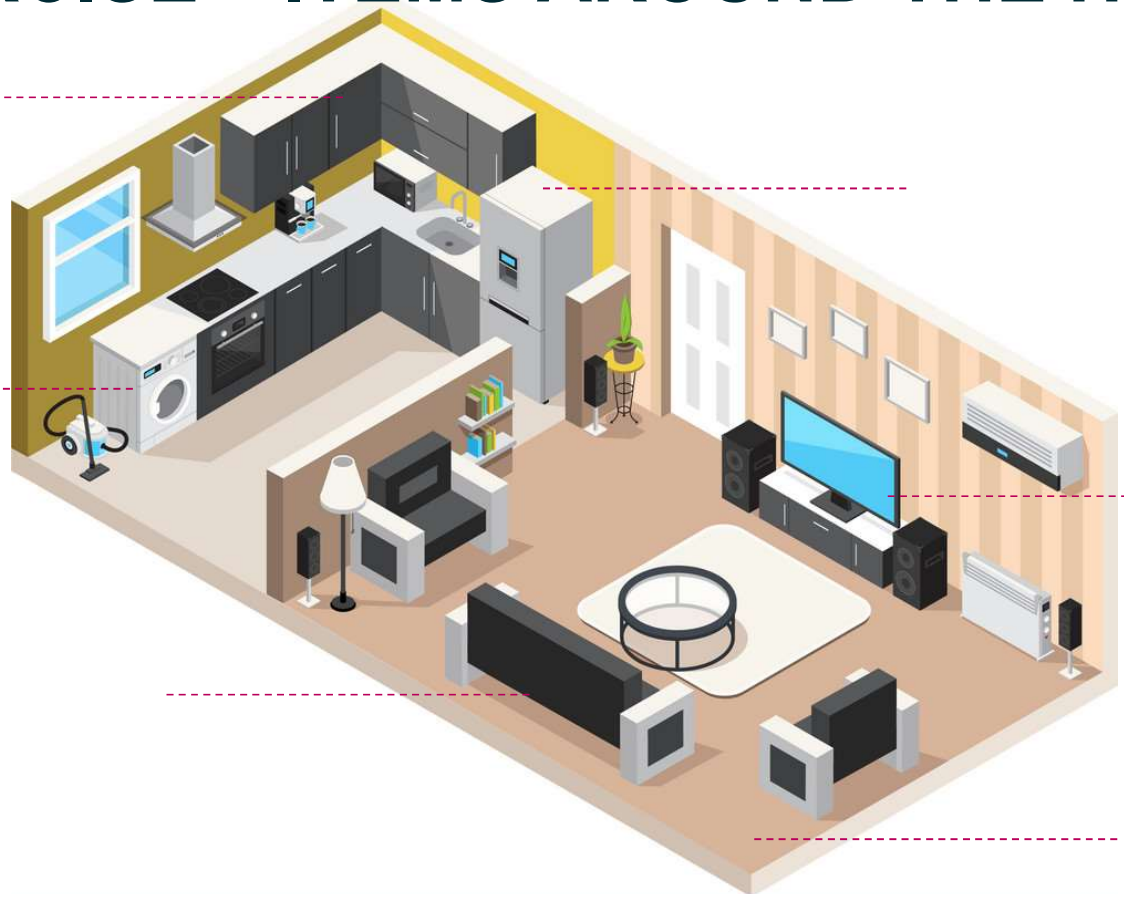
DEVELOPING RETIREMENT INCOME TARGETS

- ▶ PLSA commissioned Centre for Research and Social Policy at Loughborough University.
- ▶ Starting point - Minimum Income Standard.
- ▶ 25 groups: Leicester; Wrexham; Bristol; Dundee, Milton Keynes; Newcastle; Sheffield; Canterbury; Belfast; Nottingham; Norwich; Birmingham; Manchester; Derby; London
- ▶ 3-6 hours. Iterative process, with groups reflecting on each living standard level



GROUP EXERCISE – ITEMS AROUND THE HOME

- ▶ Size
- ▶ Brand
- ▶ Spec
- ▶ Lifespan



- ▶ Size
- ▶ Brand
- ▶ Spec
- ▶ Lifespan

NEXT STEPS

- ▶ Publish at Annual Conference (Manchester, October)
- ▶ Early adopters? Schemes, FinTech providers, Dashboard, Money & Pensions Service.

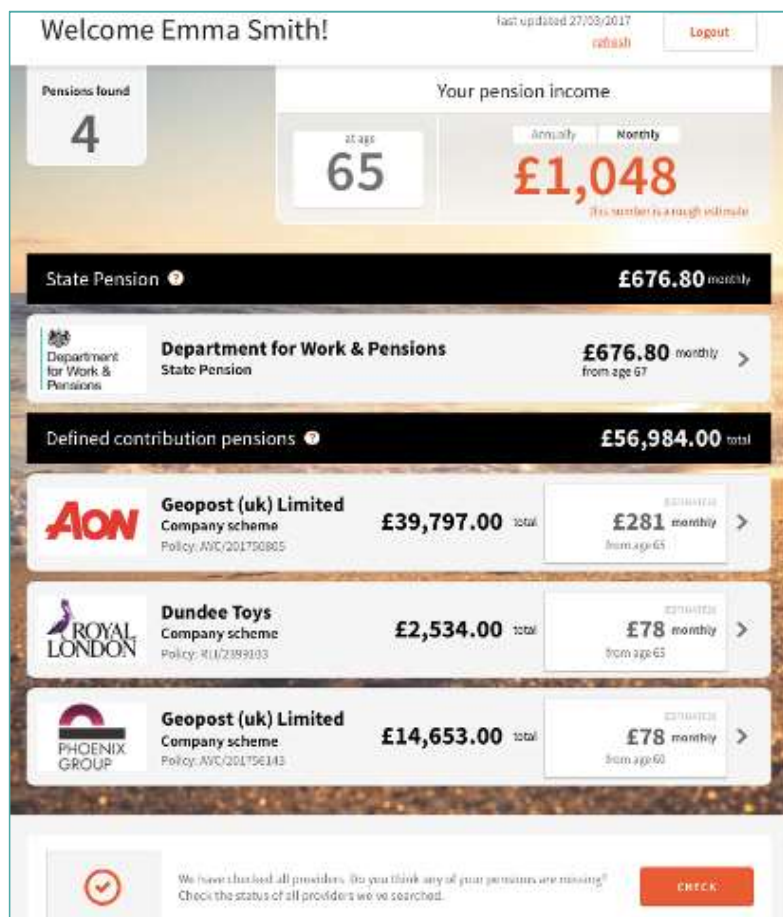
hittingthetarget@plsa.co.uk



A decorative graphic on the left side of the page, consisting of several overlapping teal-colored triangles of varying shades, pointing towards the right.

PENSIONS DASHBOARD

WHY A PENSIONS DASHBOARD?



✓ Help savers to locate their various pensions

✓ Help savers to understand the value of their pensions in terms of an estimated retirement income

✓ Help savers to plan for retirement

IS THE DASHBOARD ON TRACK?

PLSA view	Government policy
Single 'public service' Dashboard Run by SFGB / MAPS.	SFGB / MAPS to deliver non-commercial Dashboard.
Strong public sector voice in governance.	DWP expect regulators / key Govt departments to be on steering group.
State Pension included.	State Pension at earliest possible opportunity.
Compulsory for schemes to participate.	Will legislate for compulsion. Staged timetable - majority of schemes participating in 3-4 years. Phase data - starting with simple 'find & view'.
Chair of delivery body to be: independent; experienced in large projects; and knowledgeable on pensions.	Chris Curry (PPI) appointed Principal of Delivery Group.

DASHBOARD PRIORITIES FOR 2019



Delivery body:

- ▶ Create roadmap for delivering the digital architecture.
- ▶ Work with industry on setting data standards.
- ▶ Design robust governance and security framework.
- ▶ Work with industry on readiness to provide data.

SFGB / MAPS:

- ▶ Begin work to deliver a non-commercial pensions dashboard.

Government:

- ▶ Compel schemes to make consumers' data available.

A graphic on the left side of the page consisting of several overlapping teal-colored triangles of varying shades, pointing towards the right.

BREXIT

ISSUES FOR PENSION SCHEMES

IORP
II

Financial
services /
derivatives

Sponsor
covenant

Scotland?

EIOPA /
Solvency?

Derisking?

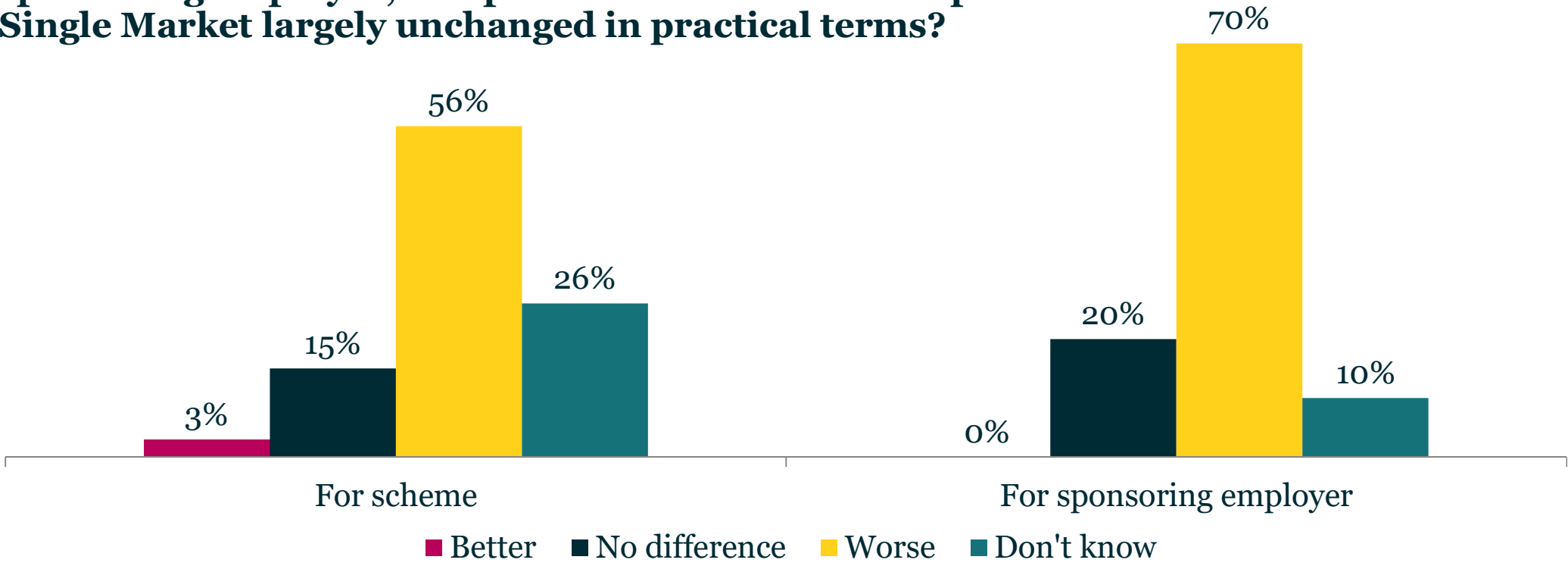
GMPs?

Liabilities
/ funding

Assets?

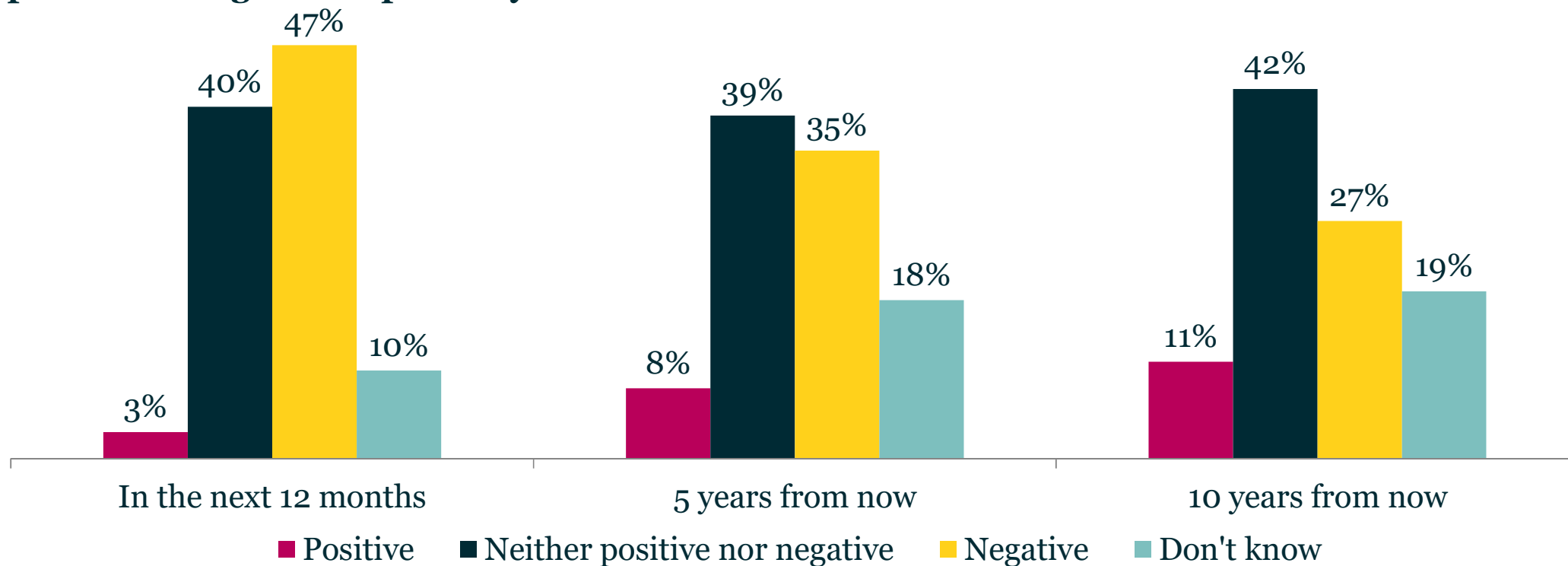
A 'HARD BREXIT' IS SEEN AS A WORSE OUTCOME COMPARED TO A DEAL WHICH KEEPS ACCESS TO THE SINGLE MARKET LARGELY UNCHANGED BY THE MAJORITY OF SCHEMES

What would be the outcome of a 'hard exit' for your scheme/
sponsoring employer, compared with a deal that keeps access to the
Single Market largely unchanged in practical terms?

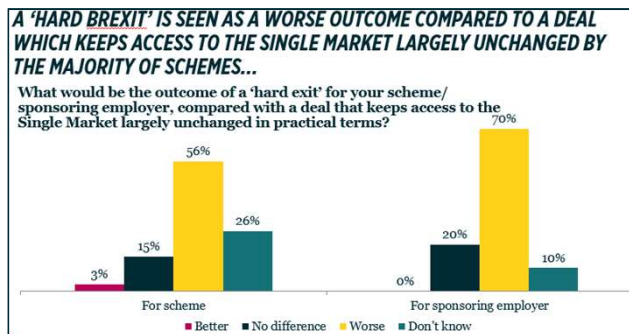
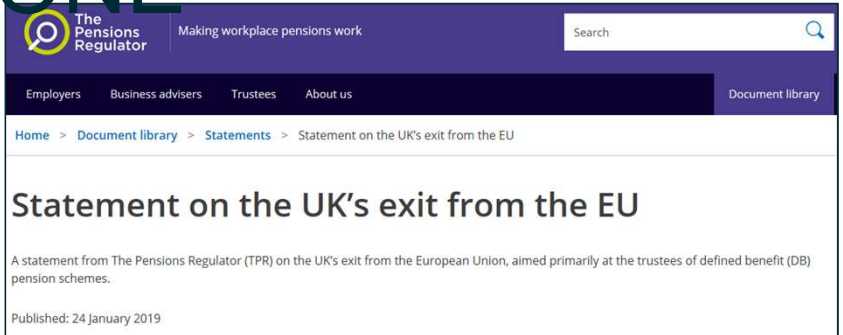
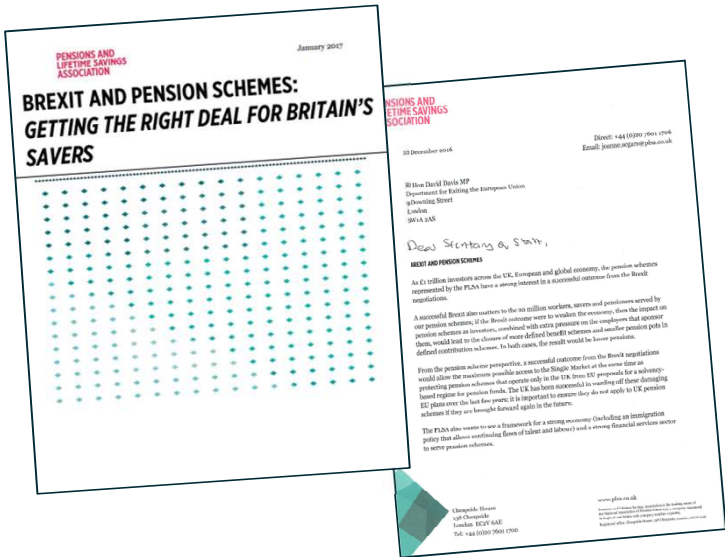


AROUND HALF OF SCHEMES THINK BREXIT WILL HAVE A NEGATIVE IMPACT OVER THE NEXT 12 MONTHS. THIS FALLS TO JUST OVER A THIRD AFTER 5 YEARS, AND AROUND A QUARTER OVER 10 YEARS.

Thinking about the following time periods, do you think Brexit will have a positive or negative impact on your scheme...?



WHAT PLSA HAS DONE



WHAT YOU CAN DO

- ▶ Read the Regulator's statement
- ▶ Review your employer covenant
- ▶ Check impact on DB liabilities
- ▶ Review valuation assumptions and funding level
- ▶ Check for opportunities to derisk
- ▶ Review your investment strategy
- ▶ Review your hedging arrangements
- ▶ Review overseas investments
- ▶ Remain vigilant for scams
- ▶ Reassure members

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

THE PENSION TRUSTEE'S BREXIT TO DO LIST
A PLSA briefing note

This note sets out ten actions that trustees should take to ensure their scheme is well-placed to deal with Brexit.

- 1. Read the Regulator's statement.** The Pensions Regulator has published a useful [statement on Brexit](#) – essential reading for trustees of DB schemes.
- 2. Review your employer covenant**
You should review your sponsoring employer's situation and any impact on its support for your scheme – either in terms of DB funding or contributions to DC pots. Discuss with the sponsor whether its prospects are affected by the uncertain economic climate or by shifts in currency and other markets – particularly if the company trades internationally. Then discuss with fellow trustees what this means for the scheme.
- 3. Check the impact on DB liabilities**
Continuing low interest rates and Quantitative Easing mean DB liabilities remain high. Ensure you understand the impact on your scheme.
- 4. Review valuation assumptions and funding level.**
Again, new market conditions throw up questions about whether your valuation is still current. Check with your advisers. Review how points 2, 3 and 4 affect your overall funding level.
- 5. Check for opportunities to derisk**
Buy-out prices for DB schemes are now more attractive. Check with your advisers whether now is the time to remove some risk from your scheme.
- 6. Review your investment strategy**
For DB schemes, is your investment strategy still fit for today's market conditions? Are there opportunities to purchase assets at cheaper prices? Check with your investment advisers. For DC schemes, is your default fund suitably diversified so as to protect members from any shock to the UK or European economy?
- 7. Review your hedging arrangements**
Check whether there has been an impact on the value of collateral that your scheme posts or receives under derivatives contracts. You might need to post extra margin – or ask your counterparties to do so.
- 8. Review overseas investments**
It will be some while before we have clarity on how Brexit affects your scheme's investments, contingent assets and investment vehicles in other countries – both EU and non-EU. Keep this under review.
- 9. Remain vigilant for scams**
Scammers may try to exploit current uncertainty by offering your members 'attractive' transfers away from the UK. Factor this into your warnings to members requesting transfers. Continue using the Pensions Regulator's [anti-scams material](#).
- 10. Reassure members**
You cannot remove Brexit risk for members, but you can reassure them that the trustees are monitoring and responding to risks on their behalf. Tell members what you are doing in response to Brexit.

Further information on [Brexit](#) and pension schemes is available at www.plsa.co.uk/PoliccrandResearch_Europe-and-International/Brexit.aspx.

A graphic on the left side of the slide consisting of several overlapping teal-colored triangles of varying shades, pointing towards the right.

QUESTIONS?