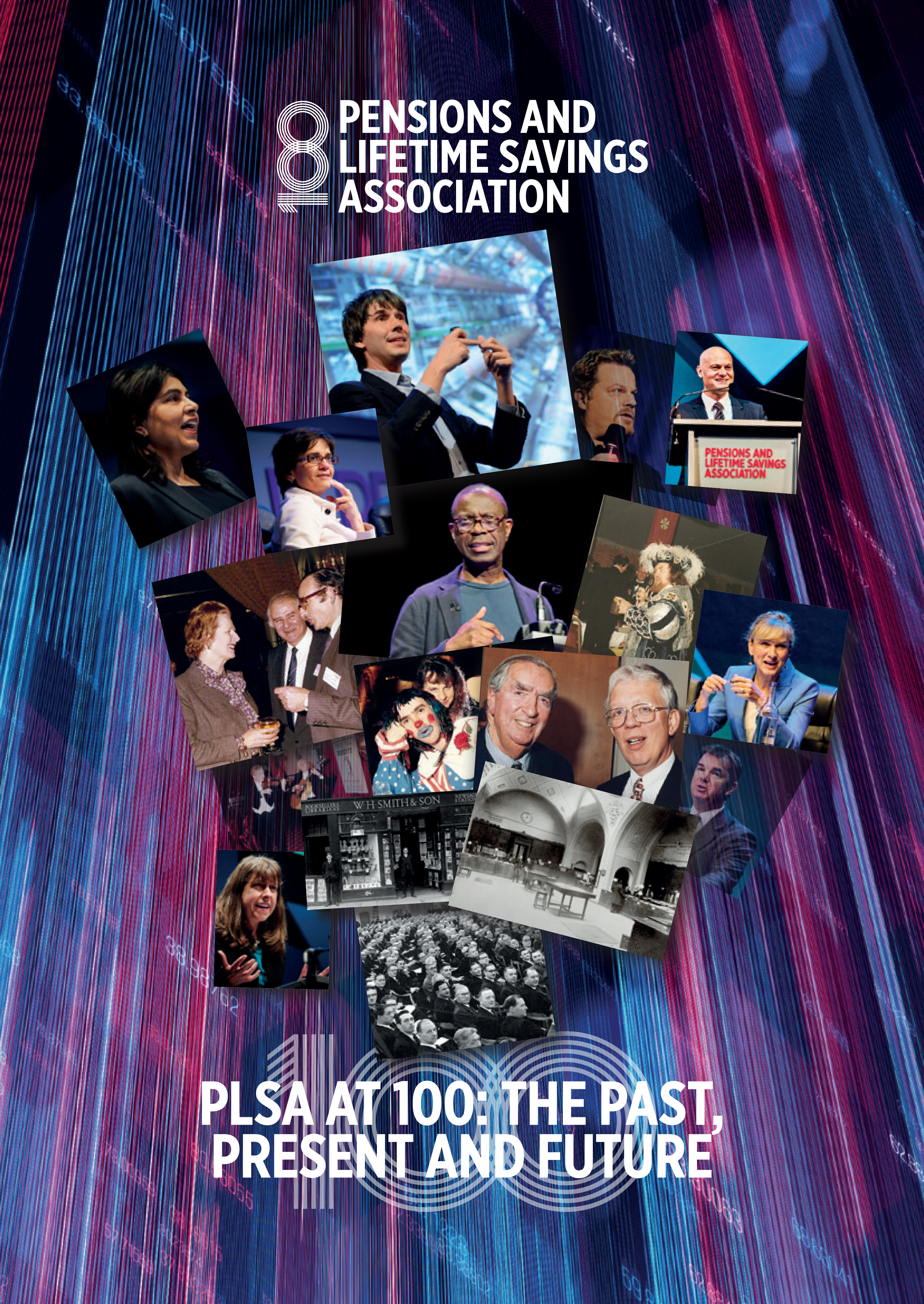

PLSA AT 100: THE PAST, PRESENT AND FUTURE

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Welcome

A better income in retirement, now and for the future

Julian Mund, Chief Executive, PLSA

Reading through our archives, I'm struck by the incredible achievements of the Pensions and Lifetime Savings Association (PLSA) over the past century, and the extraordinary change in the UK pensions industry over that time.

I can only feel inspired by the dedicated industry leaders who have led the association over the years and their work to help everyone achieve a better income in retirement – the common thread that binds us, and will carry us forward for the next 100 years.

I joined what was then the National Association of Pension Funds (NAPF) in 2013, as Commercial Director from The Chartered Institute of Public Finance & Accountancy. I was inspired by the NAPF's vision to be a modern, influential organisation that spoke for a broad section of the workplace pensions community.

But we recognised that market consolidation and the introduction of pension freedoms, along with a growing emphasis on lifetime savings, meant that we needed to evolve.

We clarified our mission of helping everyone achieve a better income in retirement, which has been at the heart of the association from the beginning. That message helped to drive our sense of purpose, and we rebranded as the Pensions and Lifetime Savings Association. Shortly after, in 2017, I became Chief Executive.

In more recent years, we've launched the highly successful Retirement Living Standards, to help people picture what kind of lifestyle they could have in retirement. In the same year (2019), the Cost Transparency Initiative was born, an industry standard for institutional investment cost data and one of the most frequently downloaded resources on our website.

Continuing to focus on our members

Covid-19 affected everyone in 2020. We focused on supporting members and for a time our events and training became digital. Together with our members, we adapted to remote working, so our policy work and events continued without missing a beat. In fact, we saw around 60% new members engage digitally with our events.

Our key initiatives post-pandemic were to rebuild face-to-face events, consider our property needs, and invest in our digital development. I'm pleased that our events, training and conferences now continue to be some of the biggest and best in the industry.

We added the objective of being the voice of workplace pensions and savings to our strategy – advocating for our members – as well as the strategic goal of bringing the industry together.

For 2022-2024, we made these pledges to members:

- We will champion a policy framework that means most people will have an adequate income in retirement and aim to ensure the regulatory and operating environment is appropriate for our members.
- We will bring together our members and key commentators through inspiring events and effective networking activities to discuss best practice and key issues, and to create and share insights that enable them to play a full role in the pensions and savings community.
- We will help and support our members by ensuring they receive expert communications that are easily accessible, and by engaging with them to understand their needs.
- We will invest in developing, retaining and acquiring the right people and technology and prioritise on doing the right things in the right way.
- We will maintain an operating surplus and adequate reserves through developing and targeting incremental revenue growth.

A clear, consistent mission

Today the PLSA represents over 1,300 pension schemes that together provide a retirement income to more than 30 million savers in the UK, including defined benefit (DB) and defined contribution (DC) schemes, master trusts and local authority funds.

The PLSA's mission is clearer than ever through our policy driving campaigns across all areas of workplace pensions.

In 2023, our *Five steps to better pensions: Time for a new consensus* campaign calls for a path to increased automatic enrolment coverage and contributions by the 2030s. We're also continuing to work with the ABI to build on last year's award-winning Pension Attention awareness campaign.

It's a privilege to be Chief Executive of the PLSA as we turn 100. In the next 100 years, we will continue working with members to drive policy, build networks, and provide guidance and support. We want to achieve a pensions framework that works and ensure that a better income in retirement is a realistic goal for the generations to come.

Introduction

Richard Butcher and **Mark Cooke,** authors of this celebration guide.

A hundred years ago, workplace pensions were only just starting to gather pace and there was no formalised approach to personal pension saving. State pensions had existed for around 15 years but were there only for the few who made it to genuine old age. In other words, for most, retirement was a frightening concept fraught with financial peril.

Roll forward to 2023 and there are around 27m people in workplace pensions with close to £2tn of assets saved toward retirement. Retirement can still be daunting but, for most, there is now a working system that should mean they avoid financial peril. Workplace pensions are one of the great welfare success stories of the 20th and early 21st century.

In the first part of this book you can read about the 100 year history of workplace pensions and the part the PLSA has played in that history. Over the decades, it has constructively challenged the legislators, and more latterly, the regulators, to make sure that rules fit for purpose and support a better retirement for everyone.

How the PLSA has evolved

But the PLSA is more than this. Through this history, you'll also see it has proactively developed and launched many ideas that have helped pensions: from seeding organisations like the Pensions Management Institute to, more recently, launching the Retirement Living Standards.

As part of our celebration in this book, we list all of the past Chairs and Chairmen as well as the original members (many of whom are still members albeit in different guises). But the PLSA and its predecessors is not these people alone. It is a continuously changing collective of people from the industry. In other words, the challenge and the ideas have all come from its members.

Looking to the future

In the final part of this book we speculate about what could happen to workplace pensions over the next 100 years. While it's clearly very difficult to do this, one thing we know for sure is change is and will continue to be a constant. This change will only be successful if the legislators and regulators are held to account and supported by a knowledgeable pensions industry. And, as the voice of that industry the PLSA has a vital role to play. We must continue to be the practical and creative voice that speaks truth and common sense to the regulators and legislators and we have to continue to imagine what the future might be – developing or helping incubate the ideas that will lead to better retirement incomes.

Richard Butcher

Mark Cooke

A brief history of pensions

The Pensions Archive Trust take us on a journey through the rise, fall and rise again of workplace pensions.

The early history of pensions

For many businesses, pensions are a 20th - century innovation (and in some cases, even a 21st century addition). But enlightened employers who wanted to support their employees when they became too old for work date back many centuries. Even in Tudor times, there was a tradition among some landowners and lords to reward faithful servants with ex-gratia pensions and gratuities.

The earliest occupational schemes date back as far as the late 17th century for firms associated with the government, such as the Bank of England and the East India Company. And by the 18th century, friendly societies, with savings made for funeral costs, old age, sickness and unemployment were starting to appear.

Workplace pensions started to evolve more significantly in the 19th century, with railway companies beginning to establish pension schemes for their employees. Towards the end of the century, public sector workers such as teachers and police were also given pensions based on the existing civil service scheme. Private sector companies followed, such as Reuters and WH Smith, with Rowntree and Cadbury establishing schemes in the early 20th century.

The arrival of the state pension in 1909 gave people who lived into (what was at the time) extreme old age another way of funding retirement.

Tax relief: a catalyst for pensions and the PLSA

The roots of the Pensions and Lifetime Savings Association (PLSA) reach back to the early years of the 20th century. In July 1917, John Mitchell of the Omnibus, Railway and Equipment Companies' Staff Superannuation Fund chaired a meeting of a Conference of Representatives of Superannuation Funds, with the aim of lobbying for pension funds to be relieved from income tax. Their campaign was successful, resulting in the Finance Act 1921 (see 'The 1920s', below).

The Bank of England has one of the oldest workplace schemes. *(source: 15A13/1/1/6/4 The Bank of England Archive)*

The 1920s and 1930s

The Association of Superannuation and Pension Funds (ASPF) formed on 18 January 1923

The ASPF holds its first Annual Conference in 1934

Finance Act 1921 introduced tax relief on pension contributions and investment income

Pensions Act 1925 started to change the relationship between state and workplace pensions

Growth in company-sponsored pensions, in an era of industrial action

Dorothy Spiers becomes the first woman in the UK to qualify as an actuary, in 1923

The Finance Act 1921, the result of the Representatives of Superannuation Funds lobbying campaign, introduced tax relief on pension contributions and investment income, subject to a number of conditions. The most notable was that the assets must be held in a trust separate from the relevant company.

Tax was levied only on pensions when paid, although many pensions were within the exemption limit. This system remains broadly in place today.

Stanley Baldwin, prime minister at the time of the landmark 1925 Pensions Act. *(source: Bain News Service, public domain, via Wikimedia Commons).*

The introduction of tax relief was the catalyst for the establishment of the Association of Superannuation and Pension Funds (ASPF), the original name for the PLSA, on 18 January 1923. John Mitchell was its first elected chairman.

More company-sponsored pension schemes began to appear in the 1920s, drawing on the experience of the railway companies and friendly societies. In part, this helped with employee retention and labour relations, in an era where strike action cost 85 million working days in 1921 alone, and 1926 saw a General Strike across the country.

Industrial action affected mineworkers and many other industries. *(source: Public Domain, https://commons. wikimedia. org/w/index.php?curid=512235)*

But employees lost their pension rights on leaving service and it was common to grant refunds of employee contributions, often with interest. This type of scheme design helped to fund pension promises, and also supported employee retention. Refunds were popular with employees, many of whom appreciated cash rather than a future promise.

State and workplace pensions

The relationship between company sponsored pensions and state pensions has affected both the growth and design of workplace schemes over the last 100 years.

The Pensions Act 1925 removed some means testing from state provision, allowing employees to receive workplace pension payments without a reduction in their state pension.

However, the better-off were still excluded from state pensions. This was a significant factor in the growth of company schemes. In 1928, the state pension age for those who were entitled to receive it, fell from 70 to 65.

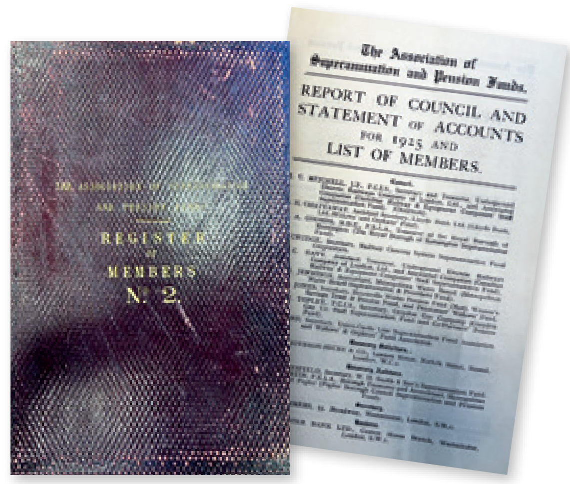
The 1930s: pensions growth post-Depression

The 1930s saw an increase in group pension policies offered by insurance companies, using economies in transaction costs and pooling of investment risks. These "insured" schemes typically offered a percentage of average salary for each year of service, combined with life assurance. Larger employers ordinarily, but not exclusively, ran their own, self-administered schemes.

From the early 1930s to the early 1950s, the principal growth in membership of private sector schemes was in those offered by insurance companies. This included Legal and General, Prudential, Eagle Star, Friends Provident, and Standard Life. Membership grew from 120,000 in 1934 to 500,000 in 1944, reaching 2.25 million in 1956.

Pension savings continued to grow in the 1930s. Despite unemployment rates of over 20% at the beginning of the decade as a result of the Great Depression, over time the number of people in employment increased, mostly working for comparatively larger companies. Real incomes went up rapidly, so increasing the demand for retirement savings.

For larger companies operating self-administered schemes, the Association of Superannuation and Pension Funds circulated lists of consulting actuaries willing to take on pension fund work.



1925 register of ASPF members. *(source: PLSA)*

The 1940s and 1950s

In 1957, ASPF members' AUM hit £1bn for the first time

ASPF introduces local groups and newsletters in the 1950s

Finance Act 1947 applies limits to some private sector pension benefits

Universal State Pension without means-testing introduced in 1948

Finance Act 1956 aimed to provide more equitable tax treatment of pensions

There were significant changes to state pension benefits during the 1940s. Firstly, in 1940, women's state pension age reduced from 65 to 60. Following the influential 1942 report, Social Insurance and Allied Services, by William Beveridge, the National Insurance Act 1946 established from 1948 a contributory state pension for all without means testing. This was funded by significantly increased National Insurance contributions, together with savings in some means tested benefits.

Men aged 65 or over had to retire from full-time and any significant part-time work in order to receive their state pension.

For private sector company sponsored pensions, the Finance Act 1947 imposed limits on lump sums and tax favoured pension benefits to the level provided in public sector schemes, although tax reliefs were not consistent between different types of schemes. In the public sector, those working for the industrial civil service ("blue collar" workers) acquired pension rights.

The ASPF's 1957 conference in full swing. *(source: PLSA) LMA Ref: LMA/4494/E/02/005/005*

The 1950s: nationalisation and pensions

This decade saw a rapid growth in employees of local or central government with pension rights, boosted as a result of the nationalisation of railway, gas and electricity companies, all of whom offered pension schemes.

By the mid-1950s, the government had established pension schemes for all the major nationalised corporations. Local authority and nationalised corporations' funds resembled

schemes in the private sector most closely as they used a funded model (i.e. scheme contributions were invested to drive growth). Other public sector schemes were unfunded (i.e. scheme contributions from current members are used to fund pensions in payment).

Although the number of companies offering pension schemes grew, eligibility conditions meant schemes rarely covered the majority of employees. Female employees, for example, were often excluded. Blue collar workers were often excluded too, and where they were admitted, had less generous benefits. Some did not join schemes due to increased National Insurance deductions resulting from the introduction of the contributory state pension scheme in 1948, and the potential means testing of some supplementary benefits.

For larger companies who offered more comprehensive employee coverage, it was common to have separate Works, Staff, and Executive Schemes. This approach continued into the 1980s and 90s, when increased governance costs and time led to scheme amalgamation.

Tax in the spotlight (again)

The growth of company schemes was assisted by significantly increased taxation rates for both companies and members after the second world war, which increased the relative value of pension scheme tax benefits.

Four interested bodies, including the Association of Superannuation Funds, established a committee in 1948 to examine anomalies in the tax treatment of pension funds. The aim was to have an equitable and coherent tax treatment of retirement benefits. This eventually resulted in the Finance Act 1956, which introduced:

- Limited tax concessions on pension contributions for the self-employed for pension benefits but not on the payment of lump sum benefits, which were typically provided through endowment policies
- Tax charged only on the interest element and not the capital element of annuities
- Tax concessions extended to employee contributions and fund investment income for insured schemes, only having been previously available to self-administered schemes.

Tax free lump sums were still not permitted in either insured or self-administered schemes. To overcome this, schemes began combining tax privileged pension benefits with separate lump sum benefits. The Finance Act 1956 contained no provisions to prevent this.

The 1960s and 1970s

Association of Superannuation Funds renamed the National Association of Pension Funds (NAPF), 6 June 1962

By 1970, the NAPF represented 2,282 funds

1961: State Graduated Pension Scheme introduced; schemes can contract out

More employees have access to pensions, partly due to high employment rates

Finance Act 1970: Tax treatments and scheme design subject to new legislation

Contracting-out of SERPs introduces complexity

Equal access to pensions for men and women, but scheme membership starts to fall

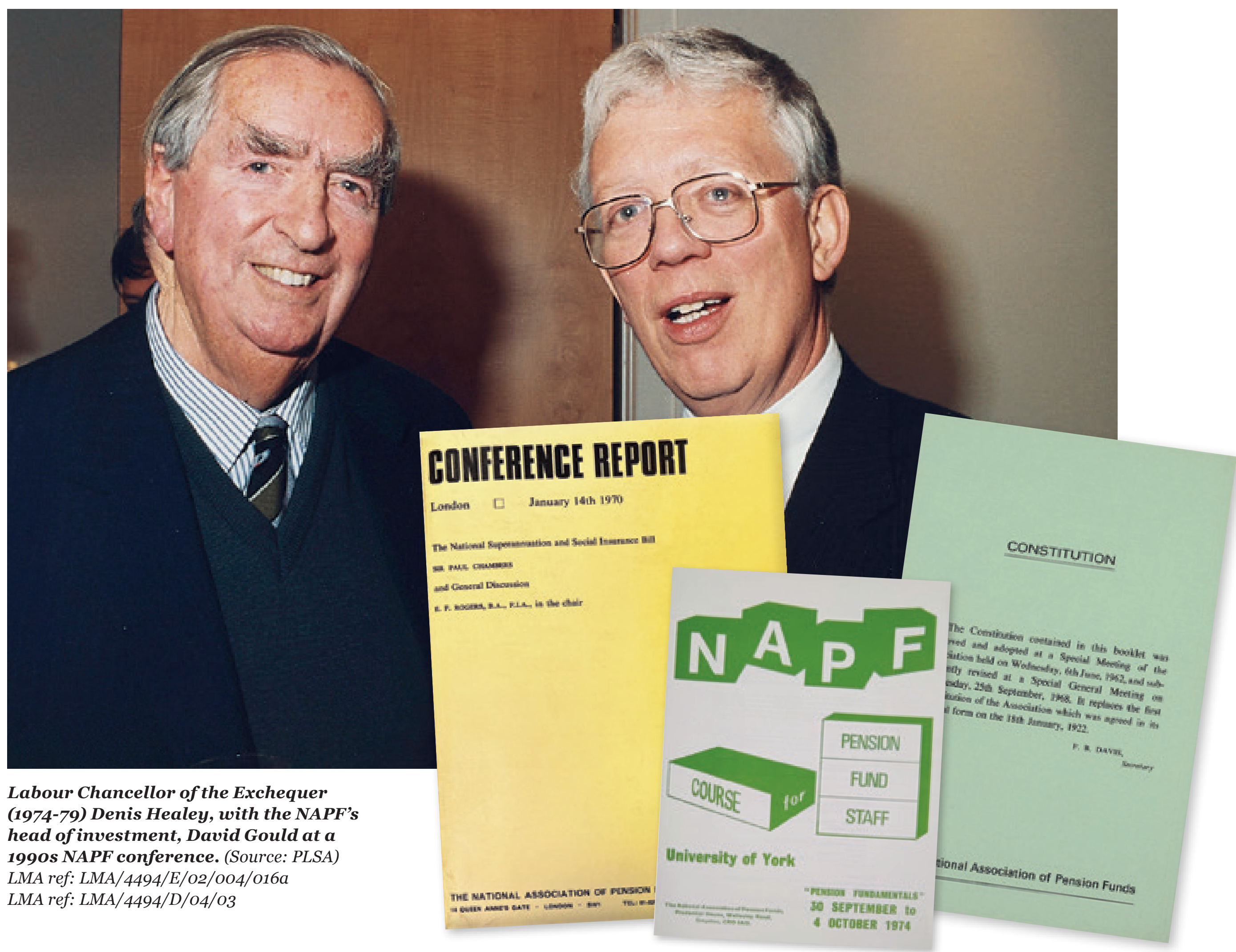
Changes to the state pension in the early 1960s had a knock-on effect on company schemes, resulting in wider access to occupational pensions.

The National Insurance Act 1959 introduced the State Graduated Pension Scheme in 1961. Flat rate contributions secured an increased flat rate state pension. Higher earners paid further graduated contributions up to a limit broadly in line with average earnings that provided limited graduated benefits of 6d a week for every £15 of contributions.

Company schemes were permitted to contract-out of the graduated element of the state scheme. Reduced rate National Insurance contributions were payable in return for minimum scheme benefits equal to maximum graduated benefits in the state scheme. These were known as an Equivalent Pension Benefit. No inflation proofing was required as state graduated pensions were not inflation proofed.

The introduction of the State Graduated Pension Scheme resulted in the growth of insured pension schemes for companies who, if they did not start their own pension scheme, were required to contribute to the State Graduated Pension Scheme. Self-administered schemes began extending to a wider range of employees, where coverage increased from around a third to nearly half the workforce during the decade. The growth in company pension schemes in the 60s and 70s was in part driven by full employment.

From the 1950s and 60s onwards, pension scheme investment strategies began to change. There was the beginning of a move from fixed interest towards equity investment, with the aim of achieving higher rates of return to meet scheme liabilities. This was largely due to the influence of George Ross Goobey, who was later elected president of the National Association of Pension Funds in 1972. In the 1960s, property became part of the investment strategy for some pension schemes.



Labour Chancellor of the Exchequer (1974-79) Denis Healey, with the NAPF's head of investment, David Gould at a 1990s NAPF conference. *(Source: PLSA)*
LMA ref: LMA/4494/E/02/004/016a
LMA ref: LMA/4494/D/04/03

The 1970s: new approaches to scheme design

The 1970s saw a wealth of legislation affecting tax treatment and scheme design. The Finance Act 1970 introduced a new code for approval of pension schemes. This generally allowed pensions of up to two-thirds of final remuneration and lump sums paid tax free of up to 1.5 times final remuneration.

Schemes' definitions of final pensionable salary were typically less generous, and such definitions were used to calculate scheme entitlement. This was permissible providing benefits did not exceed the maximum allowable calculated using final remuneration.

Breaching Revenue limits could prejudice scheme approval and the associated tax advantages. Understandably, scheme rules designed to capture such scheme design became more complex. New schemes were required to comply with the requirements by 1973 and existing schemes by 1980.

The Social Security Act 1973 introduced requirements for schemes to preserve pensions on leaving service for those aged 26 or over after

five years of contributions. This restriction was subsequently reduced to two years in 1988 and, for money purchase schemes, to 30 days in 2014. Whilst this provided a more equitable scheme design, it reduced the effectiveness of pension schemes as a staff retention tool and increased the cost of providing scheme benefits.

The Social Security Pensions Act 1975 introduced a new State Earnings Related Pension Scheme (SERPS), which came into effect in April 1978. National Insurance contributions were levied on earnings of up to 1.5 times average earnings, with pensions based on the best 20 years earnings. The new state pension had apparent cross-party agreement, improving significantly state pension benefits for male average earners and women.

Company schemes could contract-out of SERPS in return for meeting complex requirements, including the provision of a Guaranteed Minimum Pension (GMP). According to the Government Actuaries Department in 1979, only 1.3 million of 11.6 million company pension scheme members were not contracted-out. A minority of schemes, perhaps presciently, opted for simplicity in providing scheme benefits on top of those provided by SERPS.

1978 also saw the introduction of equal access requirements for women, with reduced rate National Insurance contributions for married women opting out of state pension benefits abolished.

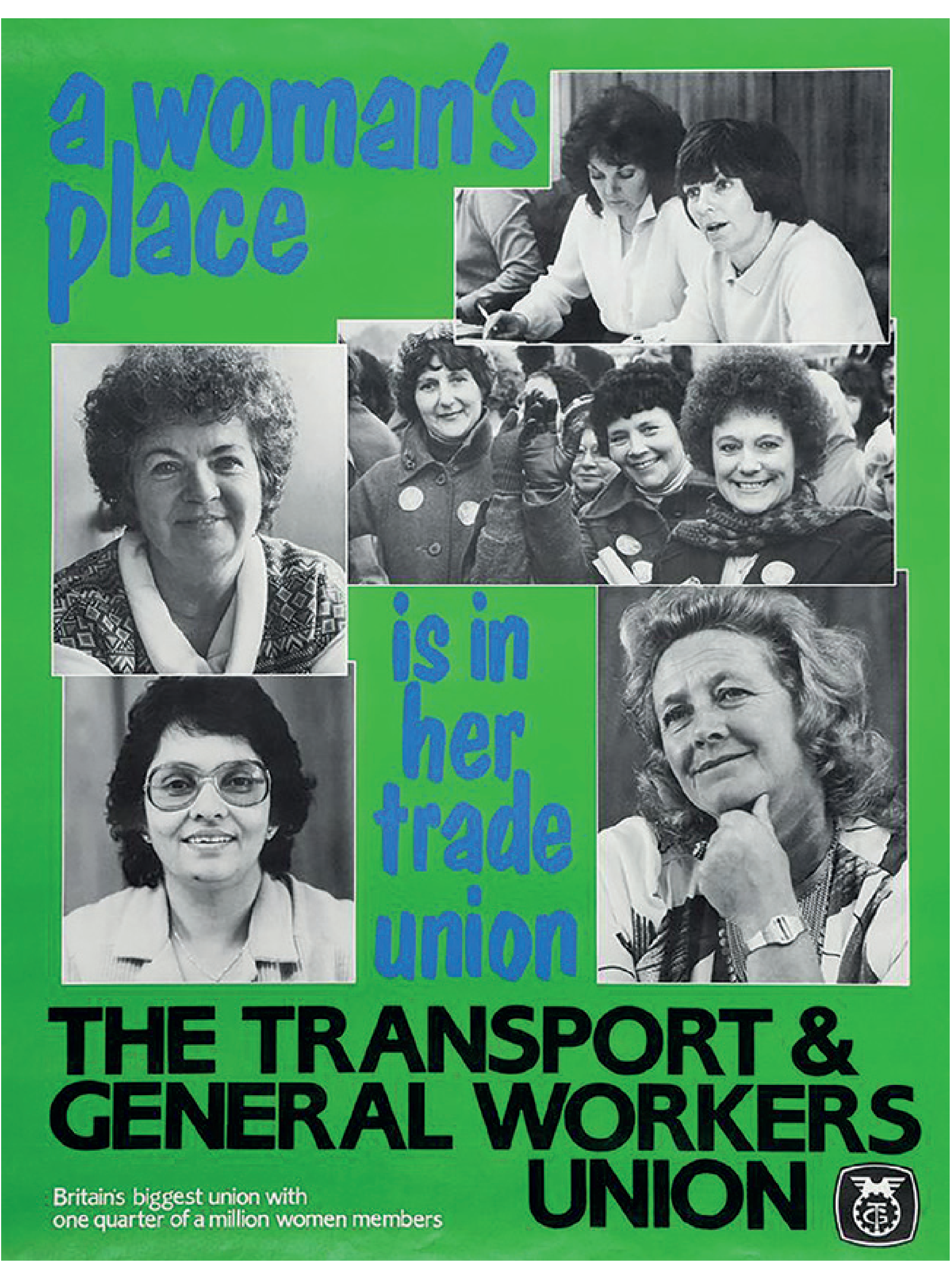
The Government Actuary confirmed a significant shift to final salary related benefits during the decade, from around two-thirds of company scheme members at the beginning of the decade to over 90% by the end. In the private sector, inflation proofing was less commonplace beyond state pension and contracted-out benefits, with around 20% of pensioners having guaranteed increases of 3% a year, although some schemes gave ex-gratia increases.

The decade also saw an increase in widows' death-in-service and death-after-retirement pensions, whilst more women were building up state and company sponsored pensions in their own right. Schemes began to mature as the number of company pensions in payment increased from 0.2 million in 1936 to 8.9 million in 1979.

Better pensions, but membership starts to fall

Pension scheme membership as a percentage of the workforce began to decline in the 1970s. The reasons included improved state benefits; increased scheme costs from contracting-out requirements and early leavers' rights; and the growth of part-time workers who were often excluded from schemes. Rising unemployment also meant companies were less concerned about using schemes as a staff retention tool, which in any event were less effective following the introduction of early leavers' rights.

Paradoxically, for those who were scheme members, companies were required to improve the benefits provided. This included early leaver rights, and contracting-out requirements resulting in improved widows' benefits and schemes providing final salary related benefits, which in any event were growing in popularity due to rising inflation. According to the Government Actuary in 1979, company contributions were now three times the level of members' contributions.



Women's rights in the workplace came under scrutiny in the 1970s, including equal pensions access rights. *(source: TUC at 150)*

The 1980s

Final salary schemes continue to grow and become a factor in corporate transactions

Schemes often in surplus, but Finance Act 1986 imposes restrictions

Personal pensions with employer contributions introduced in 1988

New tax approval regime for company pensions

Start of a shift from final salary/ defined benefit towards defined contribution schemes

The 1980s saw significant change in pension schemes' role as a part of corporate finance, and also sowed the seeds of change away from final salary or defined benefit schemes, towards defined contribution (DC) arrangements.

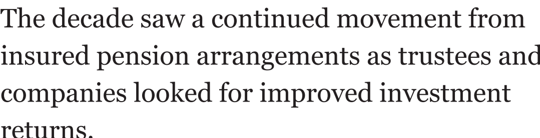
Final salary self-administered schemes continued to grow in terms of assets under management and became a key consideration in corporate transactions, at a time when many nationalised industries were being privatised. It was common to require purchasers to establish a scheme providing similar benefits, the extent of which depended upon negotiations. Schemes often had a surplus (i.e. more money than required to pay benefits); sometimes it was this that made the scheme sponsor an attractive target. Scheme transfer negotiations centred on whether a share of the surplus was included.

Outside corporate transactions, the treatment of scheme surpluses was a key consideration, with concern that some companies paid higher pension contributions to shield profits from corporation tax. Consequently, the Finance Act 1986 introduced an actuarial test on a prescribed basis restricting such surpluses to 105% of past service liabilities. In order to retain investment income free of tax, schemes had to address surpluses in excess of this level. The options were benefit improvements, contribution holidays, or a refund to the company taxed at 40%, providing a surplus of at least 5% remained. The issue of who owned a surplus became a subject of debate and litigation.

Then-Prime Minister Margaret Thatcher at the NAPF's 1983 conference. *(source: PLSA)*

Fierce debates and period costume at the 1989 NAPF conference *(source: PLSA)*

The decade saw a continued movement from insured pension arrangements as trustees and companies looked for improved investment returns.



Personal pensions drive change

A big change occurred with the introduction of personal pensions to which companies could pay contributions in April 1988, leading to the introduction of personal pension schemes branded with a company's name. The Social Security Act 1986 introduced contracting-out through personal pensions, with the ability to backdate to April 1987. A percentage of National Insurance contributions was diverted to the member's personal pension. The aim was these contributions together with investment returns would provide a greater benefit than that given up in SERPS.

Company sponsored Defined Contribution (DC) schemes were also able to contract-out, and so began a shift from final salary schemes to DC schemes and personal pensions, particularly for smaller companies. The changes led to a boom in insurance company business.

The Income and Corporation Taxes Act 1988 introduced a new tax approval regime for both company and personal pension schemes, replacing the code introduced in 1970. In addition, it was no longer possible to make scheme membership a condition of employment. An unintended consequence was some employees were encouraged out of company sponsored schemes into their own personal pension arrangements when it was not in their best interests.

The Finance Act 1989 created another Revenue limit regime for pension contributions and benefits so there were now three – pre'87, 87-89, and post '89. An earnings cap was introduced for new members and new schemes of £60,000 (to be indexed by RPI) for the purpose of determining pension contributions and benefit accrual.

The decade also saw the introduction of pension scheme disclosure requirements to scheme members.

The 1990s

NAPF is actively involved in defining pensions legislation

Equal pay for equal work – men and women must be treated fairly in pension saving

Robert Maxwell theft from pension schemes catalyst for 1995 Pensions Act

NAPF chairs worry that the Act creates 'a pensions fortress'

Pensions mis-selling scandal – compensation exceeds £11bn

The decade got underway with the landmark case of Barber v Guardian Royal Exchange (GRE) in the European Court of Justice, on 17 May 1990. This ruled that benefits under a pension scheme are deferred pay and therefore subject to the principle of "equal pay for equal work" i.e. that men and women had to be treated equally.

There followed a series of cases endeavouring to clarify the application of the judgement as trustees and companies tried to ensure their scheme benefits complied with this requirement, and, importantly, that this was documented effectively. In addition, Barber v GRE created a wave of

Peter Thompson (future NAPF chair) meests up with Steve Webb (future Pensions Minister) at the 1993 conference. *(source: PLSA)*

Senior faces at the NAPF, in its Grosvenor Garden offices *Front row:* ***Michael Pilch, Peter Murray (ex-chair), Ken Smith*** *Back row:* ***Alan Pickering, Tom Ross (ex-chair), Ann Robinson (ex-chief executive), Peter Stirrup, Brian MacMahon, Charles Woodward.*** *(source: PLSA) LMA/4494/E/02/003*

pensions litigation, which raised issues that went beyond equalisation, such as interpretation of scheme amendment powers.

Towards the end of 1991, Robert Maxwell disappeared from his yacht, with his body found in the Atlantic some distance away from the Canary Islands. Whilst the cause of his death remains subject to dispute, it quickly became clear that around £450 million was missing from various pension schemes within his businesses, affecting some 32,000 members.

The Pensions Schemes Act 1995

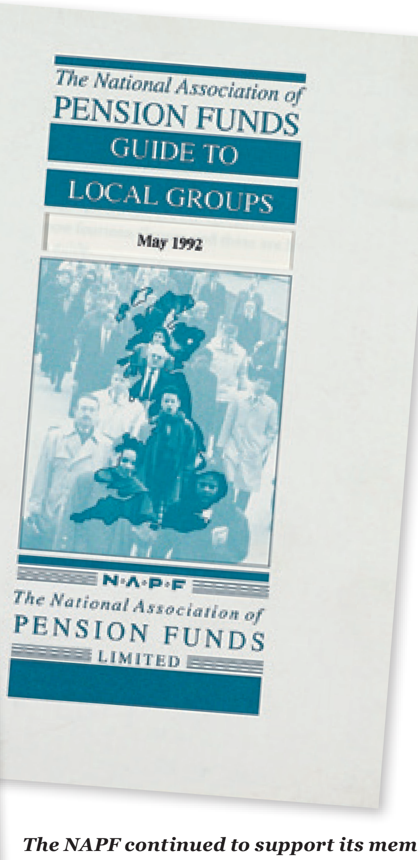
The Pensions Schemes Act 1995 followed, based on a report by Professor Roy Goode published in 1993, that sought to reduce the possibility of a repeat event.

The NAPF recognised the need to achieve three, conflicting, objectives with the Act. Firstly, as noted by Tom Ross, chairman between 1995 and 1997 "the plundering of ... companies' pension funds ... could not be allowed to happen again and ways had to be found to mitigate the losses suffered by ... members".

But secondly, Ross continued, in words echoed by both Alan Pickering, who was chairman between 1999 and 2001 and Ron Amy, who was chairman between 1993 and 1995, while acknowledging change was inevitable and necessary, "a big concern was that overly prescriptive and draconian requirements could kill off good quality private sector occupational schemes". The Act had to be balanced and proportionate.

The third, but equally important objective, as noted by Ron Amy was the "rebuilding (of) public confidence in occupational pensions" lost as a consequence of Maxwell's action.

All three of them believed the NAPF and others' lobbying efforts improved the government's initial proposals but accept, as Ron Amy concluded, "the eventual Act (was) something of a missed opportunity". As a result, all three agreed, in the words of Alan Pickering, the Act "created a pensions fortress that sowed the seeds of decline of defined benefit (or DB) pension provision".



The NAPF continued to support its members in many different ways through the 1990s.
Overview publication: LMA/4494/D/03/002
Local Groups: LMA/4494/D/02/002

What was in the Pensions Act 1995?

The Act, effective from 6 April 1997, represented a seismic shift in pension scheme governance, with the aim of protecting scheme members. Among its provisions were:

- More onerous restrictions on trustees investing or lending scheme assets (this including unpaid contributions) to the scheme's sponsoring company (or related companies) beyond a de-minimis amount
- The introduction of a Minimum Funding Requirement (MFR)
- The requirement to produce and periodically review a Statement of Investment Principles
- Further disclosure requirements
- The requirement for formal appointment of scheme advisers such as the scheme actuary and auditor
- The introduction of Internal Dispute Resolution Procedures and member nominated trustees
- The introduction of a regulator, the Occupational Pensions Regulatory Authority (OPRA) with powers to remove or suspend trustees and impose civil fines.

The Act also introduced increases to pensions in payment for future benefit accrual by the retail prices index, subject to a cap of 5% a year. From the same date, GMP accrual ceased for contracted-out salary related schemes. Age related rebates were introduced for Contracted-Out Money Purchase schemes and Appropriate Personal Pensions.

The combination of Maxwell's actions and the 1995 Pensions Act highlighted both increased costs and risks associated with running final salary schemes in particular. When combined with the removal of reclaiming tax credits on UK dividend income in 1997; and later changes in the 2000s, such as changes in company accounting practice for final salary schemes, actuarial practice, and employer debt requirements, they acted as a catalyst for the decline of private sector final salary schemes. Other factors – such as improving longevity – also made the idea of final salary schemes less attractive to employers.

Other events also had a negative impact on pensions. In 1993, occupational scheme members were given a statutory right to transfer their accrued rights to another occupational scheme or, critically, a personal pension. The personal pension mis-selling scandal, where members were advised to leave their occupational scheme almost irrespective of its quality and take out and/or transfer to a personal pension often generating a high commission payment for the adviser, reached its nadir early in the decade.

Much of the rest of the decade was spent remedying the harm done. Every personal pension sale and transfer was reviewed on a basis set out by the regulators and compensation was paid where it was established individuals had suffered a loss. In 2002 the Financial Services Authority (the principle financial services regulator at the time) announced a total of £11.8bn of compensation had been paid. This all created important work for the NAPF, as noted by Tom Ross, "options for redress and reinstatement were potentially complex and costly for occupational schemes. A lot of time was spent behind the scenes by the NAPF to ensure that the arrangements were fair and proportionate, and that the interests of occupational schemes (and their members) were protected".

A period of intense change

Other developments of significance during the 1990s included:

- In 1991, the introduction of a Pensions Ombudsman
- In 1992, self-investment restrictions (which were extended in the Pensions Act 1995), and debt on employer introduced when winding up a pension scheme;
- In 1995, annuity purchase deferral and income withdrawal permitted from personal pensions, subsequently widened to DC schemes and buy-out contracts;
- In 1996, courts in England, Wales and Scotland required to take pensions into account in divorce settlements, paving the way for pension sharing provisions introduced on 1 December 2000.

The decade saw the growing importance of DC and personal pension schemes, particularly for smaller companies, at the expense of DB arrangements.

The 2000s

Second State Pension replaces SERPS, intended to help lower earners

Pensions Act 2004 introduces new protections for members

Pensions Act 2007 raises women's State Pension Age to 65 from 2020

Stakeholder pensions introduced

The Pensions Regulator and Pension Protection Fund established

Pensions simplification introduced

Pensions Act 2008 paves the way for auto-enrolment

The start of a new millennium saw the pace of pensions change increase still further. There were a significant number of tax and member protection changes introduced, as well as further changes to state pensions. On 6 April 2002, the State Second Pension (S2P) replaced the SERPS, its design intended to assist lower earners. The Pensions Act 2007 would make further changes by reducing the qualifying years, linking increases to earnings not prices, and raising State Pension Age for women to 65 from 2020.

Companies were required to make a pension arrangement available for their employees but not required to make contributions. Unless they offered a suitably qualifying pension scheme, they were obliged to provide a stakeholder pension scheme for this purpose. Stakeholder schemes had a prescribed maximum charge. Whilst stakeholder pensions made relatively little difference to pension coverage, they provided a focus on charges within DC schemes and personal pensions, which would develop in the coming years. Stakeholder pensions would be replaced with the advent of automatic enrolment requirements later in the decade.

The Pensions Act 2004 introduced further protection for scheme members, with a new more powerful pensions regulator, replacing OPRA, and the Pensions Protection Fund (PPF) established on 6 April 2005.

From left to right: ***David Cranston (Director General); David Gould (Director of Investment); Hannah Barker (Director, Training and Corporate Events); Carl Connor (Finance Director); John Rogers (Director, Voting Issues Service).*** *(LMA/4494/E/02/004/018 Staff, Shepherds Restaurant, Marsham Street, Westminster)*

The Pensions Regulator (TPR) was, as Terry Faulkner, who was chairman between 2003 and 2005, remembered "given wider powers with a new pro-active and risk-based approach to regulation".

The Pensions Protection Fund takes shape

The establishment of the PPF resulted from lobbying from the NAPF and others following high-profile employer insolvencies (such as Allied Steel and Wire and Sheerness Steel). It was, as Faulkner set out "funded by a levy on DB schemes providing compensation to members of occupational pension schemes where the sponsoring employer suffered a qualifying insolvency event on or after 6 April 2005 and the funds in the scheme were insufficient to buy annuities that would pay pensions at least at minimum PPF compensation levels". The levy paying population was some 7,800 schemes at outset but falling to 5,200 by 31 March 2021).

The PPF was complemented by the Financial Assistance Scheme (FAS) which was formed as Faulkner recalled, by the government in May 2004. "[It] began operating in September 2005 as part of the UK welfare system that offers help to members of eligible schemes who have lost out on their pension either because their employer became insolvent between 1 January 1997 and 5 April 2005, or were solvent but under a compromise agreement and no longer had to meet its commitment to pay its debt to the pension scheme. The FAS was subsequently folded into the PPF".

Other provisions introduced on the same date included pension protection on transfer of employment to which TUPE regulations applied; and a reduced cap from 5% to 2.5% for increases to pension benefits in payment accrued for future service. From 30 December 2005, a new scheme specific funding requirement was introduced, replacing the minimum funding requirement. The remaining changes were introduced on 6 April 2006. These included new regulations on scheme modifications; revised rules in respect of member nominated trustees; and a requirement for trustees to have specific knowledge and understanding of pension issues.

The 2008 crisis casts a long shadow

In the wake of the 2008 financial crash when interest rates reduced significantly (where they remained until late 2021) there was, encouraged by the legislators, regulators and accounting rules, a widespread adoption of actuarial valuations using assumptions reflecting current market conditions. This was a move, Lindsay Tomlinson, who was chairman between 2009 and 2011, says the NAPF "argued against for long term pension plans". He also notes "we argued that the objectives of the Pension Regulator should include responsibilities to preserve high quality DB provision as well as safeguarding accrued benefits".

These changes, together with shorter expected recovery plans for removing deficits, which themselves were often increasing, increased life expectancy, and falling bond yields, were among

the reasons for higher current costs of supporting DB scheme promises.

Trustees' investment strategies became more closely aligned with scheme liabilities that were maturing, leading to higher allocations to bonds and liability driven investments. By the end of the decade, the weighted average asset allocation for DB schemes was 42.0% to equities and 40% to bonds. Mark Hyde-Harrison, who was chairman between 2011 and 2013, noted it was "a crucial turn in the road as (pensions) decisively moved away from DB pensions toward DC pension plans".

Pensions 'simplification' and the NAPF

The Finance Act 2004 provided a whole new framework for tax favoured pension provision. Robin Ellison, who was chairman between 2005 and 2007, recalls the background: "The taxation system in relation to pensions in the UK by the turn of the 21st century had become unmanageably complex. The NAPF set up a small team to explore simplifying the system and the report, published with the help of an astonishingly skilled report writer, also included draft legislation which comfortably fitted on a couple of sides of A4, and only took an afternoon to draft. ... A year or so later, the government decided to simplify pensions taxation".

This wasn't the end of the matter. Ellison said, the government "came to talk to us and others and it asked for a deal: if it created a simplified system, could we live with a cap on the size of funds?

"We knew there didn't need to be a cap; the requirement then for benefits to be paid in annuity form, ignoring the lump sum, would act as a disincentive for plutocrats to abuse the system. But after consultation with members, we agreed the deal – it seemed a political price worth paying."

The Act introduced the concepts of Lifetime and Annual Allowances from April 2006, but this was anything but simplification. Ellison pointed out that there were 200 pages of primary legislation – and over 200 pages of secondary legislation, followed later by over 6,000 pages of HMRC guidance.

The NAPF, however, attempted a rear-guard action, as Ellison recalls, it "arranged to meet the Chairman of the Inland Revenue ... with the head of the responsible department, the Superannuation Funds Office later known as the Pension Schemes Office, within the Revenue. [They] agreed to consider a 'stage 2' of simplification which would work as originally proposed. Very sadly the Chairman died a few weeks later" as, subsequently and perhaps consequently, did the initiative.

With a raft of protections, including, as Terry Faulkner recalls "Primary and enhanced protection for those who had excess pots on 'A day' (the term given to 6 April 2006 when the new rules were introduced). There were many subsequent changes and the introduction of new allowances in the coming years culminating in the proposed abolition in 2023 of the Lifetime Allowance. It turned out that, as the NAPF had argued throughout, "simplification" would ultimately prove to be anything but simple.

Chair and past chairs' dinner 2009: *Front row:* ***Peter Murray, Chris Hitchen (NAPF chair at the time), Lindsay Tomlinson, Kenneth Smith*** *Back row:* ***Tom Ross, Alan Pickering, Terry Faulkner, Joanne Segars (chief executive), Robin Ellison, Peter Thomson, Peter Stirrup, Brian MacMahon.*** *LMA/449/E/02/007*

The Pensions Act 2008 introduced the requirement to automatically enrol employees (workers) into personal accounts (such as the National Employment Savings Trust) or a qualifying pension scheme. Company and member contributions were required on a band of earnings and there were phased increases in the amounts payable.

The first schemes for the largest employers were introduced in 2012, with a full roll out taking place over a number of years. Automatic enrolment would widen the coverage of pension provision for employees but not yet adequacy of pension provision. It would also help increase the percentage of employees whose main workplace pension was on a DC basis, particularly for companies with fewer than 1,000 employees.

Other significant developments

- In 2001, FRS 17 required companies to include a value on their balance sheet of their DB pension promises, using an AA corporate bond yield marked to market to value the liabilities. These requirements were brought into line with international accounting requirements later in the decade. This, together with the increasing current cost of supporting DB pension promises, would heighten Finance Directors' awareness of pension scheme liabilities and risks, contributing to closure of DB schemes. DC arrangements, with more certain financial commitments, became preferred by companies in the private sector.
- In 2000 and 2002 respectively, discrimination against part timers and fixed term workers became illegal unless objectively justified. There were further developments during the decade affecting civil partners, age discrimination and maternity and adoption pay periods.
- On 11 June 2003, the Employer debt requirement increased to full buy-out level for solvent employer scheme wind ups. This was widened in 2005 for employers leaving multi-employer schemes, unless an approved withdrawal arrangement was put in place. These changes would have a significant impact for companies, members and the pensions industry.
- From August 2003, trustees were permitted to cut back individual transfer values where a scheme was underfunded.

The 2010s

NAPF launches the Pension Quality Mark

NAPF renamed as the PLSA in 2015 (legally from 2016)

PLSA launches Retirement Living Standards

Auto-enrolment starts to drive up pension scheme membership

Pension Schemes Act 2017 drives higher standards for master trusts

Pension freedoms give DC savers more flexibility after age 55

The early 2010s saw what was, probably, the low point of recent occupational pension coverage: the decline of DB which started in the 1980s had continued through the 1990s and accelerated in the 2010s, without a counterbalancing increase in coverage elsewhere. Defined Contribution and particularly contract-based DC - now known as workplace personal pensions - had grown but not at a pace fast enough to counter the reduction in DB. In 2012, just before auto-enrolment began, there were 2.3m people in trust-based DC schemes, but, by 2023 that number had increased to 26.4 million.

But there was much work still to be done, as Mark Hyde-Harrison, observed: “It was clear that the world of DC pensions which had been treated as somewhat of an add-on was going to need to change dramatically and become much more professional”.

He also noted some of the significant events of the time. “[There were] new entrants to the auto-enrolment market such as NEST. The Pension Regulator started to consider how to regulate DC pensions where there were no barriers to entry and most of their efforts were focused on raising woeful standards.”

A time of opportunity

Ruston Smith, who was chairman between 2013 and 2015 also saw this as a time of opportunity. “As DC was clearly the ‘new pension’ there were opportunities and challenges to make pensions, better, simpler and cheaper - by which I mean better value.”

To accommodate this change in legislative and regulatory focus, the NAPF needed to change as well. Hyde-Harrison recalls. “The NAPF’s own governance model was ill suited to the rise of DC with an Investment Council and Retirement Policy Council. This led to the need to change the Councils to a DB Council and a DC Council”.

And the DC Council was at the forefront of the changing landscape, as Hyde-Harrison continued: “Ensuring auto-enrolment was a success [through] excellent communication between the industry and government to remove bumps in the road, pressuring government to introduce

NEST, established as part of the auto-enrolment reforms. However, they weren't the only player. As the potential of auto-enrolment became apparent, many other master trusts, some by established providers, others by new entrants, were created – with variable quality and durability.

As a consequence, the NAPF worked with the legislators and regulators to develop the Pension Schemes Act 2017. This set out a framework for master trusts' compulsory authorisation by the

Big-name commentators at the NAPF/PLSA conferences** Top: **comedian Eddie Izzard;** bottom left: **Nick Clegg (then deputy prime minister);** bottom right: **musician and campaigner Bob Geldof.

some regulation to ensure new entrants to the DC market were at least fit and proper and promoting the Pension Quality Mark (PQM) so it was clear what was good pension provision".

The Pension Quality Mark for DC schemes

The PQM was developed and driven by a working group at the NAPF. It identified DC schemes that were well governed, passed certain quality tests and had contributions above minimum levels. Schemes that passed the PQM assessment were awarded PQM status – often on stage at the NAPF's annual conference.

Some of those PQM-Ready schemes were master trusts. The most notable and largest master trust was the not-for-profit government-sponsored

Pensions Regulator. Authorised master trusts had to be run by people who were fit and proper, have adequate systems and processes, have an approved robust business plan and be funded to a standard high enough to protect members' funds. Thirty eight master trusts applied for and achieved authorisation although there has since been some consolidation.

The wider work of the legislators and regulators, supported by the NAPF, to drive up standards and improve value for members has also led to a reduction of own employer DC schemes, particularly of smaller schemes, with their employers opting, instead, to join master trusts or other pension schemes.

With hindsight Hyde-Harrison thinks the NAPF got it right: "The relationships with the Pension Regulator, Department for Work and Pensions

and Government were very constructive as we all grappled with such a changed environment. I do believe the industry managed the transition well."

State Pension changes

There were further changes to state pensions. These included introducing the triple lock in 2011 that meant increasing state pensions by the greater of prices, average earnings or 2.5% a year. State pension age for women increased in phased steps to 65 by 2018, and then to 66 for both men and women in October 2020. In 2016, state pensions changed radically when a flat rate pension was introduced, requiring 35 qualifying years for a full state pension (currently £203.85 a week).

Contracting-out of the S2P on a money purchase basis was abolished in April 2012, and disappeared for salary related schemes in 2016 with the introduction of a flat rate state pension.

The simplification of the state pension, along with the introduction of auto-enrolment "provided the solid foundations upon which to build a better, simpler and more affordable system to deliver adequate pension savings" says Smith.

Further DC changes were announced in the April budget in 2014, significantly relaxing the rules for how retirement income was taken, known variously as 'pension freedoms' or 'freedom and choice'. Introduced with a very tight 12-month implementation plan in 2015, this radically changed how individuals could take their retirement income from DC and personal pension arrangements. It also abolished the widespread requirement to buy an annuity.

The NAPF, now renamed the PLSA, recognised the risks, as well as the opportunities, these reforms created. As Smith recalled "Everyday people have busy lives and are not financial experts and yet, with freedom and choice, they would need to make important financial choices about how to take their money and, importantly, where and how to invest it and make it last.

"We worked on three areas; removing barriers that put drawdown out of reach for savers with smaller pots, developing standards to help identify good quality products, and helping companies to point retirees to product groups that aimed to meet their needs".

Partly in response to this work, the Pensions Act 2015 created Pension Wise – a free to use guidance service for members close to retirement. There was also a new requirement for members with "safeguarded rights" to obtain regulated advice for DB transfers of £30,000 or more.

The need for individuals to consider how they should take their retirement income, and importantly, how much they require, saw an increase in adviser services offered and other supportive developments, such as the PLSA's Retirement Living Standards (or RLS).

The RLS were designed to help answer the perennial DC pensions question of how much someone needs to save for retirement. Richard Butcher, chair from 2017 to 2021 said: "By helping savers to answer the question 'what standard of living do I want?', the answer to the contribution question is simple maths".

Former chief executive Joanne Segars at the 2013 conference.

Those standards of living were defined in the RLS by three models of income; minimum, moderate and comfortable, developed in consultation with Loughborough University based on different baskets of goods.

A busy decade of change

Other significant developments included:

- Increasing regulatory and governance requirements saw a significant increase in the appointment of professional trustees for all types of pension arrangement, with sole trusteeship also becoming more popular.
- The PPF compensation cap increased for members with over 20 years' service;
- A new Data Protection Act in 2018
- An increase in liability management exercises, highlighting the availability of pension freedoms and potentially reducing a company's DB scheme liabilities
- A greater focus on an independent assessment of the company covenant supporting DB schemes
- The development of end game solutions for DB scheme liabilities, including the growth of bulk annuity purchases and other potential solutions where this is not viable
- Consideration of permitting Collective Defined Contribution (CDC) schemes
- A greater focus on diversity of trustee boards in order to improve representative decision making

Professor Brian Cox saw the future at a PLSA conference.

Changing investment strategies

The 2010s saw further development of DB scheme investment strategies linked to liabilities. This included the search for yield from alternative investments such as infrastructure as bond yields fell significantly. In response to this, the NAPF created the Pensions Infrastructure Platform – or PIP in 2013.

The decade saw the development of cash flow driven investments, and the increasing significance of liability driven investments, with allocations to equities falling progressively as schemes matured and/or become better funded.

By the end of the decade, the aggregate proportion of scheme assets invested in equities fell to 20.4%, whilst the allocation to bonds increased to 69.2%. Within equities, overseas quoted equities now dominated.

The 2020s the present

Although the PLSA has gone through three name changes and numerous office moves over the last century, its core purpose of helping everyone to achieve a better income in retirement remains a constant.

From hosting pensions ministers in its offices, to campaigning for fairer, more predictable and better-run pensions, the PLSA continues to innovate and help shape pensions policy. As it has throughout its history, it lobbies on behalf of its pension scheme members and collaborates with other industry bodies to achieve its purpose. One example of this has been the Pensions Attention campaign, run with the Association of British Insurers, which unleashed a pensions-themed rap by musician Big Zuu on an unsuspecting world to encourage everyone to pay their pension some attention.

Recent years have seen pensions and the PLSA weather the impact of several global crises, including the Covid-19 pandemic, a cost of living crisis and the turmoil following the September 2022 mini-Budget which hit defined benefit (DB) schemes' LDI strategies particularly hard.

And there are many issues and developments that are affecting pension schemes and retirement income provision, including:

- Further increases to the state pension age to 67 by 2028. A further review is scheduled for 2026 to take account of more recent changes in life expectancy and potentially a cap on the cost of state pensions as a percentage of Gross Domestic Product
- The approval of the first CDC scheme, and the extent to which this type of scheme will be used to deliver retirement incomes
- The introduction of pension dashboards, associated data and infrastructure issues, and further consideration of small pension pots
- Broadening the scope of auto-enrolment, as well as considering increased minimum contributions.
- Further developments in how benefits are taken from DC schemes and issues associated with value for money in these schemes
- The increasing importance and consolidation of master trusts, including potentially for DB schemes
- The introduction of a revised DB funding code
- A review of the robustness and operational effectiveness of liability driven investments
- The anticipated exponential growth in bulk annuity purchases of DB scheme liabilities and other associated solutions
- Challenges associated with the short-term operation and longer-term sustainability of the Local Government Pension Scheme, the largest DB scheme in the UK, with research and recommendations published by the PLSA
- The continued importance of stewardship, including shareholder engagement, with the PLSA's annual voting guidelines available to support schemes
- The further development of responsible investment and progress towards net zero
- The development of own risk assessments, including an increased focus on cyber risks

The PLSA in action today

Nigel Peaple, Director of Policy and Research

"The financial fallout from the 2022 mini-Budget was a great example of how the PLSA brings together its skills and expertise to help its members and the wider financial services community.

"We supported our members and engaged with regulators through the crisis, as the Bank of England intervened in gilt markets and schemes responded to spiralling collateral calls from LDI managers. Our policy and PR teams worked together to provide expert commentary to mainstream media and trade press, as DB pension schemes made headlines in daily newspapers.

"Now, in the wake of the market turmoil, we'll continue to work with industry bodies, asset managers, advisers and schemes themselves to make sure that future changes to LDI rules are pragmatic and fit for purpose."

The pension savers of the future

More than one in five (20%) women and 15% of men born in 2023 will still be alive to celebrate the PLSA's 200th birthday. If the State Pension Age remained the same as it is now (68), that would mean a potential 32 years in retirement – assuming that people waited until they reached State Pension Age to retire.

While not everyone will live until such a great age, and we will no doubt see further reforms in the State Pension Age, the prospect of maintaining an adequate income in retirement for a potential 30-plus years requires robust conversations now about contribution rates, harnessing technology to help people plan for the future, and innovative ways to enable savers to manage their money throughout their retirement.

That's why the PLSA's current focus on pensions adequacy is so important. Automatic enrolment has been a huge success, with future reform now on the Government's radar. However, current contribution levels are also too low to provide a reasonable standard of living in retirement. Our current State Pension doesn't protect people from poverty in retirement and the wider pensions framework still lets down some groups of people.

The PLSA is committed to changing that, both for today's scheme members and for those who will begin their retirement savings journey in the future.

For more on the future of pensions, see our in-depth analysis from page 36.

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The Pension Regulator's scheme return data 2017-2018.

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PLSA Presidents and Chairs

Presidents:

J C Mitchell JP 1947 - 1956
H Lesser CBE 1960 - 1966
L A Ellwood 1966 – 1972
G H Ross Goobey 1972 – 1981
M Lander 1981 – 1984

Chairmen/Chair

J C Mitchell 1923 – 1948
H Lesser CBE 1948 – 1960
L A Ellwood 1960 – 1964
R H Hensman OBE 1965 – 1969
J H Hubert Nuttall 1969 – 1971
A T L Pitt 1971 – 1973
M Haddon-Grant 1973 – 1975
M Lander 1975 – 1977
K G Smith 1977 – 1979
M Pilch CBE 1979 – 1981
M H Oldfield 1981 – 1983
T Heyes 1983 – 1985
C D Lever 1985 – 1987
J C Woodward 1987 – 1989
P Stirrup 1989 – 1991
Brian MacMahon 1991 – 1993
Ron Amy 1993 – 1995
Tom Ross 1995 – 1997
Peter Murray 1997 – 1999
Alan Pickering 1999 – 2001
Peter Thompson 2001 – 2003
Terry Faulkner 2003 – 2005
Robin Ellison 2005 – 2007
Chris Hitchen 2007 – 2009
Lindsay Tomlinson 2009 - 2011
Mark Hyde-Harrison 2011 - 2013
Ruston Smith 2013 – 2015
Lesley Williams 2015 – 2017
(first female and first to take the title Chair)
Richard Butcher 2017 – 2021
Emma Douglas 2021 -

George Ross Goobey (1972) shaking hands with and accepting the presidency of the NAPF from retiring president, Mr Ellwood.
LMA/4494/E/02/005/005

Emma Douglas: the current PLSA chair.

Our original members

There were 29 representatives of 25 schemes present at the founding meeting of The Association of Superannuation and Pension Funds held on 18th January 1923. The meeting appointed John C Mitchell of the Bournville schemes (that is, the schemes for the employees of the Cadbury chocolate makers) as Chairman.

The long-term nature of pension provision, (and the value of Association membership!) is well illustrated by the fact that thirteen of these schemes, or recognisable successors, are PLSA members today. Another five still exist in some form, but are not current PLSA members. Two were sadly victims of the collapse of the Maxwell schemes in 1991.

No fewer than seven of the schemes were of shipping companies, no doubt reflecting the importance of the industry to the economy at that time. Among them were the still famous companies Cunard and the White Star Line (owners of the Titanic). The cargo companies have long since been absorbed into overseas container shipping firms. Cunard (and less directly White Star) still exist as part of the Carnival cruise ship group, with the free-standing Trafalgar House pension provider managing their schemes, dating from the time Cunard was owned by the Trafalgar House conglomerate.

Other industries well represented, each with three schemes among the founding members, were local government, power and water utilities, and railways. Not surprisingly, these have been through many reorganisations over 100 years, with some being nationalised and some privatised during that time, but all have recognisable successors among the current PLSA membership.

As well as the Cadbury schemes, well-known names that have been around for the whole century include Coats (originally the English Cotton Company), Times Newspapers and WH Smith.

WH Smith has offered a workplace pension for more than a century.
(source: WH Smith)

REPRESENTATIVES	FUNDS REPRESENTED AT FOUNDING MEETING
Mr. John C. Mitchell (in the Chair), Mr. H. C. Davy, Mr. E. C. Taylor	Bournville Works Pension Fund AND Bournville Women's Savings & Pension Fund
Mr. O. H. Jones	City of London Electric Lighting Company's Staff Provident Fund
Mr. A. C. Tappenden	Elder Dempster Superannuation Fund Association
Mr. H. W. Whitehead	English Sewing Cotton Co Ltd Employees' Pension Fund
Mr. F. B. Hutchings	Furness Co's Superannuation Scheme
Mr. E. Marshall	Hazel, Watson & Viney Ltd Administrative Staff Pension Fund [Aylesbury based printers, became British Printing Corporation and part of Maxwell]
Mr. E. A. B. Forster	Hazel, Watson & Viney Ltd Provident Fund
Mr. C. J. Mills	Kensington Borough Council Superannuation Fund
Mr. S. C. S. Manning	Manchester Corporation Superannuation Fund
Mr. E. A. Coombs	Metropolitan Water Board Superannuation and Provident Fund
Mr. J. A. Ibberson	Omnibus Railway and Equipment Company's Staff Superannuation Fund
Mr. G. M. Jennings	Pacific Steam Navigation Co's Superannuation Fund Association AND Royal Mail Steam Packet Co's Superannuation Fund Association
Mr. E. J. Cason	Poplar Borough Council's Superannuation and Pension Funds
Mr. P. Reed, Mr. G. E. Martin	Railway Clearing System Superannuation Fund Corporation
Mr. J. A. McGeery	Ransome's & Rapier Ltd Superannuation Fund
Mr. A. Crudge	South Eastern and Chatham Railway Drivers', Fireman and Cleaners Pension Fund Society
Mr. G. J. Davey, Mr. J. B. Mansfield	Spillers Superannuation Fund
Mr. H. Richardson	Superannuation Fund Association of the Cunard Steamship Company
Mr. P. Lloyd Tanner, Mr. E. A. V. Baker	The Times Newspapers Pension Fund
Mr. F. J. Mansfield	Tottenham District Light, Heat and Power Co's Co-Partnership Pension Fund
Mr. A. H. Henry	Union Castle Line Superannuation Fund Association
Mr. A. Ward	W H Smith & Sons Superannuation Fund
Mr. G. Warden	White Star Line Superannuation Fund Association
Mr. R. P. Summers, Secretary	

SUCCESSOR EMPLOYER ORGANISATION	SUCCESSOR PENSION SCHEME	CURRENT PLSA MEMBER
Mondelez	Mondelez Cadbury schemes	Yes
Electricity Industry	Electricity Supply Pension Scheme	Yes
CMA - CGM (French container shipping company)	*Unknown*	
Coats	Coats pension schemes	Yes
Hamburg Süd (German shipping co)	*Unknown*	
Identity lost after Maxwell collapse	Wound up following Maxwell collapse	
Identity lost after Maxwell collapse	Wound up following Maxwell collapse	
Kensington and Chelsea LBC	LGPS - Kensington and Chelsea	
City of Manchester	LGPS - Manchester	Yes
Water industry	Thames Water scheme	Yes
Transport for London	TfL schemes	Yes
CMA - CGM (French container shipping company)	RMSP schemes still exist	
London Borough of Tower Hamlets	LGPS - Tower Hamlets	Yes
Railway industry	Railways Pension Scheme	Yes
Closed in 1987	Pension Scheme Trustee company still exists	
Railway industry	Railways Pension Scheme	Yes
Dalgety although mostly sold off	Not traced	
Carnival (brand in Cunard)	Trafalgar House	Yes
News UK	Still exists	Yes
Electricity Industry	Electricity Supply Pension Scheme	Yes
CMA - CGM (French container shipping co) but identity lost	RMSP schemes still exist	
WH Smith	Still exists	
Carnival (brand in Cunard)	Trafalgar House	Yes

The future of pensions and the PLSA

Richard Butcher (chair of the PLSA from 2017 to 2021) gives his insights into how pensions and retirement planning could evolve for the next 100 years.

Looking forward: the future trends

The men (and they were, of course, all men) who conceived of and launched the Association of Superannuation and Pension Funds (ASPF) 100 years ago notched up some notable policy successes for the benefit of pension savers.

It's impossible to know now whether they realised that their work wouldn't stop having convinced the Government to establish a tax regime that encouraged lifetime saving, let alone that the body they had created, for that purpose, would last, at least, 100 years. The current members of the PLSA stand on the shoulders of the many who came before them.

The ASPF and NAPF were a vital resource for, and brake on, governments and regulators who sometimes couldn't see the practical or had motivations other than just a good pension policy outcome. The PLSA must continue in that role if we are to achieve better retirement incomes for all.

So far, this book has been about a 100-year history, so to close it off, this chapter looks to the long-term future. What might the landscape be if the short- and long-term current trends are extrapolated and what are the long-term challenges in pension and lifetime saving?

Pension assets

The value of pension assets will grow to be much greater than the current £1.966tn (Source: ONS, private sector DB, hybrid, DC and public sector DB as at 30 September 2022).

There are four key drivers to the value of pension assets:

- investment growth
- population size
- adequacy
- accumulation.

Investment growth

The principle of the link between risk and return – the greater the risk you take, the greater the potential return, but also the greater the potential for loss – remains logical and seems immutable.

For this reason, essential asset allocation science seems unlikely to change; higher risk assets, such as equities, while the saver is younger, shifting to lower risk assets such as gilts, when the saver becomes older. The investment tools for achieving this will, however, change to reflect new ideas, new thinking and refashioning (we have seen in the past how managed funds became balanced funds, which then became diversified growth funds).

The current government drive to share the cost burden of running a state, the drive to scale and environmental awareness could, also, lead us to a virtuous circle of better investment – where pension funds support UK plc and help build a more sustainable world to the benefit of their members.

Pension population

The pension population is a subset of the wider population and can be derived from the working

population plus the retired population. The government produces population projections, with the most recent publicly available covering the period to 2045, although they always come with extensive caveats. They project a little short of 6% total growth between 2020 and 2045.

It's difficult to predict the future retired population as there are too many competing factors at play including, for example, longevity, morbidity and adequacy. However, it's likely to increase between now and 2045 if only because the government is projecting an almost doubling of the number of over 85s (the almost certainly retired population).

It's similarly difficult to predict the working population, the factors at play including technology (see below), immigration (the headline population growth prediction assumes net inward migration of 2.2m people over the next 10 years) and, of course, policy intervention (for example, the already scheduled increases in state pension age will apply upwards pressure on workforce numbers). What we do know is the supply of new UK born workers will reduce due to the low fertility rate, which has been stubbornly below two (the replacement rate is 2.1) since the mid-1970s and it's difficult to see any compelling reasons why that would change substantially.

All of this would suggest a slow growth in the pension population over the medium term – which could be extrapolated over the longer term although with some very significant caveats including the impact of Artificial Intelligence policy towards immigration and even the impact of climate change.

This growth in population will increase the value of pension assets.

Adequacy

The PLSA's work on adequacy (starting with a 2016 analysis) revealed a stratification of outcomes according to age.

- Broadly, older workers with a history of DB (and significant other lifetime savings – including property) should be able to fund an adequate retirement.
- Younger workers with the full impact of automatic enrolment and a full state single pension could be able to do so, if default contributions increase to 12%
- However, the middle cohort, who suffered the years of DB decline before automatic enrolment arrived, will suffer. There is no easy solution for this difficult middle cohort, in practice they are going to have to save more and expect less later.

There's still a debate to be had about potential solutions, and as with all the other cohorts, they will mature and, eventually, die out. In the longer term, this will leave only the younger "could be okay" cohort.

The 12% contribution the PLSA calculated as being necessary to get this cohort to a reasonable position has been reinforced by many others since. There seems to be a consensus around it, meaning all that remains for it to be introduced is the political will and economic timing.

In the case of the latter, there is never a good time to increase pension costs for individuals or businesses, although the PLSA argued for phasing over an economic cycle, and preferably towards the start of the next upturn.

We have also argued for it to be shared between the individual and their employer, with the employer picking up the lion's share. In employers' case, the impact of the increase should, with time, be broadly cost neutral because employers only have so much money to spend. An increase in one place is offset by a reduction elsewhere – possibly from lower wage settlements.

As for political will, there are compelling economic and social arguments in favour of increasing contributions: there will come a point in any person's life where they become economically inactive (i.e. not in work or looking for a job – possibly because they are unable to do so), and

this is easier financially and socially if they have an income to replace their wages. And, most of us will want some years of leisure at the end of our working lives.

If the compelling argument for higher contributions is responded to positively it will lead to an increase in pension assets.

Accumulation

One curious effect of automatic enrolment is that the average pot size for a DC member has reduced. On the face of it, this could be interpreted as a policy failure, but it is not. Add to a population of existing, and in some cases mature savers, a population of new savers with no savings and the average reduces.

As the new savers and automatic enrolment mature, the average pot size will grow again – something it's already started to do. The growth will, to some extent, be offset as members pass retirement and start to use their savings.

However, in most cases that consumption rate will be steady and relatively slow, producing an almost balanced bell curve of DC savings peaking at the point just before retirement. This accumulation effect will increase pension assets.

DC is not, however, the only game in town. Although the number of DB schemes is reducing (and annuity values are excluded from the total asset count), the value of their assets are projected to continue to grow for some years yet and, as it's likely many of the local authority schemes will last for years, it's highly likely there will still be DB assets in 100 years' time. Hybrid assets, which may include Collective DC, could also increase.

The number of schemes

Defined Benefit

It's been a truism for a long time that the number of schemes has been reducing. In March 2006 the PPF launched its 7800 Index – so named because the analysis covered the entire population, of 7,751 funded DB schemes. The February 2023 index (still, curiously, named 7800) covered just the remaining 5,131 funded DB schemes.

The 2,620 schemes that disappeared between 2006 and 2023 have been bought out, consolidated, fully settled or absorbed into the PPF. That's almost precisely one-third of the original population.

The PPF also publishes *The Purple Book*, an analysis of the risk profile of DB and hybrid schemes. At a headline level it tells the same tale: a one-third reduction in the population but it also adds some interesting colour.

In 2006 just 12% of schemes were closed to both new members and new accrual (with a very small percentage in the process of winding up). By 2022 that number had increased to 51% (with 2% in wind up). Combine this with regulatory requirements, and in many cases employer and trustee-driven journey planning and it's easy to conclude many more schemes aim to settle in some way before too much longer – perhaps a further 2,500 or so.

The Purple Book also shows that many of those schemes are far better funded. 80% of the original population in the 7800 Index had a deficit on a section 179 basis. By February 2023 that number had reduced to just 13%.

Although the absolute funding level has bounced around over the years it has been on a gradual upward trend, with the aggregate reaching around 110% in 2022 (it was a little above 75% at the lowest point in the dataset, 2009). This suggests the population, in aggregate, is getting much closer to being funded well enough to settle in some way – with the possible practical brake on this being the capacity of buyout providers or consolidators to transact.

This population of schemes could also swell further. In 2006 44% of schemes were closed to new members but open to accrual. By 2022 that had reduced to 38%.

The only DB population that bucks this trend are the open schemes. Although fully 43% of schemes were open in 2006 and only 10% in 2022, the rate of decline has been decelerating for a long time. The population of members, however, has been pretty stable for ten years even increasing in some years.

The population most likely to remain open and grow their membership are the local authority schemes. Although they have been under pressure to consolidate assets into large pools, this has not materialised into schemes mergers – yet.

DB data hints at two key points for the near future: the pace of reduction is going to accelerate in the short term, as the population grows and becomes better funded, but then probably slow as it leaves a hardcore of DB schemes.

The long-term future is more difficult to predict. It seems unlikely any politician would close local authority DB schemes (although they may continue to reduce their generosity) and so fairly easy to imagine a world in 100 years where these will still be around, albeit perhaps with some more pooling and or consolidation. It also seems highly unlikely they'll ever be a return to DB as we know it (although see below).

Defined Contribution

The number of DC schemes has also reduced.

TPR publish annually their analysis of scheme return data. Scheme returns are completed and submitted to TPR by all trust-based schemes – meaning the analysis largely excludes information on contract-based pension schemes (also known as Workplace Personal Pensions (WPPs)). The most recent is based on data from 2022 to 2023.

The biggest absolute reduction has been in "micro" DC trust-based schemes (two to 11 members), from 39,220 in 2011 to 25,700 in 2023, but the biggest proportionate reduction has been in the non-micro population. This fell 67% between 2012 and 2023. TPR cut the data by member headcount and every segment has seen a reduction in number – except one. Large schemes, those with more than 5,000 members, have increased by 62%, to 130. Amongst this number

are 36 master trusts. These aren't quite yet the behemoths of pension saving – but some, most notably NEST, are getting there.

WPPs do get a small mention under the heading "The Landscape" which looks more widely at scheme membership.

WPPs are a curious beast. This is because they don't exist in law. What does exist in law are personal pension schemes – arrangements between an individual and a provider. A WPP, or Group Personal Pension as they used to be known, is simply a collection of personal pensions facilitated by an employer for their employees.

For this reason, the available data is far less detailed. TPR's landscape overview quotes data from the FCA on the number of schemes – where "scheme" means products offered by providers, as opposed to employer groupings, and from the Office for National Statistics on member headcount. The data they quote is also very limited and only goes back a few years – none the less it supports the hypothesis of a reduction in the number of schemes.

In 2022/2023 there were 1,450 open schemes, 1,830 schemes in total, covering membership of 5.56m.

The 2020/21 analysis (the oldest on TPR's website) showed 1,560 open schemes, 1,960 schemes in total, covering membership of 5.6m.

But this reduction in the number of DC schemes does not mean there's also been a reduction in the number of members saving towards retirement. In fact, the exact opposite is true. DC membership has exploded since the introduction of automatic enrolment. In trust-based DC alone, membership has increased from 2.3m in 2012 to 26.4m in 2023.

The conclusion that can be drawn from all this is that more members are saving in fewer bigger schemes – a drift to scale that has been obvious and clear to anyone who works in the industry.

There are compelling economic, and so regulatory and political, arguments in favour of this drift.

Larger schemes achieve greater economy of scale, are more likely to have good governance, are more likely to be able to invest in improving themselves and are more likely to have access to technology. It's difficult to see those arguments being lost in the short or medium term.

But.

Scheme size, like scheme design, can be cyclical and scale is not a one-way street of benefit. Some complain big schemes are less personal. Some argue the very largest schemes can lose some of the economic benefits of scale and can create concentration risk. In this context, there is a future where the race to scale could reverse, to some extent, leaving us in a place not unlike the Australian market. Over there, there are several hundred schemes albeit the market is dominated by a dozen or so very large ones.

The industry

If the hypothesis that there will be fewer schemes proves true, it will also mean fewer providers will be needed: fewer trustees, lawyers, auditors, consultants, third party administrators and even fewer commercial investment managers. This may be compounded if, as they get larger, some of those schemes conclude it would be more cost efficient to bring some of that functionality in-house.

Although some of the current population of providers will survive through innovation and growth, most will have to accept a smaller role, diversify away from pensions, merge or simply shut up shop.

And as technology advances, becoming capable of taking on ever more sophisticated work, the provision of pension services will become far less human and so, where human skills remain useful, far more niche. In other words, fewer people will be needed. Beyond the IT team, it will require a very specialist professional skill set.

The challenge, in this world, will be to make pensions an attractive place to work. There is a risk skills gaps will start to appear if there are too few potential employers to sustain a vibrant, innovative and energetic workforce.

Against this challenging background, the industry also needs to completely reinvent itself. A hundred years ago, pension schemes were administered by men in suits, with ledgers, ink pens and tables of factors. It is arcane by comparison to today, but by the same token, what is done now will seem arcane to the pension professional of 2123. The back end, the admin systems, will, of course, change but the front end, what the member sees and interacts with, also needs to change.

That front end change isn't just about technology, it's also about policy.

For a start, the advice/guidance conundrum needs to be solved. The grey line between the two and the consequence of crossing it, is making it near impossible to give the guidance that is all most members actually need.

Secondly, and in a related point, there needs to be less squeamishness about nudging people towards the least harm outcome. It has worked with enrolment; it can work with contribution increases and at retirement decisions. Similarly, progress needs to be made on what was becoming known as robo-advice but might be more sensibly known as automated guidance.

Finally, everyone, but particularly the legislators and regulators, needs to stop thinking more is better when it comes to reporting requirements. DC Chairs' statements, TCFD reports, implementation statements, all of which may have changed governance behaviours for the better, are never going to be read by the average member.

The industry must give up trying to be engaging – it never will be. The highest grossing film in the UK in 2022 was Top Gun: Maverick. It grossed £83.6m. It was the most engaging cinematic event of the year, far more engaging than any pension document. Yet even that was only seen by around 11m people - around 16% of the population. The industry must learn to communicate, to engage, at a time suited to the member, when they are susceptible to the message, in the way they want to be communicated with.

And the industry must build on its current efforts to talk about pensions in the context of savers' other financial needs. We could talk about pensions in isolation in the days of DB, but now no longer. DC exists in a wider ecosystem of health, wealth and work. Pensions are not a special case, a special financial product. They must fit into this bigger picture, or they will continue to lose out.

Legislation and regulation

In short compliance will be no easier in 100 years. There are three reasons for this.

Refinement

(This is sometimes also known as tinkering): The pension system is far from, and has never been, perfect. In any system where politics and economics are factors, there are choices and on the flip side of every decision is risk – that the decision was the wrong one. Where that risk manifests itself (with the benefit of hindsight) there is jeopardy. Where there is jeopardy, politics and economics are factors, meaning there are

new choices – and so the cycle endlessly repeats. Tax rules change: caps are introduced, increased, frozen, decreased or even abolished again, DB funding rules change, communication and disclosure rules change (rarely requiring less communication!) The list of Treasury, DWP, TPR or others' refinements over the last twenty years is almost unimaginably long.

The impact of this, from the perspectives of policy and practice, is a persistent under-current of new or amending rules and regulations – an incremental layering upon layer of compliance. This analysis is not debating the value of the changes being made, it just observes they also produce an incremental layering upon layer of work and cost. And even if there is the political will for "a bonfire of red tape" or simplification this will, because of politics and economics, be short lived.

Bigger ideas

Every now and then there is a big idea for change, often badged as "fixing", to the pension system. These tend to emerge over the long term, can be slow to implement and are often backed, in substantive principle at least, by consensus.

The most recent example of this was automatic enrolment. First proposed by a pension commission announced in the Pensions Green Paper published in 2002, automatic enrolment wasn't fully rolled out until 2019, when, having rolled out to all employers between 2012 and 2017, the second phase of the minimum contribution increase was implemented. Promulgated under a Labour government, largely implemented by the Coalition government (and a Liberal Democrat pensions minister) and completed by a Conservative government.

Before automatic enrolment there were other big ideas that were implanted and many of them have since been dropped, for example, SERPS and contracting out. In other words, big ideas, like all ideas, have their time and come and go and so, we can be certain, there will be more in the future.

Compliance

The third reason, compliance, will be no easier. Objectives change in response to existential events.

Increasingly, it seems pension schemes are being expected not just to protect savers' money but also to play other key roles in society. For example, replacing the State as a source of the long-term capital needed for infrastructure investment or even saving the planet from climate change. While all these objectives may be noble in their own right and, for example, in the case of climate change, vital, it's not always clear that what pension schemes are being asked to do is consistent with their primary objective of providing security to beneficiaries.

The fact compliance will be no easier isn't in and of itself a negative. The big idea of automatic enrolment was a positive reform in the context of the social objective of ensuring more people have pension saving. The existential risk of climate change has caused many pension schemes not only to look at whether they can reduce the carbon footprint but also whether they can deliver more, additional to the bare minimum of fiduciary compliance, to make a wider positive impact. And it shouldn't be forgotten that all compliance is someone's honest attempt at mitigating a risk. But compliance doesn't come without cost – it takes time, effort and money. The time, effort and money aggregate with each new item of compliance and not all risks can be cost effectively mitigated.

So, compliance will be no easier in 100 years, but it will take much work to make sure it is essential and positive compliance.

Scheme design

DC has been the dominant form of pension design over the last few years – unless you work in the public sector. For all sorts of reasons, it's easy to be convinced it will continue to dominate in the private sector.

History, though, teaches us lessons. Before DC, it seemed completely logical that DB dominated and it is only hindsight that shows the risks of that way. Before DB there was a brief spell of DC and before that, a form of DB going back all the way to the origins of workplace pensions.

In between there have been various hybrid designs, sitting somewhere on the scale between final salary and pure DC: cash balance schemes, schemes with guaranteed returns or annuity rates, underpin schemes and, of course, more recently CDC.

The point is that the immutable logic of a time often becomes the fallacy of the past. History also teaches that as the prevailing system fails to deliver for savers, the appetite for change and the form that change will take, will become apparent. This is driven in part by risk.

DC's challenges

DC, of course, already has problems. Firstly, is the rolling problem of inadequate contributions. To be clear, there is no reason higher contributions can't be paid and there are many employers who pay very generous contributions, but the fact is average contributions are too low. And even the AE minimum contributions, state mandated, baked into law and so, many would assume adequate, are far from being so. Indeed, they were deliberately designed that way. The architects of AE imagined or hoped it would spark a wave of supplementary private saving that has yet to happen.

But it's not just about contributions. DC imposes all the risks of provision on the individual: the party probably least able to manage that risk. It's not just investment risk, but also longevity risk, cost risk, failure risk, protection of asset risk, rationality risk, cognitive risk and exhaustion risk to name just a few. These are the risks most likely to provide the impetus for and imply the shape of future reform.

CDC: The big idea for reform

CDC is, of course, the current big idea for reform, but it hasn't yet taken hold and so the jury must remain out. Certainly, it shares or pools risk but the underlying premise of a managed return worries some.

It also rubs against the grain of another current theme: intergenerational fairness. The thought of using the assets of younger cohorts to pay the benefits of older ones is uncomfortable.

It's possible to imagine a set of circumstances where a form of DB returns – albeit probably not final salary. Once the current generation of CFOs, those bearing the scars of funding closed schemes, have left the scene and enough time passes to dim the institutional memory, a new CEO might be keen to ensure his or her staff have some form of predictable and guaranteed pension.

Both thoughts hint at where we could end up. A hybrid design where risks are shared. Maybe, automatically enrolled, higher employer contributions and engagement (using the Retirement Living Standards) to either get

personal contributions to an optimal level or ensure the saver understands the implications of being sub-optimal, guidance and or nudges at the critical time approaching retirement, perhaps a rolling back of Freedom and Choice so as pension schemes provide a stream of income, as originally intended, longevity pooling all underpinned by super-efficient schemes with robust member specific default investment strategies.

The public sector's path

The public sector will follow a different route.

DB remains the dominant design in the public sector although the accrual has been reduced, in some schemes, over time. The drivers of this reduction are largely the same as the drivers of scheme closures in the private sector: cost and risk control and, of course, affordability.

There is another way to reduce costs and improve affordability and that's scale – hence the drive for local authority schemes to pool assets. The benefits of pooling, that is the ability to fine tune and optimise the machine of delivery, however, has its limits and there is a law of diminishing returns. For this reason, on the assumption budget pressures persist, it would seem inevitable the relative generosity of public sector schemes will also be under pressure.

Reform to date has been slow and hard. It takes a persistent and brave politician to make progress. In this context, reform isn't inevitable and is unlikely to happen soon. For this reason, it's possible to imagine a world, 100 years from now, where some DB schemes will still exist.

Lifetime savings

So far, this analysis has focussed only on pensions, yet we are the Pension and LIFETIME Savings Association.

The association changed its name in 2015 to reflect the fact that pensions no longer exist in a financial silo.

In the days when most pensions were provided through DB schemes, life was much easier for the member. Membership was often compulsory, but this was abolished in the mid 1980s around the same time as the launch of personal pensions and Tax Exempt Special Saving Accounts (TESSAs) – the predecessor to Individual Savings Accounts (or ISAs).

This was all part of a policy to promote personal financial freedom and responsibility. In DB, there was no contribution decision, other than whether to pay additional contributions, the at-retirement decisions were simple and the income received was paid for life, perhaps with some inflation protection. From start to finish there were few decisions for a member to make.

In a DC world, life is far more complex for the member. Joining, or more accurately, leaving, is an option. They have to choose their level of contributions with little or no data to guide them on affordability or what's appropriate, there are a myriad of at-retirement decisions and, even once retired and assuming they haven't bought an annuity, the complex decisions continue – what's a sustainable level of drawdown, how long might I live, how much investment risk should I take? And, as the decision is in their hands, the affordability of contributions is bound, and sensibly so, to be assessed in the context of other financial demands – housing and living costs of course, but also other financial products: debt, insurance and shorter duration savings. DC pension schemes are competing for attention and money.

Members have always used other assets, once retired, although most commonly to fund a significant additional expenditure. Because DC schemes provide, generally, lower pension incomes and far less certainty, in the future it seems likely the other assets will be needed to also fund day to day expenditure or to protect against risk.

Pension scheme design, delivery and policy, need to change to recognise these other assets and to integrate themselves into the wider decision-

making process. In the long-term future, pension schemes shouldn't be part of a competition for attention and money, they should be a fully integrated part of that wider ecosystem of financial health, wealth and work.

Members

It's not just schemes, their design and delivery, that could change though. Two other factors, beyond the pensions industry could be drivers for reform. The first of these are the members themselves.

The forty-year career, followed by a gentle retirement, is a thing of the past. The average saver has eleven pension pots by the time they retire, has had somewhere between six and ten jobs and has had six office romances (the last stat from Careershifters.org).

In some part, these numbers are up because of an increase in when people leave the labour market. In 1996, the low point for the dataset, the average male left the workforce aged 63. He now leaves aged 65.1. The female experience is similar: 60.3 in 1986 and 64 now (source: Economic labour market status of individuals aged 50 and over, trends over time: September 2021).

Interestingly the longer-term trend shows a different story. In 1950 the average age of exit for men was 67.2 and for women 63.9, however, back then they expected to live only around 12 and 14 years respectively having left the workforce. These days the average expectancies are in excess of 18 and 21 years respectively (source: ONS).

The age of leaving the workforce is likely to continue this upward trend for all sorts of reasons including increasing longevity and economic necessity – both at a State level to limit expenditure on state pensions (they cost around £39bn in 2000/01 but £105bn in 2021/22) and an individual level reflecting the decline of DB pensions and the, in part, consequent passing of "cliff edge" retirement.

More people are working part time into retirement. In some cases, this is because of a financial need but often it is because of a health need – there is plenty of evidence that links an active retirement with a healthier longer retirement.

The 100 year life

In their book *The 100 Year Life*, Andrew Scott and Linda Gratton argued the pattern needs to change further. A stable career spanning 40 years to somewhere in the early 60s was just about do-able, but extend the end of working life to the early 70s or even into the 80s and retraining will become the norm. They see a world of training, first career with simultaneous asset accumulation, followed by a period of retraining and asset decumulation, followed by a second career and so on.

The days of being a full-time employee are passing. There is more self-employment - around 4.4m workers in May 2022, up from 3.5m twenty years before (source: Statistica). There is also more part time working – around 8.4m workers in May 2022, up from 6m in 1992. In fact, the younger you are, the more flexible you see your future.

Although all this evidence tells a compelling story of change, this won't affect everyone. Heavy manual workers, for example, will not be able to work longer, are less likely to go "portfolio" and may also be less likely to retrain. In other words, the future is a place of far more complex working patterns – perhaps of where work and retirement have a completely different shape to now.

Societal expectations

In some part these changes in working patterns are being driven by changing societal expectation. The internet age is one of instant gratification, freedom and choice, instant accessibility, flexibility, equality and a different work life balance. In the long term there seems no reason why this would change accepting there'll be short terms blips. For example, both self-employment and part-time working reduced during Covid.

These changing societal expectations, however, won't just affect working patterns, they'll also affect what people expect from their pension schemes.

Pension schemes need to adapt to continue to be able to deliver to these changing needs and wants. They need to do this ahead of the curve of change. They need to do this if they are to remain relevant. The industry can't be complacent about this. Automatic enrolment may be getting people into pensions now and the opt out rate may be low, but we can't be certain this will continue. If pension schemes become less relevant the harm isn't just members won't join, but equally importantly, they become even less likely to engage – the outcome of which would be less informed decision making and so outcomes that are less optimal.

The wider view

Beyond the key issues that we've discussed here, there are also the existential factors that could or will impact on pensions and lifetime saving.

Dipping a toe into some of these: gene therapy and personalisation of medical treatment could lead to significantly longer and healthier life spans – although the prohibitive cost of some of these treatments could also lead to stratification of those health outcomes, creating a sort of health class system. Climate change, if left unchecked, could wipe out humanity in the long run but in any case, and in the meantime, is likely to lead to mass migrations and possible wars as precious resources are sought. Artificial Intelligence is advancing rapidly and is likely to lead to the next great industrial revolution with all the consequences that creates – in the long run, hopefully, a better quality of life, but that not being achieved without some people being displaced.

All of these and other things, will have a massive impact over the next 100 years and the industry needs to spend time thinking and reacting to them.

The history of the PLSA

1923

Founded as the Association of Superannuation and Pension Funds on 18 January, six years after a group of transport pension funds had first met to lobby for pension funds to be relieved of income tax. Their success in the 1921 Finance Act paved the way for the new association.

1930

Lobbying success as the 1930 Finance Act grants pensions to war widows and orphans at the same tax relief as employees.

1934

The origins of the Annual Conference, as an address to members is held after the AGM.

1950s

Local Groups are formed, beginning in Liverpool.

1956

A weekend Conference is held in Brighton, the first outside London. A two-day, residential Annual Conference becomes a fixture from 1962.

1957

Members' AUM rises to over £1 billion, a year after the death of the Association's founding father, John Mitchell, who served 24 years as Chairman and nine as President.

1961

British Airways, ITV and Mitchells & Butlers become members.

1964-1970

Membership increases by 45 per cent, to 2,282. During this period many household names join, such as BAE Systems, Hymans Robertson and Mars.

2002

Voting Issues Service sold to ISS.

1980

The NAPF produces a series of codes of practice, which eventually evolve into Made Simple Guides.

1978

The first Investment Conference is held.

1975

Pensions Management Institute.

Established as the Institute of Pensions Administration in 1975, sponsored by the NAPF, the Society of Pension Consultants, the Life Offices' Association and the Association of Consulting Actuaries. Each nominated four representatives to sit on the Institute's Council. Incorporated as the Pensions Management Institute in 1976.

1972

The NAPF moves to Croydon, after earlier moving from its first office in Earls Court, leased in 1947, to South Kensington, Holborn and Victoria. The NAPF moved back to Westminster in 1985, then to Cheapside in 2011, and Chiswell Street in 2018. The PLSA moved to St Dunstan's Hill in July 2023.

1972

The pensions trade magazine *Pensions World* is launched as a joint venture partly based on the NAPF newsletter *Pensioneer*.

1971

The first training course is held, at York University.

1967

The Association of Superannuation and Pension Funds becomes the National Association of Pension Funds.

2003

An 80th anniversary conference is held in May. An almanac produced at the same time notes the growing trend towards Socially Responsible Investment (SRI) and the differences technology could make to pension provision.

2004

Research, Recommendations and Electronic Voting (RREV) JV between NAPF and ISS launched. Later acquired by Reuters and now part of MSCI.

2005

The NAPF publishes *Voting Made Simple*, a guide to help trustees act in savers' best interests when exercising their voting rights. Pension funds had become more active investors since the 1960s. Today our annual voting guidelines are one of most widely-read publications.

2009

The Pension Quality Mark is launched to enable employers to promote good quality DC schemes. Initially a subsidiary of the NAPF, with its own board, the PQM was brought in-house before its standards were updated in 2019.

2012

A new Defined Benefit Council and Defined Contribution Council replace the existing Retirement Policy Council (RPC) and Investment Policy Council (IPC). The councils set the policy direction of the NAPF and help shape debate around major issues.

2012

Several major UK pension funds sign up to the Pension Infrastructure Platform (PiP), following an Memorandum of Understanding between the NAPF, Pension Protection Fund and HM Treasury the year before. The first PIP fund launched in 2014.

2023

The PLSA celebrates its 100th anniversary.

2020

PiP funds are transferred to Foresight Group.

2018

A major review of the PLSA's governance arrangements results in new Articles of Association and Rules replacing the old Constitution. The Council structure is replaced and a new Policy Board is formed, It guides and decides on PLSA public policy positions, with a remit stretching across all aspects of pensions and lifetime savings policy. Four committees – Defined Benefit, Defined Contribution, Local Authority and Master Trust – report to it.

At the same time, the Board of the PLSA is restructured to increase the expertise available to it from outside the PLSA membership, while retaining a core of PLSA member representation.

2015

The National Association of Pension Funds becomes the Pensions and Lifetime Savings Association, reflecting structural changes in the pensions system and the position of workplace pensions among other sources of wealth and wider financial wellbeing.

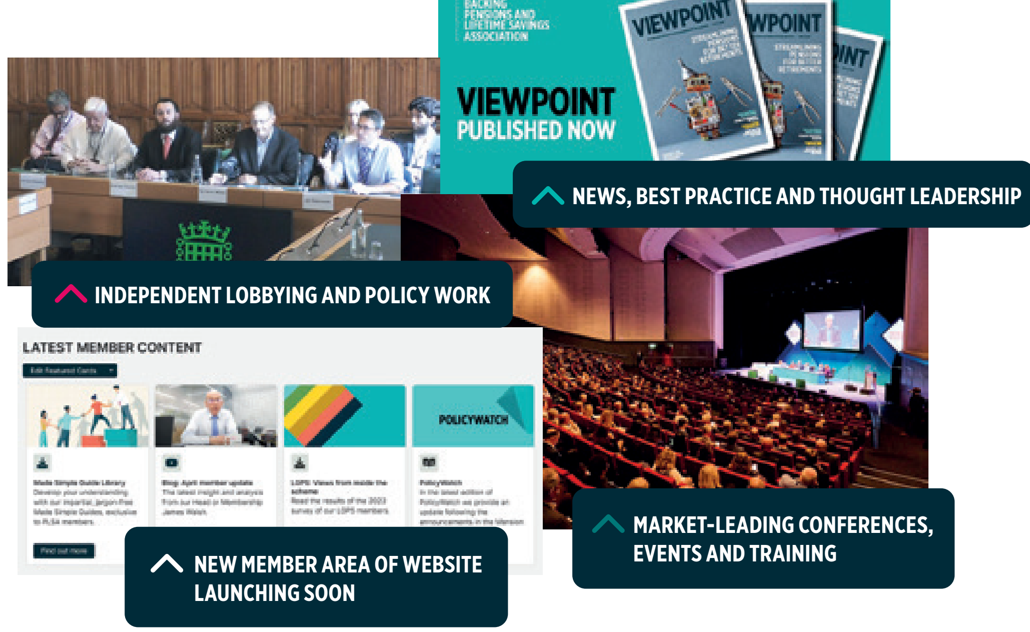
The next 100 years

The last 100 years – the years of the PLSA in its current and former guises – has seen much change. The next 100 years will be the same.

But it's possible to see, in the mass of prediction above, us arriving in a sunny upland where we have better, more sustainable, retirement incomes for all, delivered by well-run schemes with motivated staff, invested in assets that achieve their primary objective (providing the money needed to fund adequate pensions) in a sustainable perhaps even impactful way, while also supporting UK plc.

This will only be achieved if the legislators and regulators are supported by a knowledgeable pensions industry. And, as the voice of that industry, the PLSA has a vital role to play.

We must continue to be the practical and creative voice that speaks truth and common sense to the regulators and legislators and we have to continue to imagine what the future might be – developing or helping incubate the ideas that will lead to better retirement incomes.



WE ARE THE VOICE OF WORKPLACE PENSIONS AND SAVINGS

OUR MISSION IS TO HELP EVERYONE ACHIEVE A BETTER INCOME IN RETIREMENT

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