

THE MEMBER BACKING
**PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION**

PLSA COVID-19 SURVEY RESULTS



30 April 2020





BACKGROUND

The PLSA's second COVID-19 survey was conducted from 8-18 April 2020 and the results are based on an overall total of 114 responses. Where appropriate results are compared to our first COVID-19 survey which was conducted over 20-25 March 2020 with a total of 100 respondents.

SUMMARY



62%
SAY COVID-19
HAVING LITTLE IMPACT
ON DAY TO DAY RUNNING
OF THEIR SCHEME(S)



99%
SAY THEIR
CONTINGENCY PLANS
ARE COPING WELL



**ALL SCHEMES SURVEYED
ARE CONFIDENT OF
MEETING PAYMENT
OBLIGATIONS TO
MEMBERS OVER THE
COMING MONTHS**

Research carried out by the PLSA suggests the industry is coping well with the COVID-19 crisis:

- ▶ Almost two-thirds (62%) believe COVID-19 is having little impact on the day to day running of the scheme (up from 39% in March).
- ▶ Almost all schemes' contingency plans are coping (99%).
- ▶ All schemes are confident that they can meet their payment obligations to members over the coming months, with 85% reporting that they are "very confident" and the remainder (15%) that they are "fairly confident".
- ▶ There is increasing confidence in the ability of their Third Party Administrator's capacity to service the needs of their members (68% have no concerns compared with 60% in March).
- ▶ Fewer are concerned about the strength of their scheme sponsor/employer (45% are not concerned at all, compared with 29% in March).

Other findings include:

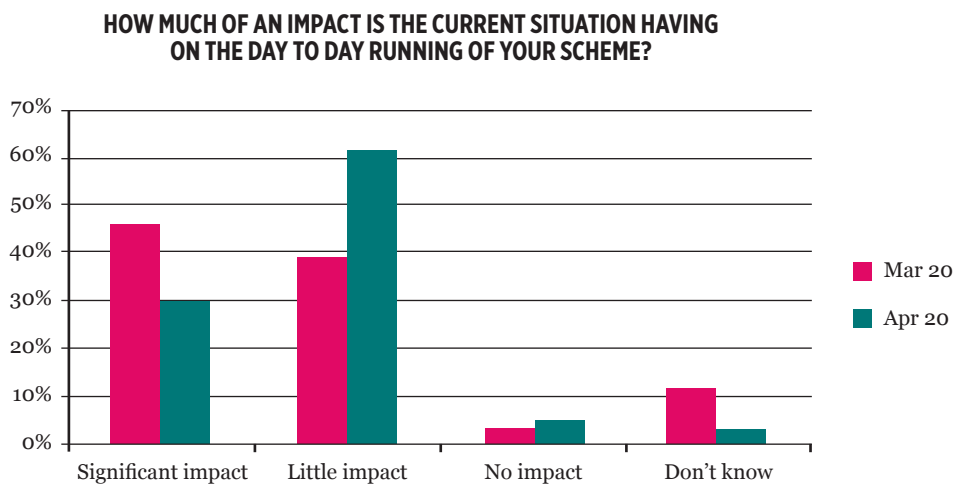
- ▶ Half of schemes say they have not seen any change in the volume of member queries and some are even reporting fewer calls (17%). A third say they have seen a modest increase in member enquiries.
- ▶ Only one scheme mentions seeing an increase in scams.

Where schemes are experiencing some kind of impact from COVID-19, these relate to the pressures of remote working including difficulty serving member requests (33%), as well as a shortage of staff (22%). A significant number of DB schemes are also experiencing funding concerns (37% of DB schemes who said they were experiencing some kind of impact).

As a result, many have had to change their operational processes, such as the receipt of communications (50%) - from either members or employers, their contractual decisions (49%) e.g. signatures for trustee/investment decisions, and processes to mitigate the risk of members being scammed (23%).

IMPACT

How much of an impact is the current situation having on the day to day running of your scheme?



Almost two-thirds (62%) believe COVID-19 is having little impact on the day to day running of their scheme. This is a higher figure than in March (39%) which suggests growing confidence. 5% say it is having no impact. While 34% of respondents said the current situation is having a significant impact on the day to day running of their scheme, this is lower than the figure for March (46%) and, again suggests the sector is coping with the crisis.

Of those who have experienced some kind of impact, a third are experiencing difficulty servicing member requests (33%), while two in five are having to change procedures due to remote working (43%). Around a quarter are having difficulties due to shortage of staff (22%).

Some DB schemes are experiencing funding concerns (35% of all respondents who are experiencing some kind of impact).

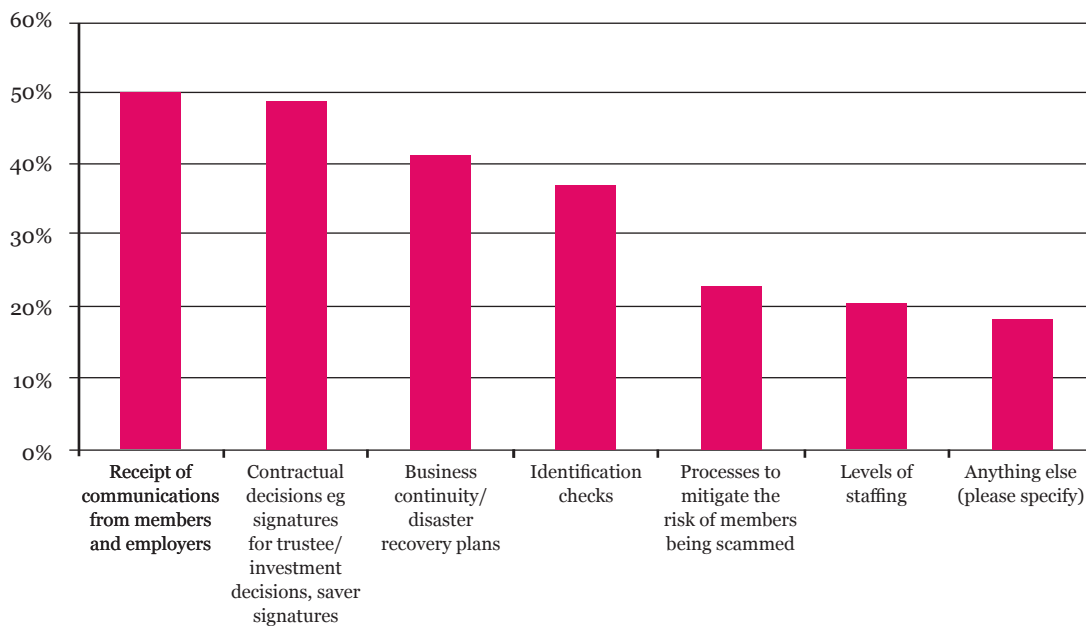
OPERATIONAL PROCESSES

In terms of operational processes half have changed their contractual decisions (49%) e.g. signatures for trustee/investment decisions, save signatures, and to change the receipt of communications from members and employers (50%).

Two in five had had to change their business continuity/disaster recovery plans (41%). A third have changed their identification checks (37%).

One in five have also changed their processes to mitigate the risk of members being scammed (23%) and have had to change their levels of staffing (21%).

HAVE YOU HAD TO CHANGE ANY OF THE FOLLOWING OPERATIONAL PROCESSES TO TAKE INTO ACCOUNT OF CURRENT CIRCUMSTANCES?



SCAMS

Despite a significant number having changed their processes to mitigate the risk of members being scammed, few (one respondent) say they have seen greater incidences of members being approached by suspected scammers and say that phishing emails are the main types of scams that their members are experiencing.

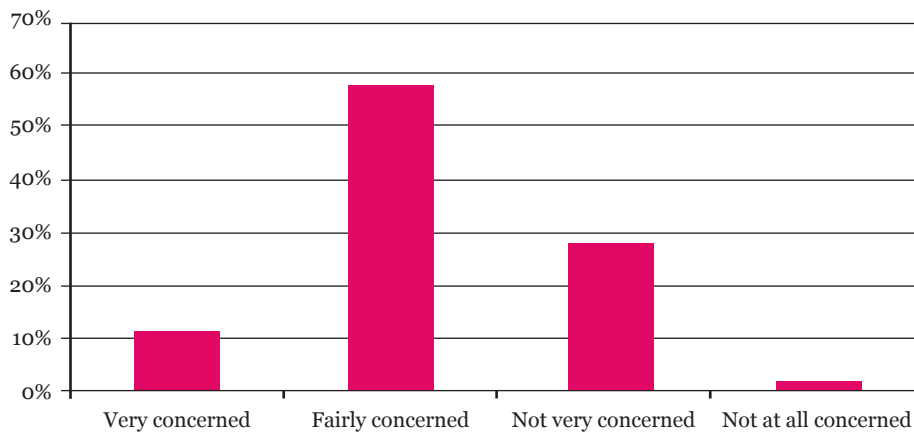
TRANSFERS

Most schemes say they have not changed their transfer policy as a result of COVID-19 (81%). However, one in seven say they have changed their transfer policy (15%), with the majority of these respondents saying they have put a temporary “halt” on transfers (87%). One in five who have changed their policy have implemented additional checks (20%).

INVESTMENTS

Two-thirds (69%) of respondents are “very” or “fairly” concerned about the impact of COVID-19 on their investments. Few have changed or are intending to change their investment strategy as a result of COVID-19 (6%). Indeed, more than half have actively decided not to change their investment strategy (56%), which may suggest that most are already well positioned for the long-term. Around a quarter say they do not yet know how their strategy will change and 14% have not yet reviewed it, which may reflect the rapidly changing nature of the current situation. One in ten of those representing DC and DB said they are intending to change their strategy compared to 4% of DB only.

HOW CONCERNED ARE YOU ABOUT THE IMPACT OF COVID-19 ON YOUR INVESTMENTS?

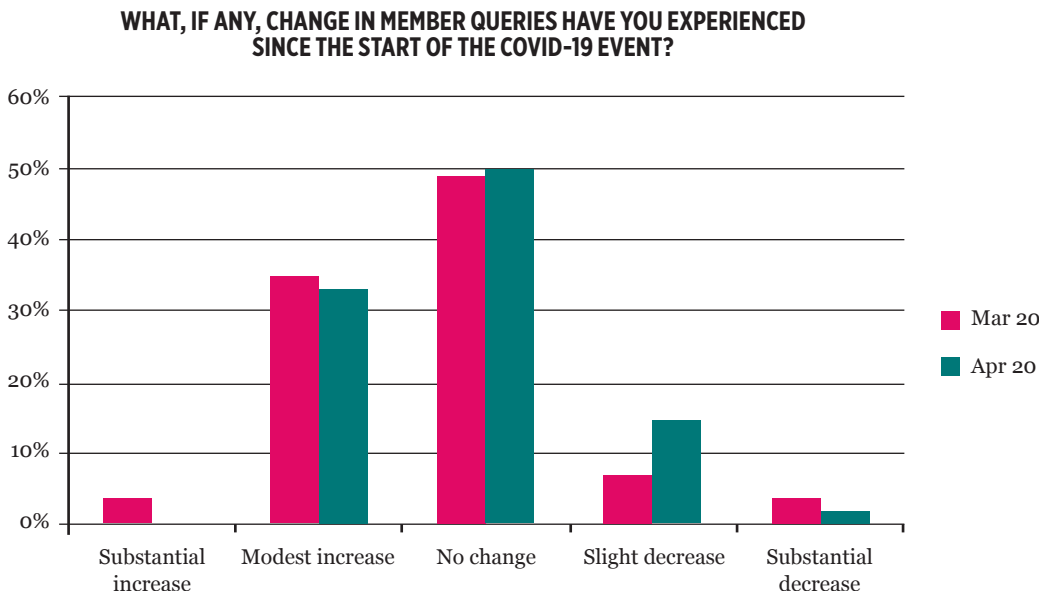


Of the six respondents who have changed their strategy, two respondents say they have changed their asset allocation to be more defensive, while one respondent says they have changed their asset allocation to be more return-seeking (NB small sample size).

MEMBER QUERIES

What, if any, change in member queries have you experienced since the start of the COVID-19 event?

Half (50%) say they have not experienced any change in the volume of member queries, with a third saying they have experienced a modest increase (33%). However, fewer have experienced a substantial increase compared with March (none now say they have experienced a substantial increase in queries, compared with 4% in March). Indeed, almost one in five say they have seen either a “slight” or “substantial” decrease (17%) in member queries, compared with 11% in March.



Furthermore, most say they have not seen any changes in savers’ behaviour (74%). More than one in ten say that there has been an increase in savers accessing their website/apps (11%), with few actually stopping their contributions (1%) or levelling down their contributions (3%).

Among those who say they have experienced an increase in member queries, most say member queries have increased by 0-15% (83%), while five respondents (17%) say that their member queries have increased by between 16% and 25%.

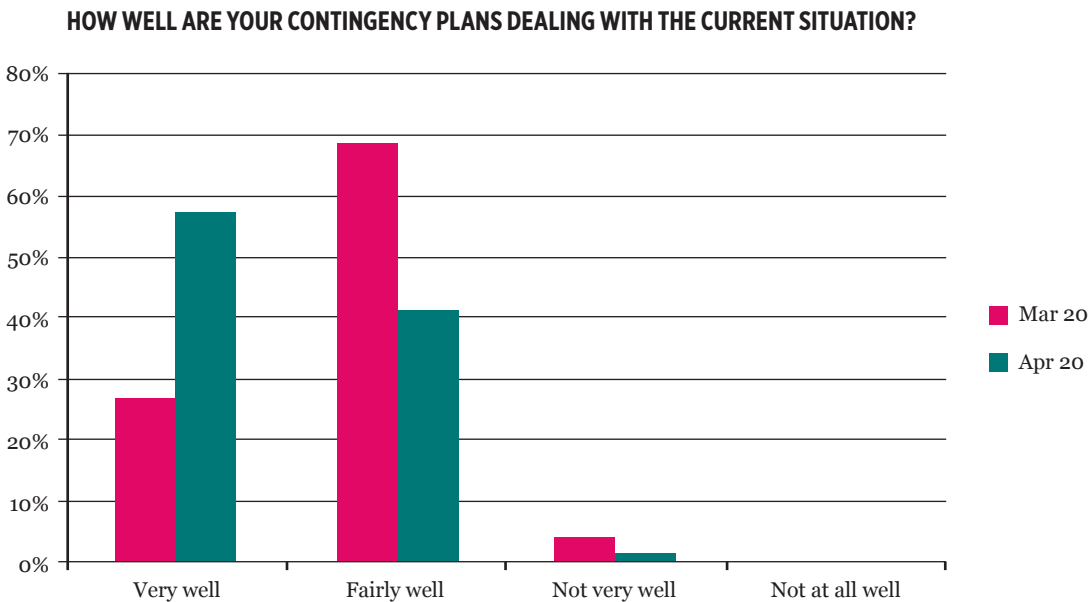
General queries prompted by COVID-19 (89%) and queries prompted by seeing something in the media (25%) are seen to be the main reasons for the increase in member queries.

The main queries savers have relate to new retirements (36%), and to reduce member contributions (16%), alter investment choices (16%) and queries related to a change in employment (16%).

CONTINGENCY

How well do you think your contingency plans deal with the current situation?

Almost all are positive about the ability of their contingency plans to deal with the current challenges of COVID-19, with three in five (58%) saying their contingency plans are dealing very well with the current situation, up from 27% in March, reflecting a growing confidence in dealing with the impact of COVID-19. Only one respondent says their contingency plans are not dealing with it very well.

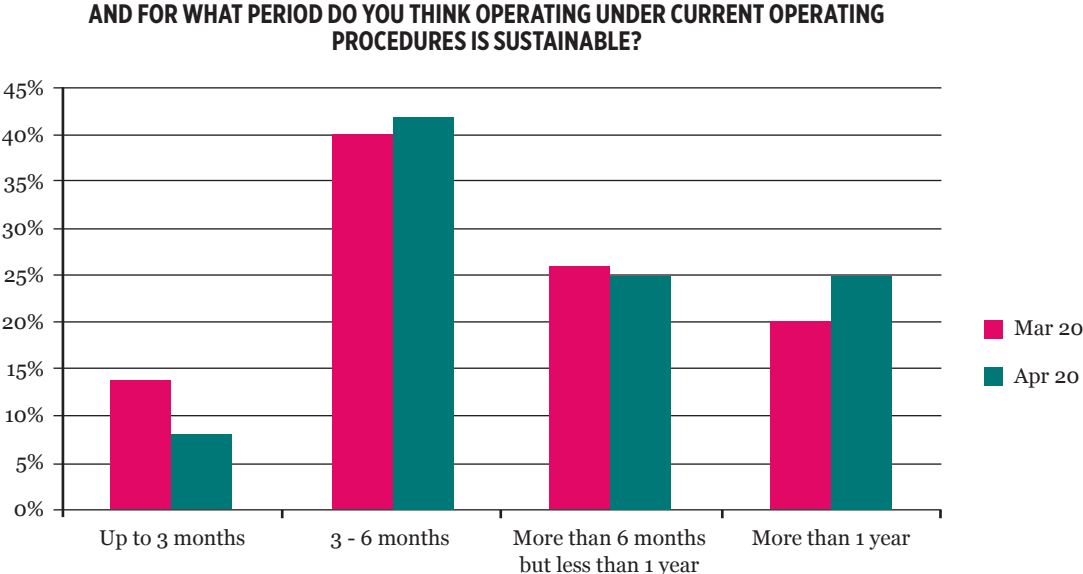




SUSTAINABILITY OF CURRENT OPERATING PROCEDURES

And for what period do you think operating under current operating procedures is sustainable?

Half of respondents say that their current operating procedures are sustainable for six months or longer. Few (8%) say they will not be sustainable beyond three months.

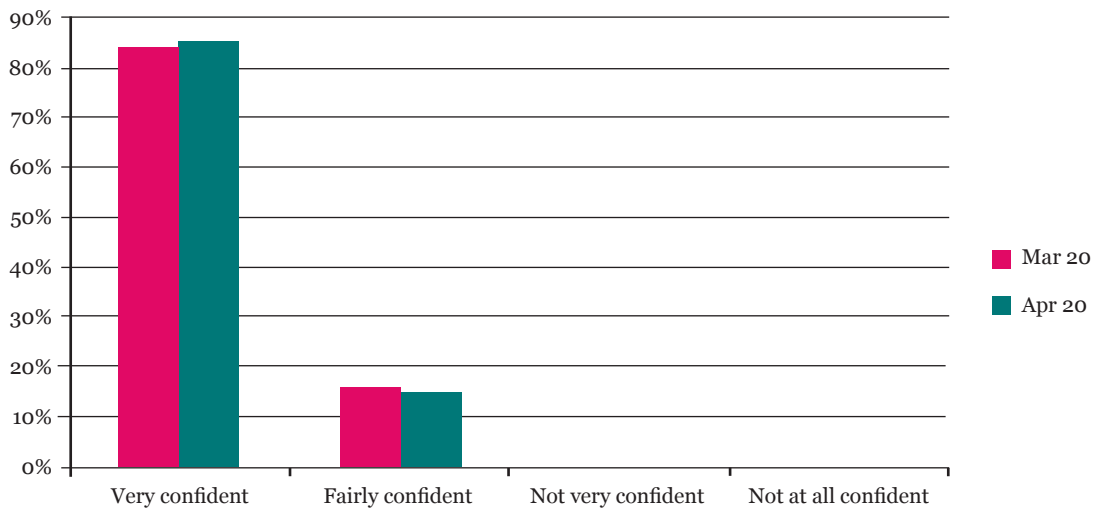


CONFIDENCE OF MEETING PAYMENT OBLIGATIONS

How confident are you that you can meet your payment obligations to members over the coming months? Would you say...

Respondents are overwhelmingly confident of meeting payment obligations in the coming months with 85% reporting that they are “very confident” and the remainder (15%) reporting that they are “fairly confident”.

HOW CONFIDENT ARE YOU THAT YOU CAN MEET YOUR PAYMENT OBLIGATIONS TO MEMBERS OVER THE COMING MONTHS? WOULD YOU SAY...



Just over three quarters of DB schemes (77%) said they were very confident compared to 95% of respondents that represent both DC and DB schemes.

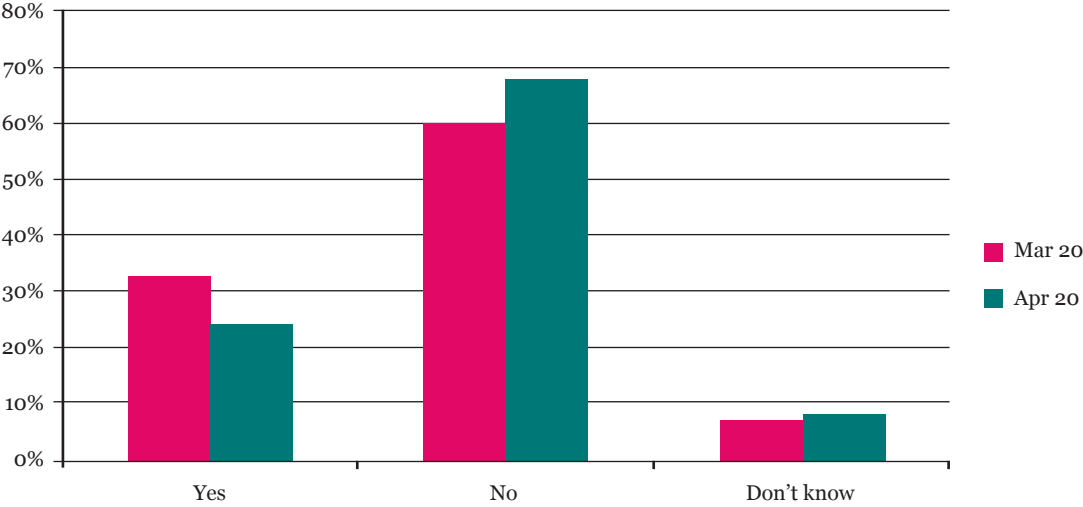


THIRD PARTY ADMINISTRATOR CONCERNS

Do you have any concerns about your Third Party Administrator’s capacity to service the needs of your members over the coming months?

There is increasing confidence in the ability of their Third Party Administrator’s capacity to service the needs of their members, as a result of COVID-19, with more than two-thirds (68%) having no concerns about their third party administrator’s capacity. While a quarter do have concerns (24%), this is lower than in March (33%), again suggesting the sector is coping with the crisis. A further 8% say they don’t know.

DO YOU HAVE ANY CONCERNS ABOUT YOUR THIRD PARTY ADMINISTRATOR’S CAPACITY TO SERVICE THE NEEDS OF YOUR MEMBERS OVER THE COMING MONTHS?

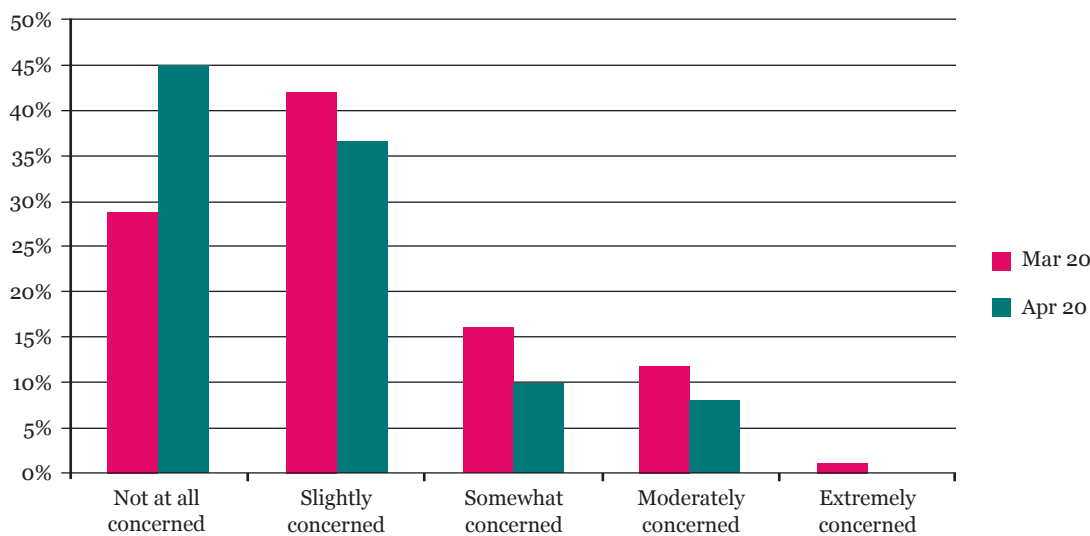


CONCERNS ABOUT SCHEME SPONSOR/EMPLOYER

How concerned are you about the strength of your scheme sponsor/employer?

Few are concerned about the strength of their scheme sponsor/employer (18%), with almost half (45%) saying they are not at all concerned. Respondents are less concerned about the strength of their scheme sponsor/employer/funder than in March with only 8% saying they are either moderately or extremely concerned, compared with 13% in March.

HOW CONCERNED ARE YOU ABOUT THE STRENGTH OF YOUR SCHEME SPONSOR/EMPLOYER/FUNDER?



Has your sponsor or participating employers asked you for any of the following...?

The main aspects that sponsors or participating employers have requested are alterations to planned deficit recovery contributions (22%), cancellation of contribution payments (14%) and reduction in employer contributions (14%).

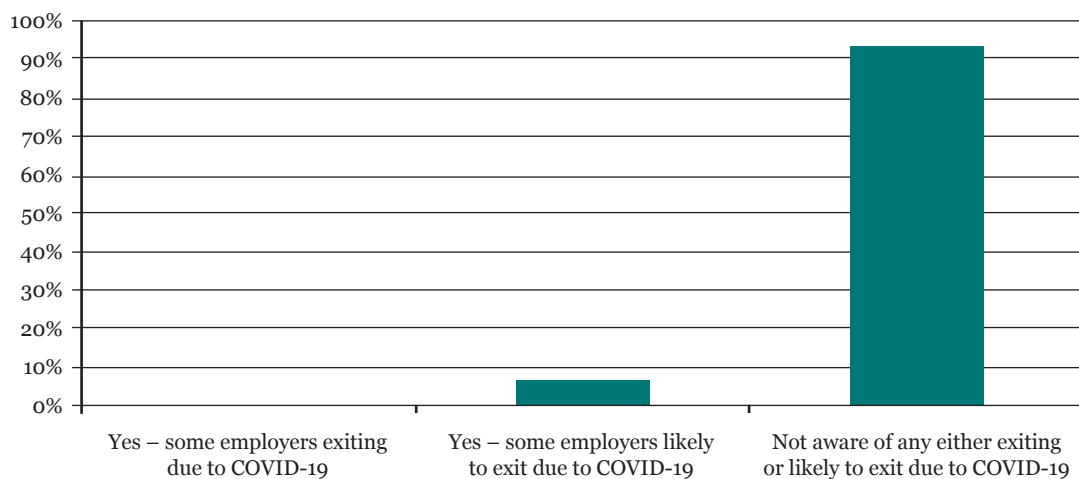
A delay or change in the valuation	11%
To alter planned Deficit Recovery contributions	22%
To delay AE employer payments	0%
To prepare to adjust AE payments to furloughed employees	8%
Cancellation of contribution payments (employer and/or employee)	14%
Reduction in employer contributions	14%
None	24%
Other (please specify)	38%

EMPLOYERS EXITING AMONG TRUSTS/LGPS

Are you aware of any employers who are exiting (or are at risk of exiting) where the exit is linked to the current situation with COVID-19?

Most say that they are not aware of any employers exiting or likely to exit due to COVID-19 (93%). Within those who said they are aware some employers are likely to exit (only two respondents), both did not think it was likely to impact the sustainability of their scheme.

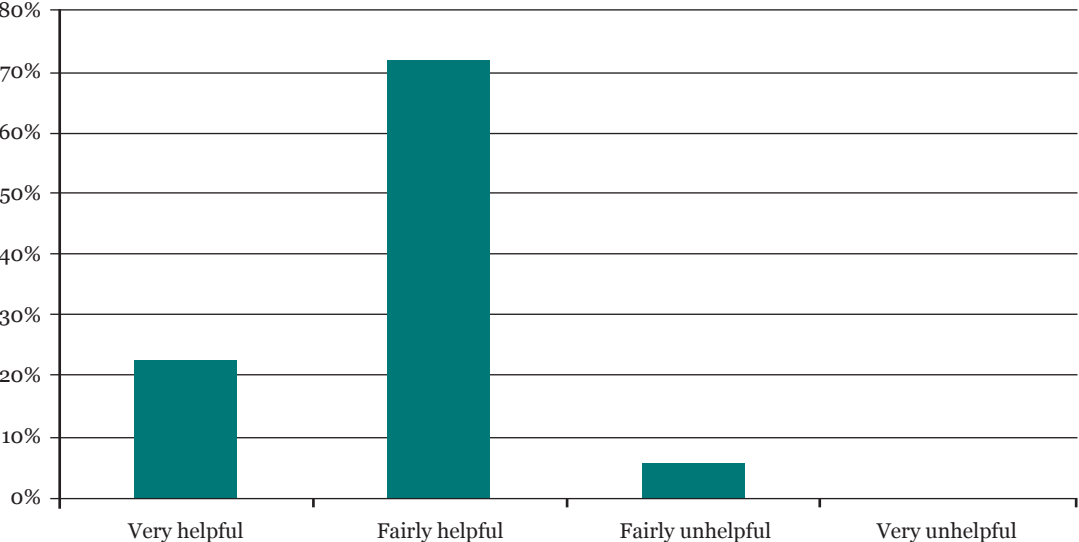
ARE YOU AWARE OF ANY EMPLOYERS WHO ARE EXITING (OR ARE AT RISK OF EXITING) WHERE THE EXIT IS LINKED TO THE CURRENT SITUATION WITH COVID-19?



GUIDANCE ISSUED BY THE GOVERNMENT AND THE REGULATOR

The vast majority have found the guidance issued by the Government and the Regulator to have been helpful, with 22% finding it very helpful and 72% finding it fairly helpful. Only 6% have found it to be fairly unhelpful.

HAVE YOU FOUND THE GUIDANCE ISSUED BY GOVERNMENT AND THE REGULATOR OVER RECENT WEEKS TO BE:



DEMOGRAPHICS

Over half of respondents represent DB only schemes (52%), while two in five (41%) represent both DB and DC schemes. DC only schemes are represented by 7% of respondents.

Around one in five represent LGPS schemes (20%), with a similar number representing master trusts (17%).

Scheme size ranged from less than 1,000 members to over 1 million members. Most schemes represented are small: a third less than 5,000 members (31%) and around three-fifths 25,000 members or less (59%). However around a quarter (21%) have between 25,000 and 100,000 members, and just less than one in five (19%) have more than 100,000 members. Four respondents represent schemes with more than a million members.

