Viewpoint

The official journal of the Pensions and Lifetime Savings Association

Issue 3 2016

EMBRACING DIVERSITY

DB: THE LONG-TERM VIEW

A VIEW FROM DOWN UNDER

INSIDE MY SCHEME

RAISING THE BAR ON CYBER-SECURITY

CONSUMER VIEWPOINT

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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CHIEF EXECUTIVE Viewpoint

Joanne Segars makes a plea for long-term vision in turbulent times.

IF A WEEK IS A LONG TIME IN POLITICS, THEN A YEAR IS CERTAINLY A LONG TIME IN PENSIONS. IT WAS JUST A YEAR AGO, AT OUR ANNUAL CONFERENCE & EXHIBITION IN MANCHESTER, THAT I ANNOUNCED OUR NEW NAME AND OUR NEW DIRECTION.

That time seems to have gone by in a flash. So much has happened since then.

We've had the threat of radical tax reforms (successfully fought off); the prospect of Lifetime ISAs; proposals for a Holistic Balance Sheet (also successfully fought off); a new EU Pensions Directive; hit the 6 million mark in terms of the numbers of people now auto-enrolled; seen the return of quantitative easing and a further fall in interest rates; kicked off a major inquiry into DB schemes and seen politicians get 'stuck in' to DB pensions in the shape of their investigation into the BHS pension scheme. The nation has a new Prime Minister and a new ministerial team. Oh, and then there was the small matter of that referendum.

Our message to the new ministerial team is a simple one: less tinkering and more long-term planning and stability please. That means being clear about where we want to be heading over the next few decades (not just the electoral cycle) on pensions – and it means a clear line of sight between the Government's pensions and savings policies.

OUR MESSAGE TO THE NEW MINISTERIAL TEAM IS A SIMPLE ONE: LESS TINKERING AND MORE LONG-TERM PLANNING AND STABILITY PLEASE

You'll have heard me say before (and I've written about it in these pages before) that one of the failings of successive governments has been meeting short-term economic and political needs over long-term gain and security for the nation's pension savers. That does little to build the confidence of pension savers or employers and trustees supporting workplace schemes.

AS ECONOMIC CONDITIONS HARDEN POST-BREXIT THE GOVERNMENT MAY BE TEMPTED ONCE MORE TO DIP INTO PEOPLE'S PENSION POTS

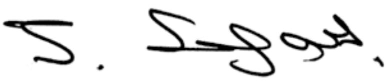
Next year's review of auto-enrolment will give us the opportunity to set the long-term course for the next phase for what has genuinely been a long-term – and successful – intervention in pensions. And through our own DB Taskforce we have the opportunity to set out solutions to 'fix' DB through the creation of a more stable operating environment for DB pensions.

These will both be important – and hopefully their results will be lasting and make a difference to the lives of millions of people. But of course if we're serious about setting a long-term course, we have to do that seriously. That means setting up an Independent Retirement Savings Commission that can make an independent assessment of the state of the nation's retirement savings and make recommendations to Government.

Independent Retirement Savings Commission or no, we'll need to be on our guard. As economic conditions harden post-Brexit the Government may be tempted once more to dip into people's pension pots in the form of further tax changes.

So there's lots that's happened over the last 12 months – and much more to follow. It means there will be plenty for us to discuss, as ever, at our Annual Conference & Exhibition. I'm delighted that we have a brilliant line-up of speakers, a packed programme and a busy exhibition.

I look forward to seeing you there! Do come and say hello.



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Viewpoint UPDATE

UNDER PRESSURE

NEW RESEARCH FROM THE PLSA REVEALS THAT OVER HALF (54%) OF 18-35-YEAR-OLDS WITH A STUDENT LOAN DON'T CONSIDER IT TO BE DEBT, AND 64% BELIEVE THEIR STUDENT LOAN WILL NOT COUNT AGAINST THEM WHEN APPLYING FOR A MORTGAGE.

A typical student studying in England will graduate with over £40,000 of student debt which they are told will not affect their credit rating. Although this is correct, since the Mortgage Market Review, introduced in April 2014, lenders can include student loan repayments into mortgage affordability calculations. As a result student loan repayments may affect someone's eligibility for a mortgage under those calculations.

Our research highlights how strong the desire is among 18-35-year-olds to invest in property. Given an unlimited sum of money 42% say they would prefer to invest in property to get the best return, and almost one in five (18%) are already saving towards a property. Recent research has also shown that 69% of young adults feel that owning their own home is essential to feeling that they have succeeded in life.

However, the research also shows that 18-35-year-olds' plans to save for the long-term are curbed by short-term necessity.

This so-called YOLO (you only live once) generation is shown in quite a different light by our findings. Rather than adopting spendthrift attitudes 18-35-year-olds want to save, feel they ought to save, but simply can't.

51% of respondents tell us they get more satisfaction from saving money than spending it and 53% disagree with the idea that they tend to live for today and let tomorrow look after itself. When it comes to debt, the majority (57%) say they do not have any (excluding student loans) and 65% of 18-35-year-olds do not acquire any debt on a monthly basis.

64%

believe their student loan will not count against them when applying for a mortgage.

OUR PICK OF THE BEST HEADLINES AND TWEETS

IF YOU REALLY LOVE HER: TALK TO HER ABOUT A PENSION

Sarah Coles, *AOL.com*

PENSIONS STILL A GREAT WAY TO SAVE FOR RETIREMENT

Harvey Jones, *Express*

CITY WATCHDOG BACKS PENSIONS

Philip Inman, *The Guardian*

WHY DOES MY PENSION PROVIDER WANT TO KNOW WHO WAS THE FIRST PERSON I KISSED?

Unattributed, *Financial Times*

Sara Benwell@PensionsBenwell
It's not just old people who care about pensions

Greg Neall@WUYWgreg
Savers stick by pensions despite post-Brexit confidence fall

PensionReviewService@PensionsReview
Why pensions and technology are a match made in heaven

Helen Beedham@HelenBeedham
Covered a fabulous range of topics with 5yo on way to school today: genes & inheritance, pensions, Shakespeare...

EMBRACING DIVERSITY

PLSA Chair **Lesley Williams** makes a forceful case for why we need to create a more diverse pensions sector.

WHEN I WAS ELECTED CHAIR OF THE ASSOCIATION, ALMOST A YEAR AGO, I GOT LOTS OF KIND MESSAGES FROM PEOPLE CONGRATULATING ME ON THE NEW ROLE AND WISHING ME LUCK. THAT WAS LOVELY, OF COURSE, AND I WAS VERY TOUCHED. BUT ONE THING THAT TOOK ME BY SURPRISE WAS PEOPLE CONGRATULATING ME ON BEING THE FIRST WOMAN TO CHAIR THE ASSOCIATION.

Of course I knew that I was. But until I received those notes, I suppose I hadn't really thought too much about it, or its significance. In fact, I'm a bit ashamed to say that I hadn't thought too much about it at all as I'd been working my way through my pensions career. I'd just got on with things.

But it did make me stop and think about how far we've come as an industry, and how far we've still got to go. Because in 2015, it shouldn't really have been news that we were electing our first woman chair, should it?

PRACTISING WHAT WE PREACH

As investors we've made it clear that we expect to see more diverse boards running the companies in which we invest. We say, rightly, boards that are more diverse and which reflect a wider range of voices will be less prone to group-think – and are more likely to be successful.

So if that's right for the companies in which we invest, it must be right for us too.

42%

the Davies report on Women on Boards found that companies with more women on their boards outperform their rivals with a 42% higher return in sales.

LACK OF DIVERSITY CREATES PROBLEMS – IT EMBEDS COGNITIVE AND CULTURAL BIASES THAT NARROW OUR OUTLOOK AND DAMAGE PERFORMANCE

But if we're honest with ourselves, and as those notes to me last year subtly revealed, we're still not a very diverse sector. Just look around your own trustee boards or around your own scheme executives and top teams for confirmation. There are lots of aspects to diversity of course – ethnicity, sexual orientation, age, socio-economic grouping and disability. But let's just drill down into one aspect of diversity – gender.

Data from last year's PLSA Annual Survey showed that the gender profile of governance bodies in private sector pension schemes was 83% male. For investment committees it was even worse – 90% male. LGPS funds did not fare much better – 80% male for both pension committees and investment committees.

I am not making these points for form's sake or to be PC.

I am making them because we know that lack of diversity creates problems – it embeds cognitive and cultural biases that narrow our outlook and damage performance. More diverse boards and teams, on the other hand, will help to drive better investment performance which will drive better pension outcomes, which is, after all, what we are all here for.

83%

*Data from last year's PLSA Annual Survey showed that the gender profile of governance bodies in private sector pension schemes was **83%** male.*

LESSONS FROM INDUSTRY

The evidence from the corporate sector is compelling. For example, the Davies report on Women on Boards found that companies with more women on their boards outperform their rivals with a 42% higher return in sales, 66% higher return on invested capital and 53% higher return on equity. This year's report *Why Diversity Matters* from McKinsey found that companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians. Companies in the bottom quartile in these dimensions are statistically less likely to achieve above-average returns. Again, if that's right for companies it must also be right for pension funds.

Much of what we do at the Pensions and Lifetime Savings Association is about lobbying and influencing Government. But just as important is providing leadership for the industry – that is about how we operate, how we conduct ourselves, and how we build a stronger and more robust sector through better leaders.

If we are to effectively meet the challenges the pensions and lifetime savings industry faces – and above all deliver for savers – we need to harness all our talents. That means supporting the next generation of leaders to create a diverse industry that reflects the society it serves.

As more people come into pensions through auto-enrolment – and from more diverse backgrounds, including those traditionally excluded from pension provision – that seems to me to be more important than ever.

THE DIVERSITY PROJECT

We are not the only ones to be looking at this issue. The PLSA has been pleased to be one of the organisations behind the Diversity Project, set up to create a more inclusive culture in the investment profession and which includes groups from across the investment chain. As the users of the investment profession – and as some of the UK's biggest asset-owners – it operates with an inclusive and open culture.

The Diversity Project will be developing a number of streams of work aimed at attracting, retaining and developing diverse talent across the investment profession.

We also need to address this issue in our own sector if we're to perform to our maximum capacity, which is what our scheme members need and deserve. While strides have been made elsewhere, we have a lot of catching up to do, as those figures for the gender make-up of our governance bodies show.

As I've made clear, there are lots of dimensions to diversity. It's a big issue to tackle and a big problem to solve, but we need to start somewhere if we're to start to make a difference. That starting point is the gender dimension of diversity – but it is the starting point, it's not where we end.

Over the coming months we will be rolling out a programme of activity to help build capacity and leadership across our sector. That will involve supporting the next generation of leaders through networking, education, learning and mentoring, and helping schemes to leverage each other's expertise. We also want to encourage debate and foster ideas amongst trustee chairs and scheme executives.

I would be delighted to have your support for this important issue. Please do get in touch to tell me about the steps you are taking in your own organisations and schemes to create a more diverse culture, and about your own experiences working in the industry.

Drop me a line at
Lesley.williams@plsa.co.uk

IF WE ARE TO EFFECTIVELY MEET THE CHALLENGES THE PENSIONS AND LIFETIME SAVINGS INDUSTRY FACES – AND ABOVE ALL DELIVER FOR SAVERS – WE NEED TO HARNESS ALL OUR TALENTS


INNOVATION +
EXPERIENCE
Every day brings new investment challenges: today more than ever. Meeting them demands more than just years of experience, it takes vision and the skill to innovate. As a leading investment manager, AB's wealth of investment solutions, depth of experience and foresight can help you meet your goals – today and tomorrow.
Get to know us better so we can help keep you ahead.
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or phone 020 7470 1598
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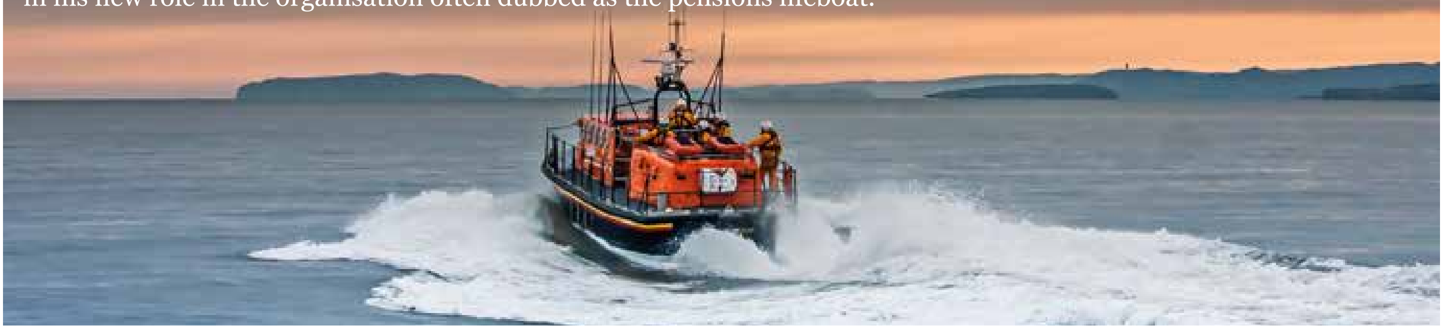
THE BIG INTERVIEW: ARNOLD WAGNER

We speak to the Chair of the Pension Protection Fund about the challenges he faces in his new role in the organisation often dubbed as the pensions lifeboat.



Q:

YOU'VE BEEN IN OFFICE FOR ABOUT THREE MONTHS NOW – WHAT DOES A DAY IN THE LIFE OF THE PPF'S CHAIRMAN LOOK LIKE?

A:

I spend at least one day a week in the office in Croydon. I am in regular contact and discussion with Alan Rubenstein, our Chief Executive, and with members of his senior team on issues for discussion and decision at upcoming board meetings. I keep up to date with developments on key issues, of which there are a good number right now. I follow, closely, media coverage of the PPF and the pensions world in general.

Q:

WHAT HAS MOST SURPRISED YOU ABOUT THE ROLE SO FAR?

A:

I have been on the board of the PPF for five years, and the senior independent director for most of that period, so it would be surprising if there had been any significant surprises – which thankfully there have not.

Q:

WHAT MADE YOU WANT TO STEP UP FROM NON-EXECUTIVE DIRECTOR TO CHAIRMAN?

A:

I believe strongly in the PPF mission of protecting people's futures and in ensuring the PPF is well placed to deliver that mission successfully for its members and for all stakeholders. However, there are the inevitable challenges ahead in the DB universe and the economic environment. I believe that, together with my PPF colleagues, I can help us think through those issues and ensure the PPF continues its successful record of delivery.

Q:

YOUR LATEST FUNDING STRATEGY UPDATE INDICATES A HIGH PROBABILITY OF ACHIEVING SELF-SUFFICIENCY BY 2030 OF 93% – WHAT ARE THE MAIN CHALLENGES YOU SEE LYING AHEAD IN MAINTAINING THIS CONFIDENT POSITION?

A:

This prediction is the output from our modelling, which looks at one million different economic scenarios. The Brexit vote has taken place since then and clearly has had economic implications. We are still confident of our ability to achieve our funding target but we are not complacent. Our low-risk investment approach and hedging strategy largely protect us from the impact of low interest rates and low gilt yields.

To maintain our confident position we need to continue with our successful LDI programme and continue to achieve our investment objective for our assets to outgrow our liabilities by 1.8% annualised on a three-year rolling basis.

Q:

THE PPF RECENTLY ANNOUNCED INITIAL PLANS FOR THE THIRD LEVY TRIENNIUM STARTING IN 2018 – WILL WE SEE ANY SIGNIFICANT CHANGES FROM THE SECOND LEVY TRIENNIUM?

A:

Overall, feedback from our stakeholders regarding our new model of predicting insolvency risk has been positive. But there are areas which we can continue to develop so that the model better reflects the risk that some schemes and their employers pose to us.

Some of the key areas we will be exploring are the case for using credit ratings, where available, and industry-specific scorecards for regulated financial services entities. We will also be undertaking a review of employer segmentation underpinning the model.

We will make further announcements nearer the time and will be consulting widely on any proposed changes.

WE CONTINUE TO EVOLVE OUR CULTURE, IN WHICH OUR SENSE OF PUBLIC SERVICE GOES HAND IN HAND WITH HIGH PERFORMANCE

300

*We have passed some significant milestones over the past decade, having gone from a start-up of **50** people to an organisation of more than **300** staff.*

Q:

DB PENSIONS HAVE FACED UNPARALLELED SCRUTINY THIS YEAR WITH THE FATES OF THE BRITISH STEEL PENSION SCHEME AND BHS HIGH ON THE PUBLIC AGENDA; THE IMPACT OF THE ECONOMIC SHOCKS ON PENSION SCHEMES FOLLOWING THE VOTE TO LEAVE THE EU IN JUNE HAS ALSO PUT DB IN THE SPOTLIGHT. HOW IS YOUR BOARD RESPONDING TO THIS SCRUTINY? DO YOU SEE PPF PRIORITIES ADAPTING IN LIGHT OF IT?

A:

At the time of the PPF's creation, not everyone believed that the PPF was the best solution to protect members of DB schemes or that we would succeed. Having shown ourselves to be financially robust and able to compensate the members who need our help, the PPF has gone from strength to strength.

Clearly DB has come under the spotlight recently, for good reason. We welcome the upcoming Select Committee investigation into the future of DB and any discussion which would help to underpin employers' obligations to deliver on their pension promises and lead to improved outcomes for scheme members. As a board, we regularly review the assumptions we make and the risks we face. This dynamic process informs the development of our strategies and policies to ensure they remain fit now and in the future.

Ultimately the priority remains to provide peace of mind to scheme members, giving them the assurance that their retirement income is in safe, expert hands.

I BELIEVE STRONGLY IN THE PPF MISSION OF PROTECTING PEOPLE'S FUTURES

THE PRIORITY REMAINS TO PROVIDE PEACE OF MIND TO SCHEME MEMBERS, GIVING THEM THE ASSURANCE THAT THEIR RETIREMENT INCOME IS IN SAFE, EXPERT HANDS

Q:

THE PPF HAS RAPIDLY GROWN IN SIZE OVER THE LAST 10 YEARS – WHAT HAVE YOU LEARNT FROM THIS GROWTH?

A:

We have passed some significant milestones over the past decade, having gone from a start-up of 50 people to an organisation of more than 300 staff, with over £24 billion of assets and 225,000 members.

We have learned that size brings complexity, requiring different skills at all levels. We have implemented new approaches to managing a large portfolio as effectively as possible and have adapted to the need for robust risk appraisal and management in all areas. We now have a much higher profile in the pensions world and beyond.

We have been fortunate that we have, in Alan Rubenstein and his team, excellent leadership that has developed the organisation to meet these challenges. We continue to evolve our culture, in which our sense of public service goes hand in hand with high performance, top-quality service and strong stakeholder relationships.

Q:

HOW AWARE DO YOU THINK THE PUBLIC ARE OF THE PPF? WHAT DO YOU THINK THEIR PERCEPTION OF THE SECURITY PROVIDED BY THE FUND IS?

A:

Historically most people heard about the PPF for the first time when their employer failed. Over the last six months, however, awareness has grown as attention has turned to DB pensions and the role of the employer in fulfilling pension promises. Member feedback is important to us, and in our latest member survey we have seen an increase in the number of people who think our performance is good, and awareness that the PPF is financially secure. We regularly receive very positive feedback from members who would face significant hardship without us, and high praise for our member services, which we brought in-house a year ago.

That said, I am concerned about some of the recent public comments about PPF compensation. Of course, nobody wants their employer to go bust or declare that they can no longer support their pension promise. And it is true that a number of people in that situation would take a cut in their expected pension if they entered the PPF with the compensation levels we provide, as set by Parliament. However, before the PPF was established, employees in those circumstances had no security for their pension benefits. Many people received a tiny fraction of what they had accrued, or nothing at all. The arrival of the PPF put an end to that and it continues to be a source of security for those who receive compensation from the PPF today and for all those who might need it in the future. That is something to feel good about and everyone at the PPF, whatever their role, is committed to continue delivering on that mission.

DB: THE LONG-TERM VIEW

Lesley Titcomb, Chief Executive of The Pensions Regulator, recommends taking a step back and looking to the future.

THE IMPACT OF UNCERTAIN ECONOMIC CONDITIONS ON SCHEME LIABILITIES, COUPLED WITH A NUMBER OF RECENT HIGH-PROFILE CASES, HAVE PROMPTED A FRESH DEBATE ON THE LEGISLATIVE FRAMEWORK AND LONGER-TERM SUSTAINABILITY OF DEFINED BENEFIT (DB) PENSION PROMISES.

A number of important voices are contributing to this debate, including the PLSA's DB Taskforce. We are of course alive to the significant questions now being asked about DB funding and want to play an influential part in the debate on affordability and any potential improvements to the legislative framework.

I believe it is important to stand back and take a look at the DB landscape as a whole. While a minority of schemes and their sponsoring employers face significant challenges, at the other end of the spectrum many sponsors pay out dividends that are multiples of the deficit recovery contributions going into their scheme, or have considerable cash reserves.

The funding framework provides considerable flexibility and recovery plans can be tailored to meet the specific needs of the scheme and sponsor, including the employer's plans to invest in sustainable growth. We are committed to working closely with employers and trustees that are facing significantly challenging circumstances.

Pensions are long-term commitments. In our view, this flexibility means that over the longer term most employers will be able to pay members their promised benefits as they fall due. We do not believe schemes need to be fully funded at all times.

Based on our analysis and casework, we do not see an across-the-board problem with affordability. We believe that the system is broadly working as Parliament intended and that in the vast majority of circumstances pension scheme trustees and sponsoring employers are able to agree recovery plans that balance their respective needs.

Where an employer fails, the Pensions Protection Fund exists to provide a safety net for the scheme.

It's also important to emphasize that most sponsoring employers want to do the right thing and it's rare for employers to deliberately seek to evade their responsibilities. Where we detect avoidance activity we will not hesitate to use our regulatory powers and pursue the best possible outcome for members.

However, it is right that the funding framework and associated regulatory regime should be kept under review. Drawing upon a decade of experience, we have identified a number of potential improvements, and we will be exploring these with Government and other stakeholders in the months ahead. This includes whether it should be mandatory for employers (or associated parties) to approach us for clearance in specific circumstances where corporate activity may pose a material risk to a scheme, whether TPR should have enhanced information-gathering and investigatory powers in some areas, and whether higher-risk schemes should be required to carry out more frequent valuations.

It will be a matter for Government and Parliament to decide whether these ideas could provide a proportionate response to the evolution of the DB landscape.

BREXIT: TRUSTEES NEED TO FOCUS ON THE LONGER TERM

Following the UK's vote to leave the EU, we issued a guidance statement to pension trustees as market volatility led to uncertainty about scheme funding plans and investments.

While the immediate post-referendum volatility has subsided, challenging economic conditions – in particular persistent low interest rates – continue.

Our guidance statement emphasises that trustees should as a matter of course be regularly reviewing the circumstances of their scheme, but they should remain focused on the longer term and not be overly influenced by short-term market fluctuations.

It is too early to assess the full impact of the referendum result. We will continue to monitor the markets and other economic developments, and will provide more guidance to trustees of both DB and DC schemes as necessary.

Contingency planning is an integral part of the effective stewardship of pension schemes. We expect trustees to review their plans and how they interact with current circumstances on a regular basis.

Specifically, we expect trustees of DB schemes to review their employer covenant to understand how the vote to leave the EU could affect it. Similarly, they should consider how market volatility has impacted on their scheme's funding position.

Trustees should carry out the review as part of their ongoing risk management approach, as set out in our integrated riskmanagement guidance and DB code of practice. They should include consideration of issues relating to liquidity and cash flow management. Where their assessment results in the conclusion that the scheme is exposed to an inappropriate level of risk, we expect trustees to take a long-term view and review their investment strategy in that context.

In time, as implications become clearer, trustees of schemes with money purchase benefits may also consider it appropriate to make changes to the investments included in the scheme's default arrangement or the investments offered to members.

"CONTINGENCY PLANNING IS AN INTEGRAL PART OF THE EFFECTIVE STEWARDSHIP OF PENSION SCHEMES"

"WE ARE COMMITTED TO WORKING CLOSELY WITH EMPLOYERS AND TRUSTEES THAT ARE FACING SIGNIFICANTLY CHALLENGING CIRCUMSTANCES"

RAISING STANDARDS IN DC

Since I last wrote in Viewpoint, our new DC Code and accompanying guides, which set out the standards that trustees need to meet, have come into force and have been well received. We are very grateful for the support and input from various stakeholders – including the PLSA – in the development of the guides.

We've seen a huge increase in membership in DC schemes, mainly as a result of automatic enrolment. Millions of people are being enrolled into DC schemes so it's crucial that these schemes are well managed.

The new Code is designed to clearly set out the standards we expect trustee boards to meet when complying with their duties in law.

The six guides that support the Code are not intended to be prescriptive; they are there to provide practical help to trustee boards by explaining ways that they can meet the standards we have set within the Code.

The guides are not exhaustive and trustee boards are not obliged to follow them. But what they must ensure is that any approach they decide to take still meets the standards we have set.

However, where trustees demonstrate that they are not meeting even the basic 'hygiene' duties of preparing their chair's statement or completing a scheme return, this is often an indicator of more serious stewardship failings.

In recent weeks we have issued our first fine to a trustee for failing to submit a chair's statement, and we fined a firm of professional trustees for the same breach, clearly demonstrating that we will act when trustees show they're not meeting basic standards.

BREXIT MEANS BUSY...

Whatever else Brexit means for the pensions industry, it's going to involve a lot of work. **James Walsh**, our Policy Lead, EU and International, reports from a roadtrip round the membership.

BREXIT AND THE IMPLICATIONS FOR PENSIONS – WHERE TO START? THERE ARE SO MANY ISSUES AND SO MANY ANGLES THAT IT WOULD BE EASY TO FIND IT ALL RATHER OVERWHELMING.

Fortunately, working in a trade association makes deciding where to start straightforward, because the answer is always the same: ask the members.

That is exactly what we have been doing since the UK voted to leave the EU on 23 June. In tandem with a group of colleagues from the PLSA's membership team, I have been touring the country with a rather grandly titled 'Referendum Roadshow', briefing members on what we know about the implications for pension schemes and – most importantly – getting members' input on the referendum's impact so far, and on what they want to see from the negotiations on the new UK-EU relationship.

Of course, not everyone in the PLSA's membership agrees. Such is life. But some common themes have emerged.

The first is that pension funds take the long-term view and are not rushing to change their investment strategies. That might sound obvious to readers of this publication, but it's a reassuring message for the slightly more febrile souls we encounter in politics and the media.

That's not to say that our members are complacent – far from it. Economic volatility and the impact on monetary policy, as seen in the interest rate reduction and renewed QE announced by the Bank of England in August, are a huge concern. These developments are undoubtedly damaging for DB scheme funding. And Brexit's impact on sponsor covenant is also high on trustees' radars – although whether that is positive or negative varies tremendously from one company to another.

ECONOMIC VOLATILITY AND THE IMPACT ON MONETARY POLICY, AS SEEN IN THE INTEREST RATE REDUCTION AND RENEWED QE IN AUGUST, ARE A HUGE CONCERN

FURTHER QUESTIONS

Aside from the hugely important economic impacts, the roadshows have raised a series of further issues.

- What if Scotland were to hold another independence referendum and leave the UK? (Answer: many schemes would find themselves faced with two diverging regulatory regimes – not good.)
- What about EU pensions legislation such as the IORP Directive? (Answer: it remains embedded in UK law unless Parliament changes that law.)
- Will the UK have to implement the new IORP Directive? (Answer: in theory 'yes' but in practice probably 'no'. This will most likely be resolved in the Article 50 negotiations.)
- Will we be free at last of the threat of GMP equalisation, which stems from a European Court of Justice ruling? (Answer: we don't know, but possibly 'yes'.)

There are plenty more where those came from. As I said at the start, Brexit throws up a remarkable array of issues.

Armed with all this member input, we now need to develop a considered view on the big political issue of what shape the new UK-EU relationship should take, and on the nitty-gritty question of which items of EU-originated pensions law we would like to see retained, removed or amended.

To guide our work we have established a Brexit Taskforce of members and staff, and we are already sketching out answers to these questions.

One of my friends from outside the pensions sector (a 'civilian', as I like to call them) asked me the other day whether I would still have work to do now the UK is leaving the EU. A good question, and who knows what the future will hold? But whereas the Prime Minister famously said 'Brexit means Brexit', for me Brexit mostly means busy, busy, busy. And, with some of these highly complex pensions issues likely to take years to unravel, I don't see that changing any time soon.

CHIEF EXECUTIVE'S QUESTION TIME

Chief Executive **Joanne Segars** answers members' questions on the goal of the PLSA, among other matters.

Q:

IN THE LIGHT OF THE RECENT BRITISH STEEL PENSION SCHEME CONSULTATION, HOW DOES THE PLSA ARRIVE AT A POLICY POSITION ON AN ISSUE SUCH AS "SHOULD LEGISLATION BE INTRODUCED TO ALLOW TRUSTEES TO REDUCE BENEFITS TO HELP PROTECT THE SURVIVAL OF A DB SCHEME?"

MARCUS-SINCLAIR TAYLOR
MNT, JAGUAR LAND ROVER PENSION TRUSTEES LIMITED

A:

Thanks for the question Marcus. The short answer is that we arrive at our policy positions in consultation with our members. In fact we can't do our jobs or represent our members' views properly unless we know what you're thinking. So we'll invite views from the whole membership on consultation exercises – look out for the call for input in PolicyWatch and PLSA Update. Our Councils and working groups will also review drafts and get involved in the detail of policy development.

I encourage you to get involved – I look forward to hearing from you!

Q:

IN THE MIDST OF CHANGES IT CAN BE EASY TO LOSE SIGHT OF THE END GOAL. COULD YOU LOOK FORWARD AND COMPLETE THE FOLLOWING SENTENCE: "THE PLSA WILL HAVE ACHIEVED ITS GOALS WHEN...

JULIE OSMAN
DIRECTOR OF COMPENSATION AND BENEFITS, ELI LILLY AND COMPANY

A:

Everyone has achieved a better income in retirement.

That's our mission and it's at the core of what we do. I know that's what really motivates our members. We're making progress, but there's lots more for us to do. It's got many dimensions, as you say. But our clear aim – which I set out last year when I announced our rebrand – keeps us focused on the end goal.

Q:

THE GOVERNANCE BURDEN FOR DB TRUSTEES FROM NEW REGULATIONS AND GROWING INVESTMENT COMPLEXITY IS SUCH THAT FEW HAVE THE TIME AND THE SKILLS TO MANAGE THEIR SCHEMES AS EFFECTIVELY AS THEY WOULD LIKE. WHAT IS THE PLSA DOING/PLANNING ON DOING TO TAKE THESE MATTERS UP WITH THE REGULATOR AND GOVERNMENT BEFORE MORE DAMAGE IS DONE?

DAVID PATERSON
CHAIRMAN OF TRUSTEES AND NON-EXECUTIVE TRUSTEE

A:

Thanks for the question David. We're looking at these issues right now through our DB Taskforce which I announced at our Investment Conference in March. One of the issues we're looking at is whether we've got the right regulatory structure – and that means looking at the volume of regulation too. We've previously said that regulation is too bottom-up and is focused too much on the micro issues, and that instead we need a more top-down, principles-based approach. So we'll be developing our thoughts and making recommendations.

In addition to thinking about the changes the regulators and Government need to make, we need to think about the improvements we can make to our own governance capacity and processes too. There have been huge improvements in the quality of pension fund governance over the past decade, but I'm sure we'd both agree there's further to go.

Q:

POST FREEDOM AND CHOICE, THERE IS A DANGER THAT PLAN MEMBERS AT RETIREMENT ARE HERDED FROM THE WELL-GOVERNED, INSTITUTIONAL, LOW-COST, LIGHT-TOUCH WORKPLACE WORLD THEY HAVE KNOWN, TO A RETAIL ENVIRONMENT THAT IS EXPENSIVE, COMPLEX AND VARIABLE IN QUALITY. HOW DO WE ENSURE THAT THIS DOESN'T HAPPEN?

NIGEL ASTON
UK HEAD OF DEFINED CONTRIBUTION, STATE STREET GLOBAL ADVISORS

A:

Nigel, you're right that the new pensions freedoms have brought a whole new set of responsibilities and choices for pension savers. As our *Understanding Retirement* research shows, consumers are confused and calling out for support.

That's why, through the Pension Quality Mark, we're developing a Retirement Quality Mark (RQM) for certain in-retirement products. The RQM will help consumers make informed decisions, signalling that products have met certain standards relating to communications and governance; and help build confidence in retirement saving. Look out for more information on the new RQM later this year.

Q:

FOLLOWING THE RECENT CHANGE IN MINISTERIAL RESPONSIBILITIES FOR PENSIONS (PERCEIVED 'DUMBING-DOWN' BY APPOINTING A MORE JUNIOR ROLE TO COVER PENSIONS), WHAT DO YOU SEE THE IMPACT OF THIS BEING, BOTH FOR CURRENT GOVERNMENT ACTIVITIES AND LONGER-TERM POLICY?

ROBIN SMITH
PENSIONS DIRECTOR, ENGIE

A:

I'm looking forward to working with the new Ministers in the DWP and HM Treasury. We will, of course, be emphasising the need for the Government to adopt a long-term approach to pensions, which are a long-term issue. There's lots for us to do, and we all want to see more people retiring with better retirement incomes.

I'm looking forward to hearing Richard Harrington's views and what's top of his agenda at our Annual Conference & Exhibition in Liverpool this October.

THE VIEW FROM DOWN UNDER

Pauline Vamos, reports on the Australian pensions system at a time of innovation and reform.

THE AUSTRALIAN PENSIONS SYSTEM FOLLOWS THE THREE-PILLAR MODEL OF MEANS-TESTED AGE PENSION PROVIDED BY THE GOVERNMENT, A COMPULSORY SUPER CONTRIBUTION OF 9.5% BY ALL EMPLOYEES, AND A VOLUNTARY CONTRIBUTION SYSTEM UP TO GOVERNMENT-SET CONTRIBUTION CAPS.

There are five main types of funds: Retail, Industry, Corporate or single employer, Government and Self Managed Superannuation Funds (SMSFs). Only about 4% of Australians manage their own SMSF, but they contain about one-third of the super pool and much of that is now in drawdown mode. About 50% of retirees access the full age pension or part age pension. This percentage (particularly the part age pension) is predicted to substantially reduce as the compulsory system matures.

Pillars two and three receive substantial tax concessions, and as such both are subject to contribution caps. These caps may be reduced if the current Government's policies are legislated.

In the second or compulsory pillar, tax concessions apply to contributions and earnings at 15% (substantially less than the average person's income tax percentage). At this time all lump sums and income from lump sums in retirement are tax-free. On the third pillar or voluntary contributions tax is only applied to the earnings during accumulation at 15%, and income and lump sums are tax-free in retirement (although the current Government's policy is to apply tax of 15% on accounts in retirement over AU$1.6m).

In the Australian system, employees are able to choose their own superannuation fund and their own investment portfolio. However most employees are in their employer's default MySuper product. There are about 120 MySuper products across the 300 or so funds, and they manage about one-third of the superannuation pool.

INSURANCE COVER

One of the unique features of the Australian system is that the provision of insurance has been a core part of it since the introduction of compulsory superannuation in 1992. Insurance cover includes group life, group total permanent, and temporary disablement. This means that the majority of working Australians have some form of minimal insurance cover. The types of cover vary enormously and we are now seeing greater flexibility in options.

Like most systems the Australian system is under review almost constantly. At this time the Productivity Commission is reviewing the efficiency of the system. It is looking at a number of measures including criteria and indicators as to whether the system is cost-effective for members and provides real value. Its review will also cover insurance and the industry is expecting many new data requirements in the near future. It is expected that as a result of its recommendations we may see some consolidation in the industry.

LEGISLATION

In terms of legislated change, we are expecting to see reform this year in the area of drawdown or income stream products. Currently the industry is limited in the products it can develop because strict criteria must be met to access tax exemptions and Government benefits. This has led to the majority of products being account-based pensions where the member is required to withdraw a set amount from their account balance each year. The percentage they must take out is set by the Government. This means that longevity risk and lumpy expenditure are not catered for easily.

It is anticipated that new regulations will allow trustees to offer comprehensive income stream products for retirees. The regulation will no doubt be released with stronger product-banning powers for the regulator ASIC as well as new disclosure and possibly new financial advice requirements.

We will continue to see innovation by the industry in the area of products and services including member engagement. It will be an exciting time, and one to watch.

Pauline Vamos
is former Chief Executive of the Association of Superannuation Funds of Australia.

ABOUT AUSTRALIA

The name 'Australia' comes from the Latin 'australis', meaning southern.

More than 80% of Australia's plants, mammals, reptiles and frogs are unique to the continent.

It has more species of venomous snakes than any other continent and includes 21 of the world's 25 deadliest.

Over 200 different languages and dialects are spoken including 45 Indigenous languages.

It has 16 world heritage listed sites including the Great Barrier Reef, the world's largest reef system.

INSIDE MY SCHEME

Ian Jarvis, Financial Controller at the Canal & River Trust, looks back over a challenging but successful transition from DB to DC – with a little help from PQM PLUS.

THE CANAL & RIVER TRUST ("THE TRUST") IS THE CHARITY THAT IS ENTRUSTED TO CARE FOR 2,000 MILES OF HISTORIC INLAND WATERWAYS IN ENGLAND AND WALES, HAVING REPLACED THE STATE-OWNED BRITISH WATERWAYS (BW) WHICH HAD RUN THE WATERWAYS SINCE 1962.

The Trust employs some 1,800 people in a broad range of occupations including lockkeepers, skilled craftsmen, heritage professionals, ecologists, surveyors, civil and mechanical engineers, marketing professionals, lawyers, accountants and, more recently, fundraising specialists.

In common with organisations of its time BW ran a defined benefit (DB) pension scheme, a high quality scheme which was well regarded and seen as a significant part of the overall remuneration package by employees. The scheme transferred to the Trust in 2012 and there are approximately 900 active members and 3,700 deferred and pensioner members.

IT WAS EVIDENT THAT A LARGE PROPORTION OF OUR EMPLOYEES HAD LITTLE – OR IN MANY CASES NO – PENSION KNOWLEDGE AT ALL

DB DEFICIT

The financial challenges faced by the BW DB scheme were no different to the well-documented issues facing almost all UK DB schemes. The funding deficit began to grow from around the turn of the century and, over a period of years, a series of changes were made in order to both reduce the deficit and try to keep the scheme open given the value placed upon it by employees. These included increasing the retirement age; increasing employee and employer contributions; introduction of a two-year waiting period; ceasing acceptance of transfers in; and closing the scheme to new members in 2011 along with changing to a career average revalued earnings (CARE) basis for future benefit accrual. A defined contribution (DC) scheme, offering significantly lesser benefits, was opened in 2011 for new employees unable to join the DB scheme.

By 2015, and now within a charity, the DB scheme deficit had reached £65m and was projected to increase to more than £100m by the time of its triennial valuation. After a great deal of careful thought, analysis and professional advice in November 2015 the Trust launched a consultation process on proposals to close the DB scheme to future benefit accrual. This was a significant step to take and it was one that was not taken lightly. The proposals presented to employees had four themes – reducing risk, ensuring cost certainty, enhancing affordability and delivering equality of benefits to all employees.

We published an explanatory booklet and sent this to all affected employees and embarked on a nationwide series of presentations to staff explaining the reasons behind the proposed closure of the scheme. We gave an outline of the alternative DC scheme with a promise of a more detailed presentation to follow if the consultation proposals progressed further. The consultation had a tremendous level of employee engagement with over 75% of affected employees attending one of the presentations.

It became abundantly clear that not only were our employees upset about these proposals, as we had anticipated, but many were also very confused. It was evident that a large proportion of our employees had little – or in many cases no – pension knowledge at all.

The combination of a long average service life (in excess of 20 years overall and much higher in some parts of the workforce) and a high-quality DB scheme meant that it just hadn't been necessary to really engage in this area. The Trust, and BW before it, had looked after generations of former employees through its generous pension scheme and current employees expected this for themselves.

1,800

*The Trust employs some **1,800** people in a broad range of occupations.*

TALKING TO THE WORKFORCE

In response we also held one-to-one meetings hosted by two senior managers in the Finance Team with those that wanted to talk about how the proposals affected them. These were well trailed as absolutely not being for the provision of financial advice but over 400 employees took the opportunity to come and talk about something that they now wanted to know a lot more about. These sessions were always difficult to limit to the time available and were tremendously well received by employees.

In early 2016 our trustees reflected on the consultation process and the wealth of feedback received from employees and Trades Unions and concluded that, with some amendments arising from the feedback, they would close the DB scheme to future benefit accrual on 30 September 2016 and launch a brand new and – compared to the previous DC offering – enhanced DC scheme for all employees.

Throughout the process the Trust had been open with its employees in telling them that the new DC scheme would not be as financially beneficial to them as the DB scheme had been. We had however stressed that the Trust would use some of the savings made from the closureof the DB scheme to offer the best possible DC scheme that we could, while balancing the importance of this to our remuneration policy and the constraints of affordability.

Conscious of this commitment and the general lack of pension knowledge in the business we considered the Pension Quality Mark Plus (PQM PLUS) accreditation scheme. We concluded that achieving this would be a positive endorsement that we had delivered what we had set out to achieve, and – importantly – would give our employees the reassurance that our scheme had measured up to this external scrutiny. From the outset the PQM PLUS qualification criteria were built into each stage of the design process for the new scheme and were in fact very helpful in setting the agenda and direction for this process.

In the summer we once again embarked on a tour of the country giving the promised detailed presentation on the new DC scheme to all of our staff. More than 1,100 employees attended one of the 22 sessions that we held. With perfect timing on the afternoon of the day before the tour commenced we received confirmation that our PQM PLUS accreditation had been granted. A rapid amendment to the presentation slides followed and the nationwide tour got underway!

LESSONS LEARNED

So as we near the closure date of the DB scheme and the launch of the new DC scheme (with our auto-enrolment staging date thrown in on the same date for good measure) it is perhaps a good time to reflect on what went well and what we could improve on.

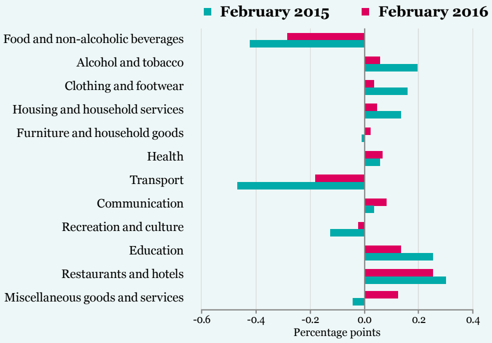
One of our core values at the Trust is openness, and I am proud that we truly lived up to this throughout the process. The project was a great multi-disciplined team effort which was extensively planned and managed. We enjoyed tremendous employee engagement through attendance at presentations and at one-to-one discussions, we shared all of the information that we had and patiently explained the technicalities as many times as we were asked to. The Trust clearly listened to feedback and amended the proposals in a number of important respects, and the very early decision to seek PQM PLUS accreditation was certainly helpful in the design process as this set a clear agenda.

THE PROPOSALS PRESENTED TO EMPLOYEES HAD FOUR THEMES – REDUCING RISK, ENSURING COST CERTAINTY, ENHANCING AFFORDABILITY AND DELIVERING EQUALITY OF BENEFITS

What would we do differently next time? This is a really difficult question considering that our process went so well in so many respects. The only minor point is not to underestimate the likely demands on your pension administrator, and to ensure they are slightly over-resourced in the early part of the consultation to allow you to get ahead in dealing with individual queries.

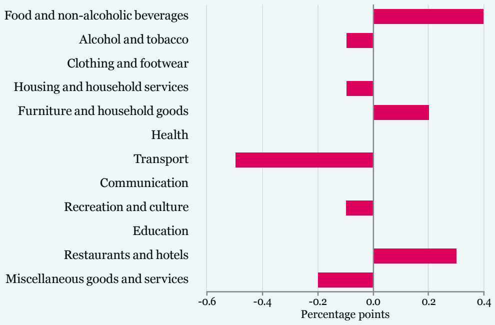
ECONOMIC INDICATORS

CONTRIBUTIONS TO THE CPI 12-MONTH RATE: FEBRUARY 2015 AND FEBRUARY 2016



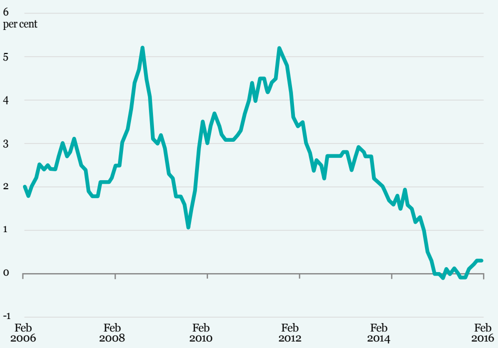
Note: Individual contributions may not sum to the total due to rounding.
Source: Office for National Statistics.

CONTRIBUTIONS TO THE CHANGE IN THE CPI 12-MONTH RATE: FEBRUARY 2016



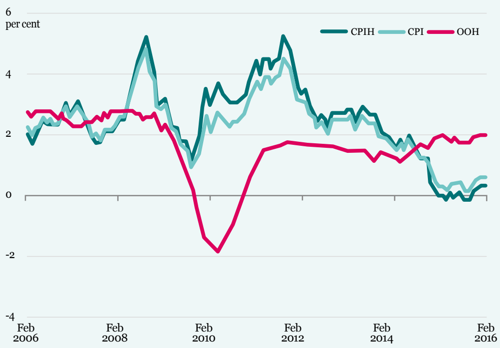
Note: Individual contributions may not sum to the total due to rounding.
Source: Office for National Statistics.

CPI 12-MONTH INFLATION RATE FOR THE LAST 10 YEARS: FEBRUARY 2015 AND FEBRUARY 2016



Source: Office for National Statistics.

CPIH, OOH COMPONENT AND CPI 12-MONTH RATES SINCE JANUARY 2006



Note: CPIH has been re-assessed to evaluate the extent to which it meets the professional standards set out in the Code of Practice for Official Statistics. The assessment report includes a number of requirements that need to be implemented for CPIH to regain its status as a National Statistic.
Source: Office for National Statistics.

CPI INDEX VALUES, 1-MONTH AND 12-MONTH RATES: FEBRUARY 2015 TO FEBRUARY 2016

		Index[1] (UK, 2005 = 100)	1-month rate	12-month rate
2015	Feb	99.5	0.3	0.0
	Mar	99.7	0.2	0.0
	Apr	99.9	0.2	-0.1
	May	100.1	0.2	0.1
	Jun	100.2	0.0	0.0
	Jul	100.0	-0.2	0.1
	Aug	100.3	0.2	0.0
	Sep	100.2	-0.1	-0.1
	Oct	100.3	0.1	-0.1
	Nov	100.3	0.0	0.1
	Dec	100.3	0.1	0.2
2016	Jan	99.5	-0.8	0.3
	Feb	99.8	0.2	0.3

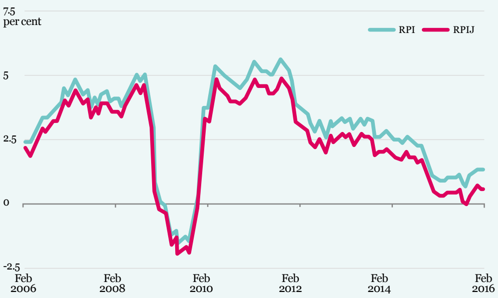
Note: 1. From February 2016, CPI and CPIH indices have been re-referenced and published with 2015=100. This does not impact on published inflation rates.
Source: Office for National Statistics.

CPIH AND OOH COMPONENT INDEX VALUES, 1-MONTH AND 12-MONTH RATES: FEBRUARY 2015 TO FEBRUARY 2016

		CPIH Index[1,2] (UK, 2015 = 100)	OOH Index[1,2] (UK, 2015 = 100)	CPIH 1-month[1] rate	OOH 1-month[1] rate	CPIH 12-month[1] rate	OOH 12-month[1] rate
2015	Feb	99.5	99.3	0.2	0.1	0.3	1.9
	Mar	99.7	99.4	0.2	0.1	0.3	2.0
	Apr	99.9	99.6	0.2	0.1	0.2	1.9
	May	100.0	99.7	0.2	0.2	0.4	1.8
	Jun	100.1	99.9	0.1	0.1	0.3	1.9
	Jul	100.0	100.0	-0.1	0.1	0.4	1.8
	Aug	100.3	100.2	0.2	0.2	0.3	1.8
	Sep	100.2	100.4	-0.1	0.1	0.2	1.8
	Oct	100.3	100.5	0.1	0.2	0.2	1.8
	Nov	100.3	100.8	0.0	0.3	0.4	1.9
	Dec	100.4	100.9	0.1	0.2	0.5	1.9
2016	Jan	99.8	101.2	-0.6	0.3	0.6	2.0
	Feb	100.1	101.3	0.2	0.1	0.6	2.0

Notes: 1. From February 2016, CPI and CPIH indices have been re-referenced and published with 2015=100. This does not impact on published inflation rates. 2. CPIH has been re-assessed to evaluate the extent to which it meets the professional standards set out in the Code of Practice for Official Statistics. The assessment report includes a number of requirements that need to be implemented for CPIH to regain its status as a National Statistic.
Source: Office for National Statistics.

RPI AND RPIJ 12-MONTH RATES FOR THE LAST 10 YEARS: FEBRUARY 2006 TO FEBRUARY 2016



Note: The RPI has been de-designated as a National Statistic.
Source: Office for National Statistics.

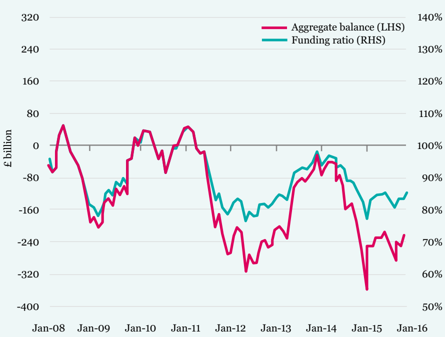
RPI AND RPIJ INDEX VALUES, 1-MONTH AND 12-MONTH RATES: FEBRUARY 2015 TO FEBRUARY 201

		RPI[1] Index1 (UK, 1987 = 100)	RPIJ Index (UK, 1987 = 100)	RPI 1-month[1] rate	RPIJ 1-month rate	RPI 12-month[1] rate	RPIJ 12-month rate
2015	Feb	256.7	237.2	0.5	0.3	1.0	0.4
	Mar	257.1	237.4	0.2	0.1	0.9	0.3
	Apr	258.0	238.0	0.4	0.3	0.9	0.3
	May	258.5	238.5	0.2	0.2	1.0	0.4
	Jun	258.9	238.7	0.2	0.1	1.0	0.4
	Jul	258.6	238.4	-0.1	-0.1	1.0	0.4
	Aug	259.8	239.4	0.5	0.4	1.1	0.5
	Sep	259.6	239.1	-0.1	-0.1	0.8	0.1
	Oct	259.5	238.9	0.0	-0.1	0.7	0.0
	Nov	259.8	239.1	0.1	0.1	1.1	0.3
	Dec	260.6	239.8	0.3	0.3	1.2	0.5
2016	Jan	258.8	238.1	-0.7	-0.7	1.3	0.7

1. In accordance with the Statistics and Registration Service Act 2007, the Retail Prices Index and its derivatives have been assessed against the Code of Practice for Official Statistics and found not to meet the required standards for designation as National Statistics. A full report can be found at: http://www.statisticsauthority.gov.uk/
Note: The RPI has been de-designated as a National Statistic.
Source: Office for National Statistics.

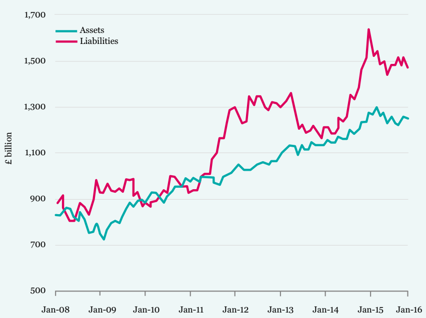
PPF 7800 INDEX DECEMBER UPDATE

Historical aggregate balance (assets less s179 liabilities) and funding ratio of schemes in the PPF universe



Source: Pension Protection Fund.

Historical aggregate assets and s179 liabilities



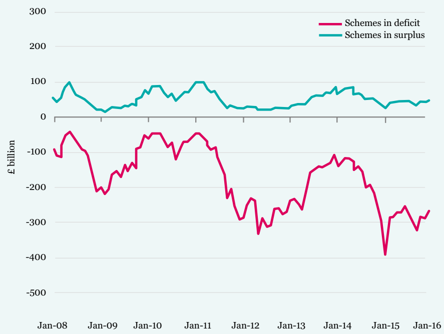
Source: Pension Protection Fund.

FUNDING COMPARISONS

	March 2015	February 2016	March 2016
Aggregate balance	-£244.2bn	-£322.8bn	-£302.1bn
Funding ratio	84.2%	79.8%	81.0%
Aggregate assets	£1,298.3bn	£1,272.7bn	£1,287.9bn
Aggregate liabilities	£1,542.5bn	£1,595.5bn	£1,590.0bn

Source: Pension Protection Fund.

Historical percentage s179 basis (surplus) for schemes in deficit (surplus)



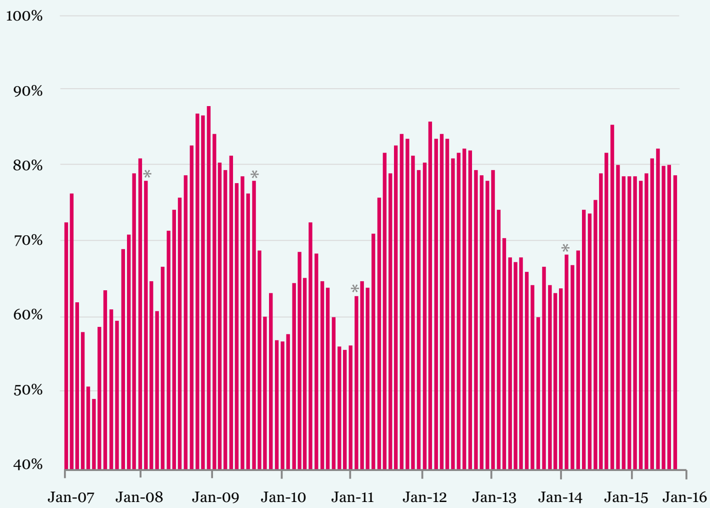
Source: Pension Protection Fund.

SCHEMES IN DEFICIT (SURPLUS)

	March 2015	February 2016	March 2016
Number of schemes in deficit	4,677	4,956	4,891
Deficit of schemes in deficit	£285.3bn	£355.3bn	£337.9bn
Number of schemes in surplus	1,268	989	1,054
Surplus of schemes in surplus	£41.1bn	£32.5bn	£35.8bn
Number of schemes in universe	6,057	5,945	5,945

Source: Pension Protection Fund.

Historical percentage of schemes in deficit on a s179 basis



Note: the changes to assumptions in March 2008 and October 2009 reduced the number of schemes in deficit by 412 (5.6 per cent) and 566 (8.5 per cent) respectively, while the changes to assumptions in April 2011 and May 2014 raised the number of schemes in deficit by 107 (1.7 per cent) and 259 (0.8 per cent) respectively.
Source: Pension Protection Fund.

WHAT DO YOU DO?

Kenneth Donaldson, Consultant and Actuary, reveals his inspirational obsession with saving one of our planet's most iconic species.

IN 2003, WHEN I FIRST TOLD COLLEAGUES, FRIENDS AND FAMILY THAT I WAS GOING TO RUN 6 MARATHONS IN 7 DAYS ACROSS THE SAHARA DESERT IN A RHINO SUIT, I THINK IT WOULD BE FAIR TO CHARACTERISE THE REACTION AS SOMEWHERE BETWEEN OUTRIGHT INCREDULITY AND TOTAL HILARITY. UNTIL THAT POINT I HAD SHOWN NO INTEREST IN SPORT WHATSOEVER, EITHER WATCHING OR TAKING PART. I DIDN'T ACTUALLY OWN SUCH A THING AS A PAIR OF TRAINERS.

Twelve months later, the feeling of absolute euphoria on crossing the finishing line signalled not a triumphant end but the start of an enduring relationship with rhino conservation. Since then, I have done what I can to immerse myself in the vitally important conservation work carried out by Save the Rhino International, a truly extraordinary charity. It is an effort that has been hugely rewarding.

Rhinos, having walked the Earth for many more millennia than we humans, are being hammered. Without protection, they face extinction within a decade; perhaps mere months for some species. Even with the combined efforts of international law enforcement agencies, NGOs such as Save the Rhino and local conservation organisations – who, together with the national park authorities, are the 'boots on the ground' – we are only just hanging on to these fabulous beasts.

The odds are heavily stacked in favour of the criminal syndicates that organise – and profit hugely from – the illegal trade in wildlife, and rhinos are perhaps the most sought-after 'product' of all. Pay a local herdsman a few hundred dollars and send him off with an AK47. If he succeeds, your profit is immense, and fuels further criminal activity from terrorism to drugs to human trafficking. If he fails, well, there are always more herdsmen. It's the grim and violent reality behind the beautiful pictures of wildlife you see on your TV sets.

I HAVE RUN COUNTLESS MILES IN FULL RHINO COSTUME ACROSS DESERTS AND MOUNTAINS

YOU DON'T FEEL THE THORNS AS YOU SCRAMBLE UP TO THE SAFETY OF THE BRANCHES – ONLY ON THE WAY DOWN...

BLACK TIES AND BULLETS

Since that first ultra-marathon back in 2003, I have run countless miles in full rhino costume across deserts and mountains. I have given talks on the charity's work at black-tie events and informally over sandwiches in the office. I have visited field programmes and seen at first hand the work of the rangers who face up to poachers day and night. I have slogged through the scrub with anti-poaching units in the African heat, learning from a natural leader how he keeps his men motivated and sharp, when days of routine patrols are suddenly interrupted by moments of life-threatening danger. I have seen handlers being trained to work with dogs that can sniff out rhino horn, spent and live ammo, and can fearlessly pin down a poacher in a firefight after being dropped off by helicopter. (They call the dogs "bullets that go around trees".) And I have sweated over budgets and spreadsheets in a tin shack, trying to teach the core admin skills that are now so necessary to every operation. (I have even done some actuarial population modelling of the rhinos in Zimbabwe.)

You may have noticed, in all of that, there is precious little time spent with actual rhinos. The overwhelming impression you get, once you dig into the work of Save the Rhino in any depth, is that this is all to do with people. And what people they are! Extraordinary men and women, protecting the world's environmental heritage from destruction, often isolated, sometimes with inadequate equipment and often in the face of real physical threat. These people have taught me more than I can possibly say.

25

*Huge efforts have gone into protecting the **25** animals that were reintroduced a decade or so ago.*

"TREED"

Rhino conservation is now an extraordinary combination of the science of rhino population management, high-tech anti-poaching and communication techniques, military skill and discipline, community education and outreach, fundraising, liaison with Government and local judiciary, the dark arts of running informer networks, media skills, the list goes on – and, in each location, all this work is generally led by a single outstanding individual or, sometimes, a married couple, based in the middle of nowhere.

Occasionally, I am lucky enough to encounter a rhino. The last time was in November 2015, in Zambia. Every single black rhino in Zambia was poached in the 80s. Huge efforts have gone into protecting the 25 animals that were reintroduced a decade or so ago. The anti-poaching unit showed me their tracking skills by finding a dozing mother and calf in thick bush in the blazing mid-afternoon heat. But then the wind shifted, and I was properly "treed" as they nicely put it. And it's true what they say: you don't feel the thorns as you scramble up to the safety of the branches – only on the way down…

I am very proud to be a Patron of Save the Rhino. It has immeasurably enriched my life, and I will continue to do whatever I can to help this very necessary cause.

Find out more at
www.savetherhino.org

GMP RECONCILIATION AND THE TEMPLE OF DOOM

PLSA Policy Consultant **Penny Pilzer** salutes the bravery of those hardy souls who must struggle with GMP reconciliation.

DB SCHEME ADMINISTRATORS AND TRUSTEES ARE A MODEST LOT, AND WILL DEMUR WHEN WE COMPARE THEM TO INDIANA JONES. BUT THE COMPARISON HAS NEVER BEEN SO APT AS NOW, WHEN THEY HEROICALLY GRAPPLE WITH THE BEAST OF GMP RECONCILIATION (OR, AS HMRC PREFERS, "SCHEME RECONCILIATION").

Schemes that applied to do so by the deadline in April 2016 are now sorting their records and getting their first data sets from HMRC. Here is where the adventure begins, because the chronicles of the scheme and those of HMRC rarely match up. Some of the discrepancies will be fundamental, such as whether individuals listed by HMRC are members of the scheme at all, whether periods of contracted-out service are correct, or whether GMP is being revalued correctly. A lot depends on how bulk transfers were recorded; whether HMRC accounted for contributions-equivalent premiums when paid; and the vagaries of the paper, automated and digital systems employed by the scheme and HMRC from time to time.

And so, like the archaeologist of the silver screen, our intrepid GMP reconcilers are called upon to open the mummified remains of payroll records, explore early cyber-crypts, and interpret legislation of long ago. Their map through this daunting territory? The PASA GMP Reconciliation Guidance, available at **www.pasa-uk.com/content/gmp-guidance**.

RECONCILING GMPS HAS NEVER BEEN FOR THE FAINT OF HEART

Veterans of expeditions into reconciliation have the following advice for those who are just starting to hack through the vine-clad trail:

- Do not underestimate the amount of resource you will need – evaluate early whether you need third-party assistance.
- A cost/benefit analysis will be important – trustees must decide which discrepancies are worth pursuing in greater depth and which are not. Bespoke training for trustees on the issues presented may be necessary in order for them to make careful judgments.
- Investigate your scheme's particular patterns of discrepancy, and try to automate approaches as much as possible. (HMRC is currently interested in hearing from schemes in these early stages about where they are finding bulk discrepancies and what the expected volume of queries from their scheme is likely to be.)
- It is likely that the scheme will need to develop tolerances for when it will accept HMRC records, and when it makes sense to delve further into its own records to determine which set is correct.
- Do not be afraid to challenge HMRC records. Remember that trustees are required to pay the correct benefit, not necessarily that recorded by HMRC.
- Consult the PASA guidance!

RECTIFICATION

Once our adventurers have reconciled to the degree that fits scheme tolerances, they must face the viper pit of rectification. For deferred members, this will be a matter of correcting records; but for benefits in payment, there will have been over- and underpayments which may need to be corrected.

Once again, trustees may decide to set tolerances, so that under- and overpayments within certain bounds will remain undisturbed. Where there are overpayments, trustees may decide to augment benefits, at least for payments past, rather than reducing income on which pensioners have grown to rely. In any case, reclamation of overpayments will require very careful communications to pensioners.

Trustees are likely to feel a greater obligation to correct underpayments. However, this will sometimes be difficult – for example, where the member has died and there is no survivor's benefit. There are also tax issues. The PLSA has requested a number of easements to Finance Act 2004 restrictions to accommodate redress for underpayments.

An additional complication is that the member's state pension has been set in accordance with HMRC's records. Even where HMRC has accepted the scheme's record, this fact will not be transmitted to DWP unless the member does so. As an example, a member may not receive state second pension in respect of periods of service where contributions-equivalent premiums have been paid but not recorded by HMRC unless he alerts DWP that HMRC's records were inaccurate.

In other words, there is a lot going on. Reconciling GMPs has never been for the faint of heart; it takes brains, knowledge and – yes – guts. We can only look upon the hardy souls who undertake this quest with awe.

TOP MARK

Matthew Doyle, Managing Director, PQM, explains the thinking behind the launch of the Retirement Quality Mark.

THE PENSIONS INDUSTRY HAS A NEW MUCH-NEEDED QUALITY STANDARD. THE RETIREMENT QUALITY MARK (RQM) HAS BEEN DEVELOPED BY THE PENSIONS QUALITY MARK, AND IS AN INDEPENDENT ACCREDITATION FOR AT-RETIREMENT PRODUCTS – A SET OF STANDARDS THAT MAKE IT EASIER FOR INDIVIDUALS TO MAKE INFORMED DECISIONS ABOUT QUALITY AT-RETIREMENT PRODUCTS.

Meeting standards

While few would disagree that pensions freedom and choice is a good thing, the ‘choice’ part is less than straightforward. Savers who have to make decisions about their pension pot will, in the main, need support and guidance. And in a recent survey, 85% of consumers thought it was important for a good retirement product to be independently accredited by a third party[1]. Now, consumers and advisers can be confident that a product with the RQM meets a high standard.

WE KNOW THAT MANY PROVIDERS ARE WORKING HARD TO DEVELOP HIGH-STANDARD AT-RETIREMENT PRODUCTS

1. Research into pension freedoms commissioned by the NAPF and conducted in spring 2015. The report can be viewed at www.plsa.co.uk/PolicyandResearch/DocumentLibrary

SAVERS WHO HAVE TO MAKE DECISIONS ABOUT THEIR PENSION POT WILL, IN THE MAIN, NEED SUPPORT AND GUIDANCE

The RQM standards cover governance and communication. They ensure that:

- Independent and robust governance structures operate in the interests of the consumer;
- The product provides value for money;
- Transfer to alternative products is permitted;
- The consumer's needs are met over the product's lifetime; and
- There is personalised, clear and regular communication detailing charges, risks and actions (or decisions) the individual can make.

85%

85% of consumers thought it was important for a good retirement product to be independently accredited by a third party .

HIGH VISIBILITY

The RQM is an important step in supporting the development of a robust at-retirement market that operates in the interests of savers and also drives up the standard of the products available. We know that many providers are working hard to develop high-standard at-retirement products, and they will be able ensure that – in a complex and competitive market – their products stand out.

To support that visibility we will also be sending information direct to pension schemes and financial advisers on products that have the RQM. RQM holders will also have access to best-practice seminars and workshops for at-retirement products.

LAUNCHING THE RQM

The RQM was launched at the Cinnamon Club on 13 September. Adrian Boulding, Chair of the Pensions Quality Mark Board, said: "The RQM gives savers a clear line of sight to the quality of at-retirement products. This will help them in making the complex decisions about which retirement income products to choose, knowing that the products they're purchasing have been independently verified to ensure they meet certain standards on governance and communications. It also supports trustees as they'll be able to signpost scheme members to products that meet the quality standards."

Joanne Segars, PQM Executive Director and Chief Executive of the Pensions and Lifetime Savings Association, commented:

"When it comes to making a decision about how to exercise the new pension freedoms, savers are often confused and have said they want some clear guidance. We hope the RQM can offer savers the support they're looking for."

The Pensions Regulator's Chief Executive Lesley Titcomb, also speaking at the launch event, welcomed the RQM, She said: "We hope the RQM will give consumers and trustees confidence when choosing a product."

Visit **www.retirementqualitymark.org.uk** for more information, follow us on Twitter **@TheRQM** and join the RQM LinkedIn group at **www.linkedin.com/groups/8560638**


Aon Hewitt
HELPING you to SUPPORT your DC MEMBERS with a WIDER view
Our expertise in Defined Contribution pensions is built on our wealth of market data, renowned DC consultancy services and our range of award-winning pension solutions.
Your DC scheme is at the heart of your members' retirement savings, but as every scheme and member is different, so are their needs. We can offer a complete range of DC services for employers or trustees, helping you to find the right solutions to deliver your aim of better outcomes for your members.
Talk to us now to find out more or to request a copy of our latest research into DC members.
Call 0800 279 5588, email talktous@aonhewitt.com or visit aonhewitt.com/dcpensions
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THE HR DIMENSION

HR departments have a very important role to play in the uncertain post-Brexit business world, argues **Katie Jacobs**.

THE EU REFERENDUM VOTE MAY BE MORE THAN TWO MONTHS BEHIND US, BUT THE RIPPLE EFFECT THE OUTCOME HAS CAUSED FOR BUSINESSES WON'T BE GOING AWAY ANY TIME SOON. THE MAJOR THEME IS UNCERTAINTY, WHICH IS LEADING TO A LEVEL OF STASIS AMONG MANY ORGANISATIONS.

Research from Willis Towers Watson, seen exclusively by *HR* magazine, shows 56% of businesses are taking a 'wait and see' approach as a result of Brexit; a mere 11% strongly favour taking action. Joint MD of Produce World David Frost says employers are looking for "stability and clarity" from policymakers. Both may be a long time coming.

So, if 'wait and see' is the order of the day, what is the impact on staff engagement and morale? Recent research by the CIPD found 70% of employers have encountered concerns from staff about job security or their right to work in the UK following the vote to leave the EU. A further piece of research from the HR professional body found 22% of employees feel less secure in their jobs because of the leave vote, while 44% feel pessimistic about the future.

These are not encouraging stats. In times of economic uncertainty business needs to be able to get the best performance possible from its people; harnessing their skills, creativity and discretionary effort will make all the difference. As a country, our productivity levels remain woeful, languishing at the bottom of the G7, and a worried, unconfident workforce will only make things worse. And given employer hiring intentions have weakened following the Brexit vote, with organisations opting for temporary contractors over investing in full-time staff, is it any wonder people are concerned about job security?

CHANGE MANAGEMENT

Now is the time for HR to step forward and play a leading role in communications, reassuring employees and helping them to see the way ahead. As Michael Jenkins, CEO of business school Roffey Park, remarked to me recently, we could view the Brexit outcome as a "classic change curve". HR, as masters of managing change, are uniquely positioned to help those in the organisation move from doubt to acceptance, and finally to 'moving on' and seeing the opportunities the new landscape offers.

Andy Dodman, Chief HR and Corporate Officer at the University of Sheffield, agrees that "leaving the EU will have a profound effect on the workplace" and feels HR needs "to play a key role in advising and informing staff on the Brexit process and its impact on individuals".

"The HR function needs to address an additional challenge," he adds. "The referendum outcome hasn't only created a sense of uncertainty from staff but also genuine dismay [among some]. HR therefore needs to communicate with authenticity, empathy and confidence to reinforce and safeguard corporate principles and strategic direction." HR does not have all the answers (how can they when business leaders themselves remain unsure?) but they can commit to keeping staff involved as their organisations review their options.

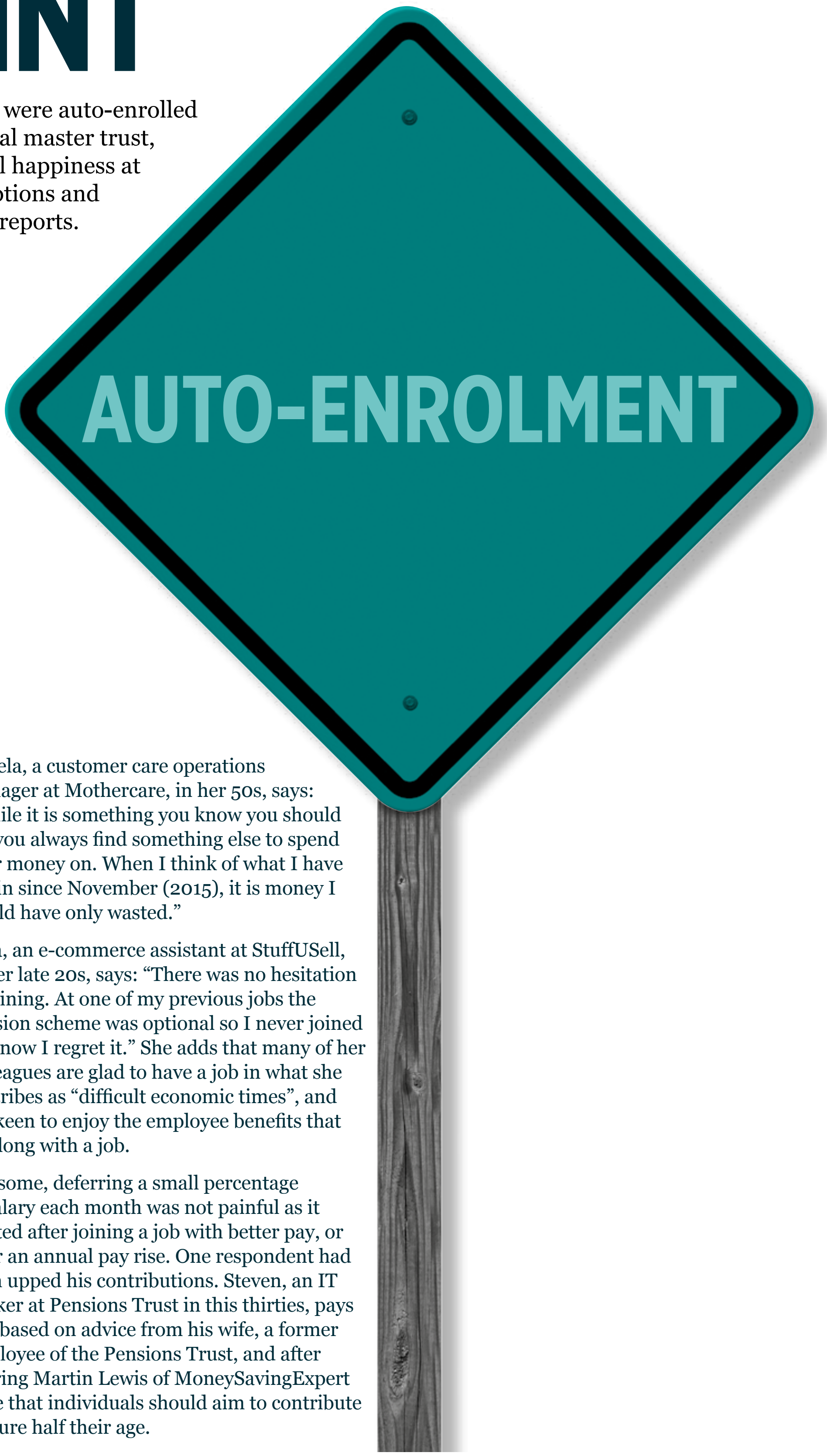
Beyond keeping an eye on employment and immigration legislation as the UK's disentanglement from the EU begins to take shape, HR also needs to be aware of "cultural hijacking", in the words of Penny Tamkin, Director of Employer Research and Consultancy at the Institute of Employment Studies. The referendum result has been divisive and has led to a rise in racial tensions across the UK, which could threaten the inclusive cultures businesses have been keen to inculcate. Stasis could also lead to other HR priorities falling off the agenda, and the function needs to make the case for people investment as businesses inevitably look for further efficiencies.

Business can and should act as a force for good in an uncertain world and, post-Brexit, HR is in a unique position to take a lead as cultural and communications ambassador. HR leaders need to take this opportunity to promote transparency, authenticity and inclusion to ensure their businesses, and employees, come out the other side stronger.

Katie Jacobs is editor of *HR* magazine, the leading brand for HR directors and other people-focused business leaders. Find out more: **www.hrmagazine.co.uk**

CONSUMER VIEWPOINT

In-depth interviews with five employees who were auto-enrolled between 2012-2016 into the Legal and General master trust, Smart Pension and the Pensions Trust, reveal happiness at being opted-in, but also a range of misconceptions and fatalism about investments. **David Rowley** reports.



LOW OPT-OUT RATES TELL US THAT MEMBERS ARE BROADLY HAPPY WITH AUTO-ENROLMENT ACROSS BOTH LARGE AND SMALL EMPLOYERS. THIS IS A RELIEF FOR THE PENSIONS INDUSTRY, BUT ON TALKING TO MEMBERS ONE FREQUENTLY HEARS A HAZY AND OFTEN DISTORTED IDEA OF HOW IT ALL WORKS. THERE IS A GENERAL BAFFLEMENT ABOUT HOW SAVINGS ARE INVESTED, ABOUT THE PROCESS OF DECUMULATION AND A CONSPIRACY THEORY ABOUT THE STATE PENSION.

The one area members are confident about judging is the quality of interaction they have with their provider over administration and communication. It should be of concern to employers and providers that members' experiences here are being used as a guide to how much faith they should have in those investing on their behalf.

PERCEPTIONS OF AUTO-ENROLMENT

Members accept that unless they had been opted-in, they would have lacked the will power to start saving for their retirement. As such they are grateful and even happy about auto-enrolment.

> **WE HAVE ALL BEEN FORCED TO THINK ABOUT THE FUTURE A BIT MORE WITH THE CURRENT POLITICAL AND ECONOMIC CLIMATE**

Angela, a customer care operations manager at Mothercare, in her 50s, says: "While it is something you know you should do, you always find something else to spend your money on. When I think of what I have put in since November (2015), it is money I would have only wasted."

Olga, an e-commerce assistant at StuffUSell, in her late 20s, says: "There was no hesitation at joining. At one of my previous jobs the pension scheme was optional so I never joined and now I regret it." She adds that many of her colleagues are glad to have a job in what she describes as "difficult economic times", and are keen to enjoy the employee benefits that go along with a job.

For some, deferring a small percentage of salary each month was not painful as it started after joining a job with better pay, or after an annual pay rise. One respondent had even upped his contributions. Steven, an IT worker at Pensions Trust in this thirties, pays 6%, based on advice from his wife, a former employee of the Pensions Trust, and after hearing Martin Lewis of MoneySavingExpert state that individuals should aim to contribute a figure half their age.

I DO NOT KNOW WHEN I RETIRE IF THERE WILL BE A STATE PENSION

CONSPIRACY THEORIES

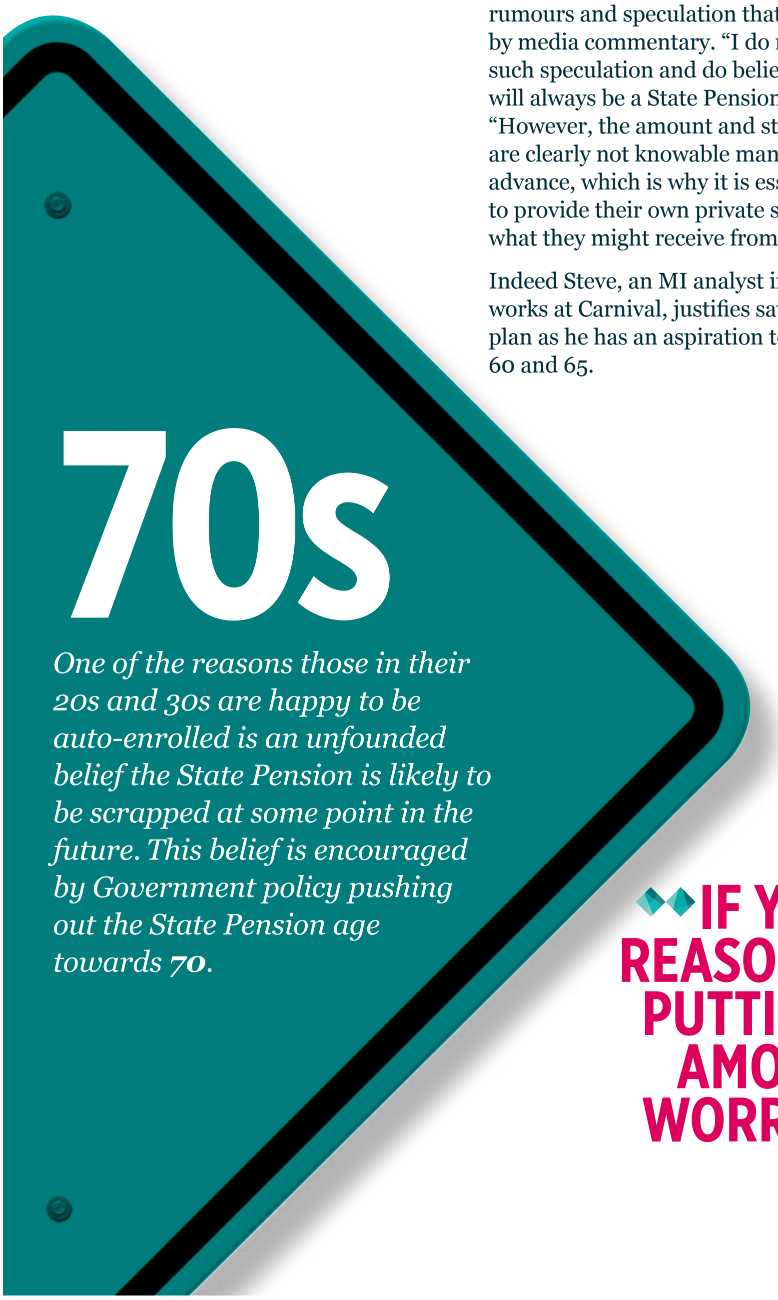
One of the reasons those in their 20s and 30s are happy to be auto-enrolled is an unfounded belief the State Pension is likely to be scrapped at some point in the future. This belief is encouraged by Government policy pushing out the State Pension age towards 70.

Vaishali, a worker in Sainsburys' head office, says: "I do not think I would like to rely on the State Pension because the retirement age is increasing. I do not know when I retire if there will be a State Pension."

Stephen at the Pensions Trust says: "I see this pot of money as the one that is going to get me through retirement. I see the State Pension as something you should not rely on in the slightest."

Ros Altmann attributes this belief to rumours and speculation that get reinforced by media commentary. "I do not believe such speculation and do believe that there will always be a State Pension," she says. "However, the amount and starting age are clearly not knowable many decades in advance, which is why it is essential for people to provide their own private savings on top of what they might receive from the state."

Indeed Steve, an MI analyst in his 30s who works at Carnival, justifies saving into his DC plan as he has an aspiration to retire between 60 and 65.



30s

*Steve, an MI analyst in his **30s** who works at Carnival, justifies saving into his DC plan as he has an aspiration to retire between 60 and 65.*

Perhaps of less concern given the impending launch of many income drawdown products by providers, there is a haziness among the respondents in their 20s and 30s about how decumulation would work in practice.

FEAR OF THE UNKNOWN

All members concurred that they did not understand the investments in their plan. "I do not know much about investments. I leave it up to the trustees," says Vaishali at Sainsburys'. This lack of knowledge often leads to a pessimistic and fatalistic perspective of investment markets. So there is a misconception that Brexit has led to a fall in the value of investments in DC plans – none of those interviewed have checked the value of their savings online in recent months.

Angela at Mothercare says of investments: "I guess in general I do not have a lot of faith, I am a little bit sceptical about it, after all that you hear about pensions going down the tube." She does however rationalise that the employer contribution was a better return than any bank or building society was offering on a deposit.

IF YOU ARE IN A REASONABLY SAFE SCHEME AND PUTTING A REASONABLY SAFE AMOUNT OF MONEY IN IT, DON'T WORRY TOO MUCH ABOUT IT...

SUNNY SIDE UP

Olga at StuffUSell took a sunnier view. She sees her new savings as a safeguard in an uncertain world. "We have all been forced to think about the future a bit more with the current political and economic climate," she says.

So why would people invest into a plan they knew was invested in risky assets? Members appear to assume that if their plan is well administered – something they feel confident in judging – then the investments must be well run too.

Angela at Mothercare says: "I am a bit wary, but I am happy to go with it, because from what I can see it is well administered, but I do not understand the full ins and outs of the investments and how much of a guarantee I have on my return."

PLSA viewpoint

It's good news that overall the feeling from these workers is a positive one. People who, without auto-enrolment, would not be saving for retirement are now doing so and are thinking about what that means for them. There are some clear messages here and it's really important that we listen to them. The work doesn't stop when auto-enrolment starts. There's a lot still to do to make sure employees get clear communications about scheme investments, contributions and the process of decumulation.

And of course there is a lot of work to be done to support SMEs who have few resources and often little or no experience of putting a workplace pension in place. This is why we set up Pension Solution, which offers a step-by-step guide for small business owners on what needs to be done by when, how much it will cost, and which employees must be enrolled. Please turn to page 47 for the latest Pension Solution update or visit **www.pensionsolution.co.uk** for more information.

She cited "lots of FAQs and channels to get questions answered" on the website and frequent reminders and updates as a sign that her scheme was well run.

Similarly, Steve, the IT worker at Pensions Trust, says: "If you are in a reasonably safe scheme and putting a reasonably safe amount of money in it, 'don't worry too much about it' is my high-level view."

Stephen at Carnival based his faith on brand recognition of Legal and General.

"I had heard of them before, which is a good start and a reputable company. I have reasonable confidence in them."

These are remarkable statements as it would imply that a DC plan that had best-in-class administration but sub-par investments could have greater levels of customer satisfaction than a provider with indifferent administration but a best-in-class default fund.

I DO NOT KNOW MUCH ABOUT INVESTMENTS. I LEAVE IT UP TO THE TRUSTEES

STOPPING THE SCAMMERS

The current pensions landscape is perfect for would-be fraudsters. **James Walsh**, our Policy Lead, EU and International, reports on much-needed moves to tighten up.

I DON'T NORMALLY ASK *VIEWPOINT* READERS TO SEE THEMSELVES AS CRIMINALS, BUT PICTURE YOURSELF FOR A MOMENT AS A WOULD-BE FRAUDSTER. WHAT WOULD YOUR IDEAL NEW BUSINESS OPPORTUNITY LOOK LIKE?

It would probably involve large pools of money for you to target, poorly-informed consumers vulnerable to your wiles and a well-intentioned but disruptive upheaval in Government policy that you can exploit. Court rulings that tie the hands of the good guys would be an extra bonus.

All these features can be found in the pensions sector, and the fraudsters have been quick to spot the opportunity.

No wonder that protecting members from pension scams has become one of the biggest challenges for pension professionals.

The problem is made more difficult by the fact that scams come in so many forms, from legal but ill-advised investments (all those Cape Verde hotel developments) to downright criminal frauds where money simply disappears from the pension pot.

The 'moving target' nature of scams is a further source of difficulty. Just two or three years ago the focus was on 'pension liberation' – scammers 'helping' savers under 55 to 'unlock' their pension pots and turn them into ready cash. Now the problem is more investment-related – savers being tempted to transfer into another pension scheme offering too-good-to-be-true returns and probably a slice of cash on top. And for savers at or approaching retirement, pension freedom (which has many positives, let's be clear) means more opportunities to be scammed.

As ever, the bad guys can move faster than Government, regulators and the industry itself, so we are in constant catch-up mode.

SCAMS UNDERMINE PUBLIC CONFIDENCE IN PENSIONS AT A TIME WHEN WE NEED TO BE ENCOURAGING PEOPLE TO SAVE

TIME TO ACT

The consensus at a 'Scams Summit' hosted by the PLSA in July was that all parties – industry, Government and regulators – need to do more to help schemes protect their members. Pension scheme managers and trustees are devoting a huge amount of time and resource to due diligence on receiving schemes, and much of this work is duplicated across multiple schemes with no mechanism for sharing their findings with each other.

The key problem lies in the law itself. Members have a right to a transfer to another registered scheme, even if the pensions manager and trustees strongly suspect it to be a scams vehicle. Schemes report success in dissuading some members by requesting

of the receiving schemes' *bona fides* and by sharing The Pensions Regulator's 'scorpion' warning literature. But when members insist on going ahead – and many are 'insistent customers' – schemes are powerless to stop them.

THE BAD GUYS CAN MOVE FASTER THAN GOVERNMENT, REGULATORS AND THE INDUSTRY ITSELF, SO WE ARE IN CONSTANT CATCH-UP MODE

55

*The 'moving target' nature of scams is a further source of difficulty. Just two or three years ago the focus was on 'pension liberation' – scammers 'helping' savers under **55** to 'unlock' their pension pots and turn them into ready cash.*

The *Hughes v Royal London* court ruling has made matters worse by undermining the requirement for an employment link between the member and the receiving scheme's sponsor. Now the member merely has to be 'employed' – and any old employment will do.

So what is the solution? The PLSA is developing ideas on how the law could be changed in a way that would give trustees more power to protect members but without an opportunity for the scammers to find their way around the new system. The indications are that the Government is open to a reform, but will expect a robust case to be made.

Any addition to the regulatory system is likely to involve some new costs on the industry or regulators or both. The view I hear from PLSA members is that they are prepared to accept this. After all, they are already incurring major costs in due diligence work. So, if a solution were to involve extra work by The Pensions Regulator – and a consequent increase in the pensions levy – then so be it.

Scams undermine public confidence in pensions at a time when we need to be encouraging people to save. We need to step up the fight, so look out for news in this area soon.

SCAMS COME IN SO MANY FORMS, FROM LEGAL BUT ILL-ADVISED INVESTMENTS TO DOWNRIGHT CRIMINAL FRAUDS

NFOP

Help and support...

for transitioning through later life

NFOP can be a cost effective alternative to a scheme's welfare service, as part of a leavers or retirement package.

The end of working life is no longer a fixed point. As a person transitions towards retirement and beyond NFOP can offer a number of ongoing support services providing help and signposting.

We will be on Stand 380 at the PLSA Annual Conference 2016.

NFOP Membership Services

- Initial advice over the phone on legal, tax, and financial matters
- IT assistance on computer problems via a dedicated helpline or email address
- A regular informative and entertaining magazine
- Membership of a local group with opportunities for social activities and outings
- Access to the members' area of the NFOP website, filled with useful information and resources
- NFOP Travel Club offers holiday, hotel, cruise and travel insurance deals
- Support from the NFOP Welfare Fund for grants to help with individuals needs

Come and speak to us about our new joint venture with The Retirement Income Alliance or find out more at www.riaonline.co.uk

ria Retirement Income Alliance
Working in partnership with NFOP

01582 721652 **info@nfop.org.uk** **www.nfop.org.uk**

HAPPY BIRTHDAY PLSA!

THINGS HAVE CERTAINLY CHANGED SINCE 1923 WHEN THE ASSOCIATION OF SUPERANNUATION AND PENSION FUNDS WAS FORMED. MOVE AHEAD TO 1967 AND A CHANGE OF NAME INTRODUCED THE (PROBABLY MORE FAMILIAR) NATIONAL ASSOCIATION OF PENSION FUNDS. PRESS THE FAST-FORWARD BUTTON AGAIN TO OCTOBER 2015, AND THE NAPF BECAME THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION.

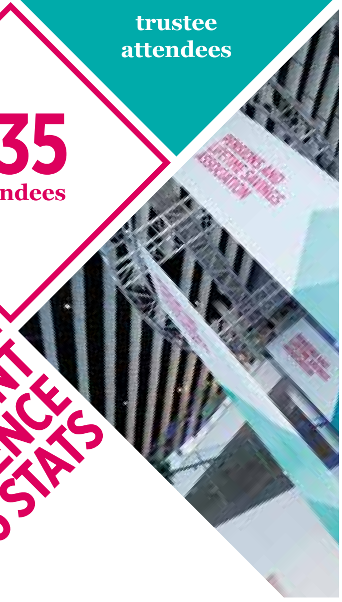
Our new identity marked the start of a journey for an Association looking forward into a new future for our industry. Retirement is no longer a single event for many people. A pension or an annuity is no longer the sole source of retirement income. Millions more savers and hundreds of thousands of employers are using pensions for the first time. And the lines are blurring, between pensions and other forms of savings, between work and retirement, between scheme and saver responsibility. We have to think differently so we can keep helping our members.

TRUSTEE CONFERENCE 2015 STATS

148 attendees

62 pension funds represented

65 trustee attendees



INVESTMENT CONFERENCE 2016 STATS

27 exhibitors

935 attendees

145 pension funds represented

The new brand reflects this new way of thinking – and if its existence so far is anything to go by, we can look forward to an increasingly busy and exciting future. Here are just a few birthday highlights from the first 12 months of the PLSA…

RAISING THE BAR ON CYBER-SECURITY

Cyber-security is a critical issue for pensions. Fieldfisher's **David Gallagher** and **Andrew Patten** survey the new reality.

PENSION SCHEMES ARE INCREASINGLY HARNESSING TECHNOLOGY TO DRIVE IMPROVEMENTS IN ADMINISTRATION, MEMBER ENGAGEMENT AND COMMUNICATION. BUT CYBER-SECURITY IS ONE OF THE MODERN WORLD'S BIGGEST PROBLEMS. PENSION SCHEMES COMBINE PERSONAL DATA WITH SOME MEMBERS WHO LACK AWARENESS, PROVIDING A TEMPTING TARGET FOR PENSION SCAMMERS.

For pension scheme trustees, cyber-security is an important part of their duty to operate internal controls to ensure compliance with their legal obligations. For providers and administrators, good cyber-security is a selling point while the bad publicity that comes from a security breach will be extremely damaging.

CYBER-SECURITY IS ONE OF THE MODERN WORLD'S BIGGEST PROBLEMS

In June, the House of Commons' Culture, Media and Sport Committee released its report on Cyber Security: Protection of Personal Data Online. The report is based on the House of Commons' inquiry into last October's cyber-security breach at TalkTalk, but is firmly aimed at a broader audience which includes pension scheme trustees, providers and administrators.

The report's recommendations have the potential to significantly change expectations around cyber-security, incident response and breach action in the months and years to come. They reflect a culture of ever-increasing complaints, disputes and significant fines for compliance failures. The Information Commissioner's Office (ICO), the UK data protection regulator, appears to support most of the recommendations and it is likely to treat them as best practice. It may even go further and treat some recommendations as measures that data protection law requires data controllers to implement to ensure the security and confidentiality of personal data. Data controllers, of course, include most, if not all, pension scheme trustees and providers.

The report provides a reminder to scheme trustees and providers that they should be assessing and, if required, improving the policies, processes, people-skills and the technologies they have in place to defend their systems and data from cyber as well as other data security threats. Equally, they need to assess their response procedures to incidents and breaches. Most of the front-page cases – and TalkTalk is no exception – show that an incident response plan is the centrepiece of cyber and data security incident response readiness. A good plan will have a transparent, robust and rehearsed response process with clear reporting and accountability lines, together with established positions on breach notification.

THE REPORT'S RECOMMENDATIONS HAVE THE POTENTIAL TO SIGNIFICANTLY CHANGE EXPECTATIONS AROUND CYBER-SECURITY, INCIDENT RESPONSE AND BREACH ACTION

THE REPORT'S KEY RECOMMENDATIONS

1 **Raising member/customer awareness:** data controllers should put in place a mechanism to enable data subjects – in pensions, scheme members – to verify that communications from the controller are genuine. They should provide well-publicised guidance on how the controller will contact them and how they can verify that communications are genuine.

2 **Security by design is a core principle:** security should be a core principle of new system and app development and a mandatory part of development training. Cyber-defences should have ongoing investment to stay ahead of the game. It will no longer be a defence to say that a controller was unaware of the risks posed by known forms of cyber-attacks. Escalating fines should apply, factoring in the lack of attention to threats and vulnerabilities which have led to previous breaches.

3 **Annual reporting:** organisations holding large amounts of personal data should provide an annual cyber-security report to the ICO. This will cover areas such as staff cyber-awareness, the last security audit, whether there is a tested incident management plan in place, the approach to enabling customers to check the authenticity of communications, and the number of cyber-attacks and whether these resulted in actual breaches. Taking a step back, this of course means that internal controls should cover all these issues and schemes and service providers need to collect the relevant information. Schemes and product providers are encouraged to include this information in their own annual accounts to help give confidence that they take security seriously and have effective processes in place.

4 **Publishing investigation reports:** given the intense public interest in cyber-security breaches, there should be greater pressure on companies that suffer serious cyber/data security breaches to publish the conclusions of their investigation into the breach, subject to commercial confidence.

5 **Breach notification vs. protecting police investigations:** the report recognises that, despite existing and forthcoming legal requirements and regulatory expectations concerning breach notification, it is important for controllers responding to a breach to strike a balance between breach notification and protecting information that is sensitive to police investigations. It is expected that the ICO will provide further guidance, including best-practice examples, on this point.

6 **Linking CEO compensation to effective cyber-security:** data controllers should ensure that responsibility and accountability for cyber-security sits with someone who is able to take full day-to-day responsibility, such as a Chief Information Systems Officer. However, to ensure that cyber-security receives sufficient attention before serious incidents occur, a portion of CEO compensation should be linked to effective cyber-security.

MEMBER NEWS

WELCOME TO NEW MEMBERS

PRICE BAILEY LLP

Price Bailey is a leading firm of chartered accountants and business advisers with eight offices situated in East Anglia, London, the Channel Islands and the Caribbean. Our Pensions Team provides a broad service offering to Trustees, Corporate Sponsors and individuals. Our industry experts provide our clients with real insight and experience from within the pensions industry, delivering genuine value in everything we do. At Price Bailey it's "all about you", a flexible and pragmatic service to meet your needs.

Contact: Tom Freeman
E: tom.freeman@pricebailey.co.uk
T: +44 (0)20 7382 7428
www.pricebailey.co.uk

COHEN & STEERS

Cohen & Steers is a leading global investment manager specializing in liquid real assets, including real estate securities, listed infrastructure, commodities and natural resource equities, as well as preferred securities and other income solutions.

Contact: Marc Haynes
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www.cohenandsteers.com

CLIENTEARTH

ClientEarth is a non-profit environmental law organisation. The Company and Financial project is a core element of the organisation's Climate Litigation programme and is focussed around cooperative engagement with a wide spectrum of market participants. We use the law and legal strategies to drive greater integration of climate-related financial risk into the management decisions of actors in the corporate and financial sector to support a rapid shift of capital toward green investments.

Contact: Marina Agiejew
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www.clientearth.org

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T: +44 (0)20 3786 3541
www.prosek.com

CFA UK

The CFA Society of the UK (CFA UK) serves society's best interests through the provision of education and training, the promotion of high professional and ethical standards, and by informing policy-makers and the public about the investment profession.

Contact: Will Goodhart
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NEW MADE SIMPLE GUIDE AVAILABLE

WE HAVE LAUNCHED A NEW GUIDE IN OUR *MADE SIMPLE* SERIES

Environmental, Social and Corporate Governance (ESG) aims to clarify and simplify the subject and to sketch out a foundation on which pension funds might be able to build a strong ESG investment structure. It aims to offer a practical approach to integrating ESG into the investment decision-making process, not least by outlining the building blocks of ESG analytics such as data and scoring.

The guide is kindly sponsored by BNP Paribas Securities Services.

A PDF version of this Made Simple Guide is available to download FREE from the PLSA website. Printed copies are also available and can be ordered online at **www.plsa.co.uk** (£18 for members and £35 for non-members).

MEMBERSHIP RENEWALS

RENEWAL NOTICES WILL BE ISSUED TO ALL MEMBERS AT THE END OF OCTOBER. FROM ALL OF US AT THE PLSA, THANK YOU VERY MUCH FOR YOUR LOYALTY AND SUPPORT OF YOUR INDUSTRY. WE HOPE WE HAVE GOT IT RIGHT FOR YOU THIS YEAR AND YOU WILL WANT TO RENEW YOUR MEMBERSHIP – WE ARE REALLY PROUD OF OUR RETENTION RATE OF 95% AND VERY GRATEFUL TO ALL THOSE MEMBERS WHO PAY PROMPTLY BY THE DUE DATE OF 1 JANUARY

We would like to issue a plea to members who are happy with our work and who do not pay fees quite so quickly. At the end of March 2016, we still had almost 300 outstanding subscriptions which, not only gave the Board concerns around renewal income, but also meant that your membership team's resource had to be diverted into many reminder phone calls.

We'd prefer to be concentrating on member visits, good communications about policy, recruiting new members, supporting your local groups and, crucially maximising member benefits. If you could try to pay on time, it would be really appreciated.

Our membership team will be in touch and if you have any issues you would like addressed, we will be very happy to listen and act on your suggestions.

COUNCIL ELECTIONS - THE RESULTS

WE'RE DELIGHTED TO ANNOUNCE THE RESULTS OF THE HARD-FOUGHT COUNCIL ELECTIONS FOR THE NEW DB AND DC COUNCILS WHICH WILL BE FORMED AT THE AGM IN OCTOBER.

DB Council

Nicola Mark from Norfolk County Council and Colin Richardson, PTL will serve on DB Council.

DC Council

Carol Young, Royal Bank of Scotland and Andy Cheseldine, Lane Clark & Peacock have been re-elected to the DC Council and Mel Duffield, USS will join them.

Congratulations to them and many thanks to all those who stood for election.

TRUSTEE CONFERENCE 2016

WE ARE DELIGHTED TO ANNOUNCE THAT THE 2016 TRUSTEE CONFERENCE WILL TAKE PLACE IN LONDON ON 7 DECEMBER AND IS KINDLY SPONSORED BY ALLEN & OVERY.

This one day event is specifically designed for non-professional trustees to keep them up-to-date on the latest changes affecting pensions and the growing complexity of the role of a trustee.

Whether you are just at the beginning of your trustee career, or an experienced veteran there will be something to suit your needs.

For more information and to book your place visit the events section of our website at **www.plsa.co.uk**

PENSION SOLUTION, ONE YEAR ON

Our service for small employers has made an encouraging start.

PENSION SOLUTION IS NEARLY ONE YEAR OLD, AND MUCH HAS HAPPENED IN THE AUTOMATIC ENROLMENT SPACE SINCE ITS LAUNCH AT OUR ANNUAL CONFERENCE & EXHIBITION LAST OCTOBER.

There are now a record number of employees saving in a workplace pension – 6.1 million workers as at the end of March 2016 – which is an increase of nearly 1 million from the 5.2 million workers saving in 2015. This is a very positive result of the Pensions Act 2008 workplace pension reform, considering the figure was just 1 million in 2013.

We are pleased to be supporting over 150 small businesses through Pension Solution and we will be helping more micro and small employers with their automatic enrolment obligations as their staging dates approach.

Pension Solution helps small employers in three ways:

1) **Step-by-step guide**

   Everything you need to know about getting your workplace pension set up for automatic enrolment.

2) **Impartial guide to pension providers**

   Comparison information and employer user ratings for nine pension providers.

3) **Useful resources**

   Handy templates and content to keep you and your staff up to date.

As part of the development of Pension Solution we are updating the impartial guide, ensuring employer user ratings of the pension scheme providers reflect current views and that features of the schemes are up to date.

We will also be offering regional training to reach small employers across the country. Membership costs just £49+VAT for one year.

PENSIONS AND LIFETIME SAVINGS
PENSION SOLUTION

To find out more visit
www.pensionsolution.co.uk

THOMSON REUTERS

PRACTICAL LAW™

LEGAL UPDATE

Loreto Miranda, Head of Thomson Reuters' Practical Law Pensions service.

THE "BREXIT EFFECT" AND CASE LAW

THERE HAS BEEN A RANGE OF PENSION LAW CASES RECENTLY, SOME OF WHICH ALREADY FORESHADOW THE IMPACT OF BREXIT UNCERTAINTY. THE EUROPEAN COURTS HAVE BEEN CONSIDERING CLAIMS REGARDING SAME-SEX SURVIVORS' PENSIONS. IN PARTICULAR, THE CJEU ADVOCATE GENERAL REJECTED THE SUBMISSION, SUPPORTED BY THE UK, THAT THE EFFECT OF A DISCRIMINATION FINDING SHOULD BE RESTRICTED TO SERVICE WHICH POST-DATED THE EQUAL TREATMENT FRAMEWORK DIRECTIVE[1]. THIS APPEARS TO CONFLICT WITH THE COURT OF APPEAL'S DECISIONS IN ENGLAND AND WALES IN THE *O'BRIEN V MINISTRY OF JUSTICE AND WALKER V INNOSPEC CASES.*

As a juridical matter, an opinion of the AG is not binding, although opinions are frequently followed by the CJEU. As to the future standing of the CJEU's judgments in the UK, that is an open question. Brexit has not yet happened, so the UK courts are still bound. Further, two pensions law questions have been referred by English courts to the CJEU for guidance, which highlights that this inter-court process is still active (the questions concern whether the cap on PPF compensation is compliant with EU law[2] and equal treatment between the sexes in matters of social security[3]). Post-Brexit, CJEU judgments would most likely still be relevant to the interpretation of domestic law derived from EU law, but there is sure to be debate as to how much weight to give them.

VAT LINE APPEARS TO STAND

Other cases to note are the Supreme Court's dismissal of a taxpayer's appeal on the recoverability of professional fees as a VAT input[4]. Though not a pensions case, it is consistent with HMRC's guidance (March 2015) as to when it will accept that supplies of pension fund management services are made to an employer. Indeed, it supports HMRC's requirement that the employer and trustees must be entitled to sue for breach in any tripartite agreement, before it accepts a supply as being made to the employer. Clearly, care needs to be exercised in drafting such contracts so that they achieve input tax recovery for the employer while ensuring that pensions law requirements are not infringed.

COURT RECTIFICATION WITHOUT HEARING

There have also been yet more cases dealing with lack of formalities in pension scheme documentation, with mixed results. Of note is the first example of a rectification order obtained not only by unopposed summary judgment, but also without a hearing. Such an approach may save costs, although the court highlighted that the requirements of open justice may require transparency in terms of the evidence put before the court[5].

CHECK YOUR INSURANCE LAW DUTIES

Finally, while the legislative front has been relatively quiet, the Insurance Act 2015 came into force on 12 August 2016. This replaces the duty of disclosure with a new duty of fair presentation of risk when taking out an insurance policy, which will affect pension scheme trustees taking out insurance policies (for instance, trustee liability insurance). It also makes changes to insurance law relevant to pension scheme buyouts and buy-ins.

For more information on Thomson Reuters' Practical Law knowhow service for pensions professionals visit **http://uk.practicallaw.com/practice/uk-pensions** or contact **loreto.miranda@thomsonreuters.com.**

1. Dr David L Parris v Trinity College Dublin and others (Case C-443/15)
2. Grenville Holden Hampshire v the Board of the Pension Protection Fund [2016] EWCA Civ 786
3. MB v Secretary of State for Work and Pensions [2016] UKSC 53 (10 August 2016)
4. Airtours Holidays Transport Ltd v HMRC [2016] UKSC 21
5. Girls' Day School Trust v GDST Pension Trustees [2016] EWHC 1254 (Ch)

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PENSIONS AND LIFETIME SAVINGS ACADEMY

Frances Corbett, Educational Development Manager.

WHILE THE ACADEMY TOOK ITS ANNUAL SUMMER BREAK DURING AUGUST WE'VE NOT BEEN SITTING IN OUR DECKCHAIRS – INSTEAD, WE'VE BEEN FOCUSSING ATTENTION ON OUR AUTUMN PROGRAMME.

On return to campus on 7 September we were pleased to introduce the webinar 'Fiduciary management for pension schemes', sponsored and delivered by Kempen Capital Management. As the Academy's first venture into this form of education we were delighted by the numbers of you who took part. We hope this webinar will be the first of many, and will offer additional learning opportunities to those of you who prefer online education or find face-to-face training less convenient.

For trustees we continue to offer introductory training, and due to its popularity we have arranged to run an additional 'Introduction to trusteeship, Part 2 – the practice' session on 3 November. If you weren't able to secure a place on the September outing of this course, please arrange to book as soon as you can to avoid disappointment.

During 2016 our teach-in sessions have continued to be popular. In May we covered private equity in a session sponsored and delivered by adveq's Nico Taverna, who provided a clear overview of the subject. This included why some investors in private equity succeed, and the common pitfalls to avoid.

Following UK voters' decision to leave the European Union, James Kwok, Head of Currency Management at Amundi Asset Management, discussed how to manage currency risk in an investment portfolio and provided a timely update on the challenges facing sterling following Brexit.

With the end of the year fast approaching make sure you take advantage of all the Academy's programmes before you go off on your Christmas break.

Visit www.plsa.co.uk/training

PENSIONS JOBS
Securing your role in pensions

Pension Jobs helping you to attract the best candidates for your vacancies.

pensionsjobs.com is the official recruitment website for the Pensions and Lifetime Savings Association, the voice of workplace pensions in the UK. We are working with Pensions Age to ensure job seekers can find their perfect job.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

10% discount for all Pensions Age readers, quote code PA10. Call 020 7880 6234

PENSIONS CONNECTION

PENSIONSCONNECTION UPDATE

Steven Dignall, Membership Communications Manager.

THE FIRST OF OUR SUMMER MEETINGS WAS HELD ON 5 JULY, AND WAS A DC-FOCUSSED SESSION WHICH EXPLORED ADVICE AND GUIDANCE POST-FREEDOM AND CHOICE.

The role of advice and guidance at retirement is being redefined following the introduction of pension flexibilities: questions are being asked about how the new comprehensive pensions guidance service will help savers achieve good retirement outcomes, and also how this will interact with the provision of financial advice. Delegates heard from Jamey Johnson, Deputy Director, Pension Wise and Caroline Escott, Senior Policy Adviser, APFA. There was lively discussion from the floor. I would like to thank our DC PensionsConnection sponsor Newton Investment Management for their support during 2016.

Our latest breakfast seminar took place on 4 October in London for our Finance Directors. The meeting was kindly sponsored by Goldman Sachs Asset Management and explored the trends in pensions funding and investment strategy. Each scheme is unique – the size of the scheme, its funding level, the sponsor, the risk tolerance – and yet trends emerge in pensions funding and investment strategy. Carolyn Tavares, Executive Director and Sahar Zafar, Vice President, Head of UK Institutional Business from Goldman Sachs, showcased the latest findings from the firm's annual research on the DB pension schemes of companies in the FTSE 350 index. The research looked at funding levels, asset allocation and investment strategy, and identifies new trends in liability and asset risk management.

Full details of these meetings and more can be found on the PensionsConnection website at **www.plsa.co.uk/pensionsconnection**. If you have a topic you would like to see on the agenda at a session, please get in touch at **steven.dignall@plsa.co.uk**

PENSION QUALITY MARK

PENSION QUALITY MARK UPDATE

Meet Matthew Doyle, the new MD.

IT HAS BEEN AN EXCITING YEAR FOR THE PENSION QUALITY MARK TEAM. WITH THE CONSULTATION ON THE RETIREMENT QUALITY MARK (RQM) SHOWING BEYOND ALL DOUBT THAT THERE WAS A DEFINITE NEED FOR THIS PRODUCT, IT WAS NECESSARY TO RECRUIT A NEW MANAGING DIRECTOR WITH THE SPECIALIST SKILLS AND EXPERTISE TO DRIVE THE RQM PROJECT FORWARD.

Matthew joined the Pension Quality Mark Ltd (PQM) in March 2016. Before joining the PQM he was the Commercial Director for the engagement business at Hermes Investment Management, where he managed the strategy and growth of the business.

Prior to this Matthew held Chief Operating Officer roles at Latham & Watkins where he was responsible for growing the global English Law practice, and McGrathNicol where he was responsible for the delivery of quality professional services to global clients in the financial services sector.

Matthew is a trustee of The Adolescent and Children's Trust (TACT), and has an MBA from HEC, Paris.

Matthew's role as Managing Director is to oversee the development and management of the existing PQM products – the PQM, PQM PLUS and PQM READY accreditations – to ensure that they remain up to date, relevant and fit for purpose.

He is also responsible for the realisation of the RQM. The product was successfully launched in September 2016, and the next goal is to drive uptake and awareness of the RQM so that it becomes embedded in the pensions landscape as a trusted household name in the same way as the PQM.

New PQM members since our last issue:

Atos Stakeholder Pension Plan	**PQM**
Atos Worldline Stakeholder Plan	**PQM PLUS**
Sackers Group Personal Pension Plan	**PQM**

CALENDAR OF EVENTS

2016

OCTOBER

19-21
Annual Conference & Exhibition
ACC Liverpool

NOVEMBER

02
Local Authority Forum
London

04
Retirement Governance Seminar
London

09
Business Member Forum
London

24
Hot Topic Seminar
London

DECEMBER

07
Trustee Conference
London

2017

JANUARY

25
Academy Teach-in
London

FEBRUARY

02
DC PensionsConnection
London

02
FD PensionsConnection
London

07
Academy Teach-in
London

14
Hot Topic Seminar
London

MARCH

08-10
Investment Conference
Edinburgh

15
Academy Teach-in
London

23
Trustee PensionsConnection
London

23
HR PensionsConnection
London

28
Academy Teach-in
London

APRIL

05
Academy Teach-in
London

24
Academy Teach-in
London

26
Hot Topic Seminar
London

MAY

15-17
Local Authority Conference
Costwolds water Park

For more details and Academy training dates, please visit
www.plsa.co.uk