Viewpoint

The official journal of the Pensions and Lifetime Savings Association

Issue 4 2017

AN OPEN PLSA

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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CEO'S Viewpoint

Julian Mund reflects on a big year for the PLSA and sets out how we will focus our efforts in the future.

THE LAST COUPLE OF MONTHS OF THE YEAR ARE USUALLY A TIME OF REFLECTION AND RENEWAL AT THE PLSA. OCTOBER'S ANNUAL CONFERENCE & EXHIBITION IS THE PEAK OF THE YEAR IN MANY WAYS. PUTTING TOGETHER THE EVENT OVER SEVERAL MONTHS AND THEN RUNNING IT OVER THREE DAYS IS A HUGE EFFORT. THERE IS MUCH TO REFLECT ON AS WE DIGEST YOUR FEEDBACK ON THE EVENT, AS WELL AS THE FEEDBACK WE'VE GAINED FROM OUR MEMBER AND STAKEHOLDER RESEARCH EARLIER IN THE YEAR AND A SERIES OF TRIPS TO MEET MEMBERS OVER THE LATE SUMMER AND AUTUMN.

It all goes into our planning for 2018, our internal focus during November. Here reflection turns to renewal. We've been reflecting on our journey as the PLSA so far and reviewing our strategic goals. And when I say "we", I mean absolutely all of our 50 staff and our Board. For me, it has really been about inclusivity, recognising and building on the strength we have at every level here.

It has also been about focus. We're an ambitious organisation and we care deeply about our mission and our members. To do our best for you, we have to have a clear sense of direction and priorities.

We're here to help everyone achieve a better income in retirement. That's the mission our staff and our members get behind – and it's what the government looks to us to help with. To do that, we bring people together, raising standards, sharing best practice, and supporting our members in any way we can. We need to work collaboratively with all of those members and with the government, regulators and other stakeholders to help build sustainable pensions policies and regulation that support our mission.

IT'S CLEAR WHAT A BUSY YEAR IT HAS BEEN AND HOW IMPORTANT THE TIME AHEAD IS FOR US

BACK TO BASICS

Is it really that simple? Yes and no. We have to get our wiring right to do it, and that's something we consider across four perspectives: member, policy, financial and internal. Everything we do, all of the action we take on your behalf, has to be based on your needs, further our mission, make for a sustainable PLSA and be done in the right way. Of course it has always been that way, but I'm sure many of you appreciate the need to go back to basic principles and remind yourselves of what you're here to do. After a busy few years for the PLSA with significant change in our external outlook and internal make-up, it was right for us to do that in 2017.

Looking forward, there are a series of strategic enablers we need to put in place to improve the way we do the basics. First up is getting our governance right – so we have the right structures and skills built into the Board and our policy bodies. We began that at this year's AGM and we're consulting you on further changes for the future. Membership engagement is also clearly crucial for a membership body. Our #openPLSA campaign is the first step in bringing more of you into more of what we do, and complements our governance aims. And of course what we do has to be right, so in the first few months of 2018 we'll be looking hard at the services we offer to members and deciding where we can do less, where we can do more and where we can do better.

Reflecting just on this page, it's clear what a busy year it has been and how important the time ahead is for us. And now, with renewed energy after our busiest period of the year and with a renewed focus on our future, we're looking forward to working on your behalf in 2018.

I hope it's not too early to wish you all a very happy festive period, and I look forward to seeing you next year.

Julian Mund

WE'RE AN AMBITIOUS ORGANISATION AND WE CARE DEEPLY ABOUT OUR MISSION AND OUR MEMBERS

AN OPEN PLSA

Richard Butcher has just become Chair of the PLSA – and he wants to open it up to its members.

IT HAS BEEN A BUSY FEW YEARS FOR THE PLSA, AGAINST A BACKGROUND OF, IF NOT UNPRECEDENTED, THEN AT LEAST VERY UNUSUAL CIRCUMSTANCES.

Outside of the UK we've had the unexpected election of Donald Trump; an angry or angered (depending on our point of view) North Korea; continuing strife in the Middle East and the resultant refugee crisis; and, perhaps, a reshaping EU.

In the UK, we had the Brexit referendum and two general elections – all of which produced unexpected results. After both elections we had a change of Pensions Minister, and one concern we should have is of a return to the revolving door of Caxton House and disjointed, inconsistent policymaking.

After Guy Opperman spent several hours at this year's Annual Conference & Exhibition, meeting the PLSA team and a number of our members, I'm hopeful that won't be the case.

We've had a lot to cope with. Stubbornly low gilt yields and stubbornly high funding deficits, pension scamming, ongoing auto-enrolment and its polar opposite Freedom and Choice, new regulations on the governance and running of master trusts, and, in local authority schemes, new governance structures, pooling and the involvement of TPR.

A CHANGING CONCEPT

We've also had to respond to the status and role of a pension itself changing in people's lives. In the past a pension (by which I mean a final salary pension) was a unique form of financial product. You didn't really join them – often you were just included. You didn't noticeably save into them – your contributions, if you paid any, were deducted from your pay at source. And you didn't have to do any planning. All you had to do was wait until your normal retirement date and then you were given an income for life. Pensions then were a siloed, standalone concept.

But today, pensions are perceived as just one component part of a person's later life, health, wealth and work. They exist in the context of short-term, medium-term and long-term financial demands – educational debt, saving for a deposit for a house, paying a mortgage or rent, consumer spending, holiday savings, rainy day savings, insuring the house, car and dog, ISAs, LISAs – and just paying the bills and living.

Our changing world and the changing nature of pensions has had a huge impact both directly and indirectly on all of our day jobs and the world we do it in.

So, over the last few years the team has taken the time to look inwards. We've asked ourselves "is this association still relevant?", because an organisation that isn't relevant is, of course, irrelevant. The result is that your Association has changed and is changing.

> TODAY, PENSIONS ARE PERCEIVED AS JUST ONE COMPONENT PART OF A PERSON'S LATER LIFE, HEALTH, WEALTH AND WORK

The change in our name two years ago was not a cosmetic one. The inclusion of the words "lifetime savings" reflected a long-debated, much-considered change in the way we think the PLSA should look at and be seen by this new world.

The change in our outlook allows us to produce policy that looks out at the new financial ecosystem, policy that's aligned with modern life – modern, future-proofed policy.

Take our 'Hitting the Target' consultation, for example. It sets out a bold package of ideas for the future of pensions and lifetime savings. Among its proposals we suggest more people should be auto-enrolled and that their contributions should increase. We've looked at how property can be more easily used to fund retirement. We've suggested how working longer can be made easier and how governance and member engagement can be improved. And we've proposed the creation of National Retirement Income Targets. This is output aligned with modern life and will help us get better retirement incomes for all.

EXPERT OPTIMISTS

That's what PLSA members want, but to achieve it we need good policy and good regulation. And to get that we, the PLSA, need to produce expert, optimistic policy argument, which we can only do if we harness the power of our members' collective intellect and imagination. We're only as good as what our members give us.

So we want to open up the PLSA to make it easier for members to get involved, and we want to hear from all of our members. We're calling it #openPLSA.

> WE WANT TO OPEN UP THE PLSA TO MAKE IT EASIER FOR MEMBERS TO GET INVOLVED, AND WE WANT TO HEAR FROM ALL OF OUR MEMBERS

We want to hear from the members who don't come to our events or sit on our councils or committees. We want to hear from big members and small members, well-established members and new members.

As usual, we also want to hear from the legislators, the regulators and the media.

But we also want to broaden the debate and talk to other organisations and associations relevant to a member's later life health, wealth and work. That means building societies, banks, ISA and LISA providers, fintech start-ups, investment houses, equity release companies, advisors, consumer groups and other relevant trade bodies.

All of this will deepen our insight and help us to produce that expert, optimistic policy argument.

How are we going to open up the PLSA? Well, here are three examples:

- To start with, whenever we produce an item of policy output, such as a report or a consultation response, we'll ask at least five PLSA members who aren't usually involved in policy work to give us their view.
- We'll come to see you, with more of the roadshows we've held around the UK recently – so we can listen to what you have to say about policy, or anything else for that matter.
- We'll take more policy work online: a series of interactive policy webinars we're calling PensionsLab.

BE A PART OF IT

If you want to be part of these things, or if you have other ideas for things we could do to get views from members, email us at **openPLSA@plsa.co.uk**.

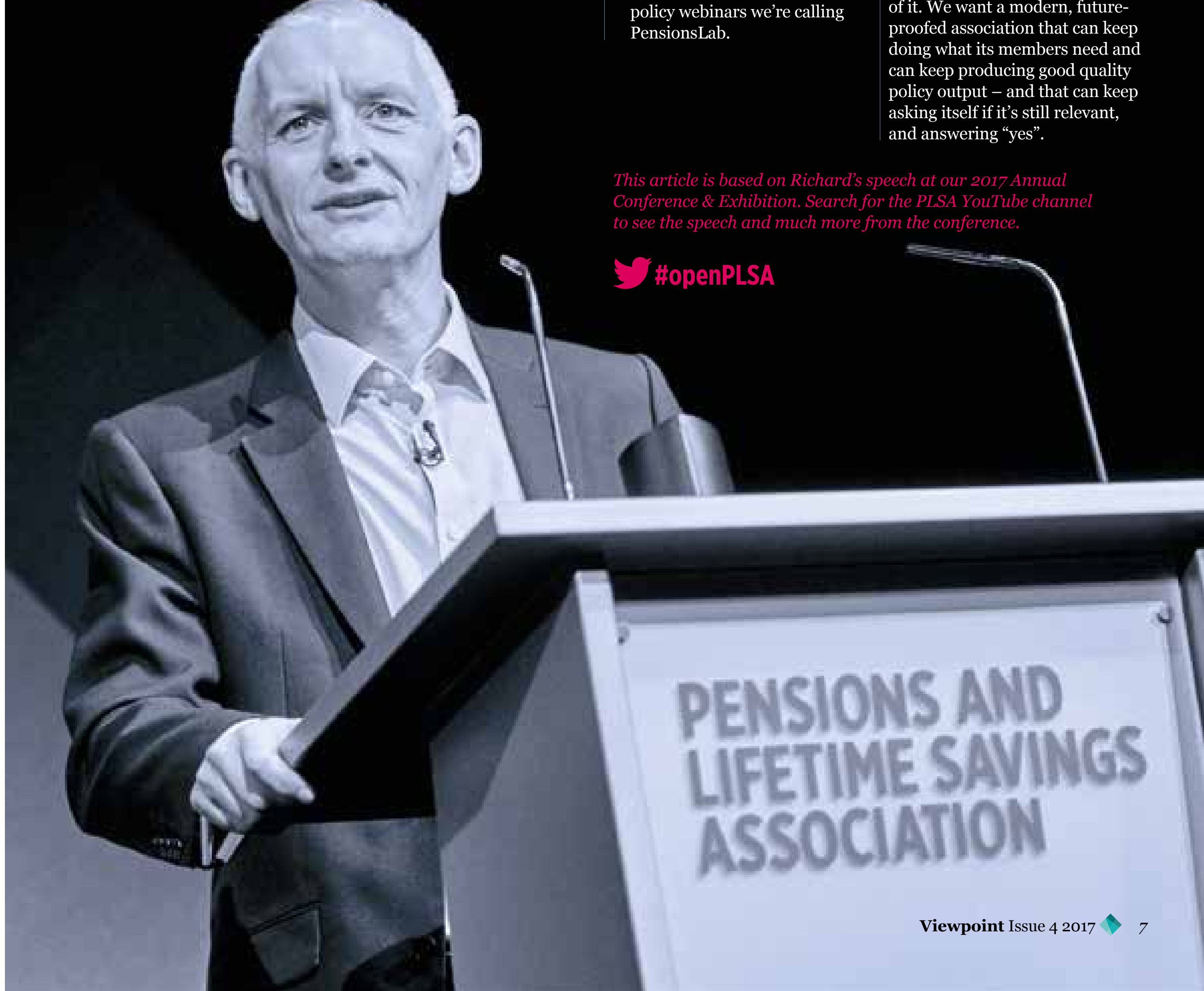
And as we develop more ways to get involved and stay in touch, we'll let you know.

Collectively we represent the interests of 20 million pension scheme members, and that's a massive responsibility. The policy work we do makes a difference to all of them. I'm hugely proud, honoured and humbled to have been elected as chair of your association, and I'm really looking forward to working with you.

I believe that we have a unique and vital role to play and I want all PLSA members to be a part of it. We want a modern, future-proofed association that can keep doing what its members need and can keep producing good quality policy output – and that can keep asking itself if it's still relevant, and answering "yes".

This article is based on Richard's speech at our 2017 Annual Conference & Exhibition. Search for the PLSA YouTube channel to see the speech and much more from the conference.

#openPLSA



Viewpoint UPDATE

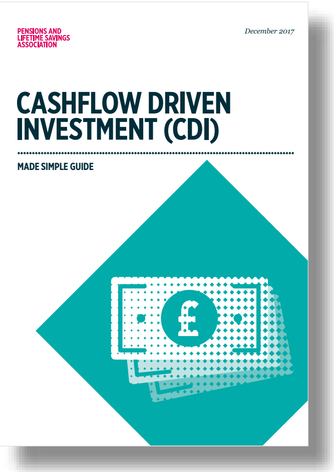
New Made Simple Guide launched

CASHFLOW DRIVEN INVESTMENT IS THE LATEST SUBJECT TO FEATURE IN OUR MADE SIMPLE SERIES

The basic principles of CDI or Cashflow Driven Investment have been employed for a long time by insurance company annuity funds. The idea of pension schemes adopting a similar but more flexible approach – that is better suited to their needs while not being bound by insurance company regulations – has also been discussed for a while. However, CDI has received increased attention recently. This is quite natural since most pension schemes are now closed to new entrants and therefore have a finite lifetime. As pension schemes mature and as funding levels improve, the focus often shifts towards adopting a lower-risk investment strategy designed to meet liability payments. This is exactly what CDI is intended to deliver.

This guide explains what cashflow driven investment (CDI) is, its building blocks, who it is appropriate for and the rationale for using it. In addition, it includes the process of monitoring and validating the results so trustees can assess whether their chosen CDI solution does indeed deliver to meet expectations.

The guide is kindly sponsored by Schroders.



A PDF version of the Made Simple Guide is available from the PLSA website. Printed copies are also available and can be ordered online at **https://www.plsa.co.uk/Resources-Made-Simple-guides**

OUR PICK OF THE BEST HEADLINES

'AGEING BETTER' REPORT 'ALARMING' ON LATER-LIFE EMPLOYMENT

PLSA - Professional Adviser

PLSA ON NEW TIMELINE FOR LEGISLATION ON PENSION SCAMS

Actuarial Post

WHY WE ARE OPENING UP THE PLSA

Professional Pensions

TOP TWEETS

Carolyn Saunders
@PensionsDiva Oct 19
Great second day @ThePLSA, looking forward to what's in store this evening #PLSAANNUAL

KAS BANK UK
@KASBANK_UK Oct 20
Big thanks to all who visited our stand at #PLSAannual and to @ThePLSA for another fantastic event. A great place to catch up with our friends in the industry and make new ones.

Guy Opperman
@GuyOpperman Oct 19
V positive day in North West @ThePLSA conference -real progress on dashboard, auto enrolment + more #PLSAannual

The People's Pension
@PeoplesPension Oct 19
"Project fear didn't work for Brexit, project fear also doesn't work for #pensions" - @darren_philp #PLSAannual

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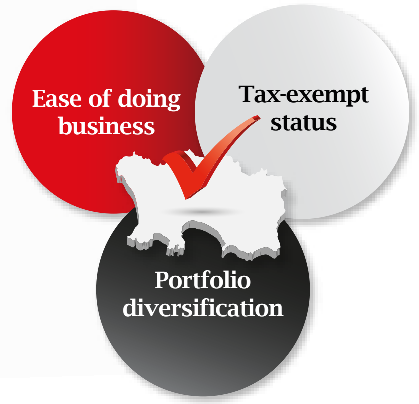
Jersey Finance
Delivering Insight ▪ Driving Innovation

Jersey for Institutional Investors

Europe Economics was commissioned by Jersey Finance to examine the role of Jersey in facilitating the effective and efficient management of pension and other institutional assets. The report found that at least 58 million people benefit from Jersey's administration of pension fund assets.

The report highlights that what sets Jersey apart for tax-exempt institutional investors includes its first-class, responsive regulatory environment, its ease of doing business, expert workforce and tax neutrality.



To find out more about Jersey's attraction as a place to do business, go to www.jerseyfinance.je/institutionalinvestors

US$342 billion net asset value
The total net asset value of regulated funds under administration in Jersey
Jersey Financial Services Commission, 30 June 2017

+33% net asset value
of funds under administration in Jersey since 2009
As at 30 June 2017

Over 7,000 employees
in trust and company administration, fund management and legal services
States of Jersey Statistics Unit, December 2016

www.jerseyfinance.je   www.linkedin.com/company/jersey-finance   @jerseyfinance   www.youtube.com/jerseyfinance

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GOVERNANCE UPDATE: GOVERNING A MODERN ASSOCIATION (PART II)

In the previous issue, the PLSA's **Edward Bogira** asked members to vote for changes to our governance rules. Now we're consulting on changes to our structure.

AT OUR AGM ON 20 OCTOBER, PLSA MEMBERS VOTED FOR THE NEW ARTICLES OF ASSOCIATION I WROTE ABOUT IN THE PREVIOUS ISSUE OF *VIEWPOINT*. THAT MEANS OUR OLD RULES, ORIGINALLY WRITTEN IN 1973, HAVE BEEN REPLACED BY SOMETHING MUCH MORE MODERN AND FLEXIBLE – AND IT MEANS WE CAN MAKE FURTHER CHANGES TO OUR GOVERNANCE TO BRING IT INTO LINE WITH THE WORLD OUR MEMBERS WORK IN TODAY.

In October we published a consultation on two changes to our governance structure: a new Policy Board and a new composition for the Board of the PLSA.

STRATEGIC OVERSIGHT OF POLICY

Our DC and DB Councils have been in place for five years and over that time we've seen an increase in the amount of policy work that cuts across both of them, as well as our Master Trust Committee.

Where one piece of work needs input from two or more policy bodies, there is duplication of effort from our policy team in drafting, presenting and amending papers. There is also the potential for conflicts to arise.

A new single body, responsible for strategic oversight of all our policy work, would make it easier to determine what we should focus on, ensure we can arrive at policy positions that work for all of our members more quickly than we can now, and be less bureaucratic.

We've also looked at the election system currently used by Councils for up to nine of their 15 members. Elections are open and democratic, but a relatively small proportion of our members put themselves forward or vote. We think a new selection process, where members apply for Policy Board roles, would attract a more diverse range of and skills to our policy work. It's also in line with trustee appointments among our members.

CHANGES TO THE BOARD

All but one of our nine non-executive Board members are current or former Council members. Until now, people who wanted to become Chairs or Vice Chairs of Councils had no choice but to join the Board. This increases their commitment (and their employer's) to the PLSA. It also means that the body with responsibility for the PLSA's strategy and operations draws primarily on policy skills. Dependency on the Councils has meant the Board can be unstable too, with the potential for seven non-executive members, including the Chair, to change every two years.

WE'RE ASKING FOR YOUR VIEWS ON OUR IDEAS AND WHETHER YOU'VE GOT ALTERNATIVE MODELS THAT COULD MEET OUR GOALS

While it's right that PLSA members are on the Board and making sure we do our job well, Board membership requires different skills to Councils – and more stability at Board level would help us to implement strategy more effectively.

We propose to make the minimum number of non-executive directors five (instead of six). Three of these would be PLSA members, including the Chair of the new Policy Board. The other two would be independent. The Board would be responsible for its own appointments – more in line with corporate practice.

WHAT DO YOU THINK?

These proposals are explained in more detail in a consultation document you can find by following the 'about us' link on our website. We're asking for your views on our ideas and whether you've got alternative models that could meet our goals. Although we've focussed on these solutions, we have considered others and recognise there may be more.

The consultation closes on Friday 5 January. If members support the new structure, we'll use the first nine months of 2018 to make the transition, before implementing the changes fully at the next AGM on 21 October 2018.

CONSULTANT CONSULTATION

A CMA market investigation reflects the importance of using advisers wisely, says **Caroline Escott**.

WORKPLACE PENSION SCHEMES HAVE APPROXIMATELY £2.2 TRILLION OF ASSETS UNDER MANAGEMENT IN THE UK. THEY ARE SIGNIFICANT INSTITUTIONAL CLIENTS IN WHAT IS A HEAVILY INTERMEDIATED INVESTMENT MANAGEMENT MARKET, AND USE A NUMBER OF MANAGERS, ADVISERS AND LAWYERS TO HELP THEM IMPROVE RISK-ADJUSTED RETURNS AND BOOST THE VALUE OF SCHEME MEMBERS' RETIREMENT SAVINGS.

This means there are serious implications for millions of UK savers if the investment market is not competitive or does not work effectively; and it this concern which was a key driver of the Financial Conduct Authority (FCA)'s 18 month-long Asset Management Market Study. It is also why the PLSA has been getting involved in this area, making sure members' views have been represented to regulators, politicians and the industry throughout the study.

In its final report of the Market Study, published in June 2017, the FCA highlighted a number of concerns. One key issue was the competitiveness of the market for institutional investment advice. The FCA's report noted a number of concerns on both the demand and supply side of the market, including the ability of trustees to effectively scrutinise and challenge their investment consultants' advice and the potential for a misalignment of interests where consultants have an in-house fiduciary management or master trust offering.

Given these concerns, the FCA referred the investment consultancy market to the Competition and Markets Authority (CMA), and in September 2017 the CMA announced that it would undertake a market investigation in this area. This is big news for the investment consultant market – and, indeed, for anyone who takes investment advice. The CMA's investigative and remedial powers are more extensive than those of the FCA; should the CMA find any 'adverse effects on competition' – and we do not yet know whether it will – then it has the power even to recommend in-depth structural market reform.

It's vital that schemes and employers take the opportunity to feed in their experiences of, and approach to the use of investment consultants. Currently the CMA is in data-gathering mode and we know that many PLSA members have been contacted directly for data and survey requests. It has to complete its investigation by the 13 March 2019 while also collecting a huge amount of data and undertaking extensive analysis: timescales for feeding in have therefore been fairly short.

PLSA INVOLVEMENT

The PLSA has also been engaging with the CMA in recent months, representing a membership which covers the breadth of the institutional investment chain. We believe investment consultants – including those which offer fiduciary management services – can add value and have an important role to play. However, some scheme members have raised persistent concerns about the potential misalignment of interests where consultants offering investment advice also provide an in-house fiduciary management or master trust service.

As well as feeding into and helping shape the outcomes of the CMA investigation – either directly or through bodies such as the PLSA – schemes should be aware that this is likely to be a time-consuming and costly exercise for investment consultants. Pension managers and trustees may want to consider asking their consultants about the market probe and asking what impact it may have on the provision of services between now and March 2019.

The CMA probe has also continued the industry debate about how to approach and structure investment advisers. With the sector undergoing a period of introspection, now's a particularly good time to work together with your investment advisers, both in-house and external, and think about how to get the best value-add for your investment portfolio.

If you would like to find out more about our work in this area, please contact **caroline.escott@plsa.co.uk**

CMA

INVESTIGATION: ADMINISTRATIVE TIMETABLE

PHASE 2 DATES AND ACTIONS

13 March 2019
Statutory deadline

October 2018
Final deadline for all parties' responses before final report

September 2018
Provisional Decision response hearings

June 2018
Deadline for all parties' responses/submissions required before the Provisional Decision report

July 2018
Provisional Decision report

December 2017 to March 2018
Publication/disclosure of relevant working papers

November 2017
Further information gathering

October to November 2017
Hearings

September to October 2017
Publication of issues statement, initial information requests
Initial submissions from main and third parties; site visits

14 September 2017
Reference made by FCA

IT'S VITAL THAT SCHEMES AND EMPLOYERS TAKE THE OPPORTUNITY TO FEED IN THEIR EXPERIENCES OF, AND APPROACH TO, THE USE OF INVESTMENT CONSULTANTS

ADDRESSING THE DIVERSITY CHALLENGE

Geeta Sharma Head of Fixed Income Strategies, EMEA & APAC describes how Northern Trust are putting theory into practice in building a more diverse – and ultimately more profitable – firm.

THE FINANCIAL SERVICES INDUSTRY HAS LONG HAD AN IMAGE PROBLEM, WITH MANY PERCEIVING IT AS A CLOSED INDUSTRY FOR THE PRIVILEGED FEW. FORTUNATELY, THIS PERCEPTION IS SLOWLY BEING TURNED ON ITS HEAD AS FINANCIAL INSTITUTIONS AROUND THE WORLD ARE WAKING UP TO THE IMPORTANCE OF DIVERSITY, NOT ONLY FOR A COMPANY'S CULTURE AND HOW IT IS PERCEIVED, BUT ALSO FOR ITS PROFITABILITY.

Widening the pool of experience, backgrounds, ages and gender broadens insight and enhances decision-making by encouraging debate and new ideas. McKinsey, for example, found that companies in the top quartile for gender diversity are 15 per cent more likely to have financial returns above their respective national industry medians.

Improving diversity is not simply about employing more women or ethnic minorities in the short term. Rather, it is a long-term effort to improve inclusion and company culture for everyone. It is therefore important that companies looking to improve their diversity understand what is required.

NORTHERN TRUST

IF WE DO NOT ENGAGE WITH, ENCOURAGE AND TARGET A DIVERSE POOL OF TALENT, WE ARE MISSING OUT AS AN INDUSTRY

As important as recruitment is to ensure people within your organisation are properly supported with the right training programmes; and to understand the needs for flexibility due to family or caring responsibilities, or those returning to the workplace. This helps employees feel included and encouraged to stay for the long term.

SETTING TARGETS

Awareness of the importance and benefits of diversity is improving but there is still some way to go. A diverse industry is ultimately the goal. Companies should be asking themselves how to work towards this goal, and how to assess progress along the way.

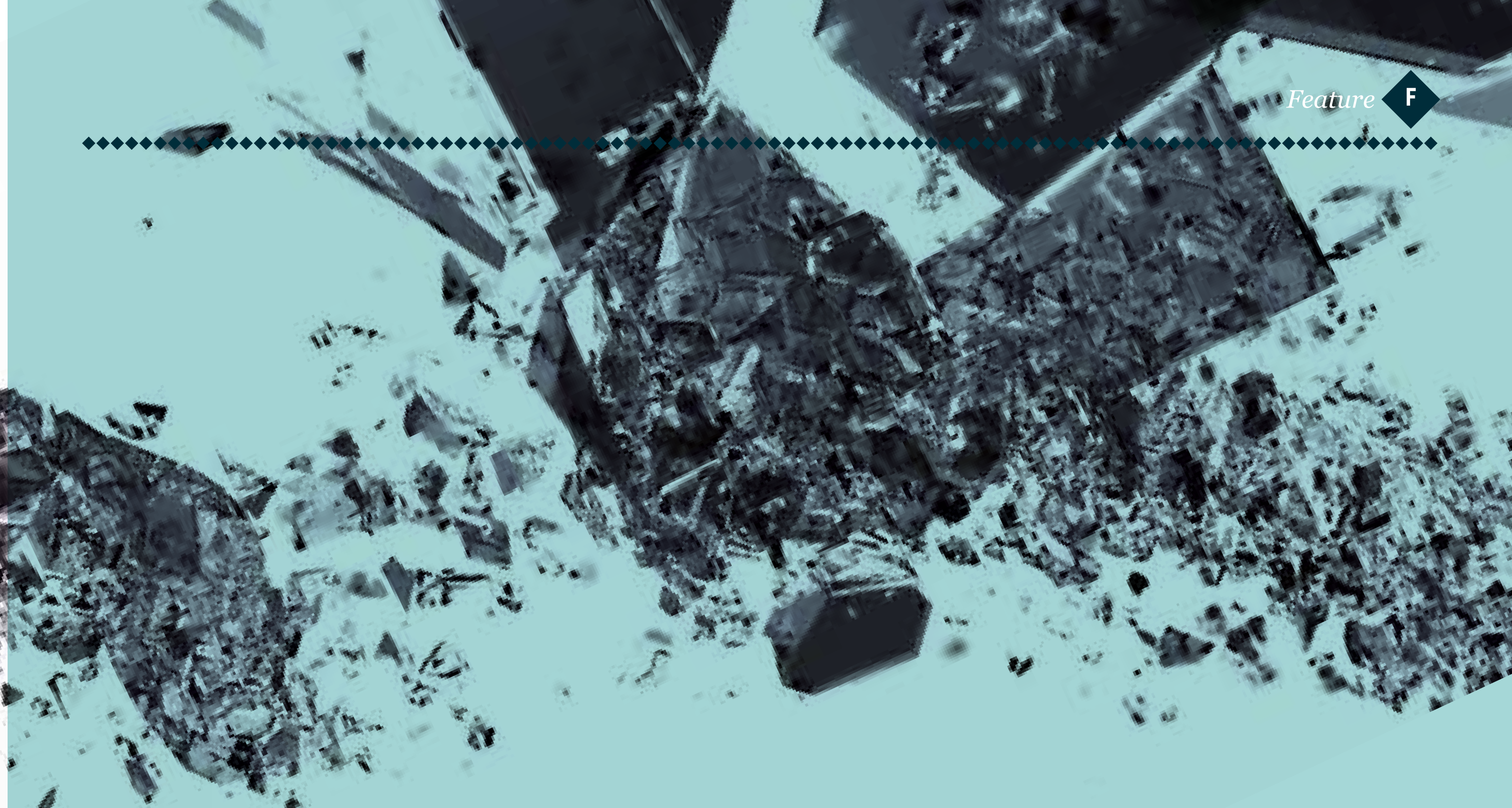
Change does not happen overnight. When planning a diversity strategy, consider specific areas for progress. For example, Northern Trust is a signatory to the Women in Finance Charter in the UK. The Charter aims to bring companies together to work to build a more balanced and fair financial services industry. Our participation underscores our commitment to diversity at all levels of our organisation. We have set our target to increase the number of women in senior management roles in the UK to 35 per cent by December 2020.

ATTRACTING TALENT

The next step is to set up the processes and infrastructure that will help the company to achieve its goals. A good first step is to establish groups within your business that will help to implement your diversity strategy and monitor progress to your targets. At Northern Trust we have a dedicated EMEA Diversity and Inclusion Council, made up of approximately 20 individuals from across the region's business lines and countries. The ultimate aim of the Council is to raise awareness, attract the best diverse talent and develop the talent we already have. As a large organisation active in countries around the world, the Council helps to tailor our diversity strategy appropriately to each region.

The awareness raised by the Council is vitally important to recruitment. Finance can be perceived as something of an exclusive profession. Half the battle is changing these perceptions in order to gain candidates from different economic, social and ethnic backgrounds who may have previously felt excluded from applying for a career in finance.

If we do not engage with, encourage and target a diverse pool of talent, we are missing out as an industry. These efforts can start early. For example, we work with schools, running workshops to show that finance is accessible, exciting and can be an ambition for everyone regardless of background. Without proactive outreach and education it is difficult to open the door to new talent.



RETAINING TALENT

A common mistake is to think that once a company's diversity figures have been improved the battle is won. Diversity is not a statistic. As important as attracting a more diverse workforce, is retaining it – so there needs to be a focus on keeping the people behind the numbers included and engaged.

If an employee does not feel comfortable, supported and able to progress at their current firm, they are unlikely to stay there to build a career. New employees can feel isolated when starting in an office of a broadly different demographic. It is therefore important to implement support networks and infrastructure that will make employees feel welcome over the long term.

WIDENING THE POOL OF EXPERIENCE, BACKGROUNDS, AGES AND GENDER BROADENS INSIGHT AND ENHANCES DECISION-MAKING

Working closely with different areas in the business we have introduced several successful initiatives targeted at different groups to attract, support and retain diverse talent. These include our flexible working and Worksmart programmes that allow any employee to work remotely if their job requirements allow. One-fifth of Northern Trust employees work flexibly, creating a more sustainable work-life balance for parents and carers.

Returning to work after becoming a new mother can be a unique challenge, coming as it does after a long period away from the office and having the needs of a new-born to balance with work responsibilities.

We therefore offer maternity coaching that supports new mothers before, during and after pregnancy to ensure women can come back to work with confidence.

We have also introduced Diverse Leaders and Inclusive Management programmes which have been developed to coach black, Asian and minority ethnic employees on leadership essentials through a four-day conference to give them the tools they need to progress right to the top. To date the programme has been a success, with over half of its participants achieving new leadership roles.

Diversity strategies should offer support to all employees and consider the unique challenges faced by different groups.

CULTURAL CHANGE

Ongoing education for employees at all levels can help create a culture of inclusion. As well as educating prospective and new employees, it is important to train staff who are well established in the company. We therefore offer training for existing Northern Trust leadership, which includes mandatory unconscious bias training for managers as well as an e-learning programme called Open Minds for all staff members.

DIVERSITY IS NOT A STATISTIC

Enacting positive culture change at Northern Trust has nurtured enthusiasm for diversity throughout the business. This has sparked employee-initiated governed diversity networks, each sponsored by a member of Northern Trust's executive management team – raising awareness of diversity issues, advocating for the respective groups and educating other employees.

NORMALISATION

Diversity is complex and requires a comprehensive strategy tailored to different countries and business areas to make it a success. At Northern Trust, our push to improve diversity is a continuous and rewarding process and one that has delivered a number of successes.

There is always more to do. We have set the foundations and continue to innovate in diversity efforts to ensure our doors are open to everyone at every level. It is our collective responsibility as an industry to ensure we are more inclusive, to improve our company cultures and ultimately improve our businesses.

NORTHERN TRUST BUSINESS RESOURCE COUNCILS

- Asian Leadership Business Resource Council
- Advancing Professionals Business Resource Council
- Black Business Resource Council
- Disability Business Resource Council
- Latin Heritage Leadership Council
- Lesbian, Gay, Bisexual, Transgender and Allies Council
- Military Appreciation and Assistance Resource Council
- Working Families Business Resource Council
- Women in Leadership Business Resource Council

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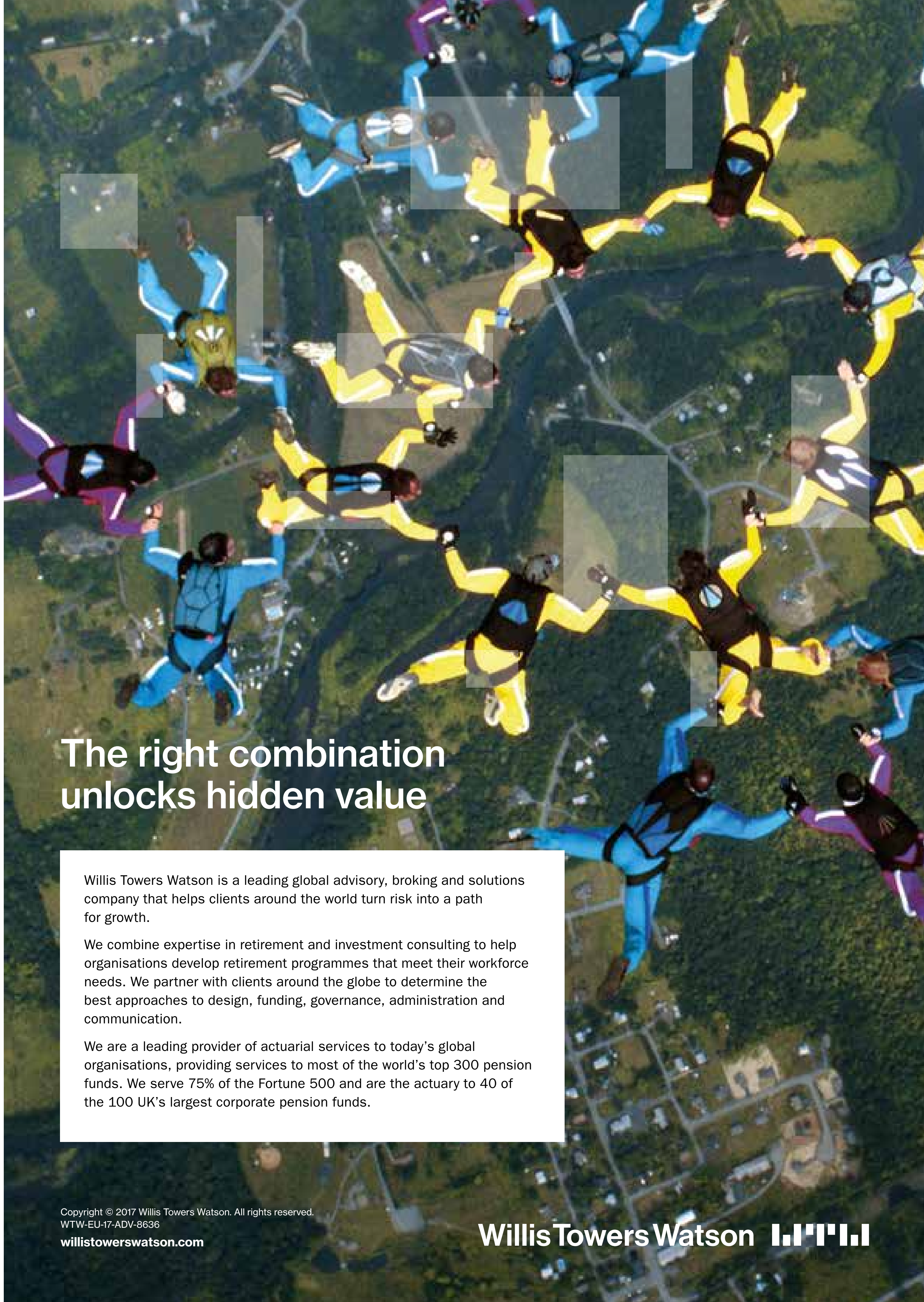

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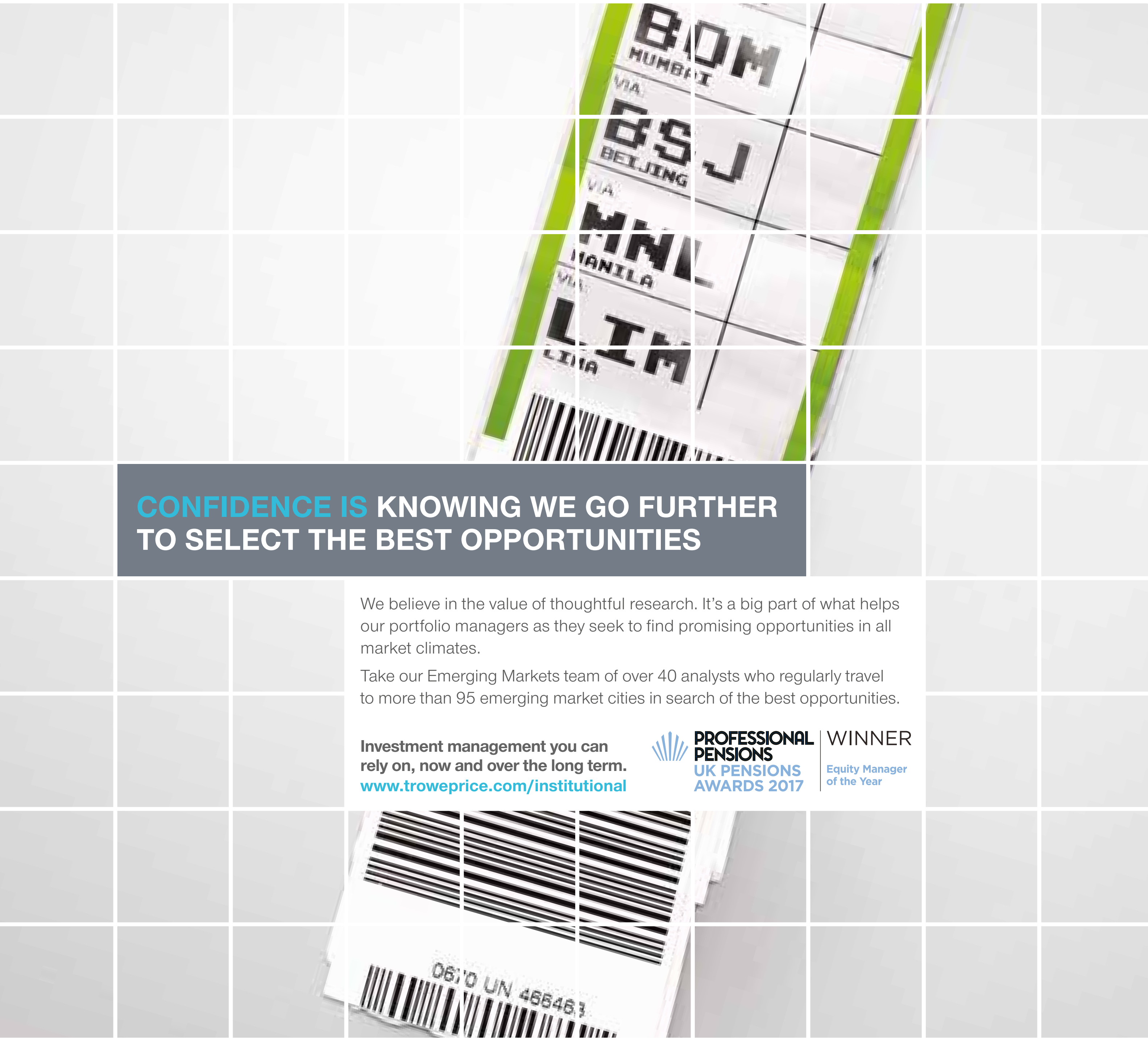

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PLSA ANNUAL CONFERENCE & EXHIBITION 2017

Kathryn Mortimer, PLSA's press officer, provides a review of the 2017 Annual Conference and Exhibition.

LAST MONTH THE BI-ANNUAL EVENT EVERYONE IN MANCHESTER WAS WAITING FOR HAPPENED, AND HUNDREDS OF PENSION PROFESSIONALS DESCENDED ON THE (SLIGHTLY GREY AND RAINY) CITY. THE MOOD INSIDE THE CONFERENCE CENTRE WAS THANKFULLY MUCH BRIGHTER!

Firstly we would like to say a big thank you to all who attended the event, and attempted to help us decode the future of our industry. And for those of you who attended hoping that Mystic Meg would make an appearance, we can only apologise.

The event started with Outgoing Chair, Lesley Williams, welcoming everyone with a smile, lots of interesting facts, and a few quips. Lesley used statistics from the ONS' *Estimates of the Very Old* to shed some light on just how much longevity has changed over the years. It's something we all know in theory, but being told that there are more than 570,000 people over the age of 90 at the moment (and that this is the fastest-growing demographic) rather puts it all in perspective.[1]

Conference attendees in the early days

It also makes clear the fact that we must accept the implications of this changing demographic, and quickly. Indeed we could all be catering for more centenarians than we could have ever imagined back in the early days of NAPF conferences, when the average life expectancy would have been around 66 to 74.[2]

YES MINISTER

One of the (many) highlights of this year's Annual Conference was not only hearing from the new Minister, but also having him stay for most of the second day. Guy Opperman, the new Parliamentary Under-Secretary of State for Pensions and Financial Inclusion, took the time to walk around the exhibition hall meeting members, and sat in a number of sessions. He reiterated many times that he views his new post as a great honour, and as a crucial role, "not just for this government, but for this country and for our children and grandchildren".

1. Estimates of the Very Old - ONS
2. How has life expectancy changed over time? - ONS

IF THIS ISSUE IS NOT DEALT WITH WE COULD HAVE A REAL PROBLEM ON OUR HANDS, WITH THE 'IRRESPONSIBLE' BUSINESS MODEL COMING OUT ON TOP

The Minister attended the conference to discuss the priorities and direction of travel for his department, and to show his intentions (in his own words) "to be a champion for pensions and savings." He is all too aware of the fact that savings, investments and pensions have been in retreat in the public's mind for far too long. And Opperman mentioned that he sees the mid-life MOT, championed by John Cridland in his report, as a "very, very promising idea" in the fight against low savings in this country.

He also stated the importance of the Single Financial Guidance Bill, currently making its way through the House of Lords (at time of writing). One of the key objectives of the Bill is to create one financial guidance body. And the Minister is clearly a big believer in consolidation; as he believes the idea of bringing money, debt and pensions guidance under one roof (so to speak) will create greater financial capability and pension awareness. As the Minister announced that the Queen will be signing the Bill in March 2018, we won't have to wait long to see what the new financial guidance body will look like.

WE ARE GRATEFUL TO EVERYONE WHO SPOKE AT THE CONFERENCE, AND EVERYONE WHO ATTENDED AND ADDED TO THE DEBATE

Automatic enrolment is accepted by most in the industry as one of the most significant changes to pensions in recent years, and the Minister is clearly inclined to agree. He spoke about the successes of automatic enrolment, but didn't attempt to sugarcoat the challenges that the industry faces over the coming years. He also mentioned the automatic enrolment review and even dropped some hints to delegates about what the report will contain. It was refreshing to hear a candid statement about the challenge of member engagement when faced with an initiative that owes at least some of its success to inertia. We were all assured that this will be tackled in the report, along with the coverage of the policy and strengthening the base around future contributions. Opperman was also keen to encourage the view that automatic enrolment has benefits for employers as well as employees. Needless to say we will all be looking out for the final report, which the Minister revealed he hopes to deliver to Parliament during the week commencing 6 December 2017.

THE BATTLE OF THE BUSINESS MODELS

The Minister was not the only guest of honour – and just a few months on from the release of his report, *Good work: the Taylor review of modern working practices*, it was great to have Matthew Taylor on the PLSA stage sharing some insights from the report.

He began by highlighting the positives; for instance we currently have the lowest unemployment for a generation, and good rates of participation. We also have great flexibility in the ways that people can work.

He suggested that while there are some downsides to this form of working, the majority of those who work in this way do so because it is beneficial to them. Taylor was keen to ensure that anything he suggested in his report wouldn't put any of these positives at risk.

However, there are (of course) problems as well. Taylor gave an overview of what he sees as the two key issues:

- The quality of work in the British economy; and
- The fact that it is generally people in the worst position who have the fewest choices.

Taylor argued that the problem is not the gig economy itself, but the competing business models. He used the Royal Mail as an example. The Royal Mail classifies its people as workers, and as such pays national insurance (NI) etc. However, it is then constantly undercut by other providers of similar services who count their people as 'self-employed' and as a result don't pay NI or other benefits.

If this problem is not dealt with we could have a real problem on our hands, with the 'irresponsible' business model coming out on top. This is not because their model is better or more innovative, he suggests, but simply because they are cheating the system.

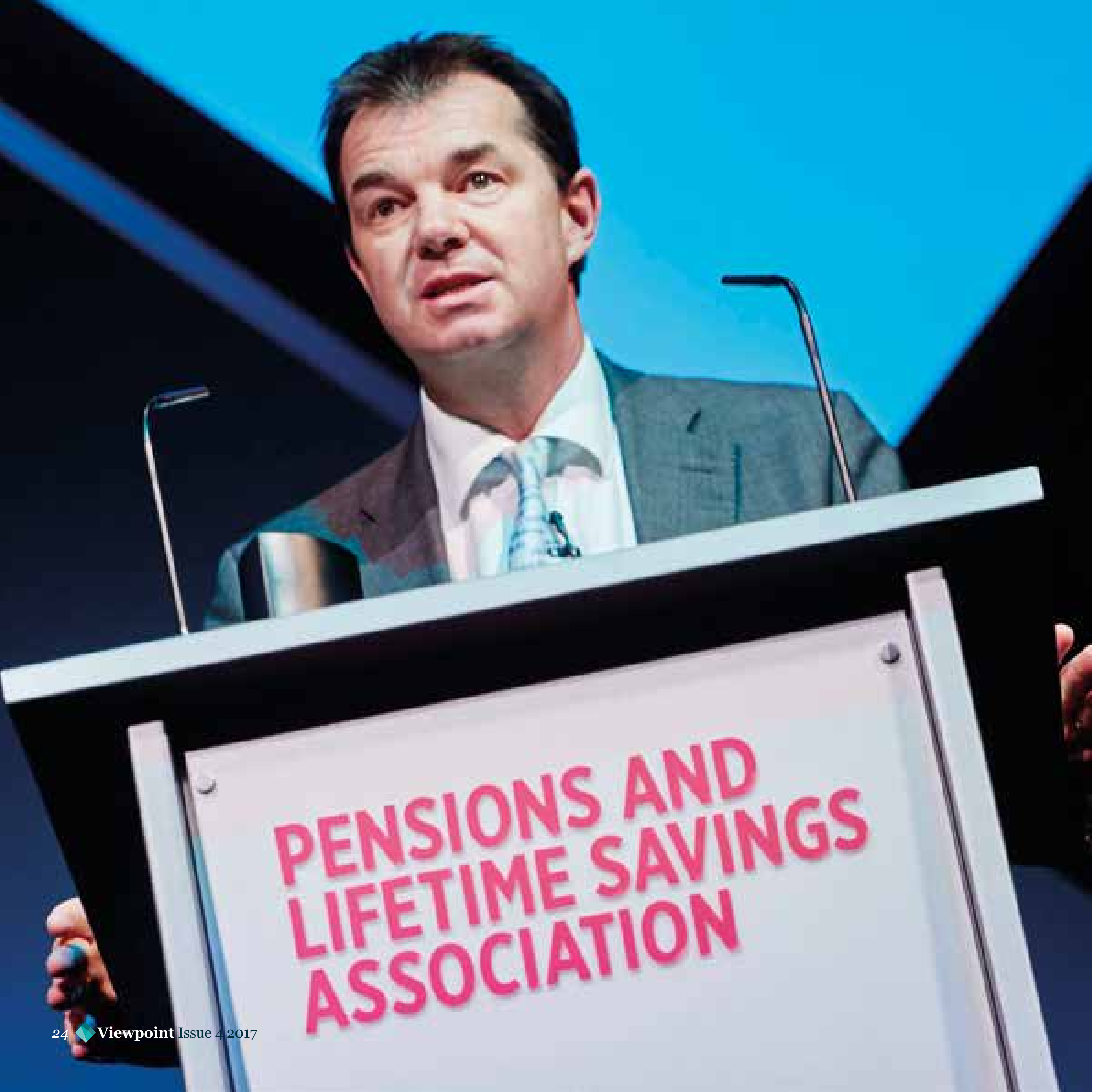
He sees getting rid of all the jargon in contracts as one of the potential solutions. It seems simple, but by doing this some of the power would be handed back to the employee, allowing them to fully comprehend their rights.

FAREWELL FOR NOW

It was a whirlwind of a conference, as it always inevitably is, and it would be impossible to fit all that we learned from our wonderful speakers into one article. But we are thankful to everyone who spoke at the conference, and everyone who attended and added to the debate in their own way as well. We're already looking forward to our next conferences, and hopefully we'll see everyone on 7 March 2018 at our Investment Conference!

THREE PRIORITIES

Guy Opperman MP outlines three areas that the government will be focusing on as the number of UK savers continues to grow.



WE NEED SCHEMES TO BE WELL GOVERNED AND EFFICIENT WITH LOW AND TRANSPARENT COSTS AND CHARGES

ON 19 OCTOBER, I WAS DELIGHTED TO SPEAK AT THE PLSA'S ANNUAL CONFERENCE IN MANCHESTER, WHERE I OUTLINED THE GOVERNMENT'S PRIORITIES AS IT WORKS TO INCREASE FINANCIAL SECURITY FOR PEOPLE IN LATER LIFE.

It was fantastic to meet with some of you and to address an audience whose input has been invaluable to building an evidence-based strategy for pension reform: a programme of work that will give people the confidence to engage with their savings. I was delighted to be able to announce that DWP would be taking forward the Pensions Dashboard – and of course will be putting the consumer at the heart of what we do.

It is clear to me that there is a new savings culture, highlighted by the success of automatic enrolment. As I said at the conference, by the end of September 2017, more than 8.7 million people had been automatically enrolled into a workplace pension. This is an amazing achievement. As the DWP moves forward with the Pensions Dashboard, we will work tirelessly to support these millions of new savers.

However, success will not be achieved solely by increasing public awareness and engagement with savings. We need schemes to be well governed and efficient with low and transparent costs and charges.

To elaborate on my speech, here are three areas in which we are working hard to give people confidence in their savings.

1. COSTS AND CHARGES

We have announced plans that will ensure that savers have sight of the costs and charges involved when they pay into a DC scheme. For too long pension scheme members haven't been able to compare the value they get with others, which in many cases are bound into secrecy by their investment managers.

The Financial Conduct Authority has now published its final rules for cost and charge disclosure by investment managers to trustees. We're bringing forward regulations to require charges and transaction costs in DC schemes (and DC sections of hybrid schemes) to be published and to be given to members.

We're mindful of trustee burdens when we require them to publish information. For this reason, we propose that trustees include links to the published information in their annual benefit statements, to be accessed online.

2. BULK TRANSFERS

Effective governance is crucial to giving customers a good deal and, with the growth in the numbers of DC occupational pension schemes in the market, the current legislation covering bulk transfers is no longer fit for purpose. Industry has told us that current conditions are a barrier to smaller schemes consolidating, limiting the growth of scale, and potentially impacting members.

We recognise that many single employer schemes now wish to exit the market and transfer their members to more modern products, such as Master Trusts. Following a Call for Evidence at the end of 2016, the DWP has drawn up proposals for DC schemes without guarantees which look to strip away unnecessary requirements around actuarial certificates and scheme relationships.

Subject to the outcome of the consultation exercise, from April 2018 we hope to bring in simplifications to the conditions schemes must satisfy in order to bulk transfer. To ensure that no one loses out through simplification, we are committed to retaining member protections. Moreover, the proposals will contain additional checks and we will maintain charge cap protection.

3. DEFINED BENEFIT

We are also committed to protecting members in DB pension schemes and ensuring the DB sector is working as efficiently and effectively as possible. That is why we published a Green Paper earlier in the year. The issues discussed were highly complex and any potential future changes need to be considered carefully against the need to ensure appropriate protection for members, the impact on business, and the needs of the wider economy.

We plan to outline our proposals in a White Paper this winter.

Through these reforms, we are working to improve the lives of both today's and tomorrow's older people. We have initiated some big changes in recent years, and it is the responsibility of all of us – government, regulators, and the pensions industry – to make sure we build on these.

I am grateful for your input so far and excited by the prospect of further collaboration as we work to build a future of financial accessibility, efficiency and stability.

Guy Opperman MP
is Parliamentary Under Secretary of State for Pensions and Financial Inclusion

EMPLOYEES: RISK, OR HIDDEN RESOURCE?

Luke Hildyard introduces our new research on FTSE-100 corporate reporting of workforce-related issues.

THE PLSA, TOGETHER WITH LANCASTER UNIVERSITY MANAGEMENT SCHOOL, HAS LAUNCHED A MAJOR NEW REPORT – *HIDDEN TALENT: WHAT DO COMPANIES' ANNUAL REPORTS TELL US ABOUT THEIR WORKERS?* THE REPORT LOOKS AT THE FTSE-100'S CORPORATE REPORTING PRACTICES FOCUSING ON EMPLOYMENT MODELS AND WORKING PRACTICES, HIGHLIGHTING THE SUBSTANTIAL VARIATIONS IN THE QUALITY AND CLARITY OF REPORTING.

The vast majority of schemes (90%) agree that composition, stability, skills and engagement levels of the workforce are important to a company's long-term performance. Therefore, as long-term investors with £1.9 trillion of assets under management, UK pension schemes – which represent 57% of all institutional investors in the UK – are acutely interested in how companies they invest in perform against these criteria.

Despite this fact, the research concluded that companies vary widely in their willingness to disclose information about their workforces – often only going as far as legally required to. Some of our key findings are summarised below.

GENERAL REPORTING

- Nearly all companies talk about the importance of their workforce, but only 43% of companies report how employees add value to company strategy. In contrast, 91% discuss the workforce in relation to risk management.
- Just under half (49%) provided forward-looking commentary on their workforce such as commitments to enhanced engagement or training, while 51% focus solely on past performance.
- While annual reports often serve as an opportunity for a company to highlight its achievements, almost two-thirds (61%) report on workforce issues in a balanced, self-critical fashion that is not systematically focused on the positive.

WORKFORCE COMPOSITION, PAY AND STABILITY.

- With the 'gig' economy in the headlines and an increasing reliance on temporary or self-employed workers it is surprising that just 4% of companies provide a breakdown of workforce by full-time and part-time workers. In addition, only 7% provide data or policies on their use of agency workers.
- Only 18% of companies provide any figures on staff turnover – a clear indication of a company's stability – and just 3% provide figures disaggregated by group.
- Only 7% provide the pay ratio between the CEO and the average worker – a statistic that the government recently announced it plans to make a legal requirement.
- Most companies provide information on gender diversity: at board level (100%), management level (99%) and for their overall workforce (99%). However, only 15% provide details of the ethnic diversity of their workforce.

SKILLS AND CAPABILITIES

- Just 21% of companies provide concrete data in relation to investment in training and development of their workforce or the number of workers trained.
- Less than one in ten (9%) share details of internal hire rates – the number of jobs that are filled by internal candidates.

EMPLOYEE ENGAGEMENT

- Only 34% of companies provide a meaningful narrative discussion on the ways in which they foster and measure employee engagement in their annual report. In addition, only 65% provide figures on sickness absence rates.
- Nearly two-thirds (64%) disclose mechanisms for dialogue between the workforce and senior management, but only 9% reference trade union coverage.

Download your copy from our website: **https://goo.gl/W3FfMc**

COMPANIES VARY WIDELY IN THEIR WILLINGNESS TO DISCLOSE INFORMATION ABOUT THEIR WORKFORCES

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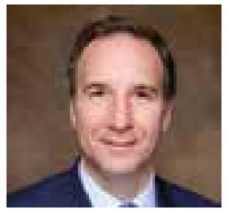
EVALUATING ESG FACTORS IN EMERGING MARKETS



Gonzalo Pángaro
Portfolio Manager

Emerging Markets Equities Strategy

At T. Rowe Price, we strive to help our clients reach their long-term financial goals through a thoughtful, disciplined approach to managing investments. Consistent with that mission is to understand the long-term sustainability of a company's business model and the factors that could cause it to change. Our investment process considers tangible investment factors such as financial information and valuations in tandem with oftentimes intangible investment issues such as environmental, social and corporate governance (ESG) factors.

Our team of 273 equity and fixed income research analysts worldwide[1] are able to work closely with our in-house sustainability and governance specialists to determine which ESG factors will be most material to the underlying fundamentals of a particular investment. The purpose is not to eliminate such risks from portfolios, however, but to be disciplined about considering a wide range of issues in order to make more fully informed investment decisions.

Ideally, we invest in companies with good fundamentals that exhibit strong ESG practices run by management teams that think about the sustainability of their business. Getting to know management before and during investment - through regular face-to-face meetings, on-site visits, and conference calls - is, therefore, critical to our process. We discuss with management their ESG policies and approaches, and assess how they are performing and how they manage any potential issues. We want to avoid surprises and look for ESG risks that the market is not expecting and that pose a fundamental risk to the company's prospects.

ESG CONSIDERATIONS FOR EMERGING MARKETS

In the emerging world, corporate transparency tends to be more limited and lower regulatory standards can lead to higher environmental and social risks. Consideration of ESG factors is therefore an important part of our bottom-up research process that can help to highlight both potential risks and opportunities.

Improving ESG Governance

It is not unusual for an emerging market company to score below their developed market peers in ESG vendor ratings due to a lack of ESG-related disclosure. Our focus on materiality to the underlying investment case and interaction with management helps our analysts understand whether a company is managing environmental or social risks that could be meaningful to their future performance. Overall, we are seeing an improving trend of ESG disclosure in emerging markets, something that we actively encourage.

Understanding complex governance structures

Another common ESG issue in emerging markets is the presence of complex governance structures. Controlling shareholder risk can be a key concern, whether it is a state-owned enterprise in China or a promotor-controlled company in India, and hence knowing the history and track record of these key stakeholders becomes crucial when thinking about whether to invest.

ESG inflection points

As ESG vendor research ratings are often backwards looking, "ESG turnarounds" can be difficult to capture without fundamental research and interactions with management. Our investment process helps us capitalise on companies at an ESG inflection point. For instance, when a new management team is put in place or a regulatory change addresses a particular environmental or social pressure on an industry. We find that even companies with a history of relatively serious ESG problems can emerge as viable investments if management can effectively rectify underlying issues.

ESG FACTORS CAN OFFER PERFORMANCE BENEFITS

Evidence shows that companies with good ESG practices perform better than those that do not, with fewer 'blow-ups' and hence less volatility.

If we look at the MSCI Emerging Markets ESG Leaders Index, which is a capitalisation-weighted index that provides exposure to companies with high ESG performance relative to their sector peers, it has consistently outperformed the MSCI Emerging Markets index since its inception. Using this as a data point, it tends to confirm that the positive effects can stretch beyond just developed markets and adds to the growing evidence that suggests that ESG factors, when integrated into disciplined investment analysis and decision making, can offer investors potential long-term performance advantages.

1 As at 30 September 2017

For more information on our global equity, fixed income and solutions capabilities, please visit our website:

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Close Brothers

THE CHALLENGE OF A LIFETIME

In the lifetime savings challenge we need to make sure every penny counts, says **Jeanette Makings,** Head of Financial Education, Close Brothers.

WHEN CONSIDERING THE LIFETIME SAVINGS CHALLENGE, THE POPULAR FOCUS IS ON RETIREMENT AND THE FACT THAT EMPLOYEES AREN'T SAVING ENOUGH. IN RECENT YEARS THIS HAS BEEN FURTHER EXACERBATED BY THE INCREASED FLOW OF PENSION SAVERS VIA AUTO-ENROLMENT, WITH THE WORRY THAT MANY WILL GET STUCK AT ENTRY-LEVEL MINIMUM SAVINGS. BY CONTRAST, FOR THOSE EMPLOYEES WHO ARE SAVING, WHO IS MAKING SURE THAT THEIR SAVINGS ARE IN THE BEST PLACE AND THAT EVERY PENNY COUNTS?

Lifetime saving has never just been about retirement; it's in fact about the ability to balance competing savings priorities – such as buying a house or preparing for a new baby – alongside setting up a provision for the future. With the advent of pension freedoms, the increased prevalence of DC pensions and the introduction of savings products like the lifetime ISA, lifetime savings choices are now broader and more complex than ever. This has made the lifetime savings challenge not just about the amount to be saved, but also where that money should be saved and how to review and manage changing priorities over time.

DECISIONS, QUALITATIVE DECISIONS...

While the industry is geared up to promoting and communicating savings products, it is not good at helping people to make qualitative decisions between different types of product. Outside of financial advice, there are only a few financial educators who look across the whole financial planning, budgeting, debt and savings landscape and help people to assess where to put that extra £50 per month – because that is the challenge that individuals now face.

Launched in October, our lifetime savings research[1] shows that people are saving – only 8% of employees are not saving into a pension and 20% are not saving outside of their pension. Although 31% didn't know the value of their pension savings, those that did confirmed they have on average between £36,000 (18-34 year olds) and £216,000 (those nearing retirement) saved in their pensions. On top of their pension savings, 80% of employees save another £255 to £286 per month into other savings, with only 20% not saving anything. And to challenge popular beliefs, those saving the most each month are the 18-34 year olds, which is encouraging and is definitely something to work with.

But those saving outside of their pension are confused, and feel a lack of confidence in ensuring their savings are held in the best place. Only 17% feel confident in their savings choices, and 42% find the savings landscape confusing.

We need to provide help and guidance to those who are not able to save, but if we don't reduce the confusion and help those who are saving to make the absolute most of every penny saved, then they too are unlikely to achieve their savings goals – and so the financial wellbeing problem will spiral.

WHO IS AT HAND TO HELP?

The research highlights that there is little guidance available to help employees understand the best place to save or how to review this as their savings priorities change over time. The top four places where employees go to for information on savings are their bank, the media, comparison websites or family and friends. The latter – while one of the most trusted sources – are not qualified to help. Banks/providers may be experts on their own products, but they are unlikely to be able to look outside and compare all products across the savings landscape. The media or comparison websites may be useful to compare different providers for the same type of savings product, but they won't be able to help an employee decide whether that extra £50 per month should be saved into a LISA, a workplace pension, a workplace share plan or to overpay on the mortgage. And therein lies the problem.

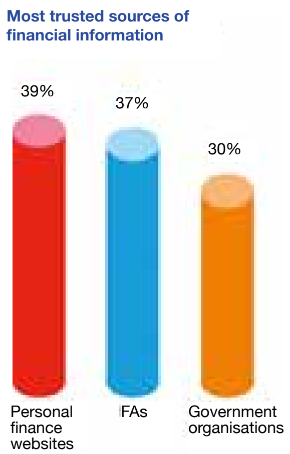
1.Close Brothers Lifetime Savings Challenge research October 2017

THERE IS LITTLE GUIDANCE AVAILABLE TO HELP EMPLOYEES UNDERSTAND THE BEST PLACE TO SAVE OR HOW TO REVIEW THIS AS THEIR SAVINGS PRIORITIES CHANGE OVER TIME

LIFETIME SAVING HAS NEVER JUST BEEN ABOUT RETIREMENT; IT'S IN FACT ABOUT THE ABILITY TO BALANCE COMPETING SAVINGS PRIORITIES

Explaining how to budget, how to adjust this with lifestyle changes, the different types of savings products and how to assess their suitability for different savings goals doesn't need to be complicated. These messages can easily be delivered en masse via a financial education programme, and can be supported by access to advice and investment solutions to make it easy for employees to take that education and implement it into their own plans.

Employers are perfectly placed to help employees face and master the savings challenge. Financial education that can look across all savings choices works, with 87% of employees that have used it saying it has helped them. But too few of the financial education programmes currently on offer in the workplace are effective. Although 48% of employers provide workplace financial education, 75% of employees say they have not received any. This may mean that financial education is not available to everyone, that what's provided is not helpful or that it does not span across all lifetime savings; but whatever the reason, there's a big disconnect and it's a cause for concern.



LONG-TERM OUTCOMES

If savers don't reach their savings goals the impact is huge for them, for society and for their employer. The top three outcomes employees feared would result from poor lifetime savings were a lower quality of life, inadequate income in retirement and needing to work longer. Employers identified the risk of people retiring later but also a negative impact on financial wellbeing, higher stress levels and an increase in health issues due to money worries and the consequent effect on employee effectiveness and productivity.

Employees are saving but are not confident they are saving in the right place. The evidence suggests that they are not saving in the best place to help them achieve their savings goals, and that they are unlikely to be seeking information and guidance from sources best placed to help them. These issues can be easily addressed by the right type of workplace financial education that focusses on more than just pensions.

The prize for cracking the lifetime savings challenge is huge:

Happier, more effective employees who make their savings count, achieve their future goals and so contribute more to their workplace and society.

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HITTING THE TARGET

George Currie, Senior Policy Adviser at the PLSA, explains why we're promoting a flagship proposal on Retirement Income Targets.

THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION (PLSA) HAS LAUNCHED A NEW CONSULTATION – *HITTING THE TARGET* – TO EXPLORE HOW CHANGES IN POLICY, REGULATION AND INDUSTRY PRACTICES COULD IMPROVE RETIREMENT OUTCOMES FOR FUTURE GENERATIONS. DESPITE RECENT POLICY SUCCESSES, WHICH HAVE LED TO MORE PEOPLE THAN EVER SAVING FOR LATER LIFE, FUTURE PENSIONERS FACE A NUMBER OF PRESSURES ON THEIR RETIREMENT INCOME.

Younger savers are not accumulating pension and property assets at the same rate as previous generations, which is likely to affect the amount of income they will have at their disposal in retirement. Current trends also suggest that younger people are likely to face higher costs in retirement than today's retirees. Longer life expectancies and the associated care needs, as well as a higher likelihood of paying housing costs (rent or mortgage debt), could add substantially to younger savers' expenditure when they retire.

Historically low savings rates combined with falling property ownership and higher living costs in later life mean that there is a real risk that millions of people could be disappointed with their quality of life in retirement. Indeed, in 2016, the PLSA found

that 13.6 million workers are at high risk of failing to achieve an adequate income in later life.[1] In order to help more people achieve the income they want in retirement, the PLSA believes that reform is required right across the pensions and lifetime savings universe.

Our consultation makes proposals in the areas of automatic enrolment, pension tax relief, equity release, pension fund property investment, longer working lives, pension scheme governance, value for money, the decumulation process, and engagement. However, our flagship proposal recommends the creation of a new set of Retirement Income Targets (RITs), which savers in the UK could use to assess how far they are on their journey to the retirement that they desire.

LESSONS FROM AUSTRALIA

The idea of RITs is not entirely new. In 2004, the Association of Superannuation Funds of Australia (ASFA) introduced the

> **THERE IS A REAL RISK THAT MILLIONS OF PEOPLE COULD BE DISAPPOINTED WITH THEIR QUALITY OF LIFE IN RETIREMENT**

'Retirement Standard'. It was developed in order to help people plan for retirement, given that research suggested that many people struggle when it comes to developing a budget for their future needs – especially when their retirement is many years away.

The ASFA Standard does this by outlining three distinct income levels, as well as the sorts of goods that can be purchased with each: the first is tied to the Australian

State Pension; the second and third identify the sort of goods and services that can be purchased with a 'modest' and 'comfortable' retirement income. For the 'modest' and 'comfortable' levels, ASFA has constructed estimates of the annual budgets required by individuals to fund the chosen standard of living in later life.

The ASFA benchmarks estimate the budgets required by both singles and couples in order to enjoy a 'comfortable' and 'modest' standard of living in retirement. They are updated quarterly to reflect changes to the Consumer Price Index (CPI) and comprehensively reassessed on a periodic basis to ensure that the right goods and services are included. The ASFA targets also

1. PLSA, Retirement Income Adequacy: Generation By Generation (2016)

differentiate between older and younger retirees, who often have different needs that requireappropriate funding. For each retirement standard, a basket of goods is constructed based on expert opinion, national surveys of expenditure and focus groups.

The ASFA approach has been hailed as "ground breaking", on the basis that it gives Australians "a tangible savings target with a clear idea of what type of lifestyle that amount of money can give them in retirement."[2] The targets that have been developed by ASFA play an important role in helping Australian savers to plan effectively for the lifestyle that they would like to enjoy in retirement.

UK TARGETS: UNDERSTANDING SAVERS' NEEDS

Low retirement savings levels in the UK are the result of a variety of factors that have combined to restrict the amount that people set aside each month. Economic pressures are clearly significant, with many savers finding it difficult to balance short- and long-term needs. Perhaps as important is the automatic enrolment minimum, which savers all too often take as shorthand for 'enough'.

However, a big part of the savings problem is that savers are not clear about the level of income that they will need in retirement; indeed recent research shows that 77% of people have no idea how much they will need. Of the 23% who claim to know how much they will need in later life, only 16% are able to provide an exact value.

By offering savers clarity about the costs they will need to meet in later life, the RITs that the PLSA is proposing could play a crucial role in encouraging people to save accordingly. Giving savers a clear idea of the amount of money that they will need in order to enjoy their desired lifestyle will also help them to plan how they intend to achieve that income – be it via pension savings, property assets, working longer or a combination of all of these.

Polling commissioned by the PLSA demonstrates that this is a popular idea! According to our research, 80% of people believe that having a series of defined targets would be a helpful aid to retirement planning; and, moreover, 80% believe that a set of RITs for the UK should be developed. Savers really do want to have a clear sense of the amount of retirement income they should be targeting.

HOW MUCH IS ENOUGH?

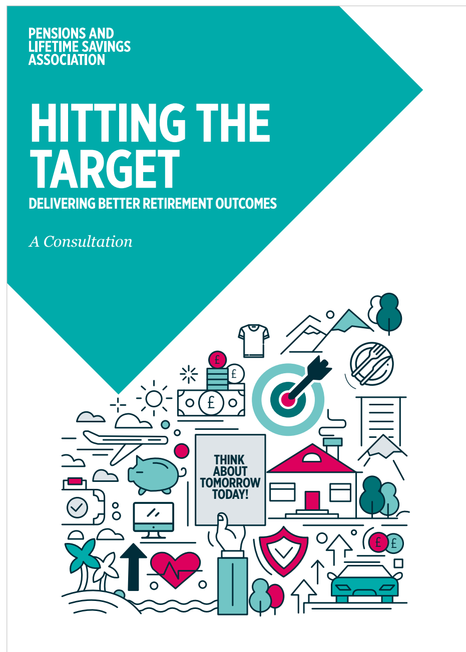
As part of our research for the *Hitting the Target* consultation, we identified three potential income levels – 'minimum', 'modest' and 'comfortable' – and asked savers how much they believed they would need to meet each of these targets.

As expected, many stated that they were unable to identify an appropriate amount for any of these levels. However, for those savers approaching retirement and, as a result, strongly considering how much they will need in retirement, £10,000 was most commonly cited as the level of income required for an individual to achieve a 'minimum' standard of living. Moreover, for the 'modest' and 'comfortable' standards, these savers cited £10,000-£15,000 and £15,000-£20,000 most commonly as appropriate individual income levels.

The consumer group Which? has carried out similar research. It surveyed its retired members in an effort to ascertain how much money they believe is required to enjoy retirement. The survey identified two lifestyle types: 'comfortable' and 'luxury'. Which? found that for a couple to have a 'comfortable' lifestyle they would require an annual income of £26,000, and for a luxury lifestyle £39,000. The key drivers behind a luxury lifestyle were extended holidays, leisure club membership and driving a fairly new car.

It is clear that more work is required to identify a series of widely accepted income levels that savers feel are at once achievable and reflect their expectations of life in retirement. The PLSA will be carrying out further research in this area in 2018. By helping savers to think about their later life income needs earlier in life, we believe that RITs can play a crucial role in enabling people to make the most of their retirement. At the PLSA's Annual Conference 2017, Martin Fahy, Chief Executive of ASFA, encouraged the UK to adopt the target approach, telling delegates that "The presence of a target means that we can have a national conversation about what retirement will feel like for people."

With the launch of our *Hitting the Target* consultation, we hope that we have fired the starting gun on this conversation in the UK.



Download your copy from our website: **goo.gl/iQXbSL**

80% OF PEOPLE BELIEVE THAT HAVING A SERIES OF DEFINED TARGETS WOULD BE A HELPFUL AID TO RETIREMENT PLANNING

2.T. Power, DIY Super For Dummies (2011)

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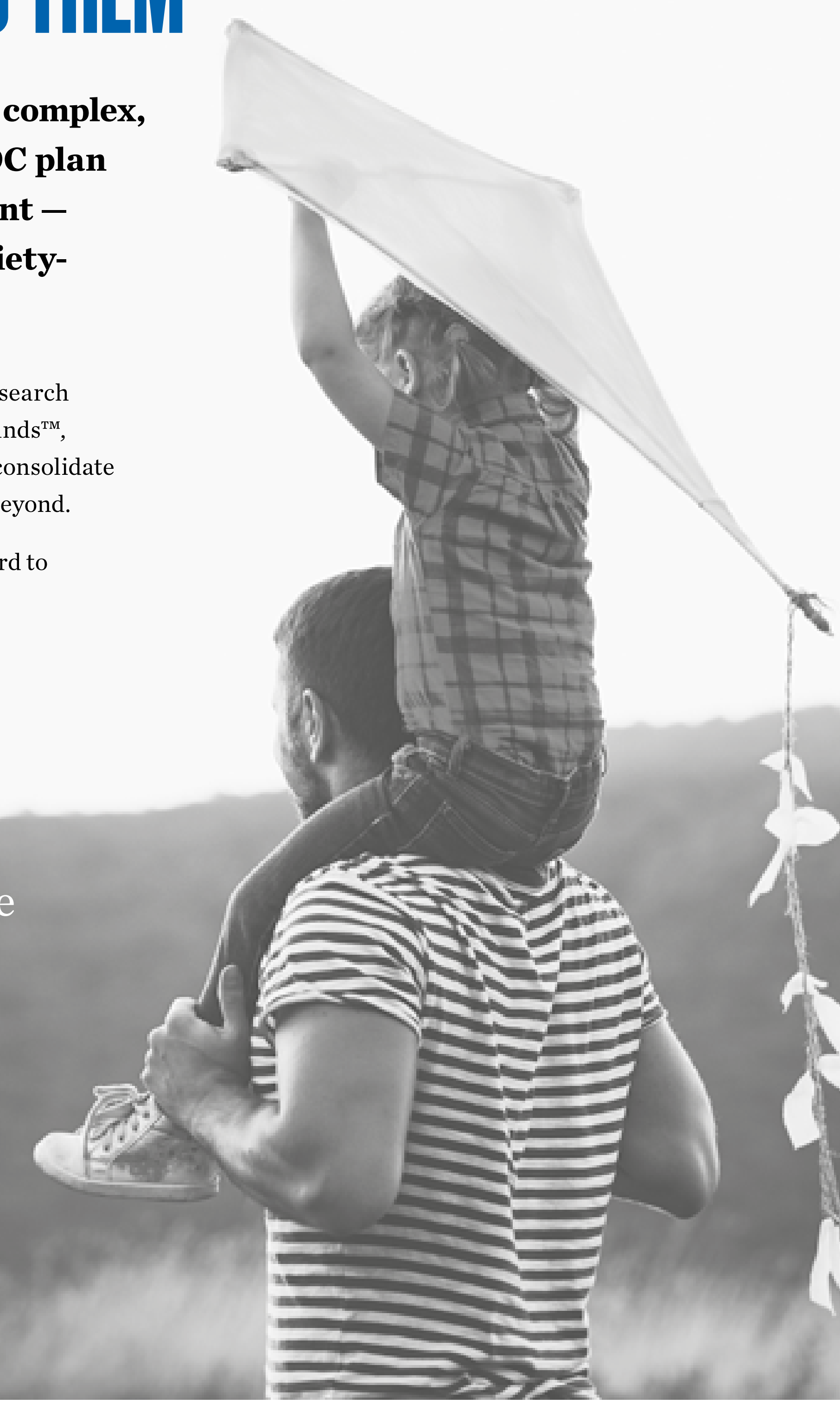

Learn more about Timewise Target Retirement Funds™ at **ssga.com/ukdc**

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EXCLUSIVE PREVIEW: 2017 ANNUAL SURVEY

PLSA researcher **Kate Boulden** provides a sneak preview of our Annual Survey results ahead of their official launch in December.

THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION ANNUAL SURVEY IS CONDUCTED EACH YEAR AMONG THE ASSOCIATION'S FUND MEMBERSHIP. THE SURVEY COVERS A RANGE OF TOPICS INCLUDING DB AND DC SCHEMES, MASTER TRUSTS, HYBRID SCHEMES AND THE LOCAL GOVERNMENT PENSION SCHEME (LGPS). IT PROVIDES A WEALTH OF STATISTICS AND INFORMATION ON WORKPLACE PENSIONS, AND IS THE LARGEST, MOST REPRESENTATIVE AND IN-DEPTH STUDY OF ITS KIND.

The 2017 Annual Survey report is being launched on 6 December at our Trustee Conference – but we're providing PLSA members with an exclusive preview of the emerging findings:

- The majority of respondents (91%) reported that their organisation operates a DB scheme and 78% reported operating at least one DC scheme (trust (46%) or contract (43%) based). The majority offered more than one type of pension scheme, with two-thirds (66%) offering a combination of DB and DC schemes.

THE LARGEST, MOST REPRESENTATIVE AND IN-DEPTH STUDY OF ITS KIND

- DB schemes are continuing to mature, with 43% of scheme members in this year's survey being pensioner members. They're also continuing to close to new members, with only 11% of respondents stating that their main DB scheme was accepting new members.
- Greater pension flexibilities were introduced in the Pension Schemes Act in 2015. Our survey has looked to quantify the number of members who have transferred out of DB schemes to take advantage of the freedoms. Over a third (36%) of respondents with a DB scheme reported that at least one of their members transferred out of the scheme; this equates to 1% of all of their members.
- DC schemes were also asked about the decumulation products and services they were offering to members aged 55 as a result of Pension Freedoms. The most commonly offered product by trust-based schemes was a full encashment (75%), followed by an annuity brokering service (52%). Similarly, contract-based schemes were also most likely to offer a full encashment (70%) to their members. Contract-based schemes were more likely to offer more than one decumulation product (70%), compared to trust-based schemes (57%).
- For DC schemes, survey respondents predominately reported operating on a match contribution basis (64%). Average contribution rates for DC schemes have remained stable since the 2016 Annual Survey with a 4.6% employee contribution rate and 8.2% employer contribution rate. This means that on average respondents to the survey continue to have higher total contribution rates than those due to be introduced via automatic enrolment.
- The 'Breaking the Mirror Image' campaign was launched to support, lead and encourage more diversity in the pensions sector. The Annual Survey examines the gender balance between trustees: an average of 79% of trustees are male. Management/governance committees of contract-based schemes are slightly more diverse than their trust counterparts, with an average split of 60% men and 40% women.

To get the complete picture on the pensions industry for 2017, you can order your full report and benchmarking tool in advance of the launch of the survey at our Trustee Conference by contacting **ben.harwood@plsa.co.uk**.

ANNUAL SURVEY AND BENCHMARKING TOOL 2017

How does your scheme measure up against other pension funds?

This unique tool allows users to examine the 2014, 2015, 2016 and 2017 fund member scheme data by theme and survey question. In addition it provides a facility to **create bespoke reports**.

The tool allows you to:

- View four thematic reports **(DB, DC, Local Government pensions and Governance)** on key scheme metrics;
- Customise and save personalised dashboards;
- Download aggregated data and charts in PowerPoint and Excel format; and
- Download the full survey, questionnaire and guidance notes.

For more information on the tool please visit **www.plsa.co.uk**

To request a demo version of the tool and for pricing information please contact Ben Harwood at **ben.harwood@plsa.co.uk**

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MEMBER NEWS

WELCOME TO NEW MEMBERS

JERSEY FINANCE

Jersey Finance is run as a non-profit-making organisation formed in 2001 to represent, promote and develop Jersey as an international financial centre (IFC) of excellence. We have offices in Jersey, Dubai, Hong Kong, representation in London, a CBBC Launchpad in Shanghai and a virtual office in Mumbai.

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www.jerseyfinance.je

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Hargreaves Lansdown is a leading annuities broker and income drawdown provider. We help people be smarter and more confident with their money by giving exceptional customer service. Our platform lets members manage retirement and workplace savings through one account. Our digital and face-to-face communications are in plain English and help people make their own decisions. Where it's needed, we offer advice.

Contact: Pete Holman
E: pete.holman@hl.co.uk
T: +44 (0)117 314 1783
www.hl.co.uk

UNIVERSAL PENSIONS MANAGEMENT

Universal Pensions Management (UPM) is an integrated solution combining pension administration, document management and payroll. It facilitates the management of defined benefit, defined contribution, career average revalued earnings (CARE) and hybrid pension schemes. With an increasing focus on governance, risk management and efficiency, the demands placed on pension schemes continue to grow. Reduce human error through automation while maximising your control of risk.

Contact: Helen Sparke
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T: +44 (0)113 244 1404
www.civica.com

CLEAR PATH ANALYSIS

Clear Path Analysis provides market intelligence for institutional finance. Through buyer-led content, we clarify the impact of market developments through sector specific reports, surveys and events. We've created a niche in free peer-to-peer written reports, independent surveys and bespoke events for institutional finance professionals.

Contact: Noel Hillmann
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www.clearpathanalysis.com

LGT CAPITAL PARTNERS

LGT Capital Partners is an alternative investment specialist with USD 55 billion in AUM and 450 institutional clients. A team of 400 professionals manage a range of alternative investments including private equity, private debt, insurance-linked securities, hedge funds, and multi-alternative solutions. The firm has offices around the world including London.

Contact: Caroline Bradshaw
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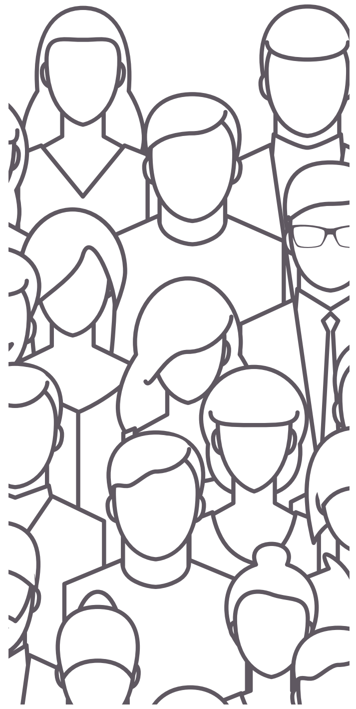

DCIF

DCIF believes that a strong focus on investment is vital to helping DC pension scheme members achieve their retirement goals. We believe that insight into investment developments should be available to everyone. Through research papers and CPD accredited events, DCIF shares its insights into the latest DC investment thinking.

Contact: Liz Scriven
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www.dcif.co.uk

LEGAL & GENERAL

Established in 1836, Legal & General is one of the world's largest asset managers and 2017 marks our 30th year in the bulk annuity market. We work with pension schemes at all stages of their journey from investment strategies to insurance solutions such as buy-ins and buyouts. We provide income and security in retirement to over 1 million people.

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www.legalandgeneral.com/prt

Time to shine a light on DB transfers

Together we can make a difference

Our White Paper, The Troubles with DB Transfers, was developed with 16 TPAs and EBCs from across the industry. It's a call for industry collaboration and it explores:

- Issues facing administrators and members.
- The member experience.
- Transfer trends as seen by top administrators.
- Potential industry-wide solutions.

About Origo

We are the industry's only not-for-profit fintech company. We work with the industry to build solid, dependable foundations which support industry-wide networks and span markets. Relied upon by thousands of customers and hundreds of organisations, we work with you to explore, create and develop new ideas. With you, we build bridges. Bridges that can take us places…

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ORIGO

THOMSON REUTERS

PRACTICAL LAW™ LEGAL UPDATE

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

THE ECJ'S ROLE, PPF COMPENSATION AND NEW LEGISLATION IN PIPELINE

The pensions-related references to the ECJ are stacking up. The Court of Appeal has ordered a reference in proceedings brought by Safeway regarding the equalisation of normal pension age (NPA) in its DB pension scheme.[1] The Court of Appeal rejected Safeway's argument that a 1991 announcement to members had been effective to equalise NPAs. However, the issue of whether the power to retrospectively amend the scheme to equalise NPAs was prohibited by the EU equal treatment principle should be referred to the ECJ. Pensions practitioners will await the ECJ decision in this case with interest, and there are outstanding references in two other pensions cases, regarding part-time workers *(O'Brien)* and the PPF *(Hampshire)*.[2]

Another noteworthy recent case is the High Court's decision upholding a member's appeal against a PPF Ombudsman decision, in which the member had challenged the PPF's position that transferred-in benefits should be aggregated for the purposes of the PPF compensation cap with benefits accrued in his new employer's scheme (which later entered the PPF). The court found that the transferred-in benefits were not attributable to pensionable service with the new employer and so should not be aggregated with his other benefits.[3]

The legislative front is also busy, including:

- **Disclosing DC costs and charges.** Following the introduction of charge cap controls, the DWP is consulting on proposed changes to the way in which costs and charges information is made available to DC scheme members. New regulations and statutory guidance are intended to come into force on 6 April 2018.
- **DC-to-DC bulk transfers.** New regulations under consultation, intended to come into effect in April 2018, will change the conditions for a bulk transfer between occupational DC schemes without member consent. Such transfer will be permitted if the receiving scheme is an authorised master trust or if the trustees have consulted with an investment professional verified to be independent. The requirement for actuarial certification will no longer apply.
- **Finance (No. 2) Bill 2017.** The Finance (No. 2) Bill 2017 is going through Parliament. It will reduce the money purchase annual allowance from £10,000 to £4,000 with retrospective effect from 6 April 2017, and introduce an exemption from income tax for up to £500 worth of employer-arranged pensions advice provided to an employee in any tax year.
- **Draft Finance Bill 2018 clauses.** Draft clauses for the Finance Bill 2018 include changes to HMRC's tax registration regime to target fraudulent pension schemes.

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. *Safeway Ltd v Newton and another [2017] EWCA Civ 1482*
2. *O'Brien v Ministry of Justice [2017] UKSC 46 and Hampshire v the Board of the Pension Protection Fund [2016] EWCA Civ 786*
3. *Beaton v Board of the Pension Protection Fund [2017] EWHC 2623 (Ch)*

PENSIONS CONNECTION

PENSIONSCONNECTION UPDATE

Laura Webb
Head of Membership Relations

IT HAS BEEN ANOTHER VERY BUSY YEAR FROM AN EVENTS AND TRAINING POINT OF VIEW AND PENSIONSCONNECTION HAS BEEN NO EXCEPTION.

In 2017 we held eight sessions across our Defined Contribution, Finance Director, Trustee and Corporate Governance forums which were attended by over 150 of our members. However these events were also open to anyone involved in pensions and therefore provided a fantastic opportunity for them to meet peers and key decision makers in the industry. We have covered a broad range of topics including: good communications, Brexit, the 2017 review of automatic enrolment and the work of our DB Taskforce.

We held two events in November across our Corporate Governance and Trustee forums. Our members have told us that corporate governance issues are very high on their agenda at the moment and an area where they wanted our guidance. Our Policy Lead, Luke Hildyard, led a panel discussion with Honor Fell from Redington Ltd and Amanda Latham from The Pensions Regulator. Then at the Trustee event, Stuart Pickford and Richard Evans from Mayer Brown International LLP, spoke about how to make effective and robust governance decisions and led a lively and engaging group discussion.

On behalf of the team at the PLSA, I would like to say a huge thank you to our business members: Mercer, Equiti, Wealth at Work and Landscape for sponsoring these events and making them possible. I would also like to thank all of this year's presenters and speakers for taking the time out of their busy schedules to come and share their knowledge and for encouraging thought-provoking debates.

PLSA PINNACLE

TRUSTEE BOARD EFFECTIVENESS

In collaboration with KPMG

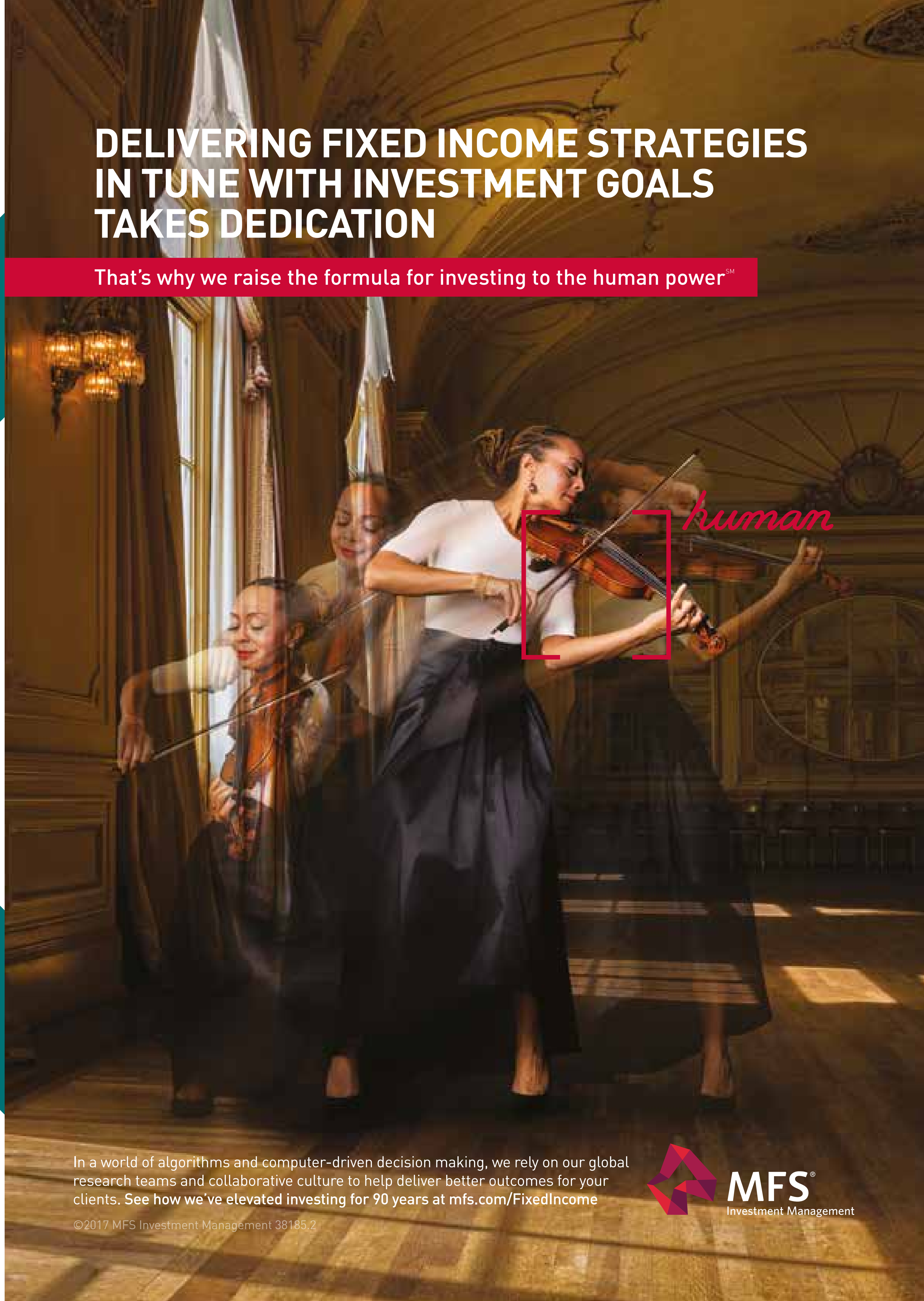
Provided in collaboration with **KPMG,** the new online **Trustee Effectiveness Tool** supports trustee boards in reviewing their governance and ensures that it measures up to **The Pensions Regulator's (TPR)** expectations of a well-governed scheme.

Lesley Titcomb, Chief Executive at The Pensions Regulator, commented: *"The Pensions Regulator welcomes the development of tools like this, which provide ways for trustees to assess their current levels of governance and set targets for improvement. As part of our work on 21st Century Trusteeship we would like to encourage trustees to regularly assess their board effectiveness and we welcome initiatives developed by industry to support TPR's drive to improve governance."*

HOW THE TOOL WORKS:

- Trustee board members complete an online questionnaire
- The responses are anonymised and collated into an overview report
- A KPMG consultant adds commentary, insights and next step suggestions
- The findings are presented in an interactive workshop

For more information please visit **www.plsa.co.uk** or email **pinnacle@plsa.co.uk**



PENSIONS AND LIFETIME SAVINGS ACADEMY UPDATE

Frances Corbett
Head of PLSA Academy
and PINNACLE

WE WERE VERY PLEASED TO MEET WITH MANY OF YOU AT ANNUAL CONFERENCE TO DISCUSS TRUSTEE EFFECTIVENESS. THIS INCLUDED HOW – IN COLLABORATION WITH KPMG – WE'VE DEVELOPED A TOOL FOR TRUSTEES TO REVIEW THEIR GOVERNANCE AND ENSURE THAT IT MEASURES UP TO THE PENSIONS REGULATOR'S EXPECTATIONS OF A WELL-GOVERNED PENSION SCHEME. IF YOU WEREN'T ABLE TO HAVE THIS DISCUSSION OR WANT TO KNOW MORE, PLEASE VISIT OUR WEBSITE OR COME AND TALK TO US AT THE PLSA TRUSTEE CONFERENCE ON 6 DECEMBER. MAKE SURE YOU DON'T MISS AN OPPORTUNITY TO HEAR ABOUT THE IMPORTANT TRUSTEE ISSUES AT THE END OF 2017.

And talking about reaching the end 2017, the last few courses of the year have now been delivered. Our last trustee course was held on 14 November and was well received by a full room of delegates. Our last virtual training session is on 11 December.

If you weren't able to take part in training during 2017, our programme of activity for 2018 is open for booking. Make sure you review our Education webpages and 'save the date' for those learning opportunities you want to complete in 2018.

Next year we're offering a range of introductory courses through our virtual training platform, including a short leaning opportunity for potential trustees and the ever-popular 'teach ins' and webinars.

Can I take this opportunity to thank everyone who took part in training events, teach-ins and webinars in 2017, and of course our speakers and sponsors who by providing expertise and support made it all possible.

VIRTUAL ACADEMY COURSES: TO JUNE 2018

INTRODUCTORY COURSES

PENSION BASICS

Session 1 – 11:00-12:00
Session 2 – 14:00-15:00

24 January, 13 February, 15 March, 30 April, 11 June

£160 *(covers both sessions)*

RETIREMENT GUIDANCE – SUPPORTING EMPLOYEES

Session 1 – 11:00-12:00
Session 2 – 14:00-15:00

11 January, 20 March, 07 June

£160 *(covers both sessions)*

UNDERSTANDING INVESTMENT

Session 1 – 11:00-12:00
Session 2 – 14:00-15:00

31 January, 23 March, 15 May

£160 *(covers both sessions)*

TRUSTEE COURSES

BECOMING A TRUSTEE

Session 1 – 11:00-12:00
Session 2 – 14:00-15:00

19 February, 17 April, 30 May

Free to members, **£200** non-members *(covers both sessions)*

INTRODUCTION TO TRUSTEESHIP PART 1 – THE THEORY

15 February, 27 March, 08 May, 14 June

£488 members, **£868** non-members

INTRODUCTION TO TRUSTEESHIP PART 2 – THE PRACTICE

14 March, 26 April, 19 June

£488 members, **£868** non-members

CALENDAR OF EVENTS 2017-18

DECEMBER	MARCH	MAY	OCTOBER
06	07-09	21-23	17-19
TRUSTEE CONFERENCE 2017	INVESTMENT CONFERENCE 2018	LOCAL AUTHORITY CONFERENCE 2018	ANNUAL CONFERENCE & EXHIBITION 2018
CLEAR DECISIONS; TRANSPARENT OUTCOMES	DRIVING THE ECONOMIC MACHINE		
(London)	*(Edinburgh)*	*(Gloucestershire)*	*(Liverpool)*

For more details please visit: **www.plsa.co.uk**

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- 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
- Grants from the NFOP Welfare Fund to help support members in need
- Offers from select third party service providers exclusive to members
- E-newsletter throughout the year keeping members informed on issues relevant to them and any new services
- Private audiology services
- Dedicated team at Headquarters for general support and help

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