Viewpoint

The official journal of the Pensions and Lifetime Savings Association

Issue 3 2017

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PENSIONS AND LIFETIME SAVINGS ASSOCIATION

CHAIR'S Viewpoint

Lesley Williams signs off her year as Chair and introduces some new faces for the future.

I SEE THE NEW ARTICLES OF ASSOCIATION AS THE NEXT STEP IN THE MODERNISATION OF THE PLSA

WELCOME TO THIS YEAR'S PENULTIMATE EDITION OF *VIEWPOINT*, THE LAST OF MY TERM AS CHAIR AND THE FIRST TO APPEAR IN BOTH DIGITAL AND PRINT COPIES.

Inside you can read about why we should improve diversity in pensions, look ahead to some of the topics we'll be discussing at our Annual Conference & Exhibition in Manchester, catch up on the PLSA's policy work, and get to know the PLSA's new Chief Executive Julian Mund.

The Board and I were delighted to appoint Julian as the PLSA's permanent Chief Executive in August, following a spell acting in the role. He has successfully led the PLSA team since the beginning of the year, and we know that, under his leadership, the team will continue to put on first-class events and produce the excellent policy work we're known for.

The evidence of that work is in these pages, with the latest on the DB Taskforce (which published its final report in the last few weeks), our new report *Future Retirement Income – Hitting the Target*, some interesting research outputs, and news from PQM.

I'm particularly pleased that we've been able to include a trio of articles about diversity in this issue. Wayne Bowers, the CEO of our diversity campaign partners Northern Trust, explains why diversity is important to him. It's great to read about the way his firm embraces difference of background and views among its staff. John St Hill of NEST has some simple but powerful ideas for getting the best from diverse people. In addition, Quietroom's Mark Scantlebury writes about the tricky area of language and diversity.

HANDING OVER THE REINS

At this year's AGM on Friday 20 October I'll hand over to the new Chair of the PLSA, Richard Butcher. I'm very pleased to be able to hand over to someone with whom I have worked closely during my own term, whose knowledge and insight will be an asset to the organisation and who brings a considerable personal profile to the role.

But just before I hand over, I hope my last act as Chair will involve members voting to introduce new Articles of Association, following the Governance Review I announced last year. I see the Articles as the next step in the modernisation of the PLSA, removing some of the rigid, archaic rules that have governed us in the past to make us more flexible and more responsive to our environment. They will mean that we can change our governance structure if we – the PLSA and its members – think that's the right thing to do. One thing that won't change, though, is PLSA members' control of their Association: the PLSA will continue to be built around your needs. There is more information about the governance changes inside this issue.

I hope to see as many of you as possible in Manchester later this month, and I'd be happy to talk to you about my favourite subject – diversity – or about the governance changes we want to make. If you can't make it, I hope you'll follow the event via our webstreams and social media.

Best wishes,

Lesley Williams

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Viewpoint UPDATE

GOOD GOVERNANCE – HOW TO GET THERE: A PLSA DISCUSSION PAPER

IT IS THE 'INPUTS' THAT DETERMINE THE QUALITY OF SCHEME GOVERNANCE. THESE INPUTS ARE CHIEFLY CONCERNED WITH THE QUALITIES OF SCHEME GOVERNANCE BODIES AND THE SUPPORT THEY ARE ABLE TO DRAW UPON. KEY CHARACTERISTICS OF EFFECTIVE BOARDS OR COMMITTEES INCLUDE:

- Collective knowledge of the technical areas relevant to pension fund administration, on issues including investment, legal and actuarial matters;
- More general skills, such as an ability to communicate effectively and commercial acumen when dealing with external advisers;
- Cognitive diversity, through board or committee members with a range of different backgrounds and perspectives; and
- Access to executive support for the day-to-day running of the scheme, enabling the governance body to concentrate on key strategic decisions.

Our discussion paper argues that governance bodies with these characteristics will take good decisions, increasing the likelihood of good outcomes for scheme members. Therefore, The Pensions Regulator (TPR) should concentrate on ensuring that individuals who are appointed to boards and committees have the appropriate knowledge and experience.

This contrasts with the current approach. Existing regulations are focused on mandating particular individual processes that schemes must undertake, resulting in a confusing array of prescriptive codes and guidelines for schemes to get to grips with. These regulations have failed to raise standards to the necessary level. Our paper suggests that a focus on the most important ingredient of good governance – the people that provide it – would be a better way forward.

OUR PICK OF THE BEST HEADLINES

STATE PENSION LINKED TO LONGEVITY PUTS RETIREMENT AGE AT 74
FT Adviser

A POOR DEAL FOR DEFERRED PENSION SCHEME MEMBERS
MoneyWeek

PENSION SCAMS TO BE TARGETED BY NEW INQUIRY
moneywise

TOP TWEETS

PLSA @ThePLSA Jul 28
Debating attending our Annual Conference in October? Why not check out one of last year's sessions? http://ow.ly/vxBa3odZry1 @JosephineCumbo

PLSA @ThePLSA Jul 24
The PLSA team ready and raring to go for the @GreatCityRace! Good luck to everyone taking part!

PLSA @ThePLSA Jun 30
Our very own @JoeDabrowski1 talking to @BBCShaunLey for this Sunday's The World This Weekend on Radio 4, it's on at 1pm - don't miss it!

PLSA @ThePLSA Jun 13
Have you seen our latest research on #millennials? You might find the results surprising... http://ow.ly/p5WM30cylZr

PLSA @ThePLSA Apr 27
We're at #pensionsagespring today, good to hear from keynote PPF speaker who references our #DBtaskforce work in his address @PensionsAge

THE FUTURE STARTS HERE

Julian Mund may only just have taken up his role as the PLSA's CEO, but he is already looking at the next five years. Be prepared to get involved, says Maggie Williams.

WE ARE SITTING IN MUND'S OFFICE, RECENTLY VACATED BY THE PLSA'S LONG-STANDING FORMER CEO, JOANNE SEGARS. A WELL-RESPECTED FACE ACROSS THE PENSIONS INDUSTRY, SEGARS WAS ALSO A FIGUREHEAD FOR THE PLSA AND ITS CAMPAIGNING ACTIVITIES. IN COMPARISON, MUND'S FOUR YEARS AS THE ORGANISATION'S COMMERCIAL SERVICES DIRECTOR ARE HIS TOTAL EXPERIENCE IN PENSIONS, ALTHOUGH HE HAS WORKED IN RELATED FIELDS. HOW DOES HE FEEL ABOUT FOLLOWING ON FROM HER REMARKABLE TENANCY? "JOANNE IS AN IMPOSSIBLE ACT TO FOLLOW AND I DON'T WANT TO TRY TO REPLICATE HER. MY EMPHASIS WILL BE ON RUNNING THE ORGANISATION, OF SETTING AND DRIVING OUR STRATEGY."

While Mund might see himself as strategist rather than spokesperson, the PLSA will not be reining back its policy positions. "Policy remains at the core of what we do. We have an incredibly strong Director of External Affairs in Graham Vidler. He and his wider team are visible and passionate. Our members also come together through the Councils to discuss policy positions and future work."

Mund's vision involves giving members a greater say – and is far from 'business as usual'. "We have the potential to do so much more and be so much stronger," he says. "I want to be clear on what we will achieve over the next five years, to 2022. What will be different, and what will success look like?"

Now, argues Mund, is the ideal time to look at the component parts of that vision. It starts close to home, with the 50 people who form the core staff of the PLSA. "I want to make sure that, with a change of CEO, they continue to really enjoy working here, and for there to be a great atmosphere and vibe. It's important that they feel they can buy in to the new leadership and vision."

The change in leadership extends beyond Mund's appointment. Current Chair Lesley Williams is due to hand over the role to Richard Butcher, managing director of PTL, at the Annual Conference in October. Both the DB and DC Councils will also welcome new chairs at the same time, with Chris Hogg taking the helm at the DB Council (replacing Frank Johnson), and Carol Young the DC Council, replacing Butcher.

"Yes, it's a lot of change, but different people bring different ways of thinking, different approaches, new priorities and

> JOANNE IS AN IMPOSSIBLE ACT TO FOLLOW AND I DON'T WANT TO TRY TO REPLICATE HER. MY EMPHASIS WILL BE ON RUNNING THE ORGANISATION, OF SETTING AND DRIVING OUR STRATEGY

a breath of fresh air," explains Mund. "The PLSA is used to a changing leadership on the board, so really the impact is minimal. And the new chairs have all been involved in the organisation's governance already." With Williams continuing on the PLSA's board after she relinquishes her current position, that blend of continuity plus new ideas looks set to continue into the future.

Mund intends to use the influx of new faces and new ideas to best advantage right from the start. He is currently reviewing the PLSA's strategy, to ensure that, given the ongoing changes in the industry it represents, the organisation and its values remain fit for purpose.

"We need to think about what these changes mean for members. What are their policy priorities and their financial objectives? We also need to think about whether the PLSA itself has suitable skills and capabilities. We need to give ourselves the time to do an expert job on what is required, and deliver value for money."

The views of PLSA members sit at the heart of Mund's approach. Through his Commercial Services Director role, he is well versed in the priorities of the PLSA's commercial partners. Now, he is on a mission to learn as much about the pension scheme membership as possible, to really understand how the organisation can best represent and support them.

> THE PACE OF CHANGE IS INCREDIBLE, AND THERE ARE SO MANY AREAS TO ADDRESS

"We are laying the foundations for a bigger mandate," he says. "But we need to be member-centric and listen to their concerns. I want to explore a more disciplined approach to how we do that, and to make sure that the information members give us really gets absorbed into what we do. How can we find ways to make it easier for members to engage with each other, and with us?"

Surely the PLSA's conferences already provide the ideal opportunity for all of the PLSA's members, both scheme and commercial, to meet up face to face? Mund feels we can go further: "The conferences are a great way to bring people together, but I think there need to be other routes too, such as taking advantage of mobile devices."

The operational and strategic direction for the PLSA is only part of the picture. There is also the small matter of the changes and challenges within the pensions industry itself. "The pace of change is incredible, and there are so many areas to address. Adequacy – coverage, contribution rates and outcomes – is a big issue now and for the future. I want the PLSA to be at the heart of that." The enduring challenge of engaging scheme members ("our members' members") of all ages with their pensions and broader savings is also high on the agenda.

A third area of focus for Mund is the future of DB pensions. This was placed firmly in the spotlight at the 2017 Investment Conference, when the PLSA's DB Taskforce released *The Case for Consolidation*, a proposal looking at new solutions to the funding and governance challenges faced by DB schemes. This, says Mund, will continue to be a "really important" focus for the organisation.

This year's Annual Conference theme is "Decoding the future", delving into the worlds of work, savings and retirement, and how these might change in the future. As Mund explains, "These themes aren't just about the cutting-edge leaders and keynote speakers, but about equipping delegates with tools they can use, helping them think about what they need in the future."

As Mund and his new colleagues set about decoding the future of the PLSA, the organisation is clearly at the start of a new chapter in its history. With the help of its members, Mund is confident that he will build on the PLSA's current strengths to help steer not only its own future but also that of pensions and lifetime savings in general.

QUICK-FIRE QUESTIONS

Which university did you go to? I studied at the University of London for my bachelor's degree in maths, and studied for my master's in policy research at Bristol University.

Football or rugby? When it comes to football, I'm a passionate Aston Villa supporter. I'm trying to convert my seven-year-old son, but their current form isn't helping my case. I really enjoy watching international rugby, but despite a fondness for Birmingham Moseley, I don't follow it at club level any more.

What are you reading? I've just finished *The Noise of Time* by Julian Barnes, a fictionalised life of the composer Shostakovich. Next in my book pile is *Nutshell* by Ian McEwan. I like to have a work read to dip into as well. At the moment that's Harvard Business Review's *10 Must-Reads On Strategy*.

What's your favourite driving music? I drive to the station every work day, but then I'll favour the Today programme rather than music. When my wife and son are in the car, they take control and that means my son's pop music.

What was your last holiday? I've just come back from a break with immediate and wider family in Gran Canaria. I've also been to Dartmouth Regatta, where we watched the Red Arrows, military planes, and ships coming down the Dart river.

What's your favourite meal? If you offer me a chilli-con-carne and a jar of jalapeno peppers, I will never complain. But my all-time favourite is a Balti. It reminds me of childhood meals in Birmingham. The restaurants always served naan breads that seemed to be at least as big as the table – no matter how large the table was!

COST TRANSPARENCY: A NECESSITY NOT A LUXURY

Pat Sharman, UK Managing Director for KAS BANK makes the case for embracing technology to get a handle on costs.

RECENTLY, TRUSTEES HAVE EXPERIENCED A SIGNIFICANT TIGHTENING OF THE GOVERNANCE REGIME: THE PENSIONS REGULATOR (TPR) IS PLACING GREATER SCRUTINY ON SCHEME MANAGERS IN THE WAKE OF HIGH-PROFILE CORPORATE SCHEME FAILURES AND MOUNTING PENSION DEFICITS.

While the renewed pressure may bear fruit in the longer term it will undoubtedly make day-to-day life more onerous for trustees of UK pension schemes. Obliged to fulfil a long list of tasks – including determining the investment strategy, appointment of the asset managers, monitoring investment performance, maintaining good member communications, ensuring full and accurate records are maintained and recommending appropriate action if the sums aren't adding up – it's perhaps not surprising that cost transparency frequently falls down the list of priorities for trustees. But in reality, cost transparency is a crucial issue with significant bearing on all aspects of scheme management.

Disclosure of costs gives scheme managers a clear and detailed understanding of all incurred transaction, management and investment costs. This allows them to make an informed cost versus benefit analysis, and underpins future investment decisions. In this way, it not only provides proof positive of good governance, but it can also lead to markedly better investment performance in the long term.

All of this has attracted the attention of the FCA, which is currently undertaking a consultation on mandating greater pensions transparency.

Costs are not implicitly bad, but what is misunderstood cannot be managed effectively and can cause problems in the longer term. Unfortunately, from a scheme representative's point of view, establishing transparency has been complicated by the fact that, historically, it has been hard to obtain costs from service providers. Even if the data can be captured it can be hard to present it clearly enough to benchmark good performance and establish true value to scheme members. But, as the march towards mandatory cost transparency gains pace, innovative technologies have emerged that make quick, effective comparison a reality for UK DB pension schemes.

TOOLS FOR TRUSTEES

Tools can help trustees gain a more forensic understanding of the workings of a scheme, and improve insight into the management costs and the specifics of a scheme's performance. How and if the trustees actually decide to then disclose this information to scheme members or act on this insight is entirely at their discretion, but it does ensure they have the facts at their fingertips if they need to make an informed decision on future strategy.

> TOOLS CAN HELP TRUSTEES GAIN A MORE FORENSIC UNDERSTANDING

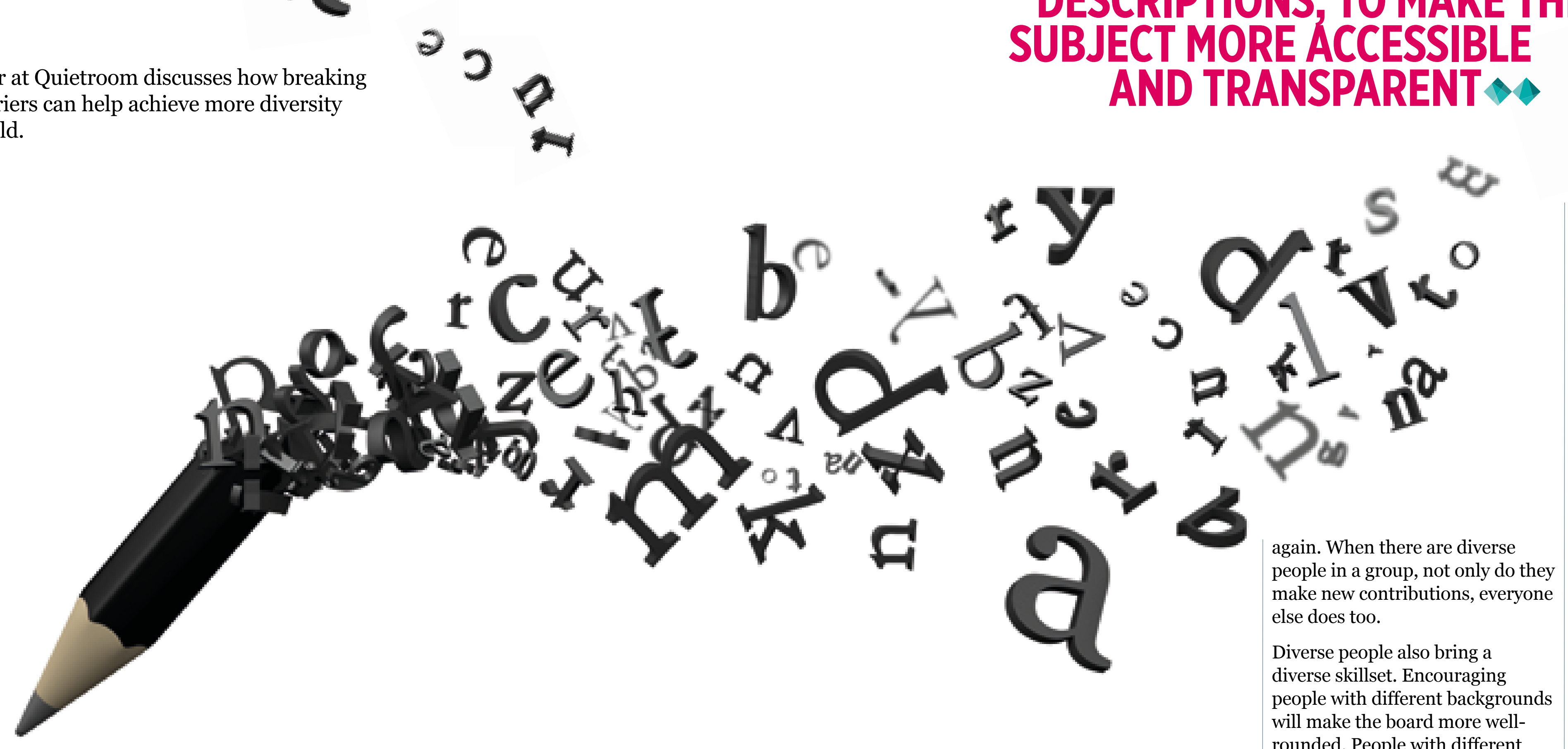
As a scheme trustee myself, I know that with continued engagement and industry-led discussion on the importance of cost transparency, scheme representatives will feel more confident. They will be able to demonstrate and use the comprehensive data provided by tools such as our cost transparency dashboard to prove that investment into concrete measures for better transparency leads to better efficiencies.

That's why I think that, as the UK industry continues to evolve in its drive towards an improved attitude to cost transparency and its governance standards, it will be the schemes which embrace emerging technologies that will be best placed to handle any further industry developments.

> COST TRANSPARENCY IS A CRUCIAL ISSUE WITH SIGNIFICANT BEARING ON ALL ASPECTS OF SCHEME MANAGEMENT

WORDS MaTTER

Jess Jones, Writer at Quietroom discusses how breaking down language barriers can help achieve more diversity in the pensions world.



MY CLOSE FRIEND IS 24, AND HER GRANDMA IS 84. THEY HAVE A FANTASTIC RELATIONSHIP AND TALK TO EACH OTHER ABOUT ALMOST ANYTHING. BUT RECENTLY THEY HAD A BIG ARGUMENT.

They were talking about sexism and racism and ran into problems when it became clear they had different vocabularies for talking about the same thing. Fundamentally they agreed with each other – but you wouldn't know it from hearing them talk.

For my friend's grandma, finding the 'right' language was a minefield. Not having terminology in common meant that she constantly felt in danger of causing offence. When she used the 'wrong' language she felt as if she was being told off, and my friend thought she just didn't understand. This made them reluctant to engage with each other and their conversation came to an unsatisfying end. Their lack of a shared language created a real barrier.

This story is just one example of how language can put up walls between people. At Quietroom, we make difficult and sometimes unappealing subjects more meaningful. To do this, we identify language barriers, and we remove them – making people more likely to understand, cooperate, and engage.

In the world of pensions, where Quietroom started out, there's a need to cut out jargon and complicated descriptions, to make the subject more accessible and transparent. We think this is one of the most important ways of getting people engaged with their pension. The same applies to the language of diversity. Once we start breaking down the language barriers which make some people feel excluded and others unlikely to engage, we can start to make some real progress.

ENCOURAGING A WIDER RANGE OF MEMBER-NOMINATED TRUSTEES

A specific example where the pensions industry meets the issue of diversity is in the recruitment of member-nominated trustees (MNTs). Traditionally, pension trustee boards are about as un-diverse as you can get. But various schemes are now making efforts to attract a more diverse range of candidates.

At the moment, the bulk of the material sent out to potential MNTs is off-putting at best, and actively discouraging at worst.

Looking through different examples, we noticed all kinds of language patterns which either overtly or subtly send out the message 'this role isn't for you'. The tone of the material is impersonal and formal. The words used suggest the role is onerous and burdensome.

The language revolves around high levels of expertise and technical knowledge. In short, the material is written less like an invitation and more like a challenge – if you really think you're up to the task, then go ahead and apply.

Language like this discourages people who have historically been excluded from trustee boards – in other words, people who aren't straight older white men with a background in finance. If we can change the language, and make it more inviting, then we can encourage a more diverse range of applicants.

ENCOURAGING PEOPLE WITH DIFFERENT BACKGROUNDS WILL MAKE THE BOARD MORE WELL-ROUNDED

THERE'S A NEED TO CUT OUT JARGON AND COMPLICATED DESCRIPTIONS, TO MAKE THE SUBJECT MORE ACCESSIBLE AND TRANSPARENT

DIVERSITY AND IMPROVED OUTCOMES

There are lots of reasons to believe that a diverse set of MNTs makes for a better trustee board. For one, a diverse group of people are far less likely to fall into the trap of 'groupthink'. Groupthink is a psychological phenomenon which happens when a group of similar people begin to think collectively, almost as if they have just one mind. Ideas aren't challenged or questioned and the same decisions are made time and time again. When there are diverse people in a group, not only do they make new contributions, everyone else does too.

Diverse people also bring a diverse skillset. Encouraging people with different backgrounds will make the board more well-rounded. People with different experiences – whether it's communications, IT, or HR – provide new perspectives. And what they don't know is almost as important as what they do know. It's important to have people in the room who are able to ask the 'obvious' questions, the ones that question the basics which other people might take for granted.

When MNTs are diverse, they can better achieve what they exist to do in the first place – represent their fellow members. If a board looks nothing like the people it's supposed to be acting on behalf of, it's hard to believe that all members' interests are being taken into account.

It seems as if we can make a good case for diversity when it comes to MNTs. So why do people resist it?

MNTs need to get their heads around complex issues, so they have to be intelligent. They have to be willing to learn, and have a genuine interest in their schemes. And they have to be confident enough to articulate their point of view.

THE USUAL SUSPECTS

Those who push against diversity assume that only the 'usual suspects' – typically a 55-year-old white male with a finance background – can fulfil all these requirements. They worry that softening the language will attract the wrong people.

This view doesn't hold water. Research shows that changing language in this way has little effect on how appealing a job is to an older white man. But for a woman, a person of colour or a younger person, getting rid of intimidating and off-putting language can make a big difference. So once we remove barriers, we make more people more likely to apply. This increases the size of the talent pool, and gives people more choice, not less. That can only be a good thing.

So, what kind of language should we use to actively encourage a wider range of applicants? A friendly and conversational tone which steers clear of jargon and overly-formal constructions is a way of softening the otherwise intimidating descriptions of the role. Words like 'understanding', 'support', and 'help' point to the collaborative nature of the role, as opposed to emphasising the amount of personal responsibility. Addressing people personally – saying 'you' instead of 'candidate' or 'trustee' – is a way to invite people to imagine themselves in the role. And speaking about inner qualities such as 'a willingness to learn', instead of concrete attributes like 'technical expertise', is a way to make sure people don't write themselves off before they've even begun.

For more of our MNT recruitment language tips, head over to our website: **http://bit.ly/2vrQrSV**

HOW TO AVOID GROUPTHINK

Conforming less can do a lot for member outcomes, argues **John St. Hill**, Deputy CIO, NEST Corporation.

IF YOU GOT INTO A LIFT AND EVERYONE WHO GOT IN AFTER YOU STARTED FACING THE BACK, WHAT WOULD YOU DO? YOUR LOGICAL MIND SAYS YOU'D THINK THEY WERE A BIT ODD AND CARRY ON FACING FORWARDS. BUT AS A 1962 EPISODE OF THE AMERICAN HIT TV SHOW *CANDID CAMERA* SHOWED, MOST PEOPLE, MOST OF THE TIME, SUCCUMB TO THE TEMPTATION TO CONFORM. NO ONE LIKES TO BE THE ODD ONE OUT. FEELING DIFFERENT IS UNCOMFORTABLE.

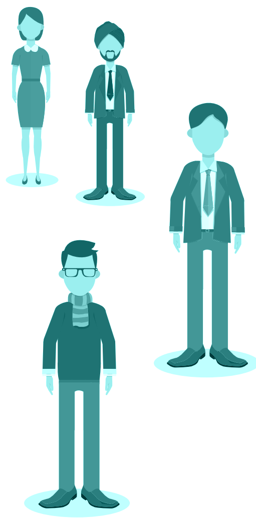
This is known as social conformity. It can be a force for good, helping shape and reinforce positive behaviour. But it can also be limiting, if groups become set in their ways and stop questioning whether things can be done better. The godfather of social conformity, Solomon Asch, found that people slip quickly into 'groupthink', but importantly he also found they can be broken out of it quite easily. All it takes to encourage groups to start questioning the status quo is at least one individual willing to speak up and do so.

So bringing outsiders into groups is important for avoiding a limiting 'herd' mentality. The more diverse a group, the more perspectives there are likely to be and the easier it'll be for all to

speak their mind and question established ways of doing things.

Why does this matter for the pensions industry? Groupthink can limit innovation and progress in any industry, but for pension schemes diversity is particularly important. It helps to think of the investment landscape as a bit like the natural world. You have huge numbers of different competing animals all trying to gather the most resources for themselves, their families and their species.

MOST PEOPLE, MOST OF THE TIME, SUCCUMB TO THE TEMPTATION TO CONFORM



That's what pension schemes are doing for their members.

Like in the real world, the most successful species are the ones that can read and adapt to their environment, learn, analyse and change. A diverse group of people working on the challenge of growing members' money will be better placed to filter all the information, analyse, question and adapt their approach to generate the most positive results for members.

INDEPENDENCE OF OPINION IS BOTH A CRUCIAL INGREDIENT IN COLLECTIVELY WISE DECISIONS AND ONE OF THE HARDEST THINGS TO KEEP INTACT

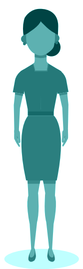
But bringing a diverse group of people together is just the start. Over time, the forces of social conformity can bear down on even diverse groups and reduce their willingness to be self-critical. As James Surowiecki writes in *The Wisdom of Crowds*, "independence of opinion is both a crucial ingredient in collectively wise decisions and one of the hardest things to keep intact".

DIVERSITY AND IMPROVED OUTCOMES

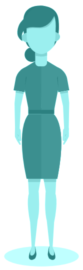
What can be done about this?

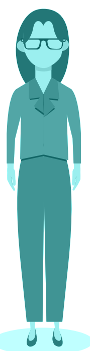
Firstly, a culture of being tough on ideas but easy on people is crucial. After all, it's possible to have bad ideas. Shirts made out of sandpaper or bicycle handlebar grips made out of nails are bad ideas. It's important to be able to say when an idea has a fundamental flaw, and for that not to be directed at the person who presented it but at the idea itself.

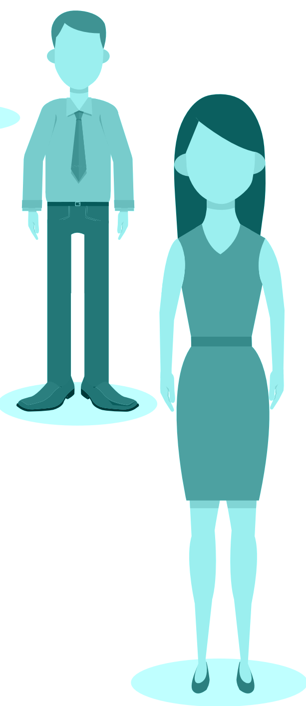
Secondly, to help foster a culture of being tough on ideas rather than people, teams can disassociate people from their ideas. If individuals don't feel wedded to their idea then they're less likely to take any criticism of it personally. In investing, for example, someone might have an idea for a trade or an asset allocation. If someone else in the team then manages that idea through the various governance channels, they're likely to be more open to challenge and less defensive if it gets scaled back or modified.



Thirdly, it's important to remember that people defer to seniority as well as to consensus. An easy way to start remedying this is to make a conscious effort to give opinions in reverse order of seniority.



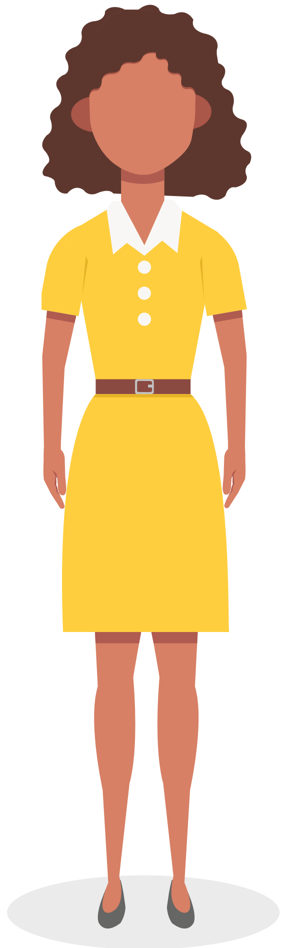




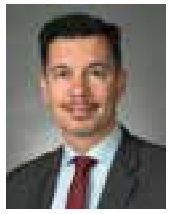
Offering everyone an opportunity to speak up and share ideas in meetings before the chief investment officer does will help encourage open and honest discussion.

Those are three simple examples of how investment teams can maintain, nurture and encourage ongoing independence of opinion. Not because feeling different shouldn't be uncomfortable, but because being different can lead to better outcomes for members.

BRINGING A DIVERSE GROUP OF PEOPLE TOGETHER IS JUST THE START



DIVERSITY MATTERS



Northern Trust Asset Management is partnering with the PLSA to put diversity and inclusion at the top of the priority list for pension funds. *Viewpoint* caught up with Chief Executive **Wayne Bowers** to find out why.

Wayne Bowers is Northern Trust Asset Management's CIO and CEO in Europe, the Middle East, Africa and Asia-Pacific, as well as chair of the regional Northern Trust Asset Management Diversity & Inclusion Council. He's a strong believer in the value of D&I in a business, and sees several ways in which the industry might implement efforts to foster it.

FIRSTLY, FROM A COMMERCIAL PERSPECTIVE, WHY IS DIVERSITY AND INCLUSION IMPORTANT?

Regardless of industry or organisation size, I think it has become impossible to hide from the benefits of a diverse workforce. For starters, the statistics are incredibly compelling:

- Research by McKinsey shows that gender-diverse companies are 15% more likely to outperform their peers and ethnically diverse companies are 35% more likely to do the same.[1]
- Research by Catalyst, a non-profit organisation focused on workplace inclusion, has shown that companies with more women board members statistically outperform their peers over a long period of time. On average, companies with the highest percentages of women board directors delivered ROE at least 53% higher than those with few women.[2]
- Deloitte Australia found that when employees think their organisation is committed to diversity, they report higher ability to innovate (83% uplift), responsiveness to changing customer needs (31% uplift), and team collaboration (42% uplift).[3]

It is hard to argue with statistics like these. Ask a group of business leaders if they would like to double their ROE and raise innovation by 80%, and I can pretty much guarantee they will all say yes.

FOR YOU PERSONALLY, WHY DOES DIVERSITY MAKE SO MUCH SENSE?

As a leader of an asset management organisation, I see my team in a similar way to an investment portfolio. Do I want to put 100% of my money in a portfolio of a single type of security, or do I want a diverse portfolio made up of a variety of securities that all react differently to different environments? The latter, of course. The same goes for my team.

From a pure investment perspective, one thing Northern Trust has always encouraged is a difference in opinion. You want the ability to discuss different viewpoints in order to bring out risk cases, rather than having everyone around the table say "yes, that's a great idea." It's a good quality, not just for asset managers, but any good company: to allow people to discuss differences openly.

It is also important to reflect your clients. I manage a team of 160 people globally who have high client interaction. It is critical, therefore, that they have a high level of cultural awareness with the global clients with whom we work.

80% *Ask a group of business leaders if they would like to double their ROE and raise innovation by 80%, and I can pretty much guarantee they will all say yes.*

CAN HAVING MANY DIFFERENT VOICES AT THE TABLE PRESENT CHALLENGES FOR FIRMS INTERNALLY?

Clearly, bringing differing opinions together can create natural challenges, but an organisation can mitigate these by encouraging individuals to embrace differences. The easiest way to do this is to include a diverse array of talent around the table. Employees should not all be trained from the same school, have the same qualifications, or have work experiences that are too similar. You must look for a diverse set of individuals that make up your talent pool. Combined with a culture of openness and respect, this *should* be the recipe for a positive, innovative group.

35% *We have signed the Women in Finance Charter, setting a target to increase the number of women in Northern Trust senior management roles in the UK to 35% by December 2020.*

[1] (Vivian Hunt, 2015)
[2] (Nancy M. Carter, 2011)
[3] (Deloitte Australia, 2013)

WHEN YOU LOOK AT DEMOGRAPHICS ACROSS THE FINANCIAL SERVICES SECTOR, ARE THERE PARTICULAR THINGS YOU FEEL MUST BE FIXED OR PAID ATTENTION TO?

I believe we need to encourage a better gender balance in the industry across all levels. But there's a challenge: the financial services industry is not the only one wanting to attract female talent. We need to work hard if we want to bring more women into the industry.

IT IS BETTER FOR ALL OF US IF WE BREAK THE CULTURE OF THE MIRROR IMAGE

In some instances, women are proactively taking ownership of their careers and reaching out to organisations directly, bypassing recruiters. While this tends to be at more senior levels of management, it is indicative of a change in the process.

WHAT PARTICULAR STEPS HAVE YOU TAKEN TO BRING WOMEN INTO THE BUSINESS – AND TO KEEP AND PROGRESS THE WOMEN YOU HAVE?

When hiring talent, it is part of our process to consider diversity with the hire. If we notice an existing bias in certain parts of the business, we work closely with internal and external recruiters about who we want to see.

Furthermore, we are taking innovative steps to ensure roles appeal to a wider demographic:

- Since 2012, we have offered employees the flexibility to "Worksmart." This means that individuals whose roles do not require them to be office-based can work from home up to four days a week. Because this substantially reduces commute times, we have found it to be highly appealing to people with young families or other caring responsibilities.
- We have been working with our recruitment and HR partners in order to start programmes to bring women back to the workforce after an extended time off with children.
- We have signed the Women in Finance Charter, setting a target to increase the number of women in Northern Trust senior management roles in the UK to 35% by December 2020.

We have a series of employee-led councils to drive diversity efforts and support our employees, including Women in Leadership, Asian Leadership, Black Business, Advancing Professionals, Working Families, LGBT, Disability and Experienced Professionals.

BEYOND GENDER, WHICH OTHER GROUPS OR ISSUES STAND OUT AS BEING A CHALLENGE CURRENTLY?

Interestingly, a prevalent challenge that is one of my own unconscious biases is that of education and degree choice. Obviously, there are times when we do absolutely need someone with the skill set that accompanies a quant degree – such as if they are a quant analyst and constantly sifting through data. In that situation, fine art just isn't relevant, just as you couldn't hire a geographer as a doctor. But there are many roles in the industry where we could consider candidates from non-traditional routes. The challenge is not only finding them, but also getting past our biases and bringing them to the interview stage. There is risk involved, but where employers can do this, the results can be exciting.

For instance, one of our country risk analysts used to be a teacher. He spent years in South America

ANY ORGANISATION WITH A DIVERSE GROUP OF CONTRIBUTORS IS BETTER POSITIONED FOR SUCCESS

and had fantastic political assessment ability. He didn't come in through a traditional sovereign analyst route, but was one of our best sovereign analysts in terms of being able to interpret local political issues. Northern Trust is open to a variety of forms of work and life experience, including independent steps individuals may have taken to further their own growth and personal development.

THE PLSA BREAKING THE MIRROR IMAGE PROGRAMME IS DESIGNED TO SUPPORT, LEAD AND ENCOURAGE A MORE DIVERSE WORKPLACE PENSIONS SECTOR. DO YOU THINK YOUR EXPERIENCE OF THE IMPORTANCE OF DIVERSITY TRANSLATES TO PENSION FUND TRUSTEE BOARDS?

It is absolutely relevant. Any organisation with a diverse group of contributors is better positioned for success. In this particular instance, the board of trustees is designed to speak on behalf of the pension fund's members. How can it do this effectively if the board looks completely different than the pension fund members?

Let's take gender diversity as an example. Women and men think differently about investments. Women tend to have a longer-term view, to trade less and be more risk-averse, whereas men are typically more confident and adventurous in their investment styles. Clearly, having a mix of these approaches on the board will contribute to better results for plan participants.

Investing for the world you want to live in

As a leading global investor, we have a responsibility to manage, safeguard and help grow the value of our clients' assets

Meryam Omi
Head of Sustainability and Responsible Investment Strategy, LGIM

One way to meet our clients' goals is to ensure that the companies in which we invest are prepared for the future. Our independent Corporate Governance team uses LGIM's scale and influence to encourage companies to develop resilient strategies, think longer term and consider all stakeholders. We work towards improving wider market standards, policies and regulations because we believe that good governance protects and enhances long-term prospects for our clients. We take our responsibility to act as good stewards and influence change seriously, devoting significant resources to this effort.

CLIMATE CHANGE – A HOT TOPIC

A key focus area over the past year has been climate change. The Paris agreement came into force in November 2016, when 195 countries all ratified their national commitments towards the shared goal of keeping the global average temperature rise well below 2°C from pre-industrial levels. Investors are also increasingly realising the need to address the long-term financial risks and opportunities associated with climate change and the shift away from traditional energy models. LGIM has always tried to ensure that companies are addressing the transition to a low-carbon economy. Our mainstream index funds are required to hold all the companies in a benchmark index, and this scale gives us influence. We have for many years focused on using engagement, both with these companies as well as policymakers, to drive change and hold companies to account on the issue. Last year, for our clients that wanted a stronger stance, we evolved our approach to incorporate the twin powers of engagement and divestment.

INTRODUCING THE FUTURE WORLD FUND

In 2016, together with a large UK pension scheme and the index provider FTSE Russell, we launched the Future World Fund to help investors address the long-term financial risk of climate change, turning our existing approach into a real-world solution for our clients. The fund is an index-based strategy which incorporates a climate 'tilt', giving investors greater exposure to companies that generate green revenues and that are more likely to benefit from the transition to a low-carbon economy.

THE CLIMATE IMPACT PLEDGE

The Future World Fund takes our approach to climate change one step further by incorporating LGIM's Climate Impact Pledge. We have gone beyond just engaging with companies and now have a vehicle to hold them to account on climate issues. Those that fail to demonstrate adequate strategy, governance and transparency regarding climate change, risk being excluded from the fund. Crucially, we have also committed to voting against the chair of the board within all of our other index-tracking funds, ensuring we use one voice across all of our global holdings.

THE TIME TO ACT IS NOW

The combined approach of ranking, publicising, voting and divestment can send a powerful message to all companies that their investors are serious about tackling climate change. The intention is to improve the standards an practices in these companies to make them more resilient to policy changes, more successful in providing low-carbon solutions and, ultimately, more prosperous as companies. In the long term, our clients who hold stakes in these companies should benefit from their financial success. We hope to dispel the misconception that ESG-focused strategies must compromise returns in order to achieve their broader goals.

PLSA ANNUAL CONFERENCE & EXHIBITION 2017 PREVIEW

18-20 October, Manchester Central

A GREAT CONFERENCE WITH LOTS OF NETWORKING OPPORTUNITIES AND GOOD SPEAKERS...

Mark Engelbretson, Mothercare

THE MOST IMPORTANT ANNUAL EVENT FOR ANYONE INVOLVED IN PENSIONS, ATTRACTING 1,500 TOP INDUSTRY PROFESSIONALS AND OVER 80 EXHIBITION STANDS.

Everything is changing – or so it seems. The way we live, work, save and retire will never be the same again. Our speakers will help delegates to decode the future – to understand the forces shaping it and how to respond to them.

Programme highlights include Pensions Minister Guy Opperman and a series of leaders from pensions and government setting out their plans for the future.

Professor Lynda Gratton, author of The 100-Year Life, joins us to lead a debate on how increasing longevity will transform society. 'Gig economy' expert Matthew Taylor will explain why the government should accept his recommendations on helping workers in this growing sector to save. And journalist Matt Frei will help us make sense of global politics, business and economics.

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... I DON'T THINK I'VE EVER BEEN TO A CONFERENCE WITH HIGHER QUALITY OF CONTENT...

Meredith Gibson, Citi UK Pension Plan

Share your venue and event highlights using **#MC10** and **@thePLSA** on **Twitter** and **Instagram**.

MANCHESTER CENTRAL

Manchester Central is looking forward to welcoming the Pensions and Lifetime Savings Association.

This year, the venue is celebrating a decade of success since it rebranded as Manchester Central.

The building originally served as a passenger rail station before reopening as the city's dedicated exhibition venue in 1986; Manchester International Convention Centre was added in 2001 before the two venues were combined and renamed as Manchester Central in 2007.

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**

PLSA LOCAL AUTHORITY FORUM 2017

7 NOVEMBER PLSA OFFICES LONDON

The PLSA's Local Authority events are the largest gatherings of Local Authority pensions managers and experts.

The environment in which local government pension schemes operate has changed almost beyond recognition in recent years. This year's Forum takes place at a critical time, with MiFID II implementation in January 2018, the April deadline for pooling looming, and increased regulatory focus on adviser transparency. Bringing together policymakers, regulators and industry experts, we explore how local authority pension schemes can respond to these challenges as well as take advantage of the latest industry and investment developments.

The forum is **FREE** for Local Authorities to attend.

To book your place visit
www.plsa.co.uk/Events/Local-Authority-Forum

WELLINGTON MANAGEMENT® EQUINITI

PLSA TRUSTEE CONFERENCE 2017

Clear decisions, transparent outcomes
6 December 2017, London

Alex Cunningham, Member of Parliament, Stockton North; UK Shadow Pensions Minister

Christopher Sier, Chair, Institutional Disclosure Working Group, Financial Conduct Authority

Attended by 200 delegates, the conference is FREE to attend to all fund member non-professional trustees.

The world in which pension schemes operate gets more and more complex every year. Trustees and members face a huge number of complex and at times bewildering choices. We explore how trustees can respond to these challenges and gain surety about their decisions in an environment that requires trustees and their advisors to account for their actions in new ways.

The Trustee Conference is a specialist pension event for all types of non-professional trustee, but with plenty of content for others in the pensions industry. Whether you are just at the beginning of your trustee career, or an experienced veteran there will be something to suit your needs.

To book your place visit
www.plsa.co.uk/Events/Trustee-Conference

LATEST MADE SIMPLE GUIDES

Four of our popular **'Made Simple'** guides are due to be launched this autumn.

GDPR MADE SIMPLE

Sponsored by Herbert Smith Freehills

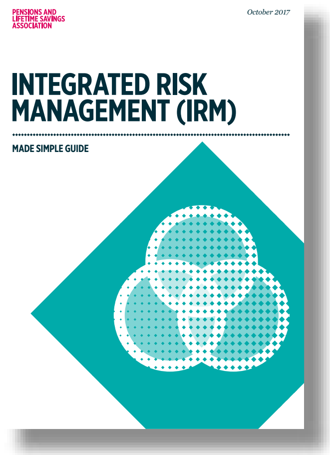
The EU's General Data Protection Regulation (GDPR) will come into force on 25 May 2018 – it's a seismic shift in the landscape for large processors of data, and pension schemes need to make sure they're fully compliant. There will be no 'phasing-in' period, and penalties for non-compliance will be severe – fines may potentially be as high as €20 million (or 4% of global turnover if higher) in the event of a breach.

This essential Guide gives an overview of the subject, including explanations of the regulatory requirements and suggested means of implementing them, along with a comprehensive list of steps for trustees to take and a suggested timeline for GDPR readiness. It also contains a glossary of GDPR terms.

GOOD QUALITY DATA FOR THE PRIVATE SECTOR MADE SIMPLE

Sponsored by Equiniti

Getting your data into shape doesn't have to be an all-consuming and daunting monster of a task. Following the simple step-by-step process outlined in the Guide gives you the control needed to put in place a well-thought-out and prioritised plan of assessment and action which can be managed over an appropriate time period and at a pace that suits individual scheme budgets. The Guide also shows how, through asking some basic questions and following some simple steps, you can actively monitor and manage the ongoing quality of your data, preventing all the good work going to waste.

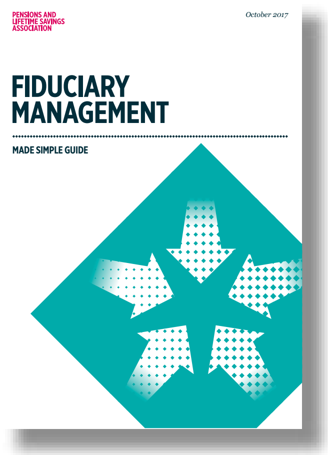


INTEGRATED RISK MANAGEMENT MADE SIMPLE

Sponsored by Cardano Risk Management and Lincoln Pensions

Integrated risk management (IRM) was first introduced by The Pensions Regulator (TPR) in its 2014 Code of Practice. It's defined as "a risk management tool that helps trustees identify and manage the factors that affect the prospects of meeting the scheme objective, especially those factors that affect risks in more than one area". This Guide gives an overview of the subject, covering how trustees, sponsor and advisers can work together to address the interrelationships between three fundamental risk areas: covenant, investment and funding.

IRM is not a discrete piece of work, it's a risk-centric approach to decision-making. Joined-up thinking and balanced decisions are the order of the day, and this Guide will help trustees integrate the approach into the management of their scheme.



FIDUCIARY MANAGEMENT MADE SIMPLE

Sponsored by Schroders

This guide aims to help pension scheme trustees understand how fiduciary management can help them overcome the typical difficulties faced by DB pension schemes in managing investment portfolios. It looks at ways in which fiduciary management can help pension schemes achieve their funding goals, while highlighting certain aspects of the subject which trustees should consider carefully before they adopt such an approach. These include how trustees navigate the fiduciary management market, including a case study that illustrates the steps trustees might take when appointing a fiduciary manager.

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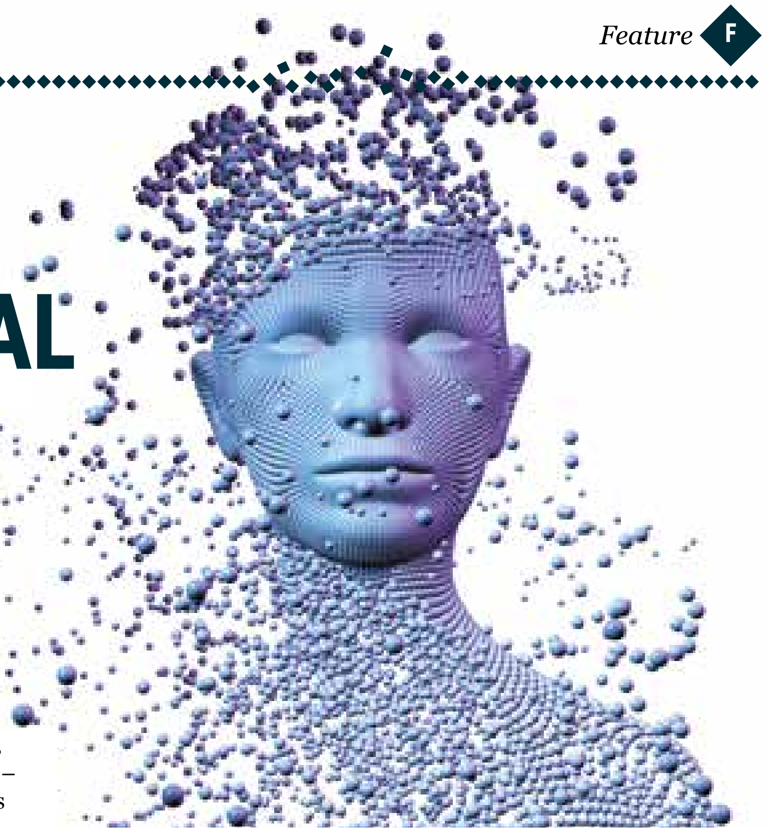
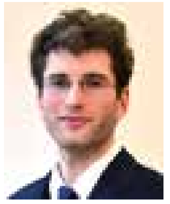
If you are interested in sponsoring a guide please get in touch with Claire Simmons **claire.simmons@plsa.co.uk 020 7601 1735** or Varsha Gowda **varsha.gowda@plsa.co.uk 020 7601 1740**

DECODING AI'S ROLE IN FINANCIAL SERVICES





Nick Levine, Analyst at Winton Group investigates for *Viewpoint*.

WHAT IF 'ARTIFICIAL INTELLIGENCE' WAS INSTEAD KNOWN AS 'COMPLEX INFORMATION PROCESSING'?

This is a historical rather than rhetorical question – and one of significance for the financial services industry generally, and investment management in particular, where hopes vested in AI capabilities have often run ahead of the reality.

The term 'artificial intelligence' was first coined in 1956, when a group of researchers at a conference sought to "find out how to make machines use language, form abstractions and concepts, solve kinds of problems now reserved for humans, and improve themselves".

But two participants at the conference took issue with the phrase. For years, they insisted instead on the terminology of 'complex information processing', a less evocative but more exacting description of the discipline, which stands at the confluence of statistics, computational science and machine learning.

The connection between AI and financial services goes back to computing pioneer Charles Babbage. In his 1832 work, *On the Economy of Machinery and Manufactures*, Babbage described London's Bankers' Clearing House, where clerks from various institutions met to settle checking transactions. Babbage was struck by the efficiency of this complex information processing system, which handled, by his estimate, as much as £15 million per day – or well over £1 billion in today's money.

From the 19th century onwards, efforts to mechanise aspects of human thought in a financial context – from mechanical calculators and cash registers to mainframe computers and ATMs – proceeded in incremental steps. But it wasn't until English mathematician Alan Turing's work almost a century after Babbage that academics began to believe that generalised computer intelligence – that might equal or surpass that of mankind's – could actually be achieved.

AI AND WALL STREET

One of the first Wall Street firms associated with AI was Lehman Brothers; the *New York Times* reported the firm's efforts to develop a system to evaluate prices of interest rate swaps in the mid-1980s.

At the same time as large Wall Street firms were turning to AI, so was an entrepreneurial group of new investment management companies. Renaissance Technologies and D.E. Shaw, two quantitative firms employing techniques from statistics and computer science, were founded in the US at either end of the 1980s. Meanwhile in London, the firm Adam, Harding & Lueck Limited, launched in 1987, was pioneering the application of computer simulation to systematic trading of futures markets.

These firms and their progenies – including Winton Group and Two Sigma Investments – are today among the most successful quantitative investment firms in the world.

As a *Wall Street Journal* article explained, "systems based on artificial intelligence seek to anticipate market trends by identifying market signals that typically presage a change in prices. The computer then applies what it 'learns' from historical trading data to the actual market conditions of that moment, and the system supposedly adjusts its trading rules and strategies in response to changes in market conditions". The article noted that AI had taken longer to arrive in financial markets because of their non-stationary – or dynamically changing – nature, highlighting one system that returned 45% a year in simulations, but lost money in practice.

By the early 1990s, companies were experimenting with AI across the full spectrum of financial services. An early application using neural networks – a type of machine learning – could recognise handwriting on cheques. Banks and credit card companies – including Security Pacific National Bank, Chase Manhattan, Barclays, and American Express – built expert systems and neural networks to identify credit card fraud. Insurance companies adopted expert systems to help evaluate risks and write policies.

Around the same time, mortgage lenders turned to expert systems and neural networks to expedite the underwriting process. In 1989, the Baltimore *Sun* asked its readers to "picture ordering up a cheeseburger, soft drink, fries and a $250,000 adjustable-rate mortgage on the side. And walking out with all of them."

By 1993, Fannie Mae and Freddie Mac were testing automated underwriting. Fund managers including Fidelity and LBS Capital Management were also trying to use neural networks to identify investment opportunities. US manufacturing company John Deere even used the technique to manage its pension. With returns proving disappointing, however, neural networks proved to be a passing fad. Still, throughout the 1990s, a growing number of quantitative investment managers were using statistical and computer science techniques to amass data, identify trends and trade the global markets – even if the AI moniker fell out of fashion.

AN EVER-CHANGING CHALLENGE

The current surge in interest in AI has once again centred on neural networks, which were part of a system developed by Alphabet subsidiary DeepMind that defeated the human Go champion in 2016. Yet games like Go or chess are what statisticians term ‘fully observable’ – they have defined and constant rules, and a large but finite number of potential permutations. By contrast, the human institutions which are the global financial markets, with their ever-changing characteristics, provide a far harder challenge for computers to solve using these methods alone.

Financial services stands to gain from AI in the future, just as it has over the past 30 years. There has been substantial growth in both computing power and memory capacity over several decades – products of micro-processing efficiency gains described by Moore’s Law. Advances in automatic data capture also hold out promise.

Yet caution with respect to the more sensational claims of ‘disruption’ is warranted, since the history of AI is littered with over-promise and disillusion. The observation of philosopher Hubert Dreyfus in the mid-1960s probably holds true today: “an overall pattern is taking shape: an early, dramatic success based on the easy performance of simple tasks, or low-quality work on complex tasks, and then diminishing returns, disenchantment, and, in some cases, pessimism”.

In a world where the language of neuroscience has potent marketing appeal, the champions of complex information processing never stood much chance against artificial intelligence’s cheerleaders. But the first camp’s more sober term might have resulted in more dispassionate debate about the field, and its relevance for the world of investment management.

TIMELINE

First century BC – Greeks use devices like the clockwork Antikythera mechanism to predict the movements of heavenly bodies

1495
Leonardo Da Vinci sketches an automaton of a knight that could, among other things, stand and sit

1600s
First mechanical calculators developed

1795
German mathematician Carl Friedrich Gauss develops the least squares method for regression analysis

1804
French inventor Joseph Marie Jacquard builds his programmable loom, controlled by punch cards

1809
Napoleon plays chess against the Turk, a machine that could supposedly compete on its own, but was in fact controlled by a chess master

1820
French inventor Thomas de Colmar patents an early version of the Arithmometer, which would become the first mass-produced mechanical calculator

1832
Charles Babbage’s book On the Economy of Machinery and Manufactures published

1890
US government conducts the 1890 census using punch card tabulating machines

1936
Alan Turing publishes paper with a proof that universal computing machines can perform any mathematical calculation given an appropriate algorithm

1940s
Electronic, stored-program computers developed

1956
“Artificial intelligence” coined at a Dartmouth College conference

1957
US psychologist Frank Rosenblatt develops early artificial neural network

1959
Patent filed for the integrated circuit, and ‘machine learning’ coined

1970s
Stock exchanges begin to go electronic

1973
A negative UK government report on the development of the field heralds the start of the first ‘AI winter’, when researchers saw funding slashed

1974
MYCIN, an important early expert system, is developed

1983
New US and Japanese funding initiatives mark the end of the first AI winter

1984
Lehman Brothers develops a system to evaluate the terms of interest rate swaps

1982
Mathematician James Simons founds quantitative investment firm Renaissance Technologies

1987
Founding of Adam, Harding & Lueck Limited, a pioneer of systematic trading in futures markets

1987
Funding cuts and disappointment with expert systems bring on the second AI winter

1988
Former computer scientist David Shaw founds investment management firm D.E. Shaw

1989
Bell Labs implements artificial neural network for reading handwritten digits

1990s
Investment managers including Fidelity and LBS Capital Management look to neural networks

1993
Fannie Mae and Freddie Mac begin testing automated underwriting systems after years of use by private sector mortgage providers and insurers

1997
David Harding founds Winton Capital Management after leaving AHL

1997
IBM’s Deep Blue beats world chess champion Garry Kasparov

2005
Sebastian Thrun’s Stanford team wins DARPA’s 130-mile driverless car race

2016
Alphabet subsidiary DeepMind’s AlphaGo computer program beats Go master Lee Sedol

STEPS NOT LEAPS

ATTEMPTS TO MECHANISE THOUGHT GO BACK MILLENNIA, DESPITE THE TERM ARTIFICIAL INTELLIGENCE BEING A RELATIVELY RECENT COINAGE. INFORMATION PROCESSING HAS GENERALLY TENDED TO ADVANCE IN GRADUAL STEPS RATHER THAN THROUGH SUDDEN, DRAMATIC BREAKTHROUGHS.

Ancient Greeks used devices like the clockwork Antikythera mechanism to predict the motion of heavenly bodies. French and German innovators developed early mechanical calculators, built sophisticated automata, and pushed forward statistical prediction. Joseph Marie Jacquard’s 1804 loom was controlled by punch cards — an early programmable machine. Recounting these developments shows that almost every advance was built on what came before.

Many histories of AI focus on the English-speaking world. As these examples highlight, however, continental Europe was also a source of computing innovation. That said, from the middle of the 19th century Britain and America produced key developments, from Babbage’s Analytical Engine and Bush’s Differential Analyser to the notion of a Turing machine and the Bletchley Park Colossus computer.

The reality of the gradualism evident in the history of AI has nonetheless failed to prevent episodic outbreaks of euphoria. This is perhaps best illustrated by the aftermath of two such manias, which resulted in the so-called First and Second AI Winters – periods from the 1970s to 1990s, when the US, UK and Japanese governments cut funding following disillusionment with progress.

LONG-TERM REWARDS

Future business outcomes and improved employee engagement with pensions are mutually dependent and should be approached as such, argues **Debi O'Donovan**, Director, Reward and Employee Benefits Association.

SPEAKING TO REWARD DIRECTORS, IT IS CLEAR THAT DISCUSSIONS ON RETIREMENT SAVINGS VIA THE WORKPLACE NEED TO FUNDAMENTALLY SHIFT IF THEY'RE GOING TO HAVE ANY IMPACT ON TODAY'S WORKFORCES.

The majority of business leaders see little imperative to spend extra money and effort boosting employees' pension pots. Simply saying "What if people cannot retire one day?" cuts little ice. For too many reward directors the conversation stops there as they find themselves trapped between apathetic staff and resistant business leaders.

So the emphasis must shift to focus on the fears and desires of the leadership team. They like to be sure that reward (including pensions) presents little or no risk to the organisation, such as legislative risk, bad PR or hampering future business growth. Ideally any extra expenditure should drive productivity.

Any reward, benefits or pensions director worth their salt will be able to provide the analytical insights, based on workforce and business data, to predict the implications of current workplace savings rates on an organisation. They can look at staff demographics and turnover rates, recruitment costs, predicted savings levels, future organisation talent needs and future business growth plans (or changes in focus) to be able to spot the HR risks.

These danger points will vary by organisation, but common ones I hear from reward directors include losing junior or mid-level talent because of 'blockers' (older, senior staff not willing or unable to move on or retire), and having a cliff-edge of older staff about to retire leaving a huge experience gap behind them. Overall they cite skills and talent shortages, and are wary of future ageing populations.

FINANCIAL WELLNESS WILL BECOME A BIGGER ISSUE FOR HR, REWARD AND PENSIONS DIRECTORS

ANALYSIS AND EDUCATION

In one of the best examples I have seen, an employer did the analytical insight and saw they needed to encourage more of their near-retirement staff to consider flexible retirement. They needed these people to mentor less-experienced staff and pass on corporate memory.

They ran workshops where older staff could model their desired retirement plans. The reality of tax implications, longevity predictions and annual pension amounts led to several on-the-spot enquiries about flexible retirement options. Stage two was to introduce mentoring programmes and development courses for both younger and older staff.

So the shift we will see will be driven by greater data analysis by HR, coupled with better financial education of staff to create a dialogue to achieve business-led outcomes. The upshot could be a combination of some or all of these: increased workplace savings contributions from either employer or employee; greater resources directed towards learning and development so as to continuously upskill employees to meet changing talent needs as people stay in the workplace for longer; or more emphasis on financial education and advice so that staff view their future more realistically.

This last point is important. We have seen tremendous movement in what employees can expect. With rising numbers coming into the workplace with student debt, fewer getting onto the housing ladder, more older workers dipping into savings or extending mortgages to help their offspring onto the housing ladder or to pay for elderly parents' care, finances are not what they used to be. Inheritances and lump sums at retirement will become rarer. But the average UK citizen's mind-set might not have caught up with this yet. And that is before the reality of pensions freedoms, the huge DB to DC shift, and the lifetime allowance are taken into account.

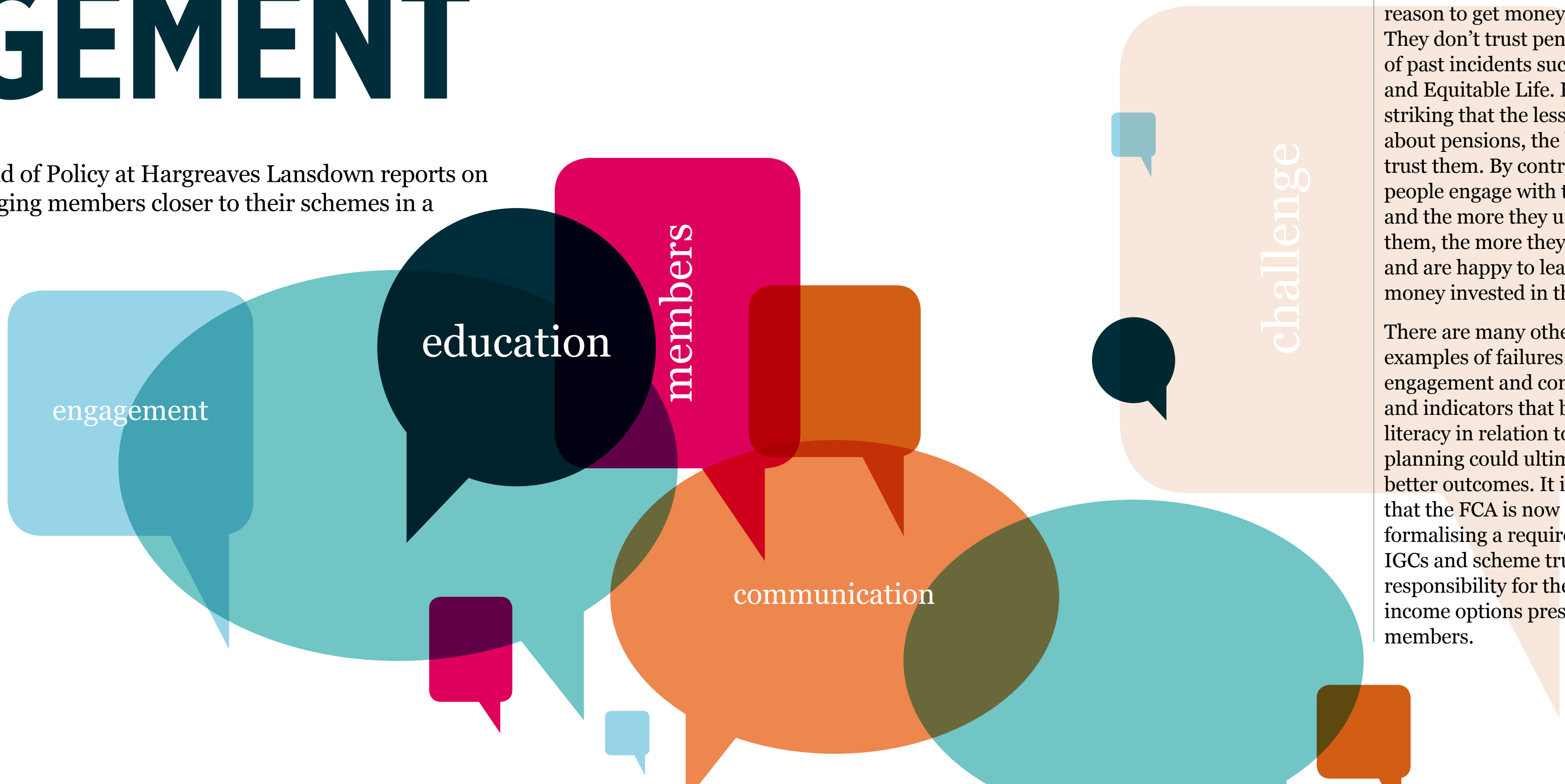
This is why financial wellness will become a bigger issue for HR, reward and pensions directors. REBA's annual Employee Wellbeing Research shows a huge predicted upswing in the proportion of employers looking to offer financial education, with 48.8% of 2017 respondents looking to introduce this benefit in the next few years.

So although increasing pension contributions is not the silver bullet to solve the savings gap, it certainly forms part of the HR armoury.

Debi will be speaking in one of our sessions at Annual Conference on 19 October at 15:15. She will be discussing whether a workplace ISA is right for employees and the practical challenges and benefits of offering one.

EDUCATION AND ENGAGEMENT

Tom McPhail, Head of Policy at Hargreaves Lansdown reports on the challenge of bringing members closer to their schemes in a post-DB world.



FOR ANYONE WORKING IN PENSIONS IN THE PAST 20 YEARS, THERE HAS BEEN CONSTANT CHANGE AND DISRUPTION. WE'VE HAD MULTIPLE REGULATORY INTERVENTIONS, STAKEHOLDER PENSIONS, AUTO-ENROLMENT, STATE PENSION REFORM AND PENSION FREEDOM; WE'VE ALSO SEEN THE RELATIVELY RAPID DECLINE OF NEW DB PROVISION (OUTSIDE THE PUBLIC SECTOR), AND 10 YEARS OF QUANTITATIVE EASING WHICH HAS BEEN GREAT FOR ASSET PRICES BUT NOT SO GOOD FOR YIELDS.

There will continue to be issues and challenges around the managed decline of DB schemes and the improvement of scheme governance, but the single biggest challenge confronting the DC pension system and those individuals working in it will be one of communication and engagement.

A PATERNALISTIC PAST

The UK pension system has been built on paternalism. In my first job back in the 1980s I got put in a pension without being asked: I didn't even realise I was in a pension for the first two months. DB schemes and a state pension which used to be worth 25% of average earnings meant mostly you didn't have to worry; one size fitted all and it was mostly a good fit (provided you didn't die too soon after retirement). Those days are gone. The state pension may be back up to its former glory after decades of decline, but workplace DB? Guaranteed pensions and no responsibility for the member to worry about? Forget it: paternalism in UK pensions may not be entirely dead, but these days it's more like an absent father who only visits once a month.

Auto-enrolment has been used to massively increase pension participation rates, though there will still be important gaps even after 2019. However, what was arguably already a problem of engagement beforehand became a burning imperative following the pension freedoms of 2015. Between Adair Turner in 2005 and George Osborne in 2015, we need to find ways to bridge the gap.

Trustees, IGCs and HR managers mostly do a good job, selecting defaults, running schemes and paying out benefits; but the challenge of dealing with a post-paternalism, post-DB world is one we're only just getting to grips with.

I've spent the summer working through various regulatory papers and research documents, looking at consumer needs and how the industry can meet those needs. It's clear we've got a lot of work to do. I'm going to start with scheme members in their 50s, because that's where the challenges are most acute – but there are lessons to be learned for scheme members right across the age spectrum.

Many pension investors in their mid-to-late 50s are choosing to take a lump sum from their pension. Many others – more, in fact – are choosing to leave their money invested and carry on working; nevertheless, since pension freedom was introduced, there has been a substantial upsurge in pension investors taking lump sums from their pension at relatively young ages.

In the main this is not a retirement income strategy. The research shows strongly that many of these individuals were relatively disengaged with their pensions until they were quite close to drawing money out. Many regarded the pension pot, and in particular the tax-free lump sum, as a 'windfall'; an unplanned-for sum of money akin to a lottery win. Fifty-two percent of those who took money out of their pension did so not because they had some spending plan in mind or because they wanted to clear debts; they did so to reinvest the money in a bank account, or an ISA, or some other investment. In many cases this is unlikely to have been particularly good financial planning.

> THE SINGLE BIGGEST CHALLENGE CONFRONTING THE DC PENSION SYSTEM AND THOSE INDIVIDUALS WORKING IN IT WILL BE ONE OF COMMUNICATION AND ENGAGEMENT

FINANCIAL LITERACY AND BETTER OUTCOMES

The reason people are doing this is that they do not trust or understand pensions. They cite the risk of political interference and constant rule changes as a reason to get money out now. They don't trust pensions because of past incidents such as Maxwell and Equitable Life. It is also striking that the less people know about pensions, the less they trust them. By contrast, the more people engage with their pensions and the more they understand them, the more they trust them and are happy to leave their money invested in them.

There are many other striking examples of failures of engagement and communication, and indicators that better financial literacy in relation to retirement planning could ultimately deliver better outcomes. It is also notable that the FCA is now contemplating formalising a requirement for IGCs and scheme trustees to take responsibility for the retirement income options presented to their members.

> THE LESS PEOPLE KNOW ABOUT PENSIONS, THE LESS THEY TRUST THEM

It isn't just pension members approaching retirement who would benefit from better communication. Younger scheme members need help too but in different ways. Information and guidance on how much to save, how to make the most of investments, the trade-offs between pensions, ISAs, LISAs and paying down debt are all relevant and important.

It isn't sufficient to take a one-size-fits-all approach to such communication needs either. The FCA's work on smarter communication in 2015 is illustrative of the creative approach needed to meet the needs of a workforce which may comprise individuals across a wide spectrum of financial and technological literacy, of ages, incomes and wealth. These employees are increasingly going to be looking to their employers, their HR managers and pension departments to help them find answers to such questions.

Our job has not been made any easier by constant Treasury tinkering with the tax rules. Employees need to be able to navigate their way through the pitfalls of the Lifetime Allowance, the Money Purchase Annual Allowance, the Tapered Annual Allowance and the complexities of tax relief (which most people outside the pensions industry still don't understand).

THE JOB AT HAND

There's a wide range of tools at our disposal, including seminars, full regulated one-to-one advice, online tutorials, videos, automated financial planning tools, and apps for use on phones and tablets (across our 1 million investment clients, more people now access their account from a mobile device than from a desktop computer).

We've also found that where employees are helped to make informed choices about how their pension funds are invested, it can make a material improvement to the returns they enjoy on their savings. In the main default funds are chosen well, but they can be conservative in their investment strategy, particularly relative to the risk appetite of younger investors. Given the well-documented challenges faced by many employees in saving enough in the first place, any opportunity for improvements to their overall returns is likely to be more popular than trying to persuade them to invest more of their income.

In terms of overall pension policy, it is clear there will continue to be heavy reliance on defaults. However unlike in 2012, when the whole auto-enrolment reform was built solely around defaults, it is now clear those defaults are only half the answer; for the rest, good member engagement and education is needed right through employees' working lives. This is the challenge with which we must now get to grips.

> GOOD MEMBER ENGAGEMENT AND EDUCATION IS NEEDED RIGHT THROUGH EMPLOYEES' WORKING LIVES

NORTHERN TRUST

NAVIGATING THROUGH TURBULENCE: PENSION FUNDS AND THE GLOBAL CUSTODIAN

As pensions grapple with an increasingly complex landscape, governance and control has never been more important. Enter the global custodian…

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What do pensions and airplanes have in common? The answer is: more than you would think. Both industries are responsible for the well-being of millions of people around the world, and must both take issues of risk management, transparency, and security extremely seriously. They are also both facing periods of immense transformation.

For the airline industry, this transformation is data-driven, and is about using analytics to optimise flight operations. For pension schemes, data is playing an equally central role in navigating through demographic, regulatory, investment and other changes, to ensure a better future for retirees.

If pension funds were airplanes then pension trustees, along with their consultants and fund managers would be its co-pilots, flying with the help of teams of ground staff and support crews. But those 'pilots' are travelling amidst a period of turbulence – navigating in many cases through uncharted territory.

Helping them, by monitoring the risks of unforeseen events as well as everyday challenges, would be air traffic control teams – in this case their global custodians. Once seen largely as safe keepers of assets, global custodians have long been evolving alongside their clients to provide solutions to fresh challenges, helping them exercise their duties and meet their responsibilities as they navigate difficult conditions.

Evolution of the Industry

UK pension schemes are arguably going through some of the most transformative times in their history. Part of that is led by demographic drivers. In mid-2014, the average age of the UK population exceeded 40 for the first time. By 2040, nearly one in seven people will be aged 75 or over.[1] One of the biggest challenges trustees are facing is ensuring their schemes are fully funded – total deficits for defined benefit (DB) schemes stood at £580 billion in December 2016.[2] Furthermore, of the 10.9 million members of DB schemes in the UK, 40 per cent are retired and fewer than 2 per cent are aged under-30 and still contributing[3].

Meanwhile many countries are facing a retirement savings gap, and the UK is no different, with a shortfall of $8 trillion posted in 2015, forecasted to rise by an average of 4% per year to $33 trillion in 2050.[4] The market shift towards defined contribution (DC) also brings new responsibilities and governance procedures for trustees, who have a duty of care to ensure a strong framework is in place for their schemes. There are now no traditional final salary pensions for new recruits at FTSE 100 companies,[5] and DC pensions represent over £630 billion of assets in the UK, forecast to grow 10% CAGR between 2015 and 2020.[6]

Flying in Difficult Weather

Meanwhile, the low-yield environment has not helped schemes meet their funding requirements and schemes are also facing growing cost pressures, paying asset managers up to 70% more than they were six years ago.[7] It is not just headline costs, but transaction, trading, regulation, asset servicing, and reporting costs that are being scrutinised.

Moreover, many are facing a 'liquidity conundrum' as market conditions and a sustained low interest-rate landscape have all meant that holding cash is increasingly problematic.[8] Add that regulatory pressures are also being keenly felt, with The Pensions Regulator having a greater mandate to enforce governance and management, and schemes remain under significant pressure.[9]

Engaging the Autopilot

Pension schemes are exploring a variety of options to help meet these challenges. Some have turned to asset pooling to develop economies of scale. Others are consolidating using master trust structures such as NEST. Some larger funds have also turned to investment insourcing to focus on cost efficiencies, while most schemes are looking at some element of de-risking their assets against their liabilities.

The search for returns has led pension funds to grow their allocations to alternative investments. Pension fund assets managed by the top 100 alternative managers now stand at $1.6 trillion, up 9% from the year before, and illiquid credit saw the largest percentage increase over twelve months.[10] It has been well-documented that many schemes have turned to passive management to address high fees amid disappointing performance – passive investing grew 4.5 times more than the active mutual fund industry in 2016.[11]

It is no wonder then, that growing numbers of schemes are outsourcing their investment decision-making to fiduciary managers. In effect, they are turning on their 'autopilot'. But while fiduciary managers are successfully helping many schemes through advisory and delegated investment services, trustees' duty of care to ensure their passengers 'land' safely remains nonetheless.

Enter the Custodian

There was a time when the global custodian was seen just as a safe keeper of assets. But as the industry faces new challenges, custodians are providing broader asset servicing solutions to meet these. Helping schemes exercise control and enhance governance – over their investment and fiduciary managers and more widely – is very much to the fore.

Services provided to exercise institutional governance often include providing a 'book of record' to clients – a complete picture of all scheme investments, regardless of where they are held. This means reconciling data from multiple sources. For example, a pension scheme may implement asset pooling to achieve greater economies of scale, but moving from the use of segregated accounts to a pooled environment inevitably means that the detail available to managers and trustees significantly decreases.

Faced with this, a global custodian such as Northern Trust can obtain the data required to help trustees perform their oversight role and discharge their duties appropriately. By sourcing and aggregating data, the global custodian can generate statements, analysis, and the reporting needed satisfy regulators and stakeholders. This is also key to delivering effective performance and compliance reporting.

As investment strategies become more sophisticated, it becomes ever-more important that trustees receive the necessary transparency over them. Here, the global custodian is again well-placed to help trustees overcome the challenges of monitoring, valuing and reporting on comparatively opaque or illiquid alternative asset classes such as property, infrastructure or private equity.

Like air traffic controllers, a custodian's role goes largely undetected, if that role is performed correctly. But also like aircraft controllers, their function is critical – helping safeguard their members' assets and interests to ensure that risks are robustly managed and high standards of governance continue to be met. As pension funds and their industry evolve, global custodians such as Northern Trust will continue to do likewise – whatever the conditions.

1 Government Office for Science: "*Future of an Ageing Population*", July 2016
2 PwC: Skyval Index, 1 December 2016
3 Resolution Foundation and Dr Brian Bell, Kings College London: *"The Pay Deficit"*, May 2017
4 Telegraph: *"British Savers Exposed to Biggest Pension Drop in the World (Apart from Mexico and Chile)*, last updated 1 December 2015
5 LCP: *"Accounting for Pensions 2017"* 2017 Report
6 McKinsey Report: *"In the Eye of the Storm: Transformation in the UK Retirement Market"*, April 2015
7 Financial Times: *"Steep Rise in Pension Funds' Asset Management Fees"*, last updated, April 10 2017
8 Northern Trust: *"Cash: An Asset in Adolescence"*, January 2017
9 Professional Pensions: *"TPR Warns it Will Not Hesitate to Use S72 Prosecution Powers"*, last updated: 18 July 2017
10 Willis Towers Watson: *"Global Alternatives Survey 2017"*, July 17, 2017
11 Financial Times: *"Passive Funds Grew 4.5 Times Faster Than Active in 2016"*, last updated February 12 2017

NORTHERN TRUST

MEETING THE DB CHALLENGE

Lesley Titcomb, Chief Executive of The Pensions Regulator brings us up to date on TPR's efforts to improve scheme governance.

THE CHALLENGES FACING PENSION SCHEMES CONTINUE, FROM DIFFICULT ONGOING ECONOMIC CONDITIONS AND THE POTENTIAL IMPACT OF OUR WITHDRAWAL FROM THE EU TO BALANCING EMPLOYER GROWTH WITH SCHEME FUNDING AND THE THREAT OF PENSION SCAMS.

At TPR we are alive to these challenges. We are redesigning the way we regulate, and how we operate as an organisation.

Our corporate plan makes clear that we are striving to be a clearer, quicker and tougher regulator. But what does this mean in practice, and how will it affect our approach to DB schemes?

SETTING EXPECTATIONS

We know a key challenge for TPR is to ensure DB and DC scheme trustees are meeting their basic duties in delivering effective governance.

Our own research illustrates that while some trustees are doing a good job, many trustee boards have failed to act on our codes and guidance to meet basic standards of good governance. Members and sponsoring employers should not suffer because of apathy, and we will not stand by and let it continue.

It's vital that trustees get the basics right – for example by submitting the scheme return on time, producing a good-quality scheme valuation and recovery plan, and paying the levy on time.

And so we will be focusing on making our expectations clearer and taking action against poor governance.

So our first priority is to be clearer and more direct with those we regulate. We will provide new tools to show trustees how they can take action to ensure they are getting the basics right, such as clarity of roles and responsibilities and the effective oversight of third parties.

The latest phase of our 21st Century Trusteeship campaign, which launched last month, is a key element of this work and is focusing on good governance. Driving up standards of governance is a priority for us; we want to see those running pension schemes being a knowledgeable, empowered first line of defence for scheme members.

ENFORCEMENT

We want DB scheme trustees to manage key risks in an integrated way and take necessary action to secure the fair treatment of their scheme.

However, we will take targeted enforcement action against those who are not meeting our expectations.

Our research shows that the majority of DB schemes remain affordable. Our Tranche 9 scheme funding analysis shows that 85-90% of schemes currently preparing their valuations have employers with sufficient financial resilience to be able to afford to manage their deficits and don't have a long-term sustainability challenge.

But many should do more to tackle their increased deficits. The ratio of DRCs to dividend payments by sponsoring employers has declined from around 10% to around 7% – and this is disappointing.

We are not against companies paying out dividends, but employers must strike the right balance between the interests of the scheme and that of its shareholders. Having made our expectations so clear in this year's annual funding statement, we are likely to intervene if we see a situation where we believe a scheme is not being treated fairly.

For example, if a company is paying out more in dividends than in deficit reduction contributions, we will expect to see a short recovery plan. And we will expect that recovery plan to be underpinned by an appropriate investment strategy.

When considering cases of avoidance, we will invoke our regulatory powers if appropriate, sending a clear message that we will not tolerate this type of activity.

On the occasions when we have considered the use of our anti-avoidance powers, such as Coats, BHS and Tata Steel, this has led to the recovery of well over £1 billion for pension schemes, including through settlements without the need for formal proceedings. This is very significantly in excess of what it cost us to pursue these cases.

> SO OUR FIRST PRIORITY IS TO BE CLEARER AND MORE DIRECT WITH THOSE WE REGULATE

In the majority of cases, we succeed in achieving the best possible outcome for pension scheme members through discussion and negotiation. In addition, the threat of using our powers can act as a deterrent against people avoiding their pension obligations.

From the wider policy perspective, our response to the government's DB Green Paper included several suggestions, all of them based on helping TPR to respond more quickly and effectively to risks, particularly where DB schemes are underfunded or where we suspect avoidance.

Those suggestions were in the areas of:

- Scheme funding: clarifying what we expect schemes to do either by amending legislation directly, or by TPR being given the power to set out clearer definitions or parameters in binding standards, supported by a 'comply or explain' regime.
- Strengthening our clearance powers in some corporate transaction cases.
- Information-gathering powers – to give us a comparable set of info-gathering powers across the regulatory landscape.

We're working closely with DWP on the White Paper, but any changes to legislation or TPR's powers will be a decision for government.

CONSOLIDATION

We are maintaining an open discussion with government partners and industry on how scheme consolidation can play a part in driving up standards, and we welcome the work the PLSA is conducting in this area.

Much is being written on the subject of consolidation. We support the need for consolidation where trustees and scheme administrators consistently fail to meet our expectations, particularly in the DC space in which 32,000 schemes are 'micro schemes' with between 2 and 11 members. Our 21st Century Trusteeship work will encourage consolidation where appropriate.

We believe the Pension Schemes Act will create a safe, robust and sustainable master trust market, and will act as a strong driver for a market-led consolidation of the huge oversupply of DC occupational schemes, the majority of which struggle to meet adequate standards of governance and administration and pose a risk to good member outcomes.

Many smaller DB schemes, some of which are in the most distressed category, lack scale and suffer from poor governance and administration. Finding a consolidation solution is not so straightforward though. It is clear that many in the industry agree that a consolidation solution may be beneficial – a vehicle that sits between freestanding schemes and the PPF is a common theme – but as yet there is no consensus on how this could operate.

In our experience, and we have been shown several ideas, all would require a legislative change and it will therefore be a matter for government to determine whether the desirability of consolidation is sufficiently great to warrant a change in the law.

Much work remains to be done with key partners such as the PLSA on how consolidation in the DB and DC space can be introduced, and I look forward to those discussions in the months to come.

THE PROPERTY PARADOX

George Currie, Senior Policy Adviser at the PLSA, looks at the benefits of owning your own home in retirement and how many younger savers could be missing out.

THE FRENCH HAVE A SAYING: 'DON'T SELL A BEAR SKIN BEFORE YOU'VE KILLED THE BEAR'. AND YET, IN AT LEAST ONE RESPECT, THIS IS EXACTLY WHAT MANY SAVERS IN GENERATION X (35-54) ARE DOING. ACCORDING TO PLSA RESEARCH, MORE THAN A FIFTH (23%) OF THOSE IN THIS GENERATION WHO PLAN TO USE PROPERTY AS A SOURCE OF RETIREMENT INCOME DON'T YET OWN ANY.[1] THE TRAVAILS OF THOSE IN GENERATION X ARE INDICATIVE OF A WIDER PROBLEM: THE FALLING LEVEL OF PROPERTY OWNERSHIP AMONGST YOUNGER PEOPLE. SINCE 1981, HOME OWNERSHIP AMONGST ALL AGE GROUPS UNDER 45 HAS FALLEN DRAMATICALLY AND THE MOST SERIOUS DECLINES HAVE TAKEN PLACE AMONGST THOSE AGED 16-34.[2]

The root cause of falling home ownership rates amongst younger savers is well-understood: too few houses have been built in recent decades to keep pace with demand. The consensus suggests that between 225,000 and 275,000 new homes are required every year in order to keep pace with population growth and resolve historic issues of under-supply. However, on average, only 160,000 houses have been built each year since the 1970s.[3] Inadequate supply has created a situation in which it is no longer unusual for property assets to 'earn' more each year than the people living in them.[4] This is good news for those who own property, but presents a huge financial barrier to those who do not.

Although it has become commonplace in recent years to speak of 'generation rent', few have highlighted the impact that long-term renting has on savers' retirement prospects. For those who do manage to get on the property ladder, they tend to do so later in life than previous generations and are much more likely to carry mortgage debt beyond the State Pension age. According to the Council of Mortgage Lenders, 35% of outstanding mortgage loans are expected to extend into retirement – the highest proportion ever recorded – and this is set to increase further.[5] Moreover, for those who never manage to buy their own home, renting in later life can increase their weekly costs by up to 40%.[6]

Aside from the additional costs involved in continuing mortgage debt repayments or renting in retirement, declining levels of property wealth amongst younger generations could have serious implications for their quality of life in retirement. Improving longevity and increasing demand for social care services in later life require current savers to have higher savings and asset levels than previous generations, if they are to maintain their working age standard of living.

The twin pressures of higher living costs and lower asset levels that many future retirees appear likely to face have serious implications for public policy. The Government has taken a far-sighted approach to increasing pension savings, through the implementation of the automatic enrolment regime. It should formulate an equally long-term strategy in regard to the accumulation of property wealth; otherwise future generations of retirees risk being left at the mercy of the bear whose pelt they might profit from in later life.

BETWEEN 225,000 AND 275,000 NEW HOMES ARE REQUIRED EVERY YEAR IN ORDER TO KEEP PACE WITH POPULATION GROWTH

[1] PLSA Property Research (2016)
[2] ONS, UK Perspectives 2016: *Housing and Home Ownership in the UK* (2016)
[3] DCLG, *Fixing Our Broken Housing Market* (2017)
[4] DCLG, *Fixing Our Broken Housing Market* (2017)
[5] CML, *Retirement Borrowing: Reality, Perceptions, Projections and Potential (2016)*
[6] http://www.lboro.ac.uk/research/crsp/mis/results/

SCALING UP

Joe Dabrowski, Head of Governance & Investment at the Pensions and Lifetime Savings Association, summarises the findings of the final report of the DB Taskforce.

AT THE END OF SEPTEMBER WE LAUNCHED THE FINAL REPORT OF THE PLSA'S DEFINED BENEFIT TASKFORCE – THE CONCLUSION OF AN 18-MONTH EXAMINATION OF THE CHALLENGES FACING SCHEMES AND THE SOLUTIONS THAT ARE NEEDED FOR A SUSTAINABLE FUTURE.

In the course of our work it has become very clear that there is a growing consensus among policymakers, regulators, industry and others that the problems and challenges facing DB schemes can no longer be ignored. Whether it is the impact of the particular challenges facing individual schemes on a day-to-day basis, or more systemic issues such as the continuing patchwork levels of good governance, or concerns with the provision of investment services, there is an appetite for reform – and for better results for members.

Although most schemes and employers will hopefully be able to adapt to their challenges ahead, we know some others will face a harsher reality.

Looking at funding statistics alone isn't a fair reflection of the complexity of the DB system. But it does provide a useful benchmark for any discussion about whether all is well in the garden. What the data tells us is that most of the UK's DB system is underfunded, and has been so for close to 10 years. That includes more than 4,000 of the remaining 6,000 schemes – which will provide incomes to 11 million pensioners. To consider this figure in another way, 1 in 6 of every person in the UK.

And deficits have been getting worse, growing from £22.5 billion in 2006 to somewhere between £250-400 billion in 2016/17 on a PPF section 179 basis, and to more than £500 billion on a buy-out basis.

In a post-financial crisis world where it is becoming increasingly hard to get the necessary returns on investment, and where employer contributions often

MOST SCHEMES LACK THE SCALE NEEDED TO FIX THE SITUATION THEMSELVES

seem to be making little improvement – and can be expected to continue to make limited overall impact – this does not seem to be a problem that will resolve itself without change.

The crucial role of employer covenants is an area that we have spent some time considering, and will be a key part of the solution to underfunding. But many employer covenants are under pressure, often severe pressure, where the kinds of sectors which were thriving when DB schemes were established and where current DB liabilities are heavily concentrated, such as manufacturing, have often struggled to deal with the challenges brought by increased globalisation. Even for those employers currently maintaining deficit recovery payments, it is impossible to be certain that future developments – social, technological and economic – will not be detrimental to their ability to do business.

The Taskforce's analysis, and the conclusions of others such as the FCA, indicates that many of the risks or obstacles to improvement that schemes face are exacerbated by the fact that most schemes lack the scale needed to fix the situation themselves. The majority of schemes are small: two-thirds have fewer than 1,000 members, while the average scheme has just over 1,800 members and £200 million of assets. The impact is felt in many areas: there is significant evidence that the greater the amount of assets under management, usually, the better able are trustees to both access sophisticated investment expertise and negotiate lower fees along a highly intermediated investment chain. Resource is also a critical factor in enabling good scheme governance.

With some schemes facing challenges to either or both funding and covenant risk there is no one-size-fits-all solution. Scheme trustees will need to assess their situation in terms of these challenges and make a careful decision. The Taskforce's reports consider what action trustees might take for underfunded schemes with secure covenants, i.e. those covenants classified by the regulator as 'strong' or 'tending to strong'. In these cases, the consolidation of assets, services and governance can often result in better value for money and significant cost savings, while the employer covenant remains intact.

But we believe it is those underfunded schemes whose trustees feel their employer's covenant to be under pressure – those in the 'weak' and 'tending to weak' groups – which most urgently need help. This is where the Taskforce believe alternative options should be made available to provide members in struggling schemes with better outcomes for the long term.

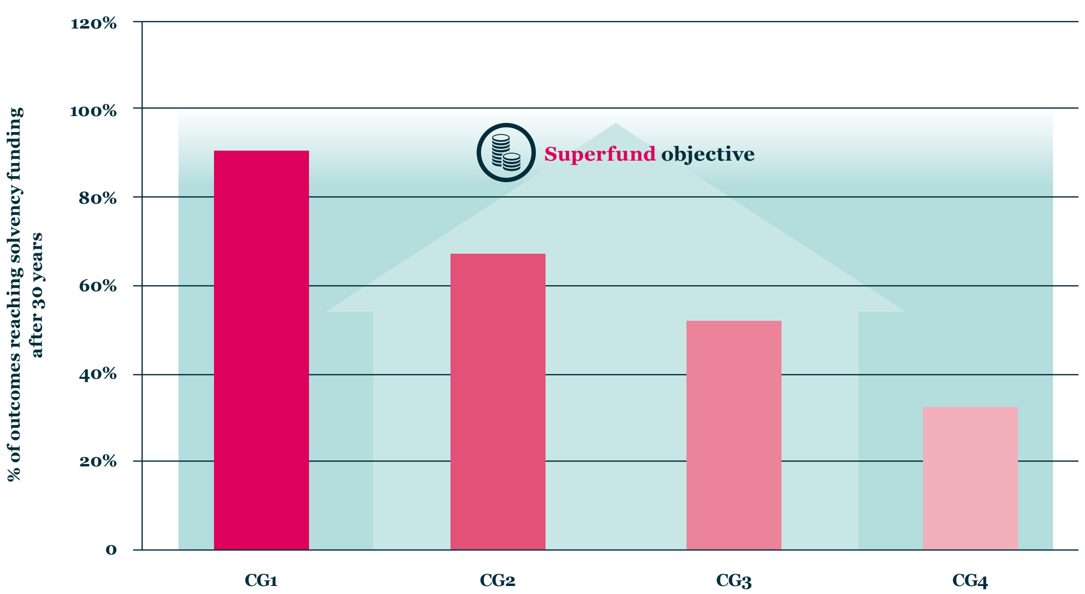
Provision of consolidation vehicles, or 'Superfunds', would enable an employer's covenant – essentially, an unknown and intangible arrangement – to be exchanged for a cash payment, as well as for stronger and more secure scheme backing from a larger sponsor. In the DB Taskforce's final report we set out a blueprint for a Superfund, which we envisage would be a useful additional option for many schemes to consider when thinking of possible ways forward.

Transferring to a Superfund will allow employers to concentrate on securing the future of their business, provide trustees with another way of securing member benefits, and ensure members gain from the greater likelihood of their benefits being paid in full. Our modelling and analysis indicates that Superfunds:

- would pay members the full value of their benefits in more than 90% of scenarios;
- would cost employers significantly less than buy-out; and
- would free up employer resources for investment in their businesses.
- could free up employer resources for investment in their businesses. Of those who knew what they would invest in, 49% of employers said they would invest the money freed up directly in their employees, for instance through contributions to the DC pension scheme or wage growth; while 28% would invest in businessgrowth, e.g. new equipment or company infrastructure.

There is still much to be done to help schemes in all circumstances, but we remain positive that government and regulatory bodies are committed to tackling the problems facing UK DB schemes.

This report – and the work of the Taskforce more generally – has helped to stimulate debate and to provide practical long-term solutions to support the continuing conversation about how we can work together to protect the hard-earned retirement savings of millions of people. I hope that the much-anticipated Winter DB White Paper will continue to do the same.



PLSA RESEARCH

Elizabeth Spratt, PLSA's Head of Research provides an update on the results on a selection of our recent surveys and member polls.

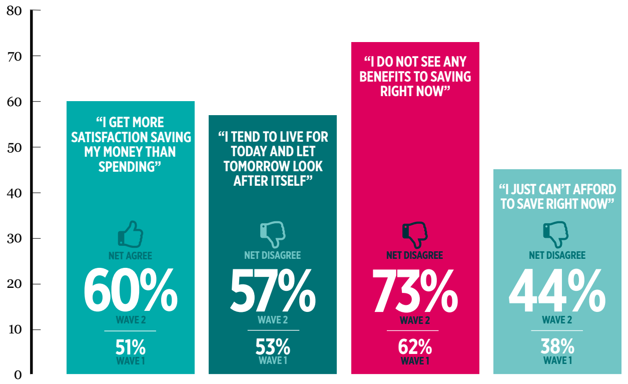
MILLENNIALS RESEARCH

AS MILLENNIALS WILL BE THE FIRST GENERATION TO BENEFIT IN FULL FROM AUTOMATIC ENROLMENT, WE UNDERTOOK RESEARCH TO UNDERSTAND HOW THIS AGE GROUP APPROACH LONG-TERM SAVING AND ALSO WHAT PREVENTS THEM SAVING MORE.

We commissioned ComRes to conduct two waves of research with UK adults aged 18 to 35. The first wave was conducted between 25 July and 4 August 2016 with 962 people and the second wave was conducted between 9 and 20 February 2017 with 1,001 people.

Millennials are often described as the YOLO (you only live once) generation but our research reveals quite a different profile. Instead of adopting spendthrift attitudes 18-35 year olds want to save, feel they ought to save, but simply can't.

MILLENNIAL SAVING AND BORROWING



MILLENNIALS ATTITUDES TOWARDS BORROWING

MEMBERSHIP RESEARCH

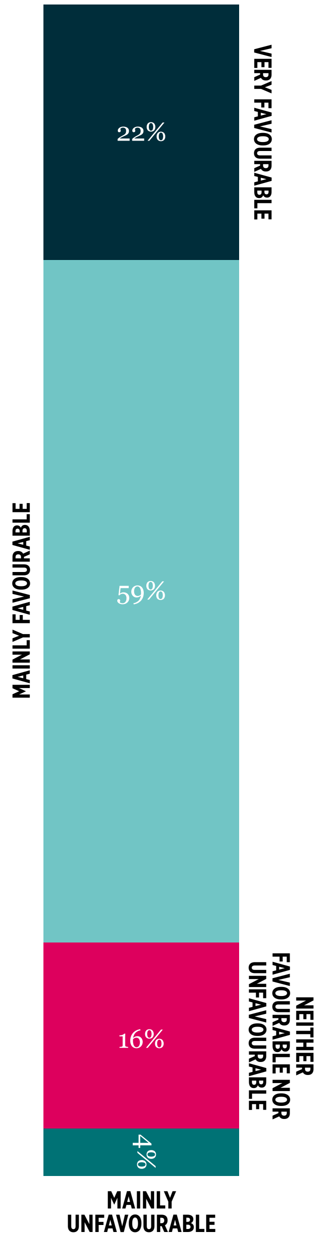
The PLSA undertook its three yearly members survey in the early summer of 2017. A total of 246 members completed the survey (including 176 Fund Members and 70 Business Members), which represents a response rate of 26%.

Some of the key metrics from the survey are presented below on members' views of the PLSA.

HAVE FAVOURABLE VIEW OF THE PLSA

WOULD RECOMMEND ANOTHER ORGANISATION JOINS THE PLSA

WOULD RENEW THEIR PLSA MEMBERSHIP



In total 4 in 5 members have a favourable view of the PLSA overall

'HOUSE IS NOT JUST A HOME' BUT FOR MANY ALSO PART OF THEIR PENSION

PROPERTY RESEARCH

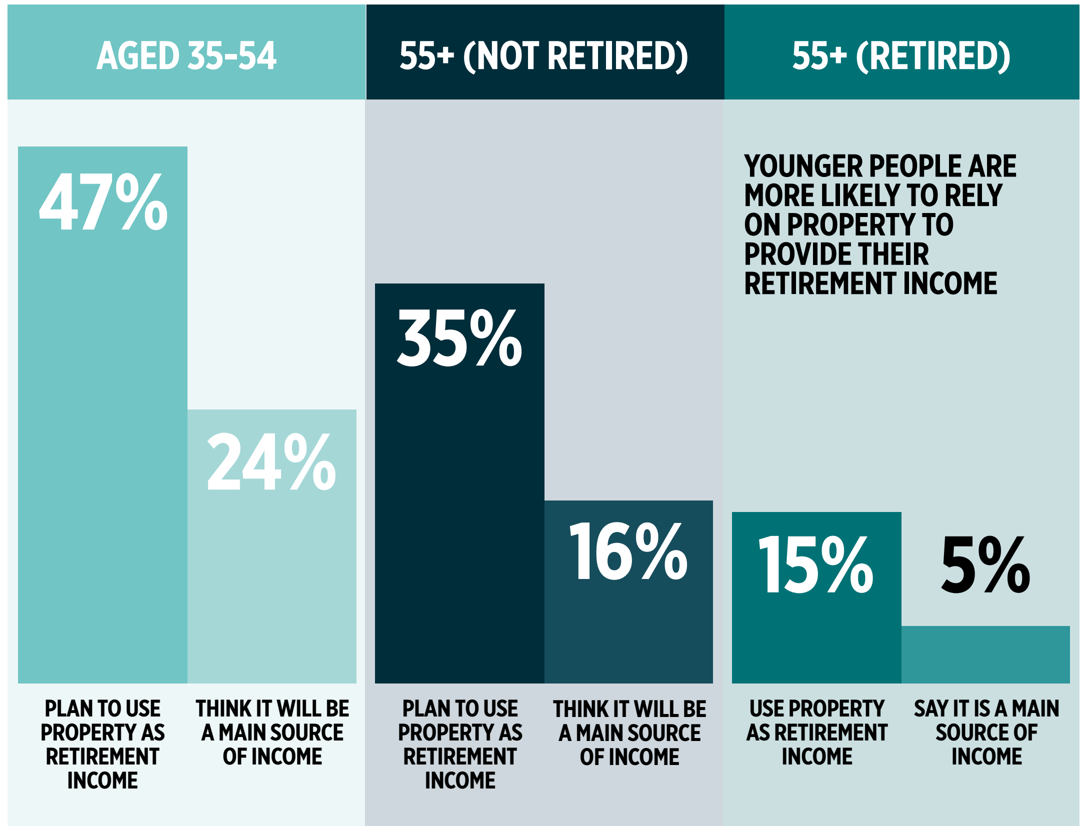
Retirement is changing. Today people work later in life, funding their retirement through several sources. For years, it's been said a 'house is not just a home' but for many also part of their pension: we investigated how true this was for UK people aged 35–85.

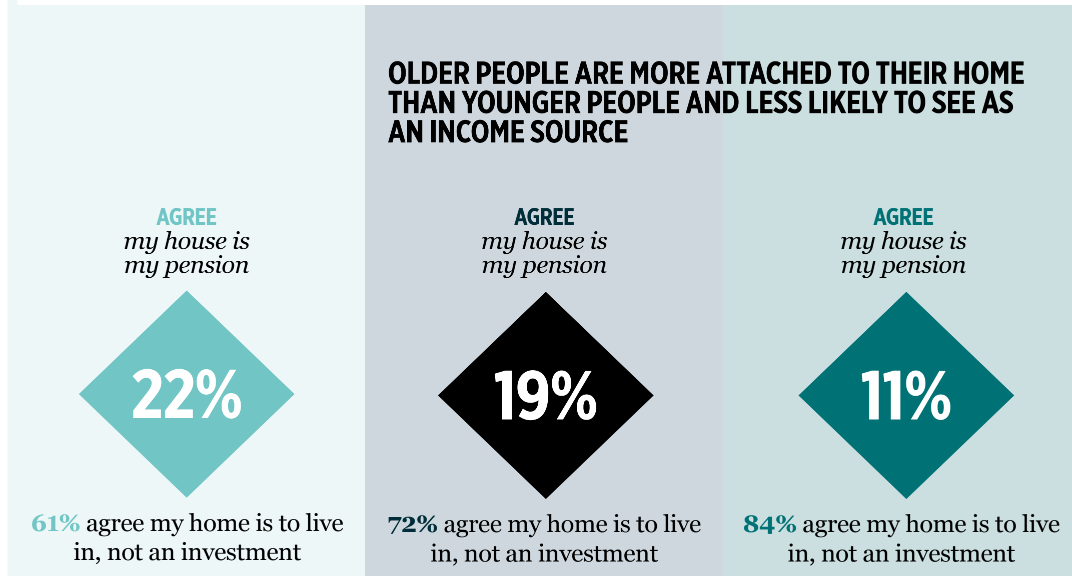
We commissioned DJS Research to conduct research with 35–85 year olds in the UK looking at how they currently or intend to use property in their retirement. These findings are from a survey of 1,650 people.

The research displayed a clear generational divide: 35–54 year olds are expecting to use property more than current retirees; this is even though they are less likely to own property. Of those aged 35–54 intending to use property in retirement, 23% don't own any yet. This casts doubts over the viability of this group's plans to use property to finance their retirement. This is all the more true if they are going to get on the housing ladder later and enter retirement with a mortgage.

23%

Of those aged 35–54 intending to use property in retirement, 23% don't own any yet.





THOMSON REUTERS

PRACTICAL LAW™ LEGAL UPDATE

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

A BUMPER HARVEST: LONG-AWAITED PENSIONS CASES HANDED DOWN

Various long-running pensions disputes have received judgment from the courts recently, providing a bumper crop of guidance for those dealing with pensions, including:

- **Discrimination: *Walker v Innospec*[1]: Supreme Court confirms same-sex partners entitled to equal survivors' pension benefits.** Pension schemes that have not fully equalised survivor benefits for same-sex partners should revisit their rules. Mr Walker's husband would be entitled under the Equal Treatment Directive[2] to a spouse's pension calculated on the basis of all Mr Walker's years of service. Although the entitlement could not have arisen before the Directive was implemented in 2003, where a pension comes into payment after that date its calculation has to cover the full period of pensionable service, notwithstanding that this accrued before 2003.
- **Employers' discretionary decisions: *IBM*[3] appeal allowed.** In the first appellate decision to consider the scope of an employer's Imperial duty of 'good faith', the Court of Appeal ruled that the correct test for assessing a breach was a 'rationality test' equivalent to the Wednesbury test used in judicial review. Here, the members' reasonable expectations were a relevant but not overriding factor. Beware, this is a fact-dependent test. Employers should still take care when dealing with pension cost-saving exercises, particularly in relation to consultation exercises (the members were entitled to claim for damages regarding flaws in employer conduct).
- **Pensionable pay agreements: comfort to employers about validity.** In Bradbury[4] the Court of Appeal rejected an appeal against a pensionable pay cap agreement, deciding that under the scheme's rules the BBC could determine whether a pay increase counted as basic salary (and was therefore pensionable). Additionally, section 91 of the Pensions Act 1995 did not invalidate the agreement; it protects the right to a future pension, not where a person may acquire a future right to a pension. In IBM, the Court of Appeal ruled that an employer's decision not to grant a pay rise, or to subject the pay rise to a non-pensionability requirement, could only be a breach of trust and confidence if the decision was irrational.
- **Trustee duties and RPI/CPI: *BA*.** The High Court[5] held that the trustees' decision to amend the rules to introduce a discretionary pension increase provision and the subsequent exercise of that power was valid and effective. This decision is being appealed.

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. Walker v Innospec Ltd and others [2017] UKSC 47
2. (2000/78/EC)
3. IBM United Kingdom Holdings Ltd and another v Dalgleish and others [2017] EWCA Civ 1212
4. Bradbury v BBC [2017] EWCA Civ 1144
5. British Airways plc v Airways Pension Scheme Trustee Limited [2017] EWHC 1191 (Ch)

PENSIONS AND LIFETIME SAVINGS ACADEMY UPDATE

Frances Corbett
Head of PLSA Academy and PINNACLE

WHEN THE ACADEMY RETURNED FROM ITS SUMMER BREAK THERE WAS NO TIME TO CATCH UP ON HOLIDAY EXPLOITS AS WE IMMEDIATELY CONCENTRATED ON THE DELIVERY OF OUR AUTUMN EDUCATION PROGRAMME.

Starting on 6 September with KAS BANK and its sponsorship and delivery of a teach-in entitled 'Demistifying cost transparency, UK case study', we then ran a filled-to-capacity session of 'Introduction to trusteeship Part 1 – The theory' on 20 September. This training was followed by a webinar sponsored by Russell Investments discussing whether today's trustees' approach to investment strategy is fit for purpose.

September also offered virtual training sessions on 'Pension Basics' and 'Retirement Guidance – supporting employees'. And at the time of writing we are preparing 'Understanding Investments', our third virtual training course now open for booking.

While the month of September has kept us extremely busy, we will of course continue to offer further training opportunities here in the office at Cheapside and through our virtual platform in October and November. Please visit our Academy education pages on the PLSA website to book your places.

In the last edition of *Viewpoint* I explained the Academy would be introducing a leadership programme to educate and equip our future leaders with the skills and knowledge to promote greater diversity within the pensions industry and on trustee boards. This programme is now fully up and running, with delegates completing their learning at the end of February 2018. We are very grateful to Northern Trust and LCP for their sponsorship, allowing full participation for this programme.

> *"Every student can learn, just not on the same day, or the same way."*
>
> **George Evans** (Author)

MEMBER NEWS

WELCOME TO NEW MEMBERS

BRANWELL FORD

BWF is an award-winning recruitment consultancy and we have been recruiting for the pensions industry for over 15 years. If you are looking for a pension administrator, In-House Manager, Trustee, Head of Department or anything in between in any UK location, our team of experts can help.

Contact: Nikki Haupt
E: nikki@branwellford.co.uk
T: +44 (0)1279 859000
www.branwellford.co.uk

BESTX

BestX is a technology company, creating state of the art software to provide real-time, independent trade technology and interactive analytics that enable clients to define, achieve and demonstrate best execution. BestX provides clients with a level playing field to enable them to assess and compare the quality of their FX execution, agnostic of counterparty, venue or liquidity provider.

Contact: Pete Eggleston
E: contact@bestx.co.uk
T: +44(0)20 3946 2520
www.bestx.co.uk

HARGREAVES LANSDOWN

Hargreaves Lansdown is a leading broker of annuities and an award-winning income drawdown provider. Specialising in both digital and face-to-face communications, Hargreaves Lansdown has an excellent track record of improving the outcomes of members at retirement. Whether providing information, guidance or advice, we can tailor the right level of at retirement service for your members.

Contact: Pete Holman
E: corporate@hl.co.uk
T: +44 (0)117 314 1783
www.hl.co.uk/company-pensions

INDEPENDENT TRUSTEE SERVICES

Independent Trustee Services has been providing professional trustee services for over 25 years. We specialise in all aspects of trusteeship including: DB schemes from £1 million to over £1 billion assets; DC schemes including Master Trusts and IGCs; taking schemes through the PPF and distressed arrangements.

Contact: Darren Jefferson
E: Darren_jefferson@itslimited.org.uk
T: +44 (0)7393 477589
www.itslimited.org.uk

LEADING FIGURES

Our aim is to stimulate business and personal growth by helping our clients enhance their engagement skills and performance at individual, team and organisational levels. We provide guidance, challenge and feedback to improve leadership effectiveness. We also support teams in being more cohesive, trusting and focused, and help organisations align their people with the needs of clients and prospects.

Contact: Russell Borland
E: russell.borland@leadingfigures.com
T: +44 (0)7788 179 926
www.leadingfigures.com

LGT VESTRA LLP

We provide a specialist investment management service to smaller DB schemes. Our cash flow and liability matching expertise alongside our dynamic growth strategies help Trustees to better manage their scheme's volatility and improve their funding position. Every scheme is unique: every portfolio is bespoke.

Contact: Robin Hames
E: robin.hames@lgtvestra.com
T: +44 (0)20 3207 8008
www.lgtvestra.com

GOVERNING A MODERN ASSOCIATION

At last year's Annual Conference & Exhibition our Chair, Lesley Williams, announced a review of the PLSA's governance. PLSA's **Edward Bogira** outlines the first major proposal – and asks members to vote for modernisation.

AS OUR MEMBERS KNOW, GETTING GOVERNANCE RIGHT IS THE FOUNDATION OF SUCCESS. THAT'S TRUE FOR PEOPLE RUNNING PENSION SCHEMES AND FOR PEOPLE RUNNING THE ASSOCIATION THAT REPRESENTS THEM. AS WE CELEBRATED OUR FIRST YEAR AS THE PLSA LAST OCTOBER WE THOUGHT THE TIME WAS RIGHT TO REFLECT ON WHETHER OUR GOVERNANCE SUPPORTED OUR AIMS AND ALLOWED US TO RESPOND TO THE CHANGING WORLD OF PENSIONS AND CHANGES IN MEMBERS' NEEDS. WE DECIDED TO MAKE SURE WE HAVE THE RIGHT STRUCTURE AND RULES IN PLACE TO RUN THE PLSA EFFECTIVELY AND MAKE POLICY THAT WORKS FOR OUR MEMBERS.

We've discussed alternative structures, better ways to work with our current structure, new election systems and the relationship between the Board and the Councils – given that eight of our nine non-executive directors are always current or former Council members.
And we kept coming back to one thing: the rules in the Constitution, which give us very little flexibility over how we do anything. The Constitution was first adopted in 1973 and has been amended numerous times since then. All the changes were well-intentioned, but they have left us with a cumbersome, confusing and sometimes unclear set of rules that feel archaic in 2017.

So when members received their papers for this year's Annual General Meeting, which will take place at its usual time of 8.30am on the Friday morning of the Annual Conference & Exhibition, they saw a proposed new set of Articles of Association. The AGM Notice includes a special resolution to adopt these in place of both the current Constitution and Articles of Association (also drafted in 1973 and amended since).

The new Articles of Association are based on the standard model articles for limited companies introduced in 2009, which represent the most up-to-date standard form of governance. Of course members should know how their Association works and have control of it, so we've made a handful of amendments to tailor the model Articles to the PLSA. The Articles require the Board to publish separate Rules in various areas, including how it will determine subscriptions or how members will be appointed to Councils, and to consult on them. Members would have the power to revoke the Rules and, by special resolution, to require the Board to carry out or refrain from specified actions. We will commit to making sure these Rules are more transparent than the current Constitution is.

The first sets of Rules will confirm that the current arrangements will be kept in place for the time being, although we do propose to increase the PLSA' Chair's term from two years to three years to give us more stability at Board level. There are further plans in the pipeline, and we will consult members on the next stages of the evolution of our governance if members vote to adopt the new Articles at the AGM this year – but any decisions on those next stages will be separate to this one.

We think all of this this would make PLSA governance much clearer and more efficient than itis now and give us the flexibility to respond to changes in our world and your needs.

But nothing will change without members' support. We hope our primary contacts at member organisations, to whom we sent the AGM papers, will see the benefits of the new Articles and vote to adopt them. If you want to speak to someone at the PLSA about the Articles you can contact me (**edward.bogira@plsa.co.uk**), or if you'll be at the Annual Conference & Exhibition in Manchester in October there is an open forum for PLSA members on the programme.

GOVERNANCE UPDATE: NEW CHAIRS

As of the PLSA's Annual General Meeting on 20 October 2017, three new Chairs will take up their posts.

Richard Butcher
Chair, PLSA

RICHARD WILL TAKE OVER FROM LESLEY WILLIAMS (WHO WILL REMAIN ON THE BOARD). IF MEMBERS VOTE TO INTRODUCE THE NEW ARTICLES OF ASSOCIATION EXPLAINED IN THE EARLIER STORY, HE WILL SERVE A THREE-YEAR TERM.

With a career that spans more than 30 years in the pensions industry, Richard is currently the managing director of PTL – a leading provider of independent governance services – as well as a professional independent trustee.

Commenting on his appointment, Richard said:

"I am proud and humbled to be appointed as Chair of the PLSA and to succeed Lesley Williams. Lesley is a great chair and a champion of the pensions industry. Looking to the future, I intend to build on the hard work of the Association members, the Councils and Committees and the executive of the PLSA to ensure that we continue to inform the debate and represent the views and interests of our members."

Carol Young
Chair, DC Council

CAROL YOUNG IS HEAD OF PENSIONS, POLICY AND PRODUCTS AT ROYAL BANK OF SCOTLAND AND THE CURRENT VICE-CHAIR OF THE DC COUNCIL. SHE WILL REPLACE RICHARD BUTCHER AS DC COUNCIL CHAIR.

Carol said of her appointment:

"The PLSA undertakes a huge amount of valuable advocacy work for the pensions industry and I am delighted to have been appointed to chair the DC Council. At a time when increasing numbers of people are looking to automatic enrolment to provide them with a better standard of living in retirement, it is vital that we continue to work to create an environment where this is not only possible but encouraged. I look forward to working with the wider PLSA membership to help achieve this."

Chris Hogg
Chair, DB Council

CHRIS HOGG, OUTGOING CHIEF EXECUTIVE OF ROYAL MAIL PENSIONS TRUSTEES, WILL REPLACE FRANK JOHNSON AS CHAIR OF THE DB COUNCIL AND JOIN THE PLSA BOARD.

Chris said:

"DB pension schemes have over £1.5 trillion worth of assets under management and provide millions of people with a secure income in retirement. I am therefore extremely pleased to be appointed to chair the PLSA's DB Council and to help shape the policy work that the organisation undertakes on behalf of these funds. I look forward to engaging with members and representing their views going forward."

The Master Trust Committee will also have a new Chair for 2017-18 as Chris Hitchen steps down.

After the AGM, Councils will elect new Vice-Chairs from their existing membership. If PLSA members vote to introduce the new Articles of Association at this year's AGM, no Council elections will be held next year, but there are opportunities for co-option.

This year's Annual General Meeting will be held in Exchange 1, Manchester Central, Windmill St, Manchester, M2 3GX on Friday 20 October 2017 at 8.30am (the final morning of the Annual Conference & Exhibition). Papers were sent to primary contacts at member organisations on 25 September. All PLSA members are entitled to attend and this is the main way that you can have a say in how we run the PLSA.

PENSION QUALITY MARK UPDATE

Matthew Doyle
Managing Director, PQM

It has been a busy few months for the PQM team:

- We have had the PQM Consultation on the future of the standards, the final report will be released before the end of the year
- We launched the *Good Communications Guide*, in conjunction with the creative agency Landscape
- We have been assisting the US National Public Pension Fund Association in creating a strategy and business plan for a US version of the PQM standards
- We have accredited two new Master Trusts for PQM Ready.

Continuing on the theme of improving communications, at the PLSA Annual Conference we are branding the PQM stand to support the launch of the *Good Communications Guide*: come along to find out more about the guide and play virtual reality ping pong! If you can't make it to Manchester visit www.goodcommunicationsguide.com.

Also at Conference we will present the first PQM Distinction for Communications award.

This award recognises the best of the best of PQM schemes and provides an opportunity to learn from best practice.

We are soon saying goodbye to Adrian Boulding, after eight years on the PQM board. I'd like to take this opportunity to thank Adrian for his valuable contribution and support for PQM and to me throughout this time, although I expect his passion for quality in pensions will continue.

While Adrian doesn't leave the PQM Board until the end of the year, he recently stood down as our Chair. In September, we were delighted to announce Gregg McClymont as our new Chair – Gregg is already very well known in the industry, and like Adrian before him is keen to hear and work with PQM holders, so please feel free to reach out to him at gregg.mcclymont@pensionqualitymark.org.uk

PQM READY SCHEMES – NEW

Friends Life Master Trust (joined May 2017)

PQM READY SCHEMES – RENEWED AUGUST AND SEPTEMBER 2017

Ensign Retirement Plan

Railways Pension Scheme Industry-Wide Defined Contribution Section

PENSIONSCONNECTION UPDATE

Laura Webb
Head of Membership Relations

PENSIONSCONNECTION TOOK ITS ANNUAL SUMMER BREAK DURING AUGUST BUT THROUGHOUT JUNE WE HOSTED THREE EVENTS ACROSS OUR FINANCE DIRECTOR, DEFINED CONTRIBUTION AND TRUSTEE NETWORKS.

At the Trustee session our EU Policy Lead, James Walsh, explained what the PLSA is doing to ensure the pensions perspective is well understood by decision-makers at the negotiating table. The second DC session of the year was led by Landscape Communications who discussed some new ideas on what schemes can do to deliver pension communications that work. They also provided attendees with a preview of some insights from PQM's *Good Communications Guide*.

The FD session, led by Mercer, focused on pension liabilities and the group explored their different interpretations of the 'real relationship' between payments to members and the assets of the scheme.

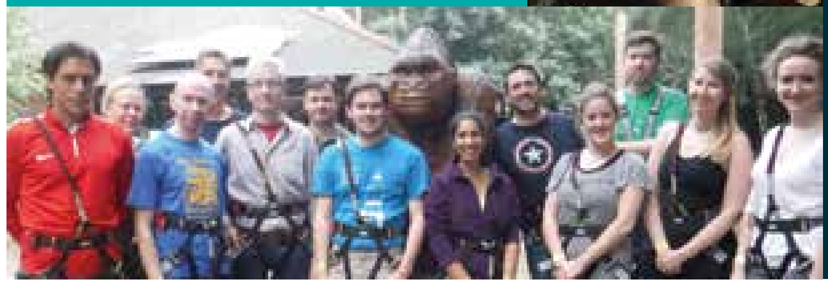
Coming up at the start of quarter three we will be running more FD and DC network events, both of which are scheduled to take place on 3 October. We are also currently in the process of finalising the plans for a Corporate Governance event as well as another session for trustees towards the end of the year.

To subscribe to any of our PensionsConnection services or receive news about upcoming events just visit www.plsa.co.uk/pensionsconnection.

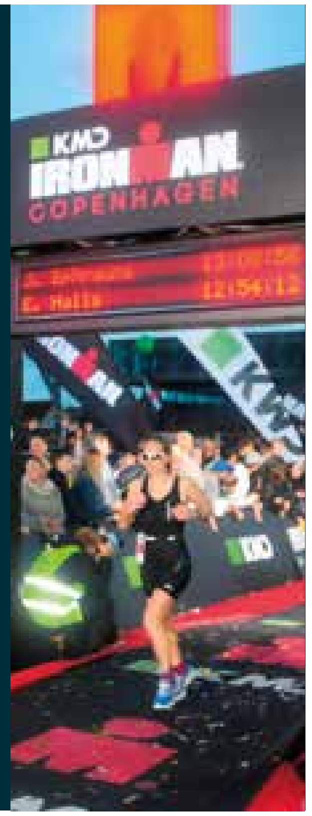
Many thanks to Landscape and Mercer for sponsoring the FD and DC events that took place in June. If you would like the opportunity to sponsor one of our PensionsConnection streams please get in touch with Varsha Gowda at varsha.gowda@plsa.co.uk

PLSA EXTERNAL AFFAIRS TEAM "GO APE"

In August our External Affairs team had their half-away day and went to Go Ape who promised an 'experience that we would never forget' and invited us to "live life more adventurously." While some zoomed ahead, enjoying scaling the heady heights of the course rather than the mountains of pensions regulation, others chose a more sedate approach clasping the supports and ropes as we shuffled along. Here are some photos of the day.



Congratulations to our colleague Ellie Halls, who recently completed the gruelling Ironman Copenhagen. Ironman for anyone that doesn't know, is a gruelling long-distance triathlon consisting of a 2.4-mile (3.86 km) swim, a 112-mile (180.25 km) bicycle ride and a marathon 26.22-mile (42.20 km) run, raced in that order and without a break. After considering taking up the challenge a year before, she spent 8 months in training. You might see her on the conference run!



CALENDAR OF EVENTS 2017

NOVEMBER

02
Training: Introduction to Trusteeship – Part 1: The Theory
(10am-4pm, London)

07
Local Authority Forum
(10am-4pm, London)

14
Training: Introduction to Trusteeship – Part 2: The practice
(10am-4pm, London)

22
Hot Topic Seminar: Hunting for Investment Income
(10am-4pm, London)

28
Human Resources PensionsConnection
(4.30-6pm, London)

23
Business Members' Drinks The NED, Poultry EC2
(6.30-8.30pm)

28
Trustee PensionsConnection
(9-10am, London)

DECEMBER

06
Trustee Conference 2017: Clear decisions; transparent outcomes
(London)

11
Training: Retirement Guidance – supporting employees
(11am-midday, online)

14
Fund Member Breakfast (exclusive to fund members)
(London)

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