Viewpoint

The official journal of the Pensions and Lifetime Savings Association

Issue 3 2021

THE BIG REMIX

TWO CHAIRS, ONE VOICE

TURNING UP THE REGULATOR'S POWERS

THE PLSA'S TRACK RECORD FOR MEMBERS

WHAT'S NEXT FOR ESG?

INTERNATIONAL PENSION PERSPECTIVES

FUTURE PLANS FOR THE LGPS

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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ISSN 2398-7626

Published by the Pensions and Lifetime Savings Association, a company registered in England and Wales. Company number 1130269.

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CEO'S *Viewpoint*

With Annual Conference approaching and a new Chair ready to take over, ***Julian Mund*** can feel the energy building...

WELCOME TO THE AUTUMN EDITION OF THE PLSA'S MEMBER MAGAZINE, *VIEWPOINT!*

I can feel a real surge of energy as we approach the PLSA Annual Conference on 12-14 October this year. The PLSA is always a hive of activity as the team prepares for our flagship event. But this year there's something more: the government's lifting of Covid-19 restrictions, many workers returning to offices, all eyes on the road to economic recovery. I'm looking forward to sharing with you at conference – aptly titled Ready, (Re)Set, Go! – how the organisation and our members are approaching the return to business as usual.

As we emerge from the pandemic, this is the pension sector's opportunity to reset. Conference will seek to answer questions to a range of critical topics, such as how can we best guide savers on their path to retirement? How can schemes successfully embed ESG into their investment strategy? How can trustees best adhere to the new climate regulations? What is the new DB Funding Code expected to look like for schemes?

We're thrilled to bring you some unrivalled content and world class speakers including Sir Andrew Dilnot, journalist Beth Rigby, Professor Mariana Mazzucato and MPs Guy Opperman and Stephen Timms.

One of the hot topics at conference will be responsible investment. Mere days away from the beginning of COP26 in Glasgow, this could be your last chance to discover how the issues discussed may affect your pension scheme. You can read more about what's next on the ESG agenda in this issue.

During conference we will also unveil the winners of the first ever Retirement Living Standards Awards! These recognise excellence in adopting the Standards – now accessible to more than 14 million savers – for member communications.

The PLSA has devised the awards to recognise adopters who have incorporated the Standards into their communications in novel and effective ways.

There are three categories: saver engagement (scheme), saver engagement (provider) and FinTech/Innovation and I'm excited to find out how this year's entrants are helping more savers engage with their pension to achieve a better income in retirement. You can read more about the awards on page 18.

Annual Conference also plays host to the PLSA's Annual General Meeting, and this year we will be welcoming Emma Douglas to the post of Chair of the association, and bidding a fond farewell to Richard Butcher.

We are incredibly grateful to Richard, who held the post of Chair for four years, expertly guiding the PLSA through the pandemic. So on behalf of everyone at the PLSA and all our members, a huge thank you to Richard. He leaves us with some parting thoughts on page 12.

Emma – no stranger to the PLSA already – takes up the mantle at an important time for the organisation as we face the future and our centenary in 2023! Read Emma's interview on page 13 where she provides a sneak preview of her focus areas for the next three years.

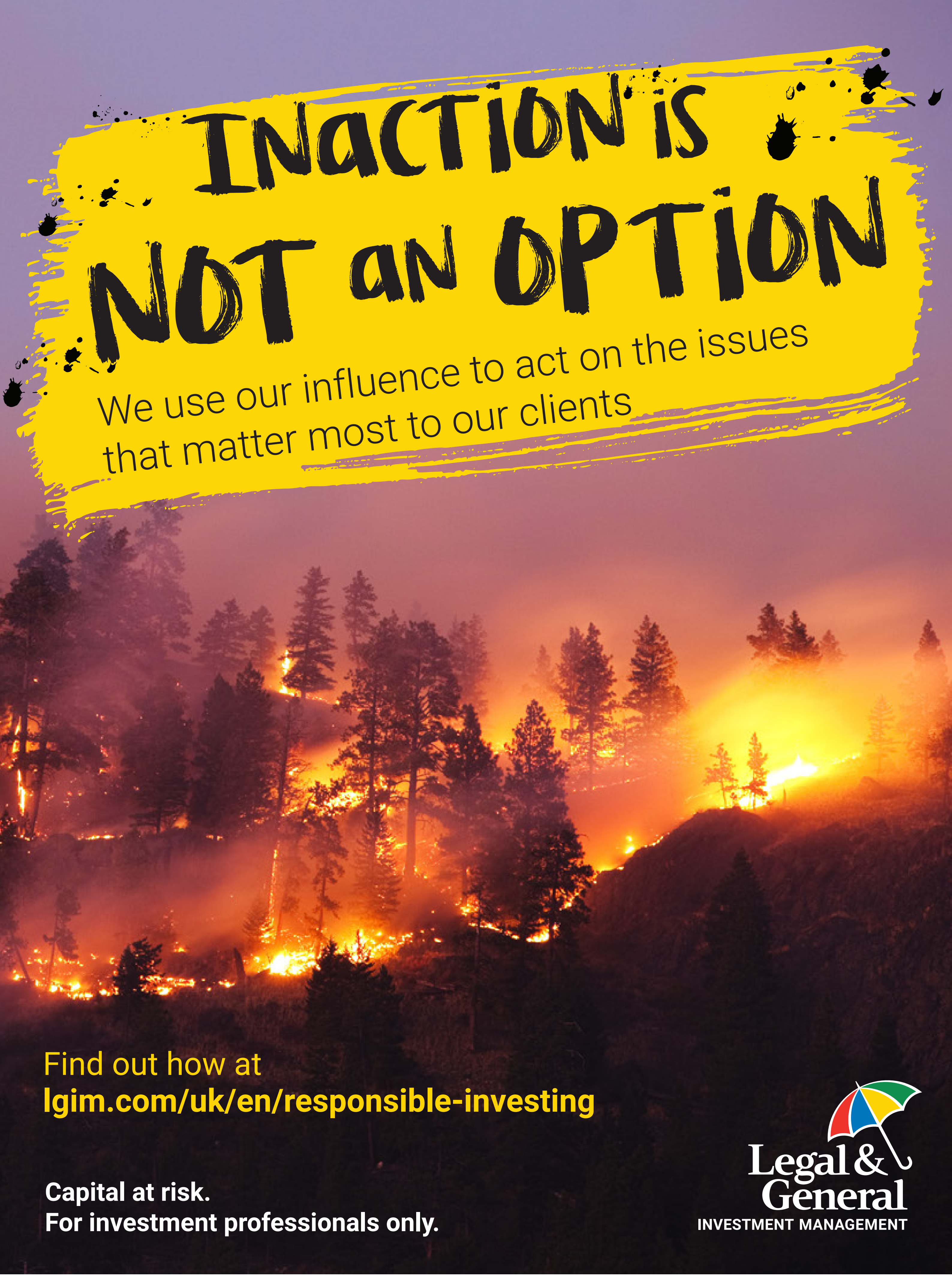
September saw the PLSA reopen our London office for those staff members who feel comfortable coming back in. Lockdown taught us a lot about the benefits of hybrid working, and we're keen to build upon on this and preserve the advantages of home working. But it's been great to see colleagues again to collaborate and share ideas.

Similarly, this will be the second Annual Conference we have delivered digitally. And while it has opened our eyes to the flexibility and power of digital – something we'll be scrutinising further over the coming months – we are excited to welcome members back to face-to-face events when it is safe and practical to do so.

So it's all eyes to the future. I look forward to seeing you digitally at conference, and hopefully in person again before too long!

Julian Mund

AS WE EMERGE FROM THE PANDEMIC, THIS IS THE PENSION SECTOR'S OPPORTUNITY TO RESET



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ESG21: PARIS, PANDEMICS AND THE PRINCE OF WALES

Rachel Pine, Head of Content - Conferences reports on a land mark conference and looks forward to the next instalment.

THE PLSA'S FIRST ESG CONFERENCE, WHICH TOOK PLACE FROM 30 JUNE TO 1 JULY 2021, WELCOMED MORE THAN 800 ATTENDEES INCLUDING REPRESENTATIVES OF NEARLY 200 UK PENSION SCHEMES.

What is clear from the speakers, sponsors and attendees is that UK schemes are working diligently to align their portfolios and practices with the newest thinking about ESG and climate investing.

The conference explored many different aspects of environmental, social and governance investing, from showing how ESG looks across different asset classes, to examining its broader aspects including biodiversity, the creation of jobs that are not only good for the environment but also for the workers that perform them, the costs of sustainability and how this may impact expected future portfolio returns, and how ESG can fit into existing investment risk management models. We learned about the definition of Paris-aligned investing, and heard from one of the earliest and most strident sustainability proponents in the UK – HRH The Prince of Wales.

We were able to present a hot-off-the-presses session on the government's green finance agenda, led by John Glen MP, Economic Secretary to the Treasury, who explained how the green gilts programme will work and the role that pensions can play in it.

The programme needed to be top-notch, as UK schemes must now comply with ESG regulations that are world-leading in their ambition, broad in their scope, and complex in their implementation. This fast-evolving topic has required pension schemes to rethink many aspects of their investment strategy and respond quickly as regulation, investment offerings and reporting processes change.

With the COP26 conference in Glasgow in November well within our sights, and a report from the UN's Intergovernmental Panel on Climate Change outlining a cascading climate scenario that is far worse than expected, the themes and ideas of ESG21 resonate throughout our industry.

We will be picking this all up again with our next ESG Conference, which will take place digitally on 9 and 10 March 2022. We'll discuss the agreements that come out of COP26, the experiences of some of the first schemes impacted by the TCFD for pensions, and the many new challenges in information-gathering and decision-making.

Mark your diaries now!

> **UK SCHEMES ARE WORKING DILIGENTLY TO ALIGN THEIR PORTFOLIOS AND PRACTICES WITH THE NEWEST THINKING ABOUT ESG AND CLIMATE INVESTING**

KEEP THE CONVERSATION GOING

If you'd like to hear about some of the key ESG themes covered in the conference, listen to our Viewpoint ESG podcast series: **https://www.plsa.co.uk/Podcast**

Our Responsible Investment Hub also contains a wealth of information about the PLSA's focus on climate change and ESG: **www.plsa.co.uk/Policy-and-Research/Responsible-Investment**

READY, (RE)SET, GO!

There's a lot to look forward to at our biggest event of the year – ***Rachel Pine,*** Head of Content – Conferences, is here with a preview...

READY, (RE)SET, GO! – THE PLSA'S ANNUAL CONFERENCE 2021 THOROUGHLY EXAMINES THE MOST CRITICAL POLICY ISSUES FACING SCHEMES AND SAVERS IN OUR (NEARLY) POST-COVID, POST-BREXIT ENVIRONMENT, AGAINST THE BACKDROP OF A WORLD GRAPPLING WITH THE PANDEMIC'S AFTERMATH, THE CHANGING GEOPOLITICAL ENVIRONMENT AND THE INCREASING URGENCY OF CLIMATE CHANGE.

The idea of pensions helping to reset our society goes beyond build back better, stretching to encompass retirement savings adequacy, social care, DC decumulation, and diversity and inclusion in pension schemes.

We will look at our theme of 'Ready, (Re) Set, Go!' across global economies, with Professor Mariana Mazzucato discussing the idea of mission-oriented policy that can drive innovation, uniting the private and state sectors; we'll look at it with regard to climate with our panel on the lead-up to COP26, and how UK pensions are leading the change for this nation and the future, and we'll look again with political editor and broadcaster Beth Rigby, who will give us an up-to-the-minute scoop on the current political scene, directly after the close of the Labour and Conservative party conferences.

With some policy initiatives initially delayed or postponed by the pandemic, it's all come back on track, and AC21 features a full complement of the most pressing policy issues, including pensions tax relief, TCFD for pensions, pensions dashboards, adequacy, small pots, DC decumulation and more.

While our roster of speakers is always top-notch, this year we're particularly pleased to be welcoming some new pensions leaders to the conference, including Sarah Smart – not at all new to the pensions industry, but newly appointed as Chair of The Pensions Regulator, and Sarah Pritchard, who joined the Financial Conduct Authority just recently as Executive Director for Markets. Although they're speaking in separate keynotes, together their sessions give our industry a steer on the direction of travel for scheme regulation and governance in the coming months and years.

Professor Mariana Mazzucato
Economist and Author

Beth Rigby
Political Journalist and Broadcaster

Guy Opperman
Minister for Pensions and Financial Inclusion

Guy Opperman MP, Minister for Pensions – in what has become an annual address at the PLSA conference – will discuss what building back better means for pensions, as well as ESG investing, DB and DC consolidation, dashboards and annual benefit statements.

We're also going a bit outside the lines, with Sir Andrew Dilnot, author of the influential report on social care, providing insight into how the government may go about the long-promised reform of our social care system, and the measures he feels should be adopted.

In addition to refreshing the Retirement Living Standards with new figures, we'll have the winners of the first Retirement Living Standards awards on hand to discuss how they have adopted the standards and how their savers have engaged with them.

Our innovative conference platform allows delegates to reach out to speakers – asking them questions and even organising meetings – over the course of the conference. We have Hot Topic Member Chats which enable attendees to chat about a specific topic with a speaker and with each other, and our platform is also enabled with artificial intelligence which will encourage attendees to check out sessions with similar themes to the ones they're already joining.

Over the three days, we expect more than 1,000 conference attendees representing hundreds of UK schemes, as well as business members. Get ready for Ready, (Re)set, Go!

THE BACKDROP IS A WORLD GRAPPLING WITH THE PANDEMIC'S AFTERMATH, THE CHANGING GEOPOLITICAL ENVIRONMENT AND THE INCREASING URGENCY OF CLIMATE CHANGE

TRUSTEE TRAINING

The PLSA's popular sessions will stand any trustee in good stead, says ***Kate Hadley,*** Director of Events.

IF YOU ARE A PENSION SCHEME TRUSTEE YOU'RE DOING A REMARKABLE JOB. YOU'RE PLAYING AN IMPORTANT, COMPLEX AND REWARDING ROLE IN PROTECTING THE RETIREMENT LIVELIHOODS OF MILLIONS OF PEOPLE IN THE UK. WHETHER YOU'RE AN EXPERIENCED TRUSTEE OR NEW TO THE POSITION, IT'S VITAL TO KEEP UP TO SPEED WITH THE CHANGING REGULATIONS AND FULFIL YOUR FIDUCIARY DUTIES, AND THE PLSA'S POPULAR TRUSTEE TRAINING CAN HELP YOU DO JUST THAT.

Our mission at the PLSA is to help everyone achieve a better income in retirement, and ensuring those who oversee the nation's pension schemes are the best they can be is an important part of this. As a not-for-profit trade association we are independent, unbiased, expert in delivering events and training, and have a team of policy experts at the forefront of the latest developments in pensions.

AS BENJAMIN FRANKLIN FAMOUSLY SAID, 'AN INVESTMENT IN KNOWLEDGE PAYS THE BEST INTEREST'

It's a testament to the dedication of our members that, despite the pandemic, people have kept up with their training, with the PLSA running Trusteeship parts 1 and 2 online three times over the course of the year. The digital courses included everything trustees have come to expect from our face-to-face sessions, just with a digital twist. But for 2022 we are looking forward to returning to in-person training as soon as it's safe and practical to do so – watch this space!

HOW THE TRAINING WORKS

There are three trustee training sessions to choose from, depending on experience, although they all also work well as a refresher for any trustee.

Trusteeship part 1 is aimed at individuals with 0-12 months' experience, and teaches the theory behind being a trustee. The training provides the foundations for parts 2 and 3, and any other CPD undertaken.

Our expert trainers guide participants through how pension schemes work, what is expected of the role and how to apply good scheme governance – bringing to life TPR's Trustee Knowledge and Understanding requirements. Aimed mainly at trustees of DB pension schemes, the course contains parts that are also relevant to DC trustees.

For trustees keen to go further, the natural next step is our Trusteeship part 2 course, where participants with some experience can put the theory into practice. Trustees will take part in boardroom simulations, learning how to approach the issues they will face in the role. This course includes topics such as the protocol and mechanics of decision-making, investment decisions, communications, good employer relationships, delegates and advisers, governance, and – importantly – how to cope when things go wrong.

Trusteeship part 3: the expert is designed for trustees with two to three years' experience, who are familiar with the basic principles of trusteeship and accustomed to attending trustee meetings, but are keen to hone their skills and improve their effectiveness as a trustee.

In this course trustees will practise incident response, managing investment risks, dealing with mistakes, exercising complex discretions, and working as a team to agree negotiation strategy.

THE PLSA'S TRUSTEESHIP TRAINING IS DESIGNED TO STAND YOU IN GOOD STEAD FOR WHATEVER THE ROLE OF TRUSTEE THROWS AT YOU

All our training is highly interactive and includes group discussions, case studies, breakout sessions and polls, as well as time to ask any questions of our experienced trainers.

The PLSA's Trusteeship training is designed to stand you in good stead for whatever the role of trustee throws at you. And with new challenges arising all the time – whether that's the DB funding code, climate change risk, or cyber security – our training should give you a strong base upon which to build. As Benjamin Franklin famously said, "An investment in knowledge pays the best interest".

If you or a trustee of your scheme are interested in the PLSA's training courses, visit the trustee training section of our website for more details and dates.

HANDOVER NOTES

WHAT WILL YOU MISS MOST ABOUT BEING PLSA CHAIR? AND, IS THERE ANYTHING YOU WON'T MISS?!

I'll miss two things. Firstly, helping everyone achieve a better income in retirement! Of course, I'll continue to do my bit in my day job as a professional trustee, but the PLSA has an influential and important voice and I'll miss contributing to it.

Secondly, I'll miss working with our members, the team and getting to meet such a wide range of people with a similarly wide range of opinions. Diversity of thought is a superpower and we, the PLSA, have it. Everyone involved gives so much and I'll miss that energy, excitement and how much they really care about this stuff.

I won't miss the early start for the AGM.

WHAT ONE POLICY CHANGE OR PENSIONS CAMPAIGN DRIVEN BY THE PLSA ARE YOU PROUDEST OF, AND WHY?

There have been so many, but, if I have to pick one, it has to be Hitting the Target. It was a proactive initiative, we had hundreds of people feed into it, and its main recommendation, the Retirement Income Targets, are brilliantly simple on the surface (although very complex beneath). They will help millions of people – around 20 million at the last count – identify and achieve their retirement aspirations.

If I had a second choice, it would be the work we've done on ESG and climate-aware investing. Pension schemes invest billions of pounds into economies around the world. That gives us huge leverage, and the work we've done will help schemes and their advisers to use that leverage to make the world a better place. Who wouldn't be proud of those?

IS THERE ANYTHING YOU WOULD HAVE DONE DIFFERENTLY, OR ANYTHING ELSE YOU WOULD HAVE LIKED TO INFLUENCE, DURING YOUR TIME AS CHAIR?

I'd have done loads of things differently. I'm nowhere near perfect, in fact, I'm barely adequate and I can always learn more. But I do try my hardest and I learn from my mistakes.

I would also have loved to be able to influence more matters. The PLSA is a not-for-profit and we rely on the commitment and dedication of our members and an executive team that frequently go above and beyond. But our resources are limited and that means we always have to make difficult choices about priorities. I wish we didn't.

WHAT THREE WORDS WOULD YOU USE TO DESCRIBE YOUR TIME AT THE PLSA?

It's difficult to sound sincere without some explanation, but if you'll take my sincerity as genuine: rewarding, challenging and great fun (will you allow me the last one – that makes four words...?)

Richard Butcher,
PLSA Chair 2018-2021.

As Emma Douglas prepares to take over from Richard Butcher as PLSA Chair, ***Maggie Williams*** asked both Richard and Emma about their plans and proudest moment.

Emma Douglas,
incoming PLSA Chair 2021.

WHAT ARE YOU LOOKING FORWARD TO ABOUT BECOMING PLSA CHAIR?

It's a real privilege to be Chair of the PLSA. I've been a long-term supporter of the PLSA (and formerly NAPF) conferences and policy work, having served on various policy councils since 2007. That's a lot of stamps on my loyalty card!

I'm really looking forward to returning to face-to-face conferences next year, and more importantly I'm keen to ensure that the PLSA's voice continues to be heard and recognised by both government and the press as the 'voice of the pensions industry'. We already do a lot of lobbying and advocacy work and I'm keen to step up my involvement here as that's the way we'll help to make a difference for our industry as a whole, the membership of the PLSA, and the individuals in the pension and long-term savings schemes run by our members.

I'm also keen to work with the other membership organisations in our industry so that we can present a united view, where appropriate.

WHAT'S RIGHT AT THE TOP OF YOUR PLSA POLICY INBOX FOR 2021/22?

It's a really busy inbox!

PLSA policy work is, of necessity, both reactive and proactive. We've seen and are seeing a huge increase in the number of consultations (we've responded to 25 so far this year), and as the voice of the pensions industry it is vital that we represent the views of our members, giving our support or constructive criticism to what is being proposed.

In terms of proactive work, we have policy positions to promote across all of the big industry challenges we face. To me, the biggest of these is the most fundamental – adequacy of contributions. If we don't see enough money going into the pension systems via DB, DC or even CDC in the future, then individuals will really struggle to achieve anything beyond the minimum income in retirement in terms of the PLSA Retirement Living Standards.

There are some big changes ahead that could transform the pensions landscape – the Dashboard and small pots spring immediately to mind, but we also have the ongoing evolution in investment strategy, with the focus on the place for illiquid investments and the developments and measurement of ESG strategies.

HOW DO YOU SEE THE PLSA EVOLVING IN FUTURE?

First and foremost we are a membership organisation, so we need to make sure that we evolve in a way that meets the needs of our members. The industry is changing, so we will need to change.

More DB schemes are moving to buy-out or at least some form of endgame position, more DC schemes are considering the Master Trust option and CDC is now on the horizon. The individuals we work with are trustees and pension managers, and increasingly they are also reward and HR directors – employer sponsors who care about pensions but also about total reward packages including wider savings. That's why 'Lifetime Savings' is part of our name.

We've also been running digital conferences very successfully over the pandemic period, so we need to ensure that we continue to develop our digital offering for members alongside the face-to-face events.

WHAT THREE WORDS WOULD YOU USE TO DESCRIBE YOUR VISION FOR THE PLSA?

'The voice of the pensions industry'. I know that's more than three!

MASTER TRUST DEFAULT FUNDS

Charlotte Moore surveys how leading schemes are approaching the new investment universe.

MASTER TRUST SCHEMES ARE NOW RESPONSIBLE FOR MANAGING THE RETIREMENT SAVINGS OF MILLIONS OF EMPLOYEES ACROSS THE UK. ALMOST ALL WILL BE SAVING INTO THEIR SCHEME'S DEFAULT STRATEGY, MAKING MASTER TRUSTS' INVESTMENT DECISIONS SOME OF THE MOST IMPORTANT IN PENSIONS.

Among the key trends are providers embedding sustainable investing principles in their auto-enrolled default funds. There is increasing demand from the government for them also to invest in illiquid assets such as venture capital and infrastructure.

Mark French, director at Willis Towers Watson, says: "Sustainable investing is driving much of the agenda because pension providers have established their policy and now want to implement these objectives."

Risk is a key sustainable investment consideration for schemes. Nico Aspinall, CIO of the People's Pension, adds: "Schemes want to avoid owning stranded carbon assets which means divesting coal as well as ensuring oil and gas majors understand climate change is real."

There is a lot of variation between schemes over how these sustainable investing practices are implemented, including how funds are designed and what level of engagement with companies is expected.

But while there is variation on how sustainable investing is implemented, cost considerations mean the investment options are relatively curtailed.

This is not only because the charge cap keeps a lid on the investment management fees. Nigel Dunn, partner at LCP, says: "Master trusts also compete for market share based on price." Aspinall adds: "The competition on price is real."

This tight cost control pushes schemes towards cheaper investment options. French says: "Almost all default funds, whether they are master trusts, contracted out schemes or those designed by trustees have significant allocations to passive equities."

He continues: "These pricing constraints of defined contribution schemes mean pension providers are looking to achieve sustainable investment with the cheapest possible strategy."

Since passive is the principal equity asset allocation option, incorporating sustainable investing is achieved by tilting these indices towards companies with strong environmental, social and governance factors. Some schemes also expect managers to engage with the poor ESG performers to improve their characteristics, says French.

James Monk, head of DC investment at Aon, says: "Some schemes focus on wider ESG risks while others focus primarily on climate factors."

Alyshia Harrington-Clark, head of DC, master trusts and lifetime savings at the PLSA, says: "The majority of schemes are currently focusing on climate-related factors rather than broad ESG characteristics."

SCHEMES WANT TO AVOID OWNING STRANDED CARBON ASSETS WHICH MEANS DIVESTING COAL AS WELL AS ENSURING OIL AND GAS MAJORS UNDERSTAND CLIMATE CHANGE IS REAL

THE UNINTENDED CONSEQUENCES OF THE GOVERNMENT ASKING PENSION SCHEMES TO INVEST IN VENTURE CAPITAL AND INFRASTRUCTURE IS THAT ASSETS FLOW TO THE REST OF THE WORLD RATHER THAN THE UK

Dunn adds: "It's better for a scheme to tilt its portfolio towards environmental factors rather than social and governance characteristics." That's because these factors are much easier to measure with more consistent global data.

French says: "The proportion of assets invested sustainably is still low because the transition process is ongoing. There is a considerable pool of assets which have yet to be changed."

For example, some of the larger provider master trusts have more than £15 billion in assets which need to be switched. "The challenge is transitioning these assets without incurring too many costs," adds French.

The ambition, however, is not to shift all of the equity assets into sustainable indices. French says: "Most schemes are aiming to shift half of their equity portfolios with asset transitions linked to their net zero carbon targets."

IMPACT INVESTMENT

If schemes were prepared to take a more active approach, they might find strategies which were more effective at having a positive impact on the planet and society as well as generating returns. Impact investing might be one such strategy.

Aspinall says: "Impact investors put impact on the same level as returns. In other words, returns at no unreasonable price."

One way this can be achieved is for an active manager to select those companies with a mediocre ESG score and aim to improve this through active engagement with the company to change corporate behaviour.

If successful, the company's share price would be likely to increase as its ESG characteristics improved, making it more attractive to other investors. In other words, it is a highly active form of fundamental investing.

Monk says: "Actively managed impact investments will become an increasingly important part of the master trust design." Managers of these strategies are adept at communicating the benefits of their strategy compared to a more standard benchmark: "This can make a particularly compelling story for the scheme member," he adds.

Aspinall says: "The most likely portfolio design will be a barbell approach with some allocated to impact investments and the majority of assets invested in indices with exclusions and tilts toward stocks with strong ESG characteristics."

While overall investment management budgets will remain constrained, master trusts with sufficient scale will be able to allocate to these more expensive strategies.

Monk says: "We believe including these strategies will add value to our members' portfolios both through improved returns and sustainability credentials."

VENTURE CAPITAL AND INFRASTRUCTURE

It's not only the integration of sustainable investment principles which is challenging the current design of default funds but also the government's recent calls for pension schemes to participate in an 'investment big bang'.

This calls on companies to invest more in venture capital and infrastructure to help the country to boost economic productivity after the pandemic.

Aspinall says: "There is appetite from schemes to expand their investment universe by investing in illiquid assets but it will only be a certain proportion of our funds." This is the direction of travel conferred by the scale in large master trusts, he adds.

"But venture capital funds are so risky – you make ten bets on the understanding that four will give you your money back and one pays you the returns – schemes wouldn't allocate more than 5% of their portfolio," says Aspinall.

It's also unrealistic for the government to expect a commitment to venture capital will increase UK assets. The bulk of the venture capital market opportunities are located in the US.

It's equally unrealistic to expect DC pension schemes to focus infrastructure investments on the UK. Aspinall says: "It's sub-Saharan Africa which really needs investment in bridges and roads as well as India. The unintended consequences of the government asking pension schemes to invest in venture capital and infrastructure is that assets flow to the rest of the world rather than the UK."

In addition, the UK's master trust sector is still very young. Harrington-Clark says: "The master trusts are in a phase of growth and innovation as they consider new assets to add to the universe."

Dunn says: "Assets in master trusts have grown rapidly over the last three years and some are still in the phase of building up their teams as their portfolios continue to grow."

Master trusts lack the experience of managing a broader investment universe. Dunn continues: "Venture capital and infrastructure are very different to unitised securities involving closed funds and capital calls. It involves much greater governance."

Illiquidity is also an issue. Harrington-Clark says: "DC is closer to a retail pension where savers could, in theory, withdraw all their assets at once so that's an important consideration for master trusts."

There's also a challenge for infrastructure: figuring out where it would fit in a DC portfolio. Dunn says: "Infrastructure is a better fit for a mature defined benefit fund because it provides a regular income."

But DC needs growth assets to increase the size of the members' pot before they reach retirement. "Infrastructure is a good fit for an at-retirement product where that steady income would work well," Dunn concludes.

Invest for more

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

At the start of 2020, sustainable investing was fast becoming the new normal with broad investor adoption of environmental and social outcome-oriented portfolios. Spurred on by the global pandemic, we believe now, more than ever, is the time to invest with impact. The below offers a glimpse into the innovative exposures, pulled from a BlackRock fund. This conveys how impact companies in public equities are helping solve world issues, including those that have arisen or been magnified by the current environment.

Supplied over 5,300 units of affordable housing in Japan, helping to revive rural communities faced with declining population and migration to major cities.

Provided over 850,000 students with access to higher education, primarily in emerging markets.

Provided 22.6 million adults in Kenya with mobile financial services.

Supported over 500,000 clinicians in 10,000 global health organisations with time-saving technologies.

Protected over 9,000 customers from cyber security risks, including underserved, at-risk communities, like non-profits and hospitals.

Delivered over 16 million smart metering devices used in electric and water metering, streetlights and smart city solutions.

Connected over 55 million individuals in Latin America with internet access.

Provided 530.1 million client transactions and loans specifically for micro, small and medium enterprises (MSME) and rural communities in Indonesia.

Source: BlackRock. Most recent company reports released during 2020. Based on exposures pulled from a BlackRock fund as at 30 June 2020. For illustrative purposes only. Subject to change.

RETIREMENT LIVING STANDARDS: ENGAGEMENT AND INNOVATION

Alyshia Harrington-Clark, Head of DC, Master Trusts and Lifetime Savings, reports on the latest developments in a key initiative.

THE RETIREMENT LIVING STANDARDS ARE A PRACTICAL AND POWERFUL TOOL USED TO EMPOWER SAVERS TO PICTURE THEIR RETIREMENT AND ENGAGE MORE WITH THEIR RETIREMENT PLANNING NEEDS. OUR FIRST ROUND OF AWARDS ARE DUE TO BE ANNOUNCED VERY SHORTLY AT OUR ANNUAL CONFERENCE, AND UPDATES TO THE RESEARCH WILL ALSO BE REFLECTED FROM OCTOBER.

OUR NEW RETIREMENT LIVING STANDARDS AWARDS

We know from our engagement with members that there is huge amount of activity happening with the Retirement Living Standards, with lots of exciting ways to engage members being explored. So, with this in mind, we launched the Retirement Living Standards awards over the summer.

The awards are being judged in the following categories:

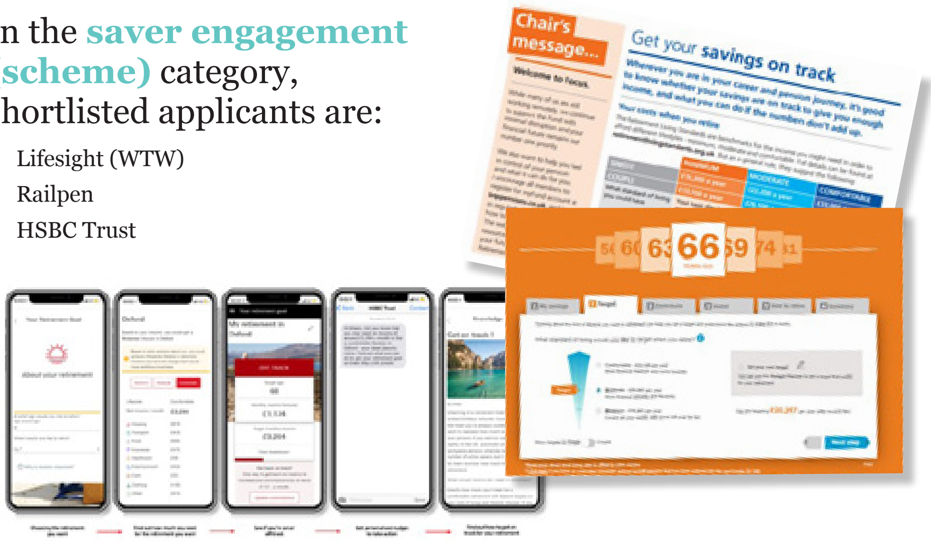
- **Saver engagement (scheme)** – recognising the organisation which impresses the judges most when punching above its weight.
- **Saver engagement (provider)** – for the entry which is judged to have communicated the standards most effectively through aspects such as ease of use, simplicity of message, visual representation, personalisation and demonstrated comprehension.
- **FinTech/Innovation** – for the entry which most impresses the judges for its use of technology to integrate the standards into tools, calculators or personalised income targets.

Our judges were pleased to review the shortlisted entries from each category, which collectively demonstrated a fantastic array of approaches to the adoption and integration of the Retirement Living Standards.

You'll have to wait a little longer before we know who the winners are, but it's worth reviewing some of the highlights of the entries which illustrate how diverse the shortlist is.

In the **saver engagement (scheme)** category, shortlisted applicants are:

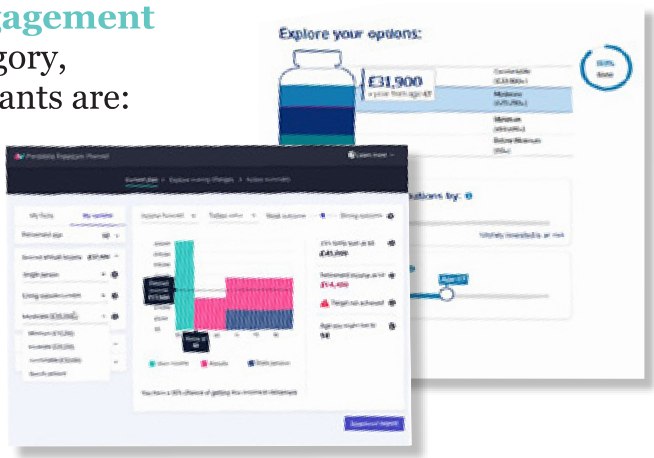
- Lifesight (WTW)
- Railpen
- HSBC Trust



Shortlisted applicants in this category offer fantastic Retirement Living Standards integration to their members, in some cases through full incorporation into the member journey and member communications. The schemes offer tools such as budgeting calculators, income tools and forecasters. One scheme offers a mobile app, as well as other digital and print versions of personalised member information contextualised by the Standards. Another scheme provided evidence that more than 60% of its membership have used one of its tools which integrates the Standards in an engaging way to help savers plan and budget for their retirement.

In the **saver engagement (provider)** category, shortlisted applicants are:

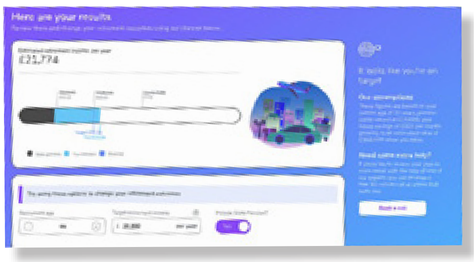
- EValue
- Standard Life
- Aviva



In this category forecasters, budget planners, and sophisticated financial education tools including video also offer scheme members an array of opportunities to engage with the Retirement Living Standards. Shortlisted applicants all demonstrated multiple integrations of the Standards across different elements of their offering. Another notable feature of this category is the sheer number of members that the providers are able to reach, with an estimated minimum of 7.5 million people receiving information helping them to picture their future by using the Standards.

In the **FinTech/ Innovation category,** shortlisted applicants are:

- MyEva (Wealth Wizards)
- Legal and General
- Aon



In this category we can showcase some the true diversity of the applications we've received. Exciting innovations include a fully digital retirement planner, a virtual reality experience, and some sophisticated investment glide path integration. In many cases these entrants could have been considered for other categories, but were singled out for inclusion here as at least one element of their application stood out as either a creative technological or adoption integration.

OUR USER GROUP AND SUPPORTING ADOPTERS

We also held our first ever Retirement Living Standards User Group meeting in September, which was both well attended and fascinating.

The intention is that group members share best practice and provide feedback to each other and to the PLSA on how the Standards can be best adopted and integrated to achieve the most significant impact for savers. We plan to meet a couple of times a year, to showcase User Group members' approaches, discuss common issues, and share successes and new ideas.

If you haven't yet received an invitation to the User Group but would like to request a space at future meetings please get in touch with **Alyshia.Harrington-Clark@plsa.co.uk**.

More generally we're also really interested in hearing from adopters with whom we haven't yet discussed adoption this year. Please contact us if you'd like to share any stories of how you're integrating the Retirement Living Standards to make a difference to savers – and, of course, we remain happy to answer any questions and help where we can.

WORKING WITH INDUSTRY TO WELCOME IN POSITIVE CHANGES

Charles Counsell, Chief Executive of The Pensions Regulator, looks forward to a busy Autumn.

RAPID AND SIGNIFICANT CHANGE ACROSS THE PENSIONS LANDSCAPE HAS BEEN A CONSTANT FEATURE IN OUR INDUSTRY FOR YEARS, AND THERE IS NO SIGN OF ANY LET-UP. AS SUCH, WORKING COLLABORATIVELY IS MORE IMPORTANT THAN EVER.

The latest Pension Schemes Act was welcome and promises to make pensions better and greener. It covers a wide spectrum of areas and that in turn means plenty of work for us at TPR – and for our regulated community.

It's important that we get this right, and that includes incorporating your views on our proposed policies. You've been invited to contribute to several consultations already this year including the criminal powers policy, climate change and the new single code of practice.

We are delighted with the number of people and organisations who have engaged with us so far and are helping to shape these important policies. The work continues, and the next few months will see more publications on which we welcome your input.

In September we published a package of documents on the new criminal powers which give clarity on the new laws which came into force on 1 October. The package includes our response to our new powers consultation and will outline our approach to the law and how we intend to enforce them. Our intention, as ever, is to strike a balance between protecting savers without stifling normal business activity.

We will also set out the circumstances in which the two new tests of "employer insolvency" and "employer resources" might be met, an area which I know has generated much debate.

OTHER FOCUS AREAS

The new requirements intended to improve the quality of governance and reporting of climate-related risks and opportunities also came into force on 1 October for larger schemes. We know this will be challenging for some schemes initially, and there is flexibility built into the law for this. Our new guidance for trustees will be published in the Autumn to help them meet these tough new standards.

Our Corporate Strategy puts the saver at the heart of all that we do, and key to that perspective is ensuring that savers get value for money. Thanks to automatic enrolment there are now 15 times as many savers in DC schemes than in DB schemes, and they are relying on the pension system to work for them. Ensuring value for money for these savers is a priority.

That doesn't just mean reasonable fees and charges, it means the scheme must be well run with good investment performance. Last month we published a joint discussion paper with the FCA which aims to set out a common, industrywide framework for assessing value for money in pensions. This framework will make it easier to compare schemes and for trustees and employers to judge whether their scheme is giving value for money to their members.

It will also help us to identify and enforce against those who are clearly not delivering good value for their members.

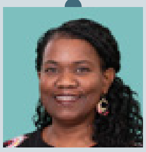
We published our Equality, Diversity and Inclusion strategy over the summer and my team are looking forward to putting that into practice. It's an area I believe is so important, and as an industry I know we can do better. Our new chair, Sarah Smart, is a passionate advocate for equality and diversity on boards and you can expect to hear more from us as we encourage boards to better reflect the members they represent.

As you can see we have a busy Autumn ahead of us. We're producing a large volume of publications and we know we're asking a lot from you. But I urge you to read our publications and submit your views – this will lead to better, more workable policy and – most importantly – better outcomes for savers.

IT'S IMPORTANT THAT WE GET THIS RIGHT, AND THAT INCLUDES INCORPORATING YOUR VIEWS ON OUR PROPOSED POLICIES

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

GET ENGAGED WITH YOUR PLSA



The PLSA is a membership organisation, so engaging strongly with our members is vital if we are to serve you effectively. ***Cheryl Wilkinson*** introduces just some of the channels that we have so that we can hear directly from our members.

CEO NETWORK

This network has been running for about two years, and is a confidential forum for CEOs of large pension schemes to meet to discuss the key issues on their agenda and get input on what we are doing on key policy issues. These sessions are led by the PLSA Chair and attended by our senior policy leads. Pre-COVID, these sessions were in-person events in a central London venue for a breakfast meeting. Government restrictions meant that during 2020 and 2021, these have become online events and the Network has continued to meet and even expand during this time as it has allowed participants outside of the SE area to join us. We hope to return to in-person events very soon but will also retain the online format for some Network meetings.

CIO NETWORK

The CIO Network launched this year, had its inaugural meeting (online) in September, and focussed on productive finance. This Network is structured along similar lines to the CEO Network, i.e. for the Chief Investment Officer/Senior Investment Managers of our largest fund members. Please contact me if you would like to be included in the circulation list for future events. In future we hope to hold this Network in-person, but will also hold some CIO Network events online in order to be as inclusive as possible.

HOWEVER, IF YOU ARE NOT A CEO OR CIO THERE ARE STILL LOTS OF WAYS TO ENGAGE WITH THE PLSA:

LOCAL GROUPS

The Local Groups support the PLSA in its national role by providing members with a focus for local activities, providing educational and networking opportunities to enable participants to keep up to date with the latest pension developments closer to where they live or work. These Groups meetings take various forms such as presentations, panel discussions and interviews, and (pre-COVID) included an opportunity for members to network during a drinks reception either before or after meetings.

Groups also hold AGM meetings often followed by their annual social event. These social events can take the form of a formal dinner, sometimes with a special speaker. The locations vary from in-house hosting to external venues. In previous years venues included Leeds Castle, Sopwell House (Hertfordshire), the Royal Academy with private viewing, and the Churchill War Rooms. The Groups run on a volunteer basis and are led by Local Group Committees. Participation in Local Group meetings and activities is open to all members of the PLSA, whether fund or business organisation.

Local Groups are located in the following regions:

- ☐ Central London
- ☐ East Midlands
- ☐ Liverpool
- ☐ Manchester
- ☐ North London
- ☐ Scotland Group
- ☐ South East
- ☐ South London

For further details please email
Cheryl.Wilkinson@plsa.co.uk

PEER-TO-PEER

This year we added new ways of engaging with our members –including a series of ‘Peer-to-Peer’ discussions – small meetings where five or six members from similar types of scheme and roles swap notes with each other.

1-2-1 MEETING WITH MEMBERSHIP TEAM

Please let me know if you would like to take part in one of these meetings or if you just want a one-to-one update chat with the PLSA team. We are always keen to engage with as many members as possible. Perhaps we will be able to do so face-to-face again at some point early next year. Until then we will make the best of Zoom and Teams.

FUTURE-PROOFING THE LGPS

Tiffany Tsang, Head of DB, LGPS and Investment, introduces a PLSA research project aimed at identifying and tackling the challenges facing Local Authorities.

A GLANCE BACK OVER THE LAST 10 YEARS OF THE LGPS REVEALS HOW MUCH HAS HAPPENED IN JUST ONE DECADE. THE GREAT RECESSION SET OFF A SERIES OF AUSTERITY MEASURES THAT HAD AN IMPACT ON LOCAL AUTHORITIES. FROM THERE, A SERIES OF PENSION REFORMS CAME BARRELLING TOWARDS US: THE LGPS BECAME A CARE SCHEME FOR FUTURE ACCRUAL; THE NUMBER OF EMPLOYERS JOINING THE LGPS INCREASED IN RECORD NUMBERS; AND THE TRANSITIONING OF LGPS FUNDS' ASSETS INTO POOLS BEGAN.

Rounding out the decade in review, we saw the steep rise of responsible investment landing at the centre of funds' agendas, the *McCloud* judgment, and of course the impacts of the global pandemic. A conclusion from all this might well be that uncertainty is a necessary part of 'business as usual' thinking. Recognising the need for continued preparedness, the PLSA launched the 'LGPS Landscape and Future Challenges' research project at our Local Authority Conference in May 2021. The key aim is to help future-proof against emerging risks to the LGPS, by identifying challenges and sharing views on how they can be tackled.

The project has given people working within LGPS funds opportunities to discuss how changes to the future landscape might affect their strategic and operating environments. Four workshops were held in July 2021, which considered the impact of regulatory frameworks and reporting requirements, strategic and operational relationships with employers who contribute to the LGPS, the potential and impact of tools and technology, and the longer-term issue of operational sustainability. There was representation from across the country and from both large and small funds, which helped to foster some lively discussions. Common themes were found in all sessions, reflecting the cross-cutting nature of many of the issues discussed.

The first session set the scene, tackling the complex regulatory and reporting landscape. Just days prior to the first workshop, Pensions Minister Guy Opperman was quoted in the media, commenting on the fact that the LGPS is not under his department, but instead the MHCLG – that this is "a slight anomaly". He is quoted as also saying, "I personally think that's wrong. It would be my view that it would be better to have all such schemes under one house... and that the LGPS would be run by DWP."[1] While there were no takers in the virtual room of the PLSA research workshops for a proposal to move the LGPS to DWP from MHCLG, there was recognition that the current frameworks certainly leave room for improvement. Many reported their experiences of increased reporting requirements, for multiple entities, with little clarity as to where they should place their priorities. This pointed to larger issues such as whether key stakeholders truly understand the profile and needs of the LGPS. The general view was that at best the LGPS is conflated with other public sector schemes and at worst ignored, despite its overall size, impact, and the profile of savers that it looks after.

Recognising the key role that the LGPS will play in securing the financial futures of local authority workers, some of whom are low-paid and financially vulnerable, it was concluded that further work urgently needed to be done to ensure that governance frameworks and communications with LGPS savers are fit for purpose.

Later sessions focussed on the broader and changing landscape, with many indicating that employer affordability is increasingly an issue, particularly for smaller employers. The sessions highlighted many areas of good practice with employers. However, there was a general view that long-term affordability was not historically considered at the point of transferring into the LGPS.

THE PROJECT HAS GIVEN PEOPLE WORKING WITHIN LGPS FUNDS OPPORTUNITIES TO DISCUSS HOW CHANGES TO THE FUTURE LANDSCAPE MIGHT AFFECT THEIR STRATEGIC AND OPERATING ENVIRONMENTS

Many shared how they used both new and existing technologies to provide efficient services in an often very resource-constrained environment. Existing talent management challenges persist, particularly around staff retention in the face of complexities arising from the *McCloud* judgment implementation looming. There is of course continued competition for pensions talent outside LGPS walls as well. Questions of operational sustainability went beyond issues of budget constraints and participants spoke of changing views of how success could be defined and how the LGPS could be rebranded, to showcase just what an exciting place it could be to work in.

These rich discussions raised important and often challenging issues and we encourage our LGPS membership to continue to share their thoughts with us, which will enhance our findings for the final report. The project is due to wrap up at the end of the year.

1. Mallow Street, 'Opperman: LGPS should be under DWP'. Available from: **https://www.mallowstreet.com/Article/b60467**

WHAT'S NEXT...?

Karen Hurst, Senior Policy Advisor: Investment & Stewardship, looks at the likely future trends in a priority area for investors.

ALMOST EXACTLY A YEAR AGO THE PLSA WAS PUTTING THE FINISHING TOUCHES TO A REPORT THAT SET OUT OUR POLICY ASKS AROUND CLIMATE INVESTMENT. JUST ONE YEAR ON, WE'RE PLEASED TO HAVE BEEN ABLE TO PUBLISH AN UPDATE DEMONSTRATING SIGNIFICANT PROGRESS IN ALMOST ALL RECOMMENDATIONS – INDEED A LARGE NUMBER CAN NOW BE CONSIDERED 'ACHIEVED'. THE PACE AT WHICH THE RESPONSIBLE INVESTOR POLICY AGENDA IS CURRENTLY MOVING IS SIGNIFICANT, AND IT'S CLEAR, IN OUR DISCUSSIONS WITH MEMBERS, THAT IT'S NOW A PRIORITY TOPIC – IF NOT *THE* PRIORITY TOPIC – FOR MOST.

So, what's next in ESG? Below we look at some of the trends that could dominate the year ahead.

- At the time of writing, we don't know what the headlines will be from the COP26 conference, nor the impact of any new agreements on climate and pensions policy. However, it's clear that awareness of climate change will continue to grow, both in the minds of policymakers and pension savers. The past 18 months have been a time of unprecedented scrutiny, but it's probably also just the beginning.
- 2022 sees the first schemes needing to produce a statutory TCFD report (those with AUM of over £5 billion and authorised master trusts are first up). Over the coming years, all schemes – including smaller schemes and the LGPS – will be required to report according to the TCFD framework. It's increasingly clear that the post-publication period may be as complex as the preparation of the report itself. The Pensions Regulator's draft guidance states that, though it will be acceptable for reports to only include information that is available to schemes, the following year's report should demonstrate that progress has been made in obtaining the data. Similarly, we should expect that the reports will be subject to significantly more member and stakeholder scrutiny once available.
- Standardisation is likely to be on the agenda in the UK, where the impact of the European Sustainable Finance Disclosure Regulation has been limited as a result of Brexit. However, the UK government has committed to a UK taxonomy, and in the summer the Chancellor announced an economy-wide UK Sustainability Disclosure Requirement. The Treasury has said this will "bring together and streamline existing climate reporting requirements and go further". Pension schemes are likely to be within the scope of it.
- Stewardship has been a focus of the DWP for the last few years, and there continue to be some interesting projects underway looking at how this can be improved. The PLSA is currently working with the Investment Association looking at the various relationships throughout the investment chain, and the government's Taskforce for Pension Scheme Voting Implementation report is due this Autumn. With increasing scrutiny of climate risk, trustees should expect to see scrutiny of stewardship activity continue. The first batch of the new Stewardship Code signatories has recently been published, with asset owners leading the way in meeting the new standard.
- Earlier this year the government launched a Call for Evidence on the 'S' in ESG, and the Pensions Minister is on the record as saying this would "transform" the supply chain and investment. The PLSA is currently working on research with partners at the CIPD, High Pay Centre and Railpen on workforce disclosure. This year's AGM season revealed continued concerns about executive pay. Climate may be dominating the headlines this year, but it's clear that social considerations will not be forgotten.

Whatever COP26 brings, it's clear that climate change, and the wider ESG agenda, is going to continue to dominate the investment arena in 2022.

THE PACE AT WHICH THE RESPONSIBLE INVESTOR POLICY AGENDA IS CURRENTLY MOVING IS SIGNIFICANT

FOR PROFESSIONAL INVESTOR USE ONLY

Debunking seven misconceptions about scope three emissions

In this investment viewpoint we describe seven key misconceptions that we think may have deterred investors from fully integrating considerations linked to scope 3 emissions and lead to confusion in the market.

Ritesh Bamania
Head of UK Institutional Sales

SCOPE 3: Indirect emissions linked to supply chains and product use

Many investors are investing or looking to invest in climate aware strategies. The first move is taking place in equities and corporate bond investing will catch up soon. What is common in most of these strategies is an objective to reduce carbon emissions in the portfolio vs the benchmark. The challenge is where such tilting is based on an incomplete carbon emissions analysis where only scope 1 and 2 (and perhaps a small amount of scope 3) is allowed for. This may be missing out on 60-80% of carbon emissions related awareness. Allowing for all of a company product's lifecycle (known as scope 1, 2 and 3 emissions) is critical if we are to make investment decisions around this parameter.

By far, scope 3 emissions are often the most perplexing. Here we aim to improve understanding by correcting seven prevalent misconceptions.

MISCONCEPTION 1:
Scope 1 and 2 emissions are comprehensive enough

Many investors still focus primarily on scope 1 and 2 emissions, believing that this provides a reasonable insight into most companies' carbon footprints. However, for key industries (e.g. oil, gas and automotive sectors) and all major sectors, excluding utilities, scope 3 are the dominant type of emissions. Therefore, if investors do not take scope 3 emissions into account, they fail to capture a company's full GHG profile.

MISCONCEPTION 2:
Scope 1 and 2 emissions are more important due to corporate control

This view can be challenged on three accounts:

First, companies have significant influence over their supply chains and can engage suppliers to reduce emissions.

Second, companies can directly reduce their supply-chain emissions by transitioning to less carbon-intensive business models.

Third, even where a company's ability to influence scope 3 emissions may be limited, the company's exposure to these emissions still creates significant transitional risks – driven by regulatory and market forces.

MISCONCEPTION 3:
There is insufficient data to meaningfully assess scope 3 emissions

In 2010, less than 3,000 companies disclosed information to the Carbon Disclosure Project, but as of 2020 this had grown to over 9,500. While a smaller number of these disclose scope 3 data, this proportion has also grown. Furthermore, what is often overlooked is that scope 3 emissions can often be assessed even if they are not reported. Using the automotive sector as a case study, our report finds that such models can be more accurate than company-reported figures.

MISCONCEPTION 4:
Emissions double-counting occurs within portfolios

If an investor holds an oil and gas and a transport company in the same portfolio, would the oil and gas company not be reporting emissions that are also already counted by the transport company?

We believe not – these issues are often misrepresented in overly stylised examples that fail to recognise that it would be unusual for more than a small share of a company's suppliers to feature in the same portfolio. Double-counting of emissions should be considered from an economy-wide, rather than portfolio, perspective.

MISCONCEPTION 5:
Double-counting is undesirable and should be adjusted for

While addressing misconception #4, we recognise that a significant amount of double counting does occur. But, the question frequently forgotten is: *whether such double counting is in fact undesirable?* We argue that although emissions are double-counted across a value chain, carbon risks also reverberate through supply chains. While double-counting may recognise that companies share responsibility for emissions, it artificially deflates the true scale of a portfolio's carbon exposure and the financial risks that it entails.

MISCONCEPTION 6:
As data are still improving, it makes sense to defer scope 3 analysis

Given the misunderstandings about scope 3 analysis, some investors are taking a cautious approach. At best, they are investigating indirect emissions in a handful of sectors only. We believe that delaying scope 3 analysis across the economy will result in significant turnover in investors' portfolios. In the process, this could lead to investors selling hidden, poorly aligned companies only after they have already depreciated due to scope 3 emissions disclosure, and equally drive appreciation among better-aligned companies before investors lagging on scope 3 analysis have identified them.

MISCONCEPTION 7:
High scope 3 emissions disqualify companies from a climate-aligned portfolio

Including scope 3 emissions in investment analysis improves the accuracy of carbon-risk assessments in portfolios, but does not mean that high-emitting companies should necessarily be excluded. Carbon-intensive industrial sectors are often not only essential to the economy, but are also among the most important in the net-zero transition.

The right question is therefore not whether a company is emissions intensive today, but whether it is transitioning quickly enough to meet Paris Agreement-aligned decarbonisation objectives.

If you would like to learn more, please download our full report here, contact Ritesh Bamania, r.bamania@lombardodier.com / +44 20 3206 6277 or visit www.loim.com.

This forward-looking assessment requires genuine carbon expertise, including new assessment capabilities such as implied temperature rise (ITR) metrics, which Lombard Odier already offers.

A YEAR IN FOCUS DC DECUMULATION

Katy Little, Parliamentary and Stakeholder Manager, gives an overview of our engagement with policymakers so far and a glimpse of what is still to come.

IN OCTOBER OF LAST YEAR, AT THE PLSA'S ANNUAL CONFERENCE, WE LAUNCHED OUR GUIDED RETIREMENT INCOME CHOICES (GRIC).

These call for the establishment of a new regulatory framework to help savers with the complex decisions they face when choosing how to access their pension at retirement. The recommendations, which build upon the proposals on DC decumulation in our Hitting the Target report, were made following a three-month consultation with our members in the Summer of 2020.

The key element of our framework asks schemes to support members by signposting them to a preferred product or solution (either inside or outside the scheme), in order to help savers navigate the risks they face. While some large schemes, especially Master Trusts, may choose to offer their own blended DC decumulation products, by enabling signposting to products outside of the scheme we can help ensure the new requirements don't exert unreasonable costs or regulatory burdens on schemes who may not wish to provide a product in-house. They will also deliver a set of minimum standards for the saver communication and engagement journey as well as product design and governance. This framework represents an evolution of the pension freedoms – enabling freedom and choice and providing the support savers need.

Publishing the recommendations marked the first step on the road to raising awareness of our proposals with policymakers and lobbying for change.

ACCESSING PENSION SAVINGS

In February 2021, the WPSC launched an inquiry into "accessing pension savings," that examined the options open to people when they come to access their pensions, as well as the advice and guidance that is available to savers.

In the run up to the inquiry we held a catch-up with the WPSC secretariat to ensure they were fully aware of our proposals, and about two months before the committee hearings we held our own roundtable on the issue. Chaired by Emma Douglas, Chair of the PLSA's Policy Board, the roundtable included independent research from Ignition House on what savers want in terms of support at retirement. We also heard from pension industry experts from The People's Pension and Smart Pensions, talking about the current offerings on the market. We were also joined by the Chair of the WPSC, Stephen Timms MP, the Chair of the All Party Parliamentary Group on Pensions, Nigel Mills MP, and by the former Pensions Commissioner, Baroness Jeanie Drake.

Following our written submission to the inquiry, in June 2021 we were invited to give oral evidence before the Committee. In the session, Joe Dabrowski, the PLSA's Deputy Director of Policy, answered questions from the Committee on a range of topics including the pensions dashboards, saver communications and the role that MaPS and PensionWise play in a saver's decumulation journey. Most importantly, he explained why pension schemes should be supported by legislation to give savers more support at the point of retirement. The inquiry marked an important opportunity for the PLSA to talk to key policymakers about the recommendations made in the GRIC framework and to push for the legislative change we want to see.

"It is important that schemes can do their piece…. we think, in our guided retirement income choices, that schemes should have a duty to support members as they enter into decumulation and understand the choices and paths in front of them and what that means for their lifestyle" – Joe Dabrowski, Deputy Director of Policy, PLSA, Work and Pensions Select Committee, 16 June 2021.

LOOKING FORWARD

We have continued to see positive engagement on this topic with policymakers and stakeholders alike. In July, Nigel Peaple, Director of Policy and Advocacy, met with the Pensions Minister to discuss the GRIC framework; as well as meeting Stephen Timms MP (Chair, WPSC) following our Committee appearance. We are delighted that Stephen has agreed to host a session on the accessing pensions savings inquiry at this year's Annual Conference. We remain hopeful that the GRIC framework will be included within the Committee's recommendations when it looks to issue its final report on the inquiry later this year.

WHAT HAS THE PLSA BEEN DOING FOR YOU?

James Walsh, Head of Membership Engagement, throws the spotlight on a year of hard work.

'IF ONLY OUR MEMBERS KNEW' MUST SURELY BE THE STANDARD LAMENT OF MEMBERSHIP ENGAGEMENT STAFF DOWN THE AGES.

It's the flipside version of Monty Python's famous 'What have the Romans ever done for us?' – if only our members actually knew about the full range of work that the PLSA does on their behalf (all that lobbying and consultation-responding and conference-organising and trustee-training, to pick a few examples), they would surely be falling over themselves to renew their membership before we'd even asked.

Well, if only. Life is rarely quite so simple. But the point is still a good one – my PLSA colleagues work hard on behalf of our members, but our members won't know we are providing value for their money unless we tell them.

So, with the holiday season more or less over and business back in full swing, now feels like as good a time as any for a look back at what the PLSA has done for you in 2021 to date, though it's more ESG and LGPS than aqueducts, roads and sanitation.

Illiquids cap – dropped.

PLSA lobbying persuaded The Pensions Regulator to drop plans, set out in an initial draft of the new TPR single code of practice, to cap investment in unquoted assets at 20% of a scheme's portfolio. This would have made it more difficult to invest in private equity and infrastructure – a point we hammered home in meetings with DWP and TPR. In the end, TPR agreed. They are completely redrafting this section so it does not bar well-run schemes with prudent investment strategies from investing in unregulated assets.

ESG – new conference.

Almost every member I meet tells me that environmental, social and governance matters are right at the top of their agenda, so we put on a completely new three-day conference at the end of June dedicated to these issues. The strong attendance and positive feedback suggest it was a success, but please let us know what you thought.

Open DB – flexibility.

Our persistent lobbying during the passage of the Pensions Schemes Act resulted in ministers making clear commitments to maintain a more flexible approach to funding and investment for open DB schemes.

DC – traction on retirement choices.

Key policymakers are now picking up the ideas we have been advancing for a new framework to help DC savers make good decisions on using their pension pots. Our appearance before the Work and Pensions Select Committee, detailed policy paper and one-to-one meetings with the Pensions Minister, civil servants and Chair of the Work and Pensions Select Committee have given us a series of opportunities to make the case.

Tax relief – better-briefed policymakers.

With speculation about tax changes again in the news, we met Treasury officials and MPs to brief them on two PLSA reports covering 'Five Principles for Pension Taxation' and 'Pension Tax Reforms: implications for savers'. The PLSA's analysis shows that supposedly 'easy wins', like removing higher-rate tax relief, would come at considerable cost to several million workers, while providing relatively little benefit for others.

LGPS – future challenges.

We have launched a landmark research project to understand the key issues facing local authority funds. PLSA members participated in four roundtables on regulatory frameworks, employer issues, tools and sustainability. We will do quantitative research on the same topics this autumn before publishing a report setting out our key findings in December.

Small pots – PLSA co-ordinating.

We set up and are running the Small Pots Co-ordination Group, working with our master trust members, the ABI, Which? and PASA. There is some way to go before industry and government can all agree on the best solution to this knottiest of pension problems, but we will publish an interim report this autumn setting out the options and next steps.

Conferences – getting the mix right.

We have learnt a huge amount from putting all our events online over the last 18 months. Digital has worked well for many members, attracting a new audience who never would have attended in person, but other members are keen to get face-to-face going again. The next year will see us provide a blend of online and in-person conferences to suit all tastes.

Responsible investment – helping you identify good practice and tell your story.

ESG-related investment is complicated, so we have consulted on a simple way for schemes to identify good practice and show their members that their money is invested responsibly. The Responsible Investment Quality Mark (RIQM) will be an accreditation that schemes can show on their website or literature.

Representing you at the top table.

Our Chair, Richard Butcher, sits on the Productive Finance Working Group alongside the Governor of the Bank of England, Economic Secretary to the Treasury and Minister for Pensions. Our Director of Policy & Advocacy, Nigel Peaple, is a member of the Pensions Dashboards Programme Steering Group. Our senior leaders and Policy staff ensure your voice is heard wherever key pensions decisions are taken.

Consultations – 25 and counting.

My hard-working Policy colleagues have responded to 25 government consultations so far this year on issues from the requirement for a simple annual benefit statement to pension scams to UK listing rules and McCloud requirements for the LGPS. This is the bread-and-butter, behind-the-scenes work that ensures the pension scheme perspective is well understood in Whitehall. Unglamorous but essential!

Of course, these are just a few highlights from the year to date. There are more I could have picked, so if you're thinking 'Yes that's all very well, but what have they done on X?', just ask me. And if you have feedback on these or any other issues, just tell me.

So, now you know at least *some* of what the PLSA has been doing for our members. Feedback welcome!

PHOENIX CORPORATE INVESTMENT SERVICES

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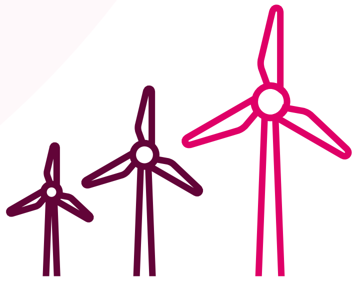

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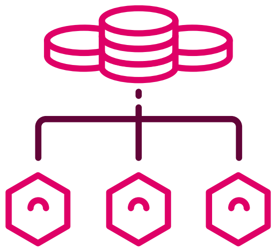

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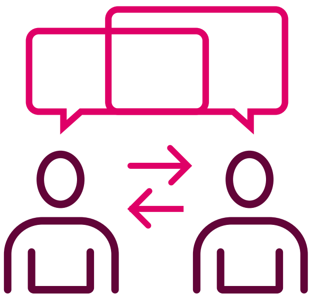

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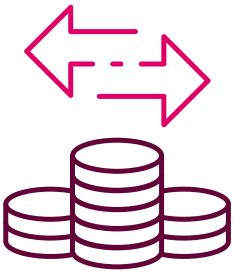

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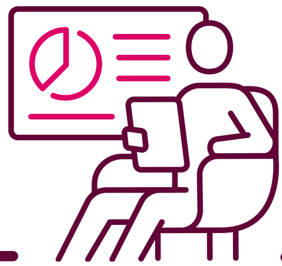

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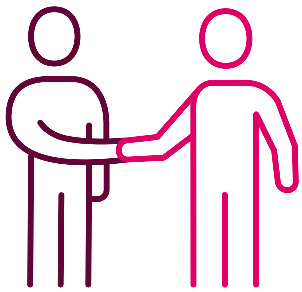

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WHOLE WORLD IN OUR PLANS

Pension regimes are facing both global and local change. ***Maggie Williams*** asked our Annual Conference 2021 international panellists about some of their current challenges.

Q

IS THE UK'S PENSION INDUSTRY WORLD-LEADING AT PRESENT

Benoit Hudon, Wealth Business Leader, Mercer UK:

The 2020 Mercer CFA Institute Global Pension Index report ranked the overall UK pension system 14th out of 39 systems from around the planet, placing it alongside Belgium, the USA and France, but well behind the Netherlands, Denmark, Canada, Ireland and Germany.

Zooming in on workplace pensions, the funded status of DB schemes in the UK is lower than that seen in the US and Canada, two pension markets comparable to the UK.

On the DC front, all three countries wrestle with similar issues, including the lack of financial literacy and a significant pension savings gap. The UK pensions industry is well known for its careful approach to risk management, but is this right if such an approach does not ultimately deliver more secure DB pensions, or higher DC pots?

Although known for its innovative approaches to risk management, which have been exported around the world, the UK can probably also learn a few tricks from other countries, whether from Australia which has now lived in a DC world for over 20 years, or Canada which has redesigned its funding framework for DB schemes to make it more flexible.

Q

WHAT PENSIONS TREND DO YOU THINK WILL HAVE THE BIGGEST IMPACT ON PENSIOENFEDERATIE THIS YEAR?

Theo Langejan, Special Adviser to the Board, Pensioenfederatie:

This question seems simple enough, but in reality the trend I have in mind will have a big impact not just this year but also in coming years.

The members of the Pensioenfederatie – the pension funds – will have to adapt to a complete new regulatory environment: we are shifting from DB to DC. That might sound like pretty well-known territory for pension funds.

Regrettably after 10 years of discussion we have been able to make it a bit more complex than just the shift from DB to DC. We will not be closing the DB systems and opening new DC systems. Instead, we think that we will be able to convert all current DB entitlements into new capital entitlements under the new DC schemes.

Comparing DB entitlements to DC entitlements is already a complex issue, even for the actuarial nerds of the pensions community. Trying to explain the fairness of any conversion of DB entitlements into DC entitlements to all participants in a pension fund will be a major challenge for everyone.

Add to that the political involvement needed to make legislation, and the PR challenge for every pension fund is clear.

Q

WHAT LESSONS DO YOU THINK MASTER TRUSTS AND OTHER COLLECTIVE SCHEMES CAN LEARN FROM AUSTRALIA'S SUPERS EXPERIENCE?

Martin Fahy, Chief Executive Officer, Association of Superannuation Funds of Australia:

The key lessons from the Australian system are to be found in its architecture. As a universal, compulsory system with contributions legislated to go to 12% by 2025 the system allows workers to accumulate a substantial retirement balance. Combined with strong preservation requirements this ensures that savings benefit from compounding throughout people's working lives.

The unique strategic asset allocation of the system sees funds benefit from both an equity premium and an illiquidity premium through holding large amounts of international equities and substantial alternatives. In recent months the government has taken the welcome step of addressing the post-retirement setting through the retirement income covenant. Challenges remain however in the form of member engagement, advice, and to keep delivering lower fees.

Hear more at the Annual Conference

Martin Fahy, Theo Langejan and Benoit Hudon will be discussing the latest international pension trends at the Annual Conference at 12.45 on 14 October.

RISCURA

THE CASE FOR CHINA

Why invest in China?

The Chinese markets have moved from fringe to mainstream over the last decade. The equity markets are now the world's second largest with more than 4,000 companies on the mainland and over 1,500 listed offshore. The potential to participate in Chinese growth is an unprecedented opportunity for any global investor, and China is **too large to ignore**. Mainland companies have a market capitalisation of about US$ 9 trillion but are **underrepresented in global indices** such as the MSCI Global Emerging Markets equity index. China is around 15% of global market cap but less than 3% of global portfolios. The universe has some of the world's **largest, most innovative and fastest growing companies** and even more interestingly many domestic companies – largely unknown to western observers – providing products and services to local consumers.

Is the opportunity ongoing?

China has dealt with COVID-19 better than most and growth forecasts continue to be in excess of 6% p.a. even in a world of slower overall economic growth. Growth drivers are now broad-based as the world's largest population matures, urbanises, embraces technology and e-commerce. Additionally, state support through fiscal packages and poverty reduction schemes provides a material tailwind.

Further, the Chinese **equity market is under researched and dominated by retail investor activity**; this creates a handsome opportunity for **active management**. Finally, Chinese equities have **low correlation** with developed and other emerging markets. Global investors can capture the benefit of diversification by making a dedicated allocation to Chinese equities.

Accessing the market itself has become considerably easier thanks to the introduction and expansion of the Stock Connect programme, which has all but replaced earlier cumbersome and restrictive quota-based mechanisms.

What to look out for

Institutional Chinese investment managers tend to have an **intense sector or regional focus**. Very concentrated portfolios – with resulting higher levels of volatility – are common. Successful managers can exhibit periods of significant underperformance on the road to eventual superior outcomes. Given this concentration, we consider it imprudent to allocate to only one or two specialist managers. Add to this a relatively new industry where it is not yet clear who winners and losers will be, then it is clear that **diversification of managers is critical**. Having multiple managers additionally helps capture a wider breadth of growth opportunities and deliver better risk-adjusted returns than trying to select the top performing single manager.

What about ESG and recent regulatory clampdowns?

Responsible investing is no longer new to China. Financial regulators have introduced numerous initiatives and addressing financially relevant ESG issues is becoming a new reality for Chinese companies and investors. China has committed itself to carbon neutrality by 2060 bringing tremendous opportunities from incentives to create clean power, development of electric vehicles or helping 'old economy' companies clean up their acts.

ESG has a far more direct financial impact in China than elsewhere due to the state capitalist system. Entrepreneurship and innovation have created one of the world's leading economies but the main objective of the communist party is to serve the interests of the people. If the state decides to clamp down on malpractice it could immediately overturn a company's fortunes. Running a Chinese company "at the expense of society" may lead to short-term financial benefits but potentially to complete shutdown if the attention of the state turns towards the malpractice. In contrast, there are many companies in Europe and US that have got away with poor environment and social practices for many years.

There are multiple examples where the Chinese state has shut down malpractices, like polluting steel mills, overcharging for generic drugs and aggressive personal lending. Some changes came into effect at short notice and many companies with unsustainable practices closed. In contrast, good operators in those sectors benefitted from the resulting reduced competition. At the moment we are seeing a wave of regulatory action, targeting fintech, data privacy, ecommerce monopolies, after-school tuition and most recently gambling in Macau. Regulation has fallen behind the rapid rise of corporate China over recent years. In reality the same has happened in developed markets with respect to anti-trust behaviour by the likes of Alphabet and Amazon, or data privacy issues, or fake news. The Chinese policymakers are taking actions that are much needed elsewhere, and because of the greater direct influence over the economy, these changes can be brought in quickly and firmly if needed.

It is important to understand and respect the Chinese state's social objectives and skilful managers pay close attention to their implications and to unsustainable practices when investing in China.

A dedicated partner is necessary

Manager selection in China will be **more complex** than elsewhere. Data is more difficult to obtain, managers are selective about clients, information is not standardised, and opportunities are very dynamic. Unless an asset allocator is prepared to staff up a sufficient China manager research capability, **partnering with a dedicated selection specialist is essential**. RisCura has built comprehensive expertise in this area over the last 12 years.

A GUIDE TO GUIDANCE

Craig Rimmer, Policy Lead: Master Trusts and Standards, welcomes a new PLSA guide on how to speak to savers about their pensions.

THERE IS A RECOGNISED GAP BETWEEN THE NEED FOR AND THE PROVISION OF PENSIONS GUIDANCE IN THE UK. INDIVIDUAL SAVERS HAVE MORE RESPONSIBILITY FOR THEIR RETIREMENT AT THE DECUMULATION STAGE, BUT ALSO MAKE DECISIONS THAT COULD AFFECT RETIREMENT OUTCOMES AT LIFE/TEACHABLE MOMENTS IN THE ACCUMULATION STAGE.

Both the FCA and TPR looked to tackle issues surrounding decision points in their Call for Input on the Pension Consumer's Journey earlier in the year. The PLSA was clear in saying that employers and schemes could help savers if rules around the advice/guidance boundary and other regulated activities were clarified.

There is also clear connectivity between general financial wellbeing and retirement outcomes. Individuals with issues managing debts may be more inclined to opt out of automatic enrolment or release money at age 55 from a DC pension to pay down debts. Individuals that have built up short-term savings are more likely to be able to manage financial shocks and as a result maintain pension contributions.

On 15 September, Pensions Awareness Day, the PLSA launched our *Employer's Guide to Talking About Pensions*. Our aim was to help employers and schemes offer more help to savers about their pensions and connected areas of financial wellbeing. The guide looks to clarify the rules around helping savers through busting commonly held myths, setting out a RAG table of guidance and highlighting case studies of good practice.

The guide also includes some pros and cons answers to frequently asked questions by savers, such as whether it is best to transfer an old work pension into the current workplace scheme and whether to save more into a pension or an ISA.

The Money and Pension Service (MaPS) set a national goal of 5 million more people understanding enough to plan for or in retirement. This is a recognition of the scale of guidance gap that needs closing, and they recognised that the provision of guidance could not be done by MaPS alone. Schemes and employers will have a key part to play in helping savers in respect of pensions and wider financial wellbeing. We hope our guide will give more schemes and employers the confidence to do so.

There is more to be done beyond clarifying the rules around the advice/guidance boundary and regulated activity orders. The rules themselves could be changed to be more suited to the needs for bridging gaps in advice and guidance. Advice/guidance could be an area for divergence from EU regulations to tailor more closely to the UK pensions and financial services sector. There is also a case for a carve-out for pensions guidance throughout the journey, delivered by pension professionals.

We know that the FCA are now concerned through the Consumer Duty to look at the best possible outcomes for savers and not just regulating against harms and risks. The PLSA will keep arguing the case for greater clarity around rules and possible redefining of rules, in line with the FCA's pivot towards optimal outcomes.

Currently, an employer is allowed to say different things about their workplace pension depending on whether it is trust-based or contract-based. The saver doesn't know the difference, and with multiple pension pots throughout their career they may get confused by the different messaging.

Schemes and employers are doing their share to help savers achieve better retirement outcomes. Regulators have an opportunity to do more in this space too by relooking at the rules we currently have in place. In the meantime delve into our guide to help navigate the current regulated activity orders and stay on the right side of the advice/guidance boundary.

OUR AIM WAS TO HELP EMPLOYERS AND SCHEMES OFFER MORE HELP TO SAVERS ABOUT THEIR PENSIONS AND CONNECTED AREAS OF FINANCIAL WELLBEING

caceis
INVESTOR SERVICES

DEALING WITH CLIMATE RISKS IN PENSION SCHEMES

Pat Sharman,
Managing Director
UK CACEIS

I'm a trustee of a small defined contribution pension scheme and I'm acutely aware of the growing challenge of climate change and the risks that it can potentially create for my scheme's investments, which will ultimately impact members.

WHY SHOULD WE CARE?

In August, the Intergovernmental Panel on Climate Change (IPCC) released its Sixth Assessment Report on the science of global warming, and the first report published since 2013. Some of the key findings of the report made for disturbing reading, and the United Nations (UN) Secretary-General, António Guterres, called it a "code red for humanity". The findings were reviewed by representatives from 195 countries and will form the basis for negotiations at the UN's Climate Change Conference, known as COP26, taking place in Glasgow in November. The biggest single takeaway is the significant climate change that's occurring in our lifetime, and urgent steps need to be taken to limit the effects.

IPCC scientists believe it is now "indisputable" that human activities are causing the climate to change dramatically, and that people are responsible for the world warming up by 1°C. Scientists also believe almost all emissions of greenhouse gases come specifically from the extraction, transport and use of fossil fuels, as well as from agriculture.

The report suggests weather-induced disasters are likely to become more severe, as each fraction of temperature warming brings greater rainfall and rising sea levels, as well as intensifying droughts and wildfires.

This creates challenges for pension schemes. The physical risks posed by climate change, such as extreme weather events, are leading to global policy response, which in turn is creating transition risks, as companies have to reduce their carbon emissions. The effects of this transition away from carbon-intensive sectors, and overall decarbonisation, will impact a large majority of your funds and their constituent holding companies.

THE POWER OF PENSION SCHEMES

I believe that UK pension schemes are in a unique position to drive change, whilst also focussing on the risks of climate change to their investments. The UK pensions market is the third largest in the world, overseeing over £2.5 trillion of assets. This is a tremendous responsibility and collectively gives pension schemes the power to make a real difference in driving the climate agenda with their asset managers.

In October this year, pension schemes over £5bn in size, and all master trusts, must report on their climate risks in line with the Task Force on Climate Related Financial Disclosures (TCFD). These rules apply to all schemes over £1bn in size from October next year. However, this has created a misalignment between pension schemes and asset managers. For me, this reinforces the importance of pension schemes creating their own independent viewpoint of how their investments are impacted by the physical and transition risks of climate change.

Climate change will be high on the regulatory agenda and likely to be more so as the UK hosts COP 26 this year.

STEERING A PATH TO INDEPENDENCE

Managing the risks of climate change will be a critical factor for UK pension schemes, especially to protect members' pension pots. They will need access to good quality data on the environmental impact of their investments, including scope 1, scope 2 and scope 3 carbon emissions for both pooled funds and segregated mandates. Once schemes can measure their carbon footprint, and understand other environmental factors, they can then address their exposure to the risks of climate change.

Staying on the theme of independent data, I think it's important that pension schemes develop an independent viewpoint of climate risks that's separate from their asset managers. This creates the conditions for stronger stewardship and engagement between a scheme and its asset managers on the topic of managing climate risks.

CLIMATE KNOWS NO BOUNDARIES

In a nutshell, climate change risks know no boundaries and will impact schemes of all shapes and sizes.

As a trustee, taking action to address climate change challenges of the physical and transiton risks from my scheme's investments will be key to protecting my members pension pots. That's because the risks of climate change are real - through rising heatwaves, droughts and flooding in different parts of the world, creating real impacts for companies and their supply chains, not to mention the challenges and investment that companies face when transitioning from fossil fuels to renewables. There will be winners and losers.

In my current role as a trustee of a small DC scheme, we've gone through the exercise of sourcing robust and quality data on ESG and climate risks so we can better understand how they impact our scheme's portfolio at a company and sector level in the pooled funds we invest. This then informed our governance framework in how we challenge and engage with our asset manager on how they are thinking about and managing these ESG and climate risks. A key goal in all of this was to create a level of independence in how the scheme's exposure to ESG and climate risks are assessed and monitored – even though it's a small scheme, it is still impacted by these risks which need to be managed.

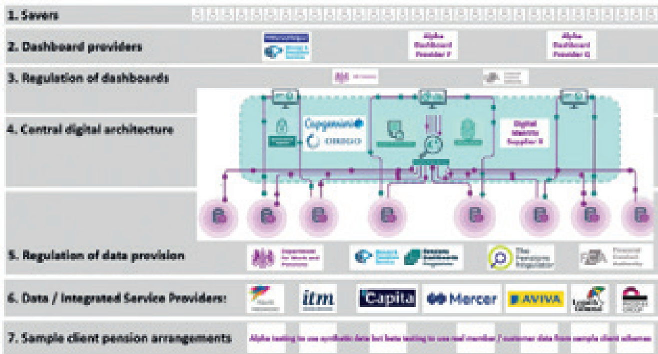
And my final word! Get your hands on some data, start understanding these risks, but most importantly take action now.

PENSIONS DASHBOARDS: TESTING UNDERWAY

It's time for schemes to start getting ready, says ***Richard Smith,*** Pensions Dashboards Consultant, PLSA.

DURING AUTUMN 2021, INITIAL (ALPHA) TESTING OF THE PENSIONS DASHBOARDS ECOSYSTEM WILL GET UNDERWAY, WITH SCHEMES HAVING TO CONNECT FROM APRIL 2023. THIS TESTING PHASE CREATES ADDED IMPETUS FOR SCHEMES TO START GETTING READY NOW AND ENSURE THEIR DATA IS ACCESSIBLE AND ACCURATE.

Multiple parties need to work together to make pensions dashboards function effectively. Together, these parties form the pensions dashboards 'ecosystem'. The initial (alpha) ecosystem is being put together now by the Pensions Dashboards Programme (PDP), and is illustrated in the diagram right.*



THE ECOSYSTEM EXPLAINED

1. The dashboards ecosystem will enable savers (at the top of the diagram (1)) to digitally connect to all their pensions entitlements held by pension schemes and providers (at the bottom (7)).
2. There will be numerous dashboards which savers can choose to use, all showing the same pensions information. Initially, as well as the MoneyHelper dashboard from the Money & Pensions Service, the intention is for two or more commercial dashboard providers to test the system (see providers P and Q in the diagram, with PDP aiming to announce these this winter).
3. Dashboard providers will be regulated. HM Treasury is adding 'provision of a pensions dashboard' to the Regulated Activities Order, and the Financial Conduct Authority (FCA) will authorise dashboard providers and make rules for their conduct of business.
4. Dashboards will be able to display a user's pensions because they are connected to the central digital architecture. This will be supplied by Capgemini, working with Origo, and comprises the Pension Finder Service (PFS), the Consent & Authorisation Service, and the Governance Register. An interim digital identity supplier (shown as 'Digital identity supplier X' on the diagram) is also due to be announced in January.
5. The PFS will search all pension schemes for a user's pensions, with schemes being required by regulations to make their data searchable. The Department for Work and Pensions is due to publish the regulations in December, with PDP issuing detailed technical standards with which schemes must comply. The Pensions Regulator and the FCA will support trust- and contract-based arrangements with compliance.
6. Seven data providers (or integrated service providers) have volunteered to test the initial (alpha) ecosystem. In the alpha testing phase these volunteers will use synthetic data, but in the beta testing phase in 2022 the intention is for them to use real data from sample clients' schemes.

WHAT DOES THIS MEAN FOR YOU?

As a pension scheme, there are several things you should be doing now to start getting ready:

1. Talk to your administrator/software provider about their plans to help you comply. Are they an alpha data provider, or will they be involved with beta testing in 2022?
2. Make a plan for your scheme's compliance: see the PLSA *Are you ready to Connect, Compare and Convey?* flyer.
3. Review the accuracy of the personal data items on all your member records: this will enable your scheme's pensions to be digitally matched and found.
4. Keep abreast of the emerging regulations and alpha testing – look out for further updates from the PLSA and on the PDP website.

The PLSA is here to help you prepare for pensions dashboards.

We play an active role in the Pensions Dashboards Programme (PDP). You can follow all the latest action, information and developments on the PDP website.

If you have any questions or comments about dashboards, please contact **richard.smith@plsa.co.uk**, PLSA Pensions Dashboards Consultant, or **craig.rimmer@plsa.co.uk**, PLSA Policy Lead, Master Trusts.

*Images courtesy of the alpha providers and the Pensions Dashboards Programme www.pensionsdashboardsprogramme.

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LEGAL UPDATE

GET READY: PENSIONS LEGISLATION CHANGES 1 OCTOBER 2021

***Loreto Miranda* and *Nick Sargent*, Thomson Reuters' Practical Law Pensions service.**

A NUMBER OF CHANGES TO PENSIONS LEGISLATION TAKE EFFECT ON 1 OCTOBER 2021. MOST OF THESE CHANGES ARISE BECAUSE PROVISIONS IN THE PENSION SCHEMES ACT 2021 ARE BEING BROUGHT INTO FORCE ON THAT DATE OR REGULATIONS MADE UNDER THE ACT ARE TAKING EFFECT.

CLIMATE CHANGE-RELATED MEASURES INCLUDE:

- New climate risk governance and reporting requirements for trustees of ***large occupational pension schemes*** with assets worth £5 billion or more (and authorised master trusts); schemes with assets worth £1 billion or more will be affected in 2022. This includes a requirement to identify climate-related risks and opportunities that they consider will have an effect on the scheme's investment and funding strategy.
- New ***disclosure and notification*** requirements on trustees who are obliged to produce a Taskforce on Climate-related Financial Disclosures (TCFD) report.
- Trustees of occupational pension schemes within scope will also be affected by ***new TKU requirements*** relating to climate change-related risk management.

EXTENDED PENSIONS REGULATOR POWERS INCLUDE:

- ***New criminal offences*** for avoidance of an employer debt and conduct risking accrued scheme benefits. Subject to a defence of 'reasonable excuse', a person will be liable on conviction to a fine, imprisonment for a term of up to seven years, or both. The Regulator is expected to finalise its prosecution policy, which has been under consultation, to take effect at the same time.
- ***New financial penalties*** allowing the Regulator to impose fines of up to £1 million in certain circumstances, including in similar situations to those giving rise to the offences of avoidance of employer debt and conduct risking accrued scheme benefits.
- Changes to the Pensions Regulator's powers regarding ***contribution notices***, primarily to introduce two new grounds for issuing such notices, relating to employer insolvency and employer resources.
- New ***information-gathering and interview powers*** for the Regulator. These include financial penalties for providing false or misleading information either to the Regulator or to scheme trustees or managers in a range of circumstances.
- On ***notifiable events***, the existing civil penalties for non-compliance will be replaced with the new financial penalty powers.

Several parts of the Act will still not be fully in force after 1 October, including the prospective changes to the funding regime for defined benefit schemes, the provisions regarding pensions dashboards and the new regime governing collective money purchase benefits.

For more information on Thomson Reuters' Practical Law knowhow service for pensions professionals visit **https://uk.practicallaw.thomsonreuters.com/Browse/Home/Practice/Pensions** or contact Editorial Director **loreto.miranda@thomsonreuters.com**.

PQM UPDATE

What is the Pension Quality Mark and why is it important, asks ***Jacqueline Shoard,*** PQM Administration Executive.

PENSION QUALITY MARK

MOST EMPLOYEES SAVE REGULARLY VIA THEIR EMPLOYER'S PENSION SCHEME, SO THAT THEY WILL HAVE AN INCOME IN RETIREMENT. HOW DO THEY KNOW IF THEY ARE SAVING ENOUGH AND WHETHER THE SCHEME THEY ARE IN IS A GOOD ONE? THE PLSA'S PENSION QUALITY MARK CAN HELP.

Automatic enrolment means more people than ever are saving into a pension scheme. This is a great success – or is it? Unfortunately, many schemes enrol employees at the regulatory minimum, which simply isn't going to generate enough savings for an adequate income in their retirement.

PLSA advocates saving a minimum of 12% of income. This may seem a daunting amount, but with employer contributions and tax relief, the employee may be able to accumulate a healthier pot of savings without feeling too much pain in their take-home pay. As pensions specialists you know this already, but how do you convince employees to trust in the pension scheme and to save sufficiently?

This is where the Pension Quality Mark can help, showing employees that the scheme is a good one, that it meets high standards.

PQM is an accreditation for workplace DC pension schemes developed by the PLSA. The PQM standards means:

- The employer must commit to offer all employees a contribution of 12% with at least 6% from the employer. Employers offering 15% contributions, with at least 10% from the employer, qualify for PQM Plus.
- Schemes must have good governance, be run in the best interests of their members, and deliver value for money.
- There must be a suitable default investment strategy, reviewed regularly.
- Efforts must be made to understand the member, promoting engagement through good communications and listening to member feedback.

AROUND **105** PENSION SCHEMES CURRENTLY HOLD EITHER PQM OR PQM PLUS, WITH MORE THAN **650,000** EMPLOYEES ACTIVELY SAVING IN THESE SCHEMES.

Pension schemes which hold PQM are from a wide range of sectors, including financial services, charities, retail, pharmaceuticals and engineering. They include household names such as Heineken and Tesco, as well as small organisations with a dozen or so employees.

To find out more about Pension Quality Mark please contact us and we'll be pleased to discuss it with you and assist you if you decide to apply.

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PIC provides secure and stable pensions through providing pension risk transfer solutions backed by leading customer service, comprehensive risk management and excellence in asset and liability management.

As of 30 June 2021, PIC has insured 270,800 pension scheme members, backed by £47.6 billion of investments.

Clients of PIC include FTSE 100 companies, multinationals and the public sector.

For more information,
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270,800
PENSION SCHEME MEMBERS INSURED

ASSETS UNDER MANAGEMENT (HY 2021)
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