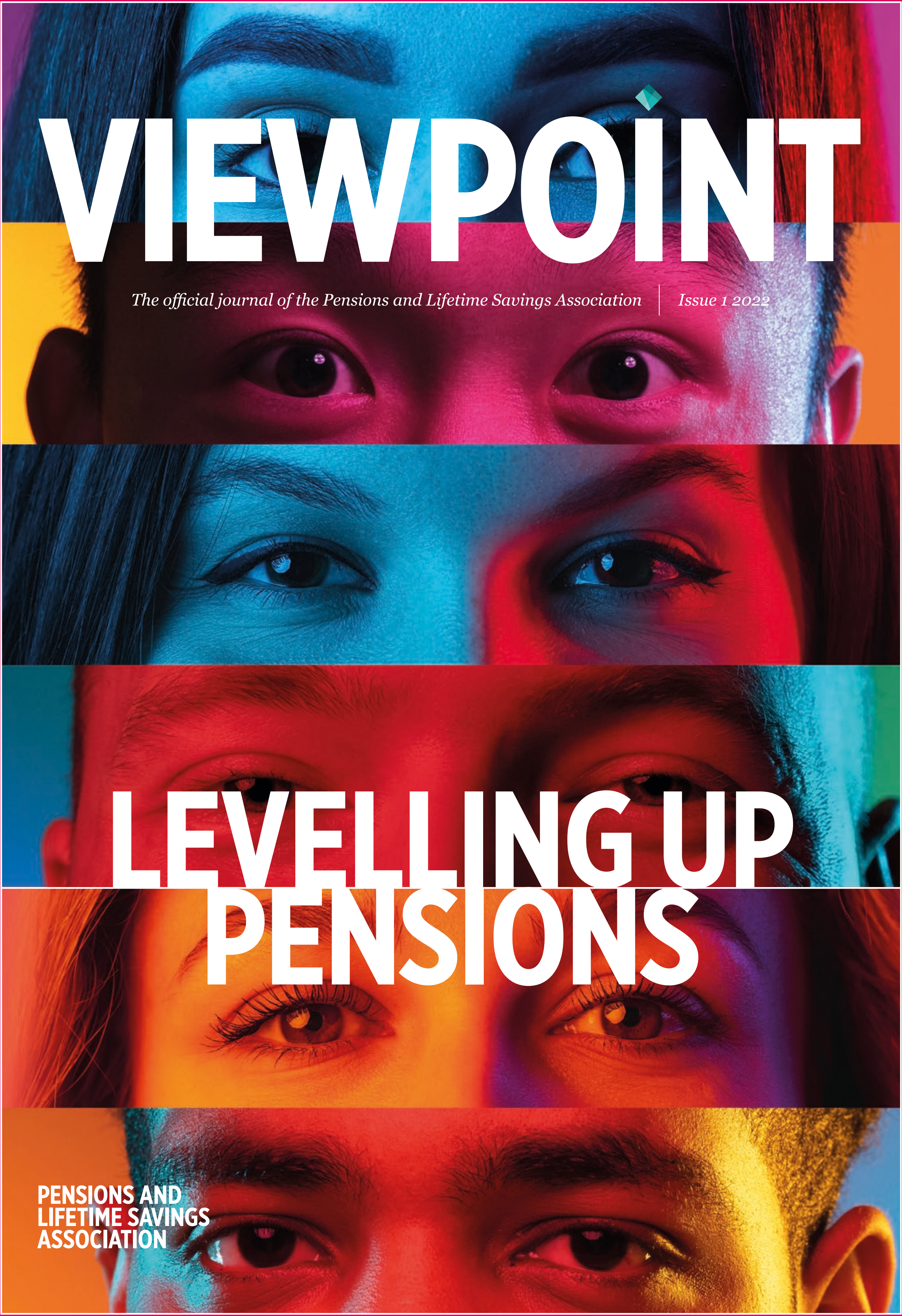
VIEWPOINT
The official journal of the Pensions and Lifetime Savings Association
Issue 1 2022
LEVELLING UP
PENSIONS
PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION

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PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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CEO's *Viewpoint*

Julian Mund looks forward to another busy year.

Hello and welcome to the first edition of *Viewpoint* for 2022. The start of this year has been as busy as ever at the PLSA, as I'm sure it has for members across the board. One of the first major events of the calendar – the PLSA's digital ESG Conference – Pensions, people, planet – takes place on 9-10 March. Now in its second year, I hope you can join us online to explore the next chapter of this incredibly important topic.

As usual the PLSA team has pulled out all the stops to provide you with the most inspiring content and speakers. I'm fascinated to hear what the Rt Hon Thérèse Coffey MP has to say about pension funds' role in the fight against climate change. Will she issue a similar rallying cry to that at COP26 in November? Only a few months on from the close of COP26, our event will look at the promises made in Glasgow and the necessary next steps for the pensions sector.

I'm also looking forward to hearing renowned journalist David Shukman bring to life the science behind climate and the environment. I'm sure he'll have plenty to share about the challenges of communicating to the masses from his long and illustrious career at the BBC.

We know from talking with PLSA members that ESG remains one of schemes' top issues currently – not least for schemes working to meet their TCFD reporting requirements. And in December we published a new Made Simple Guide on ESG, which helps explain what ESG means, and how it can be integrated into a scheme's investment strategy. You can find it on the PLSA website along with other new guides.

BACK WITH A BANG

We're delighted that in May we'll be making our much-anticipated return to Edinburgh for the PLSA Investment Conference, where we'll be back with a bang to reunite the £2.5 trillion pensions industry! Hopefully there will be some slightly milder weather than we traditionally had when the conference fell in March.

And in June, we'll be returning to the picturesque countryside of Gloucestershire for our Local Authority Conference – the largest of its kind dedicated to the LGPS. In-person networking will feature heavily on the agenda and places are limited, so be quick!

Getting the return to face-to-face events right is a big focus for us. It was important to make the shift back at the right time and in the correct way. Your safety remains our number one priority and we'll be following the latest government guidance throughout. This is something we have discussed at length with the PLSA Board: it plays an important role in the PLSA's strategy for the next three years, and especially our goal of bringing the industry together. You can read more about the PLSA's strategy for 2022-2024 on pages 6 and 7.

TOP PRIORITIES

During 2022 we're keen to tell you more about what we do to improve pensions policy for our members and the UK's savers. To help us do this, together with our Policy Board, we have developed an ambitious work programme which aims to meet the needs of our diverse pension scheme members across the DB, DC, master trust and LGPS landscapes.

Encouraging policies under which most people are likely to have an adequate income in retirement is the leading policy priority for the PLSA this year – with a specific focus on expanding the scope and level for automatic enrolment.

We've also targeted five further areas to focus on, which are responsible investment and stewardship, our LGPS research, DB funding, DC decumulation, and pensions dashboards. You're treated to a double page spread on dashboards in this issue, including the latest on the draft Pensions Dashboards regulations published at the end of January.

In the last edition of *Viewpoint*, I wrote about how hard members have been working. 2021 was an exhausting year. Supporting you, your schemes and organisations, is central to our mission at the PLSA; and lobbying to ensure the right policy framework exists is central to this.

Will it be another busy year? It certainly looks that way, but we are here to support you and to guide you. If there is a particular issue that matters to your scheme or business, then please do let us know. You can drop us an email at membership@plsa.co.uk.

Best wishes,
Julian Mund

THE MEMBER BACKING PENSIONS AND LIFETIME SAVINGS ASSOCIATION

TRUSTEE TRAINING PROGRAMME

Our trusteeship courses help new trustees, prospective trustees, and anyone looking for a refresher, to understand the role and responsibilities and the issues you will face. We'll improve attendees' knowledge and impact and make you the best trustees you can be.

PART 1: THE THEORY

10 May | 13 Sept

Our expert trainers take trustees with less than 12 months' experience, including no experience at all, through how pension schemes work, what is expected of them and how to apply good scheme governance.

PART 2: THE PRACTICE

29 March | 16 Jun | 7 Sept

With support and guidance from independent experts, trustees with some experience will take part in boardroom simulations to learn how to approach the issues you will face in your role.

PART 3: THE EXPERT

20 Oct | 29 Nov

This course is aimed at those who have been in their trustee role for two to three years, who are familiar with the basic principles of trusteeship and accustomed to attending trustee meetings - but who are keen to hone their skills and improve their effectiveness as a trustee.

Find out more: **www.plsa.co.uk/Events**

Strategy: The Next Three Years

PENSIONS AND LIFETIME SAVINGS ASSOCIATION – OUR NEXT THREE YEARS

2022 IS OUR 99TH YEAR SUPPORTING OUR MEMBERS. HERE'S WHAT YOU CAN EXPECT AS WE MOVE INTO OUR CENTENARY AND BEYOND.

THE PLSA IS THE VOICE OF WORKPLACE PENSIONS.

WE AIM TO HELP EVERYONE ACHIEVE A BETTER INCOME IN RETIREMENT.

We are committed to doing everything we can to improve the retirement incomes of savers in the UK. That means making sure they save adequately through their working lives, investing their money responsibly, ensuring the schemes they belong to can meet the highest standards, improving regulation so it works in the interests of our members and their members, and helping people to understand their options when they come to retire. We do this for, with and through our members.

OUR OBJECTIVES

IMPROVING PENSIONS POLICY

We will champion a policy framework that means most people will have an adequate income in retirement. We aim to ensure the regulatory and operating environment is appropriate for our members.

Over the next three years we'll:

- Set out our vision for the right pensions policy framework via thought leadership reports, research projects and major policy initiatives.

  THE PLSA'S RETIREMENT LIVING STANDARDS NOW REACH **15 MILLION SAVERS**

- Support our membership by arguing for the right regulatory environment and responding to government initiatives.

  IN 2021 WE RESPONDED TO **44 CONSULTATIONS** ON PENSIONS INDUSTRY REGULATION

- Use our profile with the media and key stakeholders to communicate on behalf of our members.

  IN 2021 WE ACHIEVED MORE THAN **1,500 PIECES OF MEDIA COVERAGE** WITH A TOTAL REACH EXCEEDING 150 MILLION

BRINGING THE INDUSTRY TOGETHER

We will bring together our members and key commentators through inspiring events and effective networking activities to discuss best practice and key issues. We create and share insights that enable them to play a full role in the pensions and savings community. We add value to the work they do for savers.

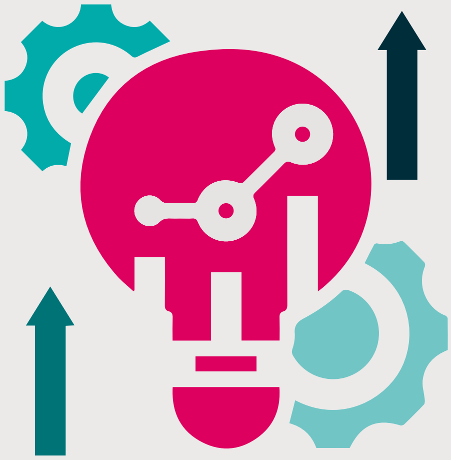
Over 2022-2024 we'll:

- Hold high-quality and highly-rated major industry conferences and smaller events to discuss major themes and practical issues for our members.
- Use a range of digital events and community platforms to add extra value for our members.

  WE WELCOMED **4,635** DELEGATES TO PLSA EVENTS IN 2021

"I have missed the live Annual Conference which for me is a big part of what the PLSA gives its members."

PLSA Fund Member



ENGAGING OUR MEMBERS EFFECTIVELY

We will help and support our members by ensuring they receive expert communications that are easily accessible, and by engaging with them to understand their needs. We will develop our digital content and services to help them succeed.

Over the next three years we'll:

- Implement and increase member engagement scoring and a robust member data and market intelligence system.
- Seek to improve your feedback on everything we do.
- Increase the percentage of the industry we represent.

81% OF MEMBERS RATE OUR COMMUNICATIONS HIGHLY

TOGETHER, PLSA MEMBERS PROVIDE A RETIREMENT INCOME TO MORE THAN **30 MILLION SAVERS IN THE UK AND INVEST MORE THAN £1.3 TRILLION IN THE UK AND ABROAD**

INVESTING IN OUR PEOPLE AND SYSTEMS

We have a great team who work incredibly hard for our members. We will invest in developing and retaining them and equipping them with tools to have the maximum impact for members. We will prioritise doing the right things in the right way.

By 2024 we'll:

- Invest in new platforms to deliver better digital services to our members.
- Acquire and develop the technology resources we need to support our ambitious plans.
- Ensure high levels of staff engagement in key areas of focus.

75% OF MEMBERS RATE OUR DIGITAL SERVICES HIGHLY

FINANCIAL SUSTAINABILITY

We will maintain an operating surplus and adequate reserves through developing and targeting incremental revenue growth. That means we can invest in our work on behalf of our members.

Over the next three years we'll:

- Increase our income and contribution so we can continue to invest in our services and maintain healthy reserves.
- Implement our phased three-year member subscription increases to ensure a stable income base and reflect changes in the industry.
- Increase our member retention rates by providing quality and value for money in our services.

"Excellent representation of the pensions industry."

PLSA Fund Member

A better tomorrow

Savers still see the value in pensions despite the cost-of-living crisis, says ***Nigel Peaple,*** Director Policy & Advocacy, PLSA.

Ensuring everyone achieves a better income in retirement is fundamental to the work of the Pensions and Lifetime Savings Association (PLSA). In a nutshell, it's what we do!

Yet, with the UK showing signs of being on the brink of a Covid- and energy-driven cost-of-living crisis and household bills set to soar, many savers face substantial financial difficulties over the short to medium term.

This was confirmed in a recent PLSA survey of more than 2,000 UK adults. In it we found that almost half (47%) of those not retired are saying that, currently, they cannot afford to save due to the rising costs of everyday living.

It's a worrying trend which could have knock-on effects on the economy as purse strings are made tighter and consumer spending is reduced as people try to make ends meet.

But while there is so much uncertainty about short-term saving, there is a brighter side. It was pleasing for us to hear from savers that – over the longer term – they continue to see the value of putting money aside towards retirement in a workplace pension.

In our survey, we heard that around a third (32%) said that they can afford to contribute more to their pensions now to boost their retirement income. This was backed up further by just over three-quarters (78%) of those not retired saying they think it is a good idea to pay into a workplace pension.

But to save for a better tomorrow sees savers needing proactive support today – and there is a way the government can help savers with those retirement plans.

A first port of call would be greater pensions education. Our survey found that while savers are seeing the value of pensions, there remain several key fundamental misunderstandings; many are unsure how the system works or what their pension contributions go towards. Only a third of people know the minimum contribution rate under automatic enrolment, around two-fifths (39%) are not sure if the government gives tax relief on pension contributions, and around a third (31%) are unsure if their pension savings are invested in stocks, bonds, or other investments.

Practically speaking – and looking beyond the current uncertain economic outlook – the PLSA has long argued that the government should increase the level of automatic enrolment contributions from today's 8% of a band of earnings to 12% of all salary in the late 2020s.

Under its preferred approach, by the early 2030s, the pension contribution would be 'levelled-up' – split evenly between employers and employees – with the employer paying 3% more than now and the employee paying only 1% more than now. If the employee cannot afford the extra 1%, they should be given the choice of staying at the current level of 5%.

This view appears to have strong backing, with just over four in 10 people in our survey (41%) believing that pension contributions should rise from the current level of 8% to up to 12%, in contrast to only 16% disagreeing with the proposal.

In the interim, the government has adopted a sensible approach. It has promised to introduce automatic pension saving for 18-21-year-olds and to increase pensions saving by basing the contribution on the first pound of savings, rather than only above the lower earnings band of £6,240. The government has said it will do this by the mid-2020s and we urge them to put the change in legislation as soon as possible. These are moves the PLSA supports.

It remains, however, vitally important to the health of the country – and to help reduce the risk of a future shortfall in pensions savings – that the government doesn't fall short on its work and 'levels-up' pensions so that, by the end of the decade, pension contributions are increased from 8% to 12% split evenly between employers and employees, and people can enjoy a better income in retirement. The cost-of-living crisis won't be putting pressure on families forever, but we need a pension saving system that can provide an adequate income for the population for the very long term.

MANY SAVERS FACE SUBSTANTIAL FINANCIAL DIFFICULTIES OVER THE SHORT TO MEDIUM TERM

How green is our Investment Conference?

Rachel Pine, Head of Content – Events, looks forward to a genuinely sustainable event in Edinburgh.

When the PLSA returns to Edinburgh in May 2022 for Investment Conference: A New Boost, we will have considered the environment in every area of conference operations.

To get the lowdown on how this will work, we spoke with Jess Davies, the PLSA's Head of Events, who is working to implement ways that our Investment Conference can be more sustainable. The PLSA is looking at many areas and functions where sustainability can be improved. Most importantly, bringing a lot of people together in one place means that many face-to-face meetings with people from all around the country can take place over the course of the conference, removing the need for additional travel in the future.

Davies also explained that the PLSA is looking into ways to make badging and registration more sustainable and looking at how it can deliver this in a way that will reduce queuing and the need for unnecessary touchpoints. The organisation is also encouraging all attendees and speakers to travel to Edinburgh by train and not fly or drive: we have a partnership with LNER in which we can offer attendees a 20% discount, hopefully encouraging rail travel. Additionally, we are promoting the use of our official freight partners to our exhibitors and sponsors with a view to reducing the number of lorries arriving on-site.

Davies stressed the importance of cooperation from the venue, in this case the Edinburgh International Conference Centre, in this endeavour. Indeed, the EICC has made many changes which will lower emissions in subtle ways, and has an overall commitment to be net-zero by 2030. The PLSA will be working with the on-site caterers to deliver a more sustainable food offering, paying particular attention to what is seasonal and what can be locally sourced. To bring the catering full circle, the venue has partnered with local food charities to distribute any uneaten food.

The conference will follow the venue's waste hierarchy: this involves reducing waste at the source, reusing materials, recycling, recovering energy and committing to send zero waste to landfill – although the venue produces refuse-defined fuel only in worst-case scenarios, which is then burned for fuel at a special plant. The PLSA will not be printing an event guide or programme, with all event details and support materials being available via the conference app, and it will be using recycled or repurposed materials wherever possible.

VENUE BUY-IN

Aaron McKeen, the EICC's Sustainability Programme Manager, notes that this year for the first time the venue will be producing an Event Impact Report for each conference which will show the gas and energy used on site, as well as each conference's emissions and waste. This will allow the venue's clients, including the PLSA, to benchmark against the first report in future years. McKeen explains that the staff of the EICC are enthusiastic about the new sustainability measures. Overall, he says the programme offers an exciting point of engagement for employees.

Georgina Stewart, Director of Business Development for Sackers, a pensions law firm which is exhibiting at the conference, says that her company has made a good amount of progress in upping the sustainability of its conference participation, including being paperless on its stand, ordering far less food for its stand, focusing on using ethical suppliers and ethical products, buying local where possible and using the official PLSA freight service when not. Its stand giveaways have also been made eco-friendly, comprising recycled branded cups and other recycled items. All external venues used by the firm for client entertainment will be within walking distance of the EICC, eliminating the need for local transport, and the entire Sackers delegation will travel to Edinburgh by train. Stewart also stresses that using the conference time well, making sure to schedule many face-to-face meetings, makes their participation at the conference more sustainable.

There are many ways to go green at Investment Conference 2022 – we challenge everyone to think about how to make their visit more sustainable!

OUT	IN
Plastic badge covers	Paper badges printed at home
Faraway food	Locally-sourced cuisine
Many freight providers	Official freight providers
Throwaway food	Careful food planning
Flying to Edinburgh	Taking the train
Taking clients out of town	Taking clients out nearby

Investment Conference 2022: come for the Conference, stay for the expertise

Some of the world's most influential speakers on the economy, financial markets and the political environment are heading to Edinburgh! ***Rachel Pine,*** Head of Content – Events, takes a look ahead...

The aftermath of the Covid pandemic, the post-Brexit environment, strict climate regulation, rising inflation rates, and unusual – perhaps structural – changes to the labour market are combining to complicate the near- and mid-term investment outlook. For investment professionals needing to meet pensions promises or tasked with growing the pots of DC savers, it has never been more important to understand the various factors impacting markets.

With such challenges in mind, the PLSA made a conscious decision to fill this year's Investment Conference programme with world-leading speakers to discuss and debate these and other issues. We're excited to be presenting, live and in-person, a speaker line-up comprising global authorities on numerous topics of critical importance to investors, including the economy, politics, saver behaviour, infrastructure investment and the work revolution. Multiple perspectives will be explored as well: in addition to our annual panel of scheme CIOs, this year we're debuting an all-asset-managers panel, populated by speakers who invest US$15 trillion on behalf of investors around the world.

From international economist **Dame DeAnne Julius**, who was a founding member of the Bank of England's rate-setting Monetary Policy Committee and is the former chief economist of Shell and British Airways; straight through to noted political broadcaster and journalist **Adam Boulton**, most recently of Sky News; the Investment Conference 2022 programme is packed with expertise, experience and excitement, designed to give pensions investors an edge in the months and years to come. Julius is discussing the global economics scene and Boulton will give an in-depth view of UK politics.

Noted behaviourist, broadcaster and the FT's 'Undercover Economist' **Tim Harford** will discuss how to influence saver and investor behaviour to achieve common goals – aimed at increasing saver engagement with their pensions, an issue that bedevils so many PLSA members.

DAME DEANNE JULIUS

WE'RE EXCITED TO BE PRESENTING, LIVE AND IN-PERSON, A SPEAKER LINE-UP COMPRISING GLOBAL AUTHORITIES ON NUMEROUS TOPICS OF CRITICAL IMPORTANCE TO INVESTORS

DAME KATE BARKER

LORI HEINEL

ADAM BOULTON

TIM HARFORD

Scheme Chief Investment Officers **Mark Fawcett** of Nest, **Jason Fletcher** of LGPS investment pool London CIV, and Marks and Spencer's **Simon Lee** will discuss how they plan to meet various investment challenges and how they invest differently on behalf of their different types of schemes.

The UK's Productive Finance Working Group has given its recommendations on solutions to bolster investment in less-liquid assets and **John Flint**, Chief Executive Officer of the newly-launched UK Infrastructure Bank, who is the former Chief Executive Officer of HSBC Group, joins us to explain the types of infrastructure projects the UKIB plans to bring online, in sectors including clean energy, transport and digital.

A stellar panel of economists will discuss social issues, inflation and unusual events in the labour market which may have unforeseen knock-on effects on pensions. Renowned international economist **Dame Kate Barker**, who chairs both the Universities Superannuation Scheme and the British Coal Superannuation Scheme, joins **Paul Mortimer-Lee**, Interim Deputy Director of the National Institute of Economic and Social Research, and Schroders' Chief Economist **Keith Wade**, to explore these topics in full.

Our new panel of asset managers features **Lori Heinel**, Global Chief Investment Officer of State Street Global Advisors, who, with US$4 trillion in assets under management looks after more money than just about any woman in history; **David Hunt**, fixed-income leader PGIM's Chief Executive Officer; and BlackRock's **David Lomas**, who leads the Alternatives Specialists area there. The group will explain the ideas shaping their thinking in 2022 and beyond, and how this may influence the UK pensions sector and other areas.

Any one of these speakers would be well worth a trip to Edinburgh to see, but the conference programme as a whole represents an unparalleled opportunity for trustees, scheme investment officers and others who advise pension schemes on investment to exchange ideas with our roster of globally-recognised experts.

Policy focus 2022

The PLSA Policy Board has set out its priorities for 2022: ***Nigel Peaple*** explains what we'll be focusing on and why.

PLSA members and supporters reading this will know that there's no such thing as a quiet year in pensions. This year will be no exception, as our policy work sees us continue to raise standards and represent the pensions industry as new regulations take shape. We'll also be collaborating with government, parliament and regulators, all with the objective of ensuring everyone gets a better income in retirement.

Our Policy Board reviews the PLSA's policy priorities and agenda annually. It's made up of experts from across our membership (see 'Meet the Board'), to make sure that the PLSA tackles the issues that matter the most to members.

This year's priorities are described below.

LEVELLING UP PENSIONS

What we want to achieve
We strongly believe that everyone should have an adequate income in retirement. Expanding the scope and level of automatic enrolment to help more people save into a pension is our top strategic policy objective for 2022.

What we'll do
Later this year, we'll be producing a new report on pensions adequacy and automatic enrolment reform.

Throughout the year we'll campaign for the government to make the changes it committed to after the 2017 Automatic Enrolment Review. These include setting a timeline to introduce pension saving from the first pound of salary, eliminating the lower earnings band, and introducing auto-enrolment for 18 to 21-year-olds by the mid-2020s.

We'll also campaign for automatic enrolment contribution levels to increase to 12% by 2030, with a 50/50 split between employers and employees.

PENSIONS DASHBOARDS

What we want to achieve
The PLSA will continue to support the development and roll-out of pensions dashboards.

What we'll do
The pensions industry will need to meet its obligations for onboarding into pensions dashboards in late 2022. We want to make sure that schemes and providers are well prepared to do so.

As the consumer protection regime for dashboards develops, the PLSA wants to make sure that it's fit for purpose.

We'll also continue to make sure that regulators, government and other stakeholders understand the industry's needs as pensions dashboards continue to evolve.

DEFINED BENEFIT FUNDING CODE

What we want to achieve
The PLSA wants to make sure that The Pensions Regulator's (TPR) proposed Defined Benefit (DB) Funding Code is fit for purpose for all DB schemes

What we'll do
The PLSA will continue to represent the pensions industry in responding to TPR's proposals to reform the DB funding regime.

In particular, we want to make sure that the Code offers sufficient flexibility for schemes that are still open to new accruals.

"We have developed an ambitious and broad work programme for 2022. It aims to meet the varying needs of the range of pension scheme types that the PLSA represents, across the defined benefit, defined contribution, master trust and LGPS landscapes."

John Chilman

RESPONSIBLE INVESTMENT AND STEWARDSHIP

What we want to achieve
We want to support schemes with responsible investment and stewardship and help them fulfil their reporting responsibilities.

What we'll do
The PLSA will play its part in supporting measures adopted at the COP26 summit in 2021.

There will be further progress on joint industry initiatives with the Investment Association and the Association of British Insurers on Task Force on Climate-Related Financial Disclosures (TCFD) reporting.

LOCAL GOVERNMENT PENSION SCHEME

What we want to achieve
We want to better understand and analyse the current challenges facing the LGPS, then use those findings to propose follow-up actions.

What we'll do
Our State of the Nation research is already underway with LGPS schemes. We'll complete and publish this, including how we propose to help address the issues we find.

DC DECUMULATION

What we want to achieve
We want members of DC schemes to better understand their options and achieve the best possible outcomes when they start to access their DC pension savings.

What we'll do
We'll campaign for the adoption of our guided retirement income choices (GRIC) proposals. The proposals include introducing a statutory obligation on schemes to support members via signposting to suitable products. It also identifies appropriate and stringent standards for governance and effective communications.

OTHER POLICY WORK

As well as our targeted priorities, we'll carry out a wide range of other policy work. This will include responding to government and regulatory consultations – see page 26 for a round-up of our 2021 responses. We'll also continue to develop PLSA initiatives such as the promotion of the Retirement Living Standards, the maintenance of the Pension Quality Mark, and the Cost Transparency Initiative in association with the Investment Association and the LGPS Scheme Advisory Board.

"We'll be making the case that pensions can play a key role in the government's levelling up agenda. We expect a wave of further regulatory initiatives, not least on DB funding, pensions dashboards, and TCFD reporting."

Nigel Peaple

MEET THE BOARD

John Chilman (chair)
Chair, RPMI and Executive Director of Railpen

Zoe Alexander
Director of Strategy, NEST

Adrian Boulding
Director of Policy, NOW:Pensions

Rachel Brothwood
Director of Pensions, West Midlands Pension Fund

Phillip Brown
Group Director of Policy & External Affairs, The People's Pension

Mel Duffield
Pensions Strategy Executive at the Universities Superannuation Scheme (USS)

Teresa Fritz
Senior Policy & Proposition Manager for the Money & Pensions Service and a Member of Croydon LGPS Local Pension Scheme Board

Brian Henderson
Partner and Director of Consulting, Mercer Wealth

Sorca Kelly-Scholte
Lead Client Chief Investment Officer for EMEA Pensions in Multi-Asset Strategies & Solutions (MASS), BlackRock

Sarah Luheshi
Deputy Director of the Pensions Policy Institute (PPI)

Neil Mason
Strategic Finance Manager at Surrey County Council, responsible for Surrey Pension Fund

Paul McGlone
Partner, Aon

Laura Myers
Head of Defined Contribution at LCP

Jackie Peel
UK & International Plans Benefits Director at Mars, Incorporated

Anna Rogers
Senior Partner and co-founder of ARC Pensions Law

Michael Watkins
Director of retirement propositions at Smart Pension

Lisa Young-Harry
CEO of the HSBC Bank Pension Trust (UK) Ltd

Early retirement: daring to dream, or risking regret?

Maggie Williams asks what changing retirement patterns might mean for pension savers, and what needs to be done to support them.

As government policy moves towards 'living with Covid' and away from the restrictions imposed during the pandemic, the impacts of the last two years on all aspects of life and society are now beginning to become clearer.

From a pensions perspective, one of the most notable statistics was an increase in the number of people choosing to leave the workforce before the age of 65. According to figures from the Office for National Statistics (ONS) and Aviva, in mid-2021 figures were on a par with those of 2017, despite steadily falling in the years before the pandemic.

Early insights from the ONS's *Over 50s Lifestyle Study* explored the reasons why people aged 50 to 70 left the workforce. It found that although the main reason for people leaving their job was retirement (47%), there were also a blend of other factors (see graph). Over a third (38%) reported a health-related reason (Covid, illness, stress), and 21% simply didn't want to work any more or were looking for a change of lifestyle.

WHY DID YOU LEAVE YOUR PREVIOUS PAID JOB?

Participants could choose multiple options – selected answers shown

47%	Retirement
15%	Coronavirus
13%	Illness or disability
11%	Didn't want to work any more
10%	Stress/mental health
10%	Change of lifestyle
5%	Lost job

Source: ONS Over 50s Lifestyle Study

The ONS found that over a quarter (28%) of those aged between 50 and 59 who had left the workforce said they had retired early. However, more than half (58%) in this age group said they would consider returning to paid work in the future, compared to 39% for the 50 to 70 age group as a whole. Notably, 56% of 50 to 59-year-olds said that money would encourage them to return.

The potential need for extra finance in the future is not surprising, especially for those saving into defined contribution (DC) schemes. Research from the Social Markets Foundation, *A Guiding Hand – Improving Access to Pensions Advice and Guidance* discovered that the pension pot of a typical person aged 50 to 64 in the UK is 58% short of what they believe they'll require, creating a £132 billion gap between expectations and reality.

Choosing to leave work early and then potentially return at a later date has significant implications for long-term financial wellbeing in retirement. The ONS found that 44% of under-60s who retired said they were using savings and investments to fund themselves, with 29% accessing a private (including workplace) pension to do so.

For some of those leaving the workplace, the pandemic will have helped to crystallise existing, well-thought-through plans, based on factors such as hitting the Lifetime Allowance or long service in a defined benefit (DB) scheme. However, for others, deciding to take early retirement will have been driven by having access to the financial lifeline of pension savings, or by changing priorities – as the ONS's figures show.

Opting to leave work without careful pension planning carries risks, including limited opportunities to contribute in the future, making poor choices around income options, and having insufficient funds in future life.

LIMITING FUTURE CONTRIBUTIONS

Once a saver starts to access their pension, the Money Purchase Annual Allowance (MPAA) will affect them. This currently restricts annual tax-free contributions to £4,000 once someone has started to access their pension.

Steve Cameron, Pensions Director at Aegon, adds: "Many individuals have been caught unawares by dipping into their pension during the pandemic for short-term financial support. While these rules were introduced to stop people recycling their pensions tax-free cash lump sum, the reality is that it is punishing hardworking people."

MAKING DECISIONS ABOUT RETIREMENT OPTIONS

Michael Ambery, Partner at Hymans Robertson, says that scheme members are "bombarded by a deluge of options as they approach retirement and find it difficult to make decisions." He cautions that this could "result in them being in a post-retirement investment or solution that does not provide value or meet their individual needs, or those of their dependents."

Helping as many scheme members as possible to understand the options and risks involved in starting to draw from retirement savings is crucial. But as few as one in seven people currently make use of Pension Wise, the government's free guidance service for the over-50s.

In January 2022, the government's Work and Pensions Select Committee published its report into at-retirement decisions: *Protecting pension savers – five years on from the Pension Freedoms: Accessing pensions savings.*

	MINIMUM	MODERATE	COMFORTABLE
SINGLE	£10,900 a year	£20,800 a year	£33,600 a year
WHAT STANDARD OF LIVING COULD YOU HAVE?	Covers all your needs, with some left over for fun	More financial security and flexibility	More financial freedom and some luxuries
HOUSE	DIY maintenance and decorating one room a year.	Some help with maintenance and decorating each year.	Replace kitchen and bathroom every 10/15 years.
FOOD & DRINK	A £41 weekly food shop.	A £47 weekly food shop.	A £59 weekly food shop.
TRANSPORT	No car.	3-year old car replaced every 10 years.	2-year old car replaced every five years.
HOLIDAYS & LEISURE	A week and a long weekend in the UK every year.	2 weeks in Europe and a long weekend in the UK every year.	3 weeks in Europe every year.
CLOTHING & PERSONAL	£410 for clothing and footwear each year.	£730 for clothing and footwear each year.	£1,200 for clothing and footwear each year.
HELPING OTHERS	£10 for each birthday present.	£30 for each birthday present.	£50 for each birthday present.

It concluded that savers don't receive enough support to make good decisions at retirement, and that they need a blend of retirement solutions. It also called for a greater role for Pension Wise.

Nigel Peaple, Director of Policy and Advocacy at the PLSA, says the review is "timely and thoughtful," but cautions "we don't think the Select Committee's proposals about a greater role for Pension Wise in providing guidance will be sufficient to ensure that everyone gets good outcomes at retirement." Peaple believes that implementing the PLSA's Guided Retirement Income Choices, a framework that allows schemes to help savers balance the longevity, inflation and investment risks they face (see boxout) "will encourage the development of a vibrant market of blended solutions and a greater role for schemes in signposting or offering the right solutions."

In the same week, the Department for Work and Pensions released an update to its *Stronger Nudge to Pensions Guidance* proposals, which will see trustees and pensions managers compelled to nudge savers towards guidance, not just by making them aware of Pension Wise, but also by offering to book an appointment for them.

"The PLSA is a big believer in more people accessing Pension Wise guidance. But we are not fully convinced that the Stronger Nudge proposals will deliver this," says Joe Dabrowski, Deputy Director of Policy at the PLSA. For example, Dabrowski says that including savers with pots of £1,000 or less "will see them delayed or suffer increased costs when they try to access their pension. The result is they could be nudged to hear more about options that aren't even available to them."

In addition, the Pension Wise nudges are only delivered when savers first access their pension, which could be too late to have a significant effect. The PLSA sees five areas where advice or guidance is needed to help savers across the whole of their working lives:

- Contribution levels
- Decisions on going part-time or taking a career break
- Consolidation of pensions
- Review of investments
- Decumulation options prior to retirement

SETTING REALISTIC EXPECTATIONS

Savers also need a clear picture of how much money they will need during retirement, and when they will have a sufficiently large pot to achieve the standard of living that they want.

There are two main approaches to assessing this: measures based on the replacement of pre-retirement earnings, such as the Pension Commission's Target Replacement Rates (TRR), and measures focussed on living standards, such as the PLSA's Retirement Living Standards.

PLSA research shows that 13.6 million people are at high risk of not saving enough to achieve the TRR, and only around half (51%) of savers are on track to meet the TRRs. This figure falls to 3% for people who only have DC pension savings.

The Retirement Living Standards can help savers understand how much they need to save to achieve a minimum, moderate or comfortable standard of living in retirement (see boxout p15). According to Aon's 2022 DC survey, nearly a quarter (22%) of schemes say that they are now referencing the Retirement Living Standards to help measure savers' outcomes.

From a business point of view, employers will have lost vital experience and skills from their workforces as employees retire early. Helen Morrissey, Senior Pensions and Retirement Analyst at Hargreaves Lansdown, believes that employers need to take a more flexible approach to working arrangements in order to encourage older employees to remain in the workplace, and therefore contributing to their pensions and wider financial wellbeing.

"Continuing to embrace flexible and home working is a hugely effective way to keeping older people in the workforce where companies can benefit from their experience," she says. "Older workers will also benefit from the extra income and pension contributions that will boost their financial resilience and retirement planning."

Finding new approaches to job design, workforce planning and support for older workers might not be in the remit of pension schemes alone, but helping savers to better understand their options will ensure they start to access their pensions with confidence, at an appropriate time, and without future regrets.

GUIDED RETIREMENT INCOME CHOICES

In May 2021, the PLSA called for a new statutory obligation on pension schemes to provide helpful guidance and signposting to suitable products for savers.

This would allow product providers to build retirement income solutions that blend the best features of cash, drawdown and annuity products commonly used for retirement. We believe this is the best way to give providers the confidence they need and savers the support they need.

The recommendations are not designed to replace any existing regulatory approaches or guidance services but rather to build on them to develop blended solutions that are more appropriate for future retirees.

The benefits of our recommended framework are:

- **To guide and inform savers** – A saver communication and engagement journey, informed by behavioural economics, with a 'path of least resistance' that enables schemes to signpost savers to a retirement solution either inside or outside the scheme.
- **To deliver well-designed solutions** – A set of minimum product standards that require schemes, who are better able than savers, to trade off the numerous and complex economic and decision risks faced at retirement.
- **To support schemes to deliver the framework** – Key minimum governance standards to underpin the design and delivery of the above elements.

Shifting the inclusion dial

Jayne Styles, Lead, The Diversity Project's Inclusive Recruitment Initiative, gives some practical steps for CEOs.

Corporate culture starts from the top. In an **inclusive culture** there is trust, fairness, and diversity.

Inclusive culture
trust

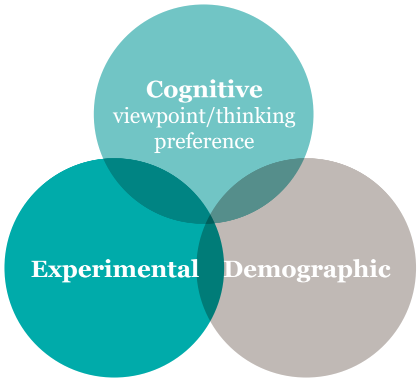
Fair
level playing field

Diverse
perspectives

Everybody **feels:** respected and valued; treated fairly; listened to; informed; and that they have choices.

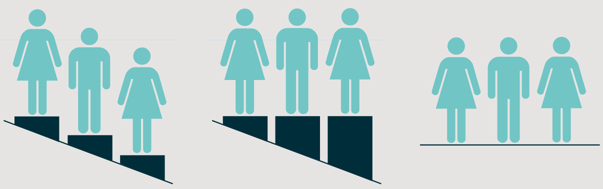
Inclusive systems meet the needs of each of us as we really are. They level the playing field, creating a true meritocracy that attracts, develops and retains diverse people with varied perspectives; a **collective intelligence**.

Our perspectives come from the sum of our parts, some of which change over time.



An inclusive culture does not dilute our perspectives by expecting us to align our views with others'. However, our values, compasses, do need to be aligned.

An inclusive culture is associated with high engagement and wellbeing. It is a better place for everyone.



Equal Treatment
Everyone given the same support

Equitable Treatment
Different support to give equal access

Fairness
No barriers

Source: adapted from Deloitte Insights

Our instincts can impede inclusion. We are overconfident about our decisions, although they may not always be rational. The good news is that our predispositions are predictable, so behavioural science, widely used in finance, can help us make better talent decisions.

INCLUSION MATURITY

Culture starts from the top, but inclusion maturity is when everyone owns it.

The Diversity Project recommends taking the **Inclusive Employers Standard** assessment:

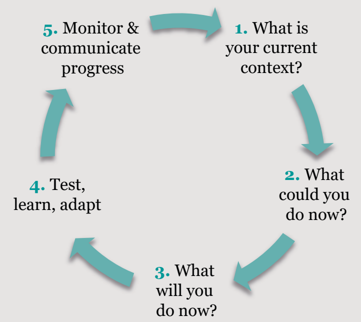
Awareness grows

	1. COMPLIANCE
FOCUS	Compliance, avoiding complaints
CENTRE OF GRAVITY	Legal/HR/I&D team

Source: adapted from Deloitte's Maturity Model and the Financi

TAKING ACTION

Small steps applied consistently and built upon progressively can make a meaningful difference, but be clear, this is system redesign, not retrofit.



Survey fatigue comes from a lack of action. So take time to analyse, communicate (the good and the bad), and act. Look for quick wins. Celebrate successes.

WHAT IS YOUR CURRENT CONTEXT?

Context is key. Base your actions on facts by gathering your data. Get to the root cause of your inclusion maturity by answering the questions below.

- What are your granular trends?
  - Who is: recruited, promoted, leaving and working flexibly?
  - Where are the pay gaps and why do they exist?
  - Are performance scores balanced?
- What lies behind hiring/promotion decisions?
- What are your inclusion enablers?
- What are your inclusion barriers and/or unwritten rules (contradictions)?[i]

Mutual mentoring
People from underrepresented groups can be less likely to self-advocate. **A mentoring programme** can help build their confidence to apply for roles and when they take on new roles.

Mutual mentoring relationships also help participants gain a better understanding of what it is like for others to work in an organisation.

Formal mentoring programmes make it easier for those who are keen to mentor but are reluctant to do so informally.

FRAMEWORKS

Long-term workforce planning
Shift the focus from cost/time to hire to candidate quality/tenure to widen the talent pool as people from underrepresented groups can take longer to recruit.

Transition point | Cumulative progress

2. PROGRAMMATIC	3. LEADER-LED	4. INCLUSIVE
Value of diversity starts to be recognised	Deeper understanding of inclusion and its link to business strategy	Inclusion is integral to corporate strategy
HR/I&D team, employee resource group	Business leaders, diversity task force	Whole organisation

ial Services Skills Commission's inclusion measurement guide

- What resources are needed? (Ideally, the human resources (HR) and inclusion and diversity (I&D) teams report to the CEO.)

You may already be doing some of the options below, but are they achieving the right results?

WHAT COULD YOU DO NOW?

The following is not prescriptive, as your course of action will depend on your context.

PEOPLE

Inclusive leaders
Inclusive leaders are **kind**, humble and they listen. Once people see their leaders being like this and know that they are watching out for this behaviour, positive change starts to happen.

Task force
A task force can help to get things started. Sponsor a diverse group of volunteers from across the business.

Actively engage with people who will be additive to your business and build a talent bench.

'Nice to haves' reduce the size of the talent pool. Use a few essential success criteria to objectively assess candidates' potential to do a job. Focus on behavioural competencies rather than technical skills that can be easily taught.

Employee experience
Employee experience (EX) covers every touchpoint before, during and after talent engages with your company. Let people shine and feel good about themselves, no matter the outcome.

To expand the talent pool, look widely, creatively, and proactively. Recognise that not having a conventional, linear, uninterrupted career path brings different perspectives. Returners and people from other sectors are a great source of senior talent.

Advertise all roles internally. Use neutral, clear, concise language in all external and internal employee communications, and different formats.

Be clear and upfront about things such as location, flexible working options (where, when, and how) and compensation ranges. Do not ask external candidates for current compensation.

Use the same selection process for all hiring. Be transparent about how potential is evaluated and the criteria for promotion.

Insist on diverse shortlists. **Statistically**, the chance of a woman being appointed out of four candidates is 0% with three men/one woman and 50% with two men/two women.

Use work samples, short, role-specific, written case studies/activities, designed to assess candidates' potential performance. They also provide candidates with an insight into the role. Administer and score them consistently, using the wisdom of the crowd by averaging independent assessments from a group of evaluators who are not influenced by the **'noise'** of what each other thinks.[ii]

Structured interviews produce better hiring results than conventional interviews. Have three skilled interviewers, who independently score candidates before discussing whom to hire. Do not undermine the process by introducing unstructured interviews or informal references. The latter are not good predictors of performance in the role and can be prone to stereotypes and double standards.

Flexible working
Default flexible working widens the talent pool. Making it effective requires teamwork and some trial and error.

Help to normalise flexible working by being a visible role model. Make it OK for people to be offline and not feel the need to be present for the sake of it.

WHAT WILL YOU DO NOW?

Fanfares can be more disturbing than motivating, mandates can feel like threats, and focusing too much on outcome goals can impede progress. So, identify a few inclusion metrics to use in the background to monitor progress and determine what to do. What are your quick wins? When will you review your position and rerun the decision-making process?

Find out more in the Diversity Project's Inclusive Culture Guide for CEOs.

i.Peter Scott-Morgan, 'Unwritten Rules of the Game'.
ii.Daniel Kahneman, Oliver Sibony, Cass R Sunstein, "Noise: A Flaw in Human Judgment"

THE NETWORK BUILDING PENSIONS AND LIFETIME SAVINGS ASSOCIATION

PLSA EVENTS

The PLSA brings our members a dynamic mix of conferences, webinars and training, with expert speakers and trainers from pensions and beyond. PLSA fund members can access a selection of our events for free.

ESG CONFERENCE 2022

PENSIONS, PEOPLE, PLANET

9 – 10 March | DIGITAL EVENT

Join our two-day digital conference where we will look at the outcomes of COP26, what they mean for pensions, and how schemes can implement the recommendations and stay on course for net zero.

REGISTER NOW

WHAT SHOULD SUSTAINABILITY LOOK LIKE FOR LGPS POOLS & LA FUNDS?

ROUNDTABLE - PLSA OFFICE

22 March | 11:00 – 12:30

We'll discuss the main challenges in delivering sustainable outcomes and whether or not pooling has delivered the expected savings and returns. Should sustainable thinking drive local sustainable development? Just how big a focus is climate? and what does the the future looks like for Local Authority Pension funds.

FIND OUT MORE AND REGISTER YOUR INTEREST

TRUSTEESHIP – PART 2: THE PRACTICE

PLSA OFFICE

29 March, 16 Jun, 27 Sept | 10:00 – 16:00

With support and guidance from independent experts, trustees with some experience will take part in boardroom simulations to learn how to approach the issues you will face in your role. PLSA members receive over 40% discount on all bookings.

FIND OUT MORE

POLICY INSIGHTS WEBINAR: PENSIONS DASHBOARDS - 12 MONTHS TO CONNECT

ONLINE

31 March | 11:00 – 12:00

Dashboards have the potential to allow savers to understand their total retirement picture for the first time in decades. With careful implementation, Dashboards could be a tool to dramatically improve trust between schemes and members and strengthen member engagement.

Join this PLSA Policy Insights Webinar to hear how your scheme can, and must, play its part.

REGISTER NOW

POLICY INSIGHTS WEBINAR: CHALLENGES AND OPPORTUNITIES FOR THE LGPS: HOW WE HAVE USED YOUR INSIGHTS

ONLINE

28 April | 11:00 – 11:45

Over the past six months many of the PLSA's local authority members have contributed to our major research programme on the challenges facing the LGPS. You participated in roundtables, shared your insights and told us what you think are the key issues that need to be addressed. We will shortly publish the results of this work in a major PLSA report, which will share an analysis of your collective views and the policy implications from them.

In this webinar, we'll hear from the PLSA's Policy team as they give an overview of the key themes of the report, and two leading LGPS practitioners will give their perspectives on the measures needed to help local authority pension funds face the future with confidence. Most importantly, we'll discuss the next steps that the PLSA will take with you, to develop this piece of work, to continue to represent you and your needs to Government, regulators and policymakers.

This is your opportunity to hear how your insights are shaping the PLSA's work on the future of the LGPS.

FIND OUT MORE

AT A GLANCE

For more information visit www.plsa.co.uk/events

TRUSTEESHIP – PART 1: THE THEORY

10 May | 13 September

Our independent expert trainers take trustees through how pension schemes work, what is expected of them and how to apply good scheme governance. This training is suitable for trustees with 12 months' experience or less. PLSA members receive over 40% discount on all bookings.

REGISTER NOW

REGISTER NOW FOR A CHANCE TO WIN ONE OF FIVE VIP PACKAGES*

INVESTMENT CONFERENCE 2022

A NEW BOOST

25 – 26 May | EICC, EDINBURGH

We're reuniting the industry and back with a bang!

After the government's rallying cry to ignite an investment 'big bang', coupled with rising inflation and the continuing economic reverberations of the pandemic, how can pension investors adjust to the new environment, meet their responsibilities, and rise to the challenge?

Spread over two days, catch up with peers, share experiences and swap ideas.

REGISTER NOW

LOCAL AUTHORITY CONFERENCE 2022

LOCAL GOVERNMENT, GLOBAL IMPACT

13 – 15 June | GLOUCESTERSHIRE

2022 looks set to be another major year for the LGPS, with the likelihood of new climate-related reporting requirements on the horizon, the pandemic's long-term impact on scheme finances yet to be fully realised, and the Government's invitation to fuel an investment 'big bang' pending.

Join us to catch up with peers, share experiences and swap ideas.

REGISTER NOW

ANNUAL CONFERENCE 2022

12 – 13 October | LIVERPOOL

The PLSA Annual Conference is the UK's number one pensions conference, welcoming more than 1,000 pension professionals to two days of world-class keynotes, educational sessions, and topic deep-dives.

REGISTER NOW

TRUSTEESHIP – PART 3: THE EXPERT

PLSA OFFICE

20 October, 29 November | 10:00 – 16:00

This course is aimed at those who have been in their trustee role for two to three years, who are familiar with the basic principles of trusteeship and accustomed to attending trustee meetings - but who are keen to hone their skills and improve their effectiveness as a trustee. PLSA members receive over 40% discount on all bookings.

FIND OUT MORE

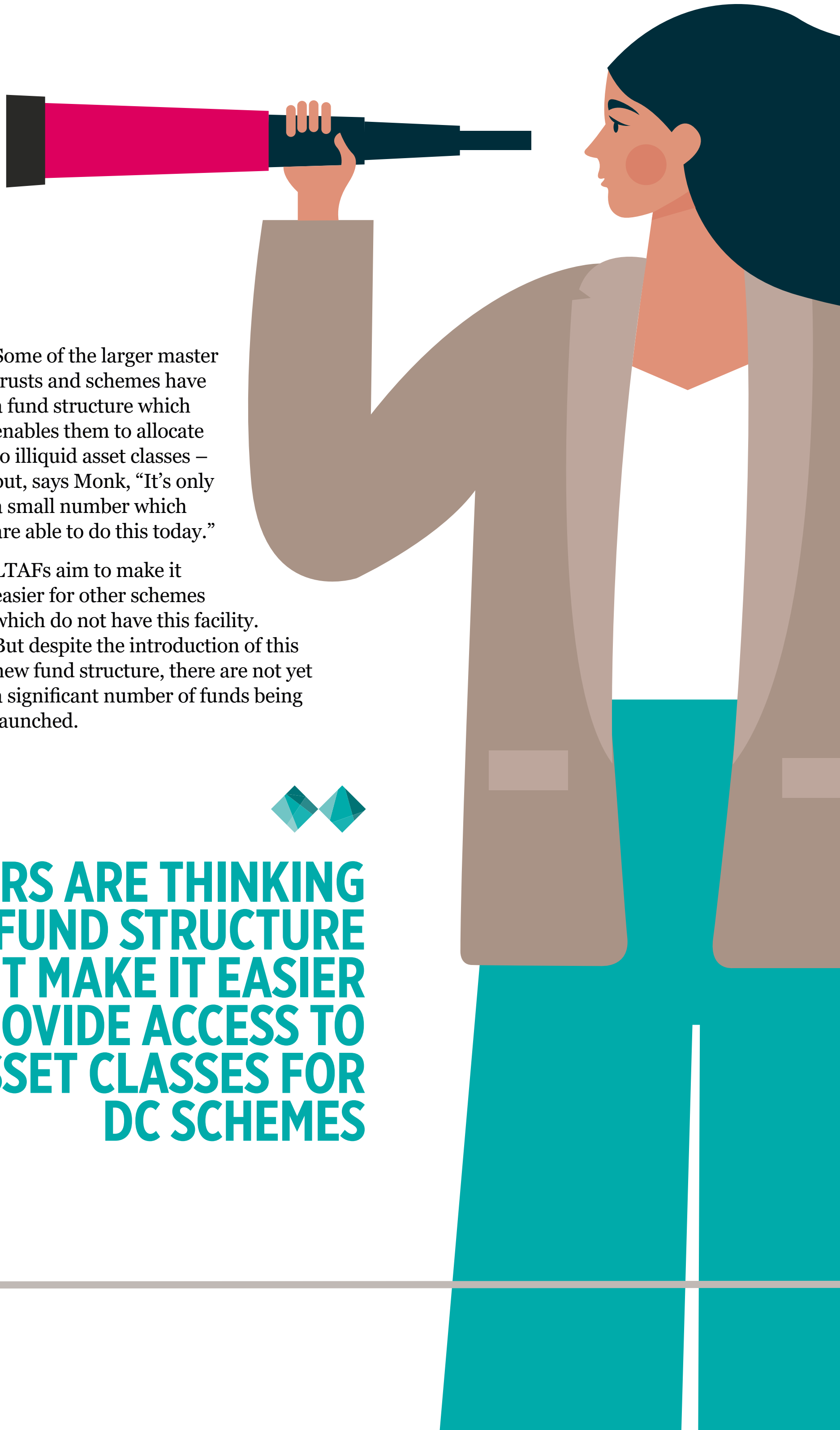
COVID-19 safety measures: As we return to face-to-face events, the safety of our guests and staff is our priority. Covid-19 safety measures for our office can be viewed **here**.

Please note that there is a charge for the Local Authority residential conference and our trustee training programme.

*Open to PLSA Fund Members only. See website for full Terms & Conditions.

Accessing illiquid assets via LTAFs

Charlotte Moore investigates the attractions of the FCA's new long-term asset funds.



In October 2021 the Financial Conduct Authority created a new category of open-ended authorised funds, known as long-term asset funds (LTAF). The aim is to make it easier for defined contribution (DC) schemes to access illiquid assets.

While defined benefit (DB) schemes invest in a broad universe of assets including alternative assets such as private credit and infrastructure, this is much less common among DC schemes. Liquidity constraints have curtailed investment. As James Monk, head of DC investments at Aon, says: "Daily dealing requirements have prevented DC schemes from accessing these asset classes."

LTAFs look to overcome these issues by offering an open-ended fund structure which will enable these funds to be bought and sold more easily than traditional closed-end vehicles.

Some of the larger master trusts and schemes have a fund structure which enables them to allocate to illiquid asset classes – but, says Monk, "It's only a small number which are able to do this today."

LTAFs aim to make it easier for other schemes which do not have this facility. But despite the introduction of this new fund structure, there are not yet a significant number of funds being launched.

ASSET MANAGERS ARE THINKING ABOUT THE NEW FUND STRUCTURE AND HOW IT MIGHT MAKE IT EASIER FOR THEM TO PROVIDE ACCESS TO ILLIQUID ASSET CLASSES FOR DC SCHEMES

Veronica Humble, head of DC investment solutions at LGIM, says: “It is still early days for LTAFs, with regulations currently only an outline.” Product development of illiquid assets will take months at a minimum, she continues.

SCHEMES ARE MUCH MORE INTERESTED IN ILLIQUID ASSETS THAN THEY WERE TWO YEARS AGO

Humble says: “Providers and fund managers will need to update their internal procedures, including fund governance and due diligence processes to reflect the new structure.”

Monk adds: “There has yet to be an LTAF launched, but we expect that to change.” Over time Monk thinks there will be a proliferation of these funds, and that they will be taken up by pension schemes. He says he has been inundated with enquiries from asset managers who want to know if Aon thinks pension schemes will allocate to these funds.

Paul Herbert, senior investment consultant at Willis Towers Watson, says: “Asset managers are thinking about the new fund structure and how it might make it easier for them to provide access to illiquid asset classes for DC schemes.”

It’s not only the asset managers which have to get to grips with this new fund structure, it’s also the pension providers. Herbert says: “Insurance companies will need to make changes to be able to add those LTAFs to their platforms.”

THE COST FACTOR

Liquidity is not the only constraint preventing DC schemes from investing in alternative assets. Cost is another important factor. Illiquid assets come with higher management fees than more standard investments such as passive equities.

Investment management fees for auto-enrolled DC schemes are capped at 0.75% so schemes need to keep within this budget, making it hard to add more expensive strategies. More importantly, both master trusts and group pension plans compete for market share on cost.

This cost constraint creates a major hurdle to investment. Herbert says: “DC schemes want managers of illiquid assets to deliver them at lower prices.” But as there is a huge demand for illiquid assets from other investors, there is little incentive for managers to lower prices.

Herbert says: “Reducing costs requires managers to understand demand from DC schemes will be more sustainable with many decades of cash flow.”

While there is currently strong support from DB investors, most are on a journey to buy-out so they are likely to start divesting these assets over the next decade, he adds.

Herbert believes that if schemes were to commit to allocating capital to illiquid assets in the near future, this would create the incentive for managers to start creating the necessary products within the LTAF wrapper. He goes on: “Trustees would need to give managers some guidance on the types of funds they would want to allocate capital to, as well as start to have those conversations about what costs they would be prepared to pay.”

There are encouraging signs. Humble says: “Schemes are much more interested in illiquid assets than they were two years ago.” Almost every investment strategy conversation now involves a discussion around alternatives, she adds.

But LTAFs are unlikely to appeal to every DC provider. Humble says: “These funds will appeal to the more sophisticated DC trusts.”

ESG BENEFITS

If DC schemes could overcome their cost constraints to use LTAFs to expand their investment universe, it would allow DC schemes to improve the sustainability credentials of their portfolios.

PENSION SCHEMES ARE LONG-TERM PROVIDERS OF CAPITAL WITH THE POWER TO SHAPE THE FUTURE

As alternative assets are primary sources of capital, often involving direct relationships with companies, investors can have considerable influence on corporate behaviour. For example, private credit funds can offer preferential loan rates to companies which improve ESG characteristics.

This could be particularly useful for auto-enrolled DC schemes because of their reliance on ESG-tilted indices. While schemes can use the voting rights to affect corporate change, they are more removed from the companies in their portfolio than through actively managed direct investments.

Jonathan Parker, head of DC at Redington, says: “Not investing in alternatives is a missed opportunity for DC schemes.” Pension schemes are long-term providers of capital with the power to shape the future, he adds.

“Members of DC schemes are not able to access exciting investment opportunities which have the potential to give better returns as well as turn the dial on important issues,” says Parker.

While the market is starting to change, it hasn’t gone far enough. “There is still such a focus on trying to get the cheapest workplace pension that there is little airtime given to how this money could be best used to affect positive change,” says Parker.

This in sharp contrast to the way DB schemes are using their capital. “For example, our DB clients have provided capital to power plants which are putting in place carbon capture and storage,” says Parker.

Some DC schemes are already allocating to these types of investments. Monk says: “Nest provides capital to the Octopus renewables fund which is building green energy infrastructure.”

Octopus has just launched a future generation venture capital trust which will be focused on impact. Monk says: “This fund aims to invest in early-stage companies with a clear sustainability objective which will disrupt the market and improve ESG credentials.”

Investing in illiquid assets gives pension schemes a broad array of potential impact strategies beyond those focused on renewable energy and sustainable start-ups. Trustees could choose to invest in strategies which address specific UN Sustainable Development Goals, or those which aim to address other green issues such as helping to build a circular economy.

Nor should sustainable investing just be focused on creating new companies which can disrupt current technologies – existing infrastructure needs to be brought up to date.

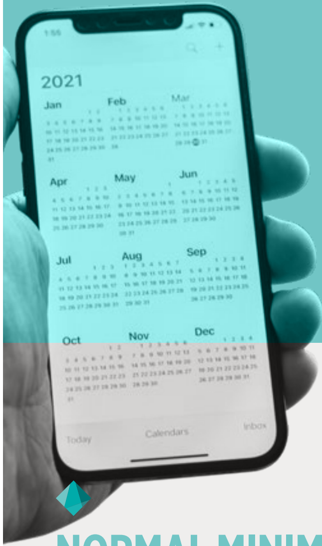
Humble says: “For example, property investors need to focus on upgrading buildings to make them sustainable as well as constructing new structures which match these criteria.”

That can be done through alternatives, with managers using their influence to encourage better behaviour as well as through active engagement on listed assets.

Herbert says: “It’s a question of how much trustees of auto-enrolled schemes want sustainability criteria to influence where they invest.”

While schemes have taken some initial steps to improve their ESG credentials, the introduction of the TCFD is helping schemes to be more structured in the way they think about improving sustainability, says Herbert.

The PLSA’s LTAF Made Simple Guide, produced in partnership with Partners Group, is a useful tool to aid discussions about LTAFs with managers and members.



2021 in review: policy and advocacy

NORMAL MINIMUM PENSIONS AGE (NMPA)

Overview: HMT and HMRC launched a consultation to gather views on the government's intention to legislate the increase of the normal minimum pensions age to 57 from 6 April 2028.

Importance: This has consequences for all schemes, both those with and without protected ages. It also impacts on transfers between schemes and the administration of pots.

PLSA response: Responded to the consultation, have been in discussions with HMT, and will continue dialogue on getting guidance.

TOPIC	AIM
RPI & CPIH	• Ensure the market and DWP are aware of our position and build momentum around our vision. • Maintain knowledge of key market developments to support lobbying efforts.
FCA/TPR(DP21/3): Driving value for money in defined contribution pensions	• The FCA and TPR invited views on developing a framework and metrics to assess value for money (VFM) in DC pension schemes (workplace and non-workplace). • We worked with membership to progress our thinking on VFM in pensions.
Pensions dashboards	• Ensure pensions dashboards do not expose savers to the risk of pension scams or mis-selling, and materially help savers understand the value of all their pensions (state and private). • Provide support to pension schemes in preparing for dashboards and ensure that the regime for pension schemes is achievable and avoids unnecessary costs.
Work & Pensions Select Committee Inquiry: Protecting savers – five years on from the pension freedoms: Accessing pension savings	• Five years on from the 'pension freedoms', the inquiry explored how prepared and protected savers are to move from accumulation to decumulation. • We wanted to make sure our previous policy work – on Guided Retirement Income Choices – was fed in appropriately to this inquiry where applicable.

PERMITTED CHANGES

Overview: DWP consultation on introducing a de minimis on the charging of flat fees below £100. Also consulted on a proposal to move to a single, permitted universal charging structure for use within qualifying DC schemes used for AE.

Importance: If a single charge was introduced it would have a significant impact on the market for the purpose of allowing comparability of costs and charges.

PLSA response: De minimis was introduced to help mitigate the impact of small pots on savers. Set up a coordination group to consider this in more detail. The DWP have not responded on the single charging structure.

TPR CRIMINAL OFFENCES & ENFORCEMENT POWERS

Overview: TPR (The Pensions Regulator) conducted consultations on how to implement their new criminal sanctions and enforcement powers included in the Pensions Scheme Act 2021.

Importance: Introduced new powers which may have unintended consequences for the pensions community.

PLSA response: Held roundtables for the criminal sanctions consultation and have been talking to TPR directly.

TCFD

Overview: As the deadline for the Task Force on Climate-Related Financial Disclosures (TCFD) approached, 2021 saw many TCFD consultations published.

Importance: TCFD has been developed as a framework to support organisations making disclosures for climate-related risks and opportunities.

PLSA response: Responded to consultations including the DWP regulations on climate governance, BEIS consultation on disclosures by larger companies, an FSB consultation on new metrics, TPR's TCFD guidance, and an FCA consultation on extending requirements to asset managers and LGPS pools.

PLEASE CONTACT THE POLICY AND ADVO

The PLSA policy team had an incredibly busy year, responding on our members' behalf to a total of 44 consultations and select committee inquiries between January and December 2021.

Here's a summary of some of the key consultations we responded to.

MAIN OUTPUT

In Q1 2021, the PLSA was instrumental in coordinating a series of discussions with a group of members interested in collective legal action on HMT and UKSA on their decision to align RPI and CPIH from 2030.

Held roundtables with DC members and shared initial findings with PLSA members.
Responded to the discussion paper.
Discussed our views with both regulators on multiple occasions (the discussions continue).

Participate in the MaP's Pensions Dashboards Steering Group.
Seek to influence a suitable timetable for staging, a sufficient liability model, and the consumer protection regime, among many other points of detail.

The PLSA responded to the inquiry highlighting the Guided Retirement Income Choices – a new system of support that should be provided to members in decumulation.

CHARGE CAP

Overview: 2021 saw two consultations on performance fees.

Importance: The first, in April, proposed a new mechanism to 'smooth out' the calculation of performance fees over five years, rather than annually. By October we had another, which would reverse this feature and instead remove them from the charge cap completely.

PLSA response: Engaged with members to come up with strong positions on both. We are currently awaiting the outcome of the second.

THE OTHER CONSULTATIONS WE RESPONDED TO IN 2021 ARE AS FOLLOWS:

January 2021	UK Listings Review Call for Evidence
January 2021	McCloud Northern Ireland
February 2021	Solvency II
February 2021	McCloud HMT Consultation response
February 2021	PPF Levy Superfunds
April 2021	DWP Performance Fees and Charge Cap
April 2021	Review of UK Funds Regime
April 2021	HMT Normal Minimum Pension Age
April 2021	DWP Contribution Notices
May 2021	TPR Single Code of Guidance
June 2021	TPR/PPF consultation: Proposals to update the asset information collected from defined benefit pension schemes
June 2021	DWP – Pension scams: empowering trustees and protecting members consultation: 'Red Flags'
June 2021	DWP – Social Risks & Opportunities by occupational pension schemes
June 2021	W&PSC – Pension Stewardship & COP26
June 2021	FCA: LTAF (CP21/12: A new authorised fund regime for investing in long-term assets)
June 2021	FCA: CP 21/11 The Stronger Nudge to Pensions Guidance
June 2021	DWP: Simpler Annual Benefits Statements: draft regulations and statutory guidance
July 2021	FCA Discussion Paper 21/1: Strengthening financial promotion rules for high-risk investments and firms approving financial promotions
July 2021	TCFD: Measuring Portfolio Alignment: Technical Support
July 2021	TPR Contribution Notices (code of practice 12)
July 2021	MaPS – Pensions Dashboard Programme: Call for input on staging
July 2021	DWP: Future of the defined contribution pension market: the case for greater consolidation
July 2021	Call for Input: Pensions Consumer Journey
July 2021	FCA: CP21/13: A New Consumer Duty
August 2021	DWP: The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2021
September 2021	DWP: Stronger Nudge to Pensions Guidance
September 2021	Primary Markets Review
September 2021	Review of Prospectus Regime
September 2021	Wholesale Markets Review
September 2021	FCA: PRIIPS – Proposed scope rules and amendments to Regulatory Technical Standards (CP21/23)
October 2021	DWP: Strengthening The Pensions Regulator's Powers: Notifiable Events (Amendments) Regulations 2021
December 2021	TPR: New Enforcement Policies
December 2021	DWP: Fraud Compensation Levy

CACY TEAM FOR FURTHER INFORMATION.

Covenant and the 2022 Triennial Valuation – a practical guide for LGPS funds

Alexander Omell, Head of Employer Management Services at the London Pensions Fund Authority, breaks it down in four steps.

The coronavirus pandemic has impacted the revenue streams and cash reserves of many LGPS employers. As a result, proper assessment of the employer covenant is especially important as LGPS funds consider how to integrate covenant risk into the 2022 Triennial Valuation. But what does it mean to assess the employer covenant? This article aims to provide some practical guidance on this area over four steps.

STEP 1

DETERMINE WHICH EMPLOYER SECTORS TO FOCUS ON

There are a wide range of employer bodies participating in the LGPS, but not all present the same level of covenant risk to LGPS funds.

At the London Pensions Fund Authority, we see the risk of employer insolvency for taxpayer-funded bodies such as county councils, academies and LEA schools as 'low', but LGPS funds should note that such bodies can still present affordability concerns, particularly if the funding target used to set contributions is especially prudent. Should concerns over affordability arise, then LGPS funds can address this through longer recovery periods and/or through a notional higher-risk investment strategy to reflect the underlying strength of the employer covenant. However, any decision will ultimately need to reflect the principles of your Funding Strategy Statement.

For employers typically regarded as 'higher' risk (e.g. further education corporations, higher education institutions, social housing associations and charities), LGPS funds may determine that such bodies require a more thorough covenant assessment. This can be justified as the covenant visibility of such employers is (prima facie) less clear than with the types of government bodies noted above. Consequently, when it comes to certifying contributions, a more prudent approach to contribution recovery and/or a notional lower risk investment strategy may be appropriate when it comes to the valuation of these employers.

ASSESSING AFFORDABILITY IS MORE OF AN ART THAN AN EXACT SCIENCE AND THERE ARE NO HARD AND FAST RULES

STEP 2

ASSESS THE COVENANT

Once LGPS Funds have decided which employers to focus on, the next stage will be to assess the strength of the employer covenant.

Covenant assessment is a highly specialised area and should consider both quantitative and qualitive factors. Areas to consider in the analysis include:

1) A review of the employer's financial position, incorporating such criteria as growth of revenue and profit margins, expenditure control, cash generated from operations, balance sheet liquidity, and headroom in any available facilities; together with an assessment of the corresponding loan structure (e.g. type, repayment, maturity etc).
2) A review of the employer's sector and their competitive position within that sector. This can be determined through a review of available market reports, strategy plans and government papers (as appropriate).

Ultimately, assessing the strength of the employer covenant is a matter of judgement, which needs to be based on a proportionate review of the employer's funding deficit, available financial resources, and ability to support the scheme in any downside scenario (particularly if the employer's financial position deteriorates, but also if the fund's investment strategy and/or funding strategy underperforms).

If LGPS funds have any concerns about how to properly assess the risk in the employer covenant, then they should seek the services of a professional covenant advisor.

STEP 3

CONSIDER HOW YOU WILL ASSESS CONTRIBUTION AFFORDABILITY

An important consideration for all LGPS funds at the 2022 Triennial Valuation will be the affordability of contributions for employers. Assessing affordability is more of an art than an exact science and there are no hard and fast rules concerning the factors that should go into an affordability assessment. This point notwithstanding, there are some practical steps LGPS Funds can take to assess affordability, including:

1) Assess the employer's cash position, including the employer's available cash reserves and access to any finance.
2) Review the employer's free cash flow (i.e. cash from operations less essential business expenditure such as capex and working capital, but before contributions to the scheme).
3) Consider whether the employer has any competing calls on its cash reserves (e.g. debt repayment obligations or contingent liabilities). This should include the repayment of support measures arising from the coronavirus pandemic.
4) Determine if limited affordability in the short term could lead to increased affordability in the long term (e.g. due to increased investment in the business). LGPS funds should take care to quantify when additional contributions are likely to become available if concessions are made with reducing employer contributions in the short term.

STEP 4

EVALUATE HOW BEST TO MITIGATE RISK

Contingent asset support is a potential option for LGPS funds looking to mitigate risk in the employer covenant. Employer security can take a number of different forms, including:

1) Charges on property and investments
2) Escrow
3) Bonds
4) Company guarantees

The above is not an exhaustive list, but these are typical examples that are both practical and affordable for employers. Proper legal advice should be taken with any security so that funds can have confidence on both the value and the enforceability of the security being taken.

Other risk management strategies can include closing the employer to future accrual (a potential option if the employer is an admitted body). If the risk with an employer is deemed sufficiently material, then an LGPS fund can also consider drawing upon termination powers in the LGPS Regulations (which should be discussed in conjunction with your fund actuary).

When discussing matters of covenant, affordability and security, it is important that employers have an opportunity to contribute to the decision-making process. The 2022 Triennial Valuation is therefore an excellent opportunity for all LGPS funds to engage with their employers on risk matters.

Your scheme and pensions dashbo what's happening in 2022/23?

There's a lot going on with dashboards. To help PLSA members keep up to date, we've produced this simplified timeline for 2022 and 2023. This article explains how all the activity shown here impacts your scheme. You can also view it on the new PLSA Dashboards Hub on the PLSA website.

YOUR MEMBERS

Thinking about the most important people first: when will dashboards impact your scheme members?

Look to the top right-hand corner of the timeline **(Box D)**. The Dashboards Available Point (or DAP) is when dashboards will be promoted to the general public. The government hasn't announced yet when the DAP will be, but it could be before the end of 2023.

So, within two years, your members could be accessing dashboards to see the pension they have with you, alongside the other pensions they have with other schemes and providers – a huge change for the world of pensions communications!

YOUR ADMINISTRATION AND TECHNOLOGY PROVIDERS

To successfully get to the DAP, three things need to happen:

Box A. During the first half of 2022, the dashboards technology "ecosystem" is being built and tested. Many different organisations are working hard together with the Pensions Dashboards Programme (PDP) to make this happen:

- The first four dashboards are being developed by Aviva, Bud, MoneyHelper and Moneyhub. Which do you think your members will prefer to use? Which, if any, will you promote to them?

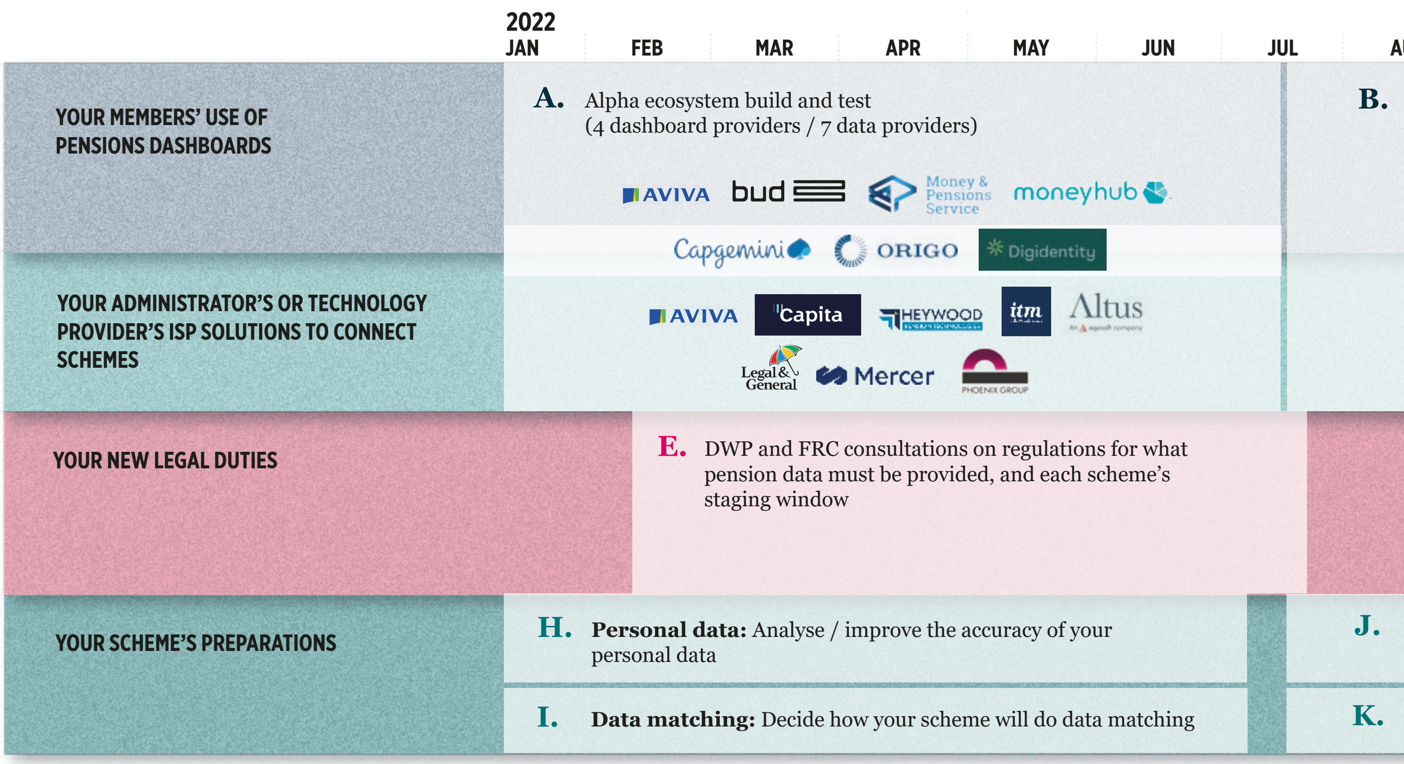
- The central finder service, and other key components of the technical architecture, are being built by Capgemini and Origo, with interim digital identity services being provided by Digidentity.

- Seven pension providers, third-party administrators (TPAs) and technology providers are developing data connections into the ecosystem. They are Aviva, Capita, Heywood, ITM/Altus, Legal & General, Mercer and Phoenix Group. Are any of these your provider(s)?

Box B. From summer 2022 onwards, thorough beta testing of the ecosystem will take place, using real member data. During this time, more dashboard providers are expected to connect.

And more data providers: if your provider isn't one of the first seven, have you asked them when they plan to connect during the beta test phase? You need to have confidence that their systems will be fully in place and working to properly support your compliance (see "Your new legal duties" section below).

Box C. From April 2023, new legislation will require schemes to be connected to the ecosystem, starting with the largest first. When will your scheme be required to connect (see "Your new legal duties" section below)?



ards:

Richard Smith, PLSA Pensions Dashboards Consultant, previews how your members, your providers and your scheme will be impacted by pensions dashboards.

YOUR NEW LEGAL DUTIES

In parallel with the technical build of the ecosystem, the Department for Work and Pensions (DWP) and the Financial Reporting Council (FRC) will be consulting on the legislative regime **(Box E)**.

The DWP's regulations define the deadline by when each scheme must be connected (the month prior to the deadline is known as a scheme's "staging window"). The regulations also prescribe what pensioninformation you must provide.

FRC are consulting on changes to the basis used by defined contribution (DC) schemes to calculate future projected pension incomes, i.e. Actuarial Standard Technical Memorandum 1 (AS TM 1): Standard Money Purchase Illustrations (SMPIs).

In addition, a suite of more detailed and technical mandatory standards with which schemes must comply is being published by PDP at the Money & Pensions Service.

Parliament is expected to approve the DWP's dashboards regulations in autumn 2022 **(Box F)** when the FRC will also finalise the new AS TM 1 basis **(Box G)**.

YOUR SCHEME'S PREPARATIONS

Don't wait for all the above to happen, though, before you start to prepare. You should be acting now, on several fronts:

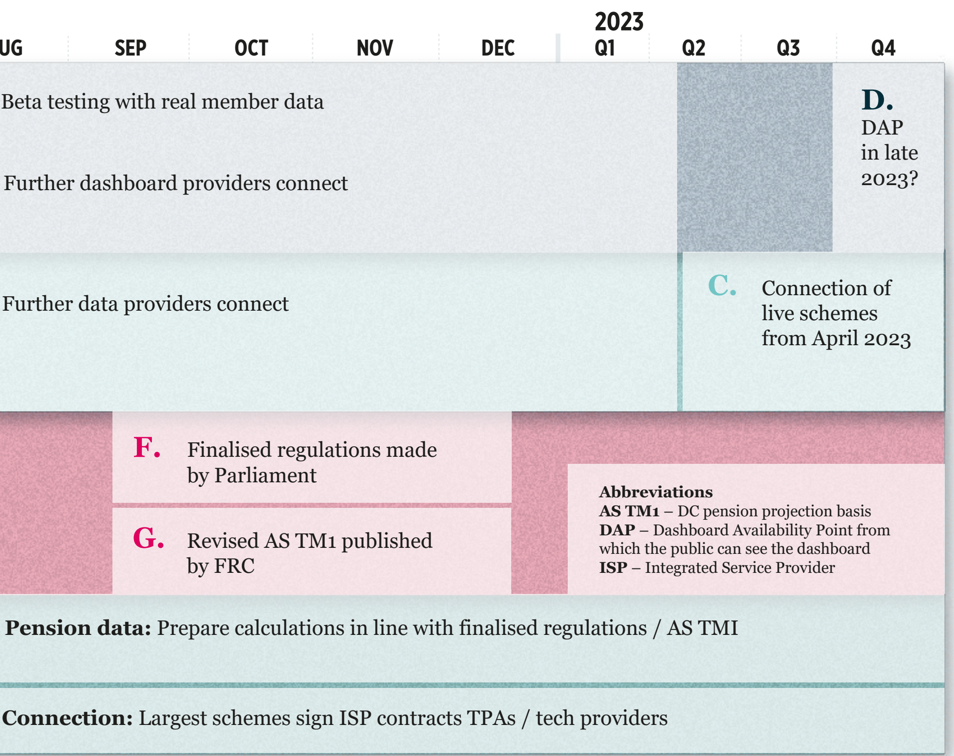
- **Data matching:** Working with your TPA(s) / provider(s), you must determine how you'll digitally **compare** your member records to incoming "find requests" from the dashboards ecosystem **(Box H)**. For help with this, see the PASA Data Matching Convention (DMC) Guidance.
- **Personal data:** To settle your matching basis, you will need to commission your administrator to analyse, and improve, the accuracy of the personal data you hold for all your deferred and active members **(Box I)**.
- **Pension data:** From this summer, you will have certainty on what pension information your administrator must **convey** to be displayed on whichever dashboards your members choose to use. You'll need to work with your administrator to ensure all the required data is digitally available **(Box J)**.
- **Contracts:** Finally, your contract(s) with your TPA(s)/provider(s) will need to be extended to include dashboards services to **connect** your scheme to the ecosystem **(Box K)**. This will need to be done well in advance of your dashboard's staging window and may involve you needing to review your data privacy notices and other documentation. You may also wish to consider using an alternative integrated service provider (ISP) to connect your scheme to the ecosystem.

YOUR NEXT STEPS

So, there's a lot going on. To help you, the PLSA will keep you fully informed throughout 2022. We're very well placed to pass on the latest information, being represented on both the PDP Steering Group and the PDP Usability Working Group, as well as contributing to the Joint Industry Forum (JIF) on dashboards.

There are three things you should do right now to find out more:

- **Visit** the new **PLSA Dashboards Hub** on the PLSA website for more information; this will be continually updated throughout 2022 and beyond.
- **Register** to attend the **PLSA Policy Insights Webinar on dashboards – 12 Months to Connect** on Thursday 31 March 2022, 11:00-12:00.
- Read the **PLSA Pensions Dashboards A-Z** industry guide (on the PLSA Dashboards Hub) for background explanation of the many issues which need to be resolved for dashboards success.



If you have any questions or comments about dashboards, please contract **craig.rimmer@plsa.co.uk** and **richard.smith@plsa.co.uk**.

It always comes down to data

James Walsh, Head of Membership Engagement, gets down to the essentials.

Data, data, everywhere, nor any a drop to drink.

OK, so that's not quite how the famous line in the *Rime of the Ancient Mariner* goes, but I am sure you get the idea. Just like the 'water, water, everywhere' in Coleridge's poem, data is the elixir of life for pension schemes. And like the sailors becalmed on the ocean, schemes are surrounded by the stuff, but that doesn't necessarily mean it's the right kind, in the right format and ready for use.

No wonder then that our members tell me the challenge of cleaning data is one of the key bread-and-butter issues on their agenda. And it's not just so they can pay the right pensions; it's also so they can complete major exercises such as GMP equalisation, buy-ins and buy-outs. And then there's the McCloud issue for our local authority members, but let's not dwell on that today.

IT'S NOT JUST YOU, IT'S US TOO

Just as it is for our members, so it is for the PLSA, because we face our own data challenge too. In fact, when I think about the issues we have in keeping our own modestly-sized member database up-to-date, I am filled with admiration for how our members manage to pay the right pensions, allocate contributions accurately and meet those demanding TPR data requirements.

You can expect to hear from us over the next few months as we check we've got the right records – not just your name and address basics, but the information about your schemes that allows us to provide the right services for you.

But that's enough about the PLSA's own data challenges. How can we help you with yours?

CARBON EMISSIONS TEMPLATES

One of the data issues I hear about all the time is the challenge our members face in gathering consistent data from asset managers to use in TCFD reporting. If you run a scheme in the £5 billion-plus group required to comply with this new climate-related reporting regime from last October, then you'll know what I mean. Ditto for the £1 billion-plus group preparing now for compliance from 1 October this year.

My colleagues have been collaborating on this with our friends at the Investment Association and the Association of British Insurers, and the result is the Carbon Emissions Templates that you can find in the 'Responsible Investment Hub' on the PLSA website.

The 'CET' is a standardised template and data specification that will allow asset managers to provide pension funds with the information they need to make the required TCFD disclosures. Early indications from the conversations I have with our members are that this has landed pretty well. Do please let us have your feedback on how the CET works for you.

DASHBOARDS-READY DATA

Another key reason to get your data shipshape is the approach of Pensions Dashboards. My Policy colleagues are working hard with colleagues across industry and the government to make sure we get Dashboards right, by which I mean delivering them in a way that gives people information they can trust so they can use it in their retirement planning.

Accurate data underpins all that, and my colleagues tell me that the best thing schemes can do now to get Dashboards-ready is to get your data in order.

We'll be running one of our Policy Insights webinars on Dashboards on 31 March under the heading 'Twelve months to connect' (for the first schemes anyway), so do tune in to that.

And if you're reading this after the webinar, then don't worry; you can find the recording in the Pension Dashboards hub on the PLSA website, plus the slides and all manner of useful checklists and summary guides.

Whether it's how the PLSA helps its own members or how pension schemes run their own operations, good-quality data is always a central issue. Exciting? Not really. But essential? Absolutely!

OUR MEMBERS TELL ME THE CHALLENGE OF CLEANING DATA IS ONE OF THE KEY BREAD-AND-BUTTER ISSUES ON THEIR AGENDA

Continuing to put savers at the heart of all we do

Our focus is still very clear, reports ***David Fairs,*** Executive Director of Policy, Analysis and Advice at The Pensions Regulator.

This month marks two years since the start of the first national lockdown, when the pandemic began to drastically impact the way we live and work. However, despite the challenges and uncertainties, we have remained focused on ensuring savers are protected so that they get the retirement they are planning for.

Our focus on the different kinds of pension saver, their needs, their challenges and how the changing landscape may shape their financial futures forms a cornerstone of our Corporate Strategy. Our strategy aims to ensure pensions are protected now and in the future, and our focus will continue to evolve from a scheme-based view to one that puts the saver at the heart of all we do.

INNOVATION FOR SAVERS AND EMPLOYERS

The start of this year has seen us continue to work at pace to protect savers. In January we published a consultation on a new code of practice for the authorisation and supervision of collective defined contribution (CDC) pension schemes. We are calling on the industry to take part in the consultation, which will run until 22 March.

The Pension Schemes Act 2021 introduced an authorisation and supervision regime to ensure only CDC schemes that are well run and built on sound foundations can operate and that TPR has powers to intervene when necessary. The requirements for authorisation are set out in the Act and the regulations for CDC schemes published by the Department for Work and Pensions and laid before Parliament last December (2021). The draft code sets out how we will take the matters in regulations into account in deciding whether a scheme should be authorised.

The final code will outline how trustees can apply for authorisation and how we will assess schemes against authorisation criteria at the initial application stage and throughout ongoing supervision.

CDC schemes have the potential to change the pensions landscape by offering savers and employers a viable alternative to traditional defined benefit (DB) and defined contribution (DC) schemes.

As a regulator we welcome innovation but we remain committed to protecting savers. We are confident our draft code sets the right bar for authorising and supervising CDC pension schemes that have demonstrated how they meet the criteria.

The draft code focuses on requirements that employers and trustees considering establishing a CDC scheme need to plan for now. We will be revisiting the code to expand on our expectations for a CDC scheme to run a closed section or wind up in due course. We will also be producing accompanying guidance.

AS A REGULATOR WE WELCOME INNOVATION BUT WE REMAIN COMMITTED TO PROTECTING SAVERS

While initially CDC schemes will be limited to those set up by single employers, or two or more connected employers, the Pension Schemes Act 2021 contains powers to enable further developments of the CDC market, such as multi-employer schemes. We look forward to working with the DWP and industry on any development and expansion of CDC schemes.

Trustees will be able to apply for authorisation to operate a CDC scheme from August this year.

VALUE FOR MONEY FOR SAVERS

Earlier this year we also published our 12th DC Trust report showing the UK's occupational DC pension market has consolidated by nearly 40% (38.64%) in a decade.

The annual publication showing the number, membership and assets of schemes in the market shows the number of DC schemes as of December 2021 stood at 27,700, from 45,150 in 2011 and down 2% since the last report, published on 30 March 2021.

This continuing trend of consolidation in the DC market is good news for savers. The vast majority of DC members continue to be saving into larger, more stable master trusts, which thanks to our authorisation programme have demonstrated they meet the high standards of governance savers deserve.

However, every saver deserves to be in a well-run scheme which offers good value for money. We know many small DC schemes are poorly run and we are determined to continue to work with industry to drive up standards of governance and trusteeship.

We expect this trend of DC consolidation to continue as small schemes are now required to demonstrate that they provide value for members. Where they don't, we expect them to either wind up or take immediate action to make improvements.

ENFORCEMENT ACTION TO PROTECT SAVERS

Last month we prosecuted a former owner of Norton Motorcycles for illegally investing money into the business from three pension schemes for which he was the sole trustee.

EVERY SAVER DESERVES TO BE IN A WELL-RUN SCHEME WHICH OFFERS GOOD VALUE FOR MONEY

Stuart James Garner, 53, of Park Lane, Castle Donington, Derby, pleaded guilty to three charges of breaching employer-related investment (ERI) rules by investing more than 5% of assets from each scheme into his business, Norton Motorcycle Holdings Ltd.*

Derby Magistrates' Court heard how the offences were in relation to three DC schemes: Dominator 2012, Commando 2012 and Donington MC which had a total of 227 scheme members. The investments, which were made in return for preference shares, were made between 2012 and 2013.

As set out in Regulation 12(2) of the Occupational Pension Schemes (Investment) Regulations 2005, subject to certain exceptions, it is a criminal offence to invest more than 5% of the current market value of scheme resources in ERIs.

As a trustee, Stuart Garner failed to comply with restrictions on investments which are designed to protect the funds of pension schemes. Trustees have a vital role in protecting the benefits of members, and we will take action where that responsibility is abused. Trustees should be clear on when a pension scheme can invest in its sponsoring employer.

In addition to our enforcement work and ensuring savers are saving into well governed schemes providing good value for money, we are continuing to work with our regulated community to stop scammers, support pension schemes as they embrace the challenges and opportunities of climate change, and lead by example to increase diversity across pensions so that decision-making is robust and represents all savers.

* At the time of going to press, Mr Garner was due to appear at Derby Crown Court for sentencing on 28 February.

New members

EQUITIX

Equitix is an established, international investor, developer and active fund manager of core infrastructure assets. It is focused on building long-term relationships to support, develop and invest in a range of large-scale infrastructure projects, while delivering first class service and value. Launched in 2007, Equitix now operates from 16 locations globally, working with over 300 experienced, professional staff, collectively managing more than £8bn AUM, operating across a variety of sectors and with a focus on sustainability. Our strong track record with highly diversified core funds and long-term role as custodians for the assets we develop ensures our focus and success.

+44 (0) 20 7250 7333

contact@equitix.co.uk

Investor Relations: ir@equitix.co

NEXTENERGY GROUP

NextEnergy Group was founded in 2007 to become a leading market participant in the international solar sector. Since its inception, it has been active in the development, construction and ownership of solar assets across multiple jurisdictions. NextEnergy Group operates via its three business units: NextEnergy Capital (Investment Management), WiseEnergy (Operating Asset Management) and Starlight (Asset Development).

NextEnergy Capital (NEC) currently has solar assets under management of c.US$3.2bn, across three investment vehicles. To date, NEC has invested in over 325 individual solar plants for a capacity in excess of 2.3GW across it institutional funds. It is currently fundraising for its latest UK solar strategy, NextPower UK ESG, which was launched in conjunction with the UK Infrastructure Bank.

Shane Swords,
MD, Head of Investor Relations

shane.swords@nextenergycapital.com

www.nextenergycapital.com

OCTOPUS INVESTMENTS

Octopus is a group of companies which invests in the people, ideas and industries that will help to change the world.

We believe that the companies serving two of our most important needs – our financial wellbeing and our planet's future – are failing. And we want that to change. That's why we're also a certified B Corp.

In our financial services business, we care as much about the impact our investments have, as we do about the returns that we generate for our investors. We manage more than £12.4 billion on behalf of retail and institutional investors, specialising in renewable energy, real estate, smaller company and venture capital investing.

Mark Williams,
Head of Institutional Funds Distribution

MWilliams@octopusinvestments.com

www.octopusinvestments.com

PUNTER SOUTHALL GOVERNANCE SERVICES

Punter Southall Governance Services "PSGS" is a long-established and award-winning trusteeship and pension governance business extending back for over 40 years. We work with defined benefit (open, closed and in wind up), defined contribution schemes, healthcare and life assurance trusts, helping trustees and sponsors manage risk, ensure effective governance and decision-making and attain long-term goals for their scheme. Our clients include constituents of the FTSE100, multi-national organisations, and small to medium sized businesses. We also are one of five firms on the PPF Trustee Advisory Panel.

Kevin Clark
Director of Business Development
and Client Director

0118 207 2900

info@psgovernance.com

www.psgovernance.com

RESONANCE

Resonance is an impact property fund manager. It launched its first Homelessness Property Fund in 2013, and now has seven residential property focused impact funds, covering the themes of Homelessness, Learning Disabilities and Vulnerable Women. It currently has c. 1,000 properties in the UK and has, in conjunction with its leasing partners, housed over 2,700 adults and children. The funds allow investors access to the advantages of investing in social and affordable housing in the UK, including long term income potential with inflation correlation, stable tenancies with low voids, as well as making a social impact in part of the housing sector where there is substantial demand right across the UK.

Simon Chisholm,
CIO, Resonance

simon.chisholm@resonance.ltd.uk

www.resonance.ltd.uk

PENSION QUALITY MARK

PENSION QUALITY MARK (PQM) STANDARDS

Designed to raise the quality of defined contribution (DC) pension schemes, and help savers get better outcomes in retirement.

Revised in 2019, the standards recognise the changes to governance and standards in DC pensions since 2009 and focus on five key areas: The Employer Commitment, Understanding the Member, Board Responsibilities, Investment Strategy and Member Experience.

Find out more, visit
www.pensionqualitymark.org.uk

PQM STANDARDS

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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LEGAL UPDATE

Pensions law: mixed start to 2022

Loreto Miranda, Thomson Reuters' Practical Law Pensions service.

THERE WAS A MIXED BAG OF LEGAL NEWS TO KICK OFF THE YEAR, REFLECTING THE INCREASINGLY BROAD RANGE OF ISSUES IN PENSIONS. KEY DEVELOPMENTS INCLUDE:

- **Pensions dashboards: statutory framework.** The DWP is consulting on the draft Pensions Dashboards Regulations 2022, which will include criteria for a "qualifying" pensions dashboard service and specify requirements on occupational pension schemes to connect to MaPs and provide data. Implementation of the new duties will be staged. The overall timetable for large and medium schemes is proposed to run until 31 October 2025. Staging plans for small and micro schemes have yet to be determined.[1]
- **DC default fund charge cap.** Under new de minimis restrictions, from 6 April 2022, trustees and managers of occupational pension schemes cannot charge a flat fee on a member's pension savings if the value of the member's rights within a single default arrangement is £100 or less. The DWP updated its non-statutory guidance to incorporate the new restrictions.[2]
- **"Stronger nudge" to pensions guidance.** Amending regulations were finalised to require schemes to "nudge" members to seek appropriate pensions guidance when accessing or transferring their occupational pensions with a view to receiving flexible benefits. The rules come into force on 1 June 2022, but there will be several exemptions, including where the member has opted out.[3]
- ***De La Rue Plc and others v De La Rue Pension Trustee Ltd.*** The High Court ruled on the proper construction of a scheme rule on the revaluation of DB deferred benefits. Adopting the construction favoured by the scheme's participating employers, the court rejected a wider interpretation of the relevant rule. It was estimated that this option could have incurred an additional £20 million in funding costs.[4]
- ***Beattie and others v 20-20 Trustees Services Ltd.*** The employment tribunal held in a preliminary hearing that it had jurisdiction to hear a claim by members of a pension scheme in PPF assessment who argued that the reduction of their pensions in payment as required by the PPF compensation cap legislation amounted to unlawful age discrimination, even though their pension rights had accrued before 1 December 2006. The tribunal accepted the claimants' submission that the case was analogous with *Walker v Innospec Ltd* and others [2017] *UKSC 47.*[5]
- **Pensions Ombudsman.** In response to recent high-profile cases, the Ombudsman launched a new Pensions Dishonesty Unit to investigate allegations of serious breaches of trust, misappropriation of pension funds and dishonest or fraudulent behaviour by pension scheme trustees, which aims to provide "quicker redress and the recovery of funds that may otherwise not be achieved, directly from the guilty party".[6]

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 **loreto.miranda@thomsonreuters.com**.

1. DWP: Pensions dashboards: consultation on the draft Pensions Dashboards Regulations 2022 (31 January 2022).
2. Occupational Pension Schemes (Charges and Governance) (Amendment) Regulations 2022 (SI 2022/10) and DWP: The charge cap: guidance for trustees and managers of occupational schemes (updated 10 January 2022).
3. DWP: Consultation outcome: Government response: Stronger Nudge to pensions guidance (17 January 2022). Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc.) (Amendment) Regulations 2022 (SI 2022/30).
4. De La Rue plc and others v De La Rue Pension Trustee Ltd and another [2022] EWHC 48 (Ch)
5. Beattie and others v 20-20 Trustee Services Ltd [2022] ET/2204554/2021
6. Pensions Ombudsman: TPO launches Pensions Dishonesty Unit (28 January 2022).

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