VIEWPOINT

The official journal of the Pensions and Lifetime Savings Association | *Issue 2 2022*

#PENSIONSTOGETHER

Putting pensions back in touch

WHY THE 'S' IN ESG MATTERS

CELEBRATING NATIONAL FRAMEWORKS

THE PLSA IN PARLIAMENT

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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ISSN 2398-7626

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

24 Chiswell Street London EC1Y 4TY

CEO's *Viewpoint*

In the end it all comes down to people, says ***Julian Mund.***

People sometimes ask me what I enjoy most about being Chief Executive of a pensions trade association. While running market-leading events and finding solutions to the administrative headache of GMP equalisation would be up there, it's the people we work with – our members, their savers, our fantastic team and support network – that make the job so rewarding.

People are at the centre of everything we do. It's in our mission statement: 'helping everyone achieve a better income in retirement'. And it underpins our three-year strategy for the organisation.

BRINGING THE INDUSTRY TOGETHER

The PLSA has long been synonymous with our large-scale, industry-leading pensions conferences, and one of the challenges of the global pandemic and ensuing lockdowns was our not being able to interact with people as we normally would. We had to quickly – and successfully – pivot the organisation into the world of digital events.

So you can imagine, as we stand on the verge of our first two 'live' in-person conferences in more than two years, the excitement at PLSA HQ is palpable! We're looking forward to seeing as many of you as possible, face to face, at the PLSA Investment Conference on 25-26 May in Edinburgh and the PLSA Local Authority Conference on 13-15 June in Gloucestershire.

Now we're finally able to reconvene, our events promise to be bigger and better than ever. By popular demand we've added more networking opportunities to both conferences, including exclusive events for segments of our membership. There will be plenty more scope to meet new contacts and reconnect with old friends.

SUPPORTING MEMBERS AND SAVERS

A cornerstone of our strategy is improving pensions policy so that it's more workable for our members, and more likely that savers will have an adequate income in retirement. We work across the whole gamut of pensions from our top policy priority for 2022 – improving income adequacy in retirement – through to ESG, local authority pensions, Pensions Dashboards, investment and more.

Often change happens by working as a team, and we're proud to be leading an industry co-ordinated campaign with the ABI to support millions of savers' understanding and engagement with their pensions. The campaign, running later this year, will share tips on how to identify who savers' pension providers are, ensure contact details are up-to-date, and check how much they have saved towards retirement. It will also help people prepare for Pensions Dashboards, which will show savers all their pension pots in one place.

Providers and schemes representing approximately 41.5 million savers and customers have committed to support the campaign. This is the first time that so many UK providers and schemes have simultaneously united behind the same call to action.

Another way we support members, and a firm favourite among schemes, is though our Made Simple Guides. These guides provide practical knowledge and support across all aspects of running a pension scheme – and are written in plain English. Over the next few weeks we'll be publishing no less than six brand new Made Simple Guides. Look out for guides on natural capital, securities litigation, DB de-risking, Master Trusts, TPR's single code of practice, and cyber risk.

PLSA PEOPLE

So far, I've talked about PLSA events, our policy and advocacy work, and the communications that we offer to members. But none of this would be possible without the amazing people behind the scenes who organise the conferences, sift through the policy papers, lobby government, engage with the media, and develop the communications.

It wouldn't be possible without our membership engagement and business development teams who speak to our fund and business members to discover what their big challenges are and how we can help. You can read the latest membership update from James Walsh in this issue.

It also wouldn't be possible without the people who keep the PLSA show on the road – from the finance team, through to IT, HR, administration, and office support.

Neither could we do our jobs if it wasn't for the PLSA's Policy Board, that guides and decides on our public policy positions, and Policy Committees – which focus on specific policy issues for DC, DB, Local Authority and Master Trust pensions. We've just published the newly appointed members for 2022, a list of which you can find on our website.

Finally, we couldn't do any of this without you, our members. Thank you, as always, for taking the time to speak to us; we know how busy you are. It makes all the difference.

Hope to see you, in real life, at a PLSA conference soon!

Best wishes,

Julian Mund

Linklaters

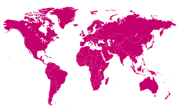
Linklaters pensions practice

| Market-leading experience
| Team with breadth and depth
| Innovative and collaborative

Linklaters' pensions practice is one of the UK's leading pensions teams, recognised by clients and legal directories as top tier. We provide high-quality advice and deliver innovative solutions to a diverse range of clients. As a full-service law firm, we also provide our pensions clients with advice which is comprehensive, practical and robust and enables them to navigate through a demanding pensions legal landscape.

What we do

Liability management | Investment issues | Master Trusts
Scheme funding | Corporate restructuring
Regulatory and compliance | DB and DC governance
Scheme design and benefit changes | Member disputes



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Jakarta** | Jeddah^Δ | Johannesburg*** | Lisbon | London | Luxembourg | Madrid | Melbourne*
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Following our public announcement on 4 March 2022, we are winding down our operations in Russia and will close our Moscow office over the coming months.

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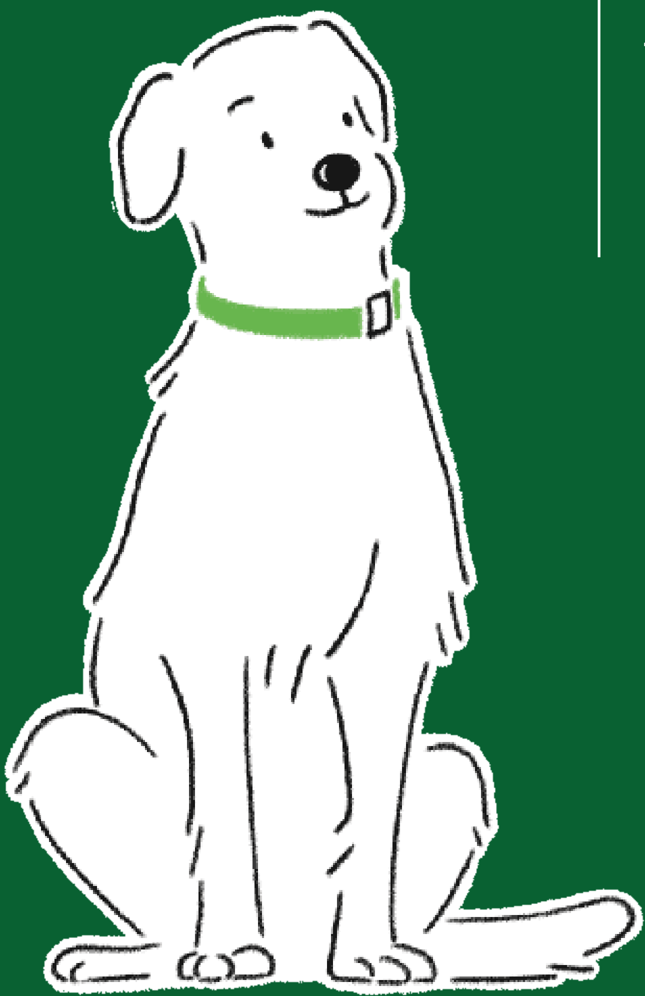
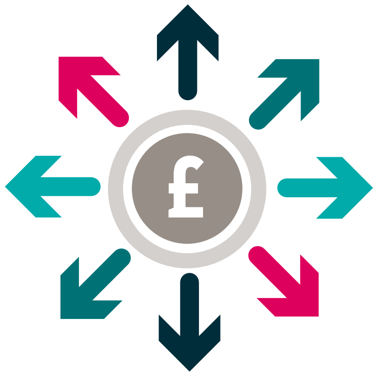


Covid, conflict and the climate crisis



The PLSA's *Stewardship and Voting Guidelines* can help companies navigate this AGM season, says ***Nigel Peaple,*** Director Policy & Advocacy, PLSA.

It's that time of year again when UK public companies report to shareholders on how their money is being spent.

Against the backdrop of the slow recovery from the two-year Covid-19 pandemic and escalating conflict in Ukraine, this AGM season looks to be one of the most important in recent history.

From our corner of the world, helping pension schemes traverse this period is key. Balancing what action savers would like to see from their schemes versus ensuring the investment strategy will meet members' need for an adequate retirement income can be an incredibly difficult thing to do.

That's why each year the PLSA publishes its *Stewardship and Voting Guidelines* document. It aims to help members engage with investee companies as well as to help shape the decision-making process for the benefit of schemes and savers alike.

CLIMATE CONSIDERATIONS

High on the priority list this year is ensuring companies are properly disclosing their footprint on the environment in light of the ongoing climate emergency.

In many ways, despite many feeling that the COP26 conference failed to meet high expectations, 2021 was the year that climate change went mainstream. It's no longer the case that climate considerations can be considered a 'nice to have' for companies; investors now expect that disclosure, monitoring, assessment and oversight of climate risks is treated as a priority.

The PLSA believes that climate change – or, rather, the climate emergency – is a systemic issue affecting nearly every industry and nearly every company.

Although the risks and opportunities arising because of climate change will impact some sectors more than others, most companies will need to assess the impact of climate change on their strategy and business model in the coming years, if they are not already doing so.

The pensions sector is also now within the scope of requirements to produce an annual Taskforce on Climate-Related Financial Disclosures (TCFD) report. It is important, therefore, that companies are referencing TCFD in their reports, in order to enable investors to fully assess the extent of the climate risk.

Companies should also disclose relevant material business issues and their strategic approach to addressing these – for instance their role in public policy and advocacy on related issues – as well as their membership of trade associations conducting similar activities.

DISCREPANCIES AND DIVERSITY

Investee companies are also being encouraged to be cautious on how they are attributing pay to their business leaders, especially where they have benefited from government support, and to ensure their governance arrangements are diverse and inclusive.

Remuneration is seen by many investors as a litmus test for wider corporate governance practices as it encompasses board effectiveness and leadership, challenge and oversight, as well as strategy and risk management.

Significant pay discrepancies between a company's senior executives and the rest of the workforce, as well as those based on gender or ethnicity, can be a signifier of wider issues with a workplace's culture and processes.

A third area covers diversity on investee company boards. Diversity of thought is a key tool in effective governance and the PLSA is calling for a continued focus on ensuring diversity. FTSE 100 companies that are failing to meet the Parker Review target of 'no white boards' by 2021 should expect to see their actions challenged by investors.

THE KYIV CONNECTION

While these points – as well as many others raised in the guide – will help, an additional keen eye needs to be kept on what is happening in these unprecedented – and continually developing – events in Ukraine.

While they may seem a number of steps removed from the streets of Kyiv, pension schemes are entrusted by savers to protect and enhance the value of their retirement savings. This requires them to take an active role – either directly or through their asset managers and other advisers.

While UK pension schemes typically have an extremely low level of direct investment in Russia, it is vital that schemes assess the levels of direct or indirect holdings they have in their portfolios, review their exclusion policies, and take immediate action to comply with current and potential future UK sanctions.

- To read the *Stewardship and Voting Guidelines* 2022 visit the PLSA's website.

Training for an inclusive board

Two trustees explain why effective training has a key part to play in improving board diversity, drives better decision-making, and improves governance.

EVIDENCE SHOWS THAT MORE DIVERSE GROUPS OF PEOPLE MAKE BETTER DECISIONS

CAROLINE ESCOTT

I lead stewardship and corporate governance work at one of the UK's largest schemes, Railpen, and I am also a professionally accredited trustee at a DC master trust with around £6 billion in AUM. I've been a trustee for just under two years and am particularly involved in the board's ESG, climate and stewardship work, as well as its focus on cybersecurity.

Although I am often still the youngest, and one of relatively few women in a room of my trustee peers at events, I think that progress is being made on diversity and inclusion (D&I). The Pensions Regulator's (TPR) focus on D&I in its work on 21st Century Trusteeship is definitely helping in this regard, and I look forward to seeing what else it does in 2022 as part of its 'Year of the Trustee'. Evidence shows that more diverse groups of people make better decisions, as they are more likely to avoid behavioural biases such as groupthink; greater cognitive diversity can only be a good thing for scheme governance.

Equipping people who don't necessarily have 'the usual' pension trustee background with the knowledge and skills they need to be able to contribute effectively is fundamental to attracting and retaining diverse talent in the sector.

New or potential trustees need training and information which is up-to-date, accessible and creates a welcoming space for two-way dialogue and questions. The PLSA's education sessions and conferences tick all these boxes and I often recommend them to colleagues who are relatively new to the pensions industry.

THE BEST AND MOST INSIGHTFUL QUESTIONS OFTEN COME FROM THOSE NEW TO A SUBJECT

MAGGIE RODGER

I'm Co-Chair of the Association for Member-Nominated Trustees and also a Member-Nominated Board Member of the Church of England Pension Scheme.

It is very easy for trustee boards to appoint people who are just like them. Increasing D&I requires boards to see that they will be helped by a more diverse membership and that this is not just a box-ticking exercise. Boards may benefit from training in behavioural issues and decision-making to help this process.

New trustees need to be persuaded that they can deliver in this role. They also need to feel that they will be supported and their developing skills appreciated by their employer. This especially matters if they are younger/more junior in an organisation.

One way to do the first part is encouraging potential trustees to work through the opening modules of TPR's Trustee Toolkit to reassure themselves about the level of learning required. This will also reassure the board selectors/electorate that the potential trustee understands the requirements.

Once appointed, the vital initial training for a new trustee covers how they should exercise their role, inside and outside meetings; to know the right people to ask for explanation in advance of meetings to ensure they have a basic grasp of the issues under discussion; and to engage and ask questions at the meeting (i.e. largely soft skills, but with a legal underpinning). The aim of the training is to give the trustee confidence. The best and most insightful questions often come from those new to a subject, and the most powerful word is always 'Why'.

A huge training hurdle at the very start of the process is off-putting – but so too is no training. Gradually working through the toolkit and specific scheme induction is key. A bonus that comes along with this is the chance to meet other trustees at a conference or seminar, so that supportive frameworks can be built.

New accreditation for lay trustees can be very helpful to give confidence that they actually do have skills and comparable knowledge to professional trustees, even though they probably do not come from a 'pensions' background.

Training developed and delivered by experts

Katie Ivens, partner at Pinsent Masons and Chair of Trustee Training Part 1, gives us the lowdown on what to expect in 2022.

Q

WHAT WILL BE THE BIGGEST TRAINING PRIORITIES BOTH FOR NEW AND FOR MORE EXPERIENCED TRUSTEES OVER THE NEXT YEAR?

A

Alongside ESG, in my view the topic of good scheme governance remains as relevant and important as ever, particularly in light of the pending revised Single Code of Practice from the Pensions Regulator and the requirements for schemes to have an “effective system of governance” (ESOG) and an “own risk assessment” (ORA). These new requirements will challenge existing scheme governance models and trustees will need to consider whether their own arrangements require amendment.

A knowledge of what best practice governance looks like will be crucial for trustee boards, particularly those who may not have the benefit of an independent professional trustee or the support of advisers well-versed in this area. While experienced trustees may be more familiar with the core aspects of good governance, this is a fast-paced area with best practice developing all the time, so remaining up to speed will be important, particularly if their respective boards are relying on the benefit of their experience.

Q

THE FOCUS ON RESPONSIBLE AND ESG INVESTMENT IS AS INTENSE AS EVER. WHAT SHOULD TRUSTEES PRIORITISE IN THEIR TRAINING ON ESG?

A

ESG is a vast area and is growing by the day. Trustees should therefore prioritise a good grounding in the basics, seeking out independent training that enables them to gather different perspectives, understand the core principles and question their advisers.

If there are individuals on your board who have an affinity with this topic, be that from prior experience or otherwise, they should be encouraged to develop their knowledge and understanding further, so they can share the benefit of that with the wider board. Similarly, schemes with investment sub-committees should ensure that any non-trustee sub-committee members also receive appropriate training in this area.

Trustees should be reassured, however, that they are not expected to become experts in what is clearly an extensive and complex field. Instead, the focus should be on why this matters and what steps trustees, as responsible custodians and investors, can take in moving towards a more sustainable future.

Q

HOW CAN NEW AND EXPERIENCED TRUSTEES BENEFIT FROM THE PLSA’S TRAINING OFFERING? WHAT TYPES OF TRAINING ARE AVAILABLE AND HOW CAN TRUSTEES ACCESS THESE? WHAT MAKES THE PLSA’S TRAINING DIFFERENT FROM OTHERS?

A

The PLSA offers a wide range of independent training developed and delivered by experts in their respective fields. Trainers are selected for their knowledge, enthusiasm and desire to help you succeed. Sessions are in-person, flexible and come with a comprehensive set of supporting materials, ensuring you can continue to benefit from the training long after the session has been completed. Trainers are provided with information on attendees’ background, experience and expectations, so they can tailor sessions to the participants. The PLSA also seeks regular feedback, enabling the training to be continuously refined and remain market-leading.

PLSA TRUSTEE TRAINING DATES 2022

Part 1: The Theory
13 September

Part 2: The Practice
16 June
27 September

Part 3: The Expert
20 October
29 November

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

13 September

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

16 June | 27 September

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 October | 29 November

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**

Has narrative reporting gone too far?

High Pay Centre researcher ***Rachel Kay*** welcomes today's focus on workforce reporting, but makes the case for a more data-driven approach to annual reports.

For investors, unions, civil society and other stakeholders looking to understand companies' employment practices, annual reports are a valuable resource. Clearer and more informative workforce reporting is an objective that these groups have long been pushing for.

The High Pay Centre analysed workforce disclosure in 2021 FTSE 100 annual reports for a recently-published piece of research by the CIPD, Railpen and the PLSA (see Further Reading, below). We used a framework covering a wide range of workforce-related topics, and examined the use of both narrative and metrics. This research builds on several previous reports on the same topic, the most recent of which was a report by the High Pay Centre and PLSA published in 2019 (see Further Reading).

Our analysis found that companies are now dedicating substantially more space to their workforces in annual reports than they have done in previous years. This is a welcome development as it indicates that companies are more conscious of the importance of employment practices, and are increasingly recognising the connection between workforce and strategy. However, the increased volume of reporting was mainly the result of companies providing additional narrative, rather than disclosing more workforce-related metrics. For almost every theme in our framework, companies tended to provide at least some discussion, but little or no data. For example, while 97% of companies mentioned the importance of skills and training, only 35% disclosed hours of training per employee and 16% the cost of training.

The theme of inclusion and diversity was a particularly pertinent example of this issue. Companies discussed inclusion and diversity almost without fail, with 93% of companies giving some evidence of how they were investing in it. In the wake of the protests against structural racism in 2020, companies were clearly keen to emphasise their commitment to tackling racial injustice. However, discussion of this was rarely accompanied by data on the pay or representation of ethnic minorities: 22% of companies disclosed the ethnic composition of their workforces, while only 9% of companies disclosed their ethnicity pay gap. For

the majority of companies who failed to provide this data, there is no way for stakeholders to measure the impact of the companies' actions on inclusion and diversity.

This prevalence of narrative over data has been encouraged by policymakers and regulators. The Department for Business Innovation and Science's 2012 'Future of narrative reporting' consultation response emphasised the value of narrative reporting and encouraged companies to 'tell their own story'. Understandable aversions to 'box ticking' and 'boilerplate' reporting have also been used as cover to promote narrative over data.

SHIFTING THE BALANCE

Of course, there are important differences between companies, and some narrative is certainly needed to give context to data. However, a regulatory exhortation to 'tell stories' is not conducive to accurate reporting, nor to good decision-making in the areas that annual reports are intended to inform, such as the responsible allocation of investment capital. Without data, workforce reporting tells stakeholders very little about a company's workforce, and does not allow them to monitor progress over time. Shifting the balance from narrative towards data would also shorten annual reports (currently, the average FTSE 100 annual report exceeds 200 pages in length). A page of workforce data tells us far more about a company's employment practices than a page of narrative.

Narrative reporting without data also allows companies to put a positive 'spin' on their employment practices without having to substantiate their claims. However, we should hardly be surprised that companies are using annual reports to present themselves in a positive light. There is a limit to how much self-criticism we can realistically expect from companies in a public document that they themselves have authored. This prompts us to consider the limitations of reporting: can reporting ever really provide stakeholders with assurance that companies are treating their workforces well?

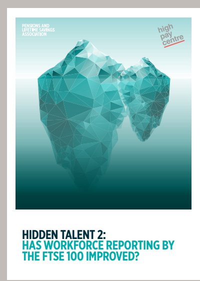
While high-quality reporting is extremely valuable, increasing corporate transparency does not guarantee that companies are providing good work. We argue in the report that the best way to guarantee this is through strong workplace democracy. Companies should have robust worker voice mechanisms in place to enable internal scrutiny of pay and employment practices. Trade unions are the most effective and practical way to do this, as they facilitate collective workforce voice in all parts of the company and thus enable the board to know what is going on across the whole workforce. Another way to increase workplace democracy is to diversify boards to include stakeholder representatives so that boards are more focussed on employment practices. This should include the appointment of worker directors to the board, which provides a mechanism for workforce scrutiny of board activities and gives the board greater insight into workforce issues.

These measures are the most reliable way for companies to ensure better working lives. Nonetheless, the disclosure of workforce data plays an essential role in this, as it enables stakeholders to hold companies to account. This means that investors and other stakeholders should be pushing companies both to disclose more workforce data and to strengthen worker voice. Ultimately, the aim of improving corporate disclosure is to encourage companies to better serve society: this is in the interests of all stakeholders, and of the companies themselves.

FURTHER READING

HOW DO COMPANIES REPORT ON THEIR 'MOST IMPORTANT ASSET'? PUBLISHED 2022

This new report analyses the quality of workforce disclosures in FTSE 100 2021 annual reports, based on a framework covering a wide range of workforce-related topics. It builds on the findings from *Hidden Talent 2* (see below). Topics include analysis of the use of metrics as well as narrative reporting and additional analysis of how companies have reported on their response to COVID-19. It also makes recommendations on how to establish better workforce reporting.



HIDDEN TALENT 2: HAS WORKFORCE REPORTING BY THE FTSE 100 IMPROVED? PUBLISHED 2019

The PLSA and High Pay Centre explored corporate reporting on employment models and working practices across the FTSE 100. We assessed for the first time the quality and availability of company reporting on issues such as the gender and ethnicity pay gap as well as supply chain ethics. We also examined the progress made on workforce reporting in the context of a UK regulatory environment where policymakers and investors were increasingly pushing for better corporate transparency and accountability.

A big thank you to our members!

James Walsh, Head of Membership Engagement, allows himself a moment of satisfaction before knuckling down once more to the job in hand...

OK I admit it – there was a minor outbreak of back-slapping in the PLSA's Membership Engagement team recently, not least by me. The cause for celebration was renewals; at the time of writing, 96% of our members have signed up for another year, putting us clear of the 95% budget target set by the PLSA's management.

For any membership body that's a great level of retention, so it's a pleasure to thank you our members for your support – and, yes, to congratulate my colleagues on what's been a real team effort.

But before we get too carried away with the self-congratulation, there are plenty of points for us to ponder, not least that our members are ever more determined to get really good value for their money. For many it's about networking – opportunities to exchange thoughts with their counterparts in similar positions at other schemes and funds. It's great news that we're getting back to running our major conferences in person, and I know many of our members are really looking forward to that.

At the same time, we have to remember that online engagement has been a big plus for many of our members too. I was very pleased to see the great feedback we got for our recent webinar on pensions dashboards; of 150 people dialling in, 30 marked it 'excellent' or 'good', with no one plumping for 'average' or 'poor' – proof positive that when we get the topic and speakers right, the demand is still very much there. The mantra that people are 'zoomed out' or 'bored of online' is not true at all. We just need to get the face-to-face versus online balance right.

OUR MEMBERS ARE EVER MORE DETERMINED TO GET REALLY GOOD VALUE FOR THEIR MONEY

Whatever the medium, we know our members want us to do more to bring them together. One thing we're trialling this year is more opportunities for members with similar roles or from the same sector to swap thoughts with each other. We've had a 'CEO Network' for the heads of some of our larger members for some while, and this has thrived over the last couple of years through the very simple concept of quarterly meetings, consisting of a couple of topics for discussion and then letting our members share thoughts and – crucially – hear their counterparts' perspectives. We've just launched similar arrangements for CIOs and Trustee Chairs and these new Networks are off to a good start.

We're also holding a briefing-and-networking session – at our offices this time – for our members from the charity sector. We're running it jointly with our friends at the Charities Pensions Club. So, if you're based at a charity and want to meet your peers on 28 June, then just let me know. It's all about delivering more value to more of our members.

For other members policy influence is the key thing and I am very pleased that we have welcomed a raft of new members onto our Policy Board and Policy Committees. My Policy colleagues are working flat out on our key priorities for the year (which are adequacy, DB funding, Pensions Dashboards, small pots, responsible investment and DC decumulation, just in case you were wondering), but there's plenty more to do as well.

It's in the nature of policy work that things just 'come up', either because the government suddenly decides to announce something or circumstances simply develop. We need to be fleet of foot, and great member input helps us to respond.

Another big reason why members renew is our updates and information. Time and again, when I ask our members what we do well, the same answer comes back: "your Made Simple Guides". We've got a number of 'MSGs' in the pipeline: do please let me know what you make of them.

In thanking our members for renewing in such great numbers, we're acutely conscious that we need to keep providing the right services for you. Have we got the mix right? Are we delivering them in the way that works for you? As ever, please tell me – and thank you again for supporting the PLSA.

If you'd like to share your ideas on PLSA membership with us, please contact James directly on james.walsh@plsa.co.uk

Reporting on a greener future

Maggie Williams looks at how schemes can improve their climate reporting, to members as well as to the regulator.

As climate change and ESG stewardship become a central part of pension schemes' investment strategies, identifying suitable performance measures and devising frameworks to report on them has also risen in importance.

The Pensions Regulator (TPR) and the Department for Work and Pensions now require schemes to use the Taskforce on Climate-Related Financial Disclosures (TCFD) framework to report on their portfolios – and from April 2022, large companies in the UK have also been subject to mandatory climate risk reporting, based on TCFD.

Although some local government schemes have already begun to use the TCFD framework, the government is expected to release a consultation in the summer on future action.

However, the process of TCFD-related reporting can be time-consuming and complex for schemes, especially in the first instance. The output also isn't particularly member-friendly, so schemes may need to create further reports to meet the needs of members as well as those of TPR.

GETTING STARTED

TCFD reporting has been a part of Border to Coast Pensions Partnership's reporting since it was set up in 2018, as a result of LGPS pooling. "Don't underestimate how much time your first report will take and the input you need from across your organisation to cover the four pillars or strategy, governance, risk management and metrics," cautions Jane Firth, head of responsible investment at Border to Coast. "It also led us to some important in-depth discussions within Border to Coast around metrics, including how we analyse our carbon footprint and understand the results."

Having access to all the data needed for TCFD reporting is a challenge across all sizes and types of pension scheme. However, Victoria Barron, head of sustainable investment, BT Pension Scheme, points out that "There is a concern that if you don't have information or can't complete all of the steps, you have done something wrong, but that isn't always the case. The regulation from TPR and DWP says that trustees should carry out activities 'as far as you are able'. We have to accept that we won't have everything at the start, and that things will change over time. It's important to keep working towards this with fund managers."

For example, Barron says that reporting on sovereign debt is difficult. "The way to measure emissions is still undecided, so you might need to state numbers in one way, then state them differently the next year."

Brian Henderson, partner and director of consulting at Mercer, adds: "One tip I've learned is to get data from different sources. For example, we've worked closely with the custodians of some schemes. They are in a good place to help as they will have access to funds' underlying stock lists. But you will still find that you have information missing. And, you have to accept that you'll need to be flexible and may need to change your approach, including targets, in subsequent years."

"Some data is two years out of date, but we need as far as possible to make decisions on the future. We use Transition Pathway Initiative tools and benchmarking indicators to help us understand what people are planning to do in the future," says Firth.

SCHEMES MAY NEED TO CREATE FURTHER REPORTS TO MEET THE NEEDS OF MEMBERS AS WELL AS THOSE OF TPR

SUPPORTING TRUSTEES

"Net zero has caught trustees' attention, and as part of our net-zero goal, we are doing annual deep dives with trustees on key items, delivered by external information providers," says Barron. These include trustee obligations, policy and carbon metrics. "It's tempting to panic because you don't know everything immediately. Keep going and keep learning. Reach out, as there are lots of resources that trustees can use – but start learning as soon as possible."

"My top tip would be to train as you go along, and don't do it all at the start," adds Henderson. "Put things into bite-sized chunks, as you'll get a better outcome."

From an LGPS perspective, Firth says that Border to Coast continuously supports its partner funds with responsible investment, including quarterly sessions with officers, and training sessions for pension committees. "We've been covering bite-sized pieces on TCFD and workshops looking at metrics in particular, ongoing training with committees and one-to-ones with the chair and vice-chair."

In addition to training, trustees can also learn from other sources. "Small schemes can also start by exploring examples of what other TCFD reports look like and work with their external managers and consultants – they are there to help you," says Firth. "They will have big teams working on climate change reporting, so get as much help from them as you can."

The PLSA, the Association of British Insurers and the Investment Association have also developed a template which is designed to help schemes collect TCFD data (see boxout).

MAKING REPORTING ACCESSIBLE

Engaging members with pensions investment strategies is difficult at any time, and although TCFD reporting creates a wealth of information, it isn't easy for members to understand or digest. "People want to know what you are doing and how you are helping climate change – but beyond this the engagement will mostly be with people who are more carefully focused on climate change only. Most members are not interested in the level of detail created by TCFD, especially as part of an annual report," says Barron. "But you do need to show that trustees are doing the thinking on this, consider what members care about, how it is being overseen, and instil confidence that we are doing the right thing. We might give case studies and examples of how the scheme is engaging with its fund managers to support that. However, the majority of TCFD information will be for the regulator."

"Border and Coast has a lot of scrutiny from stakeholders and lobbying groups," says Firth. "A challenge for us is that we have to produce many different reports and there are a lot of different areas to report on, especially if you have committed to net-zero goals as well. To make them all engaging and not too technical is a real challenge." Firth suggests that more collaboration from regulators would help funds to manage reporting requirements, "so we don't spend too long producing reports and can get on with active stewardship."

From the Pensions Minister, Guy Opperman MP, to activist groups and awareness-raising organisations such as Make My Money Matter, there is a lot of pressure for pension funds to show that they are actively addressing climate change. "But what really matters is that we take action on the back of the data," concludes Henderson. "That is what will capture people's imagination, rather than the reports themselves."

All quotes from the PLSA's **ESG conference**

PLSA RESOURCES TO SUPPORT CLIMATE CHANGE REPORTING

Carbon Emissions Template

A Joint PLSA/ABI/IA Working Group developed the Carbon Emissions Template (CET) to help pension schemes meet their obligations under the Climate Change Governance and Reporting Regulations, and associated DWP Statutory Guidance, and to help insurers and investment managers fulfil their obligations under the FCA's new ESG Sourcebook as set out in PS21/24.

Towards a Greener Future – Case studies from the pensions sector

Pension funds share their experiences of how they've set targets and overcome challenges in transitioning to a greener portfolio. They also offer advice for others who are facing the same challenges – including net-zero transitions, producing the first TCFD report, and the important role engagement plays in protecting investments.

ESG Made Simple

This guide, produced in partnership with Aegon Asset Management, explains ESG as an investment concept and shows how it can be integrated into the investment strategy and oversight of pension schemes. It includes a glossary of relevant terms, highlights key ESG-promoting organisations, and suggests a template for pension schemes to help them create their own ESG policy.

Nine tips for 'S' success

The 'S' of ESG is becoming more important for businesses, fund managers and pension schemes. Industry experts give nine tips that all schemes should think about.

1. EXPECT A BALANCE OF NARRATIVE AND DATA IN ANNUAL REPORTS AND ACCOUNTS

Reporting on workforce issues has improved significantly in recent years. As our article on page 13 shows, companies are now making much more reference to employee-focused activities such as training, and health and safety in their annual reports. "Overall, people-related reporting has improved massively and for most businesses there is at least one item on their risk register relating to people, and financial considerations too," says **Luke Hildyard** of the High Pay Centre.

However, there is often only limited data to back up some of the claims that businesses are making. "You need data points to underpin the narrative, to give consistent, comparable evidence with other businesses – but equally you need the narrative to contextualise the data and how it relates to broader business strategy," adds Hildyard.

2. LOOK FOR AN ALL-ROUND PICTURE, NOT JUST THE GOOD NEWS

While there is clearly greater willingness for companies to speak publicly about their workforce, this needs to be honest, balanced commentary rather than just focusing on the positives. "Sometimes companies worry that investors will jump on issues that are problematic if they say too much, but it's important to recognise that companies are on a journey and some are at an earlier stage of that journey than others. We also want to see fair and balanced reporting, not just the impression the organisation wants to give," says **Caroline Escott**, Senior Investment Manager at Railpen.

Escott adds that having transparent conversations helps both investors and the businesses they invest in. "From our perspective, companies often want to talk about the challenges they have faced and to get perspectives from us as investors. They want to take those perspectives back to their CEO and CHRO to have better disclosures in the future."

3. ASK ABOUT PURPOSE AND SUSTAINABILITY

"We are seeing a shift towards a stakeholder view of business, rather than companies existing simply to make profit and minimise labour costs," says **Charles Wookey**, CEO of independent charity A Blueprint for Better Business. "That means accepting that businesses create value for society and have a positive impact on the lives of those we touch. It's a shift in thinking away from people as costs and resources; people are formed – and deformed – by their work experiences."

4.

THINK ABOUT A JUST TRANSITION AS PART OF CLIMATE CHANGE

'S' also plays a key role in the 'E' of ESG. "Climate change is an important social factor because of the impact it will have on workers and communities. Some will find it difficult to adapt without a just transition [i.e. making sure that all stakeholders, including employees, benefit from the move to a greener economy]," says **Sue Ferns**, President of the TUC. "But there isn't sufficient progress on this yet. For example, the Task Force on Climate-related Financial Disclosures (TCFD – see page 19) makes no reference to the social factors of just transition. In the trade union community, we would like this included more in benchmarks and frameworks and to ensure that green jobs are high-quality jobs."

5.

KEEP REPORTING REQUESTS MANAGEABLE

As workforce reporting requirements start to increase, pension schemes and the wider investment industry will need to make sure that data requests don't overwhelm businesses. "Companies are being burdened by the weight of requests coming their way," says Escott. "While there are workforce issues that are more material in particular sectors – such as health and safety in mining – in general, sticking to key metrics really helps businesses to respond."

"If there are elected members of the workforce on the board, you can be more confident that workplace issues are going to be highlighted and acted upon," says **Joe Dabrowski**, Deputy Director of Policy at the PLSA. "Similarly, trade union involvement can show there is dialogue and safeguarding against poor employment practices without needing a lot of reporting to prove it."

6.

BE REALISTIC ABOUT GLOBAL REPORTING

Differences in culture and even legislation can make it difficult for global businesses to create a full picture of their workforces across all the jurisdictions where they operate. For example, in some countries it would be wholly unacceptable to ask employees about their sexuality or sexual orientations, so reporting on LGBTQ+ representation is almost impossible. Being mindful of these differences and the limitations of what employers can collect is important.

7.

MAKE WORKFORCE MONITORING PART OF GOOD STEWARDSHIP

Many workforce reporting criteria are simply part of good stewardship. "These include gender pay gaps, modern slavery in supply chains, sustainable product development, employee and community relations," says Dabrowski. "Investing in a company or series of funds that doesn't think about these things doesn't feel like it is in keeping with stewardship responsibilities."

The PLSA's Stewardship and Voting Guidelines 2022 document sets out a framework for trustees and other stakeholders to use during AGM season. It can help schemes and fund managers hold businesses to account on issues such as executive pay and diversity standards, as well as action towards climate change.

8.

EXPECT MORE REGULATION TO DRIVE FUTURE ACTION

Regulation related to the 'S' factors of ESG will help to drive future action. "We saw a massive uptake around gender pay gap reporting when it was made compulsory," says Dabrowski. "There was a little bit of proactive response beforehand, but not much. However, now we have a clear picture of what people are doing around gender pay gaps. But we still don't see anything around ethnic pay gap reporting, for example, and regulators could go further on this. The data is very mixed and strengthening it will help investors to focus on these issues."

9.

DO A SMALL NUMBER OF SIMPLE THINGS WELL

While large schemes may be able to dedicate time and resources to researching the 'S' factor in their portfolio, not all trustee boards will have the capacity and skills to do so. "Lots of schemes will work with their intermediary and might only be able to focus on a couple of things," says Dabrowski. He recommends building a policy around the scheme's priorities, making this part of the statement of investment principles, and ensuring that the scheme intermediary understands the priorities and can act on them. "Have a clear picture first – if you can only focus on one or two things a year, then that's fine – but do take action. Accept the challenge, look at what is important to you and be able to explain it to members, wider society and the regulators."

All quotes are from the PLSA's **ESG Conference 2022.**

PQM Distinction is back

Jacqueline Shoard, PQM Administration Executive, introduces a new theme for 2022.

Pension Quality Mark is pleased to tell you that the PQM Distinction award is back in 2022. This is our special award for schemes which are exemplary in a particular area covered by the PQM standards.

The theme for PQM Distinction this year is Adequacy, which is a key policy priority for the PLSA. That is, ensuring that pension contributions are sufficient to build up savings for an adequate income in retirement. We'll look for schemes employing innovative and effective actions that encourage members to participate in the scheme, to make the most of the employer contribution, and perhaps save a little extra if they can. Of particular interest are schemes that assist lower-paid workers to save, and those that that include all employees under 22 and from the start of employment.

Schemes do not need to apply for PQM Distinction. Our assessors will look for especially good practice in the course of assessing for PQM accreditation, and will nominate those schemes for a shortlist. A small panel comprised of PLSA team members and industry experts will consider the shortlisted schemes and decide a winner. Awards will be made at the PLSA Annual Conference in October.

'THE BEST OF THE BEST'

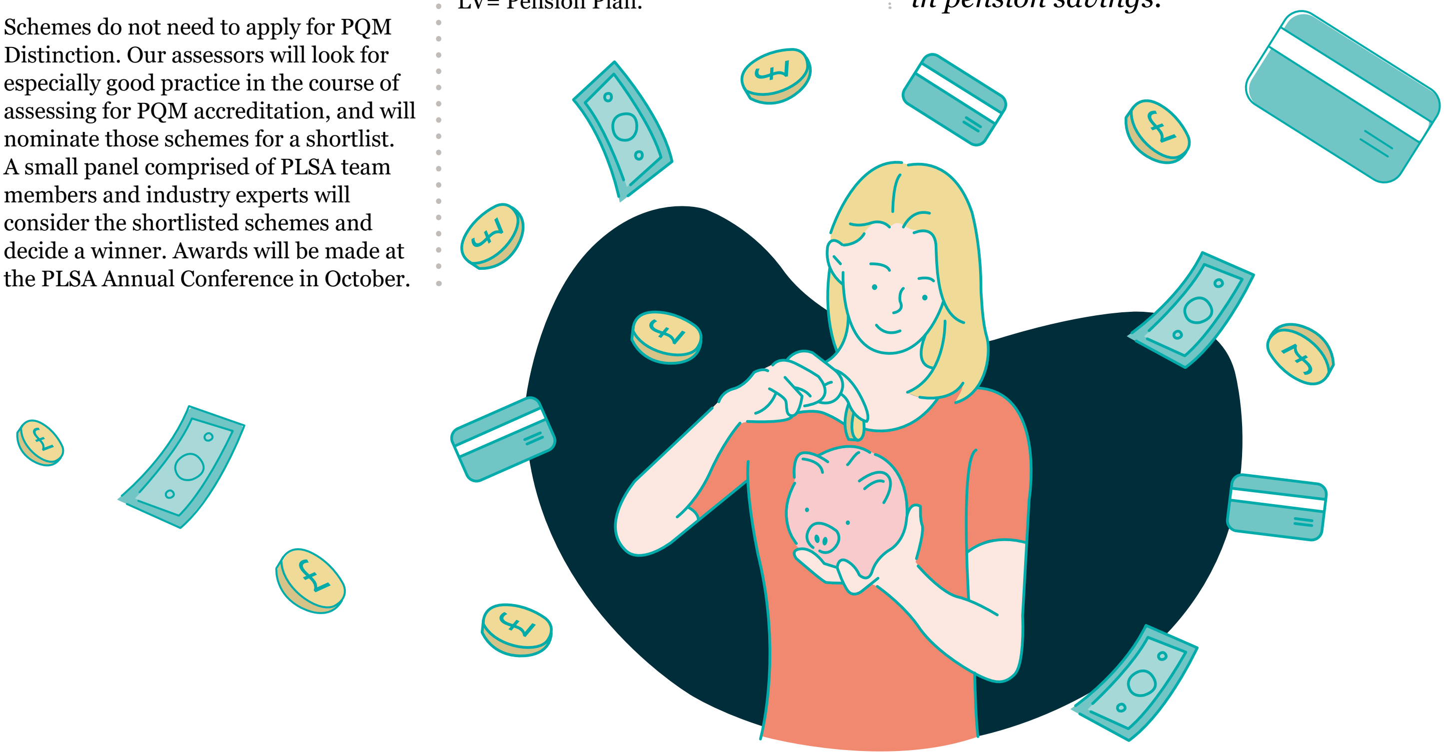
The Pension Quality Mark (PQM) was established to set aspirational standards for the industry and to lead the way in improving outcomes for savers. In assessing a wide range of schemes for accreditation we have a unique insight into best practice and innovation.

Therefore in 2017 we established the PQM Distinction award to schemes that are 'the best of the best' and excel in one area of the PQM Standards. This recognises those schemes that are already excellent and hopefully inspires others to go further.

In 2019 the theme of PQM Distinction was good communications, which help with understanding of pensions, promote engagement and encourage members to save for retirement. The winner was My LV= Pension Plan.

LV= commented:

"Finding out we'd been nominated for a Pension Quality Mark Distinction award was brilliant news. The PQM is all about demonstrating quality, and the quality of the pension scheme we offer is really important to LV= and the trustees (and) allows us to demonstrate the quality of the scheme to our members – helping build confidence in pension savings."



The PLSA in Parliament

Katy Little, Parliamentary and Stakeholder Manager at the PLSA, gives an overview of the PLSA's lobbying work in Parliament in the first half of 2022.

Parliament TV.com

WORK AND PENSIONS SELECT COMMITTEE

The Work and Pensions Select Committee (WPSC)'s final inquiry in its three-part deep dive into the pensions freedoms looks at saving for later life. It focuses on whether households have adequate pension saving for retirement and how the government can improve outcomes for savers. Key questions from the inquiry ask:

- Whether households in the UK have enough pension savings for retirement?
- What advice and guidance people need when saving for retirement?
- What the government should be doing to support self-employed people to save for retirement?
- What the government could be doing to close the gender pension gap?

With pensions adequacy and expanding the scope and level of automatic enrolment a top strategic policy objective for the PLSA this year, we were delighted to attend the first oral evidence session on 23 February.

During the session we answered questions on the next steps for automatic enrolment, measures which could increase pension saving for the self-employed and under-pensioned groups, and our Retirement Living Standards. We appeared alongside representatives from the Institute of Fiscal Studies, Pensions Policy Institute and Association of British Insurers. The session can be watched in full via Parliament TV and our full written response to the inquiry can be found here. We expect the Committee to make its recommendations on saving for later life later this year.

PARLIAMENTARY ROUNDTABLE

In keeping with the pensions adequacy theme, on 1 March the PLSA attended a roundtable held by the Industry and Parliament Trust that looked at achieving adequacy and the future of pension contributions. It was chaired by Stephen Timms MP, Chair of the WPSC. We were also joined by Nigel Mills MP, Lord Davies of Brixton and Baroness Wheatcroft. It was a great opportunity for the PLSA to have an intimate discussion with policymakers on some of the key topics we will be focusing on this year. Topics discussed included the level of retirement income required to meet people's needs, the sustainability of the pension system, and ways in which younger generations can be encouraged to save.

LEGISLATION

The Pension Schemes (Conversion of Guaranteed Minimum Pensions) Bill

The Pension Schemes (Conversion of Guaranteed Minimum Pensions) Bill seeks to provide much-needed clarity on the conversion of GMPs to regular scheme benefits. GMP has consistently been one of the topics which our DB and LGPS members have told us are an area of concern. The Bill was introduced by Margaret Ferrier MP last year and is sponsored by the DWP. It is currently being considered by the House of Lords and looks likely to make it onto the statute books in the upcoming weeks. The PLSA has been engaging with the DWP on the regulations which will arise as result of the legislation, including the actuarial certification process, and on clarifying which parties must give consent.

The Public Service Pensions and Judicial Offices Bill

The Public Service Pensions and Judicial Offices Bill was introduced to Parliament last year to address the age discrimination found in public service pension schemes following the *McCloud and Sargeant* court cases. During the late stages of the Bills, an amendment was passed which would enable the government to provide guidance to public service pension scheme managers on investment decisions, including guidance or directions on investment decisions relating to UK foreign and defence policy. Following concerns raised by LGPS members, the PLSA wrote to the Treasury and briefed parliamentarians as the amendment was considered in the Bill's remaining stages. Lord Davies of Brixton quoted the PLSA's concerns on the floor of the House, and we await further engagement from the Treasury on how this will work in practice for funds, to try and mitigate any further concerns LGPS members have in this area.

Online Safety Bill

The Online Safety Bill aims to protect online users from digital harm and takes steps to hold tech giants to account. The PLSA, together with others from the financial sector, has been calling for a requirement in the Online Safety Bill for search engine companies to do more due diligence on paid-for search terms and to bring paid-for advertisements within the draft Bill's scope to protect consumers from online pension scams. In a written statement on 9 March the government has now confirmed that online adverts will be included within the scope of the Online Safety Bill. This a real success for the industry and is an important step to protect savers' money from online fraudsters.

By the LGPS, for the LGPS

We celebrate the 10th year of the *National LGPS Frameworks.*

Unlike in politics where a week can be a very long time, in the strategic long-game world of pensions, 10 years may not seem so long.

Looking back 10 years though, the past seems a different country. The year 2012 had the summer of the London Olympics, including 'Super Saturday'. The Queen marked a mere 50 years on the throne with her Diamond Jubilee, and 'dropped in' to the Olympics with Commander Bond. We were all shocked when the cost of a First Class stamp went from 46p to 60p, and in the Euro 2012 quarter finals England lost out to Italy in a penalty shootout in Kyiv.

2012 also saw public service schemes responding to Lord Hutton's Independent Public Service Pensions Commission report published in 2011, fulfilling the coalition government's commitment to reviewing the long-term

affordability of public sector pensions. This resulted in the PSPA13 and, for the Local Government Pensions Scheme (LGPS), the 2013 LGPS regulations introducing the CARE scheme in 2014.

While the LGPS has always been strong on collaboration, Lord Hutton advocated even greater collaboration consistent with retaining local identity and accountability. The LGPS took him at his word, and in 2012 the first National LGPS Framework went live.

Roll forward 10 years, and this year the LGPS is celebrating a great success story with the 10th anniversary of the National LGPS Frameworks. When the latest Stewardship framework goes live this month, the LGPS, by working together in a voluntary collaboration, will have delivered 17 specialist procurement frameworks, with 3 more in the pipeline for later this year.

Since 2012, 99% of LGPS funds and all the LGPS pools have used the Frameworks. Forty-two funds and pools have helped set up Frameworks, 66 service providers are currently available via the Frameworks, and more than 450 contracts have been let. As a result, the LGPS has benefitted from an estimated £150 million in savings and almost 200 years of effort.

The programme works by LGPS funds and pools lending their expertise to help shape procurement Frameworks that meet the needs of all funds and pools across the LGPS. Funds and pools develop the Specification of Requirements and Invitation to Tender documents, and then play a key role in evaluating the responses and contribute to the set-up costs of each Framework. Once a Framework is completed it is available for all LGPS funds and pools, and also wider public sector pension schemes, to benefit from.

All the National LGPS Frameworks are compliant with public sector procurement regulations and procurement best practice, and they offer an effective and efficient procurement route for both users and providers. One full tender exercise is undertaken to appoint providers to a Framework, after which each user just needs to complete a much shorter and simpler further competition exercise, or 'call-off' services from the Framework, saving both users and providers time and costs.

Set up on a not-for-profit basis 'by the LGPS, for the LGPS', the National LGPS Frameworks are hosted by the Norfolk Pension Fund, where they are supported by a small, dedicated team, but they are accountable to the funds and pools who work together to set them up, and belong the LGPS.

The Frameworks cut across every aspect of the LGPS, ranging from Investment Consultancy Services and Global Custody Services through to Pensions Administration Software and Legal Services.

If you would like to know more about the National LGPS Frameworks, please take a look at our website at **www.nationalLGPS Frameworks.org** or contact one of the team:

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10 YEARS
10 Years of Collaboration
National LGPS **Frameworks**
By the LGPS, for the LGPS

THREE PENSIONS DASHBOARDS CONSULTATIONS and a PLSA Webinar

Craig Rimmer, Policy Lead: Master Trusts, is hoping the new Dashboards will be a box office smash.

Ok, this plot isn't written by Richard Curtis, but it is our hope that Pensions Dashboards may turn out to be a blockbuster at the box office. Pensions Dashboards could play a huge role in reuniting people with lost pensions, that they had forgotten about from earlier in their careers.

The Dashboards could also play a useful service by curating pensions that savers are aware of into a form that is easier for them to understand. We have never thought that the Pensions Dashboards would be a silver bullet for solving engagement, but they could be a catalyst for a lot more retirement planning by savers.

The key to a great film lies not just in the performance by the cast, but also the production values and testing with audiences. A key ask from the PLSA of the Pensions Dashboards programme is extensive user testing prior to public launch, to meet thresholds on coverage, data matching accuracy and user understanding. Savers need to be able to log on and not find too many gaps in their pensions information. It is also important that savers are matched with the right pensions and not given too many returns saying "you may have a pension with us". Financial literacy in the UK is low compared to other OECD countries, and according to MaPS only 40% of people feel confident planning for retirement. Pensions Dashboards could play a part in uplifting financial literacy, especially in regards to retirement planning, but the data shown will need to be easily understandable.

CONSULTATION TIME

We have already had three Pensions Dashboards consultations: from the DWP on the regulations and the timeline for connecting, from the FCA on how they will regulate contract-based schemes, and from the FRC on the new ASTM1 rules for projecting DC benefits in retirement.

In response to the DWP consultation, the PLSA queried the timelines and suggested that there was a need to delay the public launch of dashboards, otherwise known as the Dashboards Availability Point. Reputationally for dashboards – and for pensions as a whole – it is best if 90% of people can see 90% of their pensions, and that the information they are viewing makes sense to them. We also put a spotlight on elements not mentioned in the consultation, including the data matching protocols, the liability model, and the cost of the ecosystem as a whole.

FINANCIAL LITERACY IN THE UK IS LOW COMPARED TO OTHER OECD COUNTRIES, AND ACCORDING TO MAPS ONLY 40% OF PEOPLE FEEL CONFIDENT PLANNING FOR RETIREMENT

With the FCA consultation, we remade our points from the DWP consultation, including a pertinent request that regulators operate a grace period of 12 months after the Dashboards Availability Point. We also asked for greater alignment on how connection to Dashboards is regulated by the FCA and TPR, in respect of conditions for deferring connection and fines for breaches. The FCA also reiterated the need to balance GDPR duties with those of connecting to the Pensions Dashboards, so we expressed PLSA disappointment that the ICO has not been forthcoming with its own guidance for schemes.

The FRC consultation is redefining the ASTM1 rules on DC projections to have greater consistency between schemes and providers. Growth assumptions can vary for the same fund between schemes and providers, and many of our DC members have called for greater consistency and comparability. The new growth assumptions are based on 5% volatility intervals, that lead to 1% being the lowest growth assumption and 7% being the highest. We have seen some of the research from the University of Bath, which is due to be released in October as a technical paper, and have expressed our view that it should be released earlier in a pre-peer-reviewed form to help inform consultation responses. Where we differ with the FRC is on the decumulation assumptions. The decumulation assumptions are based upon a single life level annuity, which we believe is not comparable with DB schemes and also nudges people to leave out survivor benefits when purchasing their annuities. We also believe there is an argument to say that decumulation assumptions could usefully be made on a sustainable drawdown rate instead.

We are still awaiting further consultations, including on the Standards and from the FCA on authorisation of qualifying Pensions Dashboards services. These consultations are expected in the summer, and the outcomes of the first three consultations may be published at around the same time. We expect them to give us firmer indications of how pensions information will be displayed on the Dashboards, and hopefully the disclaimer wording so that savers know the values are only indicative.

ONLINE ENGAGEMENT

On 31 March, the PLSA held its webinar on Pensions Dashboards: 12 Months to Connect. The event was well attended, with James Walsh chairing and Richard Smith speaking for the PLSA. We also had Lorraine Harper (Mercer and PASA), Anna Rogers (Arc Pensions Law) and David Tonge (MoneyHub) speaking. The event featured the demonstration of a potential Pensions Dashboard from MoneyHub, one of the alpha dashboards services. The demonstration was very reassuring to viewers, who could see pension information presented in a clear, understandable and useful way. The webinar is still available in our library for PLSA members to view, and the questions that it has generated have helped the new FAQ section on our Pensions Dashboards hub.

Also on the hub you will find the new checklist launched by the PLSA during the webinar, which details the list of actions schemes need to complete in the 12 months leading up to connection. The 12 months to connection checklist is also being signposted by MaPS and TPR. The checklist gives a list of 10 things that you should do now as a pension scheme and pointers on how to go about doing them. The checklist also contains a handy timetable of the Pensions Dashboard connection staging timeline, detailing the staging windows based on scheme types and sizes from April 2023 to October 2025.

PENSIONS DASHBOARDS MAY EVEN BE THE START OF PEOPLE COMPARING NOTES ABOUT THEIR PENSIONS IN CONVERSATIONS IN THE PUB OR AT A FAMILY DINNER

Although we have draft regulations and standards for Pensions Dashboards, we still expect to see change coming out of both the test and learn phase, and through schemes connecting to the Dashboards during their staging windows. Extensive user testing needs to take place throughout both phases to ensure that Pensions Dashboards end up being the blockbuster success that they have been hyped up to be. If users log on for the first time and cannot find their pension or the information is not clear enough to understand, then they may not log on again.

We need Pensions Dashboards to be one of those movies you watch over and over again, to be a true success. Repeat visits to the Pensions Dashboards will allow savers to make informed decisions and plan for their retirement. Combined with other pensions innovations such as the Retirement Living Standards and the Pensions Awareness Season, Pensions Dashboards may even be the start of people comparing notes about their pensions in conversations in the pub or at a family dinner. For most of us, having people just knowing where all their pensions are with a rough idea of how much they are on track for will feel like a big leap for pensions engagement.

IF USERS LOG ON FOR THE FIRST TIME AND CANNOT FIND THEIR PENSION OR THE INFORMATION IS NOT CLEAR ENOUGH TO UNDERSTAND, THEN THEY MAY NOT LOG ON AGAIN

James Livingston

The recent government Levelling Up White Paper has highlighted the need to reduce the long-running income and wealth disparity across the UK. Unfortunately, the status quo is likely to continue as the UK recovers from the aftermath of COVID-19 and faces uncertain macro-economic conditions. Private equity can play its part in levelling up by backing businesses based in some of the more underinvested regions of the UK. The regional imbalance is highlighted by the disproportionate capital flows to London and the South East. In 2021, London and the South East accounted for 45% of the UK's private equity transactions,[1] a trend which has been prevalent for decades.

Since the mid-1980s, Foresight Group has invested in and partnered with over 300 smaller companies across the UK regions, providing support and helping them navigate economic cycles. These companies are often located in the most underinvested areas, characterised by low rates of successful business start-ups and high rates of unemployment. We are one of the few investors targeting investments of up to £10 million in smaller companies located in the UK regions.

In 2013, we launched our first regionally focused fund, supporting smaller companies across Nottinghamshire. We have since launched several funds dedicated to supporting promising smaller companies across the UK regions, finding potential to generate strong commercial returns and make a positive impact on local communities. The Foresight Regional Investment Fund is a strong example of this. This £58 million fund supports companies across North West England and North Wales and has invested in 17 companies, which have created more than 1,000 jobs and spent £6 million on R&D in the past two years. The first three exits from the fund have collectively returned 1.8x cost with 14 companies still left to exit.

Although private equity capital will improve material prosperity, we look to maximise our portfolio companies' contribution to society by putting in sustainable ESG practices. This is planned at investment and is systematically applied and measured throughout the investment lifecycle. Every measure put in place is tailored specifically to the company whether it be job creation, green waste policies or local charity collections, a list that is not exhaustive. With the UK being overwhelmingly made up of SMEs, their collective contribution to a sustainable future cannot be underestimated.

It is also hard to imagine a truly sustainable future without considering diversity and inclusion. When a range of perspectives is lacking, the same mistakes will continue to be made and any necessary change in business practice or strategy will almost certainly be too slow to materialise. We encourage all our portfolio companies to consider diversity and inclusion during recruitment. When selecting businesses to back, we have seen how diversity and inclusion pays. C.17% of our portfolio companies are female-founded, yet only 5% of the business plans we review each year are from female-founded businesses.

Our strategy is simple. Invest in underserved regions around the UK, help entrepreneurs and their smaller companies grow responsibly, generate strong commercial returns, and help communities and people thrive along the way.

1. https://assets.kpmg/content/dam/kpmg/uk/pdf/2022/02/uk-mid-market-private-equity-review.pdf

TPR flexes powers to protect schemes of all sizes

TPR is always ready to act to protect savers, confirms ***Nicola Parish,*** Executive Director of Frontline Regulation.

We put savers at the heart of all we do. We are clear about our expectations, and where the needs of savers are neglected we will take action.

As our recently published regulatory intervention report shows, we will act to safeguard savers in schemes of all sizes, and against individuals.

The report also shows that even if a target of our enforcement is overseas, it is no barrier to us using our powers.

We used our anti-avoidance powers against SMT Scharf AG, a German mining equipment business with global interests and subsidiaries, in support of the scheme for the employees of the Dosco Group, a UK-based engineering business.

We issued a £2 million contribution notice to the overseas parent company – and secured a £130,000 settlement with a senior company executive to help protect a 600-member defined benefit scheme. A financial settlement was secured with a former Chief Executive of the Dosco Group, Martin Cain.

SMT Scharf AG sold the Dosco Group to a management buyout company which had no realistic prospect of being able to support the business. As a result, the pension scheme's sponsoring employers went bust eight months after the sale. Scharf showed a complete disregard for the scheme, which was left with no funding or prospect of financial support.

The case sends a clear warning to corporate entities and individuals that we will take action where appropriate to protect schemes. The case also marks the first time TPR's Determinations Panel has awarded additional sums for lost investment returns and interest, as set out in its Determination Notice.

SENTENCING OF FORMER NORTON MOTORCYCLES OWNER

Earlier this spring a former owner of Norton Motorcycles was given a suspended prison sentence for illegally investing pension schemes' money into his business. He was also the sole trustee of the three pension schemes which invested in Norton Motorcycles.

Following a prosecution brought by TPR, Stuart James Garner, 53, of Park Lane, Castle Donington, Derby was sentenced to eight months imprisonment, suspended for two years, for each of three counts of breaching employer-related investment (ERI) rules. He was also disqualified from acting as a company director for three years and ordered to pay TPR's costs of £20,716.

In February this year, Mr Garner had pleaded guilty to three charges of breaching ERI rules by investing most of the money of each scheme into his business, Norton Motorcycle Holdings Ltd.

Derby Crown Court heard how the offences related to three defined contribution schemes: Dominator 2012, Commando 2012 and Donington MC. The investments, made between 2012 and 2013, were made in return for preference shares. These shares were issued by Norton Motorcycle Holdings Ltd for which Mr Garner was both the director and majority shareholder.

Mr Garner illegally took money from three pension schemes in his care to prop up his struggling business. As a result of his criminality, savers, whose interests he was supposed to safeguard as a trustee, have been affected by substantial financial losses to their retirement savings and have been caused significant distress.

Rules on employer-related investments are vital to protect members' savings, and – as this case proves – we will take action against those who flout them.

COMPLIANCE AND ENFORCEMENT BULLETIN

We also recently published our latest compliance and enforcement bulletin, which shows how many times we used our powers between July and December 2021.

The bulletin highlights that the use of our powers, including in relation to automatic enrolment, has remained broadly steady since the previous bulletin covering the six-month period from January to June last year.

Despite the challenges of the two years since the start of the pandemic, our indications are that employers have continued to do the right thing for their staff. However, we are not complacent, and we continue to keep a close eye on compliance.

In line with our risk-based proportionate approach we are clear about our expectations and we will take enforcement action where appropriate, so that savers are protected.

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LEGAL UPDATE

Ongoing pension reform and a reminder of the Pensions Regulator's contribution notice powers

Loreto Miranda, Thomson Reuters' Practical Law Pensions service.

THE LATEST LEGAL CHANGES ROLL OUT FURTHER REFORMS TO PENSIONS OF MANY TYPES. DEFINED BENEFIT (DB) OCCUPATIONAL PENSION SCHEMES STILL PLAY A MAJOR PART IN THE PENSIONS REGULATOR'S WORKLOAD AS IT ISSUES A NEW CONTRIBUTION NOTICE.

Key developments included:

- For public sector schemes, legislation was enacted to facilitate the government's correction of the unlawful age discrimination identified by the Court of Appeal in *Lord Chancellor and another v McCloud and others and Secretary of State for the Home Department and others v Sargeant and others [2018] EWCA Civ 2844*. From 1 April 2022, the Public Service Pensions and Judicial Offices Act 2022 and related regulations introduced initial remedial measures, enabling the closure of certain legacy public service schemes to further accrual and the movement of remaining active members into reformed schemes.
- The same Act introduced technical changes to allow the government to issue guidance on investment decisions which are not proper for public service pension scheme managers to make in light of UK foreign and defence policy (after the Supreme Court decided the previous guidance was unlawful in *R (Palestine Solidarity Campaign Ltd) v Secretary of State for Housing, Communities and Local Government [2020] UKSC 16)*.
- For collective money purchase (CMP) schemes, the DWP made regulations[1] following the introduction of the CMP framework in the Pension Schemes Act 2021. In addition to consequential changes to existing pensions legislation to ensure the schemes can operate as intended, the DWP also introduced new disclosure-of-information provisions that will apply to the trustees of CMP schemes. The measures come into force on 1 August 2022.
- As to how widely CMPs will develop, the Pensions Minister announced[2] that the DWP intends to consult later in 2022 on a package of prospective design principles and approaches to extend CMP schemes to multi-employer schemes and master trusts.
- Regarding DB occupational pension schemes, the Pensions Regulator issued[3] a regulatory intervention report on the exercise of its contribution notice (CN) powers in relation to a management buyout in 2013 of an engineering business from its German parent company. The Determination Panel issued its CN in March 2021, imposing liability on the target commenting it had "paid no regard whatsoever to the Scheme in the course of the [management buyout], instead viewing the Scheme as something to offload ... on to a purchaser". The CN is for over £2 million, and marks the first time the Determinations Panel has awarded an additional sum for loss of investment returns and interest as part of the CN amount.

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

1 Occupational Pension Schemes (Collective Money Purchase Schemes) (Modifications and Consequential and Miscellaneous Amendments) Regulations 2022 (SI 2022/337)
2 *DWP: More savers to benefit from new pension provision (28 March 2022)*
3 *Pensions Regulator: TPR flexes powers to safeguard savers in small DB scheme (29 March 2022).*

New members

RESONANCE

Resonance is an impact property fund manager. It launched its first Homelessness Property Fund in 2013, and now has 7 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, which have attracted pension fund investment, allow investors access to the significant advantages to 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 significant social impact in part of the residential housing sector where there is substantial demand right across the UK.

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CRESCENT CREDIT EUROPE

Crescent is an alternative asset manager with approximately $38 billion of assets under management and over 200 employees. Headquartered in Los Angeles with offices in New York, Boston and London, Crescent specialises in below investment grade private credit (2/3 of AUM) and public credit (1/3 of AUM). We are known as one of the longest track record holders in the sub investment credit universe, founded in 1991, with over 30 years of track record. The DNA of Crescent is principal preservation and high cash income.

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