VIEWPOINT

The official journal of the Pensions and Lifetime Savings Association | *Issue 4 2022*

MAINTAINING MOMENTUM

FIVE REFORMS TO FUTUREPROOF PENSIONS

WHAT'S NEXT FOR LIABIILTY-DRIVEN INVESTMENT?

PENSIONS IN A COST-OF-LIVING CRISIS

WHAT COP27 MEANS FOR ESG INVESTMENT

SCHEMES OF DISTINCTION: THE PENSION QUALITY MARK AWARD

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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CEO's *Viewpoint*

As the PLSA approaches its 100 birthday, ***Julian Mund*** looks back on a turbulent year – and forward to an exciting future.

Welcome to the final edition of Viewpoint magazine for 2022, and the last before the PLSA turns 100! As we near this milestone, it feels pertinent to reflect on what's happened in our more immediate history, during what's been yet another busy and, at times, turbulent year.

The news dominating this year's headlines has been the ongoing cost of living crisis which is making life very difficult for millions today. A survey conducted by the PLSA earlier this year found that one in five pension schemes had seen savers asking about reducing or stopping their pension contributions, with a fifth wanting early access to their pension after age 55 – although more positively, only around one in 10 schemes said that they had seen members wanting to opt out.

We know that pension schemes have been issuing advice and guidance to help people in this era of tough choices. Meanwhile, it's more important than ever that we continue developing solutions for the future.

One of our top priorities for 2022 has been looking at how to help people secure an adequate income in retirement. Automatic enrolment has helped more people start saving into a pension. But PLSA research – based on PPI modelling – finds that without reform, more than 50% of savers will fail to meet the retirement income targets set by the 2005 Pensions Commission.

That's why in October we launched our Five Steps to Better Pensions proposals and consultation, with the aim of building a consensus to ensure that most people who are saving into a pension will have an adequate income to live on in retirement. We would love for members and interested parties to send us their views by the deadline of 31 March 2023.

As part of the consultation period, we are holding a Policy Insights Webinar on this topic on 26 January, at which members will have the opportunity to discuss the report's recommendations, exchange views and ask questions. We look forward to speaking to some of you there.

MAKING A DIFFERENCE

There have been other ways that we have been helping members to support savers this year. One example is the Retirement Living Standards which, as of November, are accessible to more than 35 million savers through more than 120 different organisations.

This autumn we helped coordinate the Pension Attention campaign, headed up by grime artist and TV cook Big Zuu, encouraging consumers to take a moment to think about preparing for retirement.

For our Local Authority members, we published the LGPS: Today's Challenges, Tomorrow's Opportunities report, the culmination of a huge research project, which makes recommendations on how to fortify the scheme's long-term sustainability on behalf of its 6.9 million members.

And this year we have published six Made Simple Guides, and our Cost Transparency Initiative templates and guidance have been downloaded nearly 34,000 times.

FACE-TO-FACE COMEBACK

2022 saw the return to something we do best – bringing the industry together at our market-leading, in-person conferences.

October's Annual Conference in Liverpool was another blockbuster. We heard from famous names and industry leaders, and welcomed more than 1,100 delegates through the doors. Watch our review video for highlights.

Next year we'll bring you more value and content with an enhanced events, conferences and trustee training calendar for 2023.

A new addition will be our Forums, offering specific member groups a space to discuss the big news in pensions policy, share perspectives and build networks.

VOICE OF MEMBERS

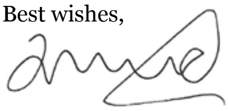
Our Annual Conference fell squarely during the volatility in the UK gilt markets, and our response put us firmly at the front of the national debate in the newspapers and across broadcast and radio. A month later the PLSA was also asked to give evidence at a Work and Pensions Committee session into the regulation and governance of DB pension schemes with LDIs.

The work of the PLSA's Policy & Advocacy team illustrates one of our most important functions – that of being our members' voice in turbulent times and beyond as James Walsh discusses later in this edition. Pensions Dashboards, ESG and retirement choices, and small pots are just some of the areas where – by working with members – we've made progress this year.

I'm incredibly proud of everything the PLSA has achieved. But more than anything I'm extremely proud of you, our members, who work tirelessly to support your scheme beneficiaries and clients, despite ever-changing regulation and increasing workloads.

So, enjoy the well-earned festive break. And as we prepare to celebrate 100 years of being the voice of workplace pensions, we look forward to exploring what we can do to help you over the next 100 years to help everyone achieve a better income in retirement.

Best wishes,



Julian Mund

GET READY FOR

A campaign led by

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

ABI

The Pension Attention campaign is a co-ordinated industry campaign led by the Association of British Insurers (ABI) and the Pensions and Lifetime Savings Association (PLSA) to boost people's understanding and engagement with their pension.

SUPPORT THE CAMPAIGN ON ALL SOCIAL PLATFORMS

Make sure you follow us and use **#PensionAttention**

What are we aiming for?

The campaign aims to bring the industry together around a common message aimed at breaking through the public's lack of interest and making pensions a talking point for people going about their everyday lives.

#PensionAttention

Long-term focus amid short-term noise

Edward Bogira, Head of Digital and Communications, reports from an Annual Conference that found itself at the heart of the news agenda.

Against a backdrop of market volatility which rocketed pension funds to the top of news agendas, trustees, managers and PLSA members met in Liverpool to focus on the issues that will matter for them in the long-term, after the public gaze has moved on.

Success is often all about timing. In the auditorium of the ACC Liverpool in October, attendees at the PLSA Annual Conference marvelled at how the event fell squarely into one of pensions' biggest moments in the spotlight.

Following a mini-budget rocking gilt markets, an LDI-driven tailspin and subsequent intervention by the Bank of England, the scene was set for a busy, retirement-theme-driven week. Add into the mix a newly-appointed (and now replaced) Pensions Minister, Alex Burghart MP, and a departing TPR Chief Executive on the bill, and attendees were right in the middle of the action.

However, PLSA members – trustees and service providers alike – know that in pensions, the focus needs to be on the long-term.

Steve Webb, Partner at LCP and former Pensions Minister, outlined in the conference's opening panel, that while defined benefit schemes would emerge bruised and scarred from the current market events, the prospect for DC and its savers was a much greater challenge.

ADEQUACY, ADEQUACY, ADEQUACY

While automatic enrolment, the 10th anniversary of which is celebrated this year, has been an undoubted success, the next task is clear.

PLSA Chair Emma Douglas noted that 19.4 million people in the UK were now saving for a pension – 40% more than 2012 – within a system built on "consensus and collaboration". Yet, some 51% of them will not achieve the target replacement rate set by the Pensions Commission, with just 28% facing even a moderate living standard. These figures are notably poorer for the "under-pensioned" groups, including women and ethnic minorities.

A focus on ensuring that people have enough to retire on was the underlying theme of the PLSA Annual Conference. With a cost-of-living squeeze exacerbated by soaring inflation, the

conference opened with a selection of voices from the Liverpudlian public assessing how comfortably they might be able to retire.

It was clear from these voices that the public is beginning to understand the challenge it faces, but more is needed to engage people on how to achieve what they need in retirement.

In a session dedicated to the topic at conference, Standard Life research revealed some 25% of UK workers did not know how much they contributed to their pension each month, with younger members the least likely to know this figure. Additionally, some 20% did not





know they were able to increase contributions, which may help them build up enough to retire more comfortably.

To help workers with this tricky balancing act of saving and spending, the PLSA is running the UK's first ever Pensions Engagement Season over the next six months. Initiatives will explain the options and outcomes for savers, including tax relief, investment potential and how the cost of living is likely to continue to climb.

Already, some 35 million people have savings with providers that are using the PLSA's Retirement Living Standards, CEO Julian Mund told conference. These give them the clearest picture of what life will look like and how much it will cost them.

BUILD IT AND THEY WILL COME

Vital to this understanding becoming universal, however, is clear communication of savings, benefits and expected outcomes. Pensions Dashboards, a project almost ready for launch after years of work, is set to deliver on these promises. A keen topic covered at conference, attendees heard from experts about the latest steps they needed to take on this online journey, before it bursts into action.

This digital theme continued, exploring how pensions are preparing for an online future, noting that the area of risk needs much more attention, with just 22% of schemes telling a survey at conference that they had a risk register documenting cyber risks in place.

AROUND CONFERENCE

Small pots, DB funding, annuities and even captive insurance options appeared on the agenda this year, along with sessions looking at the macroeconomic landscape, investment opportunities and, of course, sustainability.

The then-Pensions Minister also admitted that his three weeks in post had dispelled the idea that the industry was "boring", and he urged attendees to heed the message of engagement and adequacy, and take it to their schemes and members.

The first rap ever dedicated to pensions, launched as part of Pension Attention, the PLSA's joint campaign with the Association of British Insurers (ABI), summed up the overall message of conference and our daily work with schemes:

"Invest in yourself, later you will have the protection," said Big Zuu to PLSA and scheme members.

We know that by staying current, relevant and connected to our members, we can work together to achieve our sector's objective: to help everyone achieve a better income in retirement. It is what the PLSA has done for 99 years, and we look forward to continuing to bring the industry together for more debate, collaboration and tangible action.

The PLSA Annual Conference took place on 12-13 October. For more information about the conference, speakers, sessions, and to watch sessions online, visit our website.

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.

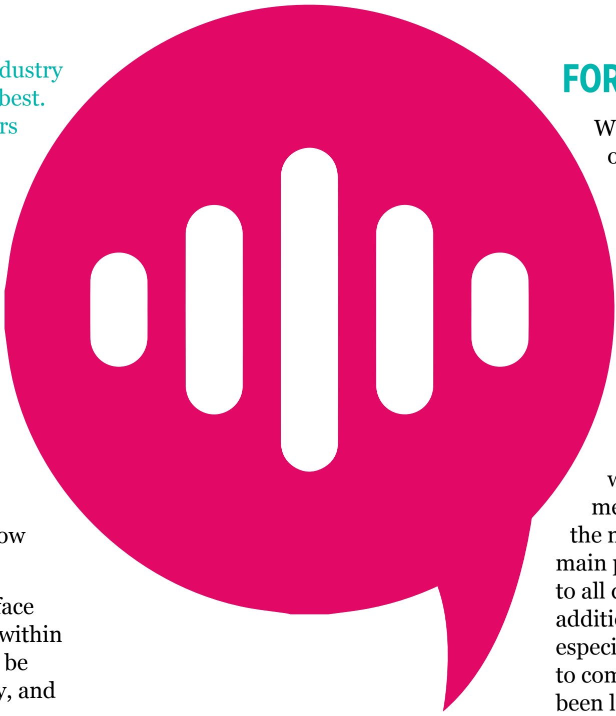
Find out more, visit
www.pensionqualitymark.org.uk

PQM STANDARDS

PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION

Your voice shapes our events

Kate Hadley, Director of Events, explains how member feedback is crucial to building the PLSA's 2023 events calendar.



Bringing the pensions industry together is what we do best. After over two long years of online events, being able to run many of our conferences and training courses as face-to-face physical events in 2022 has been a wonderful experience.

Feedback from delegates tells us that the main reasons that people come to our conferences are to network (83%) and to keep up to date with market trends (73%). Our ability to provide face-to-face networking opportunities once again is something that we know members have relished.

The delight of returning to face-to-face conferences was also clear from all within the PLSA team. It has been great to be back doing what we know and enjoy, and to be on-site together again. Covid-19 has significantly changed the events landscape, and the reality of returning to face-to-face events meant a lot of late nights and nail-biting moments. However, all the hard work paid off and our 2022 conferences have been hugely successful with a fantastic atmosphere on-site.

LISTENING TO MEMBERS

We are your pensions trade association. It's important that we listen to members' views on what you would like to see at future events and ensure that we continuously evolve and improve. We've taken the return to face-to-face events as an opportunity to review how we deliver them, making sure the conferences continue to attract members and provide them with value. We've also paid more attention to sustainability – working more closely with suppliers, producing our badges differently, and reducing our structures on-site to lower freight traffic to venues.

FORUMS FOR DEBATE

The feedback that we receive from members is vital to what we do. We have heard that members would like to attend events with people like themselves from a similar area of pensions, facing similar challenges. They would like more opportunities to connect with similar people to discuss the issues and themes pertinent to their interests and background.

Next year, based on your feedback, we are introducing a brand-new series, PLSA Forums. This is aimed at senior professionals connected to the Local Government Pension Scheme, defined benefit schemes, master trusts and trusteeship. The Forums will be policy-driving and, as well as the mix of expert presentations you might expect, offer the opportunity for open discussion with other delegates and the policy experts.

FORMAT REVAMP

We are also switching the length of our large conferences to 2.5 days – opening on the Tuesday lunchtime and then finishing on the Thursday afternoon. This is something that we know from feedback will benefit many people attending our conferences. It will allow for on-the-day travel and fewer nights away, offering even greater value.

And returning to how important we know that networking is to our members, we are also reintroducing the main conference dinners to the main programme and they will be open to all delegates. This should be a great addition to our 2023 conferences, especially since people's opportunities to come together and connect have still been limited following the pandemic.

CONTINUING MORE OF WHAT YOU LOVE

We have an exciting programme of events for you next year, which will include our popular programme of Policy Insight Webinars, where you can hear from our Policy & Advocacy team about what goes on behind the scenes in the PLSA's policy and lobbying work.

We are also offering our three-part trustee training sessions, helping trustees with all levels of experience to manage a pension scheme confidently and effectively. If you are thinking of booking 2023 training before the end of the year for yourself or your trustees, you will pay 2022 prices.

There is a lot to look forward to in 2023, and we will continue being your network-building, member-backing, policy-driving PLSA.

A brand Zuu approach to pensions engagement

With the first ever pensions engagement season coming to a close, the PLSA's head of media relations, ***Mark Smith,*** examines what the industry can learn from the unique campaign.

"Grime and pensions – they don't get mentioned in the same sentence," rapper and Bafta-award-winning TV chef Big Zuu beamed in his first interview to promote the pensions industry's new Pay Your Pension Some Attention campaign.

In case it somehow passed you by, this unexpected collaboration arose from the industry's recognition that more should be done to address the fact that savers' confidence and understanding of their pension remains too low. Over half the public struggle to find their pension information, and only 20% are confident they're saving enough for retirement.

With the backing of 13 of the best-known brands in the pensions industry, we concluded that traditional approaches had only limited success, and what was needed was a bold new strategy.

We gave Big Zuu 24 hours to compose a track urging listeners to Pay Your Pension Some Attention, and – with a brash red, yellow and black colour scheme – sought to use a combination of digital and social media channels, out-of-home and display ads on billboards, websites and in newspapers to bring the catchy song to a new audience.

SIGNS OF SUCCESS

The initial reaction we received was very positive. Most people we spoke to recognised the playful humour, uniqueness and energy of the approach. Headlines about the rising cost of living had put the nation in a bleak mood, but we were determined to be positive about the simple things people could do to get their heads around how their pension worked.

And the early signs are that the campaign has had some broad success that is worthy of some celebration.

Big Zuu reached millions of people via TikTok, Instagram, Facebook and Twitter, and millions more via the video billboards at train stations across the UK – not to mention the national newspaper and broadcast coverage earned from our novel collaboration including with the BBC, ITV News, *The Times* and *Financial Times*. Zuu has been an energetic and enthusiastic ambassador, especially in sharing his personal experience with engaging with his pension for the first time.

In a campaign awareness survey of members of the public after the engagement season, 19% of respondents said they could recall seeing the campaign – a very strong figure for a campaign of this scale. Of those, a staggering 91% took action as a result, saying they either spoke about pensions, looked for additional information or engaged with their own pension after seeing it. Extrapolating that out, a potential 3 million savers were inspired to go and pay their pension some attention as a direct result of the campaign.

There is good evidence in the analytics to prove that by coming together under a single, brand-agnostic umbrella to promote a single, simple and memorable message, we demonstrated the power of collective action when it comes to increasing engagement.

We successfully showed savers that learning pensions basics is easy, and with small steps – like updating personal details – they can gain confidence in their pension saving.

LESSONS FOR FUTURE CAMPAIGNS

The campaign team is already looking to next year and has identified areas where we can have an even bigger impact or do things a bit differently.

A POTENTIAL 3 MILLION SAVERS WERE INSPIRED TO GO AND PAY THEIR PENSION SOME ATTENTION AS A DIRECT RESULT OF THE CAMPAIGN

BIG ZUU'S BIG CHALLENGE

We gave Big Zuu just 24 hours to compose a new track encouraging everyone to Pay Your Pension Some Attention.

Watch the videos to find out how he wrote the track, how he views his own pension – and what happened when he went back to his old school to talk about saving for retirement.

www.youtube.com/@pensionattention2059

For starters, the campaign met an enormous amount of misfortune with the launch day PR activity halted on the sad news of the passing of Her Majesty the Queen. Activity was not restarted again until after the mourning period. There was also political turmoil, with a change in Prime Minister and a double change in Pensions Minister during the engagement season acting as a huge distraction.

Turning to the things we can control, we recognise that it takes time to build a brand. Future efforts will therefore likely continue with the Pay Your Pension Some Attention brand and slogan. We'll also give the industry more material and campaign assets to share through its own channels to widen the reach and breadth of activity.

We'll also be looking for additional organisations to join as sponsors of the campaign. Those involved from the PLSA and the ABI have been immensely proud to work on this project, the first of its kind to bring the industry together, and we're already looking forward to the first creative meeting of 2023.

MORE ATTENTION, MORE PENSIONS

Watch the video with Big Zuu and hear the story behind the song at **www.pensionattention.co.uk**

Find links to free tools that every scheme, employer and individual can use to increase their Pension Attention: **www.gov.uk/plan-your-retirement**

Catch up on related activity such as National Pension Tracing Day **www.nationalpensiontracingday.co.uk/**

Get access to all of the materials and knowledge from this year's Pension Awareness Day: **www.pensionawarenessday.com/**

Join in the conversation on social media using the #PensionAttention hashtag.

OUR PARTNERS

The Pension Attention campaign is a coordinated industry campaign led by the ABI and the PLSA. We'd like to thank our sponsors for their generous support:

Aegon
Aviva
Cushon
Fidelity
Legal & General
NEST
Now:Pensions
Pru
Royal London
Scottish Widows
Smart Pension
Standard Life
The People's Pension

Dashboards – they're inching closer

It's time to get ready for real, reports ***Ruari Grant,*** Policy Lead, DC.

I don't quite know whether something can be a perennially 'hot topic', or whether if it's around for long enough it simply becomes part of the furniture; either way, in the world of pensions policy, one could argue that pensions dashboards occupy both these roles. We've been discussing them for years, and while progress within the Pensions Dashboard Programme (PDP) has inched forward, much of this to date has been at the back end, somewhat out of sight, on the grandiosely named Central Digital Architecture.

That's all about to change though. In recent weeks there's been a flurry of publications from government, regulators and the PDP itself, and we're now six months from the first schemes connecting into the dashboard and providing real live data.

Now in order for all providers and schemes to play ball and provide their data, legislation and regulation is clearly needed, and parliament is currently debating DWP's draft regulations compelling all occupational schemes to connect, process and match find requests, and return relevant information. And FCA land is one step ahead; final rules are now in place requiring providers to connect and return pensions information by August next year.

ESTABLISHING STANDARDS

The PDP, meanwhile, has been busy engaging with feedback to its summer consultation on dashboard standards. This is the framework that both data and dashboard providers will have to fit into and they set the rules on data, reporting, connection and all the technical elements of the project. In our submission we highlighted various key issues including the liability status of indicative values shown on a dashboard, data response times, and the way additional voluntary contributions are shown for DB schemes. We expect the PDP to publish its updated set of standards in the coming weeks, and also to issue a standalone consultation on the design standards. This will determine the end product – what's actually displayed on a dashboard for a member of the public to look at.

So with the various cogs spinning, the mind naturally turns to the end product, and when we might finally be able to log on and see that coveted list of all our pensions in one place. The – as yet – undetermined point in time when this happens is known among the initiated as the Dashboard Availability Point, or 'DAP' for short, and in yet another recent publication the government has extended the notice period which the Secretary of State must give when announcing the DAP from three to six months. While this might seem a fairly arbitrary process, and while in practice we wouldn't expect the announcement to come as a surprise, it is actually vital that all parties are prepared and that certain reasonable criteria are met ahead of dashboards going live to our savers.

For example, we have made clear to government that considerable testing will need to take place ahead of the DAP to ensure dashboards work as intended, and this testing ranges from accurate data matching, to the displaying of the right information, and ultimately to checking that users understand what they're shown. Much of this will necessarily have to be carried out once most schemes are connected – so it doesn't leave much time. Therefore, we are glad that the government will over the coming months establish key criteria for the DAP over four categories: coverage, effective operation, security, and user experience.

WHAT COMES NEXT?

So where does all this leave you, as PLSA members? Well, if you're a scheme, it's likely that at some point in the next year or two you'll be required by law to connect to the dashboard ecosystem, so we'd recommend setting up an implementation plan and engaging with your administrators – and integrated service provider if you're using one – as soon as possible to establish what work this will entail.

We'd also recommend consulting our dashboards connection checklist for a quick overview of what you might need to consider. While the DAP itself may still seem some way off for now, with the scheme onboarding process fast approaching and the work this will entail, you can be sure it will be upon us sooner than you might think.

AN ACTION PLAN FOR ALL SCHEMES

The PLSA has prepared a checklist of key actions that schemes of all types and sizes should be doing now in order to prepare for pensions dashboards. See our website for a more detailed version of this list.

1. Know your dashboard staging date
2. Check your knowledge and understanding of the requirements is complete and up-to-date
3. Have a detailed compliance project plan, including budgets, resources and work required
4. Understand with your providers how you will connect to the ecosystem
5. Check your contracts and other documents include dashboard connection services
6. Make sure all member records are digitised, or make sure you know your administrator's plans to digitise paper-based records.
7. Check your data is accurate and know what steps your administrators are taking to keep it up-to-date
8. Make sure that pensions income data is complete and available
9. Plan how you will support members' next steps
10. Understand how you will explain dashboards to members

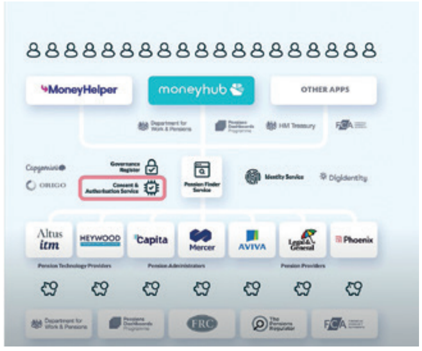
AT THE HEART OF DASHBOARDS

The PLSA has been actively involved in pensions dashboards during 2022. Our Dashboard Hub has a wealth of information to help schemes prepare.

Consultations

We have taken an active role in government consultation about pensions dashboards. You can read our consultation responses online, including:

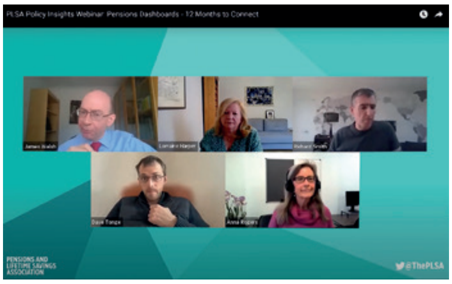
- **DASHBOARDS STANDARDS CONSULTATION: AUGUST 2022**
- **PENSIONS DASHBOARDS FURTHER CONSULTATION: JULY 2022**
- **PROPOSED REVISIONS TO ASTM1: MAY 2022**
- **FCA CONSULTATION ON PENSIONS DASHBOARDS CP22/3: APRIL 2022**
- **DWP CONSULTATION ON DRAFT PENSIONS DASHBOARDS REGULATIONS: MARCH 2022**



Videos

In addition to our 12 Months to Connect checklist (see boxout), watch our two-minute explainer video, created for our 2022 Annual Conference.

In March 2022, the PLSA hosted a Policy Insights webinar, where we heard from Moneyhub (one of the programme's first dashboard providers) and Mercer (one of the first data providers) about their work to get the system up and running. ARC Pensions Law explained schemes' key risks, and we introduced the Dashboards Hub.



In person

Dashboards were a prominent feature of the programme at our Annual Conference 2022. A panel of Chris Curry, Principal of the Pensions Dashboards Programme; Richard Smith, Pensions Dashboards Consultant at the PLSA; Maurice Titley, Chief Innovation Officer at ITM; and Alyshia Harrington-Clark, Head of DC, Master Trusts and Lifetime Savings at the PLSA debated the deadlines looming for the project.

The session is available to watch again on demand for all conference attendees, and free for fund members and master trust members who weren't able to make the event.

Adapting to a changing landscape

Reform is needed to ensure a brighter pensions future, says ***Nigel Peaple,*** Director Policy & Advocacy, PLSA.

As 2022 draws to a close, it's fair to say that it's been a fairly turbulent year in UK politics. The fallout of the political upheaval – which has seen three Prime Ministers in post – has been widespread.

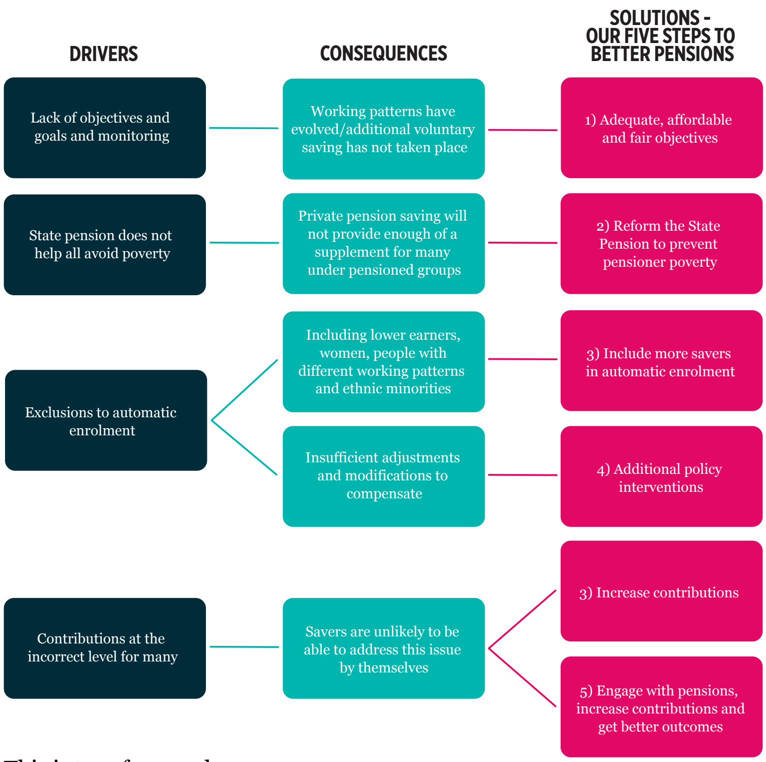
The pensions sector hasn't been immune to this, and has experienced a fair share of uncertainty in recent months on top of the ongoing cost-of-living crisis. Yet the sector as a whole – and the PLSA – still remains committed to ensuring that savers are well placed to achieve a better income in retirement. But that ambition cannot come without suitable reforms being made at the highest levels of governance. To achieve this, the PLSA has recommended the government makes reforms to the UK pensions system.

WHY IS REFORM NEEDED?

In the 10 years since automatic enrolment was first introduced, the unprecedented success of the policy has become clear. Saver numbers are up significantly to 19.4 million, opt-outs are lower than expected, and evidence suggests people highly value pension savings and will continue to save in large numbers despite significant economic shocks, including the COVID-19 pandemic.

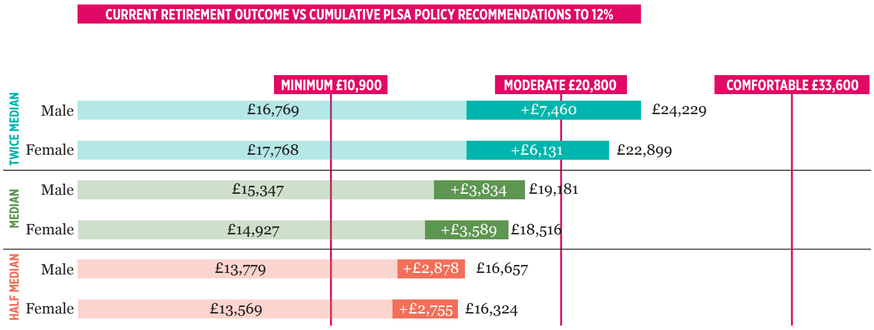
However, following research based on modelling by the Pensions Policy Institute (PPI), the PLSA finds that without reform, more than 50% of savers will fail to meet the retirement income targets set by the 2005 Pensions Commission (the Pensions Commission Replacement Rates).

DRIVERS AND SOLUTIONS



This is true for people on average earnings, as well as for under-pensioned groups, such as people – often women – who take time out of work to care for others, and specific elements of the workforce such as the self-employed, gig-economy workers and people with part-time jobs. The research also found that around a fifth of households are likely to achieve less income than is needed to meet the 'Minimum' level of the independently assessed Retirement Living Standards.

This is why the PLSA published its report *Five Steps to Better Pensions: Time for a New Consensus*. In it the PLSA reviewed and assessed the current pensions framework and modelled the impact of a range of potential policy interventions, finding five key elements of reform that are needed to futureproof the pensions system.



WHAT ARE THE PLSA'S FIVE REFORMS?

1. National objectives

The first change that is needed is the creation of clear national objectives for the UK pension system that are 'adequate, affordable and fair'. This, combined with regular formal monitoring of whether it's on track to achieve these goals, is key to future success for the sector.

2. State pension

The second is a reform of the state pension so everyone, at least, achieves the Minimum Retirement Living Standard, to prevent pensioner poverty.

3. Automatic enrolment reform

The PLSA also believes that reform is needed for automatic enrolment. We want to see more people reaping the benefits of saving into a workplace pension – and reforms to ensure more people are included, such as younger people, multiple job holders and gig-economy workers, will be vital to that. Also, at a higher level, we want to see changes to ensure that people on median earnings will be likely to achieve the Pensions Commission's Target Replacement Rates. These measures include saving from the first pound of earnings, and gradually increasing contributions from 8% to 12% from the mid-2020s to the early 2030s, with contributions split evenly between employers and employees.

4. Support under-pensioned groups

Another change that we'd like is to see under-pensioned groups better supported. The PLSA believes that additional policy interventions are needed to help under-pensioned groups – including women, gig-economy workers and the self-employed as well as countless others –feel the benefits of being in a workplace pension scheme.

5. Industry initiatives to achieve better pensions

Finally, the PLSA wants to see more industry initiatives in place to help achieve better pensions. These could include actions to help people engage with pensions, receive higher contributions, or get better pension outcomes.

WHAT NOW?

There's already broad agreement that evolution of automatic enrolment is needed. With that in mind, the PLSA's recommendations can help form a new national consensus on how best to build upon a decade of automatic enrolment success so everyone can achieve the right income in retirement.

While we accept that now – in the middle of a cost-of-living crisis – is not the right time for radical changes, it is still prudent to provide a clear roadmap for reforms that will help to ensure better retirements.

Download the full report

A critical juncture for EDI

Caroline Escott, Chair, NextGen introduces the main findings of its recent report on inclusive working in the pensions sector.

Our thanks to many from NextGen and across the industry more broadly for their input, but particular thanks to the main authors of the NextGen report: Charlotte Bailey, Alex Burdekin, Hiral Mistry, Olivia Mooney, Jade Rigby and Paul Turrell, as well as to Lucy Kerley in her role as Chair of the NextGen R&I Sub-Committee and Emma Barry for designing the final report.

The Pensions Regulator (TPR) has been leading the way on equity, diversity and inclusion (EDI) ever since its 21st Century Trusteeship initiative, and organisations like the PLSA and Aon have previously published reports on this issue. In 2021, the NextGen Research & Insights (R&I) Sub-Committee published its own contribution to the debate – *Recruiting for cognitive diversity* – which provided practical guidance to schemes, consultants and managers on how to create an inclusive recruitment process.

Despite these positive steps, 44% of respondents in a 2022 NextGen survey told us that the pensions industry is “only diverse at some levels,” with several respondents noting that junior roles are more diverse than the senior ones. And although we don’t have much recent data, anecdotal evidence indicates that not much has changed on trustee diversity at least.

In 2016, the PLSA found that 83% of trustees were male, while Aon’s survey from the same year indicated that 2.5% of scheme trustees were under 30, while 7% were over 70.

With these findings in mind, NextGen decided to shift the EDI conversation towards discussion of retention practices, recently launching a report on inclusion in the pensions sector.

RETAINING THE ‘NEXTGEN’

This report – Retaining the ‘NextGen’ – provides practical guidance on inclusive working practices for pension firms, using insights from individuals working in the industry as well as from pension schemes which are implementing EDI in their own organisations. Our guidance is also prefaced by a powerful foreword from David Fairs, Executive Director for Regulatory Policy, Analysis and Advice at TPR, who notes: “we need to attract broader talent to the world of pensions; we need to encourage change and ensure new voices are heard.”

To support us in producing guidance that would be genuinely helpful for the industry, NextGen’s R&I team extensively explored EDI issues with individuals from across the pensions sector. Findings included:

- **Mixed views as to whether the industry is doing enough to attract and retain diverse talent.** It was generally felt that progress was patchy, that there was more focus on gender diversity than other kinds, and that there are varying levels of genuine commitment to diversity – with some organisations solely “going through the motions”.

NEXTGEN'S MISSION

NextGen's mission is to promote fresh ideas and new talent in the pensions industry. Our volunteers work hard to be a force for change and to take practical steps to overcome the barriers to building a diverse and inclusive sector.

Fundamental to this mission is our work supporting pensions organisations and senior decision-makers to understand the benefits of what is increasingly known as 'EDI' (Equity, Diversity and Inclusion) for their work and their working practices.

- **A plethora of ideas on how to create an inclusive industry.** These included better policies regarding flexible working and parental leave to ensure that work and life are well integrated, as well as gathering and publishing industry-wide EDI statistics and asking schemes to be more transparent about their strategies for change.
- **Particular concerns about the lack of diversity at senior levels, including on trustee boards.** Every single respondent to the NextGen survey said that diversity appeared to vary by role, including by seniority. Many responses indicated a sense that diversity is improving, particularly among consultancies – although trustee boards were often considered to be among the least diverse groups in the sector.

The NextGen team combined these insights with learnings from broader research on inclusive working practices, to come up with top tips for pensions organisations who are keen to become more inclusive and ensure every employee is given the opportunity to develop and thrive, regardless of background.

INCLUSION 'TOP TIPS' FOR FIRMS

Structured across what is a 'typical' journey for a new starter, our guidance suggests organisations consider the following:

- **Designing the right culture.** While the topic of workplace culture is too broad for NextGen to provide definitive answers, the important role of EDI training in supporting culture change is highlighted – as well as the additional benefits of making this training optional rather than mandatory.
- **Onboarding.** Onboarding effectively starts at the time an individual accepts a job offer, and culture and connections are key components to a successful onboarding process. We note that "a well-planned onboarding programme is a clear indication of the care that the company has taken to welcome a new recruit [and] invest in their talent".
- **Settling in.** As well as outlining some of the benefits (and challenges) of a flexible working environment for different employees, there is advice for organisations on how to support employees in building both internal and external networks, both of which are vital for career development and personal growth.
- **Career progression and promotion.** We note that it's impossible to overstate the importance of a defined and individually-tailored progression plan, while cautioning against making assumptions about someone's career progression based on others' wants/needs or the line manager's own experience.

A CALL FOR CHANGE

Both TPR and the next generation of pension leaders are calling for change on EDI in our sector. Although there are some examples of positive progress, we all need to work to do our part in building inclusive organisations that allow individuals from all backgrounds to thrive. Only then can we build a sector which is diverse from top to bottom, and which is thereby better able to reflect – and respond to – the needs of diverse savers.

LDI – what comes next for pension schemes?

Now the dust has settled from September's disastrous mini-Budget, ***Charlotte Moore*** looks at what the fallout means for the sector.

Now that calm has been restored to the gilt markets, liability-driven investment (LDI) managers and pension schemes can take stock and reflect on how the extreme calls for collateral have impacted funding positions, buyout journeys and portfolio strategy. During the crisis, LDI mangers had to adapt their portfolios, reducing leverage and adding cash buffers of around 3% to ensure extra liquidity.

Pavan Bhardwaj, Head of Investment and Trustee Director at Ross Trustees, says: This is very much a live issue internationally. Regulators are formalising some of the measures taken during the crisis to make LDI funds more robust."

At the end of November, the Central Bank of Ireland and the Commission de Surveillance du Secteur Financier – the Luxembourg regulator – issued statements which will effectively require LDI managers based in their jurisdictions to maintain capital buffers of 3-4%. Holding these higher capital buffers may make pension schemes reconsider their hedging ratios. Bhardwaj says: "These capital levels come with an opportunity cost."

And more measures could be on the way. Jessie Wilson, Professional Trustee at Dalriada Trustees, says: "The lesson from the crisis is that if a pension scheme has assets which are readily available to be moved across to the LDI manager, this is a prudent measure."

THE LESSON FROM THE CRISIS IS THAT IF A PENSION SCHEME HAS ASSETS WHICH ARE READILY AVAILABLE TO BE MOVED ACROSS TO THE LDI MANAGER, THIS IS A PRUDENT MEASURE

Over time, this could be formalised with LDI managers requiring schemes to have parallel investments which can be used for collateral when necessary, particularly for pooled funds. Alasdair Macdonald, Head of Investment Strategy at WTW, agrees: "There is going to have to be more collateral and it will have to be held with the LDI manager."

The types of assets held in these funds will need to be sufficiently liquid to match these collateral requirements. Dan Mikulskis, Investment Partner at LCP, says: "Buy and maintain credit portfolios likely won't be the ideal first port of call for LDI collateral because they are likely to lose value in the types of market conditions when liquidity will be required." Short-dated credit, asset-backed securities and duration-neutral strategies will all be a better fit, he adds.

Mikulskis says: "It might be the case that schemes will have half their assets with an LDI manager with the credit holdings integrated as a potential source of collateral and hedging."

As well as changes to which assets are held with LDI managers, some schemes are also likely to want to change their LDI manager. Macdonald says: "Some schemes will have been happy with how their managers coped with the crisis while others will not."

In particular, there needs to be a review of pool funds. Macdonald says: "The aim of pooled LDI funds was to make this complex investment strategy simpler to implement, but that didn't happen during the crisis."

It was much more straightforward for managers of segregated accounts to get in touch with pension schemes as there was only one phone call needed. But contacting all the participants of a pool to tell them they had to pay more collateral didn't work in a fast-moving gilt market.

Macdonald says: "More pension schemes might decide to instead use a segregated account, and it's likely careful thought needs to be given to how to ensure pool funds will be better positioned if a similar scenario were to arise in the future."

IMPACT ON PENSION SCHEMES

The impact of the recent crisis depends on the individual circumstances of the scheme – hedging levels, funding gaps and access to liquid assets all played an important role in how well pension funds were able to weather the crisis.

Underhedged schemes – those with hedging levels of around 60% or less – have reaped the benefits of sharp increases in interest rates. Wilson says: "These schemes have had a really good year even with the sell-off in growth assets because the impact of rising interest rates has had such a dramatic impact on the valuation of liabilities."

Well-funded schemes with hedges which matched technical provision valuations are likely to be in a good position. These schemes would have experienced little benefit from the increase in interest rates to those technical provision valuations. It will, however, have improved their buy-out valuations as these use a gilt yield as the discount rate, so the valuations are higher than those of the technical provisions and the hedging levels are therefore lower.

Schemes which have lower funding levels and were hedged to the value of their assets might also be in a better position. Wilson says: "As these schemes were only hedged to the value of their assets rather than their technical provisions valuation, the value of their liabilities should have decreased significantly."

But those schemes which still have a funding gap despite the drop in the value of their liabilities could now face a difficult dilemma. Mikulskis says: "The schemes with the worst funding position are facing the most difficult trade-offs."

If these schemes have not managed to maintain their hedging positions, they will have seen their funding gaps worsen as long-dated gilt yields have fallen to around 3.1% from the 5% reached at the end of September.

Mikulskis says: "These schemes will now need to decide whether they want to allocate return-seeking assets to narrow the funding gap or to LDI to reduce the valuation volatility."

Macdonald says: "In the past, schemes had to make decisions based on a balance of risk and return, now they will also have to consider liquidity." Some schemes will have to live with higher levels of liquidity and low levels of hedging, and either use assets to take more market risk or accept lower levels of return, he adds.

While most schemes have not yet had the time to carry out a strategic review, many will likely choose to do so in the first quarter of next year, adds Bhardwaj.

BUYOUT CONSTRAINTS

The rise in interest rates has caused many schemes to reach buyout funding targets very quickly, but there are nowhere near enough offers from

WORK AND PENSIONS COMMITTEE QUESTIONS PLSA ON LDI

On 23 November, the Work and Pensions Committee held its first oral evidence session into defined benefit schemes and the use of LDIs. The inquiry is examining the impact of the recent volatility in gilt yields and intervention by the Bank of England. It is also considering the role of the Pensions Regulator in regulating the use of LDIs and whether schemes have adequate governance arrangements in place.

The first panel saw evidence from:

- **Henry Tapper** - Executive Chair at Agewage
- **Iain Clacher** - Professor at Leeds Business School
- **Dr Con Keating** - Head of Research at Brighton Rock Group

They gave a highly critical view of the use of leveraged LDI and the regulation of DB schemes which they stipulated had resulted in "excessive" demands for LDI.

The second panel witnesses included:

- **Joe Dabrowski** - Deputy Director, Policy at the PLSA
- **Steven Taylor** - Chair at Association of Consulting Actuaries
- **Leah Evans** - Chair of IFoA Pensions Board at Institute and Faculty of Actuaries
- **Jonathan Camfield** - Partner at Lane, Clark & Peacock

The second panel gave a more balanced view of LDI, noting the impact that the mini-budget had on financial stability and higher deficits that would have arisen without the use of LDI strategies.

The full session can be watched via the **Parliamentary website**. For more information on the PLSA's parliamentary work please contact **Katy Little**.

insurance companies to match this demand. That means schemes will need to decide how they are going to invest their assets while they are in a holding pattern to buyout.

Mikulskis says: "While it's not the most complex investment challenge, schemes will still need to make choices."

Schemes will want to lock-in their current buyout valuation, which could tempt them to sell all of their growth assets and buy gilts instead. But this could be a mistake. "There is a difference between the buyout valuation and the price an insurance company will charge and it will depend on the level of demand for these transactions," adds Mikulskis.

Schemes might well be better placed to maintain some return-seeking assets to compensate for both further falls in bond pricing as well as providing the additional funds which may be demanded by an insurance company.

Mikulskis says: "Investing in a gilt plus 1 to 1.5% is a pretty low risk which will build quite a significant buffer over the next five to 10 years."

THE SCHEMES WITH THE WORST FUNDING POSITION ARE FACING THE MOST DIFFICULT TRADE-OFFS

ILLIQUIDS LOSE POPULARITY

One of the most important long-term trends to emerge from the LDI crisis is how defined benefit schemes have fallen out of love with illiquid assets.

James Brundrett, Senior Investment Consultant at Mercer, says: "Over the short to medium term, private market assets are going to be much less popular for closed, private sector defined benefit schemes."

Mikulskis says: "Demand for illiquid assets has been heavily reduced among closed defined benefit schemes with many now looking for ways to sell down their existing positions."

IN THE PAST, SCHEMES HAD TO MAKE DECISIONS BASED ON A BALANCE OF RISK AND RETURN, NOW THEY WILL ALSO HAVE TO CONSIDER LIQUIDITY

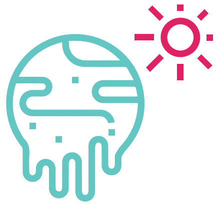
It's not only the impact of the liquidity crisis which is driving this fall in demand for illiquids but also that many schemes are now much closer to buyout, adds Brundrett.

But that will take time. "There is not, however, a pressing need to reduce these positions as it will take schemes a while to get to buy out," adds Mikulskis.

Market conditions have also changed sufficiently that pension schemes might no longer have to look to illiquids for higher yields. Bhardwaj says: "With gilts now yielding over 3% and a 2% credit spread on top, and investment-grade corporate bonds providing returns of 5% or more, the argument for using private markets is perhaps less convincing, at least in the short-term."

Creating a climate of good risk and opportunity management

Following COP27, ***David Fairs,*** Executive Director for Regulatory Policy, Analysis and Advice at The Pensions Regulator, reflects on what climate-related regulations mean for the pensions industry.



From wildfires to extreme flooding and heatwaves, the impacts of climate change are happening faster than was predicted. As a consequence, the urgency and seriousness surrounding the need for global action to mitigate and adapt to the effects of climate change will most likely only accelerate.

October saw the release of new Met Office data giving an indication of the impact climate change is having on the UK, with several parts of the country having experienced record-breaking temperatures – and scientists are warning of more heatwaves to come.

As the United Nation's latest climate change conference – COP27 – came to a close, I found my attention returning to our expectations of pension scheme trustees. Since 1 October 2022 laws have required trustees to identify, manage and report on climate-related risks applied to schemes with £1 billion or more in net relevant assets, having already been in force for authorised master trusts and larger schemes with net relevant assets of £5 billion or more from October last year.

It's important to be clear, trustees are not being asked to fight climate change and save the planet. However, they are being called on to protect their savers' pensions from the financially material risks posed by climate change.

These risks might be in the form of increasingly extreme weather or rising sea levels – climate-related events which have the potential to impact scheme investments and, for defined benefit schemes, a sponsoring employer's ability to support them.

Nevertheless, there are opportunities as well and trustees should make sure they take advantage of the opportunities that come with a global shift towards a low-carbon economy.

We know this is a relatively new area for trustees. It's a new area for The Pensions Regulator (TPR) too. That's why I was so pleased that TPR could join with the PLSA for a Twitter Q&A in November so that we could address any questions trustees may have.

During the Q&A session, we explained the expectation isn't that trustees should be climate change experts. However, we do expect them to be able to recognise, assess and manage climate change risks and opportunities.

Trustees will, to some extent, be reliant on the advice they receive in this area. Hence, it is important they know enough to understand the advice they receive and can make informed investment decisions.

Equally, they need to ensure their advisers have the right skills and expertise. To help trustees do this, the Investment Consultants Sustainability Working Group has developed a competency framework, which is well worth finding online.

TPR has issued guidance in this area too, designed to sit alongside the statutory guidance issued by the Department for Work and Pensions. Our guidance was written following engagement with industry, which we remain grateful for. It includes an illustrative example charting how the trustees of the fictitious XYZ pension scheme might approach meeting the requirements of the new climate-related regulations.

But it's important to recognise there is no one-size-fits-all approach. Trustees will need to decide what's best for their scheme.

We know there have been concerns over the availability of climate-related data. The regulations call on trustees to obtain, calculate and use data "as far as they are able", so based on what is available. That might include the use of estimates or proxy data.

Data availability will improve over time, and trustees should report gaps and take steps to address them. The DWP's statutory guidance provides more information on data gaps and populating missing data. This is, after all, a journey with the Taskforce on Climate-related Financial Disclosures laying the foundations for future Sustainable Disclosure Requirements, and consideration of wider risks including biodiversity. This is something that has grown in prominence since the Dasgupta Review back in 2021 into *The Economics of Biodiversity*.

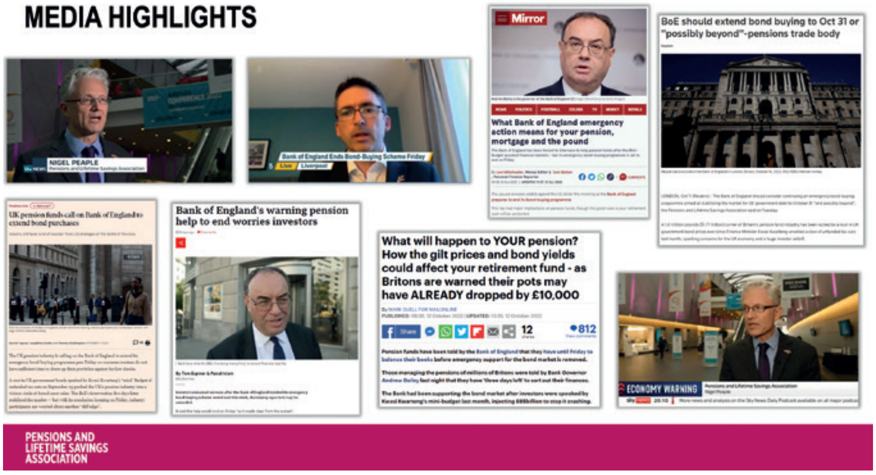
It's also important to make the point that, while the regulations currently focus on schemes with £1 billion or more in net relevant assets, all schemes face climate-related risks and opportunities, and trustees should consider these (along with other material risks) – so our guidance may be helpful to trustees of smaller schemes too.

Ultimately, amid all the dire warnings, I want to see trustees and their advisers prepared for the challenges ahead. Prepared so they are able to ensure that not only climate-related risks and opportunities are considered as key elements of scheme governance, but wider material risks and opportunities are also recognised. Put simply, if they do not adequately consider them, then pension scheme investment performance and funding may suffer, which could mean savers missing out.

Speaking up for pensions

James Walsh, Head of Membership Engagement, explains how the PLSA team brought meaning to market upheaval.

There is a nice strapline on the PLSA website about our organisation being 'the voice of workplace pensions and savings'. It features prominently across our publications too. But what does it mean in practice?



Recent weeks have served up a classic example – namely the work my PLSA colleagues did around the gilts market upheaval of mid-October. Make no mistake, the LDI-related events were challenging for some of our members (see page 18). I met people at our Annual Conference who had literally been up all night meeting demands for extra collateral.

But the work that colleagues in our Policy and Media Relations teams did in the middle of it all was surely the textbook example of the PLSA's role as 'the voice of workplace pensions and savings'. That's what it means.

While LDI, gilts and pensions were dominating the news, my Press Office colleagues were working all hours fielding telephone calls from journalists desperate for an explainer. It's hugely important on these occasions that journalists have ready access to informed commentary, and the work that our Press Office did to brief journalists and to arrange interviews, mostly fronted by our Director of Policy and Advocacy, Nigel Peaple, and his Deputy, Joe Dabrowski, was crucial to achieving that.

Our proactive statement calling on the Bank of England to extend its market intervention suddenly put us front and centre, as journalists doorstepped the Governor for his reaction. For a few days Nigel and Joe were – literally – the voices of workplace pensions, appearing on the Radio 4 *Today* programme, ITV News, Radio 5, on the front page of the *Financial Times* – the list goes on.

Behind the scenes, the PLSA team was also talking to senior policymakers at the Bank, at the Pensions Regulator and in government. We were able to involve some of our members in those conversations as well, at pretty short order. We also drew on two member surveys that gave us a solid base of up-to-the-minute information about how pension schemes were affected and how they were responding – a great example of how your answers to our PLSA surveys get transmitted straight through to the decision-makers.

LONG-TERM INFLUENCE

Of course, being the voice of the industry isn't just about these high-profile episodes. It's also about influencing public policy over the medium and long-term.

We used October's Annual Conference to publish *Five Steps to Better Pensions: time for a new consensus* (see page 14) – a major policy paper showing how we can address one of the key strategic challenges that the UK faces, namely the fact that, without reform, more than 50% of savers will still find their retirement income falling short of the targets set by Adair Turner's Pensions Commission back in 2005.

The five steps set out in the paper cover auto-enrolment reform, state pensions, and setting national objectives for the country's pensions system as a whole – and monitoring progress against them.

This paper will form the foundation of much of our lobbying and influencing work over the next year as we look to build that 'new consensus'. We'll be making the case with the new Pensions Minister, Laura Trott MP, shadow ministers, members of Select Committees and the key advisers who help to shape policy behind the scenes.

We're looking for your views too – this is a consultation, open until 31 March, so do please let us have your input via fivesteps@plsa.co.uk

Being 'the voice of workplace pensions and savings' takes many forms, but the media work, political briefing and long-term influencing that I've described here are key elements of it. It's all part of what we do for our members. That's what it means.

PLSA Local Groups – Live and back in-person!

Cheryl Wilkinson, Membership Engagement Manager, welcomes the return of face-to-face local events.

The PLSA has 11 Local Groups around the UK. These groups support the PLSA in its national role by providing members with a focus for local activities, providing educational, networking and social event opportunities to enable participants to keep up-to-date with the latest pension developments closer to where they live or work. The groups operate on a member volunteer basis and host meetings on a bimonthly or quarterly basis.

During COVID-19, our Local Groups worked together to continue to produce some great sessions through a shared online programme of events. The pandemic and its restrictions brought one very significant advantage for the Local Groups, in that members could access events being hosted in a different region to the one in which they were physically located.

However, one of the main purposes of the Local Groups is to facilitate networking locally, so with the lifting of government restrictions and the pandemic receding into the past (we hope!) the good news is that the PLSA's Local Groups are once again holding in-person meetings.

SOUTH EAST GROUP SUMMER SEMINAR

The first such meeting I was to attend took place on a bright and warm summer day in June at the picturesque and historic Leeds Castle in Kent. This was the location for the South East Group's Summer Seminar. Kevin Clark (Punter Southall) chaired the whole-day event, which for many participants was their first such face-to-face event for three years. Delegates came from across the industry and were mainly Kent-based pensions managers, administrators, consultants, fund managers, lawyers and auditors.

The day started with breakfast and an opportunity for delegates to network and enjoy the sunshine in the gardens of the Maiden Tower. Our first session was a legal update from Nick Laird (Linklaters) which addressed the Draft Single Code, ESOG, ESG, and cyber security. Next we had a session on the de-risking market by Ricky Patel of LCP, and then Ajeet Manjrekar from Schroders gave an update on investment and the perils of inflation.

We were able to visit the castle during lunchtime which had a 1930s-themed exhibition attributable to the previous owner Lady Baillie, a fascinating figure who was famous not only for hosting glamourous weekend parties and carrying out significant restoration work on the castle, but was also reputed to be an excellent employer who looked after her staff.

After a very pleasant lunch where delegates were able to soak up the sun in the gardens (or sit in the shade with a cool drink), we alleviated that post-lunch feeling with a quiz lead by James Smith (First Actuarial). Delegates were tested on their knowledge of popular culture (Netflix series 'Squid Game' and Marvel films both made appearances), music, science – and the Highway Code!

After the quiz, Sarah Steel (Better with Money) addressed financial education. She talked about the importance of employers providing financial education for their staff to alleviate money worries and help them plan for retirement. She also highlighted how the PLSA's Retirement Living Standards had provided relatable income targets and helped engagement.

For the final session of the day a panel of speakers considered 'What would you change in pensions?' The wish-list of items included more diversity and inclusion in trusteeship for better decision-making, pension career adverts, more emphasis on the value of a pension as part of a remuneration package, and better financial education which should start in schools and could be built upon by employers. Kevin drew the day to a close with an overview of our six policy priorities: adequacy, DC decumulation, Dashboards, ESG, small pots, and the DB Funding Code. Then after the final notices, and a quick stroll along the moat, I had a surprisingly traffic-free drive back to London.

AROUND THE COUNTRY

Other Local Groups have also been meeting in person. The Thames Valley Group, which meets in Reading, held a session on 'How to protect members from Pension Scams' in late June and another session in November on the 'Agenda for 2023'.

Our Yorkshire Group, which meets in Leeds, also held an in-person breakfast session in early November on 'Transfer regulations and Scams'. Moving south once again, our Central London Group hosted 'An Audience with Steve Webb' where the former pensions minister gave his views on the myriad of issues impacting the pensions and retirement space in what has already been another tumultuous year, followed by a Q&A session.

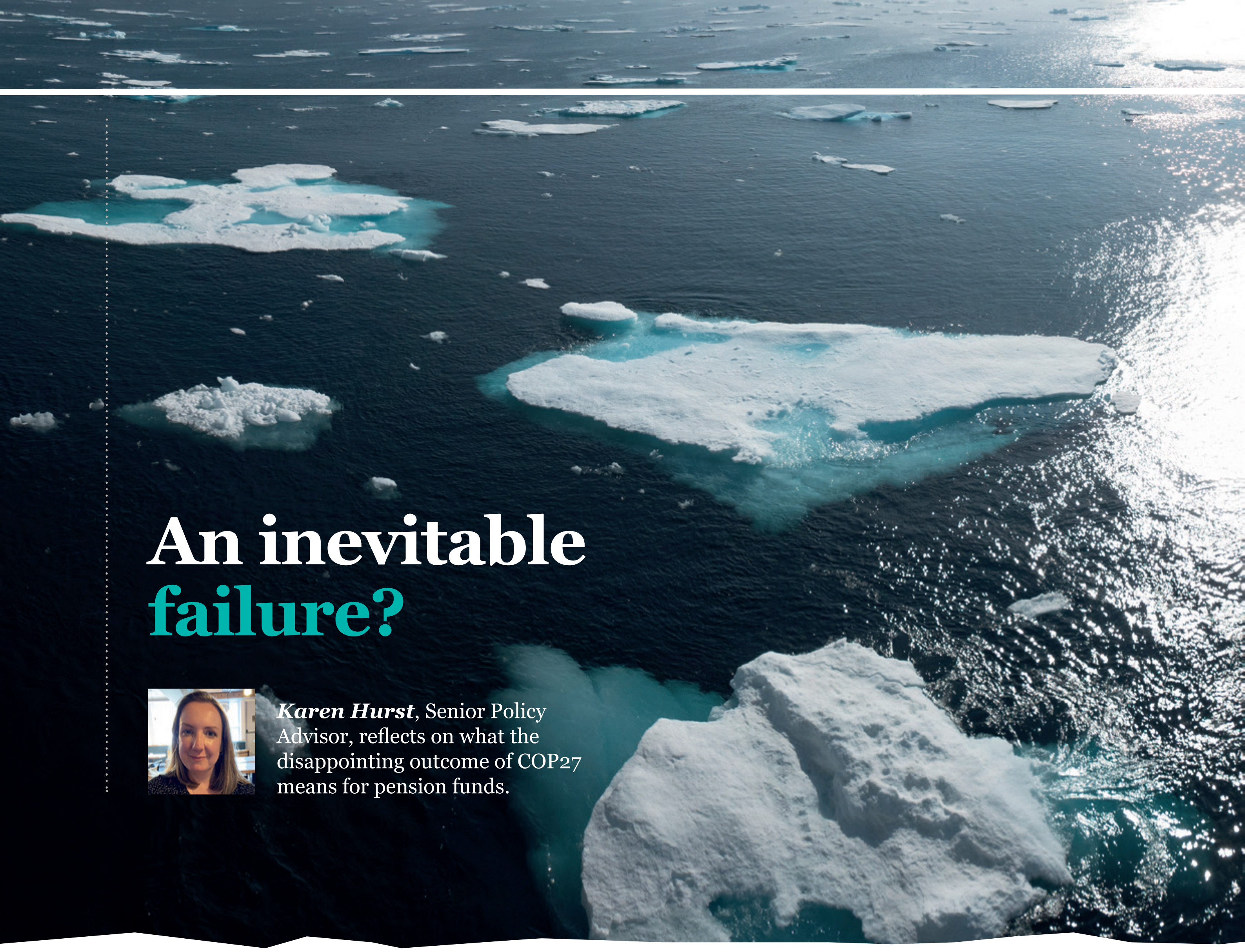
With so much happening in our Local Groups Network, I hope you'll take the opportunity to visit the Local Group nearest you to meet your peers, catch up on all the latest pensions issues, or even enjoy a game of mini golf as I did at the South East Dashboards seminar and social in September.

FIND OUT MORE

If you'd like to find out which Local Group is nearest to you, please email me at **Cheryl.wilkinson@plsa.co.uk** and I will be able to direct you.

More information can be found **on our website**.

I look forward to seeing you at a Local Group gathering in the New Year!



An inevitable failure?

Karen Hurst, Senior Policy Advisor, reflects on what the disappointing outcome of COP27 means for pension funds.

If you're reading this, chances are you've already had at least a quick glance over the key headlines to come out of the recent COP27 conference in Egypt: a new loss and damage fund for countries most impacted by climate change; no new agreements on emissions reductions; no agreement on phasing out fossil fuels. Not much to be excited about, if preventing climate change is your thing.

It all felt a bit inevitable too. Last year we were wondering whether the phrase 'Glasgow aligned' was about to enter our vocabulary, and waiting in anticipation as the conference ran over into a second, and then a third, additional day. But this year, as events drew to a close, it didn't feel like there was much optimism that we were on the cusp of a new agreement. We won't be looking to next year's event – hosted by the United Arab Emirates – with the same anticipation.

Just before the conference we asked pension funds how they felt about the state of 'net zero'. Most were concerned about the growing discussion that there is simply no way for the world to keep within 1.5°C. Well over half don't feel confident that the UK will meet its targets. Similar numbers told us that they wanted the government to do more to help investors do more. For a sector that's now heavily committed to net zero alignment – and heavily dependent on global government action for this to be achievable – the outlook is certainly challenging.

Of course, COP is for states, it's not a private sector event. Therefore, the closing text from the summit said little about the role of private finance. But in sifting through the various news articles and analysis from the past month, it's clear that the role of private finance in the transition continues to grow.

The formal text from the summit welcomed the UN report on the role of non-state actors, published during the conference, in progressing the transition. The report calls for a 'red line' on greenwashing, and sets out a number of new benchmarks for net zero commitments. It's likely we'll see those form the basis for how organisations should be planning their own transitions.

We also heard from some key voices in the financial world. Some major investors called on global financial rule-makers to create a global transition plan to enable swifter mobilisation of private capital, calling the current system 'not fit for purpose'. The group challenged all institutions who oversee global financing to create a 2050 net zero transition plan for their work, report annually on their progress, and collaborate with others in the financial system to create an overarching transition plan.

FOR A SECTOR THAT'S NOW HEAVILY COMMITTED TO NET ZERO ALIGNMENT – AND HEAVILY DEPENDENT ON GLOBAL GOVERNMENT ACTION FOR THIS TO BE ACHIEVABLE – THE OUTLOOK IS CERTAINLY CHALLENGING

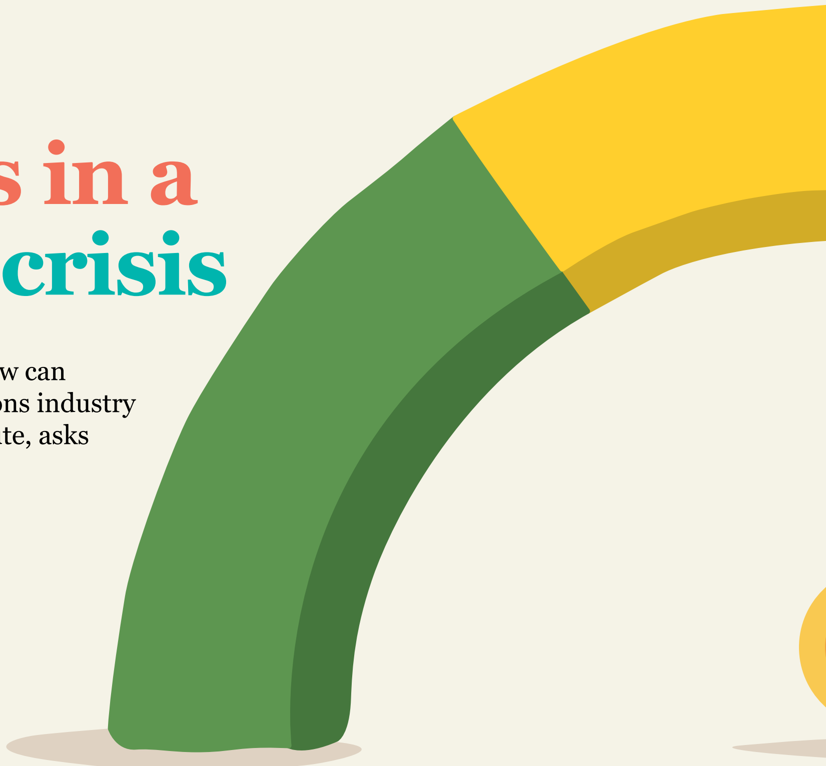
THE ROLE OF PRIVATE FINANCE IN THE TRANSITION CONTINUES TO GROW

A new report commissioned by the governments of the UK and Egypt recommended that emerging market and developing countries should work with investors, developed countries and multilateral institutions to unlock $1 trillion annually by 2030, and around $2 trillion beyond that, in order to cut emissions, boost resilience, and restore nature and land. The event also saw the publication of a new version of the Taskforce on Nature-Related Financial Disclosures framework.

Domestically, we had our first sight of the UK Transition Disclosure Framework, launched by the Transition Plan Taskforce. The Taskforce was announced by Rishi Sunak during COP26, and tasked with developing a 'gold standard' for private sector transition plans. The draft framework and guidance was published for consultation during the summit, alongside the announcement of an online sandbox for user testing. The framework is likely to inform future UK regulation in this area.

With the conference now concluded, and as we reflect on the disappointment of the lack of global agreements, we should not overlook the volume of activity taking place that will give investors more clarity – and, hopefully, the tools and frameworks to enable their own commitments on climate change.

Contributions in a cost-of-living crisis



As the cost-of-living crisis bites, how can schemes, employers and the pensions industry help members continue to contribute, asks ***Maggie Williams***?

In November, Consumer Prices Index (CPI) inflation hit its highest level for 41 years, driven upwards by food prices and energy bills. In the same month, the Bank of England raised its base rate to 3%, increasing mortgage rates for many.

With so many pressures on day-to-day finances, are pension savings at risk, as younger members prioritise more immediate money worries, and older members access their savings early to keep above water financially? And, how can schemes get the balance right between continuing to engage with members about their pensions, while being sensitive to the impact of wider financial concerns?

From a long-term savings perspective, helping members remain in their pension scheme as far as they can is a key priority. If they do need to leave the scheme, Nigel Peaple, Director of Policy and Advocacy at the PLSA, says it's important their decision is made with a clear understanding of the impact over time. "Our member pension funds are keen to ensure that savers only take a cost-of-living-pressured decision on pensions, such as opting out of pension saving or drawing their pension earlier than planned, if they thoroughly understand the consequences of doing so."

Peaple says that could include making sure members understand what they will lose out on through employer contributions and tax relief. "Perhaps it will be the right decision for some but, so far, pension funds have found relatively little sign of people stopping pension saving once they have made enquiries.

"Every household will be affected differently by the cost-of-living crisis, and it's not possible for pension schemes to second-guess what's right or wrong for an individual. The most important thing is for schemes to provide members with a balanced outline of the pros and cons of pension saving. The PLSA is gathering best-practice examples of such communications, and plans to publish them to help pension funds tackle these communication issues."

"We certainly haven't seen a lot of knee-jerk reaction from scheme members so far," adds Paul Leandro, Partner at Barnett Waddingham. "Research that we did earlier in the year showed that one in 10 people were considering decreasing their contributions, with higher numbers in the 18 to 24 age group. But inertia is a powerful thing."

Peaple says that separate research by the PLSA in September found that, while schemes had seen an increase in queries about opting out of pensions, there was little evidence that people had taken action to stop saving. Anecdotally, the PLSA has also seen an increase in the use of pension freedoms to access savings after the age of 55.

HOW ARE SCHEMES HELPING?

Leandro believes that schemes are looking at a variety of ways to help members. "We know that some employers are considering offering members a contribution holiday. That could be just for the employee contribution. If there is a matching employer contribution, then they might continue to honour that over the contribution holiday period." Once that period is up, Leandro says employers might either reinstate employee contributions at their original rate, or gradually increase the contribution over the course of a few months, to reduce a cliff-edge return that might deter members.

"Again, inertia can have a positive effect, so if members want to permanently leave the scheme, they have to take action and fill in forms to do so, but a short holiday followed by a return to previous contribution rates gives them some breathing space."

Communications are also a vital element in supporting members, both regarding decisions about remaining in the pension scheme, and wider financial resilience. "It's vital that savers don't rush into decisions because of negative headlines, as this is when they can fall victim to scams," says Peaple. "Scammers exploit uncertainty, and savers' worries about their finances may make them more vulnerable to fraudulent tactics."

Embracing wider financial wellbeing can also help members with day-to-day

IT'S VITAL THAT SAVERS DON'T RUSH INTO DECISIONS BECAUSE OF NEGATIVE HEADLINES, AS THIS IS WHEN THEY CAN FALL VICTIM TO SCAMS

money management, which in turn will help them to remain in the pension scheme. "Many leading employers are now integrating holistic and proactive financial wellbeing programmes that really make a difference to support employees with building their financial resilience for now and the future," says Jonathan Watts-Lay, director, WEALTH at work.

He says that offering financial education, guidance and coaching can help employees understand their finances, including ways to manage a budget, save money, manage debt, boost savings – and it can also highlight why it is so important not to opt out of pensions.

Leandro adds that many pension schemes and providers are beginning to offer this kind of wider help. "Providers are stepping up with offerings like cost-of-living hubs, as well as communications and information that goes beyond pensions. Employers can direct members to those hubs for help."

Research from the PLSA found that almost two-thirds of its members (64%) believe the pensions industry should produce standard information for schemes to use with their members to help them access guidance on coping with rising prices. Around half (48%) also believe that the industry should encourage pension schemes to increase communications about the risk of pension scams.

The Bank of England expects inflation to peak towards the middle of 2023, meaning that the early months of next year will continue to be difficult financially for many pension scheme members. Continuing to communicate effectively, helping members to understand the impact of opting out, and offering support with wider financial wellbeing could all prove invaluable – and potentially even help to deepen engagement with pensions once the current crisis abates.

WHAT ARE SCHEMES AND EMPLOYERS DOING TO HELP MEMBERS?

Schemes are helping their members:

- **35%** have already put special measures in place to support members with the cost-of-living crisis
- **28%** plan to put measures or additional support in place

Help includes:

- Signposting advice or guidance on managing debt/financial wellbeing **(68%)**
- Information on pensions planning **(55%)**
- Risk of pension scams **(52%)**

EMPLOYERS ARE OFFERING SUPPORT:

- Signpost information on pension planning **(57%)**
- Information on pension scams **(52%)**
- Managing debt/financial wellbeing **(52%)**
- Allowing employee payment contribution holidays **(26%)**
- Information on reenrolment **(25%)**
- Guidance on the impact of opting out of automatic enrolment **(21%)**

WHAT MORE COULD THE INDUSTRY DO?

The PLSA also asked its members how else the pensions industry could support members. One in five (21%) believe the industry should encourage defined benefit pension schemes to consider granting discretionary payments, when affordable, and a similar number (20%) believe the industry could use its role to encourage investee companies to ensure they are paying the Living Wage (20%). A fifth (20%) also said that calling on government to permit the return of deferred small defined contribution pension pots of less than £500 could also help.

THE PLSA'S ROADMAP FOR 2023

JAN

18
100 PENSIONS AND LIFETIME SAVINGS ASSOCIATION
Annual Chair's Dinner 100th birthday celebration

26
Policy Insights Webinar:
Five Steps to Better Pensions

FEB

23
Policy Insights Webinar:
Better communications with LGPS members

MAR

2
Trusteeship Part 1:
The Theory

8
Trusteeship Part 2:
The Practice

23
Trustee Forum
NEW

JUN

6–8
INVESTMENT CONFERENCE 2023
Investment Conference

20
Trusteeship Part 2:
The Practice

26–28
LOCAL AUTHORITY CONFERENCE 2023
Local Authority Conference

JULY

13
Policy Insights Webinar:
ESG

20
Business Member Forum
NEW

SEP

14
Trusteeship Part 1:
The Theory

19
Master Trust Forum
NEW

Keep an eye out for the following consultations across the year:

PRA Review of Solvency II
FCA/ TPR Joint Strategy
FCA QIS Consultation
PLSA Voting Guidelines
FCA Sustainability Disclosure Requirements
TPR DB Funding Code
TPR Single Code of Practice
TPR Single Code of Practice – integrating Master Trusts
DWP Decumulation Consultation

Look out for PolicyWatch to hear how we're representing your views and how to contribute.

FIVE STEPS TO BETTER PENSIONS

We are seeking views from interested parties and stakeholders on our research and policy proposals. The consultation will run until 31 March 2023, and those interested in getting involved should email **fivesteps@plsa.co.uk**

APR

20
Policy Insights Webinar:
Get ready for pensions dashboards

MAY

4
DB Forum
NEW

17
Trusteeship Part 1:
The Theory

OCT

17–19
ANNUAL CONFERENCE 2023
Annual Conference

31
Trusteeship Part 2:
The Practice

NOV

9
Local Authority Forum
NEW

22
Trusteeship Part 3:
The Expert

TBC
RESPONSIBLE INVESTMENT CONFERENCE 2023
Responsible Investment Conference

DEC

7
Business Member Forum
NEW

14
Policy Insights Webinar:
The Regulatory Horizon for 2024

www.plsa.co.uk/Events

THE MEMBER BACKING PENSIONS AND LIFETIME SAVINGS ASSOCIATION

Celebrating the best in pensions

Joe Dabrowski, Deputy Director of Policy reflects on the worthy winners of the PQM Distinction and Retirement Living Standards Awards 2022.

The PLSA's Annual Conference was a great platform for celebrating the winner of the 2022 Pension Quality Mark (PQM) Distinction Award.

The PQM Distinction Award is the PLSA's special recognition for schemes that are exemplary in a particular area covered by the PQM standards, judged by members of the PQM Standards Committee. This year, we focused on the topic of adequacy – which is also a PLSA policy priority.

The Pension Quality Mark is an accreditation for workplace DC schemes that offer higher contributions, have effective governance and good member engagement strategies.

During the PQM assessment process we identify schemes that are doing something particularly well or innovatively, that we think deserves to be highlighted, and we nominate them for the PQM Distinction award.

THE WINNER

In assessing adequacy, the judges looked for schemes that are encouraging their members to save for an adequate income in retirement, by whatever means is most appropriate and effective for the workforce.

Six schemes were shortlisted for the Award from current PQM holders (see 'Shortlisted schemes' box).

The judges unanimously decided that the winner of the PQM Distinction prize 2022 should be Lubrizol Group Personal Pension Plan. This scheme is provided by Aviva on behalf of Lubrizol – a global specialty chemical company with UK headquarters in Derbyshire. It looks after the interests of around 500 members.

PQM DISTINCTION SHORTLISTED SCHEMES

- THE ELECTRICITY NORTH WEST GROUP OF THE ESPS: DC SECTION
- KELLOGG COMPANY OF GREAT BRITAIN, LTD. (DEFINED CONTRIBUTION)
- LUBRIZOL GROUP PERSONAL PENSION PLAN
- UNITED UTILITIES PENSION PLAN
- HSBC BANK (UK) PENSION SCHEME – DC SECTION
- MICHELIN PENSION AND LIFE ASSURANCE PLAN

The scheme has an escalator system to increase contributions automatically with each year of employment, and is also proactive with its engagement activity.

Over three years, Lubrizol GPP almost doubled the number of members saving the maximum amount of 21%. This was a great effort for a small scheme and shows that size is no barrier to delivering good outcomes for members.

Olenka Kaczmarczyk, EMEAI Total Rewards Manager at Lubrizol, said: "We're delighted to receive the PQM Distinction Award.

"It's very important for us to help all employees understand the significance of saving for their retirement and encourage them to save sufficiently for their future. Our employees and their wellbeing are always a top priority and Lubrizol is proud to be recognised in this area."

The Electricity North West Group of the ESPS: DC Section was highly commended. The judges praised its great communications plan, with persuasive nudge measures encouraging employees to save more.

As one of the judges for the PQM Distinction Award, I know first-hand how difficult this decision was to make. All of the shortlisted schemes were of a very high calibre, meeting the demanding standards expected of a Pension Quality Mark holder.

RETIREMENT LIVING STANDARDS AWARDS

As well as celebrating the very best of defined contribution pension schemes, we also presented the PLSA's second Retirement Living Standards Awards at this year's Annual Conference.

Our judges selected Standard Life as the winner from a shortlist of pension companies, for their work in ensuring the Standards are accessible to as many savers as possible. Wealth Wizards and Hub Group were highly commended.

Donna Walsh, Head of Master Trust, Standard Life, said: "The Retirement Living Standards are an excellent way to help people understand what their life in retirement could look like. By incorporating the Standards into our client analytics tool, our latest development is helping employers, trustees and advisers answer the question: what standard of living are my members on track for?

"Members can also see what they can do to move between the levels. It has been great to work collaboratively with the PLSA on our latest developments."

Getting to grips with illiquid assets

Two in-depth guides can help DC schemes explore the risks and opportunities of investing in illiquid assets, says ***Mark Smith,*** Head of Media Relations.

As UK defined contribution (DC) schemes have developed and grown in size, the range of investment opportunities available to them has increased significantly – and is likely to increase still further in the years to come.

UK DC schemes currently invest relatively little in less liquid assets, compared to UK defined benefit (DB) pension schemes and DC schemes in other countries, such as Australia.

This reflects several factors, one of which is the focus of the UK DC pensions industry on keeping costs low across the entire supply chain. Investing in less liquid assets tends to be more expensive; it may take longer to generate value, and some investments may fail to do so.

However, some UK DC schemes are now starting to consider whether and how allocating to less liquid assets could improve member outcomes as part of a diversified portfolio within a default arrangement.

But like any form of investment, less liquid assets carry risks that must be managed, and these asset classes may not be a good fit for all schemes. In particular, schemes will need to manage liquidity risk, which they can do by investing in less liquid assets as part of a diversified portfolio, evaluating the schemes' future cash flows based on scenario analysis and stress testing, working with fund managers to ensure alignment between liquidity of the fund with that of the underlying assets, and understanding a range of liquidity management tools.

The Productive Finance Working Group, a pensions industry working group convened by the Bank of England, the Financial Conduct Authority (FCA) and HM Treasury, has produced two guides that will help to equip DC schemes with the knowledge they need to understand key considerations and risks associated with less liquid assets.

The Productive Finance Working Group is made up of leading industry bodies including the PLSA, the Alternative Investment Management Association (AIMA), the Association of British Insurers (ABI), the Association of Investment Companies (AIC), the British Private Equity and Venture Capital Association (BVCA), the Investment Association (IA), and around 20 large DC pension schemes, investment managers and consultants.

INVESTING IN LESS LIQUID ASSETS: KEY CONSIDERATIONS

This guide gives DC pension fund trustees, their sponsoring employers and their investment consultants information around investing in assets such as venture capital, private equity, private credit, real estate and infrastructure, where appropriate and in scheme members' best interests.

The guide covers the following key issues:

Value for money: To help shift the focus from minimising cost to a more holistic value assessment, the guide outlines a process for assessing value for members from investing in less liquid assets with practical case studies for different types of DC scheme.

Performance fees: To help DC schemes select, negotiate and co-create performance fee structures that could meet their members' needs, the guide sets out key principles and maps them to specific features of performance fees to highlight their implications for DC schemes.

Liquidity management: The guide outlines how DC schemes can meet the liquidity needs of their members, while investing in less liquid assets, by managing liquidity at two levels – the DC scheme and underlying fund levels.

Fund structures for less liquid assets: To help DC schemes select a route for investing in less liquid assets that meets their specific needs, the guide overviews the key features and considerations around potential fund structures.

Legal guide to the Long Term Asset Fund (LTAF): To help DC scheme decision-makers become more familiar with the LTAF as a new fund structure, the guide highlights the key features of the LTAF.

Due diligence: To facilitate high standards around investment in less liquid assets, this guide highlights the key considerations around due diligence on the investment managers and products.

A ROADMAP FOR INCREASING PRODUCTIVE FINANCE INVESTMENT

To support implementation in practice, investment and employee-benefit consultants have also published a joint commitment to shift the focus from cost to value when advising DC decision-makers.

The new publication follows recommendations from the Productive Finance Working Group produced in September 2021 for removing barriers to DC schemes investing in illiquid assets.

Postcards from Parliament

Katy Little, Parliamentary and Stakeholder Manager, looks back at the PLSA's political and parliamentary highlights of the last year.

The last year in politics has been characterised by its turbulence, with the UK witnessing the rise and fall of two Prime Ministers. Changing governments and priorities have led to a busy year for the PLSA, especially in terms of our engagements with new ministers and politicians. The key aim of the PLSA's parliamentary engagement is to be seen as the go-to voice of the pensions industry. This article re-caps some of the highlights from 2022.

SELECT COMMITTEES

At the beginning of this year the Work and Pensions committee completed the last in its three-part inquiry into the pension freedoms. The third and final inquiry looked at saving for later life. In March, the PLSA's Director of Policy and Advocacy, Nigel Peaple, gave evidence at the first oral evidence session. We appeared alongside representatives from the Institute of Fiscal Studies, the Pensions Policy Institute and the Association of British Insurers (ABI). During the session we answered questions on pensions adequacy, the next steps for automatic enrolment, and our Retirement Living Standards.

Later in the year, the market instability caused by the mini budget and its knock-on effects on the gilt market and DB schemes with LDI strategies, dominated headlines. The Lord's Industry Regulators and Commons Work and Pensions Committee (WPSC) both launched inquiries on the back of the news. Joe Dabrowski, the PLSA's Deputy Director of Policy, privately briefed the WPSC on the impact of the LDI crisis and gave oral evidence to the Committee in November.

IN PARLIAMENT

The PLSA meets regularly with MPs and provides briefings to parliamentarians across all of our policy areas; this year we have met with Richard Holden MP, Matt Rodda MP and Feryal Clarke MP. We also look to influence parliamentary debates and legislation to ensure our members' views are heard: in 2022 the PLSA has been mentioned six times across parliamentary proceedings.

In addition, a key part of our presence in parliament is seen through events we organise with our key stakeholders. In March we hosted a roundtable jointly with the Industry and Parliament Trust. It was chaired by Stephen Timms MP and attended by Nigel Mills MP, Lord Davies of Brixton and Baroness Wheatcroft to discuss the future of pensions adequacy. Nigel Peaple, PLSA Director of Policy & Advocacy, presented on the issue of adequacy.

The Pay Your Pension Some Attention campaign also leapt into full swing in October, and together with the ABI we hosted an anniversary event in Westminster to celebrate 10 years since the introduction of automatic enrolment.

PARTY CONFERENCES

On the topic of events, party conference season offers opportunities for organisations like ours to engage and influence politicians. The PLSA's 2022 party conference events focussed on our pensions adequacy work in the run up to the publication of our policy report: Five steps towards better pensions: time for a new consensus.

We ran two panel events at both the Labour and Conservative party conferences in partnership with The People's Pension (TPP).

At the Conservative party conference we worked with the Social Market Foundation to put on a panel event at which the then-Pensions Minister (Alex Burghart MP) and Gareth Davies MP spoke. Emma Douglas, our Chair, represented the PLSA on the panel. At Labour's conference, with the support from the Trades Union Congress, we hosted a panel event which was chaired by *Financial Times* journalist Jo Cumbo with panellists including Matt Rodda MP, Shadow Pensions Minister, and Lauren Wilkinson from the Pensions Policy Institute. Nigel Peaple, our Director of Policy & Advocacy, represented the PLSA.

CHANGING MINISTERS

A key date in everyone's calendars at the PLSA is our annual conference. This year it was a particularly busy affair and we were pleased to be able to have the then-new Pensions Minister (Alex Burghart MP) give his first speech during the conference. He also met a group of PLSA Board and Policy Board members for a working lunch to discuss key pension issues. However, following the resignation of Liz Truss and the appointment of Rishi Sunak as Prime Minister, we have seen yet another cabinet reshuffle take place. Laura Trott has now been appointed as Pensions Minister and Mel Stride as the Secretary of State for the Department for Work and Pensions. We look forward to meeting the new ministers in due course and working with them throughout next year.

THOMSON REUTERS
PRACTICAL LAW™

LEGAL UPDATE

Economic and post-Brexit issues: pensions law impact

Loreto Miranda, Thomson Reuters' Practical Law Pensions service.

While many pensions law issues remain business as usual, there is no doubt that wider developments are having an impact.

Liability-driven investment (LDI), cost-of-living scam risk and potential litigation

- In October, the Work and Pensions Committee of the House of Commons launched an inquiry into the regulation and governance of defined benefit pension schemes with LDIs, following correspondence with The Pensions Regulator (TPR).[1] Subsequently, TPR announced it is working with the FCA and may consider issuing guidance about collateral levels and data reporting in schemes affected by bond volatility.[2]
- With serious economic issues facing members, the Pension Scams Action Group has warned pension scheme trustees and savers of a potential increased risk from scammers. TPR asks trustees to remain vigilant and follow best practice to address the risk of scams and suspicious transfer requests.[3] This may include warning members of the heightened risk in current circumstances and providing guidance about common scam signs.
- In terms of litigation risk, longer-term, it is possible that schemes may look into claims against LDI advisers or, with the re-emergence of funding surpluses, there could be disputes over allocation rights between members or employers.

Post-Brexit UK/EU law claims

- In a decision likely to be welcomed by pension trustees, the Department for Work and Pensions (DWP) and the Pension Protection Fund (PPF), the Employment Appeal Tribunal[4] allowed an appeal in part against a tribunal decision that would have allowed members to pursue claims that PPF compensation rules were age discriminatory. This appears to be the first example of the European Union (Withdrawal) Act 2018 (EUWA) restricting member claims on the basis of when they were made. The majority of the complaints were brought after the Brexit implementation period had ended on 31 December 2020. These were prevented from relying on certain EU law principles pursuant to EUWA, reflecting the primacy of UK legislation after Brexit. This may have significant reverberations in other cases.

The Pensions Regulator finalises enforcement and prosecution policies

- After consultation, TPR has published its updated enforcement and prosecution policies, setting out how it will exercise new powers introduced by the Pension Schemes Act 2021, including criminal powers. TPR confirmed that except for cases where legislation applies on a strict liability basis (for example, employer-related investment), it is unlikely to consider unintentional breaches as justifying the use of its criminal powers.[5]

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 UK Parliament: Work and Pensions Committee to examine defined benefit pension schemes and LDIs (24 October 2022)
2 TPR and FCA provide update on LDI work following market volatility, pensionsage.com (16 November 2022)
3 The Pensions Regulator: Scam-fighting bodies tell pension savers to stay on guard and get guidance (11 November 2022)
4 Secretary of State for Work and Pensions v Beattie and others [2022] EAT 163 (27 October 2022)
5 Pensions Regulator: Enforcement and prosecution policies: consultation response (25 October 2022)

New members

DEUTSCHE FINANCE INTERNATIONAL LLP

DFI is a next-generation, values-based, pan-European platform with offices in London, Munich, Madrid, and Luxembourg. Active since 2016, DFI specialises in small to mid-cap operational and customer-centric real estate. It manages c. €3.5bn in AUM on behalf of its global institutional clients which include pension funds, insurance companies, sovereign wealth funds, financial institutions and family offices. Whilst independently managed, DFI benefits from the support, global insights and relationships of Deutsche Finance Group, a global investment management firm with c. €11bn in AUM.

Contact:
Zoe Shan
E: z.shan@deutsche-finance.de
www.deutsche-finance-international.com

HEYWOOD PENSION TECHNOLOGIES

Heywood Pension Technologies have been providing data-driven, technology-enabled solutions for over 40 years. We deliver optimal outcomes for all workplace pensions and help members feel secure about the future.

Pensions are complicated and the landscape is constantly shifting. Luckily, our experts are on hand to help with anything from the Pensions Dashboards ISP to regulatory changes. Our range of efficient and reliable data analysis, cleaning and automation services also put you in control of your information and help you to focus on what you do best – delivering positive member experiences.

Contact:
Emma Booth
E: enquiries@heywood.co.uk
www.heywood.co.uk

PFP CAPITAL

PfP Capital is a social impact fund manager delivering quality affordable housing, private-rented and urban regeneration strategies, part of Places for People Group, a leading UK social enterprise. Our clients include USS, SNIB, Nationwide Pension Fund and Strathclyde Pension Fund.

Unusually, we have:

- No shareholders – we can recycle capital directly to our Group to increase social / affordable housing and supported living provision for vulnerable people. A virtuous 'For Good' cycle.
- A strong track record and direct access to Group portfolios which can reduce risk and target returns immediately.
- A visible, established development, public realm and property management platform.

Contact:
Mark Vickery, Director
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www.pfpcapital.co.uk

PWC

PwC's national pensions team advises trustees and sponsors across the whole spectrum of pension issues. Our clients range from family businesses to some of the largest schemes and sponsors in the UK and internationally.

We are renowned for our fresh, efficient and independent service, ensuring fully bespoke advice to each client. PwC's pensions business has been independently rated against our competitors as no.1 for client impact depth of capability.

At a time when the industry status-quo is being challenged, we are well positioned to apply our experience and innovation to solve important problems for pension scheme trustees, sponsors and members.

Contact:
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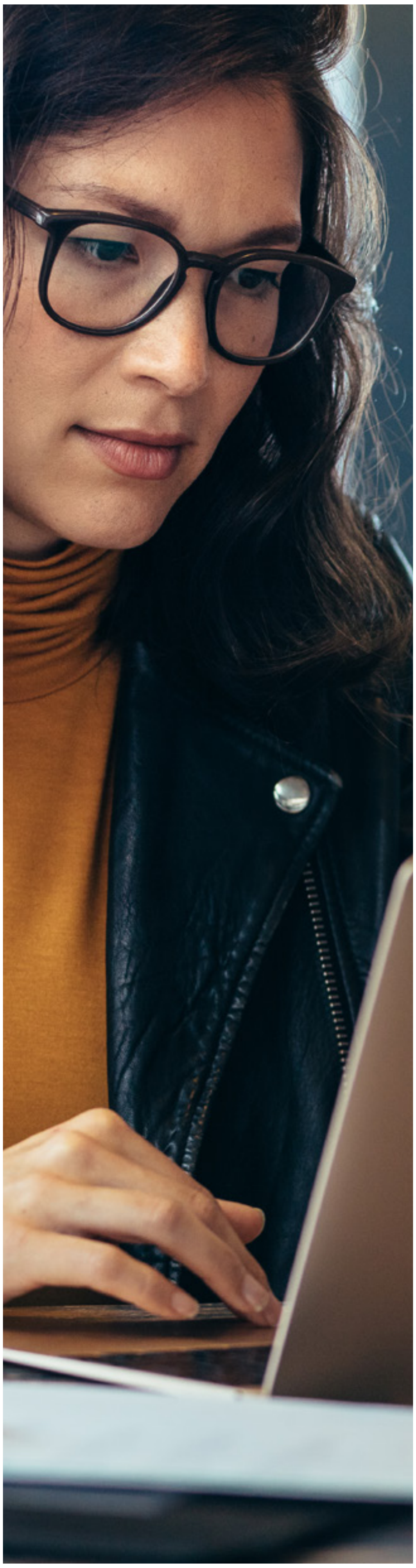
www.pwc.co.uk



The art of the possible

Our April 2022 survey of the pensions industry showed the most common priority this year is the actuarial valuation. But we think actuarial valuations could soon become much lower priority. Why?

- **Pension schemes are increasingly well-funded.**

  Improvements in scheme positions are particularly striking on a buy-out basis, where increasing interest rates and inflation, widening credit spreads, market competition and mortality trends have combined in a short space of time.

- **Regulation looks set to encourage stronger funding targets, and a focus on the longer term target.**

  The consultation on draft regulations underpinning the new Funding Code gives a clear steer towards reaching a more prudent position by the time a scheme is defined as "significantly mature", with deficits cleared as quickly as possible.

Never has it been so important to be able to turn talk into action and grab control of your pension scheme journey, adjusting your path in real time to avoid being thrown off course. How?

LCP GEARS is the robust framework we use to help our trustee and sponsor clients plan, implement and complete successful paths, cutting through the increasing noise they face.

Get the right governance structure in place	**97%** of survey respondents had thought about a journey plan, but only **36%** had agreed it with the sponsor and formally documented it. Setting up a strategic sub-committee gets all stakeholders aligned at an early stage, making decision-making and implementation more streamlined and effective.
Establish your ultimate objective and timescales	Our survey showed that **60%** of survey respondents are targeting buy-out, **30%** intend to run the scheme on and the majority of the remainder are undecided. But you could be closer to long-term targets than you think. Make sure you consider all options and have accurate information on your current position. A real-time online tool like LCP Visualise is invaluable.
Analyse what could change your journey	Integrated risks like climate change and inflation, which could impact all aspects of your scheme, including covenant, are perhaps the most important to focus on right now. A growing number now explicitly consider the impact of climate change on covenant (**13%** vs **1%** the previous year), but there's a long way to go.
Refine the steps you plan to take to reach your goals	Of those targeting buy-out, **one third** intend to use a phased approach to securing member benefits, though **almost half** hadn't yet determined their plan. Enhancing member options is now the norm, with **80%** of schemes going beyond the statutory minimum – not only is this good for members, it could also accelerate your journey.
Steer your journey dynamically and in a joined-up way	**More than half** of respondents have some form of contingent funding solution in place to help manage their journey – smaller schemes as well as large. Investigate which solutions are feasible and make your journey more robust.

Click here to visit our 'Shifting gears' hub where you can find out how we can help trustees and sponsors move through key stages to achieve their ultimate objectives. Here you'll find our latest reports including Chart your own course, which covers practical tips to tackle pension scheme issues of today.

VISIT THE HUB