THE SOCIETY OF PENSION PROFESSIONALS

making pensions work

Circular 2931

Membership Survey Results
Council 26 January 2022

Overview

In December 2021, SPP surveyed Council and those Accredited Reps not on Council, to ask for their top 3 forthcoming priorities (12 month and 3-5 year), their anticipated priorities for Government/Regulator, and a narrative section, to summarise the issues responders felt most strongly about.

The data collected is being drawn into a report, which will be shared with Council and the membership. The raw data below should inform a discussion on the next set of SPP's industry priorities and where SPP resource and focus should be prioritised, over the coming period.

It is proposed that at January Council, views are sought on SPP's future priorities. That discussion will be reviewed by the President, the President Elect and the CEO, with a further paper coming to March Council proposing any changes to the current priorities (ESG, Dashboard, Tax, AE, D&I).

It should be said that the response level to the survey was disappointing. Overall 39% of member firms responded. From Council, 72% responded, though only 64% included a narrative section (crucial for the report writing). Should Council wish to run such a survey in 2022, it may be worth revisiting the original proposal of a professionally structured process, with the survey conducted through one-to-one calls.

Summary of stated priorities

Government focus 12M	**TOTAL**	%	**Member focus 12M**	**TOTAL**	**%**
Further developing and embedding schemes' approaches to Climate Change specifically	17	61%	Further developing and embedding schemes' approaches to Climate Change specifically	8	29%
A revised and improved TPR Funding code	14	50%	Successfully land the Dashboard	8	29%
Further developing and embedding ESG broadly	9	32%	TPR authorising the first Superfund transactions / introduction of legislation on Superfunds	7	25%

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Successfully land the Dashboard	9	32%	Implementing the auto-enrolment review and increasing minimum contributions	6	21%
Further DC consolidation	7	25%	A revised and improved TPR Funding code	6	21%
Simpler annual benefit statements / statement season	7	25%	Industry engagement with Collective Money Purchase	5	18%
A revised and improved TPR Single modular code	5	18%	Appropriate guidance provided on TPR powers in relation to corporate activity	5	18%
More action on value for money in DC / DC charges	4	14%	The tax system supporting long term saving	4	14%
Appropriate guidance provided on TPR powers in relation to corporate activity	3	11%	A revised and improved TPR Single modular code	4	14%
TPR authorising the first Superfund transactions / introduction of legislation on Superfunds	3	11%	Further developing and embedding ESG broadly	3	11%
Implementing the auto-enrolment review and increasing minimum contributions	1	4%	Consolidation of small pots	3	11%
The tax system supporting long term saving	1	4%	Greater support for pension scheme members around transfers / scams	3	11%
Industry engagement with Collective Money Purchase	1	4%	Greater innovation in bulk annuities / buy outs	3	11%
Introduction of Collective Money Purchase for decumulation	1	4%	Other	3	11%
Improving outcomes for DC members in retirement	1	4%	Improving D&I	2	7%

Consolidation of small pots	1	4%	Introduction of Collective Money Purchase for decumulation	2	7%
Improving D&I	0	0%	Delivering GMP equalisation	2	7%
Delivering GMP equalisation	0	0%	Improving outcomes for DC members in retirement	2	7%
Greater support for pension scheme members around transfers / scams	0	0%	Simpler annual benefit statements / statement season	2	7%
Greater innovation in bulk annuities / buy outs	0	0%	More action on value for money in DC / DC charges	1	4%
Other	0	0%	Further DC consolidation	0	0%
	78			71	

Government focus 3-5Y	**TOTAL**		**Member focus 3-5Y**	**TOTAL**	
Successfully land the Dashboard	17	61%	Improving outcomes for DC members in retirement	12	43%
Further developing and embedding schemes' approaches to Climate Change specifically	10	36%	The tax system supporting long term saving	9	32%
Further DC consolidation	9	32%	Further developing and embedding ESG broadly	7	25%
Further developing and embedding ESG broadly	8	29%	Successfully land the Dashboard	7	25%
Improving outcomes for DC members in retirement	6	21%	Further developing and embedding schemes' approaches to Climate Change specifically	6	21%
Consolidation of small pots	6	21%	Implementing the auto-enrolment review and increasing minimum contributions	6	21%

More action on value for money in DC / DC charges	4	14%	Introduction of Collective Money Purchase for decumulation	5	18%
A revised and improved TPR Single modular code	4	14%	Industry engagement with Collective Money Purchase	4	14%
Implementing the auto-enrolment review and increasing minimum contributions	3	11%	Delivering GMP equalisation	3	11%
The tax system supporting long term saving	3	11%	Consolidation of small pots	3	11%
TPR authorising the first Superfund transactions / introduction of legislation on Superfunds	3	11%	More action on value for money in DC / DC charges	3	11%
Introduction of Collective Money Purchase for decumulation	2	7%	Appropriate guidance provided on TPR powers in relation to corporate activity	3	11%
Greater innovation in bulk annuities / buy outs	2	7%	Other	3	11%
Improving D&I	1	4%	Improving D&I	2	7%
Industry engagement with Collective Money Purchase	1	4%	Further DC consolidation	2	7%
Greater support for pension scheme members around transfers / scams	1	4%	A revised and improved TPR Funding code	2	7%
Simpler annual benefit statements / statement season	1	4%	Greater innovation in bulk annuities / buy outs	2	7%
Appropriate guidance provided on TPR powers in relation to corporate activity	1	4%	Greater support for pension scheme members around transfers / scams	1	4%
A revised and improved TPR Funding code	1	4%	Simpler annual benefit statements / statement season	1	4%
Other	1	4%	TPR authorising the first Superfund transactions / introduction of legislation on Superfunds	1	4%

Delivering GMP equalisation	0	0%	A revised and improved TPR Single modular code	0	0%
	77			73	

Comments summary

The range of issues and wide reaching nature of the pensions industry means that the priorities across DC and DB and trust and contract schemes will vary. Some Government initiatives though well intended are based on data which may not always be there – climate change risk governance and reporting and dashboard to be but two. Off the list of priorities are Lloyds and GMP equalisation as it's not a legislative issue (GMP conversion easement aside which is still awaited) and so there may be a "gap" in what DB schemes are having to do and what Government and TPR think they should be doing. There is a lot of public pensions policy which seems to rely on guidance and codes which are not reaching the right parts of the industry and with the constant consultation and guidance people are weary. Clear priorities and listening to the industry and gaps between consultations to get better quality drafts and responses is important and if the industry is not listened to it will cease to engage. It would be helpful to have some positive messages from Government about how well the pensions system held up during the pandemic and that data is appreciated as a bedrock for many changes but not necessarily great and why is that and how do we collectively change that rather than this feeling that we are a bit off another pensions credibility challenge with the dashboard and a ticking timebomb with a lack of DC education of generations of savers.
In many ways the Government is focused on the right pension initiatives. The Dashboard is the game changing pensions development. That said, the industry needs to be listened to. There are serious technical challenges delivering the Dashboard and a proper partnership between Government and industry is needed to deliver it. The additional challenge we all face is with the sheer volume of regulatory developments (not to forget GMP equalisation). There is a risk that the important developments are crowded out by distracting and time-consuming ideas like statement season. The industry needs the space to focus on what is key: Dashboards, climate change and meeting the challenges faced by DC members in retirement. The regulatory crush cuts both ways, important areas such as the auto-enrolment review and the DB funding code are taking too long. In the same vein, if the Government believes that superfunds have a key role to play, they need to give the industry a workable regime in which to operate. Care is needed with broader consolidation – small does not always mean bad (and companies often meet charges in own trust DC schemes that might otherwise be borne by the member). The push on DC is well underway and the governance bar will be raised for smaller DB schemes. The impact will depend on how onerous the funding code and combined code are. Finally, the pension elephant lurking in the room is taxation. At some point a change will come. Let it be a well a thought out one, supporting long-term saving rather than more tinkering or a money grab
Need legislation to facilitate completion of GMP equalisation. Now ongoing for 3 years with

some members due tens of thousands of pounds
Increasing AE contributions and general support for DC pensions/retirement outcomes should be a priority with a tax system to support long term saving. This is key to ensure that future generations can afford to retire on a decent pension and avoid a two tier society.
For me, the most important goal is to facilitate better outcomes for DC members: most of my selections are related to that. Government and Regulators have already decided their objectives for the next 12 months, so there is little or no change to be expected there; but beyond Q4 2022, I think that increasingly more time will be allocated to making DC pension funds a viable long-term saving vehicle.
The range of options in the drop-down menu is very broad, and it is clearly challenging to select them in threes as so many are important; and so many are being addressed. The climate change imperative is clearly very strong – as is being clear about how the new provisions around corporate activity in PSA2021 will work in practice (including “Declarations of Intent”). It would be great to see a finalised position around superfunds and their variants (such as capital-backed journey plans) as this market seems to have been in a holding pattern for some time. More broadly, issues such as member VFM; tax incentives; and scheme risk management are all clearly important. Prioritising these and other issues is difficult!
Developing and embedding approaches to schemes’ climate change risk management, and reporting on the outcomes, will be paramount to both securing good retirement outcomes and ensuring members retire in a world worth living in. Equally, if good retirement outcomes are to become the norm, the DWP/Pensions Minister shouldn’t delay any longer in implementing the recommendations of the auto-enrolment (AE) review, not least increasing minimum AE contributions to a level which meaningfully improves replacement ratios, ideally closer to OECD averages. This could be further bolstered by the Chancellor delivering the necessary tax changes to support long-term saving. Of course, savings rates are only one element (albeit a crucial one) of the retirement outcomes equation. Raising the bar on DC scheme governance is another. This will be facilitated by upping the momentum on DC consolidation which will, in turn, enable more governance-intensive investment strategies to be implemented (more akin to that of big DB), not least greater investment in illiquids. Of course, pension savers need to somehow reliably navigate their way through the pensions journey, so giving the PDP a helping hand in successfully landing the MaPS Pensions Dashboard sometime soon will be invaluable. Finally, we really do need to help those at retirement to successfully address the enormous risks and challenges posed by freedom and choice, if they are to enjoy, rather than endure their retirement.
I think that DB consolidators are well overdue now – this is an exciting opportunity for schemes and it is a shame we have not already seen transactions yet. I hope we will in future. I also expect DC consolidation to continue – indeed it should because there are too many small DC schemes. Government should make consolidation mandatory rather than constant nudging/pressure
The Government and Regulator appear to be focussing on a small number of issues. They are no doubt important but there are also other issues and initiatives that are important and need more air time.

I fear that the impact of the new powers in respect of Corporate Activity and the more standardised approach in the proposed Funding Code are measures that will be rushed through as being long overdue given delays so far. In the former case I worry, however, that the new powers, e.g. the Resources test, have been constructed with an over-simplistic view as to how situations requiring investigation are to be identified and that the grounds for tPR action have been left so caveated and subjective that the impact will prove inconsistent and random, rather than a comprehensive raising of the safety net for schemes. As to the Funding Code, I fear that the attempt to standardise as regards classification and treatment in such areas as covenant strength, related funding and recovery plan, affordability, visibility, equitability and insolvency will lead to an erroneous departure from the scheme specific approach adopted hitherto, forcing inefficient solutions and unintended consequences for schemes striving to meet their long-term objectives. I think many schemes will opt out, choosing to be bespoke in their approach and rendering the code ineffective. If greater time and thought could be given to the underlying objectives of these proposals, which are highly complex in their potential effect, we could achieve a more harmonious and efficacious impact on the promotion of scheme security and success in achieving long term objectives.
Key priorities for the pensions industry in 2022 – implementing a new DB funding code which Trustees/Employers can engage with. We also feel strongly about the new governance requirements through the Single code – these should be proportionate and add real value to pension schemes. CDC schemes will emerge in 2022 and the industry should embrace this new option open to employers. Lastly the tax system should be left alone or a full and proper review, but no tinkering please!
Climate change is the big one because of its systemic nature and the existential threat it poses. There are plenty of other things going on in the industry (way too many in my view) but the key focus should be on improving DC member outcomes. DC members very much the “poor cousins” when compared to DB scheme members and yet the industry remains focussed largely on DB. The one thing the industry should agree to dumb down is GMPe. It’s non-strategic, tends to be inconsequential in funding terms and also in terms of the impact on individual member benefits, and GMPe exercises should accordingly be de-prioritised.
I expect policy makers will continue focussing on ESG/Climate. Whilst critical for society as a whole, I believe this to be of very limited relevance for DB schemes in run-off and this should not be a priority. The new DB funding code has already been too long coming and needs to be implemented ASAP to provide clarity to the industry. I’m not convinced the Dashboard will add value given the considerable resources it will require but policy makers seem set on this. It is important for the success of DB run-off that DWP provides proper regulation of Superfunds, but I suspect it will be sometime yet before we see regulations on this. We also need continued innovation in the buy-out market. The options currently available for DC members at retirement are too binary and it is absolutely critical that we deliver genuine alternatives. Collective Money Purchase is a broad term but generally speaking we need greater engagement with this and more options for decumulation. Our diverse membership makes SPP well placed to contribute, this should be a priority for us.

Delivering GMP equalisation is very important, but this is more for the industry to get on with than for governments/regulators. It is also important to build on the success of auto-enrolment. At some point I expect us to get some reform of the pensions tax relief system to raise revenue, but I'd rather pensions tax relief was left well alone ...
Implementing AE review quickly: biggest game-changer for retirement outcomes; but seems low down government priority list; have we lost political consensus? Dashboards: second biggest game-changer - infinitely more transformative to human saving behaviour than all past disclosure rules - but its effect, and operational challenges and risks to overcome, is still under-appreciated Operation of TPR new powers in practice: swift and effective bedding in of new powers is crucial to scheme rescue, corporate and job survival - and arguably central to the entire reputation of TPR as a regulator Tax system: a higher flat rate e.g. 30% for all rather than 20% marginal, and one simple lifetime contribution limit, could largely fix the tax system for future saving
Increasing focus on ESG is essential to secure pensions on retirement. We can already sense that that transition to Green economy will have an effect on pensions by pushing up cost of living. It is absolutely essential that ESG aspects are addressed urgently in order to have a sustainable pension system. individual DC on one hand is great because every individual has control over their savings. However, the cost of investing is massive and has to be mitigated by CDC or other mechanisms
A lot of the issues that TPR see, particularly with small schemes, would be solved through better governance and better risk management (with associated framework(s)). Where that isn't achievable, the consolidation agenda in both DB and DC should be pushed.
Member disclosure requirements – information overload? - We understand the government's desire for members to be told about matters relating to their pensions but we are concerned that the ever-increasing volume of information schemes are required by law to prepare and provide to members as of course does little to genuinely inform or assist – in fact, it may well serve to confuse and "put people off" pensions. While we welcome initiatives such at the simpler annual statement, we would also like to see a wholescale review of disclosure requirements with a view to cutting down mandatory disclosures to what is likely to be helpful and informative to members. New DB employer notifiable events - Continuing the "information overload" theme but with a different slant, the employer notifiable events regime will be expanded significantly to provide the Regulator and trustees with earlier (and more) information on corporate plans that might affect a DB scheme's employer covenant. The current draft regulations (published in October 2021) could require multiple detailed notifications in relation to transactions. This could potentially prove cumbersome and time-consuming for all concerned, including the Regulator (which might not have the capacity to deal effectively with the volume of information received). There are also concerns around having to disclose price-sensitive information at the very early stages of a transaction. Hopefully some of these issues will be dealt with in the final regulations and Regulator guidance. The cost and time for schemes to prepare all of this information (as well as the risk of inadvertent errors leading to liability) can be material.

Over the next few years the top priority we would like for the Government is to improve member outcome - in the DC space by getting contribution rates up, tackling small pots, and consolidation; in the DB space by ensuring appropriate protection for members' benefits without harming future provision; and in the wider space by encouraging other forms of high quality pension provision (eg CDCs). While improving benefit statements and the Dashboard programme could aid this in the long term, these have little impact now because there is little to show. Both the Government and the pensions industry cannot afford to put in the effort required to make a success of these while there are other more urgent and important issues to tackle. ESG and climate change, as well as D&I, are hot topics right now and we think the Government will, and should, prioritise these areas; however they do not have the short term impact savers and sponsors need to see in order to improve their retirement outcome. Finally, in order to operate with confidence, the pensions industry needs clear guidance both on the Pensions Regulator's powers in relation to corporate activities and on the Regulator's funding code.
1) The big issue that needs tackling is the level of contributions paid into pension schemes to ensure a decent retirement. It is the most important factor in terms of good member outcome. However, this is the matter that just keeps being put off. This element of the 2017 review has not be addressed and every excuse within Government has been used to defer it. A generation will have gone by with inadequate contributions since the 2005 Pension Commission report. As a benchmark for the ultimate goal the TUC idea of a 10% employer contribution when combined with current rates implying a 5% member contribution will deliver an acceptable result. We need to press on this topic. 2) Online advertising needs legislative action and this is also an issue to push given the broader political support for action. 3) The Dashboard is going to be crucial and we will need a lot of energy to both argue our case and position the industry for any negative outcomes if the Government does not listen. 4) TPR needs to focus its efforts on clarifying the use of its powers and going after the real problem cases in corporate activity. To an extent the Single Code has proved an unnecessary distraction and the main focus for the next year should be the revised DB Code elements. 5) It is an open question as to whether Collective MP will work for decumulation but if it can be then we should resolve in the next three to five years.
Climate change is an important consideration for schemes given the scale of influence on the wider economy, but is likely to remain an ongoing challenge to address meaningfully. The industry will need to be persistent to ensure that the first waves of changes make a meaningful difference. In the short term, there should still be strong focus on pension schemes in corporate activity given the ongoing likelihood of both distressed and good book activity, operating in the new environment of the PSA21 criminal penalties.
The biggest issues we face as an industry are the continued adequacy of pension saving (for which auto enrolment is the key tool available) and the legacy of the Freedom and Choice changes of 2015. The latter is not just about safeguards around transfers (where a lot of progress has been made) but also the lottery of decumulation of DC pensions, in a world where retirees continue to lack educational tools. The dashboard is a good start but we need to embed financial literacy at all stages of working life.
I think DB pensions to some extent are largely legacy and whilst there are obviously issues to still fix a key priority should be to focus on better outcomes from DC savings (which will impact the younger workforce) and focusing attention on climate change and responsible

investing which will impact everyone and pension scheme investments have a big part to play in this.
The whole area of DC and whole of life solutions is the future of retirement provision and needs more innovation on decumulation solutions and certainty of outcome – CDC may also prove to be a suitable option with imminent arrival of Royal Mail's solutions. The use of Private Markets with the LTAF and appropriate charging structure will be an interesting development. I am also keen to see the area of consolidation expand across the pension industry. Not only DC but also DB with Superfund, Master Trust and other capital backed journeys. The industry needs to facilitate innovation to ultimately help improve member outcomes and secure member benefits.
Ideally the government / regulators should be looking at ways of ensuring consistency and compatibility of different initiatives. With so many changes ongoing there is an increased danger of unintended consequence and clashing policy. Some sort of commission or group setting out the strategic overall direction and aim of policy change (as well as evaluating where we currently are and the opportunities available in areas such as ESG) would be highly beneficial.

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January 2022