



THE SOCIETY OF PENSION
PROFESSIONALS

making pensions work

Society of Pension Professionals Membership Survey - December 2021

Foreword

“ In December 2021, the Society of Pension Professionals (SPP) asked its membership where they would like government and regulators to focus over the next 12 months and three to five years. We also asked members where they expected government and regulators would actually focus over those same periods. We received responses from around 40% of the SPP membership representing c.7,000 professionals working in pensions. This short report summarises their responses. ”

Key findings:

- > Climate change and pensions dashboard are the joint top priorities for SPP members for the next 12 months (29% each). Climate remains a top-five priority over a three-to-five-year period, with 21% of respondents supporting it, a broader development and embedding of environmental, social and governance (ESG) investment factors is deemed more important in the longer term (25%).
- > The pensions dashboard is seen as a potential game changer in improving retirement prospects for UK workers. Its success remains a longer-term focus for members over a three-to-five-year time horizon as well (25%).
- > Members broadly support many current pension policies, yet there are significant differences in opinion as to what priorities should be. While addressing climate change cannot be avoided, some 43% of SPP members want DC retirement outcomes to be top of mind for policymakers over the next three to five years.
- > Enacting the recommendations of the 2017 review of the automatic enrolment system is a high priority. One in five want it to be a policy priority over the next 12 months, but respondents' comments reveal the strength of feeling runs much deeper.
- > Engagement with the collective money purchase concept, consolidation of small DC pots, improving member support on transfers and scams, and a reformed tax system to support long-term saving, are also cited by respondents.
- > Respondents cite a "regulatory crush", with multiple policy developments and legislative changes expected over the next 12 months, potentially delaying efforts already underway to improve outcomes for pension savers.

Member firms' top five priorities

| | SPP members' 12-month priorities | SPP members' 3-to-5-year priorities |
|---|------------------------------------------|----------------------------------------------|
| 1 | Climate change (29%) | Improving DC outcomes in retirement (43%) |
| 2 | Pensions dashboard (29%) | Tax system to support long-term saving (32%) |
| 3 | Superfund regime and transactions (25%) | Broader embedding of ESG (25%) |
| 4 | Implementing auto-enrolment review (21%) | Pensions dashboard (25%) |
| 5 | Revised and improved funding code (21%) | Climate change (21%) |

Expected top five priorities for government and regulators

| | Government/regulators 12-month priorities | Government/regulators 3-to-5-year priorities |
|---|------------------------------------------------|----------------------------------------------|
| 1 | Climate change (61%) | Pensions dashboard (61%) |
| 2 | Revised and improved TPR funding code (50%) | Climate change (36%) |
| 3 | Broader embedding of ESG (32%) | DC consolidation (32%) |
| 4 | Pensions dashboard (32%) | Broader embedding of ESG (29%) |
| 5 | DC consolidation/simpler statements (both 25%) | Improving DC outcomes in retirement (21%) |

Climate change

Climate change does not just pose a risk to the planet and everything living upon it, it also threatens the financial returns for pension fund portfolios. Quick and radical action is needed and our members are keen to do their part.

"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."

"Climate change is an important consideration for schemes, given the scale of influence on the wider economy."

Addressing the issue of climate change was cited as the joint-top priority (29%) for the government over the next 12 months in our survey. Encouragingly, most members (61%) also thought it would be precisely that.

More than a third of members believe climate change will continue to be a key element of policy over the next three to five years, with only slightly fewer wanting (25%) and expecting (29%) the development and embedding of broader ESG policies.

Pensions dashboards

Our respondents described the potential of the dashboard as, "infinitely more transformative to... behaviour than all past disclosure rules," with its effects "still underappreciated".

They were also hopeful this new tool will continue to claim policymakers' attention. Around a third of members wanted the government to both focus on and successfully land the dashboard over the next 12 months (29%) and believed it would endeavour to do so (32%).

Over the next three to five years, 61% of our members believed the dashboard would be policymakers' main focus – leading the next item by 25 percentage points – as there are still some significant issues to resolve.

One of the major hurdles to the success of the dashboard concept is member data, much of which has not yet been digitised or is currently held in multiple systems. The data issue has already pushed the implementation date for pensions dashboards back by four years from the government's initial aim.

Another hurdle is how the dashboard will create an estimated retirement income figure. It is a concern the SPP has been raising for some time. There is still insufficient clarity as to how this figure will be generated and displayed to members, which, while necessary to encourage interest and debate around pension savings, should not be offered as an accurate picture without caveats.

"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 in delivering the dashboard, and a proper partnership between government and industry is needed to deliver it."

"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."

Auto-enrolment

We are almost a decade on from the introduction of automatic enrolment and the success of the policy is clear; more people than ever in the UK have a workplace pension. The faith in inertia was clearly well-placed.

However, the pensions sector and its regulators must now turn their collective attention to adequacy and financial inclusion – a key priority for the pensions minister.

Although the implementation of the auto-enrolment review's recommendations was the fourth-highest priority for SPP members over the next 12 months (21%), commentary along with the quantitative survey indicate that the strength of feeling runs deeper.

Respondents cited the review's main recommendations as potentially the "biggest game-changer for retirement outcomes." They felt the DWP and pensions minister should not delay any longer the removal of the lower earnings limit and reduction of the lower age limit. Yet many are concerned that these issues have fallen in the government's priority list.

"If good retirement outcomes are to become the norm, the DWP shouldn't delay any longer in implementing the recommendations of the auto-enrolment review, not least increasing minimum contributions to a level that meaningfully improves replacement ratios, ideally closer to OECD averages."

"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 ensuring that future generations can afford to retire on a decent pension and avoid a two-tier society."

Improving member outcomes in DC

"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."

Improving outcomes for members of DC schemes was one of the overriding themes running through our survey responses. It is this issue they felt should be at the top of government agendas over the next three to five years (43%), yet just half of them believed it would be (21%).

Improving DC member outcomes covers a myriad of areas from innovation in retirement products to collective money purchase and to advice and guidance at retirement. In the qualitative responses, members frequently raised financial literacy as needing urgently addressing, "at all stages of working life", according to more than one respondent, as it underpins many hopes for ongoing and expected regulation.

There has been some progress through Pension Wise and simplified annual statements, yet many respondents believed that much more work and substantial action were needed, along with innovation from industry.

"The key focus should be on improving DC member outcomes. DC members are very much the 'poor cousins' when compared to DB scheme members, and yet the industry remains focussed largely on DB."

"The industry needs to facilitate innovation to ultimately help improve member outcomes and secure member benefits."

"The most important goal is to facilitate better outcomes for DC members. 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."

Taxation

Creating or amending the current tax system to support long-term saving was the second most cited long-term wish by our members, with a third (32%) wanting to see action over the next three to five years. Conversely, just 11% thought that the government and policymakers would address it during that time.

SPP has made it clear in its representations to government that the current regime is overly complex and continued tinkering may have negative, unintended consequences for many savers.

However, qualitative survey responses indicate that there is a lack of confidence in government to truly reform the tax system as several SPP members warned against 'tinkering' that would do little to increase saver confidence. As one respondent put it, any action should take the form of a full review, or nothing at all.

"The pension elephant lurking in the room is taxation. At some point a change will come. Let it be a well-thought-out one supporting long-term saving, rather than more tinkering or a money grab."

Prioritising pension regulation

"Clear priorities, listening to the industry, and gaps between consultations to get better quality drafts and responses, are all important. If the industry is not listened to, it will cease to engage."

SPP members are broadly supportive of many elements of legislation and regulation that are intended for or already in train within our sector. However, our survey has shown that the industry wants to work more closely with policymakers to better focus on the most important and achievable objectives.

"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."

A fear of a legislative crush is clear from our respondents. Many say the current level of regulation and policy work they are dealing with has the potential to detract their attention from matters that need acting upon with the most urgency.

These matters include consolidation of DC schemes and greater support for collective money purchase, or collective DC. While encouraged by the progress made by Royal Mail on its own CDC programme, few respondents had seen evidence of regulator or government commitment towards developing either these, or other "genuine alternatives" that might secure the retirement incomes for DC members more broadly.

However, members seemed confident that government and regulators will turn their attention to this area within the next few years.

"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."

Members also highlighted that they wanted to see more progress on superfunds; some 25% noted it as a high priority issue over the next 12 months. While there has been progress with the authorisation of Clara, albeit no deals have been announced, members wanted to see a

proper regulatory framework developed both swiftly and thoughtfully, to enable the sector to properly implement and embed it as a workable option for funds. Yet, few thought it would be a priority for regulators in the short to medium term.

"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."

"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 funding code featured strongly in the comments from our members. Clear guidance is required, with some members urging the regulator to implement it as soon as possible, "to provide clarity to the industry". However, others warned that rushing through a new code brings risk, increased by the perception that the Pensions Regulator (TPR) may have an over-simplified view of how things will work in practice "rendering the code ineffective". There is also concern that a departure from the current flexible, scheme-specific approach will not be to the benefit of the members. Half of respondents expected regulators to push ahead with this element of an important policy update within the next 12 months.

"An attempt to standardise covenant strength, related funding and recovery plan, affordability, visibility, equitability and insolvency will lead to an erroneous departure from the scheme-specific approach, forcing inefficient solutions and resulting in unintended consequences for schemes."

"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."

"In order to operate with confidence, the pensions industry needs clear guidance both on the TPR's powers in relation to corporate activities and on the Regulator's funding code."

Annexe 1: Full survey results

| G&R focus 12M | TOTAL | % | Would like 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% |
| 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/ buyouts | 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/buyouts | 0 | 0% | More action on value for money in DC/ DC charges | 1 | 4% |
| Other | 0 | 0% | Further DC consolidation | 0 | 0% |
| | 78 | | | 71 | |

| G&R Focus 3-5Y | TOTAL | | Would like 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/buyouts | 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/buyouts | 2 | 7% |
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| 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 | |

The Society of Pension Professionals (SPP)

SPP is the representative body for a wide range of pension advisers and service providers. The breadth of our membership profile is a unique strength for the SPP and includes actuaries, lawyers, investment managers, administrators, professional trustees, covenant assessors, consultants and specialists.

Harnessing the expertise of its broad membership, the SPP strives to deliver value to its members and improve how pensions work, positively impacting outcomes for pension scheme members, the pensions industry and its stakeholders.

The SPP Vision

A secure retirement for all, supported by a thriving and diverse pensions industry, operating within clear and trusted regulation.

The SPP Mission

To deliver value to our members through education, experience and opportunity to influence. To support the wider pensions industry, government and associated bodies in delivering an effective operating and regulatory environment.

For more information on the SPP, please visit our website or email info@the-spp.co.uk

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