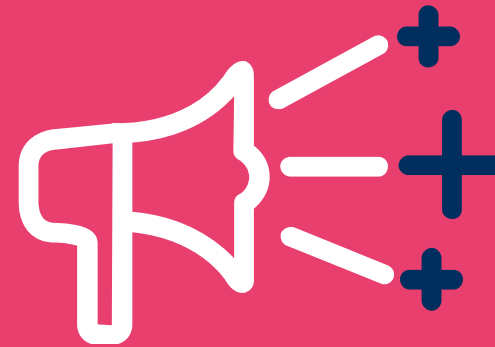


LCP DC update

Welcome to LCP's latest quarterly DC update, where you'll find our views on the key developments in the DC arena over the last three months, together with any actions and issues heading your way.



November 2018

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Key market updates

Finalised Master Trust regulations – what's next?

[Regulations](#) which set out most of the legislative detail of the DC Master Trust authorisation regime were mostly approved by Parliament on 1 October 2018.

Master Trusts are now required to apply for authorisation by the end of March 2019, a process which will cost as much as £41,000, failing which they need to be wound up.

Separately, the Pensions Regulator (TPR) published [facts and figures](#) on the current Master Trust market. In its report it identified:

88 market participants; **3** of which wound up; **27** signalled their intention to exit the market; and **58** schemes that are either expected to apply for authorisation or trigger their exit from the market in upcoming months.

These regulations mark another milestone towards the creation of a more supervised regime which sets out to achieve better retirement savings for people.

Make a difference to your employees' financial futures

Early registrations are now open for our 2019 DC and financial wellbeing conference.

In its sixth year, we will be delving into the complete financial outlook for your employees, from pensions to alternative savings ideas, and how we can help them to feel more in control.

We'd love you to join us on Tuesday 19 March at the St Pancras Renaissance Hotel to hear the latest ideas to really make a difference to your DC savers' futures.

Save your seat by registering here - www.lcp.uk.com/dcconference

Key market updates continued

Workplace pension saving – vast majority of staff now saving, which is good news, right?

The Regulator's [latest](#) annual report on auto-enrolment shows that 84% of employees now save into a workplace pension (77% last year), with total amounts saved having increased from £86bn in 2016 to £90.3bn, this despite fears in some quarters that opt-out rates would increase after April 2018. These concerns have largely proved unfounded but as minimum member contributions will increase by 2% in April 2019, it will be interesting to see what happens. With this in mind, it would be prudent to start thinking now about the impact on budgets etc – advanced notice to members could pay dividends.

Contact the [DC team](#) if you want to discuss this further.

Smaller DC schemes are still failing to demonstrate 'good value for money' says the Pensions Regulator

One of the reasons why so many smaller schemes are moving to Master Trusts is that they struggle to meet the Regulator's significantly increased emphasis and focus on delivering 'good value' for members, as revealed in TPR's [latest annual DC survey](#). This highlighted that trustees of just 1 in 10 small schemes, and 1 in 3 medium schemes are doing everything they believe is essential to assess 'good value' for members. The [survey](#) also found that only 41% of scheme trustees are taking into account what matters most for members; this will vary from scheme to scheme.

The main governance problem areas appear to be value for member assessments and processing core scheme financial transactions. Overall, it seems that medium and larger schemes are doing better

at achieving good governance, but the smaller schemes are lagging behind slightly.

Moreover, the results from this survey will motivate TPR to focus its efforts on areas where trustees face the biggest challenges, such as the following:

- Reviewing its guidance to be clearer about its explanations of chair statements, including value for member assessments;
- Testing a more directive approach to delivering guidance;
- Taking action against schemes which produce inadequate statements; and
- Using its 21st Century trusteeship communications to 40,000 people who run schemes to drive up standards – most recent theme was improving value for members.

More information can be found [here](#).

On the budget...

The Autumn Budget was a quiet one for pensions with some minor points of detail expected to emerge in the coming weeks/ months. Watch this space!

Key market updates continued

Where's the Pensions Dashboard headed now the Government's not driving it?

In one of its first pension policy announcements this autumn, the Government has signalled that the pensions dashboard is to become an *'industry-led dashboard, facilitated by government,'* which will see it being handed over to providers to see it through to completion. However, the Government says it will *"continue to engage with the industry on the dashboard."*

The dashboard is designed to allow people to view all of their pensions savings at the same time, and has received generally positive support from the pensions industry and consumers which has been evidenced by an online [petition](#) pushing for its implementation. The petition has attracted almost 200,000 signatures so far.

The [BBC recently highlighted](#) survey results that show one in seven people have lost track of their money sitting in savings accounts or pensions - with half blaming lost passwords - demonstrating the need for easy to use technology to help people take control of their workplace savings.

TPR launches a "clearer, quicker, tougher" approach to supervision

In September 2018, TPR announced that a number of workplace pension schemes would come under greater scrutiny, as part of its drive to help members achieve better retirement outcomes.

The TPR will introduce dedicated, one-to-one supervision for 25 of the largest DB, DC and public services schemes from October 2018, with the intention of rolling out this approach to more than 60 schemes next year. As part of this, the TPR intends to maintain ongoing contact with these schemes and address any key risks or behaviours.

This new approach may be challenging, particularly for clients and trustees with limited knowledge in this area, but if delivered effectively this could be seen as a positive step to achieving better scheme governance, as well as more positive member retirement outcomes.

Pensions scam material gets a new look

The FCA and TPR have jointly launched a ["Scam Smart"](#) advertising campaign to raise more awareness of pensions scams and the most common tactics used by fraudsters.

For example, it includes five warning signs:

1. A free pensions review
2. Promise of guaranteed investment returns
3. Low tax / tax free rates, including large tax free lump sums
4. Exotic sounding and / or overseas investments
5. Pressure to sign up instantly or lose out

These materials are very useful for highlighting potential issues to your employees and scheme members. Why not include them on your intranet, or next pensions communication?

Where's the Pensions Dashboard headed now the Government's not driving it?

News that the Government has firmly put the onus on the pensions industry to deliver the much-anticipated Pensions Dashboard has been met with a mixture of concern over the future viability of the project and relief that it's not altogether dead in the water.

Despite stepping back from taking responsibility, the Government has pledged its 'full' backing. Exactly what that means is, as yet, unclear. So where do we go from here?

[Read more from Bob Scott](#), Senior Partner at LCP, on what this might mean for the future of the project. For more of our thoughts on what is on members' minds visit our [future pensioner hub](#)

What's new for DC investment?

Responsible investment and new SIP requirements from 1 October 2019

A Statement of Investment Principles (SIP) is a mandatory written statement regarding decisions about investments for an occupational pension scheme, which trustees are responsible for preparing, maintaining and updating periodically.

The SIP has gone through several iterations since inception, but in September, the DWP announced that it would be legislating to clarify trustee duties, with a particular focus on “environmental, social and governance considerations” (ESG) (including but not limited to climate change) and also stewardship factors.

The timing for the new SIP requirements will apply from 1 October 2019, and the requirements for production and publication of implementation statements will apply from 1 October 2020. Guidance from TPR will be published by the end of November 2018.

Take a look at Claire Jones' [latest blog](#) on Changing RI expectations or the latest updates in Responsible Investment. We will, of course, be helping our clients remain compliant with these new requirements. But if you have any questions about this, and any potential updates you may need to make, please get in touch.

When will transaction cost transparency arrive?

LCP DC Investment Survey 2018

Transaction costs came under the spotlight, as a result of two legislative requirements that impact DC managers, providers and trustees which came into effect earlier this year.

Against this backdrop, we wanted to understand more about how managers and providers are adapting to the requirement to be clearer about the costs and charges involved in pensions investments.

[Find out](#) what these findings mean for your DC scheme, and your DC savers.



Movements in the provider market

Standard Life Aberdeen completes £3.28bn sale of life business to Phoenix Group

On 3 September 2018 Standard Life Aberdeen announced the sale of its insurance division Standard Life Assurance Limited to Phoenix Group as part of a £3.28bn deal.

Standard Life Aberdeen will continue to provide investment, brand and marketing services for Standard Life workplace propositions. Phoenix will focus on design and development, policy administration and operational support. It should be noted that all existing policies and contracts won't change; they're still with Standard Life Assurance Limited which is now owned by Phoenix Group. Standard Life Aberdeen retains the “Standard Life” brand and licences to Phoenix Group. Moreover, Standard Life Aberdeen and Phoenix Group have both stated they're both committed to investing in and growing the workplace business.

We remain fairly confident that Standard Life Aberdeen is committed to the DC market, but we will continue to monitor the recent development and keep you updated.

Keeping in touch

A house, pension or your bank, what would you do with £25k?

LCP research reveals all...

If given £25k to spend, 12% of the British public would keep the money in their current account, while only 5% would save into a pension.

22% of those surveyed would use the money for a house, while 10% would save for a holiday.

2% of 18-24 year olds would save into a pension, compared with 9% of 45-54 year olds, showing a markedly different generational attitude.

These latest research findings highlight that there is a need for greater financial education in relation to saving for a comfortable future in retirement, which should be tailored to suit the different needs and personal circumstances of individuals.

[Read more from Laura Myers](#), Head of DC, on what the research carried out by LCP and YouGov reveals.

Any questions?

If you would like any assistance or further information on the contents of this update, please contact one of the team below.



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Have you seen what's new in LCP Horizon?

We haven't just been re-imagining lifetime savings, but also how our technology can help make your life easier.

With that in mind, there are new features in LCP Horizon to help you understand your members choices.

With a completely bespoke dashboard, you can now have answers to questions such as:

- Are member's outcomes improving over time?
- Are members actively changing their elected contributions?
- How are members taking advantage of flexibility at retirement?

Want to see these cool new features in action?

Request a demo at www.lcphorizon.com

Do you enjoy hearing from our experts?

It's important to us that we deliver what you want, and don't clog up your inbox with things you don't care about.



Please take a moment to let us know your preferences, and in return we will try our best to only send you the things that matter to you.

Visit the preference centre at www.lcp.uk.com.