

# Pensions Managers: are we heading into the perfect storm?

6 MINUTE READ

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**This sentiment seems to have been repeated regularly over several decades – but we can't escape from the reality that the role of a pensions manager has become significantly more demanding.**

We need today's pension managers to be strategic, tech-savvy, proactive and have great project and programme management skills, as they face an increasingly busy and diverse range of challenges. This is in addition to the technical knowledge underpinning the successful management of a pension scheme.

Understanding these pressures is crucial for developing strategies to mitigate their impact and maintain the expectation of pensions management standards that members, Trustees and sponsors rightly expect.

So why do we think this might be a particularly challenging time for pensions management? To best articulate this, we've summarised below the challenges that today's pensions manager

faces. These include business as usual activities and projects, with our insights drawn from our own experience of working with many of the UK's top pension schemes on an outsourced pensions management basis.

Shown as a heatmap, it's easier to see the more recent challenges (in red), and those with increasing emphasis (in amber).

These challenges are not exclusive – with many having complex interdependencies. In addition, the precise challenges your scheme faces depend on your specific circumstances, objectives, risks and priorities.

## BAU

### Sponsor Covenant

Consideration of the updated guidance from TPR – how is this factored into the scheme's strategic journey?

## Projects

### Abolishment of the Lifetime Allowance (LTA)

Has this been fully embedded into scheme processes and communication materials?



## BAU

### General Code compliance

Reviewing the scheme's current policies and processes and ensuring they are fit for purpose. Do they give you an Effective system of governance and support your key strategic priorities?

### Own Risk Assessments

What can you do to improve how you manage your scheme, risks, and ensure you are focussed on your strategic objectives. Are your governance arrangements effectively supporting and enabling what you need and want to do?

### Data management

There is an increasing emphasis on ensuring the data is fit for a much broader range of purposes. Data features in multiple projects, increasing the focus on risk and change management.

### Process automation

Members, Trustees, sponsors and insurers all have increasing expectations on the automation of administration calculations and processes.

### Trustee board construction

Along with pensions managers, Trustee Boards have seen a material increase in the breadth and depth of considerations. For example, is the governance structure supporting the board in the most effective way to make nimble decisions? Is the approach to training, effective oversight and professional trusteeship still appropriate?

## Projects

### Inheritance Tax changes

There might be a need to review communications and consider the potential impact on processes.

### Deed validity

The appropriate action is scheme specific, but each scheme needs to consider their approach to the Virgin Media case and S37 certificates. This means managing the sponsor's expectations (and those of their corporate auditor).

### Political focus

There is an increased political focus on enhancing retirement security at the same time as boosting economic growth in the UK. This needs to be achieved whilst managing pension funds effectively and transparently. This should be considered in the context of the scheme's strategy and wider stakeholder management.

### Dashboards

Project management and close collaboration with the Trustees, advisers and administrators is required to ensure schemes can meet their connection date.

### End game considerations

This has become more of a focus as a result of increasing maturity and improved funding levels. Many Trustees and sponsors have options open to them on an accelerated timeline. These considerations need to be managed appropriately alongside other ongoing projects, to ensure priorities remain aligned and appropriate.

## BAU

### Technology integration and development

Many schemes have complex histories, resulting in the need for the integration of various IT systems and databases. These projects need to be managed in the context of AI and an increasing focus on cybersecurity.

### Resource management

The current challenges being felt within the pensions management environment is being felt across the whole industry – with a squeeze on the resources equipped to deal with the current environment. In addition, many in-house pensions management functions have seen a material reduction in headcount, reducing the resilience in the team to changing pressures.

### Stakeholder management

This requires carefully managed communications. Where views cannot be aligned, understanding why is crucial. Visibility across stakeholders over key decisions and the rationale for them is also vital.

### Investment considerations

In addition to the investment strategy itself, ensuring the scheme has the right investment governance supporting it is crucial. Many lessons were learned in the aftermath of the 'mini budget'. Trustees are more actively wanting to see how their considerations in relation to stewardship and ESG are being embedded in BAU processes and that they are aligned, where possible, with the views of the sponsor.

## Projects

### Effective project management

Many pensions managers now find themselves managing a complex programme of multiple interlinking projects, which require very strong programme management skills.

### GMP work

Where schemes have completed GMP rectification, they will be looking at equalisation. They will need to consider the approach, method, administrative complexity and views of their sponsor. Data and member communications are also key areas to consider. Once the project commences, monitoring progress and addressing challenges will be needed.

### McCloud

This judgement had significant implications for public sector schemes due to earlier transitional protections being ruled as discriminatory against younger members. Depending on the specifics of the scheme, the impact can be significant when looking at applying the McCloud remedy and communicating with members.

### Corporate activities

There is an increased focus on merging and consolidating schemes to improve efficiency and ease the governance burden. Whilst the long term benefits are clear, this needs to be carefully managed alongside other projects and sponsor objectives and involvement.

Over the course of this year, we will look at these areas in more detail.

## **Managing this complexity**

Given the multifaceted and increasing pressures pensions managers face, outsourcing tasks can be a valuable strategy to alleviate some of the burdens and risk. This can range from a full outsourcing model to seeking expert support on a specific project or on an interim basis to relieve resource strain. Using an external party to release some of the pressure on BAU (temporarily or permanently) or simply having

a fresh pair of eyes to review certain aspects of scheme management can bring efficiencies and raise standards, without increasing costs substantially.

Outsourcing can create more resilience in the face of complexity and reduce operational risk. Resilience and key person risk management are becoming significant decision-making drivers in the face of a diminishing pool of experienced pensions managers with the skills for our modern pensions world. 🌐