TDC Pensions Conferences, Spring 2018
Notes for TDC presentations (24 slides)

Slide 2
A survey of trustees in early 2018 identified their top 5 issues for the year ahead.
Slide 3
There are now more members in occupational DC than DB, due to auto-enrolment.
Only 0.5m active members of private sector DB.
2 years ago, we had 6,000 schemes, now 5,600 so losing 200 each year.
2,000 small schemes with average value of assets of £8m.
Purple Book reports 40% of DB schemes closed to accrual but TDC experience is over 90%.
Slide 4
DWP's White Paper published on 19 March 2018, follows Green Paper of Feb 2017.
Focus is on member protection and holding (some) employers to account.
Slide 5
Regulator wants to be clearer, quicker and tougher, and use existing powers more often.
New powers will focus on the few employers who neglect their DB pension scheme.
Introduction of punitive fines and legislation to make reckless behaviour in relation to pension schemes a criminal offence to act as deterrent.
Clearance framework to be strengthened and notifiable events regime to be improved.
Regulator to strengthen funding framework and address some of its ambiguities. A new Code of Practice on DB funding will focus on demonstrating prudence, factors impacting on recovery plans and taking a long-term view.
DB schemes will require to appoint a Chair and he/she will have to produce a Chair's Statement as part of triennial valuation exercise.
DWP has ruled out legislation to override scheme rules on indexation of benefits.
Slide 6
Regulator is taking more interest in small schemes, asking 200 schemes each year to complete a questionnaire as part of triennial valuation exercise.
Regulator asking about the trustees' approach to conflicts management, covenant assessment, review of investment strategy and establishing an IRM framework.
Slide 7
Third aspect of White Paper relates to scheme consolidation.
DWP believes in the benefits of consolidation but recognises that there are significant issues to overcome.
Slide 8
Consolidation debate focuses on standards of governance, costs and investment returns of small schemes.
Slide 9
There are fixed costs for some services resulting in smaller schemes obviously having higher per member costs.
Slides 10, 11, 12 and 13
The more relevant issue is the wide range of fees charged by different service providers.
Trustees need to seek out providers like TDC who are able to deliver high quality but cost-effective services for the lifetime of the scheme.
Slide 14
Sponsoring employers often have a fixed budget for all pensions related costs.
If savings can be made with costs of scheme management, more can be paid in DRCs.
Slide 15
Circumstances do arise when non-standard fees are required.
Slide 16
Regulator relaunched its 21st Century Trusteeship campaign in Sep 2017, to raise the governance standards of small schemes in particular.

Slide 17
There is debate over the relative importance of people and process of trustee boards and the value of MNTs.
More smaller schemes are using professional trustees, a trend likely to continue.
Slide 18
Association of Professional Pension Trustees consulted earlier in 2018 on suitable standards for professional trustees. Changes likely to take effect in May 2018.
Slide 20
More deferred members asking for transfer statement but only 10-15% of them transfer out.
Members need good advice but difficult to find financial advisers with DB transfer experience.
FCA stepping up its review of DB transfer advice.
New legislation to ban cold calling in June 2018 will not prevent pension scams.
Slide 21
Latest CMI analysis reports continued slowdown in mortality improvements.
Evidence that lower rates of improvement since 2011 may be due to medium to long term influences.
Using CMI 2017, rather than CMI 2014, takes 1 year off expectations of life, reducing liabilities by approximately 3%.
Slide 22
Scheme Actuaries are reminding trustees to review and improve out of date actuarial factors.
Including an allowance for members taking cash in scheme valuations can reduce the value of liabilities significantly.
But members not taking maximum cash can result in higher liabilities.
Slide 23
Over 80% of schemes have the objective to become fully funded, on a prudent basis, over the next 10 years or so. The majority of employers and trustees agree that a self-sufficiency or solvency funding objective is not suitable for their scheme.
But cost-effective management of their scheme over this period is required.
Slide 24
TDC believes that consolidation of small DB schemes is not justified on the grounds of poor governance, high fees or inefficient investment strategies. Many small DB schemes are currently well governed, receive high quality and cost-effective services and have an integrated investment and funding strategy.