



The Pensions Trust

# Update

The Magazine of The Pensions Trust

- This October 2004 issue includes:
- Scheme specific investment strategy
  - Fund Manager Profile
  - Scheme news
  - Government pension changes



# From the Chief Executive

I am delighted to welcome you to the first issue of our new-look Update magazine. As you will see, we have undergone a complete makeover - not just to the magazine, but also to the Trust's whole image. This change follows an exercise during which we considered what our core values are and how we want to present ourselves to the outside world in the 21st century.

We have also taken this opportunity to develop Update to give you the complete picture. Our aim in doing this is to provide you with a useful source of information as well as news about what is going on. There should be something for everyone here - news of general interest, an update on investments and an outline of the Government's proposed changes to pensions law. We are also taking this opportunity to introduce you to some of the in-house team - so that you can put faces to the people you deal with.

The Pensions Trust is all about working together and we value the views of all our members. Therefore, we would very much appreciate your suggestions and views on the new magazine. Please send these in writing to The Marketing Department, The Pensions Trust, Verity House, 6 Canal Wharf, Leeds LS11 5BQ or by email to [update@thepensionstrust.org.uk](mailto:update@thepensionstrust.org.uk)

Finally, please let us know if any of your colleagues would benefit from being added to the mailing list for Update Magazine - the more the merrier.

A handwritten signature in black ink, appearing to read 'Richard Stroud', written in a cursive style.

Richard Stroud  
Chief Executive



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# News

## All change for pensions

Most of you will be aware by now that two major pieces of legislation, currently being debated by Parliament, will change the face of pensions. The 2004 Pensions Bill and the relevant sections of the Finance Bill, contain provisions that will improve the security of members' benefits and simplify the tax treatment of pensions.

One of the key proposals is the introduction of the Pension Protection Fund – a new compensation scheme to pay members' benefits when their employer goes out of business. There are also changes to the way that pension assets are divided between members when a pension scheme is wound up.

The main aims of these changes are to re-build public confidence in the pensions system and encourage individuals to save more towards their pension.

To find out more see our article on page 12.



## Changes to the Board of Directors



John Alleston (Chair)



Clare Smith (Deputy Chair)

We are pleased to announce the election of a new Chair of the Board of Directors and four new Directors to the Board, plus the re-election of the Deputy Chair. The newly-elected Directors are:

- John Alleston (Chair)
- Clare Smith (Deputy Chair)
- Lynda Howe (Employer Nominated Director)
- Richard Marshall (Employer Nominated Director)
- Bruce Nelson (Member Nominated Director)
- David Prince (Member Nominated Director)

These elections follow the retirement of Chair Andrew Cooke (employer nominated), George Gray (employer nominated), Ian Roylance (member nominated) and John Wheatley (member nominated).

We would like to take this opportunity to welcome our new Directors. They bring a wealth of experience to the team.

Turn to page 14 to find out more about the new Deputy Chair.

## Audio Annual Review

The Pensions Trust has produced an audio version of its Annual Review 2003. This is available free of charge to any blind or partially sighted members on request.

The CD was produced in collaboration with the Royal National Institute for the Blind. The voice on the CD will be familiar to fans of Radio Four's 'The Archers' as that of Carol Boyd who plays Linda Snell.

If you would like a copy of the CD, please contact: [update@thepensiontrust.org.uk](mailto:update@thepensiontrust.org.uk)

## New Unitised Ethical Plan charges

The annual charge for investing in the Unitised Ethical Plan has been REDUCED from 1% to 0.75% of the value of the units from April 2004.

## New Head of Compliance

Karen Parry became the new Head of Compliance at the Trust on 1 October 2004. John Coy the current Head of Compliance will work with Karen up until his retirement in January 2005.

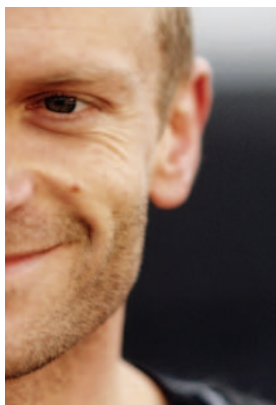
## Key ACA survey findings

Group personal pensions (GPPs) - attracting average combined employer and employee pension contributions of 8.6% - are now the prevalent type of pension arrangement in smaller firms. Some 44% of firms offer such arrangements, with 25% only offering a GPP.

- Many firms have also established stakeholder schemes (37%) either alongside other arrangements or as stand-alone schemes, 44% of which are attracting no employer contribution. Average combined employer and employee contributions are just 4.8% of earnings into these schemes.
- A few firms are marginally increasing employer contributions into defined contribution arrangements, usually by 1% or less, but few employees are increasing contributions.
- Where defined benefit schemes are offered in smaller firms (29%), only 36% are open to new members.
- Combined employer and employee contributions into defined benefit schemes now average 21% of earnings, up 2.1% on a year ago.
- Three-quarters of defined benefit schemes have been recommended to increase their contributions by their actuary because the scheme is in deficit and more than one-third have increased employee contributions, mostly by about 1% of earnings. About one in ten schemes has changed its accrual rate, with a move from 60ths to 80ths being the most common.
- Employer contributions to defined benefit schemes average close to three times those made by firms into defined contribution and GPP schemes, and six times those into stakeholder schemes.
- All firms say the bad press given to pensions over the last two years, largely due to the effects of falling investment returns and demographic changes, has undermined the promotion of pension saving and has undermined the perceived value of schemes or setting up schemes.
- However, this bad press has largely left interest in pensions at a low level (14%) in firms not offering a scheme, as against the situation in firms offering a pension scheme, where 60% report greater interest.

This article first appeared, in a longer form, in The Scotsman on 16 February 2004. The author is Colin Brown, Director of Financial Planning with Grant Thornton.

## Compensation for failed schemes



The Government has announced that it will make £400 million of public money available to help pension scheme members who have already lost their benefits. This money will be paid over the next 20 years with the arrangement being reviewed after three years, at which point employers may be asked to make a contribution.

Details of which schemes will be eligible for compensation are yet to be drawn up. However, the new arrangement is not expected to cover cases where scheme

Trustees have done deals with the employer to avoid the sponsoring company from going out of business.

Speaking about this initiative former Secretary of State for Pensions, Andrew Smith said: "This will give real help to people who have lost their life savings through no fault of their own. I've met many of those affected and am convinced that taking action is the right thing to do, it will also be a huge boost to wider confidence in pensions."

## Older workers survey...

A new report\* published by the Department for Work and Pensions looks at the position of older workers. Currently some 8% of men over age 65 and 10% of women over age 60 continue in paid employment.

The people interviewed covered a wide range of occupations. However, over half had been self-employed for all or part of their working lives. Many of those who had continued to work had a partner in work. Also, those who lived alone experienced a 'particular impetus to maintain economic activity later in life.'



Interviewees were asked about the extent of their retirement planning - the responses largely reflected differences in disposable incomes. Not surprisingly those who had been on low incomes for much of their working life tended not to have made much provision for retirement, this was despite the gradual devaluation of state pensions.

Even when people had planned for their retirement, they were not necessarily better off. Occupational pensions appeared to offer the most security in retirement but these were not available in all workplaces or to the self-employed.

One objective of the research was to explore ways in which policy could support older workers. Favoured initiatives included campaigns to challenge negative attitudes towards older workers; abolishing compulsory retirement; financial incentives to encourage people to continue working; and additional advice for those at or approaching retirement.

\*Working after State Pension Age: Qualitative Research'

by Deborah Smeaton and Stephen McKay, DWP Research Report 182.

# Spotlight on: Investment

The Pensions Trust's investments are currently held in a diversified multi-manager portfolio. Overall, our allocation by type of investment is not expected to diverge significantly from the average asset allocation of the 'peer group' of UK occupational pension funds, as measured by the WM Company.

## Scheme specific investment strategy

The Trust has recently carried out an investment strategy review. Mercer Investment Consulting was asked to conduct an initial analysis of the potential investment strategy for each scheme administered by The Pensions Trust. The fundamental premise of the

review was to determine the future investment strategy of each scheme by taking account of its underlying liability and risk profile.

Mercer investigated the individual liabilities and benefit structures for all of the schemes administered by the Trust. This information was then used to develop a 'least risk' portfolio.

Each scheme's potential appetite for risk was also investigated. This was based on the perceived strength of the covenant between the sponsoring employer(s) and the pension scheme. The covenant is defined as the willingness and ability of the sponsoring employer to fund the current and future benefits; particularly its ability to cope with increases in the costs of providing these benefits if investment experience does not meet expectations. The Trust provided Mercer with information on



### Definitions:

The term investment strategy is generally used to mean the mix between the main investment asset classes that a pension scheme invests in.

Pension schemes typically hold a variety of assets to back the pension promise made to members. Different asset classes have different characteristics.

#### Equities

An equity is a transferable share in the ownership of a company. There are two ways that an investor holding equities can receive a return on this investment:

- Dividend payments from profits generated by the company.
- Capital growth through an increase in the share price.

Stock market volatility in recent years has demonstrated that these returns,

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employer covenants based on our understanding of the circumstances of individual clients.

The departure of the actual asset allocation from the ‘least risk’ portfolio is a function of the risk tolerance of the scheme. In other words, risk tolerance is the extent to which the scheme is prepared to tolerate variations in its future funding costs and funding position as a consequence of investment experience.

## What is the least risk portfolio?

To gauge how much risk a pension scheme can take, the ‘least risk’ investment strategy is ascertained. This is an investment strategy that closely matches the underlying liabilities of the scheme. This strategy leads to the scheme investing entirely in a portfolio of government bonds

that will closely reproduce the pension income that needs to be paid. Because bonds are a low risk asset, expected returns on this strategy are also low.

To hold anything other than the ‘least risk’ bond portfolio is a decision to take risk. The key decision that the Trustee has to make, in consultation with the employer or the employer’s pension committee, is how much to mismatch the ‘least risk’ bond only portfolio with equities. Any mismatch will increase the expected return, which, if realised, will reduce the cost of funding the scheme. The risk is that actual future returns are worse than expected and that costs are in fact higher. The concept of the ‘least risk’ portfolio is to some extent a theoretical concept as it is very difficult to buy the appropriate bonds to put this strategy into practice, although it can be approximated quite closely.

continued...

“The key decision that the Trustee has to make is how to mismatch the ‘least risk’ bond only portfolio with equities”

particularly capital growth, are not guaranteed.

## Bonds

A bond is a transferable certificate of debt. Bonds may be issued by governments or companies.

The holder is entitled to regular interest payments from the issuer and, usually, the repayment of the original value of the debt on maturity. Although bonds are not risk free (for example, an issuer may become insolvent and therefore be unable to make the interest payments as they fall due) they are generally perceived as being less risky than equities.

## Property

Property investment has some characteristics in common with both equity investment and bond investment. For example, the owner of a property will benefit from an increase in value in a rising market (which is similar to capital growth in equities) and will

also be entitled to rental payments from tenants (which is similar to interest payments with bonds). However, there are also risks associated with property. For example, property values may fall or it may not be possible to let the property. Property is also an illiquid asset, i.e. it is not as easy to trade as, for example, shares that are quoted on a recognised stock exchange.

## Investment strategies

A pension scheme will typically invest in:

- Equities with the expectation that they will achieve a higher return, over the longer term, than if they invested in bonds or cash. There is a school of thought that equities can provide rates of return in excess of wage inflation over the long-term and are therefore a good investment to match liabilities linked to earnings (e.g. pension liabilities for active members of defined benefit (DB) schemes). However, this match is far from perfect and

is certainly not guaranteed.

- Bonds to reduce the volatility of investment returns. Bonds are also often thought of as a good investment to match liabilities for deferred and pensioner members of pension schemes, where liabilities are typically linked to price inflation rather than earnings. However, this match is also not perfect (e.g. due to the risk that the issuer is unable to meet its financial obligations under the terms of the bond issue).

## Investment risk

All investment strategies carry risks. Risk can be defined as ‘the chance that an investment’s return will be different from that which is expected’. Clearly, in view of the comments above, there is a trade off between risk and return.

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## Modelling Strategies

Schemes with similar liability and risk tolerance profiles were categorised into four groups as shown in the table below:

An investment objective was then determined for each of the groups, based on the characteristics of the constituent schemes. These were based on how much risk of loss each group of schemes could tolerate over the short-term.

Mercer ran each of these groups through its Asset Liability Modelling (ALM) software to ascertain the optimal investment strategy. This is defined as the strategy that produces the highest expected return for the specified risk.

ALM projects future movements in scheme assets and liabilities, simulating different economic and financial conditions. These projections can give

a good insight into the likely effect of different investment strategies on the scheme's financial position. However, it should be noted that ALM is not an exact science since it relies on subjective assumptions for future investment market and demographic conditions.

### What investment strategy is being recommended for each group?

The table below summarises the broad investment strategies Mercer has suggested for each group. The more a scheme invests in equities the more risk (in anticipation of reward) it takes. The move from Group 1 to 4 decreases risk but increases the likely cost of funding the benefits due under the scheme.

	Group 1	Group 2	Group 3	Group 4
<b>Equities</b>	<b>75.0%</b>	<b>65.0%</b>	<b>45.0%</b>	<b>30.0%</b>
UK	37.5%	32.5%	22.5%	15.0%
International	37.5%	32.5%	22.5%	15.0%
<b>Bonds &amp; Property</b>	<b>25.0%</b>	<b>35.0%</b>	<b>55.0%</b>	<b>70.0%</b>
Fixed Interest	17.5%	27.5%	27.5%	27.5%
Index-Linked	0.0%	0.0%	20.0%	35.0%
Property	7.5%	7.5%	7.5%	7.5%

#### Group 1 Characteristics

Schemes that are sponsored by relatively financially sophisticated organisations that are likely to be able to tolerate volatility in the pension cost in expectation of lower long-term contributions.

#### Group 2 Characteristics

Schemes that are sponsored by financially strong organisations where risk tolerance is likely to be lower than for Group 1, either due to the nature of the scheme or the organisation.

#### Group 3 Characteristics

Schemes where the sponsoring employers are likely to want greater stability in their pension costs, either due to the perception issues presented by unanticipated increases in costs, or the weaker financial position of the sponsor.

#### Group 4 Characteristics

Schemes that are generally more mature than the "average" scheme. Schemes in this category may be likely to be wound-up in the medium-term. Therefore, the investment strategy adopted for these schemes needs to support this process. Due to their different circumstances, it may be necessary to develop bespoke investment strategies for some schemes in this group.

## Next steps

We have recently been consulting with our pension scheme members about the strategy change. For those schemes which are happy with the proposals, the Trust will start to implement the new

strategy from October 2004 or an alternative date agreed between the Trust and the sponsoring employer(s). We anticipate that the move to the new strategy will take approximately six months although a longer transition period may be agreed where the new strategy is significantly different from the

existing strategy (e.g. the new strategy requires a significant move from equities to bonds). Schemes that have not 'signed up' to an individual investment strategy before October 2004 will be assigned a temporary strategy based on the WM asset allocation between equities and non-equities.

# Fund Manager Profile

## Barclays Global Investors

### How BGI invests

Barclays Global Investors (BGI) is appointed by the Directors to manage part of The Pensions Trust's equity assets (company shares).

Since its appointment in September 2001, BGI has managed UK equity assets on The Pensions Trust's behalf. However, from September 2004 the brief will be widened to cover global equities which will include UK equities.

The BGI approach to managing our equity mandate is fundamentally different to that of 'traditional' active managers. The BGI process is highly distinctive in that it uses a variety of scientific techniques backed by extensive in-house research to find stocks that will out-perform. This approach is based on the 'Quant' (short for quantitative) school of investing. This emphasises a rigorous and consistent approach to investment driven by in-depth analysis and academic research. Portfolios are constructed using sophisticated computer-driven techniques designed to make sure that information on which decisions are based is sound. By adopting these broad principles, rather than following the traditional path of researching each individual company, BGI analyses how the market reacts to information and shares are priced accordingly. BGI's stock holdings reflect ideas or 'themes', which they believe drive the share price of an organisation. BGI rejects a lot of the traditional investment approaches such as following dedicated value or growth strategies, investing in small companies, predicting which industries will out-perform, etc, because, under rigorous testing, they

have found these ideas do not lead to consistent out-performance.

BGI analyses trends in share prices to determine whether there is a key driver or theme. If there is, using the data available, these ideas/themes are then used to construct 'signals' - signals distil the ideas/themes into a quantitative form. BGI then tests these ideas/themes rigorously to prove that the signals on which their models are built are sensible, predictable and consistent. Sensible, because they must have strong fundamental economic justification. Predictable, because they have to be able to demonstrate that they are not confusing cause and effect and be able to show that each signal has the power to predict. Consistent, because they

accounts, or directly through their own share dealing activity.

Companies are graded on how much return potential they offer based on the above signals. Taking due account of overall risk and cost constraints, these grades then form the foundation of their buy/sell discipline. Highly scored companies are favoured investments and are likely to be held at overweight positions (that is, the manager holds more shares than they would if they were simply replicating the index in which that company appears). Companies with low scores are held at underweight or are avoided entirely depending on their risk characteristics. As a result of this process BGI operates very broadly diversified

## “BGI uses scientific techniques backed by extensive in-house research to find stocks that will out-perform”

must be able to prove that the signal operates consistently over time.

There are three categories of 'signals' where BGI regards value can be added.

- Earnings expectations - a company's share price is sensitive to rising optimism about its profits, rather than the absolute level of its earnings.
- Value measures - can help identify companies whose shares are trading below the measure of the company's intrinsic value.
- Information signals - where informed investors 'signal' their view of the company's prospects, via either the Director's presentation of the

portfolios where the aim is to take a large number of small active (overweight or underweight) positions relative to the benchmark, rather than looking for a few large bets to pay off.

In summary, BGI's aim is to add value consistently by relying on measurable information rather than subjective judgement.

# Scheme News:

## SHPS consultation survey

Last year SHPS carried out a consultation exercise with their membership to work out how to make it more flexible and affordable because of their recent valuation. Full details of the proposals were issued for consultation in 2003. The SHPS Pensions Committee issued the documents as a UK wide consultation exercise.

Subsequently, The Pensions Trust have carried out a survey of SHPS members to find out how helpful the consultation was. Independent consultants carried out a telephone survey of 100 members.

Most employers surveyed felt the process as a whole was very successful; the letters, questionnaire and the opportunity to participate in forums helped them to understand the exercise. However, for some employers the language was too technical, long-winded and very long, making it difficult to participate fully.

The communication of the results of the consultation was successful; the letter was clear, informative and timely. However, employers would have preferred to receive the letter before it was released to members, to allow them to manage the process for their staff.

Members expressed similar views; some of them had participated in discussions with their employer, which made it easier to take part in the consultation. For others it was an individual decision. Overall, members appreciated being kept informed and felt their opinion was valued. In summary, the consultation exercise was valued and strengthened links with the membership. The Pensions Trust has used the feedback to review how we communicate to members and to make our literature more user friendly and useful. If you have any comments or ideas on the current SHPS literature please email us at [update@thepensionstrust.org.uk](mailto:update@thepensionstrust.org.uk)

## NEWS FLASH

### SCVO Pensions Advisory Committee - election results

The SCVO Pension Scheme is pleased to announce the election of two new members and the re-election of a current member to its Pensions Committee with effect from 1 October 2004. The elected members and their positions are as follows:

- **Martin Scott** of Capital Credit Union re-elected as an Employer Nominated Representative.
- **Bola Adeshina** of Clapham Park Project elected as an Employer Nominated Representative.
- **Judith Curry** of Commonwealth Institute elected as a Member Nominated Representative.

## SFHA wins award

The SFHA Pension Scheme scooped the award for Small Scheme of the Year (up to £250m) at this year's Professional Pensions Scheme Awards.

The accolade of Small Scheme of the Year is highly prized, with SFHA being short-listed alongside five other schemes. The winner had to demonstrate excellence in many different areas of its service to be successful. The judges were looking for a scheme which has exploited its resources to the full, and has turned the challenge of being a small scheme into an opportunity – such as providing a more personal service to members and pensioners.

With over 170 employers spread across the whole of Scotland effective communication is not an easy task. However, this has been successfully tackled in conjunction with the Trust - with the delivery of pension clinics and well written literature, to allow members to easily understand the benefit of membership.

Commenting on the award, Richard Stroud, Chief Executive of The Pensions Trust, said: "We are obviously very pleased to receive this award in recognition of the work we do with the SFHA. Here at The Pensions Trust we take our responsibilities as scheme administrators extremely seriously and strive to achieve successful and long-standing partnerships with our clients. This award reflects this and the hard work of everyone involved."



Stephen Nichols, Deputy Chief Executive of The Pensions Trust (centre) being presented with the Professional Pensions Award from Paul Batty of Darwin Rhodes (left) and Gyles Brandreth (right).

## About SFHA

The SFHA Scheme is an industry-wide final salary pension scheme for housing association employees in Scotland. It has 170 employers and 6,000 members. The Pensions Trust administers the Scheme under the direction of the SFHA Pensions Committee.

# Spotlight on: Government

## All change for UK pensions?

The Government is making sweeping changes to the law relating to pensions in the UK. The main aims of the changes are to improve the security of pension schemes and to make it easier for people to make their own pension provision.

In this article we look at the key changes and consider some of their implications. The new legislation consists of the Finance Act 2004, and a Pensions Bill, which is currently making its way through Parliament and is therefore subject to change. In addition, much of the detail will be supplied later in Regulations. Therefore we can only provide a brief overview of some of the main points in their current form.

We will look at the Pensions Bill in this issue of Update and at the Finance Act in the next edition.

### New pensions Regulator

A new Regulator will replace the Occupational Pensions Regulatory Authority (Opra) in 2005. The new body will inherit Opra's remit and will have significant additional powers and functions to allow it to fulfil its objectives of:

- Protecting members' benefits.
- Promoting good administration of the schemes it regulates.
- Reducing the risk of situations arising

that might lead to a claim on the Pension Protection Fund.

### Pension Protection Fund

In recent years, many members have lost their pension rights as defined benefit (DB) pension schemes were wound up with insufficient assets to secure all the promised benefits. Since June last year, a solvent employer seeking to wind up a pension scheme has been required to fund accrued benefits in full. The Pension Protection Fund (PPF) aims to protect members of schemes where the employer becomes insolvent. It is intended to be up and running in April 2005.

Where the employer is insolvent, the

pension scheme is underfunded and it cannot secure members' benefits, the PPF will take over the assets of the scheme and will provide compensation to members:

- Pensioners over normal retirement age (NRA) – 100% of pension.
- Members/pensioners under NRA – 90% of benefits, capped initially at £25,000pa.
- Survivors' benefits will be provided for spouses and civil partners.
- Pension rights accrued before April 1997 will not increase in payment, and rights accrued from April 1997 will increase in line with the retail prices index (RPI) capped at 2.5% pa.

## The Pensions Bill - key provisions

- A new pensions Regulator
- A Pension Protection Fund
- Scheme-specific funding requirement
- Promotion of financial planning in the workplace
- Changes to member nominated trustees requirements
- The requirement for trustees to have more detailed pensions knowledge
- Pensions to be included under TUPE
- The requirement to consult members on benefit changes
- Simpler dispute resolution procedures
- Removal of the requirement to provide AVC facilities
- Changes to mandatory pension increases
- Improved incentives to defer taking state pensions

# ment pension changes

Compensation will be provided partly from the assets that schemes bring with them into the PPF and partly from levies on DB and hybrid schemes. The levy for 2005 is yet to be announced – however, figures ranging from £10 to £25 per member have been floated. In future years, the levy will be in two parts – a flat per-member rate and a ‘risk based’ amount which will be based on how well-funded schemes are. The latter is designed to make sure that the schemes most likely to claim on the PPF pay the most towards it.

The Regulator will be able to intervene if it believes an employer has engineered a situation to bring about a claim on the PPF.

## Scheme funding

The current Minimum Funding Requirement will be abolished. Instead, most schemes will have to meet a statutory funding objective to ‘have sufficient and appropriate assets’ to cover their ‘technical provisions’ or liabilities. Trustees must publish a Statement of Funding Principles setting out their policy for ensuring they meet the statutory funding objective. An actuarial valuation will be required each year, or every three years if an actuarial report is obtained annually between valuations. If a scheme is in deficit, the Trustees must put a recovery plan in place. The current Schedule of Contributions will be retained.

## Other features of the Pensions Bill:

- Employers may be required to promote financial planning in the workplace, though detail is not yet available. This is likely to have cost implications.
- Trustees may be required to provide members with information about their State pension entitlements as

well as their scheme benefits.

Currently the Government would like to encourage schemes to do this on a voluntary basis.

- Pension rights are brought under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations. The new employer may be required to offer some form of pension arrangement or contribution, but will not be required to replicate the transferring employer’s provision.
- At least one third of a scheme’s trustees must be nominated and selected by at least some of the members.
- Trustees will be required to have a minimum level of knowledge. The Regulator is expected to give guidance on this by issuing a Code of Practice.
- Schemes will not be required to offer AVC facilities for the future, though may continue to do so. Members will be able to use stakeholders and personal pensions instead.
- The current two-stage dispute resolution procedure may be replaced by a simpler, single-stage procedure. The Pensions Trust will retain the present system, which is working well.
- Pension increases for pensionable service after April 2005 will be reduced to RPI capped at 2.5% pa (currently RPI capped at 5% pa). This decision on voluntary increases will be up to individual employers who will be able to pay increases at a higher rate if they wish.
- Employers may be required to consult with members over ‘prescribed decisions’ including closing a scheme to new members or to future accrual, or changing from a DB

scheme to another type of arrangement. This is something that The Pensions Trust considers to be good practice and already encourages.

- Individuals choosing to defer receipt of their State pension will enjoy more attractive terms from April 2005. If receipt is deferred for a year or more, a new (taxable) lump sum option is available.

Whether the reforms will increase members’ security remains to be seen. The PPF does not seek to replicate an insolvent employer’s scheme benefit provisions, so there will still be ‘losers’. If it is run as a pension fund, the PPF will be subject to the same pressures as any other DB scheme and may run into difficulties in the future. A group of senior actuaries has asked the Government to clarify its intentions and has cautioned against the use of terms like ‘guarantees’ unless the PPF will be unsinkable.

The new scheme funding requirements and the cost of the PPF may be the last straw for some employers who currently sponsor DB schemes. If they opt for DC arrangements for the future, then member security might be reduced rather than enhanced.

## The way forward

The Pensions Trust is already planning implementation of these changes. However, there is much that cannot be done until the detailed regulations are available. We will keep you updated on progress in future issues of Update and will let members know individually of any changes that affect them.

# Our People

## Introducing Clare Smith Deputy Chair



During the annual elections, there have been a number of changes to the Board of Directors, including John Alleston our new Chair. There are also, of course, some familiar faces including Clare Smith, who was re-elected as Deputy Chair.

We took the opportunity to chat to Clare about why she stood for election in the first place, what her duties as a Director involve and what challenges she faces in the coming term of office.

This is the second year that Clare Smith has been elected as Deputy Chair. Clare is currently Director of Human Resources with Leonard Cheshire as well as being the Chair of a number of national committees. She has worked in Human Resources for over 25 years, much of which has been at director level in both national and international organisations and has experience of a wide range of pension arrangements. Clare has been a Director of The Pensions Trust since 1998 and presently serves on the Audit and Compliance Committee and the Remuneration and Appointments Committee.

We decided to find out what's behind Clare's loyal service to The Pensions Trust.

What first made you decide to stand as Director?

"I believe that an occupational pension is the most important benefit any organisation can offer their employees. The message it gives is that the organisation is concerned for their future as well as their present. Therefore, I wanted to do what I could to make sure not only that this was the best benefit possible but that the provision was as secure as possible."

How often do the Directors meet and how much of your time does it take up?

"We meet quarterly. This takes a full day plus travelling time. I also spend about half a day on pre-reading for each meeting I attend. In addition there are several sub-committees which meet quarterly. Directors volunteer for these and then are elected so not everybody attends a committee. As Deputy Chair I am automatically a member of the Remuneration Committee and I am an elected member of the Audit and Compliance Committee. I also try and attend the Investment Committee. Together this requires a considerable time commitment."

What are the most important aspects of your role?

"I'd say overseeing the work of The Pensions Trust, offering advice where I have a particular area of expertise, raising issues about customer service and making sure the officers understand the concerns and feelings of the members."

Did you have any specialist pension's knowledge before you joined the Board?

"I had previously been a Trustee of another scheme, although that was some time ago. I had also been responsible for pension administration. Without this previous experience it would have been very difficult to make a contribution. Even

with this experience there was a lot to learn. In fact I am still learning."

Do you agree that both Trustee or just Directors should be more professional or do you feel that there is still a role for the lay person?

"It is very important that Directors know what they are doing, particularly where investments are concerned. On the other hand, one of the most important roles for a Director is to ensure that the members' views are represented. It is too easy for an organisation to lose sight of the customer when they concentrate just on professional issues."

The Board has a number of Committees, why is this necessary?

"The Committees allow an in depth focus on a few areas of The Pensions Trust's activities which are of vital importance to the success of the organisation. Without these Committees the Board as a whole would not be able to fulfil its fiduciary duties which would be to the detriment of members."

How easy is it to fit in being a Director with your work?

"Very difficult, although it does help that meetings are planned on an annual basis. I am fortunate that my organisation appreciates the importance of pension provision in maintaining a steady and motivated workforce and consequently supports my commitment to being a Director."

What are your specific responsibilities as Deputy Chair?

"Mainly to support the Chair but also to make sure I am up-to-date with all the main issues, in the event of the Chair being incapacitated."

## Introducing Sheila Buchanan Money Purchase Client Manager



In the first of a series of profiles on key staff at The Pensions Trust we quiz Sheila Buchanan, Money Purchase Client Manager. We find out how she arrived at her current position, what her job involves and what she feels makes The Pensions Trust different – as an employer and as a pensions provider.

Sheila has been with The Pensions Trust for over nine years. Specialising in money purchase benefits, she joined the Trust as a Pensions Administrator and has climbed steadily through the ranks. Sheila has been Client Manager for just under 4 years, she is based in our Edinburgh office and heads up a team of 15.

**Where did you work before you joined and what was your role?**

I was at Standard Life for nine years starting as a junior then progressing on to a Pensions Administrator in the Final Salary Department. I then had a career break during which I had three children. On returning to work, I joined the Guardian Royal Exchange in 1991, as a Benefit Administrator based in the Individual Pensions Money Purchase Department. I was with them for four years before joining The Pensions Trust in April 1995.

**How did you first get involved with pensions?**

By default – my father was a Bank Manager and wanted me to go into Banking. In my poor efforts to be a rebel of the cause I decided to join The Standard Life. I worry about myself!!

**What attracted you to working at The Pensions Trust?**

I found the ethos of the Trust attractive and the fact that it was a smaller more personal organisation with an interesting client base. I think anybody who has worked for a large organisation yearns to be recognised as an individual and not a number and this was something the Trust offered and produced.

**What would you say are the most important aspects of your job?**

Without a doubt, good customer service, growing the business, building client relationships, developing and supporting the team.

**What do you like best about your job?**

Dealing with the customers, both internal and external. We have such a varied client base that you deal with a variety of different personalities and individuals. We have been more involved in visiting the

clients recently and I particularly enjoy this side of the job. I also enjoy the day-to-day management of the team.

**How do you think the needs of the charitable, voluntary, not-for-profit sectors differ from those of the private sector?**

I think the main difference is the costs to the members together with the ethics. Funding is often an issue for many organisations and as a result the costs are a major concern.

**How do you feel The Pensions Trust makes a difference to its members?**

As an organisation we strive to reduce costs and are very conscious of the issues faced by the third sector. We have lower investment costs than our competitors, which is obviously beneficial to the members.

**If you could change one thing about your job what would it be?**

Reduce the amount of time spent in meetings and as a result be at my desk more!

**If you were not working for The Pensions Trust what would you like to be doing?**

A bit of strange one, I would want a complete change of direction. It has always been my dream to have my own gallery in which I would sell artwork and 'one-off' jewellery. Funding was always the issue!!!!

# Noticeboard

## Keeping us up-to-date

The Marketing department mailed a questionnaire to employers of the Money Purchase Scheme in April 2004. The aim of this survey was to assist us with continuing to be efficient in communicating with employers, ensuring that we contain up-to-date accurate information on our database.

We have received an excellent response so far. If you have not already returned the survey please do so in the pre-paid envelope provided.

If you have any queries about the questionnaire contact

[update@thepensionstrust.org.uk](mailto:update@thepensionstrust.org.uk)

## New Business Drive

Our New Business Department has embarked on a campaign to contact all those organisations that they have been in correspondence with over the past two years. This is to inform them of the competitiveness of our Money Purchase Plan over the Stakeholder arrangement following the increase in the charge cap to 1.5% of fund value. For further information please contact

[update@thepensionstrust.org.uk](mailto:update@thepensionstrust.org.uk)

## A New Look for The Pensions Trust

The Pensions Trust is proud to announce that they have refreshed their image with a re-branding exercise, which is being implemented on all new literature. This will be officially launched in October 2004. The name of the organisation remains the same, however the logo colours and font have been updated to provide a more modern image.

## Contributions

Please provide us with your contributions information as soon as you can each month. The earlier we are able to process the information, the better the level of service we can provide.

## Electronic Data Submission

Please contact Pensions Support Services (PSS) if you would like to begin providing contributions and salary information in an electronic format. This creates less paper and, if done correctly, helps us to reduce the cost of administering your schemes. Please contact the PSS Team on 0845 608 5252

## Let us know how we're doing

Please feel free to tell us how we are performing. We appreciate your feedback. If we could do things better, please tell us. If one of our staff has given notable customer service, we'd also like to know.

## Shape the future of the Trust

Frustrated by how we work with you? Think that there are easier ways to do things?

Then contact David Galbraith at [david.galbraith@thepensionstrust.org.uk](mailto:david.galbraith@thepensionstrust.org.uk) to see if you can work with us to develop our new website.

## Workplace Marketing

The Trust's Marketing Department has undertaken an audit of its literature. It identified a need for literature to help employers encourage their employees to join the pension scheme. We would like to work together with your HR Departments to develop material to attract employees to join the pension scheme. If you would like to assist in the membership drive, please contact us by e-mail:

[update@thepensionstrust.org.uk](mailto:update@thepensionstrust.org.uk)

## Customer Satisfaction

Over the coming months you may be asked to take part in some research into the quality of service we provide. Your views are very important to us and so we would urge you to take part.

## Roadshows

We have been travelling the country providing new entrant presentations and pension clinics in recent months. Please contact your Customer Services representative if you would like your organisation to be included.

## Exhibitions

The Pensions Trust attends a variety of conferences and exhibitions each year, to increase awareness of our services and to provide support to existing and potential employees. So far this year we have participated in exhibitions such as the National Housing Federation conference, Scottish Council for Voluntary Organisations conference, and the Chartered Institute of Housing conference.

We are also looking forward to attending other events this year, which include the Charities Aid Foundation, SFHA conference and the ACEVO conference.

If you visit any of the events we are attending please come along to our stand and introduce yourselves. We would be delighted to see you.

## New Intouch Magazine

Coming soon.....

## Dates to remember

### OCTOBER

22

Pensions Management Awards,  
London

29

Pensions World Annual  
Conference, London

29-31

Employers in Voluntary Housing,  
Aviemore Highland Resort

### NOVEMBER

11

CAF, London

17-18

The Pensions Show, London

19-20

SFHA Annual Conference,  
Edinburgh International  
Conference Centre

25

Investment Committee

### DECEMBER

2

NHF South West Finance  
Conference

7

SHPS Committee

9

ACEVO Annual Conference

14

Board Meeting

## Membership Statistics

	Sep 03	Movement	Aug 04
Actives	54,976	- 760	54,216
Deferred	33,884	3,865	37,749
Pensioners	14,814	1,344	16,158
Total Members	103,674	4,449	108,123
Employers	3,986	151	4,137
Total Members & Employers	107,660	4,600	112,260

Annualised returns achieved for Main Fund in the  
calendar year ending 31 December 2003

Percentage (% pa)	1 yr	3 yrs	5 yrs	10 yrs	15 yrs	20 yrs
The Pensions Trust	17.4	-2.1	2.5	6.4	9.9	10.9
WM Average	17.0	-2.8	1.9	6.4	9.4	10.7
Out-performance	0.4	0.7	0.6	0.0	0.5	0.2

Annualised returns achieved for Ethical Fund in the  
calendar year ending 31 December 2003

Percentage (% pa)	1 yr	3 yrs	5 yrs
ISIS Ethical Fund	25.3	-6.3	1.5
FTSE All share	20.9	-6.8	-1.1
Out-performance	4.4	0.5	2.6

Source: Northern Trust

## Fund performance

Following three years of stockmarket falls, 2003 finally bucked the downward trend with a positive 12-month return.

The main fund in 2003 returned 17.4% compared to the benchmark return of 17.0%.

For the three months to 31 March 2004 the portfolio returned 1.6% compared to the provisional benchmark return of 1.4%.

# Your Letters

## Dear The Pensions Trust

"On behalf of myself and my colleagues, I am writing to thank you very much indeed for visiting us 7 April last year, and for explaining the various options available to both organisations regarding pension provision for our respective staff.

Thank you also for spending some time with the staff and discussing their own circumstances. I know that this was very much appreciated by them.

I have prepared a note for our meeting, which will be circulated to the members of the Board prior to their next meeting on 28 April 2005, and I will then let you know how they wish to proceed.

No doubt the trustees will also be discussing the matter at their next meeting, and that you will be notified of their decision in due course.

Once again many thanks for your assistance in this complex area."

## Dear The Pensions Trust

"Thank you for your presentation to Cara Staff on 16 January 2004. The Staff found it very informative and extremely useful. They particularly liked the idea of being able to privately discuss their individual circumstances. So far we've had three new members sign up for the scheme and I am awaiting the return of forms from another six employees. I would hope that we can repeat the forum when the major changes are effected in 2005."

## Dear The Pensions Trust

"Just a short note to let you know how impressed I was with the way your staff handled my complaint. I was rather upset when I wrote but the speed they dealt with it and result was so impressive that I am totally won over. It was the type of response I always wanted my staff to take to complaints."

## Dear The Pensions Trust

"Thank you for your letter.

Just to say a big thank you for the time and trouble you have taken to supply pension information for both myself and colleagues. This has been much appreciated.

Once again, many thanks."

## Dear The Pensions Trust

"Thank you for your letter of 15 July asking for feedback following the presentation given to staff in May 2004.

I am pleased to advise you that staff have been very positive about the presentation, and found that the content was informative and helpful. They also felt they were given plenty of opportunities to ask questions.

I trust the above will be of help to you when planning future presentations."

If you are interested in a presentation for your staff, please contact our  
New Business Team on  
**0845 123 6660**

Going forward we would be delighted to hear your views on this magazine, our service or any specific issues you are facing that you would like to share with fellow members. Please write to us at  
Update,  
The Marketing Department,  
The Pensions Trust,  
6 Canal Wharf,  
Leeds LS11 5BQ.  
Or email  
[update@thepensionstrust.org.uk](mailto:update@thepensionstrust.org.uk)

We have included a selection of letters received from employers which we felt might be of interest to readers.



# Directory

## Board of Directors

### John Alleston (Chair)

Formerly, Administration Director,  
The Guinness Trust

### Jacqueline Bliss

Formerly, Director of Finance &  
Administration, Coram Family

### Valerie Ching

Administrator, Medina Valley Centre

### Jean Dougherty

Financial Accountant,  
Viewpoint Housing Association

### Philip Edwards

Retired, Pensions Manager

### John Hanlon

Consumer Representative

### Lynda Howe

Finance and IT Director,  
York Housing Association

### Dennis Jones

Payroll Manager, ExtraCare Charitable Trust

### John Kent

Retired, Management Accountant

### Richard Marshall

Retired, Finance Director

### Alison Massie

Finance Director,  
Kirk Care Housing Association

### Bruce Nelson

Chartered Accountant

### David Prince

Accountant, Cheadle Hulme School

### Clare Smith (Deputy Chair)

Director of Human Resources,  
Leonard Cheshire

### Clive Unitt

Finance Director,  
Sadeh Lok Housing Group Ltd

### Maurice Whiteley

Chartered Accountant

## Board Secretary

### Julie Scott

Board Secretary

If you would like to contact any of the  
Board please do so via Julie Scott at the  
following e-mail address  
julie.scott@thepensiontrust.org.uk

## Heads of Department

### Logan Anderson

Head of Customer Services – Leeds  
0113 394 2515  
logan.anderson@thepensiontrust.org.uk

### John Coy

Head of Compliance  
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### David Galbraith

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### Martin Hoskins

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### Stephen Nichols

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### Mark Rogerson

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### Richard Stroud

Chief Executive  
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### Andrew Walsh

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### Philip Worbey

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Business Growth  
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## Client Managers

### LEEDS

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#### Robert Fletcher

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### EDINBURGH

#### Sheila Buchanan

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#### Pamela Jenkinson

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## New Business Consultants

### Gary Bradley

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### Keith Parker

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### Angela Love

New Business Consultant  
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### Ruth Yates

New Business Co-ordinator  
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ruth.yates@thepensiontrust.org.uk

## Pension Support Services (Contributions)

### LEEDS

#### Fiona Campbell

Data Manager  
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fiona.campbell@thepensiontrust.org.uk

### EDINBURGH

#### Greig McGuinness

Senior Benefit Administrator  
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The Pensions Trust

## Relationships are based on Trust

If you work in the voluntary or charitable sector and you're reviewing your pension arrangements, you're probably looking for a provider that's tried and tested. The Pensions Trust definitely qualifies there. We offer a range of pensions to suit the requirements of different organisations and have the knowledge and expertise to support the administration of your scheme.

Our pension schemes are easy-to-run and cost effective. We have won an award for our innovative CARE Scheme.

What's more, we're one of the UK's largest funds, with a highly successful track record of working with all sizes of organisation – from some of the largest national charities to many of the very smallest. The Pensions Trust is a mutual organisation accountable to its members.



To find out more about The Pensions Trust,  
contact the New Business Team on **0845 123 6660**.  
email [contact@thepensiontrust.org.uk](mailto:contact@thepensiontrust.org.uk) or visit [www.thepensiontrust.org.uk](http://www.thepensiontrust.org.uk)