

# Chief Executive's Review



**Stephen Nichols**  
Chief Executive

Stephen Nichols has been Chief Executive of The Pensions Trust since May 2007. He is a Fellow of the Pensions Management Institute, a Member of the Institute of Directors and a Fellow of the Royal Society for the Encouragement of Arts.

I began my last Review by saying that the previous year had been one of the most challenging in The Pensions Trust's (the Trust's) history. I am pleased to report that the past year has proved much more successful.

## Business Plan

We launched our new five year business plan on 1 October 2009 and adopted the mission statement of 'making membership worthwhile'. Our business plan is centred on offering value to our customers through a focused customer intimate approach. We aim to delight customers by anticipating their needs, providing solutions to them before they ask, exceeding their expectations and making every aspect of the relationship a pleasant experience.

This fundamental change in approach has necessitated a review of how we set targets and measure and report performance. Our previous business plan's destination statement was strongly biased towards quantitative targets; for example completing administration cases within a specified timescale, reducing unit costs and increasing membership. Whilst achievement of such quantitative targets continues to be the foundation upon which our service delivery is built, we believe that the quality of the service we provide to our customers is as important, if not more so. For this reason, the majority of destination targets in our new business plan are qualitative in nature.

Measuring performance against quantitative targets is formula based and therefore relatively straight forward; qualitative targets are more subjective and in the main require us to seek the views of our customers. To find out if we are achieving our targets we have engaged the services of the Customer Service Network (CSN) to carry out independent customer satisfaction surveys. We will receive feedback from customers on an almost continuous basis; learning from our customers' experiences, both good and bad, monitoring if we are moving in the right direction and implementing improvements where we are not.

A key strand of our customer intimate approach is to become a voice about pensions for the charitable and voluntary sector; being a thought leader and instigating change for the benefit of our members. During the year we have worked hard to raise our profile and become a contributor to the wider pensions debate; writing articles, speaking at conferences and contributing to Government consultations. We recognise that allocating resources to these activities is not without cost but believe that this investment will ultimately benefit members both by way of positive changes to the pensions landscape and the fact that raising our profile should lead to membership growth, thus reducing the unit cost per member.

## Customer Relations

There is no doubt that the sponsors of our defined benefit (DB) schemes are facing challenging times, trying to balance escalating pension costs with, in many cases, falling income. Employers are questioning the affordability of their pension arrangements and this year has seen the closure to future accrual of four more of our DB schemes.

Pension scheme trustees face a dilemma when discussing with sponsors the period over which any deficit in the scheme should be cleared. It is acknowledged that the best protection for members is to have a strong employer standing behind the scheme and therefore, it is arguable that trustees could agree to a lower rate of deficit contributions and thus longer recovery plan on the grounds that this will free up more funds for the employer to develop its business and become stronger. The alternative view is that if an employer is in financial difficulties, trustees should attempt to recover as much of the deficit as soon as possible in case the employer ceases to exist.

Our Customer Relations Team work closely with the sponsors of our DB arrangements in an attempt to reach a solution that is affordable to the employer but also achieves the Trustee's prime objective of acting in the best interests of the members. The Trustee recognises the problems facing employers and will consider alternatives to cash contributions to support longer recovery plans.

## Use of Technology

I am pleased to report that the Trust has recently achieved the ISO27001 standard for information security following a successful external audit.

Internationally recognised as the benchmark for good information security, the standard specifies requirements for organisations to show that they have robust systems to manage and control data security risks. This includes strict policies and procedures dealing with the confidentiality of our data and systems.

In support of gaining the ISO27001, the Trust has recently implemented new software that will help identify any erroneous data held in our administration system.

The software, called Data Audit and Reporting Tool (DAaRT), enables the Trust to analyse the quality of data held, address inconsistencies or gaps within the data and identify data anomalies, risks and related impacts.

DAaRT will also assist the Trustee in satisfying the data quality requirements set by The Pensions Regulator, which will be enforced by December 2012. The Trust will also use DAaRT to continuously assess and report on the quality of the data we hold, going beyond the minima imposed by the Regulator.

We are constantly seeking ways in which to improve our communications and recognise that the internet has become many people's preferred method of receiving information. The Trust has recently launched a new website for the Social Housing Pension Scheme (SHPS). It includes interactive calculators, animations and instructions on the defined contribution (DC) membership journey as well as all of the information that you would expect to find in a membership booklet. Rebranded versions of the DC website will be available for the Trust's Flexible Retirement Plan and The CARE Scheme in due course.

The launch of the SHPS DC website coincided with the introduction of their DC structure from 1 October 2010. Workshops were held in September 2010 at seven different locations across the country to explain the features of the new DC structure and the website to representatives of over 130 SHPS employers.

A significant amount of resource has been dedicated this year to the development and implementation of a new workflow system to manage how we allocate and monitor pensions administration tasks. Our customers should see the benefit of this investment via improved efficiencies and service delivery.

The transition to eBusiness has continued during the year. Contribution data for 73% of members is now submitted via the online system, which allows employers to reconcile their own data before submission, significantly reducing the error rate and consequently speeding up the processing of contributions.

## Product Development

During the year the Trustee has reviewed the suitability of the Unitised Ethical Plan's (UEP) existing investment strategy, which is currently only invested in F&C's Stewardship Fund (the Fund). The Fund's pronounced smaller-company bias can lead to significant short-term volatility. The Trustee agreed that from early 2011 contributions to the UEP will be invested in a more balanced strategy, which will include an allocation to bonds, with the aim of reducing volatility, whilst retaining exposure to ethical investments. Following this, the UEP will be renamed the Ethical Fund. Existing assets in the UEP will be transferred to the Ethical Fund in 2011.

The review was prompted by the results of a survey undertaken by the Trust earlier this year. The survey of charity workers showed that whilst the size of pension pot at retirement is still the most important attribute for pensions, it is closely followed by investment in ethical companies.

A new investment option which mirrors the above strategy will also be made available within the Trust's Flexible Retirement Plan in 2011. This new investment fund will be called the Diversified Ethical Fund.

Following consultation with employers, a new DC structure is to be offered within The Career Average Revalued Earnings (CARE) Scheme from 1 April 2011. This will enable employers to limit their defined benefit liabilities without requiring them to withdraw from the Scheme and trigger a cessation debt.

## People

Different personalities and approaches from managers are all part of the diversity of the workforce. However, to get the best possible performance from the workforce, managers need to behave in a way which is consistent with each other and engage their teams.

The Trust has asked its team members and managers what that behaviour should look like and following this consultation has agreed a Management Charter that sets out what is expected of them. I am confident that the implementation of this Charter will further embed our customer intimate approach.

In January 2010 we successfully achieved the Gold Standard for Investors in People. We have also been selected as a 'Champion' in recognition of being a role model organisation willing to share our best practices. This is a significant achievement, providing independent recognition of our commitment to being a learning organisation where our people achieve their potential.

I would like to close by thanking all my colleagues for their hard work and commitment during the year.



**Stephen P Nichols**

Chief Executive, The Pensions Trust

18 January 2011