

Building a better future for DC - *What's on the horizon in 2024*

2023 was a busy year for DC schemes, with a flurry of policy announcements, consultations, new ideas and concepts we all need to consider over the coming year. From the further monitoring of ESG investments, to the development of illiquid assets in DC, through to a new value for money framework, decumulation regulation and the concept of 'provider for life'.

Never a dull moment!

We anticipate 2024 being another busy year and it has already kicked off with the release of the new General Code that trustees will need to get to grips with. So together with that, what should we be thinking about in 2024? Where should our priorities lie? Or should we just wait, continue business as usual, and see what regulation brings us?

We believe whatever we do, it needs to not only deliver for today but support members' outcomes for the future. We have set out four areas you should consider when you set your agendas during 2024.



1. Responsible investments

2023 showed that the UK reaching its target of net zero by 2050 is becoming increasingly challenging, with continued high inflation, volatile energy prices, interest rates and geopolitical issues all in tow.

We saw some large asset managers renege on their earlier climate commitments to the Net Zero Asset Managers Initiative (NZAMI), not to mention governments also watering down their commitments too. These changes highlight the importance of asset owners making decisions and choices that they believe to be right for their members.

Many of the larger trust-based pension schemes were in their second year of producing climate reports. Some of these reports may have served as a stock take of the hard work taken by the trustees, showing the impact of improvements in reducing the schemes' carbon footprints and/or climate projections. However, some may also be left asking the question – how do we deal with the rest of it?



Focus for trustees: Consider developing your strategy allocations and manager line up to incorporate more stewardship and potentially impact investing. We are seeing more evidence that impact investment can deliver positive returns whilst also doing some social good.



Focus for employers: Question whether your provider is making positive changes to the default strategy. If they have already made positive steps, are they communicating it to you and your members? Are they providing the evidence to prove their position?



Focus for Master Trusts: Set out clear plans for 2024 in terms of your RI development and its impact. How is it being implemented and how does it impact on your members in terms of cost and outcomes? Are you investigating other ways to implement your net zero target and how are you achieving this?



Focus for all: Consider how you are communicating the RI strategy to your members and how you are understanding their views.

2. Value for money

Value for money has been a hot topic for some time now and we expect to hear more about the regulation on this in 2024. The industry is working together to try and produce a framework that will allow all DC schemes to determine whether they are providing value for money to their members.

There is no doubt, value for money is becoming an increasing focus of the industry and preparing for what is approaching is key.



Focus for trustees: Review how you measure value for money and check alongside the recent consultation response. Consider whether your scheme is giving your members value against others in the market.



Focus for employers: Review your provider against the wider market across all aspects of the offering to see if it continues to provide value for your members.



Focus for Master Trusts: Refresh how you measure value for money for your schemes to make sure it captures all areas of your offering and compares against the wider market.



Focus for all: Communicate to your members, ask them what they would like from their DC scheme and whether the product is meeting their needs.

3. Post-retirement solutions

It may be mandated in the future for schemes to have a post-retirement solution for their members. Making this choice needs to be done alongside what is already offered and what members are likely to do in their later life.

There are a lot of aspects and complexities here to consider as there is no clarity yet on what the DC generation (those with purely DC) will do with their retirement savings.



Focus for trustees: If you already have a post-retirement solution, make sure it is subject to regular reviews and provides what your members need. If you don't have a solution in place, start considering the options available to you and your members.



Focus for employers: Review the post-retirement solutions available and compare them against what your members are actually doing.



Focus for Master Trusts: Consider how to develop your through-retirement offering to make it easy for members when they come to decide what to do with their savings.



Focus for all: Communicate to your members, ask them what they would like from their through-retirement solution and whether any existing product is meeting their needs.

4. Technology and AI

The development of technology and use of AI is continuing to be a fundamental part of a member's pension journey. We think now is the time to ensure you understand the basics of AI and its potential opportunities to enhance outcomes for members as well as drive efficiencies.



Focus for trustees: Seek training on AI as part of your broader training so you can develop your policies around cyber security and AI.



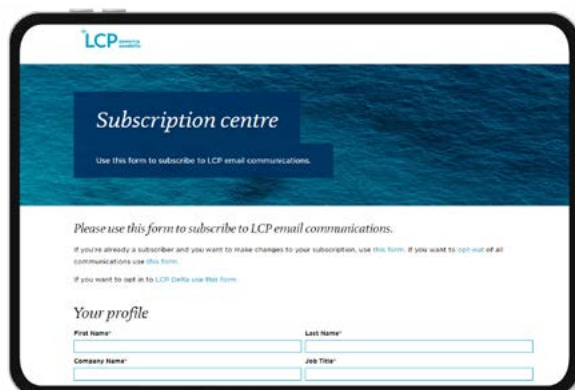
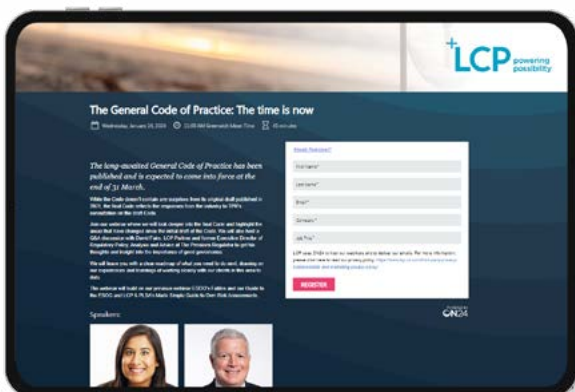
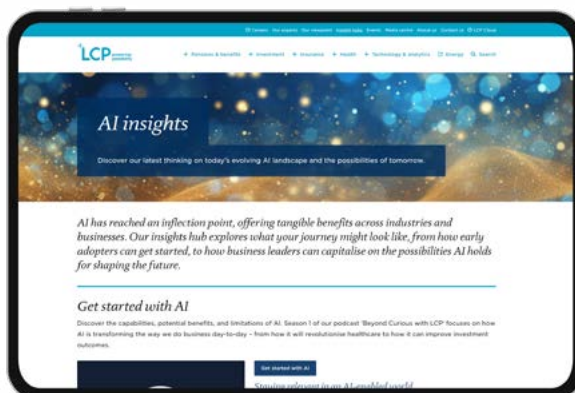
Focus for employers: Training may also be useful as well as asking your provider how they are developing their technology and how AI is incorporated, now and in the future, to make sure your members' data is protected as well as providing them with a good technology journey.



Focus for Master Trusts: Understand the plan for the development of technology and AI for your proposition. Training should be part of this exploration and look at other financial institutions to see how they are progressing their technology and AI.



Focus for all: Continue to keep an eye on how AI is being used across all industries, its capabilities and its potential to support the work you do for your scheme and your members.



How LCP can help

Please reach out to us if you would like to discuss any aspects we have covered here further. We are able to support in all areas of DC, from investment solutions and strategy design through to supporting members' financial wellbeing and communications.



For information on how we are incorporating AI into our business, check out our [AI hub](#) which also has details of how we can help and the AI training we can provide.



For trustees who need to think about the new General Code, we have a webinar taking place on Wednesday 24 January, 11am, where we will delve deeper into the final code. Register [here](#).



Whatever is on your agenda for 2024, it looks like it will continue to be another busy year for our industry. Sign up [here](#) for our weekly Pensions Bulletin, topical News Alerts and our events to help you stay on top of the latest developments.

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