

Influencing Brexit - the ultimate policy challenge?

JAMES WALSH MUSES OVER THE METHODS TO 'BREXIT-PROOF' THE UK PENSIONS INDUSTRY, AND CONSIDERS THE POSSIBILITY OF A SCOTTISH INDEPENDENCE REFERENDUM AHEAD

Influencing public policy should be meat and drink for a trade association like the PLSA. Dealing with the government and regulators is what we do – day in, day out. But sometimes we get an issue of such scale and significance that it goes way beyond ‘business as usual’ – like Brexit, for example.

A little calm reflection shows that the steps we need to take with Brexit are the same as for any other development from Whitehall, Westminster or Brussels.

First, we need to understand the issue – including the legal implications. Second, we need to assess the potential impact on pension schemes and identify the risks (and the opportunities too – some schemes have already spotted the potential for some de-risking in the current market conditions).

Third, we need to brief policymakers on our analysis, explaining what the government can do to ensure pension schemes don’t get damaged. Finally, we need to communicate with our own members, telling them what the PLSA is doing on their behalf and advising on what they can do to ‘Brexit-proof’ their own schemes.

The ‘understanding’ and ‘assessing’ elements are the foundation for everything else. Monitoring government and EU statements and working closely with our European federation, PensionsEurope, has helped us to understand how the Brexit negotiations would work. Perhaps more importantly, we did a huge amount of consulting and listening to our members – through ‘Brexit Roadshow’ meetings across the UK and through an online survey – to build up a clear picture of members’ concerns.

It was no surprise that economic uncertainty, the impact on sponsoring employers and increased liabilities as a result of renewed quantitative easing were key concerns for our members.

We also set up a Brexit Working Group of staff and experts from among our membership to give us extra perspectives. And we held a special session with our legal panel to analyse

the EU pensions law embedded in UK legislation and take a view on what we would like to see retained, removed or amended (overall conclusion – pension schemes want continuity, not a ‘bonfire of regulation’).

The ramifications of a potential second Scottish independence referendum are also a medium-term concern. The issue here is not so much the threat of a full funding requirement under the EU’s cross-border rules, the risk is that the many schemes with active members north and south of the border would have to deal with two tax and regulatory regimes – which could spark a need for complex and costly restructuring.

To brief policymakers on this work, we produced a detailed policy paper (plus a snappier two-page summary) and sent it to ministers and officials. We have followed up with a series of face-to-face meetings with ministers, MPs and officials.

The good news is that our worst-case scenario – UK pension schemes being exposed to a future EU solvency regime but with no ‘seat at the table’ to help us block it – is now well understood in Whitehall. The government ‘gets’ the key pensions issues. But we are a long way from knowing what the outcome of negotiations will be.

Finally, we need to communicate all this activity to our members. This article is a small part of that. We are also making maximum use of the PLSA’s regular bulletins, website and conferences to keep our members posted. We are also producing a handy 10-point ‘to do list’, showing what trustees should be doing, such as reviewing sponsor covenant and checking that their investment strategies still hold good.

Brexit is certainly keeping me busy. But the opportunity to get involved in a genuinely historic set of events is also a fascinating professional challenge. As for how much influence we will manage to secure, ask me again in March 2019... ■



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