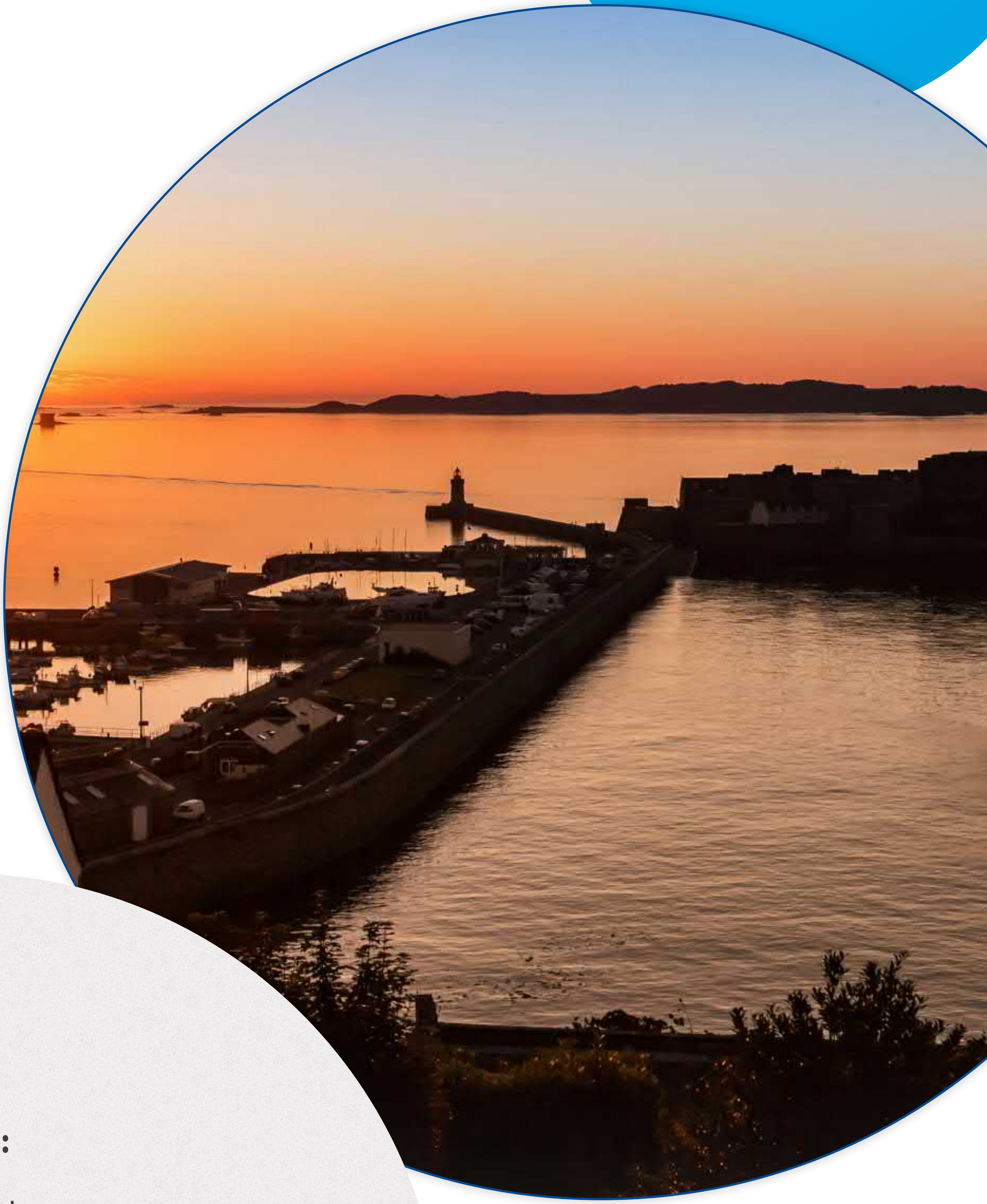
Bandwagon

The BWCI Group Newsletter

Issue 1
2022



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BWCI

Welcome

to the first edition of Bandwagon in 2022.

The consequences of climate change, together with the financial challenges of an ageing population, mean that it is important that there is swift action during 2022 and beyond to create a more sustainable future. At BWCI we have set ourselves an 8 year target to achieve net-zero greenhouse gas emissions.

We also expect to see the preparations for the introduction of Secondary Pensions in Guernsey ramping up ahead of its introduction next year.

BWCI *Lunch & Learn* Series

In conjunction with the Guernsey Chamber of Commerce, BWCI is supporting a series of five "Lunch & Learn" events over the next few weeks.

The speakers will cover a wide range of topics with a particular focus on how they could impact running a business in Guernsey. The speakers are experts in their particular fields and there will be an opportunity to put questions to them at the end of their presentations.

BWCI partner and local pensions expert, John Martin, will be speaking at the lunch on 22 March. He will discuss how employers can plan for the introduction of Secondary Pensions in Guernsey next year.

BWCI Chamber of Commerce Lunch & Learn series

Date	Topic
10 February	First Aid for Corporates
15 February	5 Nudges for a Healthy and Sustainable Life
3 March	What does endemic vs pandemic mean for business?
22 March	Secondary Pensions
5 April	- to be finalised -

All of the lunches take place at the Old Government House Hotel and places can be reserved through the Chamber website: **guernseychamber.com**

BWCI

Guernsey Chamber OF COMMERCE

BWCI's *Climate Pledge*

Everyone has a part to play in creating a sustainable future. Like many other businesses, we have made a start, but there is still much more to do. Our Climate Pledge is to achieve Net-Zero Greenhouse Gas Emissions by 2030.

We are focusing on three separate areas:

- Reducing the Environmental Impact in our Operations and Facilities
- Reducing Business Travel
- Working with clients to consider Environmental, Social and Governance issues

Net-Zero Greenhouse Gas Emissions by 2030

What we've done so far

As well as setting out our climate pledge, we've also:

- Helped establish the Guernsey Green Forum, a group of leading Guernsey employers which have pledged to collaborate and share knowledge that benefits the local environment and the global community
- Set up our Green Group, which reports directly into senior management, to lead our sustainability initiatives
- Collected data about how our staff travel to work to help us measure our carbon footprint
- Engaged specialist monitoring firm, ESI Monitor, to provide us with an independent assessment of our carbon footprint and how this is changing over time
- Invested in technology to support an increasing level of digital operations
- Reviewed all our facilities and identified various upgrades to improve sustainability

Current initiatives

- Implementing energy-efficient heating and cooling systems in our offices
- Rolling out our new electronic meeting software

Future plans

- Offsetting BWCI's residual carbon footprint to meet our climate pledge

International Focus - *Gibraltar*

Workplace Pensions

Michelle Galpin
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> *"employers need to register their scheme"*

With a resident population of around 34,000, Gibraltar is one of the latest jurisdictions to encourage its workers to save for retirement through a workplace pension.

The legislation[1] came into force in August 2021 and provides the opportunity for "eligible employees" in Gibraltar's private sector to access a workplace pension scheme should they wish to do so.

Over the next six years, starting with the largest employers, every private sector employer will need to provide employees with access to a pension scheme in addition to the existing State pension. The compulsory minimum contribution for both employers and employees is 2% of gross earnings. The legislation focuses on the minimum that must be provided, so higher contributions from both the employer and the employee are possible. For example, employers could opt to pay the employees' contributions as well, as long as the joint rate is at least 4%. Employers who already have a pension scheme in place may not need to make any changes, as long as it meets the minimum requirements.

Who's included?

To be classed as an eligible employee, a worker would need to satisfy the following conditions:

- Be aged 15 years or more
- Have completed 12 months of employment with the employer to whom the pension plan relates, prior to membership of the plan
- Have earnings of at least £10,000 over a period of 12 months

Employers could also include additional employees who do not meet all of these criteria. Employees can opt-out of the scheme and are able to opt-in again at a later date.

Timetable

The requirements come into effect at different times, depending on the size of an employer's workforce.

Employer band	Number of employees	Implementation date
Enterprise	More than 250	1 August 2021
Large	101 - 250	1 July 2022
Medium	51 - 100	1 July 2025
Small	15 - 50	1 July 2026
Micro	14 or less	1 July 2027

Enforcement

The Gibraltar Financial Services Commission has been appointed as the Pensions Commissioner and is tasked with ensuring that both employers and pension scheme administrators comply with their obligations.

Using the form on the Commission's website, employers need to register their scheme with the Pensions Commissioner within 90 days of the date they become subject to the new requirements. Registration with Pensions Commissioner is necessary, even if the employer already has a scheme registered or authorised by the Gibraltar Financial Services Commission. This is because the Pensions Commissioner and the Gibraltar Financial Services Commission are established under separate and distinct pieces of legislation.

Ongoing Administration

An employer will be required to keep the Pensions Commissioner informed of any changes from the original details provided at registration, within 30 days of a change. Examples of changes to be notified include:

- Taking on a new employee
- Termination of employment or redundancy
- Material changes in the terms of employment
- An employee opting-in, after opting out
- An employee opting out
- Material changes to the terms of the pension scheme

The Commissioner has confirmed that it is acceptable for the changes to be notified at the end of each month, rather than piecemeal.

Employee Opt out

While workplace pensions are not compulsory for employees, they must be enrolled automatically by their employer. However they could opt out using the form on the Commission's website. They could also opt back in again at a future date.

Comments

Gibraltar's workplace pension arrangements have been designed to be simple to set up, but the ongoing requirements to notify the Pensions Commissioner of changes on a monthly basis may prove onerous. The minimum joint contribution rate of 4% of gross earnings is relatively low, being half the rate payable into the corresponding scheme in the UK and just 40% of the anticipated 10% joint contribution rate in Guernsey's proposed Secondary Pensions.

Gibraltar does not have an equivalent of the UK's default scheme NEST[2], so employers will be expected to seek out their own pension provider and establish a scheme if they do not already have one.

More information on Gibraltar's new workplace pension requirements is available on the GFSC website: www.fsc.gi.

[1] Private Sector Pensions Act 2019
[2] National Employment Savings Trust

Secondary Pensions

- How much will it cost?

Mike Freer
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> *"long-term contribution rates are expected to be 3.5% for employers and 6.5% for employees"*

In the last edition of Bandwagon we highlighted the timetable by which employers of different sizes were expected to be compliant with Guernsey's Secondary Pensions requirements. In this edition we are focusing on the cost implications, as many employers are now looking at the potential budget implications.

Long-term contributions

Contributions for Secondary Pensions are based on "Gross Earnings" up to the Upper Earnings Limit (£157,404 pa in 2022). The long-term contribution rates are expected to be 3.5% for employers and 6.5% for employees. However, employers will only have to contribute for employees who have not opted-out.

After the 7 year phasing-in period, when contributions reach the long-term rate, the maximum employer contribution (in 2022 terms) for an individual earning in excess of the Upper Earnings Limit would be £5,509 pa; the corresponding maximum employee contribution would be £10,231.

While the maximum employer's contribution rate could potentially be 3.5% of payroll on which social security contributions are paid, the cost could potentially be lower, perhaps significantly so. This is because not all employees will necessarily wish to participate and will opt-out. The "opt-out" rate will be a key driver of the ultimate cost to the employer.

Data from the UK, where workplace pensions have been in place for around a decade, suggest that the average opt out rate is around 10%. However, the rate experienced in a particular business or economic sector could vary significantly, depending on the nature and demographic profile of the workforce.

Actions for Employers

The potential cost and administration burden for employers due to the introduction of Secondary Pensions may seem a bit daunting. Therefore, to help ease the transition, we have put together some points for employers to consider to help them get started. Getting the budget planning and paperwork out of the way now, so that employers are ready to go when the legislation comes into force, should streamline to process.

Getting ready

Employers' Checklist

☑ Review your remuneration package to identify any changes needed:

- ✓ Do you already offer a pension scheme?
- ✓ Does it cover all staff within the scope of secondary pensions?

☑ If you have a pension scheme or are paying contributions into an individual pension scheme which each employee selects:

- ✓ Is the documentation in order?
- ✓ Will it meet the minimum standards?
- ✓ Are any changes needed?
- ✓ How will you communicate with the staff affected?

☑ If you don't provide a pension:

- ✓ How many staff will be affected?
- ✓ What do you need to do to comply?
- ✓ Review contracts of employment
- ✓ Select a suitable pension arrangement to put in place

We're here to help

If you have any questions about secondary pensions or would like to talk through the options in your particular circumstances, please contact **Mike Freer** (**mike.freer@bwcigroup.com**) or **Sarah de Garis** (**sarah.degaris@bwcigroup.com**).

BWCI Pension Trustees Limited, which is regulated as a pension provider by the Guernsey Financial Services Commission, offers a range of services to help employers meet their obligations under secondary pensions, ranging from our Blue Riband suite of positive retirement solutions to a fully bespoke arrangement.

Climate change investment for pensions

Mark Colton
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> *all asset classes are affected*

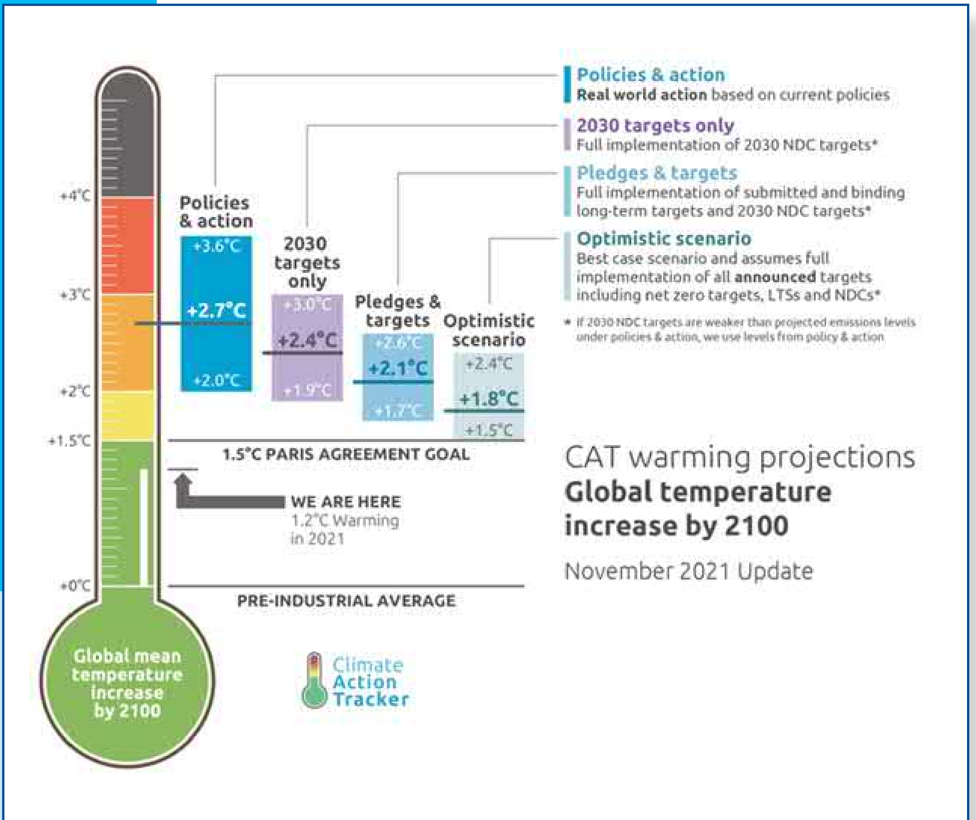
The four horsemen of the apocalypse heralded biblical doom. Climate Change was not one of their number, but the prospects of unmitigated global warming look pretty apocalyptic to most. So how should a pension scheme respond?

One of the first actions is to be clear-headed about the causes. By now, this may seem obvious, but it is surprising to hear how some myths refuse to die. For example, there are those who think emissions from volcanoes are the real culprits.

However, human-related emissions = 100 x volcano emissions[1].

So, anthropogenic emissions are the problem, and the latest Climate Action Tracker shows how successful we have been in tackling them.

Currently, the crucial upper limit of 1.5°C remains elusive, almost certain to be exceeded. This has major implications for asset returns, and qualitative thinking provides useful initial insight.



Source: Climate Action Tracker
LTS: Long-Term Strategy
NDC: Nationally Determined Contributions

Asset classes

Equity investments (shares in companies) are common investments in all types of pension scheme. We might expect investments in low carbon sectors, such as technology, to fare much better than those in fossil fuel extraction, for example.

Bond assets are also common pension plan investments; government bonds may benefit from their safe haven status at the expense of corporate debt, especially in high carbon sectors or emerging markets.

Property investment frequently appears as a pension scheme asset; those buildings that are most exposed to extreme weather events can expect their value to be diminished, even if this is only as a result of the expense required to protect their viability.

To greater or lesser extents all asset classes are affected.

Transition scenarios

To try to organize thinking on a wide range of potential outcomes, three potential scenarios are often considered:

1. **Paris orderly**
   An orderly transition to net zero, with global warming lower than 2°C
2. **Paris disorderly**
   Poorly managed action to net zero, but with ultimate warming no higher than 2°C
3. **Failed**
   No material mitigating action, with global warming of around 4°C

Investors are then able to consider the impact and likelihood of each, and determine how to adapt their strategy accordingly.

Asset class returns

Having these scenarios helps develop thinking on investment returns. An example of one such study, showing total impact on baseline figures (assuming no climate change) over the period to 2060, provided the results shown in the table.

	Paris orderly	Paris disorderly	Failed
Government bonds	+2%	+2%	-2%
Developed market equities	-14%	-25%	-48%
UK property	-17%	-24%	-42%

Source: Institute and Faculty of Actuaries and Ortec Finance

For those familiar with actuarial calculation of DB[2] plan liabilities, these figures worryingly imply reduced surpluses or increased deficits.

Pension investment carbon footprint

Members of DC[3] schemes rely on having suitable investment options provided by their occupational pension, especially in the default option where most are likely to be invested.

The relevance of pension schemes in reducing a member's carbon footprint was highlighted by Richard Curtis's Make My Money Matter initiative, where suitable changes to a member's pension investments were calculated as having about 27 times the effect of becoming a non-flying vegan.

The benefits apply to DB investment too, which underlines the significant role pension investments can play in helping achieve net zero by 2050.

Summary

Four horsemen of the apocalypse are more than enough. Action on pension scheme investment can improve the financial interests of schemes and make a material contribution to achieving net zero.

The investment consultants at BWCI are experienced in climate change issues, and available to assist those trustees and employers interested in learning more or in taking action.

[1] https://climate.nasa.gov/faq/42/what-do-volcanoes-have-to-do-with-climate-change/
[2] Defined Benefit
[3] Defined Contribution

BWCI *Bursary* 2022

We're delighted to announce the opening of our bursary scheme for 2022. Our bursary gives one student the opportunity to gain some valuable work experience as well as have some financial support during their studies.

More information and an application form can be found at **https://www.bwcigroup.com/Careers/Bursary** or you can email **hr@bwcigroup.com**.

The closing date for applications is **25th February 2022**.

Diary *of* Events *2022*

(Provisional dates, subject to Covid restrictions)

- **22 MAR** — ***BWCI Lunch & Learn Series 'Secondary Pensions'***
- **29/30 APR** — ***Guernsey Dancefloor Challenge***
- **14 MAY** — ***Thirst Music School's 'Battle of the School Bands'***
- **20/21 NOV** — ***BWCI Camerata Weekend***

Guernsey's *Dancefloor Challenge* 2022

The Dancefloor Challenge is Guernsey's answer to 'Strictly Come Dancing'... the longest running and biggest charity dance event in Guernsey each year. Over the past 15 years, non-dancers have been paired with dancers and "challenged" to learn two dance routines over a three-month period and then perform them to their friends, family and the public. The Dancefloor Challenge raises thousands of pounds for the Guernsey Amateur Dancesport Association (GADA) and other great charities, but most importantly, it creates unforgettable memories.

Matt Stanbury & Charmaine Garrick

Gordon McKee & Eloise Desmond

This year, BWCI has three members of staff taking part; Matt Stanbury (dancing the Tango), and Gordon McKee who is teamed up with dancer Eloise Desmond (dancing the Rumba).

This year's theme goes back 50 years to the 1970s, so we're looking forward to seeing all those disco outfits!

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