



Morten Nilsson

In April this year, you announced the new trading name for BT Pension Scheme Management (BTPSM) – Brightwell. Why was Brightwell launched?

Yes it is a new trading name but this is so much more than just a name change. Historically, BTPSM had solely existed to serve the BT Pension Scheme (BTPS); and with the launch of Brightwell, we have opened our capabilities across investment, administration and advisory to other, like-minded DB schemes. The first of these was the DB section of the EE Pension Scheme which, in April, appointed Brightwell as its fiduciary manager.

Although BTPS is one of the largest corporate pension schemes in the UK, it's closed to new members and to future accrual and is very mature. The weighted average age in the scheme is 70 and, by 2035, virtually all of the members will be retired.

The scheme has been considering its endgame and the decision was taken not to pursue an insurance-led buyout but to run off.

In recent years, we've made significant investments in systems, people and processes in every area of our business. We've insourced a number of key functions, including establishing an award-winning administration team based in Chesterfield.

We have in-house liability-driven investment (LDI) capabilities and have

A brighter future

▶ Francesca Fabrizi sits down with Brightwell CEO, Morten Nilsson, to look at where the DB pensions market is going, the opportunities and challenges that lie ahead, and how he believes Brightwell can fill a gap in the market

built significant expertise in areas such as longevity risk, sustainable investment and technology.

We're proud of what we've achieved but, looking to the future, we could see that securing the talent and expertise we need to run off the scheme securely was going to become increasingly challenging. Right now, we have a highly skilled and capable team but, over time, we were concerned that retaining this talent could be tough.

The work will inevitably become more transactional in nature and less challenging as the scheme shrinks. In addition, maintaining the high levels of service we currently provide in a cost-effective way was going to become much harder. So we began to think about how we could address this issue.

Talking to peers in the industry, it was clear that other pension schemes were grappling with the same challenges we were. By launching Brightwell, we can harness the power of collaboration, giving other schemes the ability to leverage our expertise, innovation and market-leading technology and, in doing so, give our colleagues a more inspiring future and benefit further from economies of scale.

We aren't pooling assets or sharing risk, and schemes we partner with can work with us in the way that best suits them. In doing so, they can retain and preserve their own identity which we know, for many, is of paramount importance.

With Brightwell, we believe we can improve quality, value for money and member outcomes both for BTPS and for the schemes we partner with.

▶ It sounds like a win-win, but how is it going so far? What are the challenges you see?

There used to be an unquestioned push towards buyout but that is changing, and increasingly schemes are considering other options in more detail and giving careful thought to the cost and benefits of buyout.

For those schemes that do want to run on for a period of time, they can see real benefits to the Brightwell model and we're having some interesting discussions. Schemes really appreciate that what we offer is different to anything else in the market and we're truly focused on improving scheme outcomes.

Managing a DB pension scheme is far from easy and it's getting more and more complex. The economic outlook is challenging, the portfolio risks posed by climate change need careful management and members expect high-quality online services, which demand increased investment.

Regulatory pressures and external scrutiny are growing, and the reporting burden is growing every year.

Even for large, well-resourced schemes, keeping on top of everything is challenging. We can see an opportunity to leverage all the expertise we have helping other DB schemes get the management, the member services and the support they deserve – member focused, end-to-end and fully aligned to long-term end-goals and objectives.

In my opinion, while the pensions sector is, on the surface, well served, advisers and suppliers often don't look at the schemes they are working with

end-to-end. As a result, the approach they take and advice they give can end up being fragmented and often costly. Where Brightwell is different is that we approach the challenges schemes are facing with the mindset of a pension scheme. We develop bespoke solutions rather than sell products and we work in deep partnership as an in-house manager but on a contractual basis.

I think there's a real problem with value leakage in the pensions sector, it's inefficient and often misaligned. There's lots of advisers and suppliers but nothing's really joined-up and there are many conflicts of interest. I think for too long the pension market has accepted having under-resourced in-house teams and relying on costly sub-standard services from external providers. I'm keen to see this change and I think Brightwell can be a part of the solution for certain schemes.

On the funding and fiduciary side, there is a real need to ensure the endgame is well considered and fully agreed and supported by the sponsor, that all the risks are well managed, including longevity risk, and that the investment strategy is well implemented, as we have done for BTPS.

On the administration side there's quite a bit of disillusionment with the third-party administrators so the solution we offer combines the strength from the Procentia administration platform with Brightwell's pension management know-how and highly skilled contact and admin centre team in Chesterfield.

The Procentia system gives members instant access to personalised pension information and the ability to self-serve for all key tasks, such as retirement quotes and changes to personal details.

Since we introduced it for BTPS in 2021, we've seen significant increases on member satisfaction with our online services.

➤ What impact it has on the work you do for BTPS?

Although we've changed our name, the

service we provide to BTPS remains completely unchanged.

From the outset, we've been very clear that expanding what we do to other schemes will in no way negatively impact the service we provide to BTPS. This is about preserving the high levels of service for the future and building additional resilience into the model.

We're being very deliberate about the schemes we choose to partner with. There has to be shared values and clear synergies. We want to partner with like-minded schemes, who want to deliver for all their stakeholders and are committed to achieving their objectives in a long-term sustainable way.

As a new entrant it is unusual to say this, but we have declined more opportunities than we have decided to pursue. This is because we are not chasing volume – we are looking for true partnerships.

➤ How would you say the DB sector is evolving?

The DB sector is hugely fragmented and there's widespread consensus that a small number of better run schemes would be beneficial. For both DB and DC schemes, consolidation is seen as the way to reduce costs, improve governance and achieve better investment and member outcomes. There is no doubt scale is critical in pensions.

Consolidation is also increasingly being seen as a means of serving the interests of the wider UK economy; delivering economies of scale and facilitating opportunities to make meaningful investments in 'productive finance', such as large infrastructure projects and innovative technology firms. It was, of course, notable that DC and DB pension market consolidation formed the centrepiece of the Chancellor's Mansion House speech, where he outlined measures for schemes to deliver maximum benefits of scale and achieve better investment returns.

One of the big questions is whether

there are enough options open to DB schemes that want to consolidate. At one end of the market are DB master trusts and superfunds and, given the funding position of many schemes, buyouts seem an obvious solution for some but aren't right for everyone and concerns around capacity remain. This is the gap we think Brightwell can help fill.

➤ As 2023 draws to a close, what are your priorities for the year ahead?

We continue to focus on enhancing the services we provide both in member services where we're continuing to invest in our online and telephony services. We'll shortly be launching fully online retirements for BTPS, which is a really exciting development.

Last summer we launched the Brightwell Pensions Academy, which is a way to develop a pipeline of administration talent.

We recruit people of any age and background, with little or no pensions knowledge, but who have strong potential, a great attitude and a willingness to learn and take them on a year-long structured training programme. At the end of the programme, they graduate as qualified pensions administrators. The academy has been a great success and we'll continue to invest in it.

We have just finalised the triennial valuation on behalf of the BTPS trustees and recently completed a £5 billion longevity swap for BTPS, which we will be managing alongside a previous swap. In the investment team, we're continuing to invest in new technology to better help manage and model our liabilities and continue to evolve our approach to sustainable investment.

The Brightwell model has been well received. The DB market is moving quite fast and I think we're coming into the market with the right solution at the right time.

➤ Written by Francesca Fabrizi