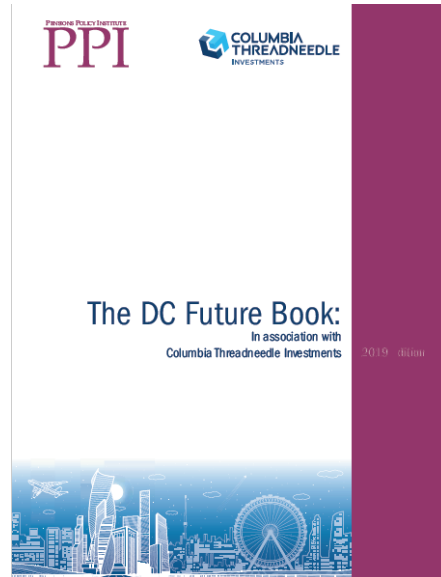


## The DC Future Book 2019 edition

### Launch write up

The Pensions Policy Institute (PPI) held a policy seminar on 19<sup>th</sup> September 2019 to launch *The DC Future Book 2019 edition*, in association with Columbia Threadneedle Investments. The event was also hosted by Columbia Threadneedle Investments. Current and future retirees will live longer, receive their State Pension later, depend more on Defined Contribution (DC) savings, have no, or low, levels of Defined Benefit (DB) entitlement, and will be able to flexibly access their DC savings. These changes increase the risks borne by pension scheme members and the complexity of decisions people must make at and during retirement. It is important that a comprehensive compendium of DC statistics and data is available to allow observation of, and reaction to, developing trends. The DC Future Book, now in its fifth edition, sets out available data on the DC landscape alongside commentary, analysis and projections of future trends.



Over 50 people representing a broad range of interests within Government, the investment industry, the pensions industry and the third sector attended the seminar.

**Jonathan Stapleton, Editor-in-Chief, Professional Pensions and Workplace Savings & Benefits (WSB), chaired the event.**

**Chris Wagstaff, Head of Pensions and Investment Education, Columbia Threadneedle Investments,** gave a sponsor's welcome to the event. He reflected that the DC Future Book, now in its fifth year, is becoming the longitudinal study of the DC pensions landscape that was envisaged at the time of its inception.

**Daniela Silcock, Head of Policy Research, PPI,** presented the findings of the **research**: She reflected on the evolution that has occurred within the pensions landscape in recent years, in terms of where we've come from, where we are today, and where we are going, as well as what we need to do to get there.

**Nico Aspinall, Chief Investment Officer, The People's Pension,** gave an industry perspective on the research, emphasising the importance of mission clarity in relation to good governance, as well as the importance of continuously assessing strategy and revising when necessary.

**Trish Curry, Regional Head UK, Australian Super**, gave an international perspective on the research with an overview of the Australian experience. The Australian DC system is much more developed than the UK, but is now seeing a tightening of regulation and media attention, alongside the increasing importance of trust.

**David Fairs, Executive Director of Regulatory Policy, Analysis and Advice, The Pensions Regulator**, gave a regulator's response to the research. He emphasised the importance of greater control from the regulator aimed at a common goal of improving member outcomes, with master trust authorisation and movement towards greater consolidation crucial going forward.

**Andrew Brown, Client Relationship Director, Columbia Threadneedle Investments** joined the other speakers for the panel discussion and Q&A.

### Panel discussion and Q&A

The following points were raised during the panel discussion chaired by Jonathan Stapleton and Q&A session, held under the Chatham House Rule. They do not necessarily reflect the views of the Pensions Policy Institute or all panellists.

The following themes of discussion emerged:

#### **Governance and consolidation**

- The need to encourage trustees who are not necessarily adequately fulfilling their responsibilities towards consolidation.
- Role of individual choice in the Australian DC system driving competition between schemes and, as a result, improved governance and performance. However, at present it would likely be difficult for most UK savers to make effective choices about which scheme to join due to low levels of engagement and the fact that performance data is not available in the same transparent way that is mandated in Australia, making it harder for members to compare schemes.

#### **Evolution required by policy and regulatory change**

- The introduction of pension freedoms has necessitated a change in the role of providers. The way that members will access and use their DC savings is no longer predictable, and this requires adjustment and innovation in investment practices.
- Much of recent innovation has been reactive, driven by government and 'pioneer' large providers.
- Environmental, Social and Governance (ESG) considerations becoming increasingly important to investment strategy. Emphasis needs to be on generating value for the members.

#### **Engagement and automatic enrolment**

- The problem of how to get savers more engaged ahead of retirement when the success of automatic enrolment has relied upon inertia.

- The risk that some people who have been automatically enrolled and who have low levels of engagement may have false confidence about the retirement outcomes they are likely to achieve.
- The importance of thinking holistically about finances at and during retirement.
- The need to revisit contribution rates but any changes must consider the difficulty of getting both employees and employers to contribute more.
- The need to improve coverage for people disproportionately excluded from automatic enrolment.