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The DC Future Book: in association with Columbia Threadneedle Investments

Presentation slides: PPI Launch Event 23/09/2020

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Nick Ring,

<u>**CEO, EMEA,**</u>
<u>**Columbia Threadneedle**</u>
<u>**Investments**</u>

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Welcome from the Chair

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Elizabeth Pfeuti,

Financial Journalist, Rhotic Media

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Key findings

Lauren Wilkinson,

Senior Policy Researcher, Pensions Policy Institute

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The DC Future Book 2020 edition: Key findings

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A continuation of positive accumulation trends associated with automatic enrolment:

- Opt-out rates remain stable, contribution rates increased, persistence rates have fallen

Trends in access to DC savings also continuing

- Full withdrawal remains the most popular option but the most money continues to be spent on drawdown
- Non-advised drawdown sales increased between 2018 and 2019

ESG highlighted as an area of focus for DC investment

10.3 million workers were automatically enrolled by July 2020, a further 9.8 million were found ineligible

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Cumulative numbers of workers automatically enrolled and cumulative numbers of workers found ineligible (since January 2014) by month

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Opt-out rates have remained stable, while contribution rates have increased. Persistency of saving has, however, fallen

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Opt-out rates

9%

Contribution rates

Employee 4%
Employer 3%
(DC trust)

Persistence rates

70%

Full withdrawal remains the most common way to access DC savings

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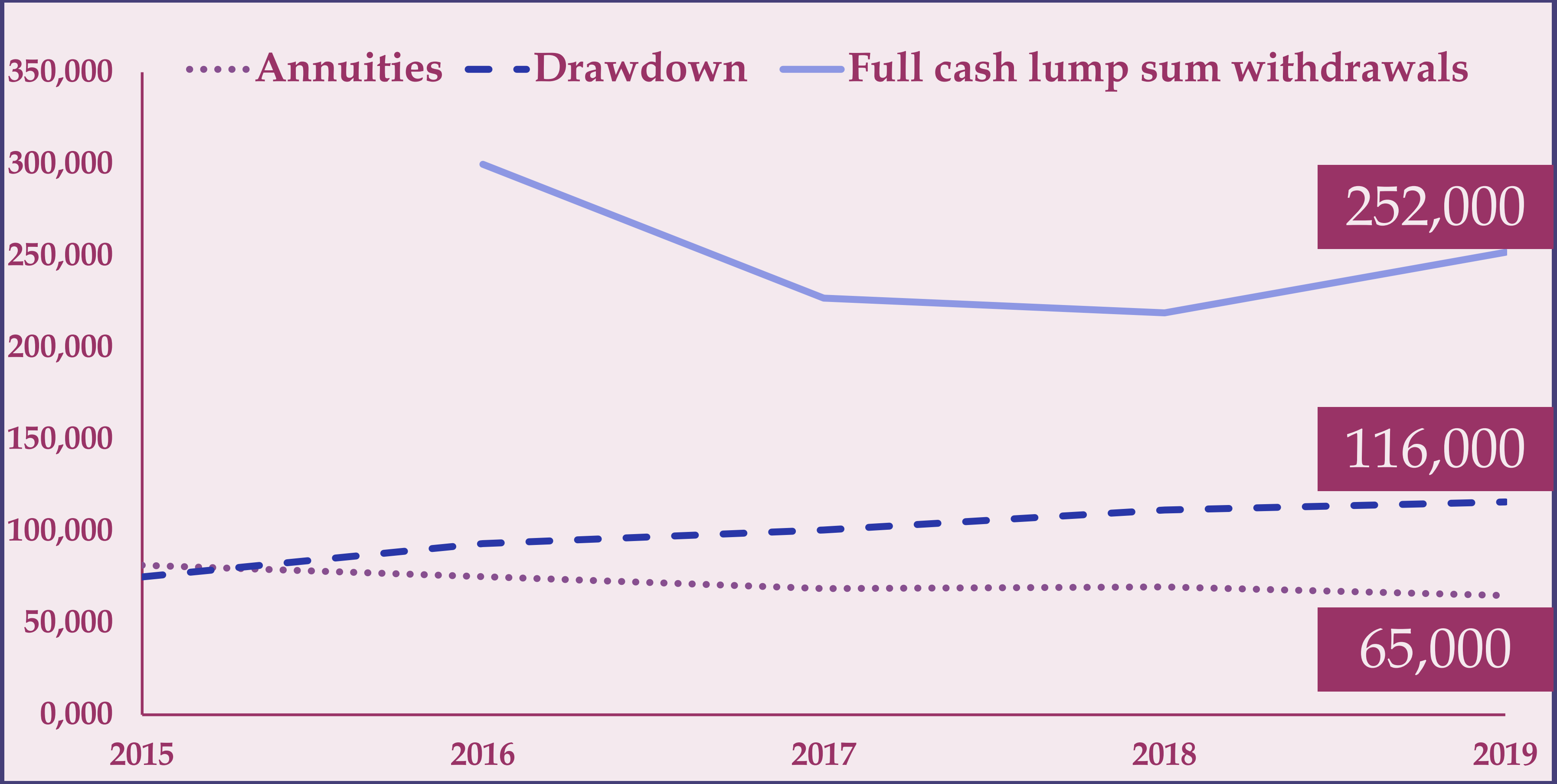
Numbers of drawdown and annuity purchases and full cash lump sum withdrawals by year, ABI members



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People continue to use more money to purchase drawdown products than annuities or in making lump sum withdrawals

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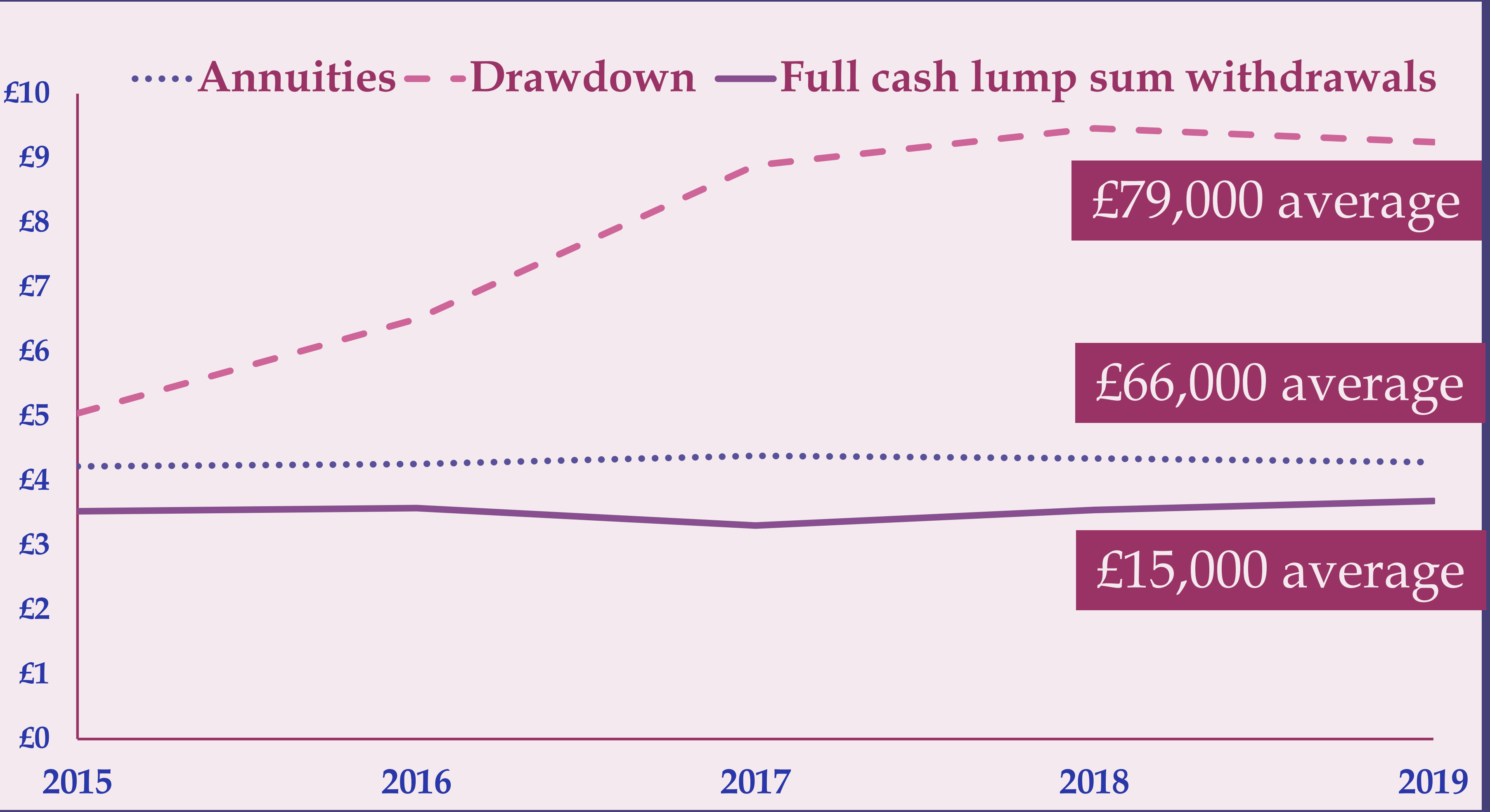
Value of retirement income products and full cash lump sum withdrawals by quarter (billions), ABI members



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The proportion of non-advised drawdown purchases increased between 2018 and 2019, while annuity advice levels remained low but stable

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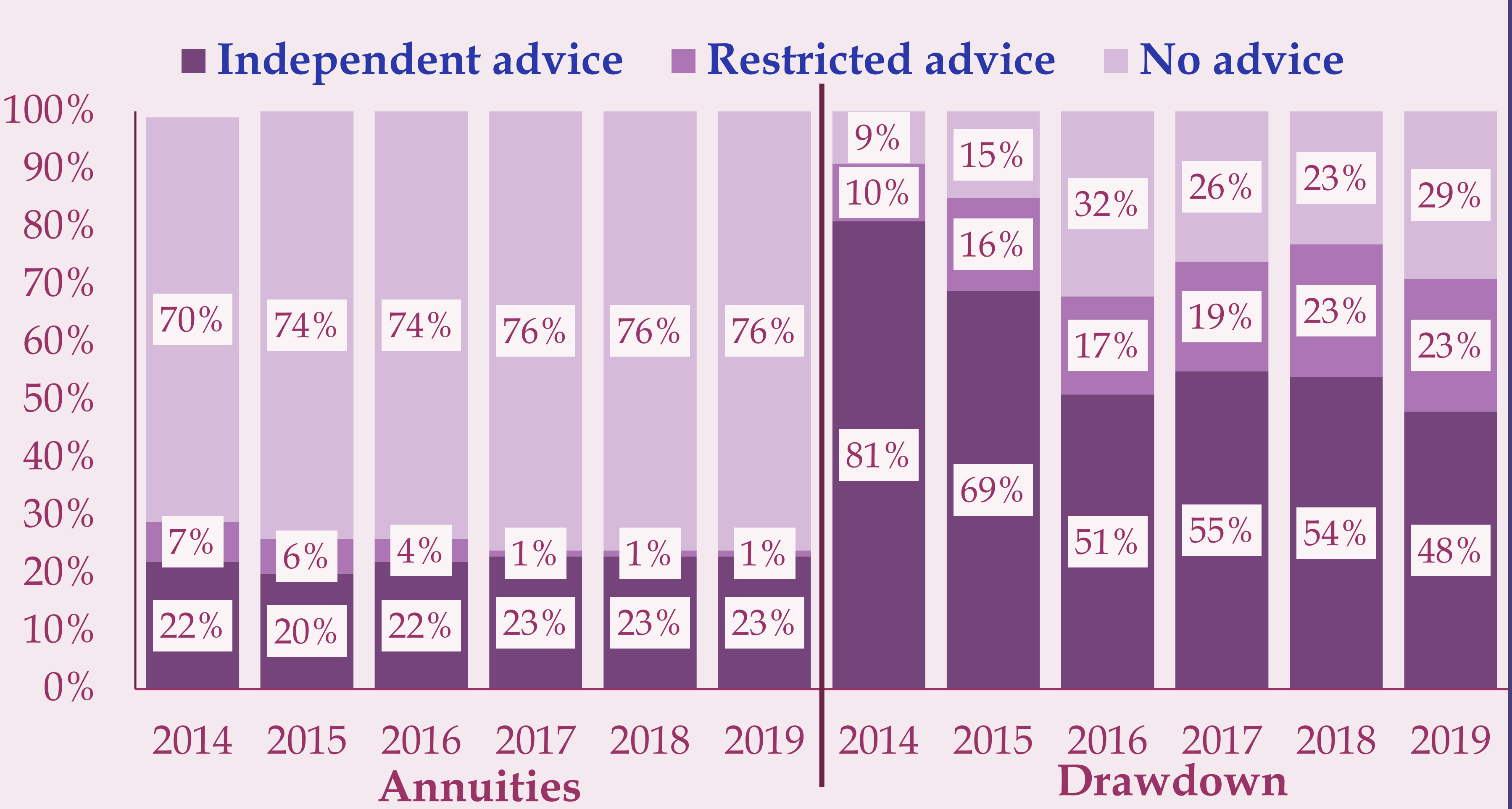
New annuity and drawdown contracts sold, by level of advice used, 2014-2019, ABI members



ESG risk factors are becoming an increasingly important consideration in pension schemes' investment decisions

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Regulation strongly encouraging trustees and providers to become more informed on ESG issues:

- SIP regulation changes – October 2019 and October 2020
- 'Taking action on climate risk: improving governance and reporting by occupational pension schemes' consultation

- Schemes who do not approach these issues effectively may not be adequately protecting members from long-term risks

Integrating ESG considerations into investment strategies can be complex

- Level of financial risk mitigation
- Delivery method
- Cost
- Governance
- Scheme type (particularly scale)

Schemes have a responsibility to monitor ESG activities being undertaken on their behalf

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While investment through pooled funds may mean that trustees and providers do not have as much influence on their ability to develop bespoke engagement strategies, a thorough understanding of the engagement and stewardship activities being undertaken on their behalf by asset managers is necessary to comply with regulations and ensure that members are adequately protected from ESG risk factors

What's next for DC?

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- Automatic enrolment: Opt-out rates, contribution rates, persistency of saving, eligibility criteria, deferred members
- Trends in access to DC savings and advice/guidance used when doing so
- Evolution in the investment landscape with relation to ESG risk-factors
- The impact of COVID-19

Opening remarks from the panellists

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Andrew Brown,
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Group Director,
Columbia
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David Farrar,
Climate Governance
and ESG,
Department for Work
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Gary Smith,
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Further questions…

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