

WELCOME

PENSIONS POLICY INSTITUTE

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What can other countries teach the UK about measuring Value for Money in pension schemes?



The
Pensions
Regulator

The event will start shortly

Your Event Manager today is Lee Massey – 07434 620 684

Welcome from the Chair

Pensions Policy Institute

PPI

Emma Douglas,

Managing Director, Workplace Savings
Aviva and PPI Governor



Twitter: #PPIlaunch

@PPI_Research

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Attendees: please make sure your microphones are muted

We actively encourage tweeting
(please respect The Chatham House Rule)
Please use [@PPI_Research](#) and [#PPILaunch](#)

Please do share the link to the report which will appear on
the PPI's Twitter and LinkedIn pages.



The future is ever changing,
but the PPI remains a constant
“Voice of Reason”
in the ongoing debate on the
future of retirement in the UK.

We are a not-for-profit educational research organisation devoted to improving retirement outcomes.
We do this by being part of the policy debate – providing objective analysis, facts and modelling to
directly influence decision making.

We have been at the forefront of shaping evidence-based pensions policy for 20 years.

We have produced:

Over 140 research reports
and
128 Briefing Notes
to date...

Our Independence sets us apart.

We do not lobby for any
particular cause or political party.
We just focus on the facts.

**We produce credible and
fact-based research.**

Which helps shape future
policy by being part of the
debate.

Today's Event

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What can other countries teach the UK about measuring Value for Money in pension schemes?



This event is to launch the report
**What can other countries teach the UK about measuring
Value for Money in pensions schemes?**

A Pensions Policy Institute report

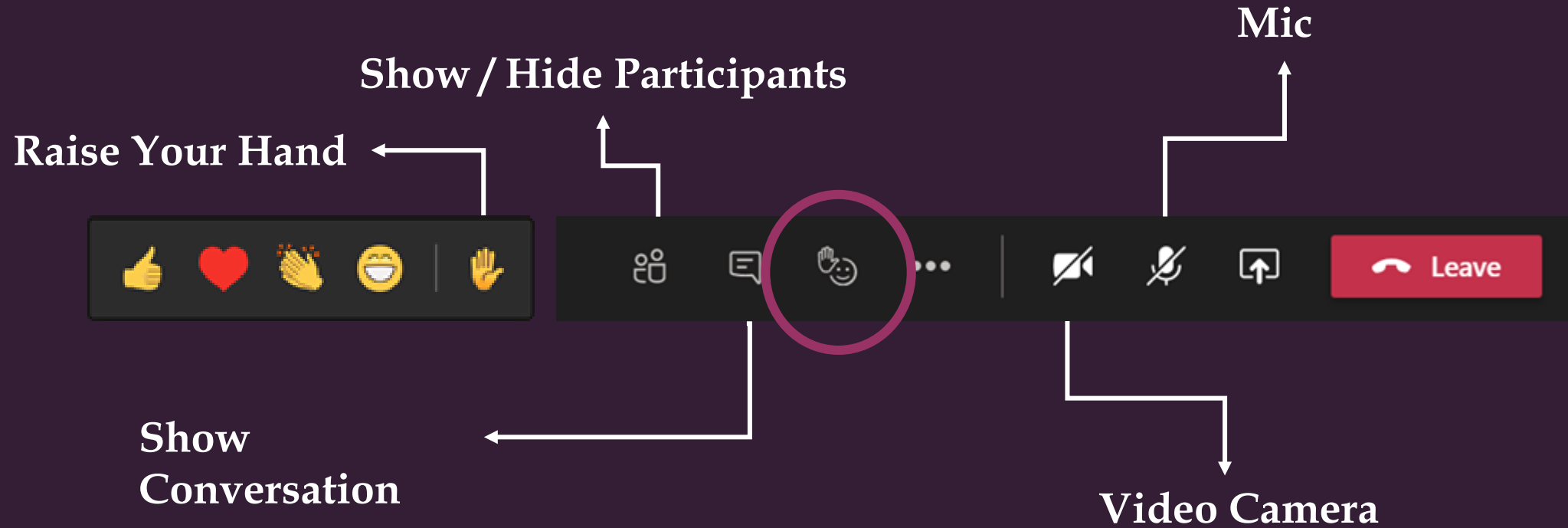
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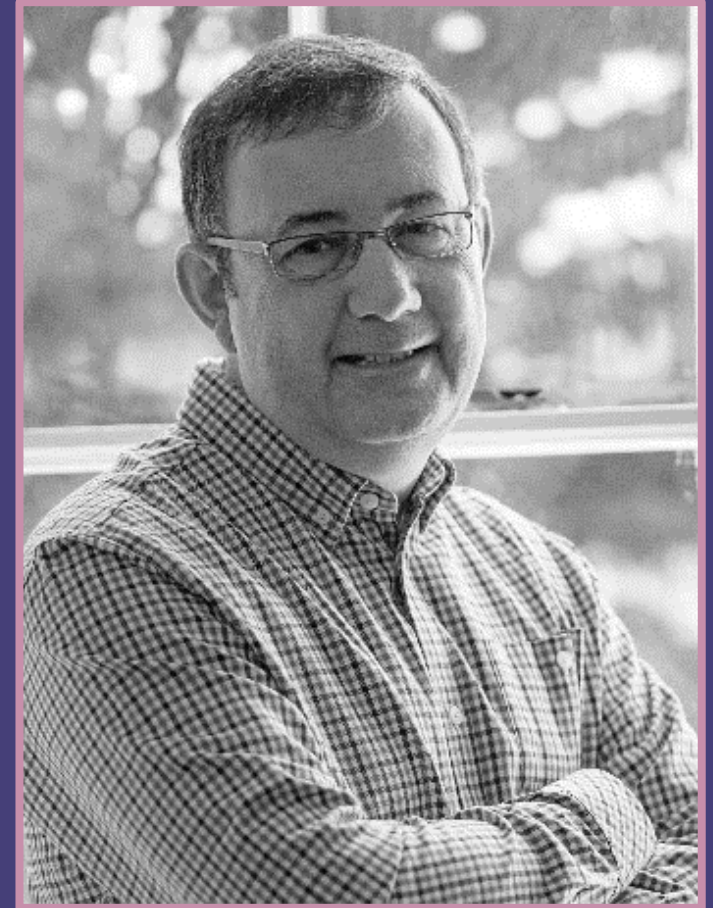


If you experience any issues during the event today, please contact
Lee Massey – 07434 620 684

Key Findings

Nick Hurman,

Research Associate
Pensions Policy Institute
(PPI)



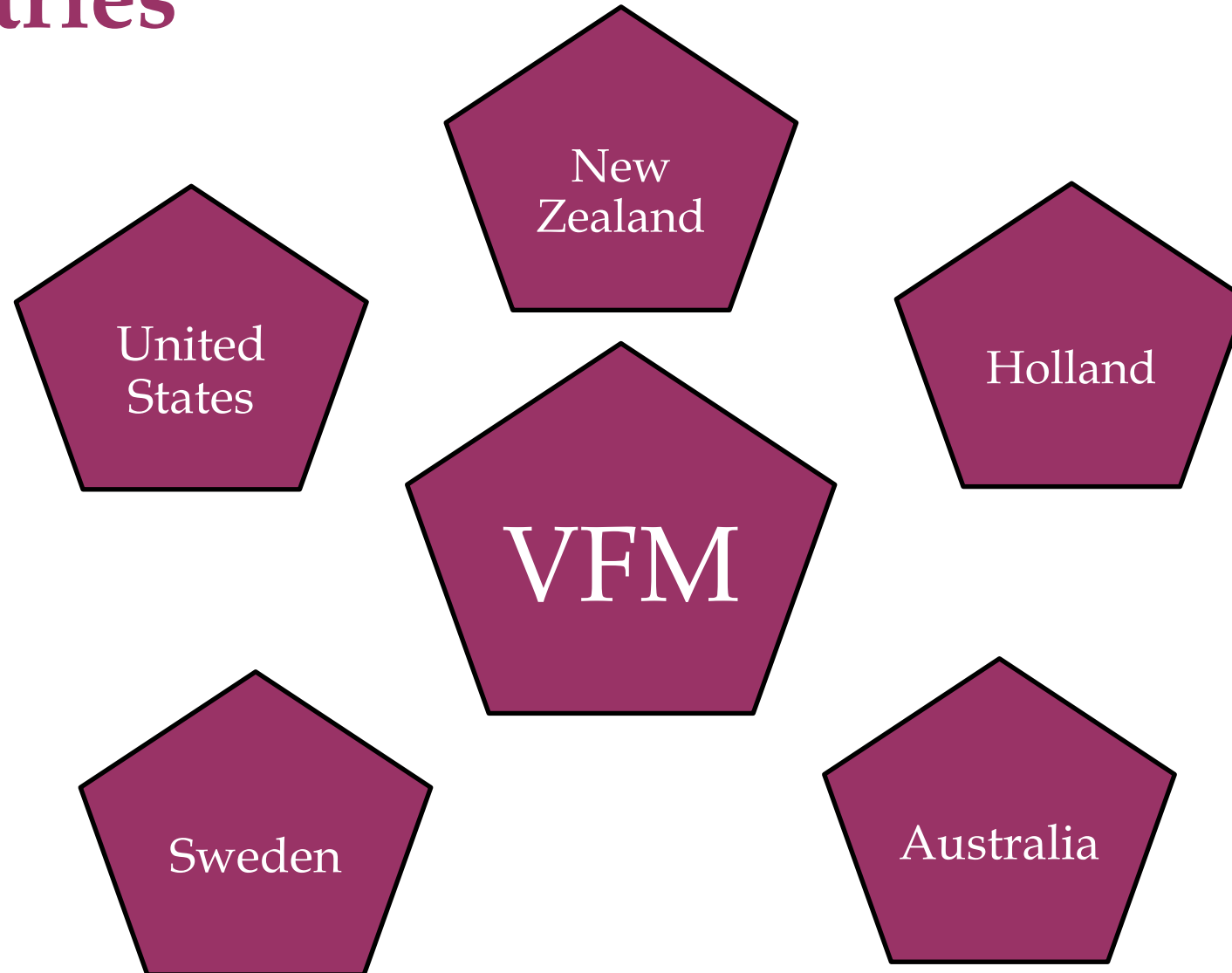
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Ever greater attention on Value for Money (VFM) in UK DC Pensions

- Guidance for trustees and creation of IGCs has led to detailed discussions about how to assess VFM
- Trustees more principles based, IGCs more task focused
- Assessment can be based on comparisons or benchmarks
- Members care less about charges than other VFM measures
- Education and communication are key ways to help members pursue better outcomes
- Regulators are exploring ways to make assessment clearer and easier to conduct

Lessons from DC policy and practice in other countries



The importance of clarity of objectives

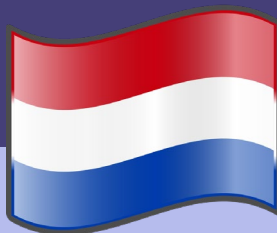
- Example of retendering process for Kiwisaver
- Improved VFM through better understanding of drivers of outcomes and levers available
- Need for policy to lead change and interventions to be designed as reinforcing
- Value of advice and services can be measured through improved outcomes
- Evidence of increased engagement through additional member contributions



Holland

Cost economies of scale limited to smaller schemes

- Example of analysis of Dutch scheme cost data from DNB dataset
- Cost economies of scale start to run out around £500m
- Costs increase in largest schemes that access wider range of unquoted assets to secure higher investment returns
- Cost savings of consolidating all small/medium size Dutch schemes calculated at only £31m
- Reliance on scale effects to make substantial improvements in VFM may be misplaced



Australia

Deploying regulatory benchmarking to drive VFM

- Example of 'Your Future, Your Super' reforms
- Evidence points to central role of governance in VFM outcomes
- Policy focusses on system view of VFM assessed through net investment returns
- Funds benchmarked for investment and fees with regulatory sanctions for material underperformance
- Potential impact of access to alternative investments on returns is relatively modest



Sweden

Challenges of using choice to drive VFM

- Example of consumer behaviour in the Swedish Premium Pension system
- Concerted action resulted in two thirds making active fund choice in first cohort but has now fallen to just 1%
- Continuing oversight needed to protect savers from poor quality offerings
- Difficulties in securing action against vested interests
- Successful execution of default fund based on surprisingly adventurous investment strategy

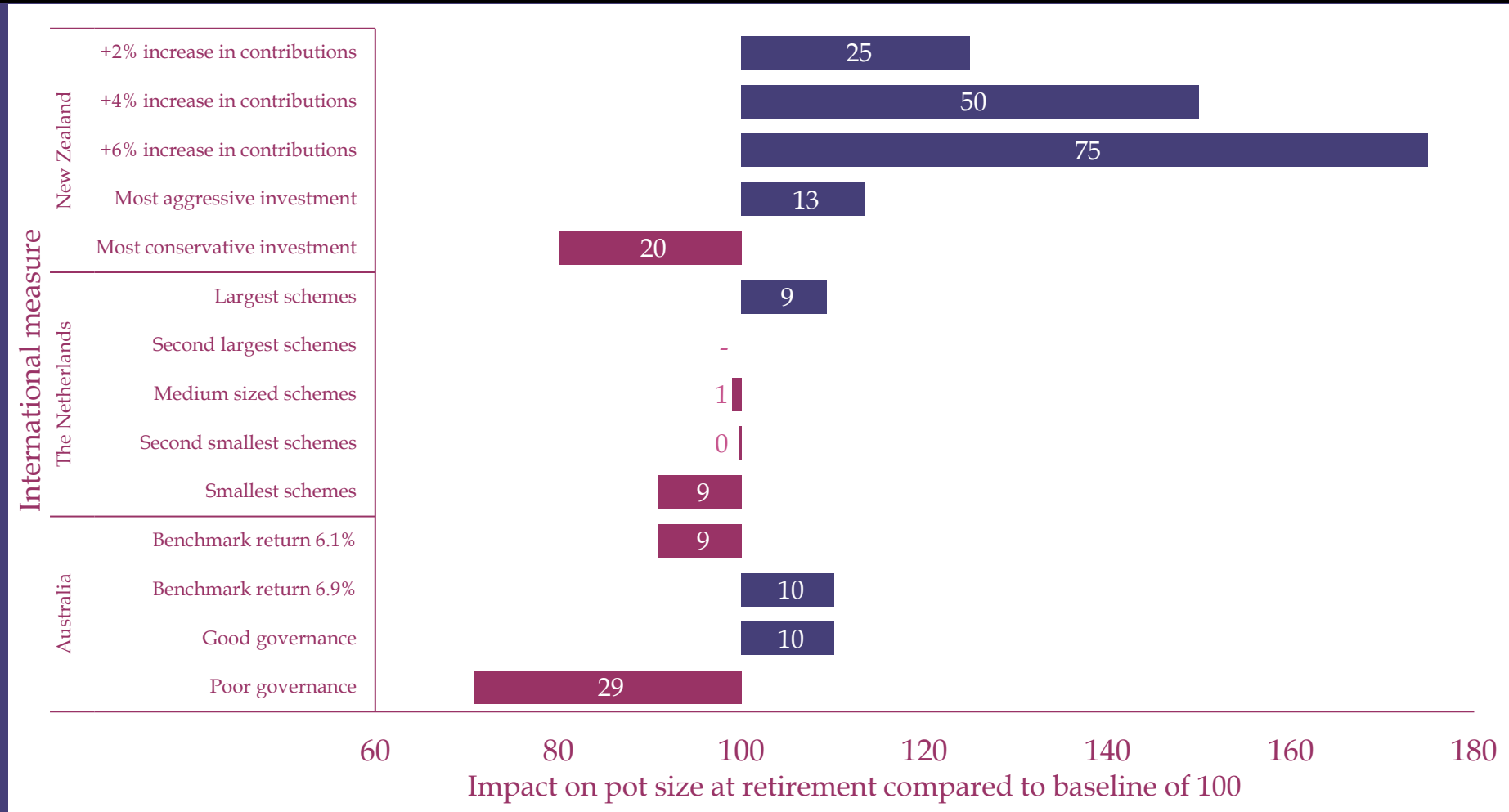


- A key issue is the leakage of funds from the corporate DC schemes to the retail savings market
- The market exerts downward pressure on charges but the spread is wider than in the UK
- Action to improve VFM is largely through the courts rather than regulation
- The use of Target Date Funds to improve VFM is being questioned
- Difficulties in securing data hampers assessment of VFM



Increased contributions have the largest impact on outcomes while a focus on investment returns and governance is also significant

The impact of VFM measures and indicators of poor performance on the pension pot at SPa of Max, a median earning male, aged 32 in 2022, who works full time from age 18 to SPa, contributing 8% of total earnings from age 22, compared to a baseline of membership in a large UK master trust scheme



Conclusions: Key Messages from study for VFM

- Clear statement of and consensus around outcomes sought are necessary preconditions to change
- Clear, measurable and comparative standards for performance are required to secure VFM
- Consistent, robust, complete, publicly available comparable data is vital for authoritative assessment
- Choices must be carefully designed, edited and governed
- Scale has positive impacts but diminishing returns set in
- Investment returns are most significant drivers, but saver outcomes are most influenced by the level of contributions

Response from our sponsors

Robert Holford,

Head of Strategy
The Pensions Regulator



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The New Zealand perspective – Video presentation

Dr Alison O'Connell,

PPI Governor



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*The remainder of the event is held under
The Chatham House Rule*

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Questions & Answers

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There are many ways you can ask questions...

- ❖ Use the raise your hand function
- ❖ **Type your question in the chat section**
- ❖ Email/Text questions to Danielle
(you can remain anonymous if you wish)

07714 250 910

danielle@pensionspolicyinstitute.org.uk



Final Comments and Closing Remarks



Please observe the Chatham House Rule

Thank you for attending today

Thank you to our speakers, Chair and the sponsors for this report

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You should have received the final copy of the report, if you have not please contact Danielle Baker.

Please also share the link to this report on the PPI's Twitter and LinkedIn pages