Facilitating Investment in Illiquid Assets

Comment from the Association of Consulting Actuaries (ACA)

PRESS RELEASE: IMMEDIATE

ACA says new proposals will not open a flood of DC money into illiquids

12 May 2022: The ACA has responded to the DWP consultation on Facilitating Investment in Illiquid Assets. The response recognises the benefits that investing in illiquid assets may bring to members of DC schemes, but says it isn't convinced that the proposals to incorporate statements in oft ignored compliance documents will facilitate their adoption.

Commenting on the response, Tess Page, ACA DC Committee Chair said:

"From a practical perspective, we see no issues with the additional requirements for the disclosures in the Statement of Investment Principles (SIP) and the disclose and explain policy for Chair's Statements.

"From a member perspective, there is value in ensuring that individuals are able to access clear information in a consistent format across their various pension arrangements. The approach set out in the proposals supports this. We do however note that in our experience the Chair's Statement is not the "go-to" source of information for even the most engaged members. We welcome the DWP's acknowledgement in 2021 that the Chair's Statement, in its current form, is not working as a document intended for multiple audiences.

"From a trustee decision-making perspective, we are not convinced that being prompted to comment on policies on illiquid assets in the SIP, or providing asset allocations in the Chair's Statement, will drive material interest and investment in illiquid assets. There is a danger that the wording becomes "boiler plate" in nature, for example by explaining that these assets are not used because charges remain high and availability of suitable vehicles remains low. At the margin, it may prompt discussion for some trustee boards. We have seen examples where other issues such as policies on climate change and other ESG risks and opportunities becomes "template" in nature rather than driving change."

The ACA response says it would be open to the disclosures being required to cover self-select funds rather than focusing on default arrangements. It can be "easier" to introduce illiquid assets as part of a self-select range (owing to there being fewer constraints on charges), and trustees being prompted to consider this may allow confidence to be built on such options in advance of future incorporation in a default arrangement.

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About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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