DC investment approaches – trends/changes in

At last year's ACA Conference, I considered some of the shorter-term investment-related impacts of the 2014 Freedom and Choice in Pensions reforms on DC pension schemes. I also speculated on some of the potential longer-term trends we may see over the years to come.

Another year has passed, and we have a bit more data, but not yet enough to see any definitive longer-term trends. Speculation is therefore still very much required, and indeed I will encourage the audience to join me in doing so!

Some of the areas this presentation covers are:

- Recent experience of behaviour in terms of buying annuities, buying income drawdown products or taking cash – it seems that annuities are not dead quite yet, and even much of the cash taken is reinvested and is from smaller pots anyway.
- That much progress has been made in terms of reviewing investment strategies and engaging members, but there is still much more to do.
- The bullish press headlines in 2014 have been replaced with some concern in the press over whether individuals are making the right longer-term choices.
- A reminder of the typical pattern of spending in 'retirement' and that this will need to be funded from a variety of sources of savings.
- That DC pensions are only one of those sources of savings (<50% for 90% of households) and the reasons why this could change over time – how can trustees/providers/advisers design a default strategy based on only part of a person's wealth?
- How a rethink of the type of investor, the attributes of different asset classes, and what risks we are trying to address, can help to better design a solution; and maybe an annuity isn't such a bad product after all in many circumstances, albeit in combination with other products.
- The progress made so far (some promising, some disappointing) to design new products fit for the new regime.
- How GPP providers have been more pro-active than trustees, and the (sometimes) different approaches taken to the default lifestyle option.
- A range of old and new speculations, to (hopefully) be enhanced and added to through audience participation!

This new DC pensions regime we are now in offers huge opportunities and challenges for individuals, providers and advisers. However, it also presents huge uncertainties and it is likely to take many years for the trends to play out as we step-by-step try new ideas and gain experience together of what works and what doesn't. I hope this presentation can play a (albeit small) part in this ongoing discussion.

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