



# What is the future for DC?

## Peter Dean

**Bluefin**

# The Future of DC

- DB in terminal decline
- Only 33% of private sector workers in a workplace pension
- Of those, 69% in DC schemes
- 40% of DC schemes are trust based
- Membership highest: full-time, higher paid, larger employers

\* 2011 Annual Survey of Hours and Earnings (ONS)

# Regulatory Focus

- Investment Governance Group
  - Governance Structure
  - Investment Choice and Monitoring
  - Clear and Relevant Communication
- DWP Default Fund Guidance
  - All ‘qualifying schemes’ used for auto enrolment
- Work and Pensions Select Committee
  - How to ensure DC delivers good outcomes
- Retail Distribution Review

# National Employment Savings Trust

- 45 yearly target date funds
- Foundation phase to age 30
  - target CPI; volatility 5 - 10%
- Growth Phase to age 54
  - target CPI + 3% p.a.; volatility 10 – 15%
- Consolidation Phase from age 55
  - match retirement benefits; volatility 5 - 10%
- Other funds available

# DC Developments

- Straight through processing
- Investment platforms
- Wider investment opportunities available
- Default Funds
  - Blended funds
  - Risk and security
- Target date funds

# Using DB Strategies

- Diversified Growth/ Absolute return funds
- Products launched using derivatives
  - Portfolio protection insurance
  - Forward starting annuities
  - Interest rate and inflation hedging
- Individual glide-path to retirement?

# Communication

- Appropriate default funds
- Information and technology
- An audience of one
- Use MI for governance and design
- Focus on the level of contributions
- Save more tomorrow

# The Future of DC

- Individual responsibility for retirement
- Better support for members
- Improving standards, reducing costs, gaining economies of scale
- Integrated Workplace saving

## The Future is DC



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# THANK YOU

Peter Dean

Senior Investment Consultant - Bluefin

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