NORTHUMBERLAND COUNTY COUNCIL PENSION FUND
Pension Fund Panel Meeting 23 November 2018

Budget 2018

Hymans Robertson's commentary

Commitment to the Pensions Dashboard

Commenting on the Government's commitment to the Pension Dashboard in today's Budget, Scott Finnie, Product Architect, Hymans Robertson, says:

"We would strongly urge the government to direct its energy and finances towards establishing the data standards necessary for the Dashboard concept to flourish. By doing so, it will facilitate innovation in the consumer applications available. It will allow established providers and new entrants alike to deliver a range of intuitive dashboards and tools to engage consumers in their pension provision. Those innovative applications are the visible face of the Dashboard; the data standards are the foundation. By focusing on the data standards, the government will equip and encourage industry to deliver better retirement outcomes for UK consumers.

"We are very supportive of the Pensions Dashboard announcement in today's budget and welcome the financial commitment of £5m. Open Banking shows that industry led, government-supported initiatives do lead to innovation that benefits consumers, so this support will be fundamental to its success."

Investing in patient capital

Mark Jaffray, Head of DC Consulting at Hymans Robertson responds to the Chancellor's proposal to make it easier for DC schemes to invest in patient capital

"The Chancellor has quite rightly shone a spotlight today on improving access to finance for the UK's innovative firms and infrastructure projects, including encouraging DC schemes to include them in their investment strategy. A move in this direction is welcome as it's important that the barriers faced by DC schemes looking to invest in more illiquid assets, such as these, are reduced. Today's low yield and low contribution environment means that schemes' DC investment strategies need to work harder to generate the returns required.

"We welcome the Chancellor's commitment to consult on the relevance of a charge cap as he encourages greater investment in patient capital. While the charge cap has largely been a positive force, particularly in driving better value for members, it can prohibit investment in illiquid assets which are expensive to transact and manage. Even for larger schemes which have the necessary scale to drive down fees, an allocation to illiquid assets would generally only be between 10% and 20%

of the portfolio. A review of the charge cap makes sense if the Chancellor is looking to increase this allocation.

“Investments such as infrastructure and private equity not only offer the potential for additional returns (which is vital in the early stages of DC investment) but also help to diversify portfolios, a key component of managing risk.

“However the Chancellor’s suggestion to use DC savings to invest in growing businesses should be approached carefully if it involves start-up investment. Although we are advocates of taking higher investment risk during the growth phase of the savings journey, it’s well known that over 80% of start-ups don’t succeed. Unlike in DB, DC members carry all the risk and the last thing we need is for a high profile failure to damage industry confidence and trust.”