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**funds** europe

DC Seminar

Decoding DC Pensions

8<sup>th</sup> November 2018



*Future***Kings**

**FULCRUM**  
▲

  
**Legal &  
General**  
INVESTMENT MANAGEMENT

 Punter Southall  
Aspire



# *Future***Kings**

Building the Business  
Case for Engagement.

Annette Frem,  
Employee Experience Director



**The changing world  
of Employee Benefits.**

**57%**

Employees consider benefits  
& perks in top criteria

**78%**

People more likely to apply  
when benefits are listed

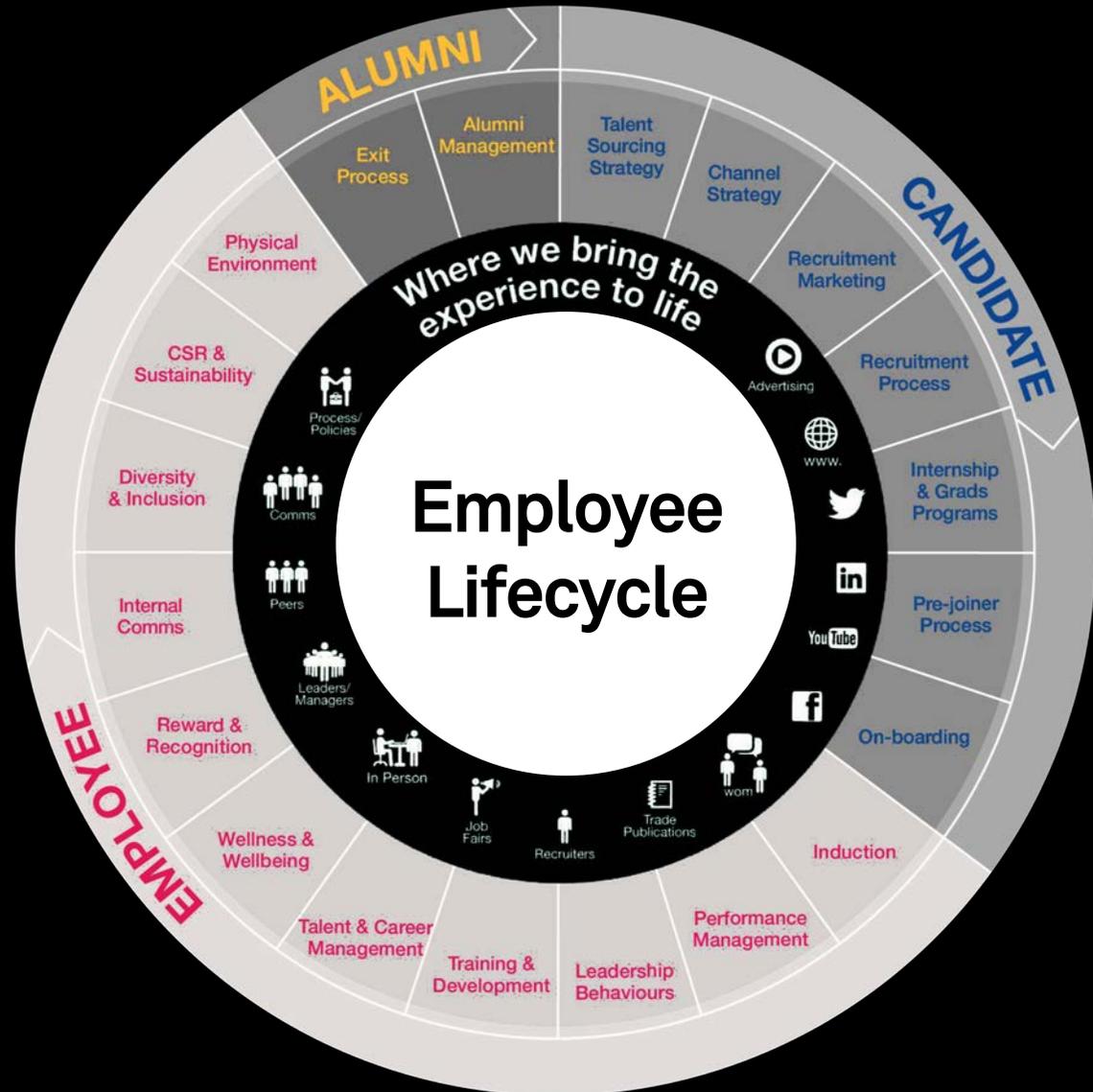
**Majority check out;**



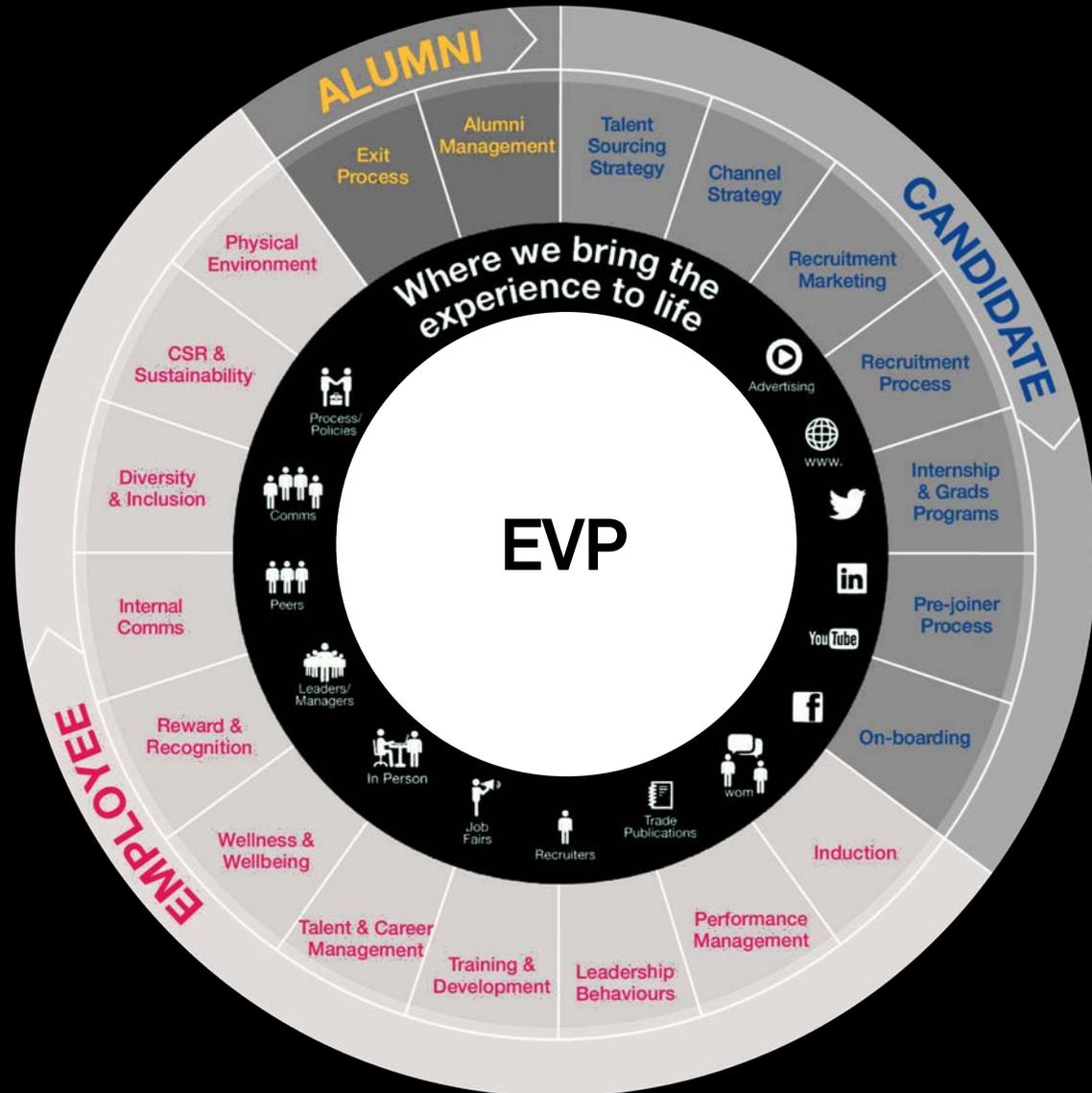
96%

Employees underestimate what their employer spends on benefits

**Building an  
compelling  
employee  
experience.**



**Employee Value Proposition**  
**Culture blueprint**  
**Strategic guidance**



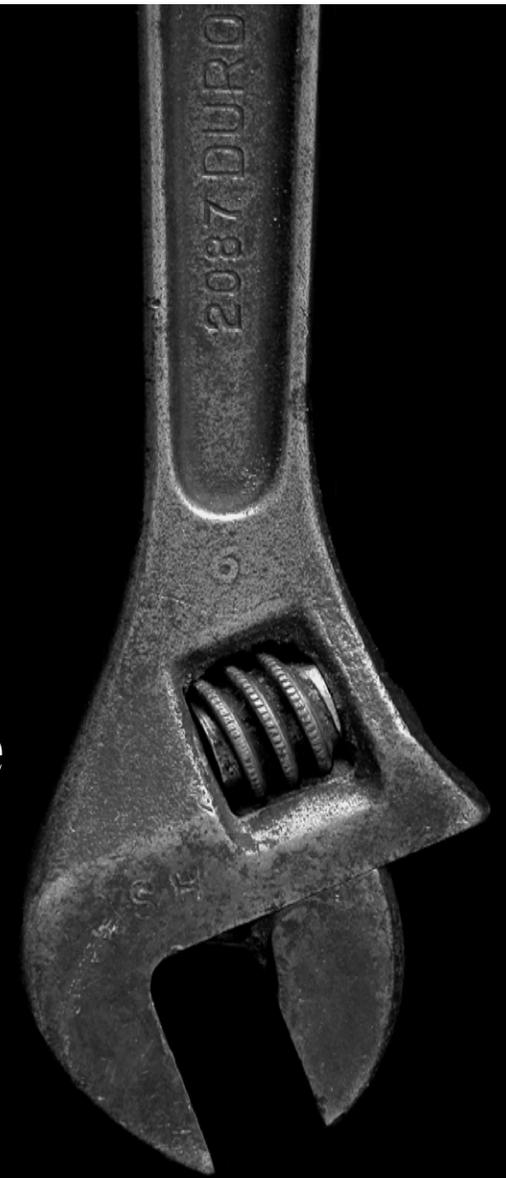


**Communicate**  
**Reward**  
**Recognise**  
**Develop**  
**Recruit**



**The skills, attitude and  
behaviours needed to meet  
your business goals.**

**“It’s crucial to understand what motivates your employees – and what you can realistically do. The trick is to develop an employee offering that complements who you are, what you do and what you’re aiming for.”**





## **Not all benefits are equal.**

1. Flexible working hours
2. Work-from-home opportunities
3. Unlimited paid holiday time
4. Company care or subsidised/free transportation
5. Weekly free lunches

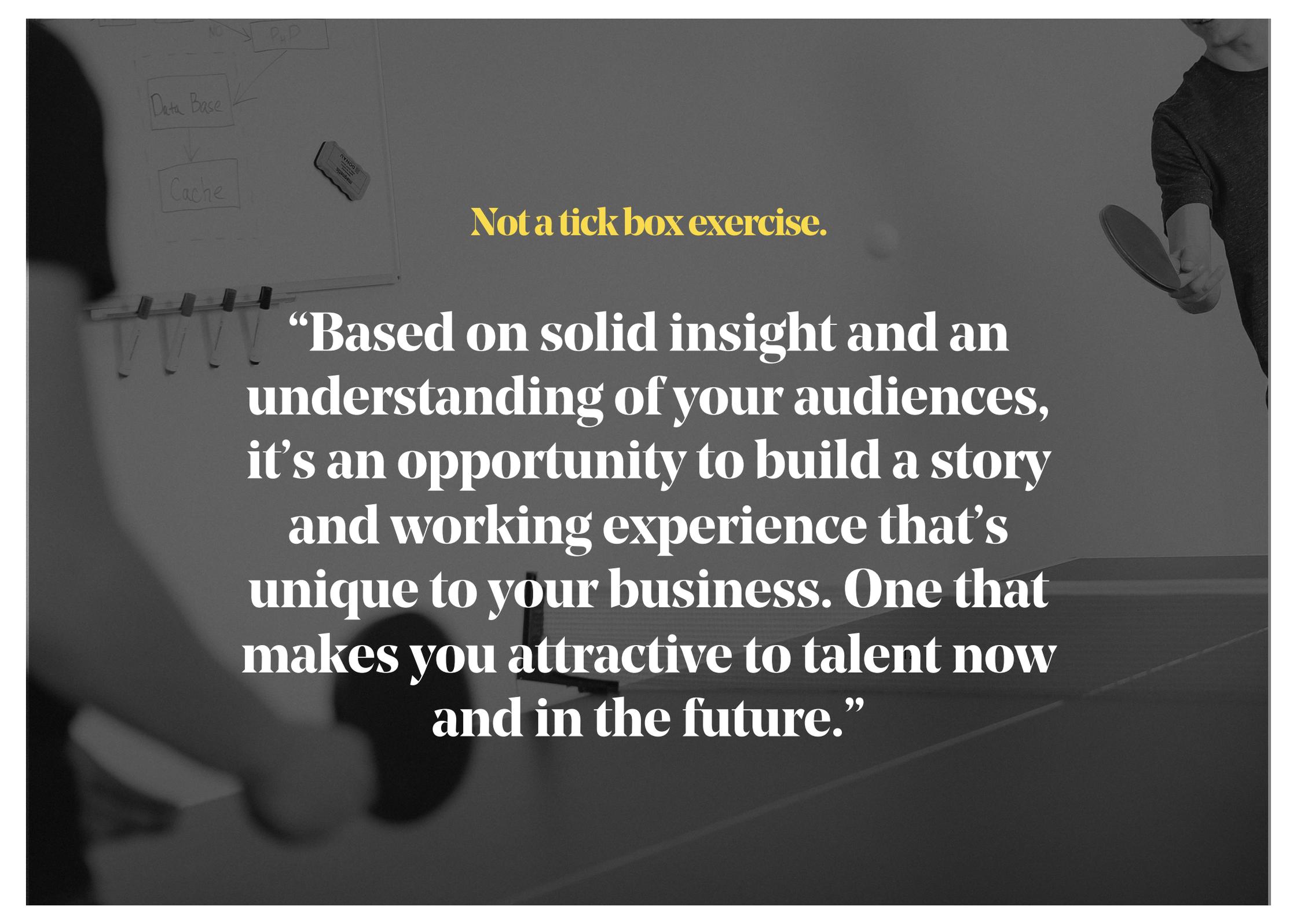
# 72%

of respondents want their employer to proactively educate them about pensions.



# 67%

of businesses do not offer any form of financial guidance

A person in a dark shirt is holding a plate. In the background, there is a whiteboard with a diagram. The diagram shows a box labeled 'Data Base' with an arrow pointing to a box labeled 'Cache'. Above 'Data Base' is a box labeled 'P4D' with an arrow pointing to 'Data Base'. There is also a small box labeled 'Cache' with an arrow pointing to 'Cache'. The whiteboard is mounted on a wall with several clips at the bottom. The overall scene is dimly lit, suggesting an office or meeting environment.

**Not a tick box exercise.**

**“Based on solid insight and an understanding of your audiences, it’s an opportunity to build a story and working experience that’s unique to your business. One that makes you attractive to talent now and in the future.”**



**5**

**Steps to building the business  
case for engagement.**



**1**

**Work with your HR colleagues to understand what attraction, development and retention challenges you have as a business.**

**2**

**Link it to the overall strategy as a business, where you are heading and the talent you need.**



**Research and segment your current and future talent, understanding their influencers, wants and needs.**

# 4

**Identify opportunities for developing a compelling EVP and specific offerings and initiatives for core touch points not limited to your C&Bs.**

5

**Define relevant KPI's and ROI.**

**Thank you.**



## Decoding DC Pensions

Post-Retirement Investing

Emma Douglas, Head of DC, Legal & General Investment Management



# Spending in retirement is not static



**Go-Go**  
**Cruise**



**Slo-Go**  
**Snooze**



**No-Go**  
**Ooze**

# What are the needs of those retiring in the next 5-10 years?



They have multiple savings and income sources for retirement even before property is taken into account



Few households will rely on DC so 'running out of money' is not yet a problem. But will become a problem for the next generations



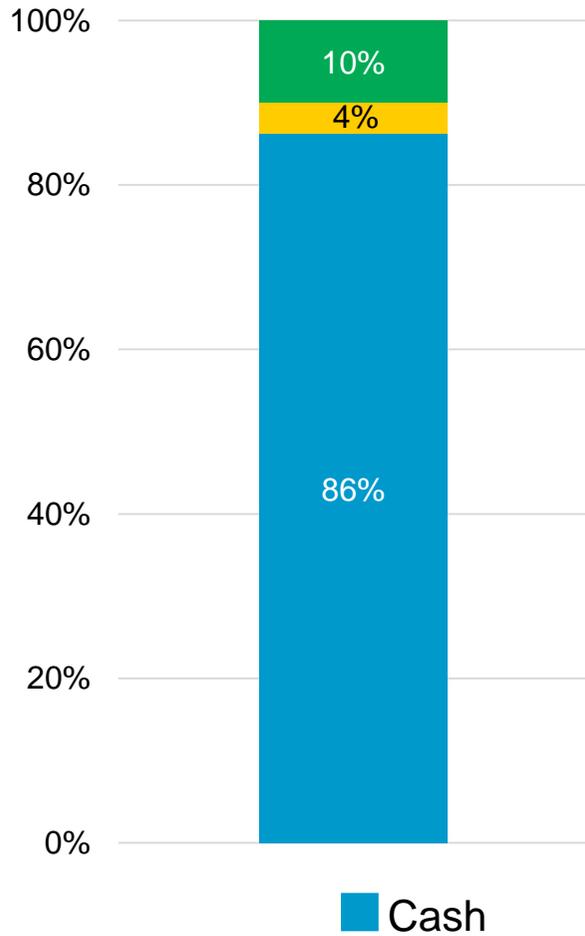
This also makes retirement planning increasingly difficult.

Increased need for online tools, budgeting tools and financial education. From the product perspective this calls for transparency and a "step-by-step" approach

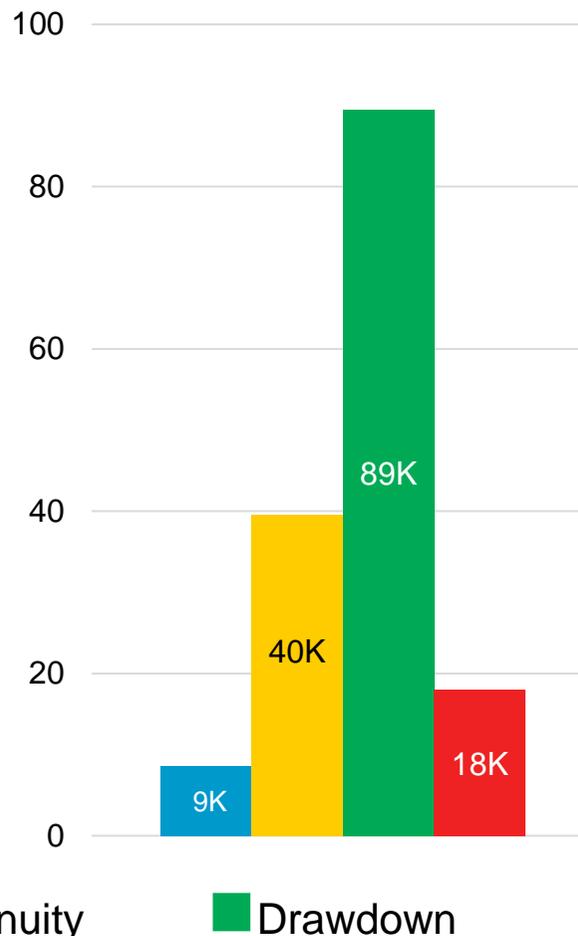
# What are DC members doing with their money at retirement?

Data based on 14,000 schemes, 3 million members

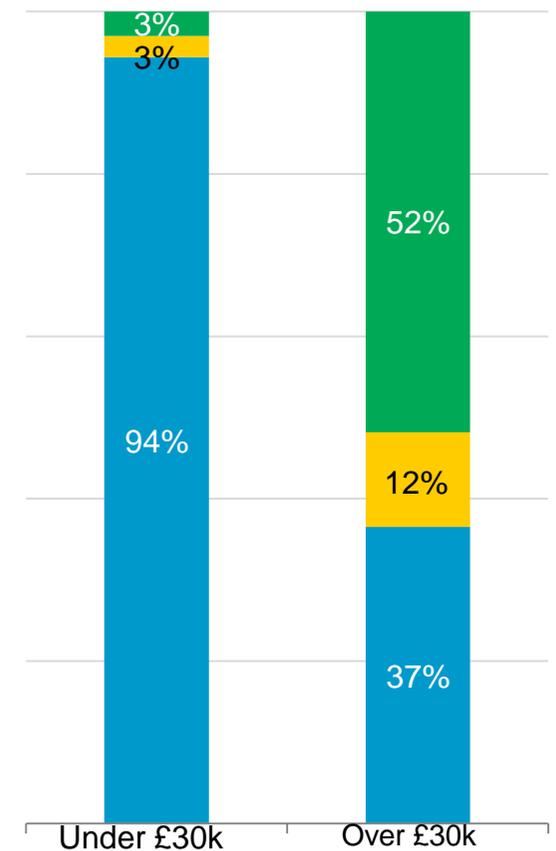
The majority of members are currently choosing to take their pots as cash



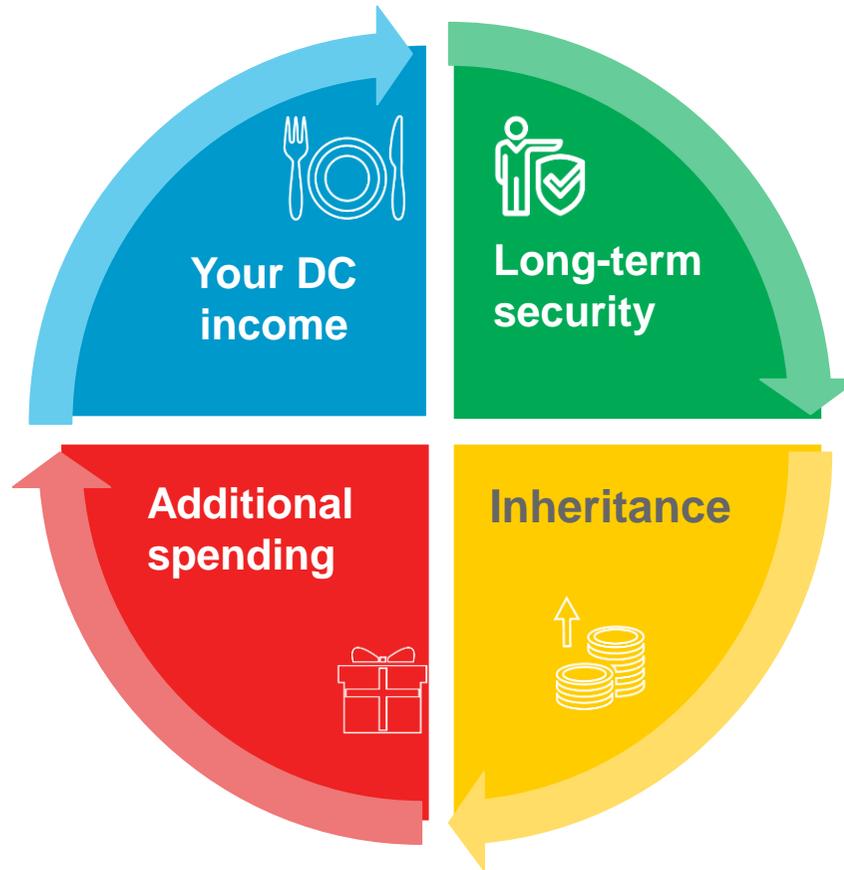
Those that are choosing to drawdown or annuitise have larger pot sizes



As the average pot sizes grow we expect to see fewer members taking their pots as cash

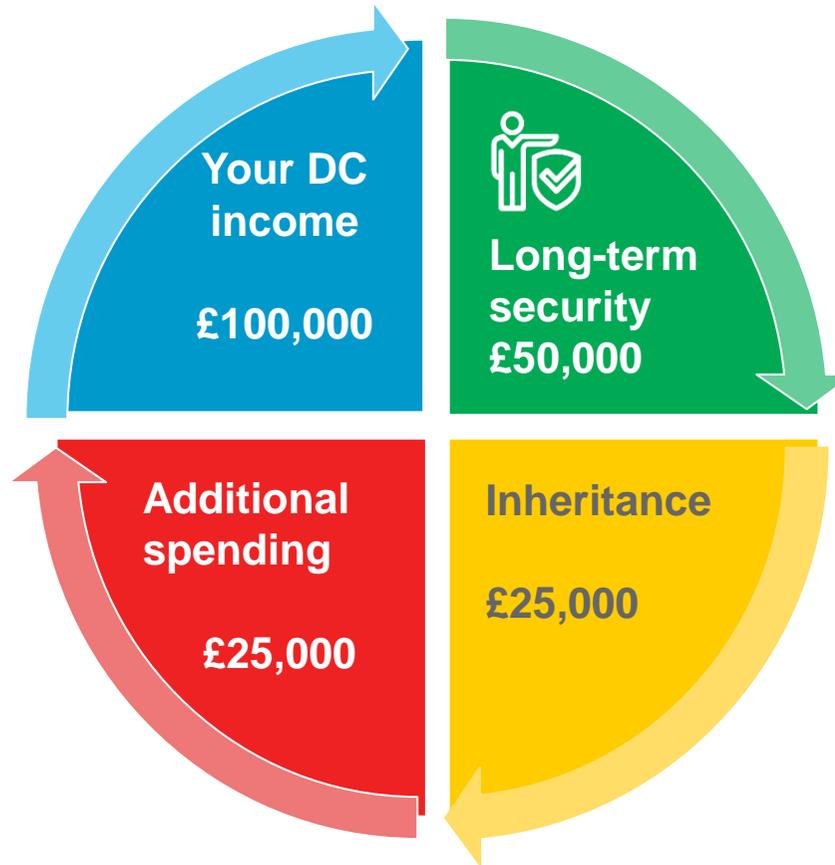


# Your DC retirement – 4 pots



# Example split - £200,000 DC pot at 65

This could provide you with an annual income of £8,400 for 15 years



From when you are 80, this could provide you with an annual income of £6,000 for life

This could provide you with an additional annual income of £5,500 for 5 years

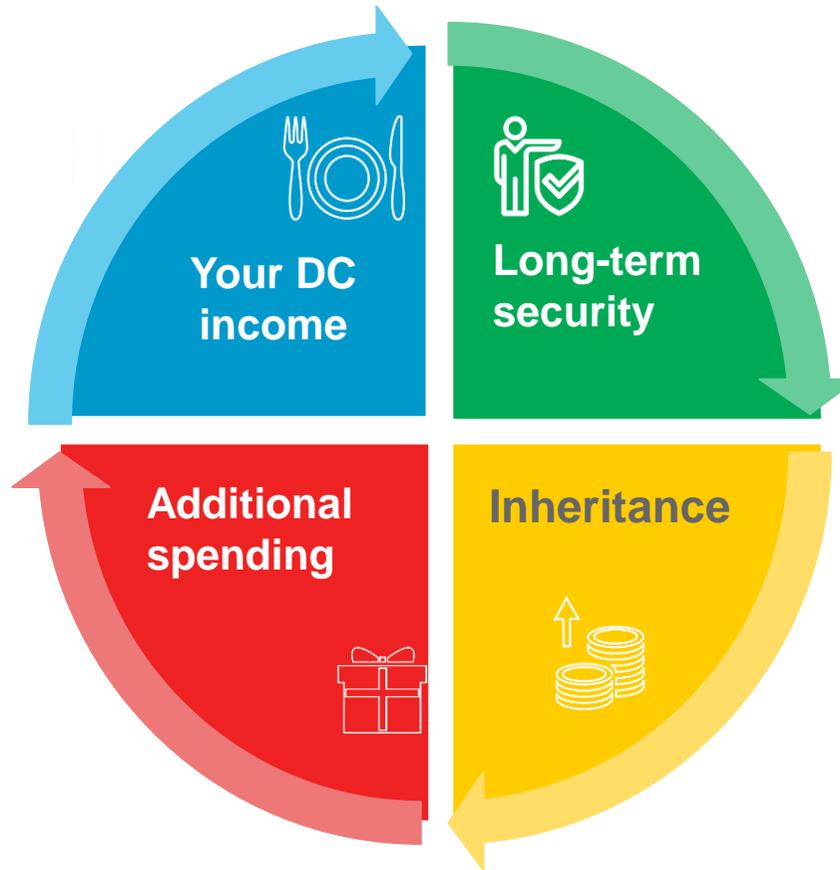
This pot will be left to grow, but you can add to it or take from it at any time. It is expected to grow to £45,000 when you are 80

# What are the investments / insurance products behind the 4 pots?

A potential range

- Lower-risk DGF
- Income funds
- Cashflow-matching funds
- Fixed-term annuity

- Lower-risk DGF
- Cash
- Fixed term annuity



- Immediate annuity
- Deferred annuity
- A growth or annuity-matching fund converting to immediate annuity
- Lifetime mortgage

- Higher-risk DGF
- Global equity funds
- Inheritance part of the lifetime mortgage

# Working with Smart Pension

Here's how a prototype might look

ANALYSIS DEFINED CONTRIBUTION

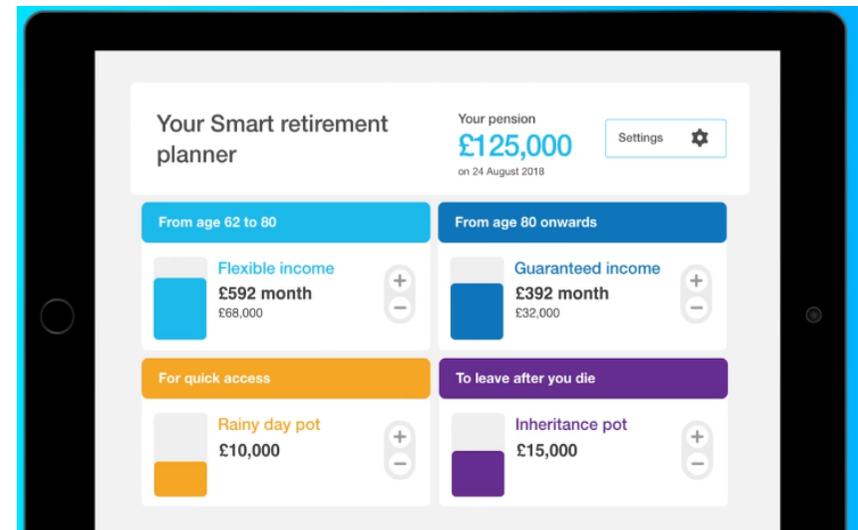
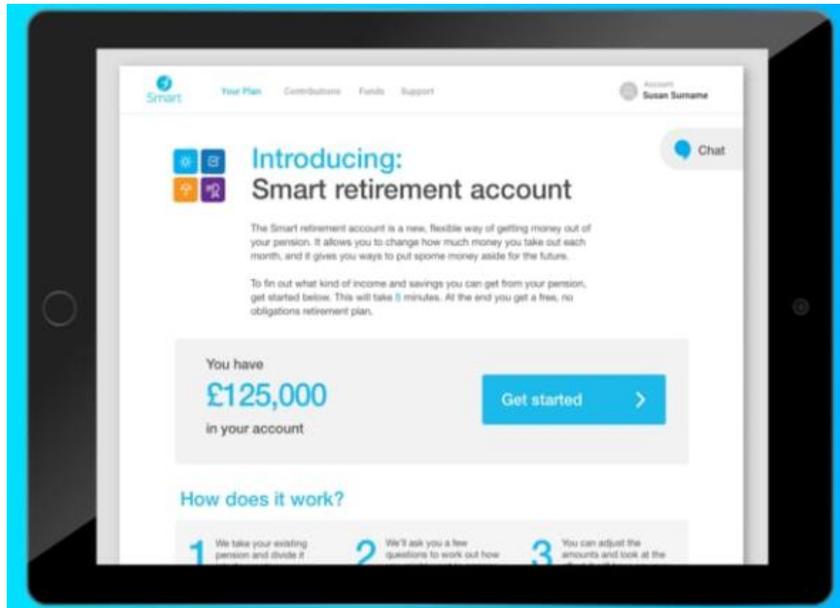
## How Smart Pension and L&G are driving retirement product innovation

The providers are going live with a technology-focused retirement product next year in a bid to improve member outcomes. **Kim Kaveh** takes a look at the prototype

### What each pot does?

Here's our guide to help you decide:

Flexible income	Guaranteed income	Rainy day pot	Inheritance pot
<b>From retirement age to 80</b>	<b>From age 80 onwards</b>	<b>For easy access</b>	<b>To leave after you die</b>
We use this pot to pay you an income directly from your investments. It is likely this pot will be used up by the time you reach 80.	We use this pot when you get close to age 80. This gives you an income for the rest of your life.	This pot gives you easy access money, in case you need it for emergencies and luxuries.	This pot will be set aside for your nominated beneficiaries after you die.
<a href="#">Read more &gt;</a>	<a href="#">Read more &gt;</a>	<a href="#">Read more &gt;</a>	<a href="#">Read more &gt;</a>



# What does the future look like for DC?

Main needs of future generations at retirement

Well off

Doing OK

Just About Managing

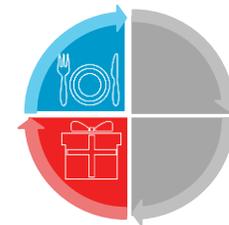
Generation  
DB  
55-65



Generation  
Property  
40-55



Generation  
DC  
20-40



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# Master Trust Mergers

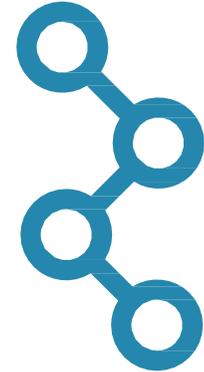
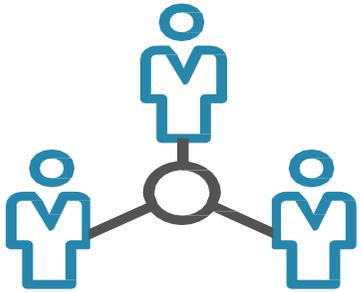
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Paul Budgen

Director of Business Development  
October 2018



# Our Master Trust Landscape

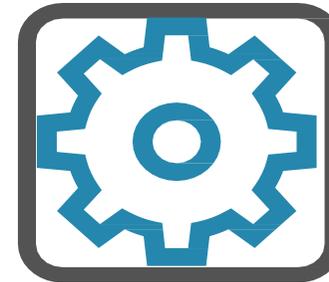


10.4m

MAF and MAF2  
Code of Conduct  
Price Cap

3  
27  
58  
33  
10

# The Practical Business Model



Funds under  
management  
Active members  
Deferred members

Governance  
Operations Cost  
Investment Fees

Scale = 100k members or £100m FUM

# Authorisation

## The Pensions Regulator

---

If you operate a master trust you will need to demonstrate that the scheme meets the required standards across the following criteria:

1. **Fit and proper**
2. **Systems and processes**
3. **Continuity strategy**
4. **Scheme funder**
5. **Financial sustainability, including business plan**

# The 3 Main Challenges

Compliance

Capital

Future



Smart  
Employee App



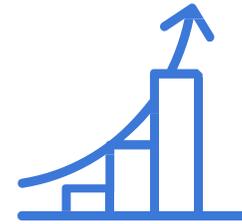
# The Characters



**Pessimistic**



**Pragmatic Realist**



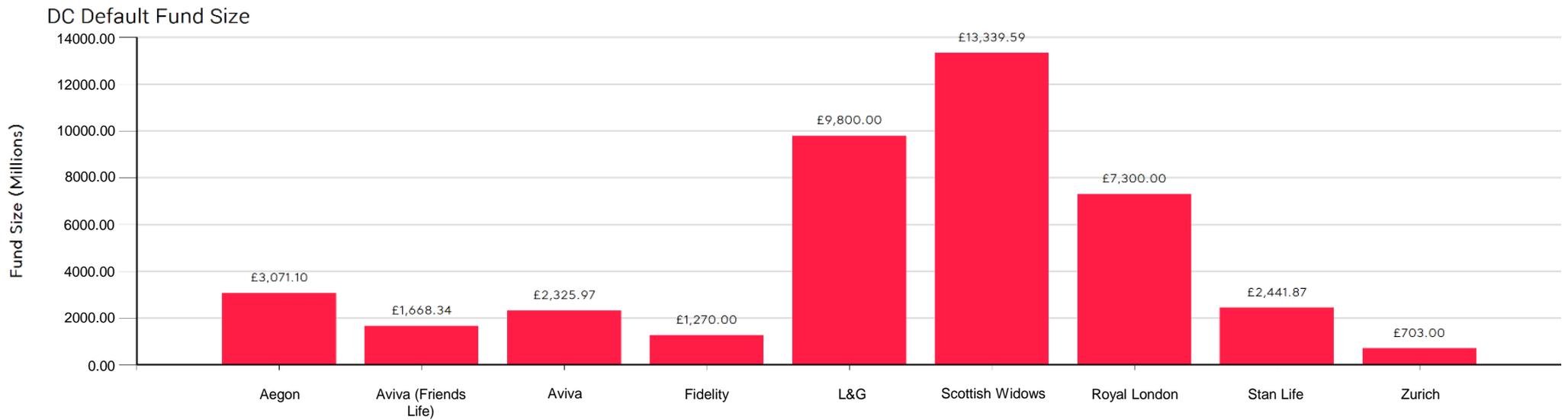
**Optimist**

# Any Questions?

—  
Thank you



# Assets under Management



# Return Performance

Returns to: 30 June, 2018

Fund Name	Launch Date	Quarter	Fund performance %		3 Years Risk <sup>4</sup>	3 years performance %			Information Ratio <sup>1</sup>
			1 Year	3 Years <sup>4</sup>		Comparator <sup>1</sup> %	Comparator <sup>2</sup> %	Comparator <sup>3</sup> %	
Aegon/Scottish Equitable plc - Aegon Growth Tracker (Flexible Target) Pn	27 Jan 2016	6.64	6.24	N/A	N/A	4.90	7.68	10.85	N/A
Aviva Life & Pensions UK Ltd - Aviva Diversified Assets II Pn S6	09 Mar 2009	4.72	5.61	9.38	7.95	4.90	7.68	10.85	0.58
Aviva Life & Pensions UK Ltd - Av My Future Growth FP Pn	26 Mar 2013	6.83	6.38	10.98	7.79	4.90	7.68	10.85	0.80
Fidelity International (FIL Invt Svcs UK Ltd) - Fidelity Growth Portfolio	20 Jun 2018	6.71	7.01	11.67	9.78	4.90	7.68	10.85	0.71
Legal & General Assurance Soc - L&G Multi Asset PMC Pn 3	06 Jan 2012	3.74	3.82	9.61	6.70	4.90	7.68	10.85	0.72
Royal London Model Portfolio - Royal London Governed Portfolio 4 Pn	12 Jan 2009	6.76	7.57	8.99	7.09	4.90	7.68	10.85	0.60
Scottish Widows Limited - Pension Portfolio Two Pension Series 2	06 Feb 2006	5.13	4.92	10.57	10.06	4.90	7.68	10.85	0.58
Standard Life Assurance Co - Stan Life Active Plus III Pn S4	01 Mar 2012	3.24	3.82	5.30	5.13	4.90	7.68	10.85	0.08
Zurich Assurance Ltd - Zurich Passive Multi Asset IV Pn CS1	02 Dec 2013	7.54	7.29	11.74	9.16	4.90	7.68	10.85	0.77

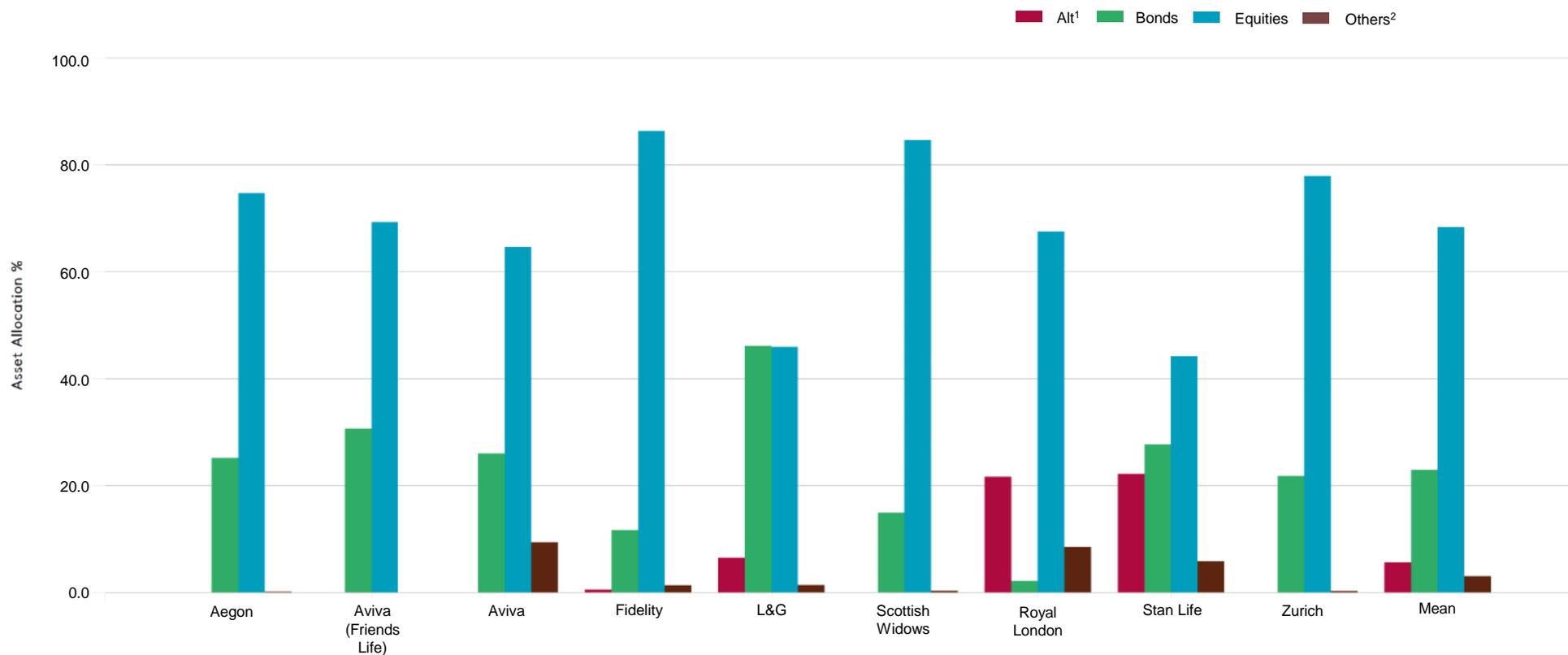
<sup>1</sup> CPI+3%

<sup>2</sup> ABI Mixed Investment 40%-85%

<sup>3</sup> PS Aspire DC Default Composite

<sup>4</sup> Annualised

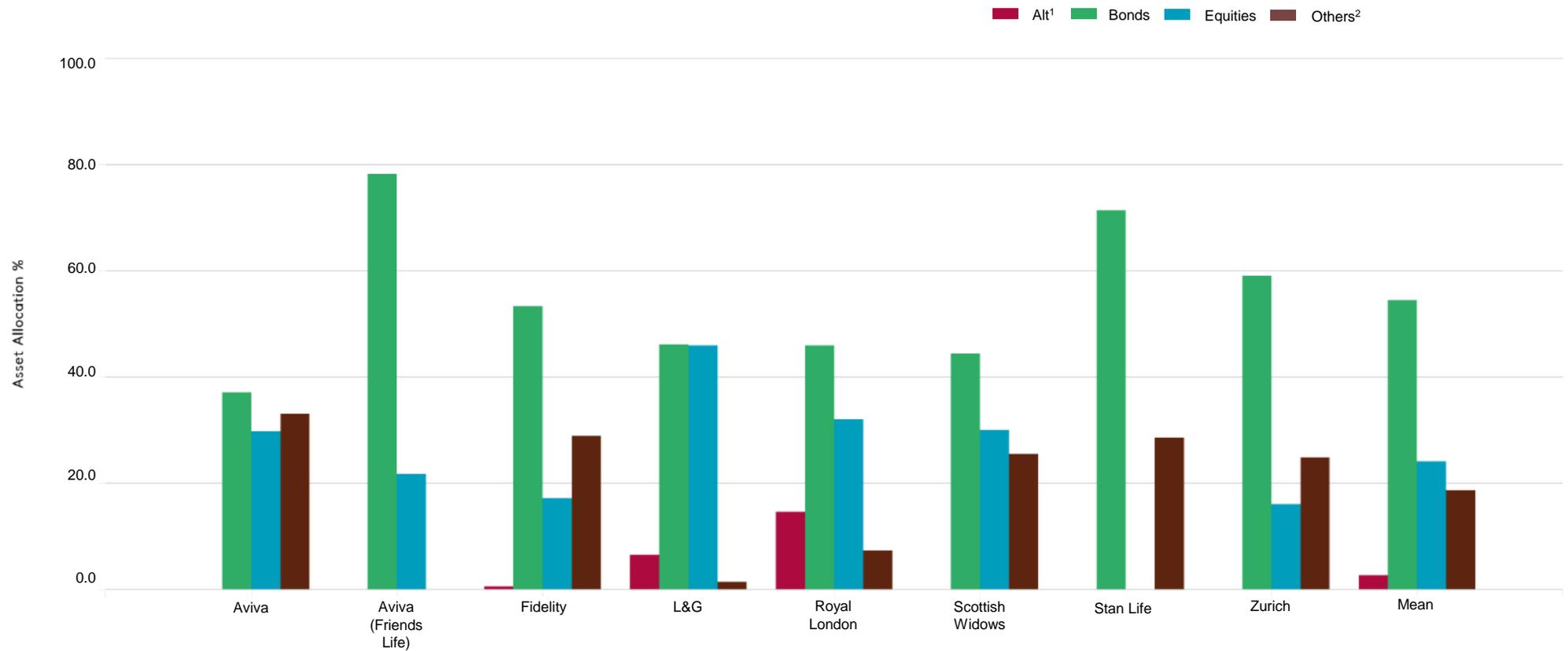
# Asset Allocation – Growth Phase



<sup>1</sup> Alternative Assets & Property <sup>2</sup> Money Market & Others

	Aegon Growth Tracker (Flexible Target) Pn	Av My Future Growth FP Pn	Aviva Diversified Assets II Pn S6	Fidelity Growth Portfolio	L&G Multi Asset PMC Pn 3	Pension Portfolio Two Pension Series 2	Royal London Governed Portfolio 4 Pn	Stan Life Active Plus III Pn S4	Zurich Passive Multi Asset IV Pn CS1	Mean
Alt	0	0	0	1	6	0	22	22	0	6
Bonds	25	31	26	12	46	15	2	28	22	23
Equities	75	69	65	86	46	85	68	44	78	68
Others	0	0	9	1	1	0	9	6	0	3
UK Assets	55	50	30	52	19	27	33	20	29	35
Non UK Assets	45	50	70	48	81	73	67	80	71	65

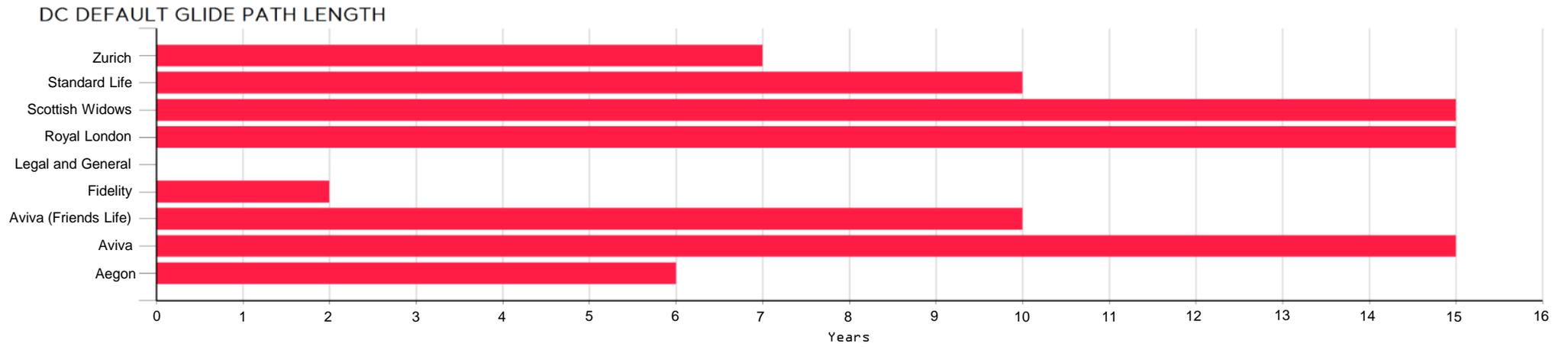
# Asset Allocation – At retirement



<sup>1</sup> Alternative Assets & Property <sup>2</sup> Money Market & Others

	Aviva Future Focus 2	Aviva My Future	Fidelity Futurewise	Legal & General Multi Asset Fund	RLP Balanced Lifestyle Strategy	Scottish Widows Balanced Pension Investment Approach	Standard Life Universal Strategic Lifestyle Prolife	Zurich Passive Interim Lifestyle	Mean
Alt	0	0	1	6	15	0	0	0	3
Bonds	37	78	53	46	46	44	71	59	54
Equities	30	22	17	46	32	30	0	16	24
Others	33	0	29	1	7	26	29	25	19

# Glide path length

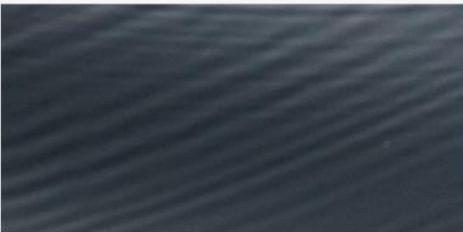
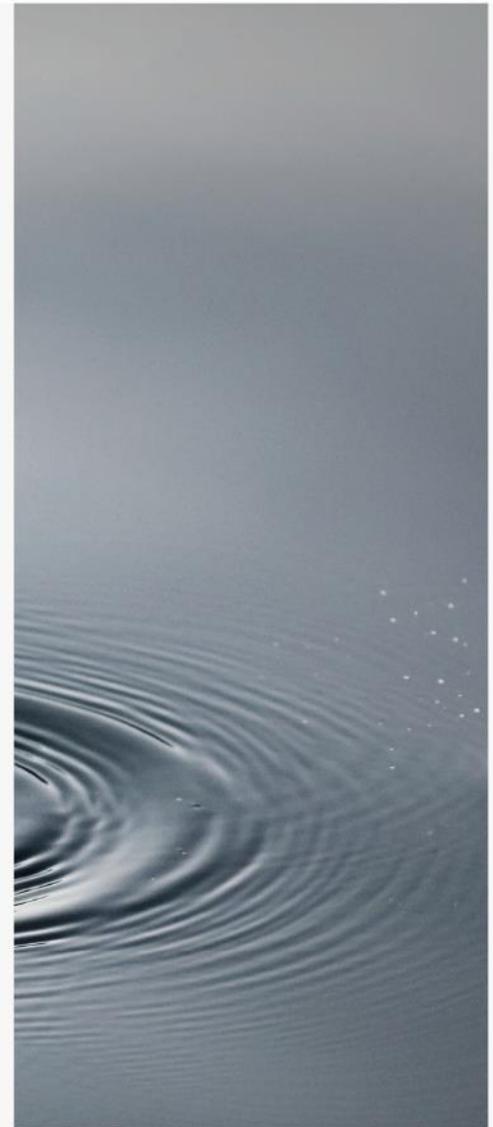




# Introducing Alternatives to the DC Default

November 2018

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**FULCRUM**  
▲

Should a DC Default portfolio include exposure to **alternative** investments?



Liquid

Illiquid

It Depends!

Plan / Member Circumstances

Fees

Responsible Investment

Platform Friendly

Diversifying Properties

## Market Research Outcomes

### Fees

- Transparency
- Level
- Structure

### Platform Friendly

- Part of doing business
- Liquidity
- Fund structure

### Responsible Investment

- Care & Attention
- Innovation
- Action

### Diversifying Properties

- Different to equities/  
bonds/Absolute Return
- Keep line items down!

## Delving Deeper – Diversifying Properties of **Liquid** Alternatives



Listed Real Assets



Alternative Credit



Derivatives / Hedge Funds



Real Assets



Alternative Credit



Diversifiers

### Three Possible Beliefs

A

Will achieve equity-like returns

AND

Improve overall risk-adjusted returns (net)

B

Will not achieve equity-like returns

BUT WILL

Improve overall risk-adjusted returns (net)

C

Will not achieve equity-like returns

NOR

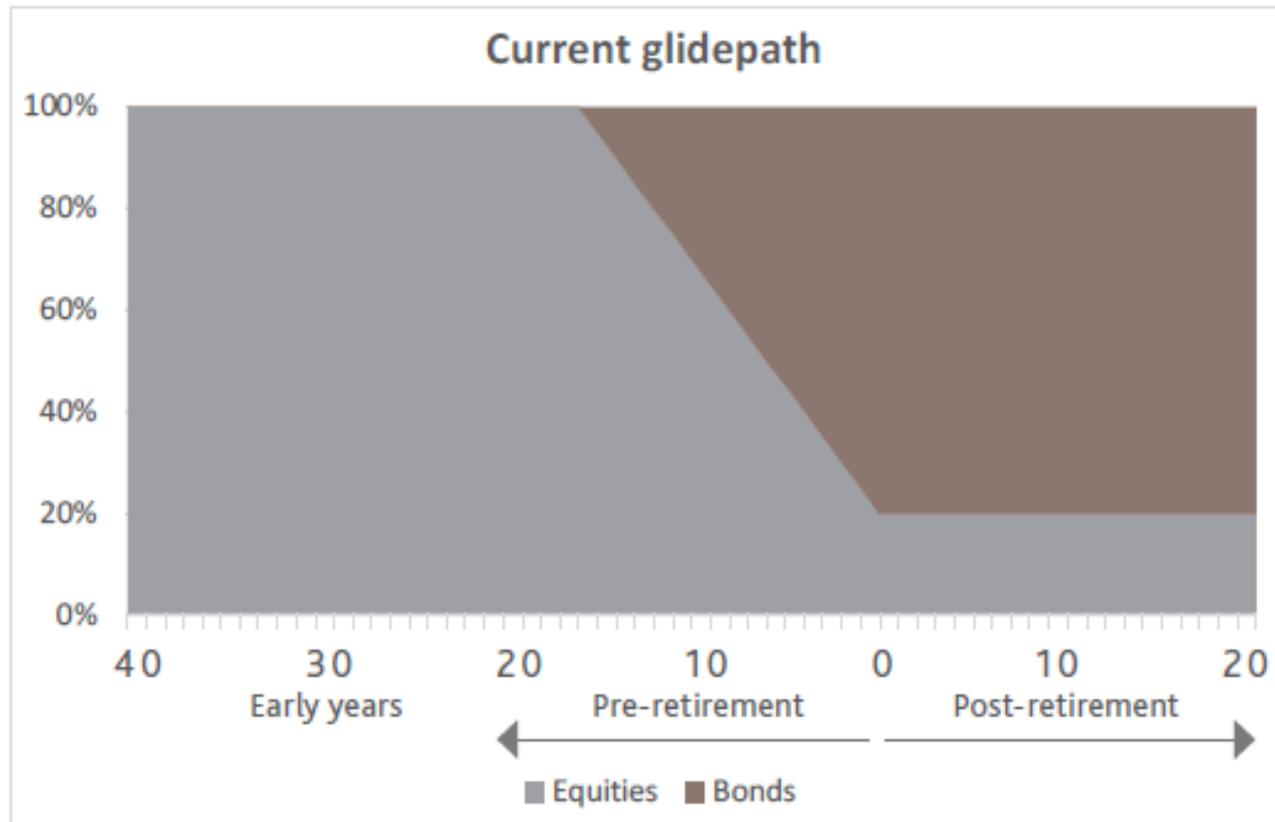
Improve overall risk-adjusted returns (net)

These both assume you can find a product out there that you like

## Scenario 1: Simple cost minimiser

Let's look at a few **simplified** scenarios...

You currently own just equities and bonds in your default  
(for clarity, limited exposure to listed real assets and no exposure to alternative credit or other diversifiers)



# Scenario 1: If you believe liquid alternatives will...

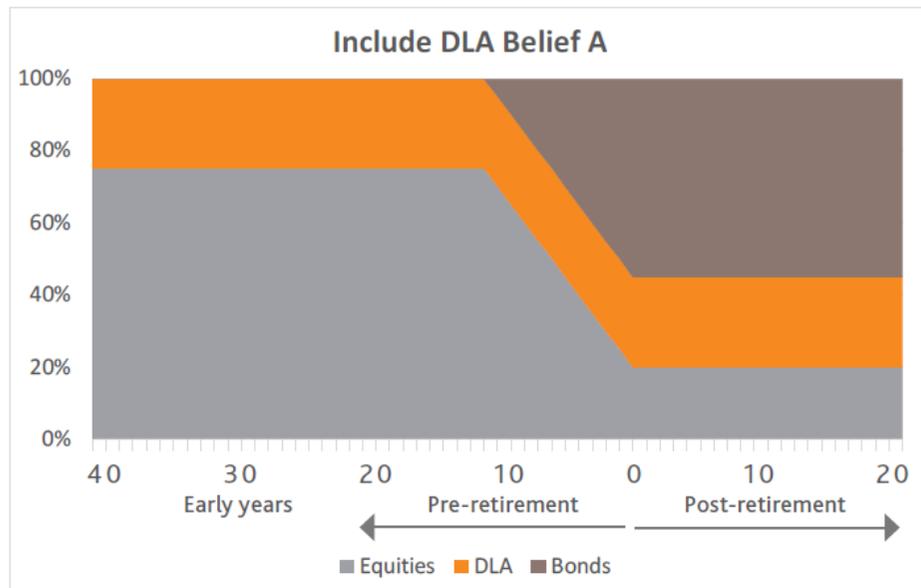
**A**

**Achieve Equity-like returns**

YES

**Improve Risk Adjusted Returns**

YES



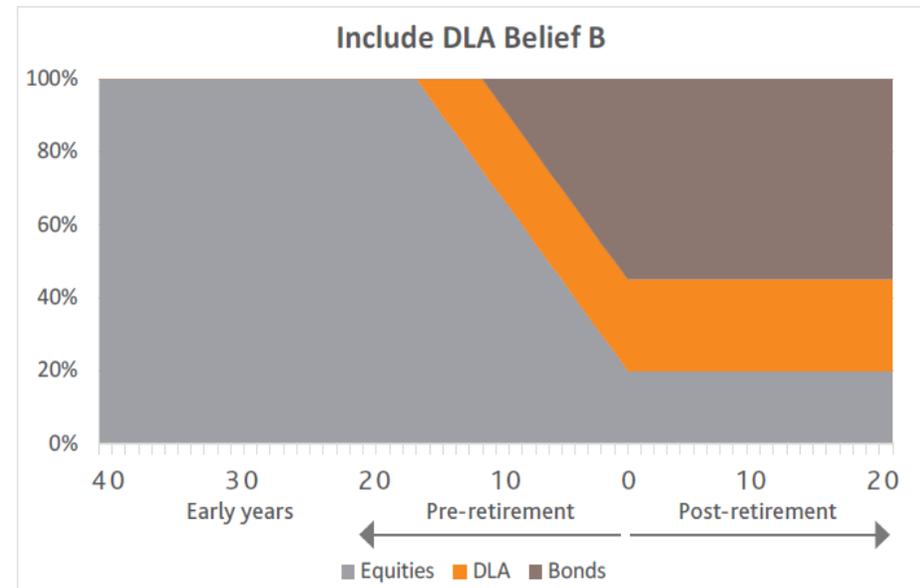
**B**

**Achieve Equity-like returns**

NO

**Improve Risk Adjusted Returns**

YES



Include from the start through retirement

Include during pre-retirement phase

## Scenario 2: What about those DGFs?

You currently own some combination of Equities + DGF + Bonds in your default

**A**

**Achieve Equity-like returns**

YES

**Improve Risk Adjusted Returns**

YES

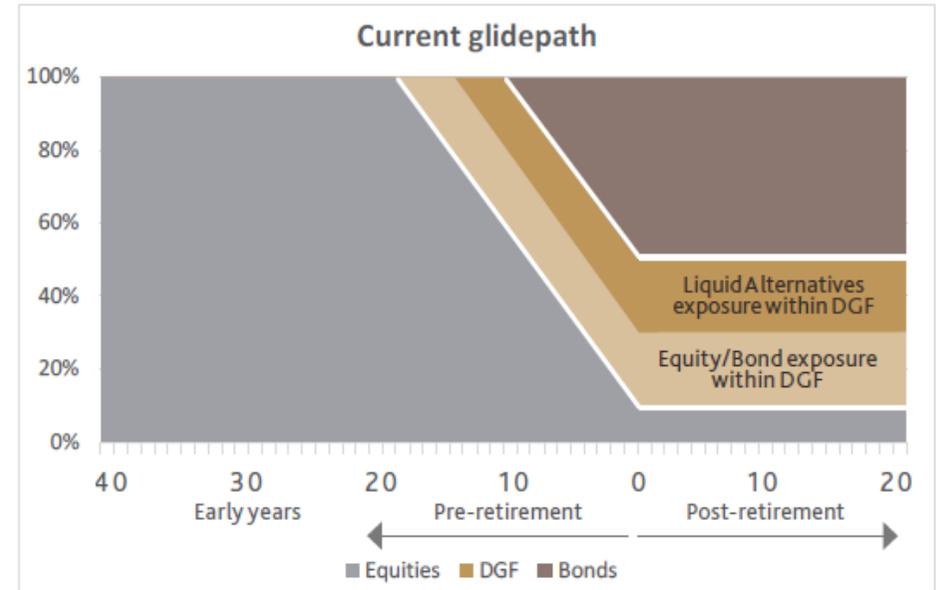
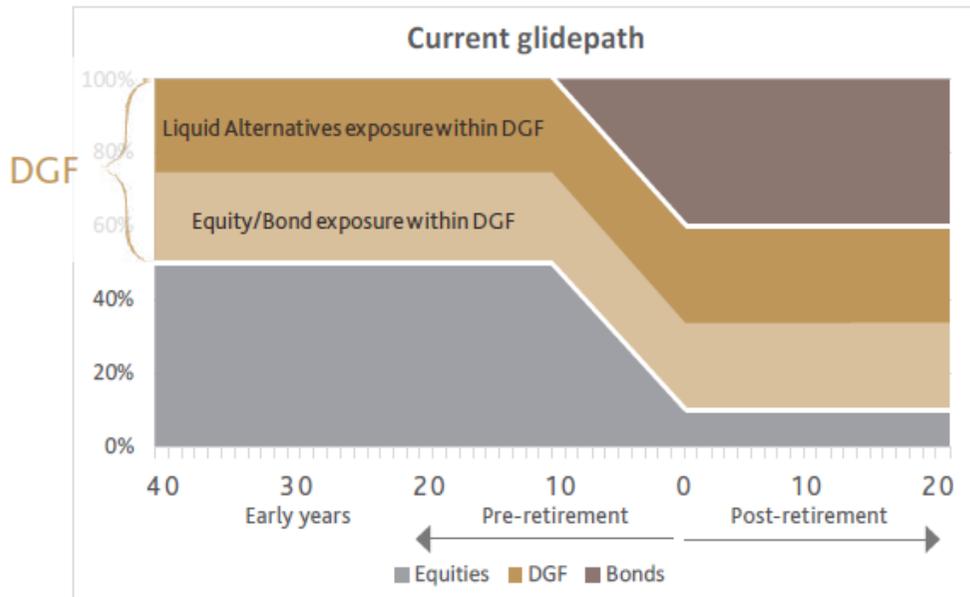
**B**

**Achieve Equity-like returns**

NO

**Improve Risk Adjusted Returns**

YES



## Scenario 2: If you believe liquid alternatives will...

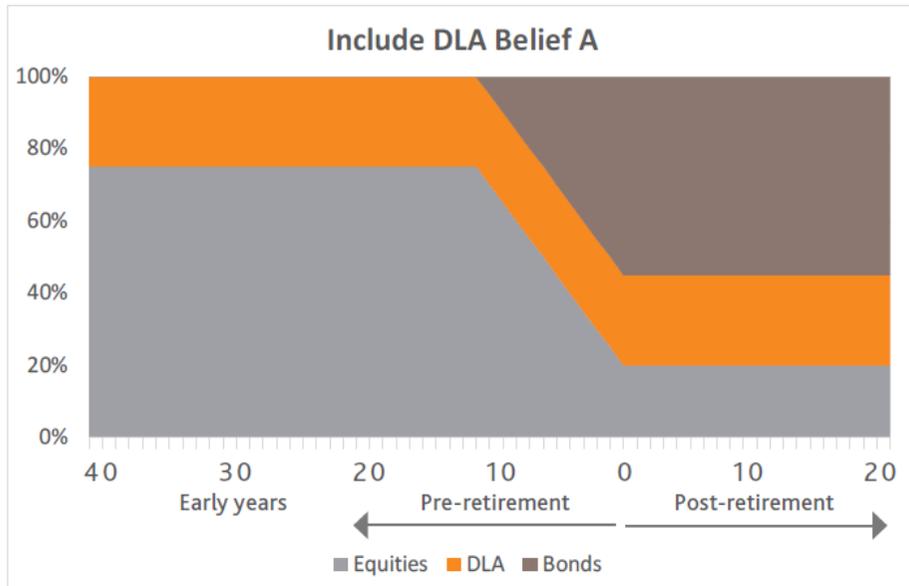
**A**

**Achieve Equity-like returns**

YES

**Improve Risk Adjusted Returns**

YES



Include from the start through retirement

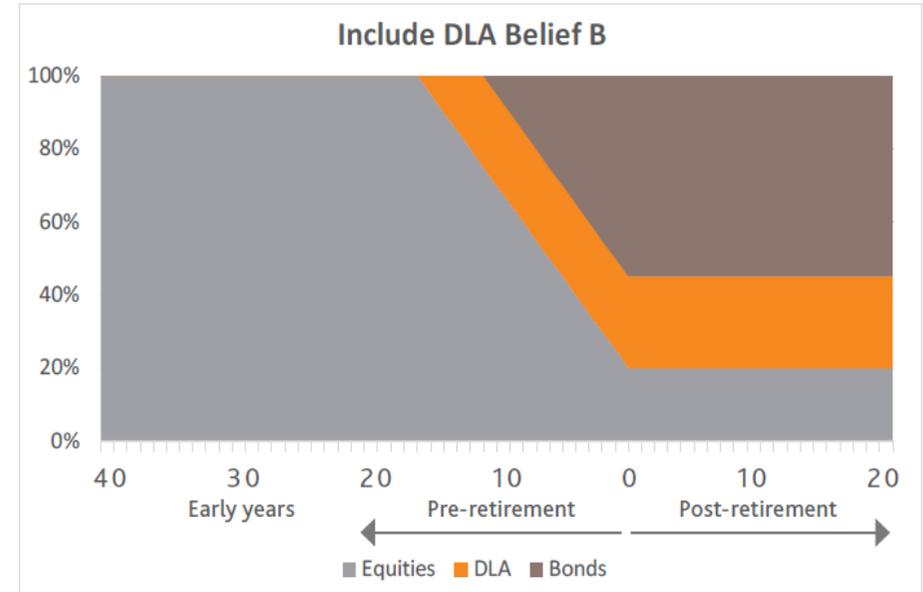
**B**

**Achieve Equity-like returns**

NO

**Improve Risk Adjusted Returns**

YES



Include during pre-retirement phase

Why is it more efficient??

## Assume Belief A...

Investment	Typical Ongoing Charge
Passive Equities	10bps
Active DGF	65bps
Liquid Alternatives	85bps (fee for our DLA fund)
Overall Ongoing Charge	
Expected Return (net)	

**+ Potential T Cost savings**

## Delving Deeper – Diversifying Properties of Illiquid Alternatives

More regulatory guidance coming. Here is some food for thought...

### Assumptions

- Default is 80% Equities; 20% high fee illiquids
- Equity markets fall 40%+ (as per 2008)

	Scenario 1	Scenario 2
Illiquid Fund NAV	UP/FLAT	DOWN
Impact on asset allocation	High fee illiquids increase as a proportion of portfolio	Little change
Impact on Ongoing Charge of Default	Increase – possible charge cap breach	None
Consider Rebalancing?	Yes	No
Gating imposed	Probable	Unlikely
Summary	Regulatory and investment risk	Downmarket correlation with equities

**Conclusion** get the right fee or stay liquid! For now...

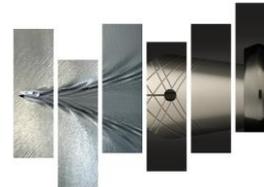
# Fulcrum Diversified Liquid Alternatives Overview

Our solutions are:



**Diversified Liquid Alternatives (DLA)**

DLA UK fund launched 1 May 2018



**Bespoke Partnership**

We invest in:



Real Assets



Alternative Credit



Diversifiers

Fees

- 85bps all-in
- No performance fees

Platform Friendly

- Daily Liquid
- Available on Fidelity already

Responsible Investment

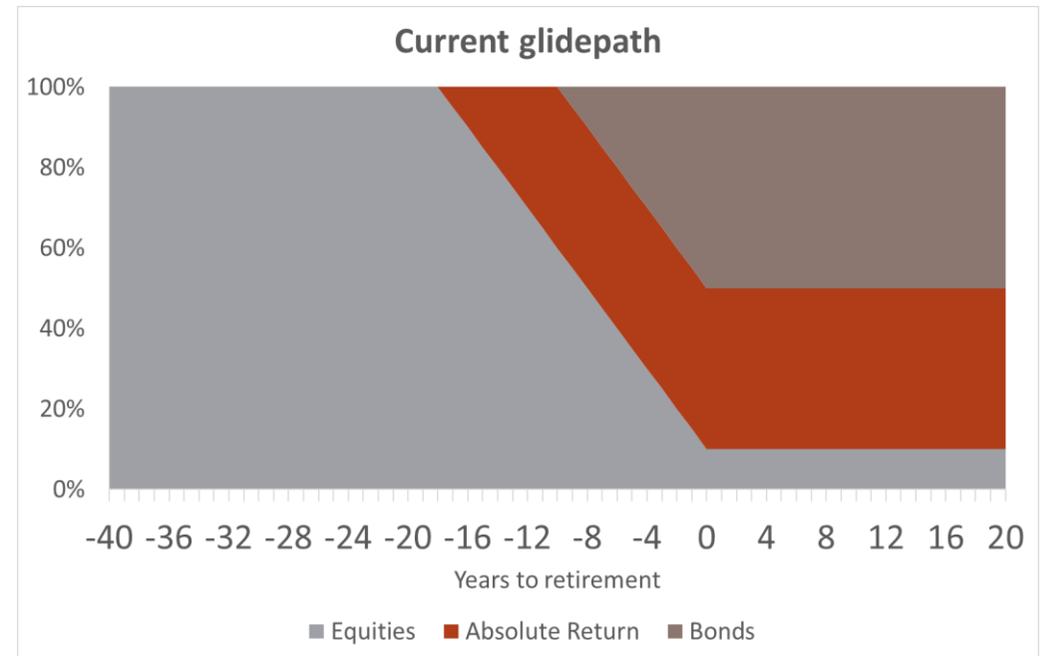
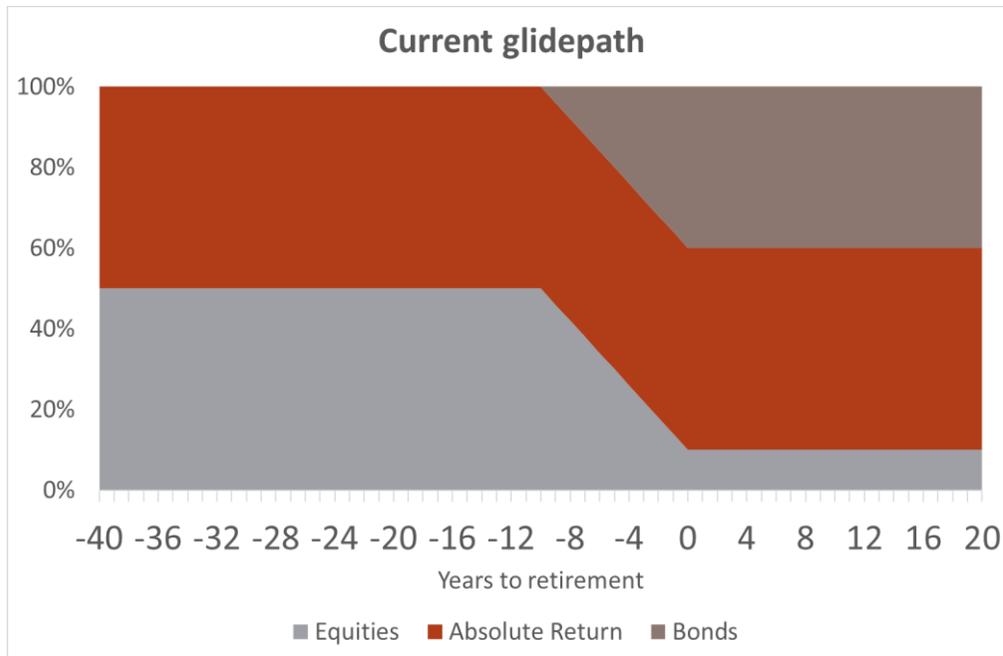
- Fully integrated
- Fresh approach

If you believe A or B...

### Scenario 3 – Equities + Absolute Return + Bonds

A

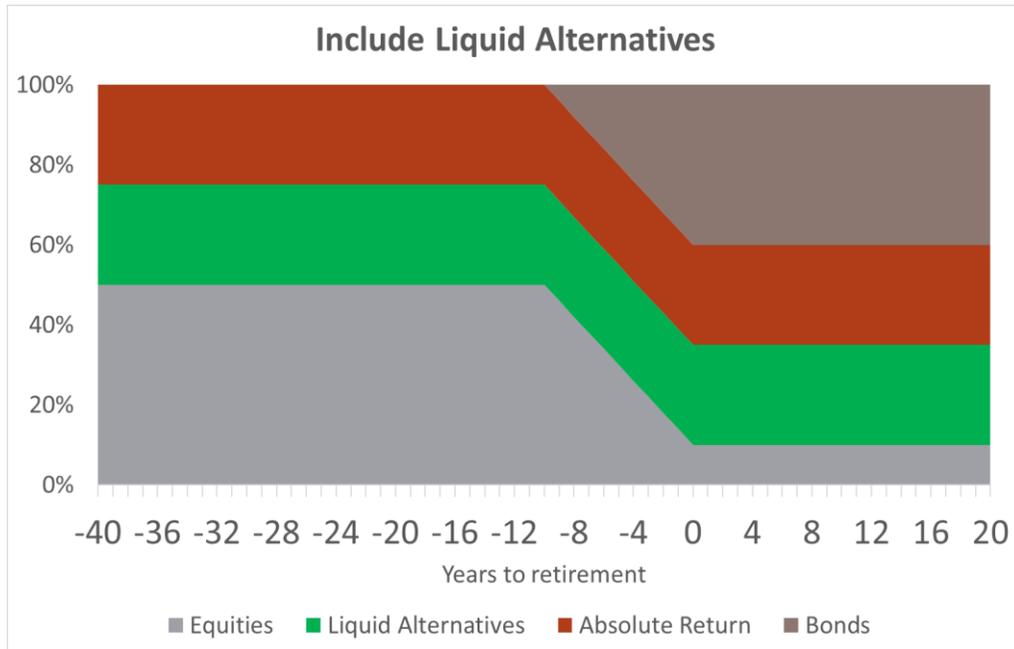
B



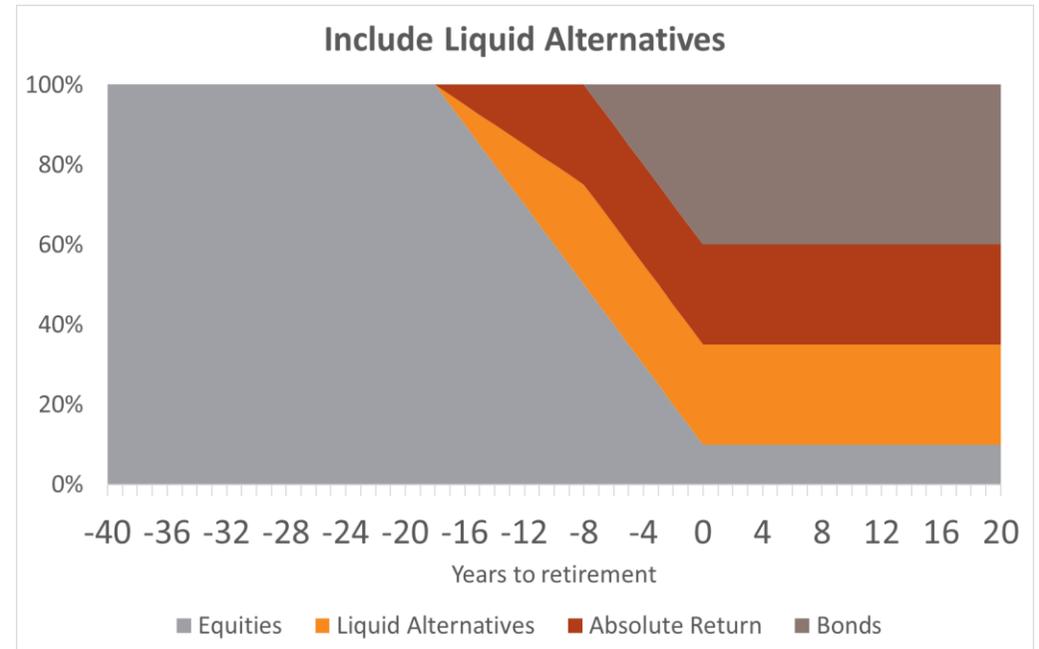
If you believe A or B...

## Scenario 3 Solution

A



B



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For US Investors: Shares in the Fund will not be registered under the Securities Act of 1933, the securities laws of any state or the securities laws of any other jurisdiction, and the Fund will not be registered under the Investment Company Act of 1940. There is no public market for the shares, and no such market is expected to develop in the future. Shares in the Fund may not be sold or transferred except as permitted under the Fund's articles of association and unless they are registered under the Securities Act of 1933 or an exemption from registration thereunder and under any other applicable securities law registration requirements is available. Accordingly, investors will be required to bear the financial risks of an investment in the Fund for an extended period of time.

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Punter Southall  
Aspire

# New Rules of Engagement

Alan Emberson - Director, Workplace Solutions

# Theme 1

Pensions are not a priority because 'now matters more than then'.

Competing  
Financial Priorities

Competing  
Financial Priorities

**88%**  
would prefer £400  
now;  
than £800 in the  
future

**50%**  
paying off a  
credit card

## Theme 2

People are anxious about their financial future but not actively managing it.

Present  
Bias

Short-term  
Budgets

**66%**  
don't know if they  
are saving enough  
for a comfortable  
retirement

**78%**  
budget short-  
term  
(typically,  
month to  
month)



# Theme 3

Apathy about pensions is widespread, with people not making active pension decisions.

Present Bias

Short-term Budgets

1 in 5 of those 16 to 24 years old have no idea if they have a workplace pension

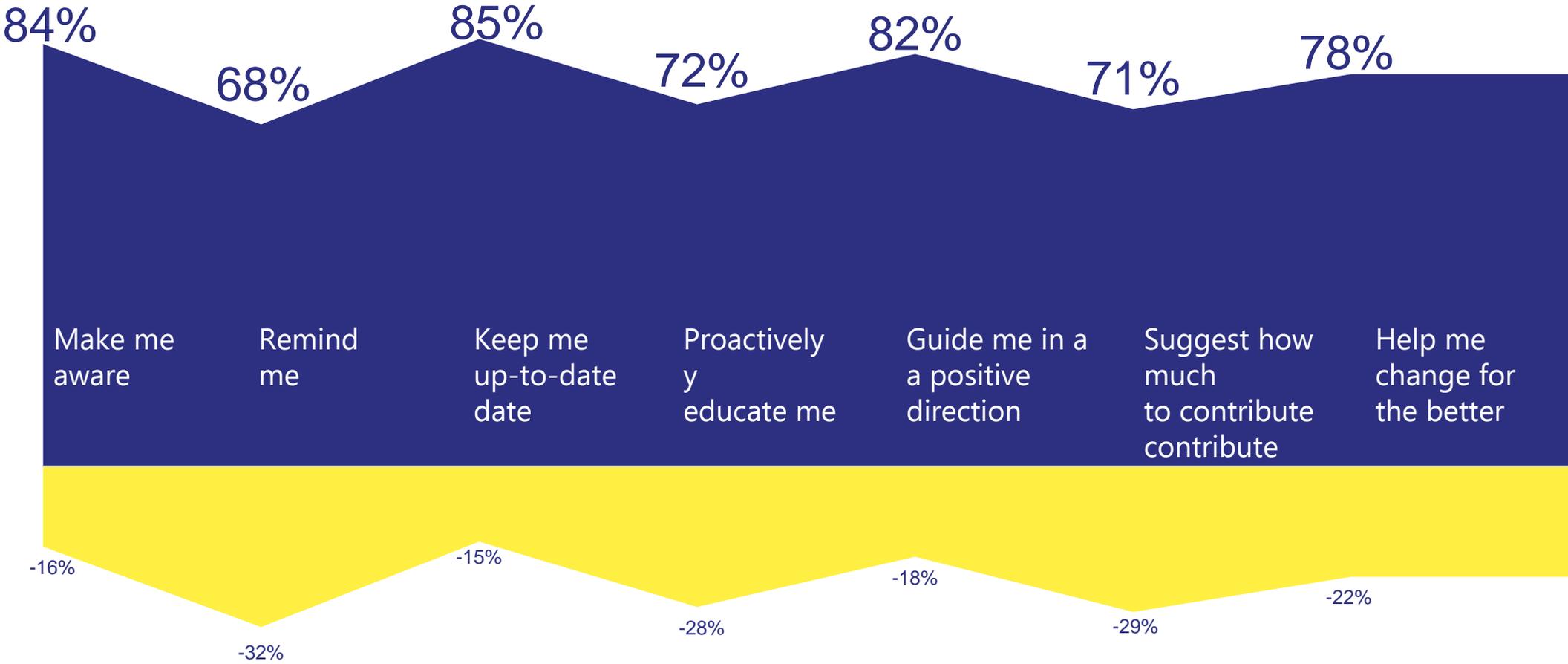
76% will respond to feeling excited



Punter Southall  
Aspire

# What employees want

# Employees say that employers should:



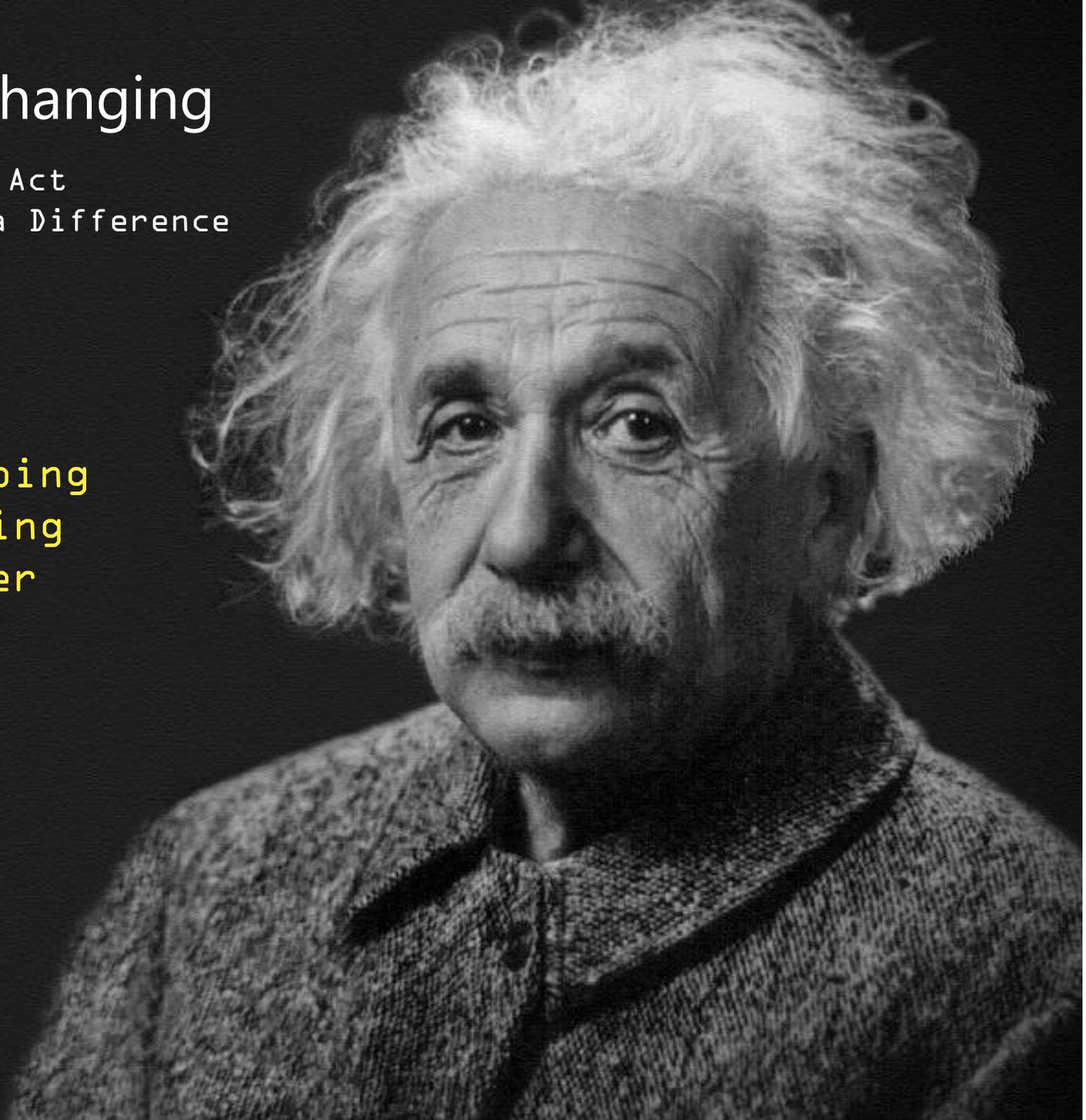
# The World is Changing

Think differently, Act  
differently, Make a Difference



Insanity: doing  
the same thing  
over and over  
again and  
expecting  
different  
results

ALBERT EINSTEIN

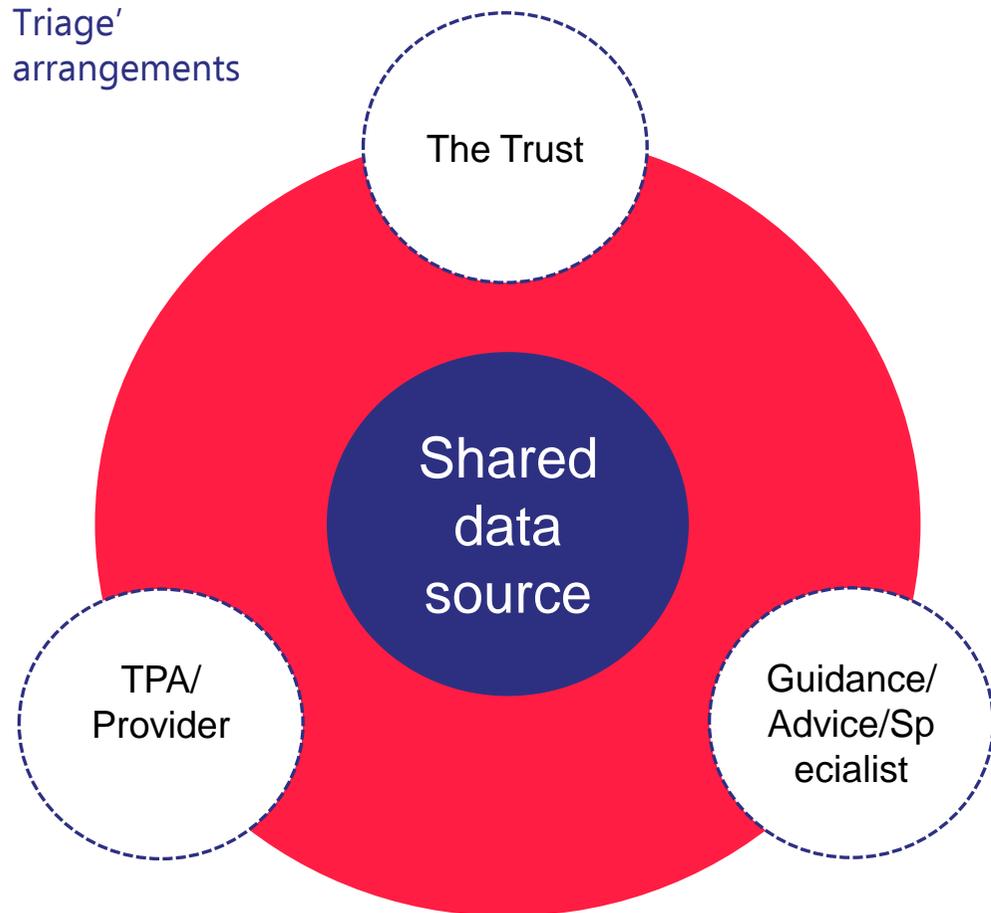
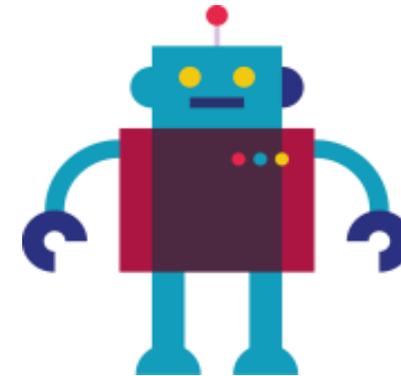




# Developments beyond nudging

## myAspire

- Aggregation of financial data & savings
  - Single view (Dash-board)
  - Include Bank Accounts & Credit Cards
- CRM /Data analytics:
  - Monitoring interactions:
    - Delivery form and content adapts:
      - Use of “BOTS”/AI





# my Dashboard

**my Aspire** my Dashboard ⓧ Me Help Log Out  
Last logged in 13/12/2017 10:09:32

Viewing as Martin

- Martin
- my Workplace Savings
- my Dashboard
- my Money
- my Pensions
- my Investments
- my Protection
- my Planning
- my Documents
- my Details
- Contact Us

### Account Balances

<b>Banking</b>	
Lloyds	£1.00
<b>Credit cards</b>	
Barclaycard	£500.00

### Spending

Property Costs (13.98%)	£3,188
Living (67.67%)	£15,433
Leisure (18.35%)	£4,184

### Income

This month	£18.10
Last month	£17.78
Total for 12 months	£197.33

### Investments Overview

Total Valuation: £6,286,399

### Personal Portfolio

Physical Assets (31.65%)	£1,973,981
Retirement (9.78%)	£610,047
Savings & Investments (55.49%)	£3,460,708
Stocks & Shares (3.02%)	£188,103
Other (0.06%)	£3,560

### Net Worth

I own: £7,092,896

I'm worth: £6,902,091

I owe: £190,805

### Property Valuation

Powered by moneyinfo



# my Pensions

**my Aspire** Pension Summary Me Help Log Out

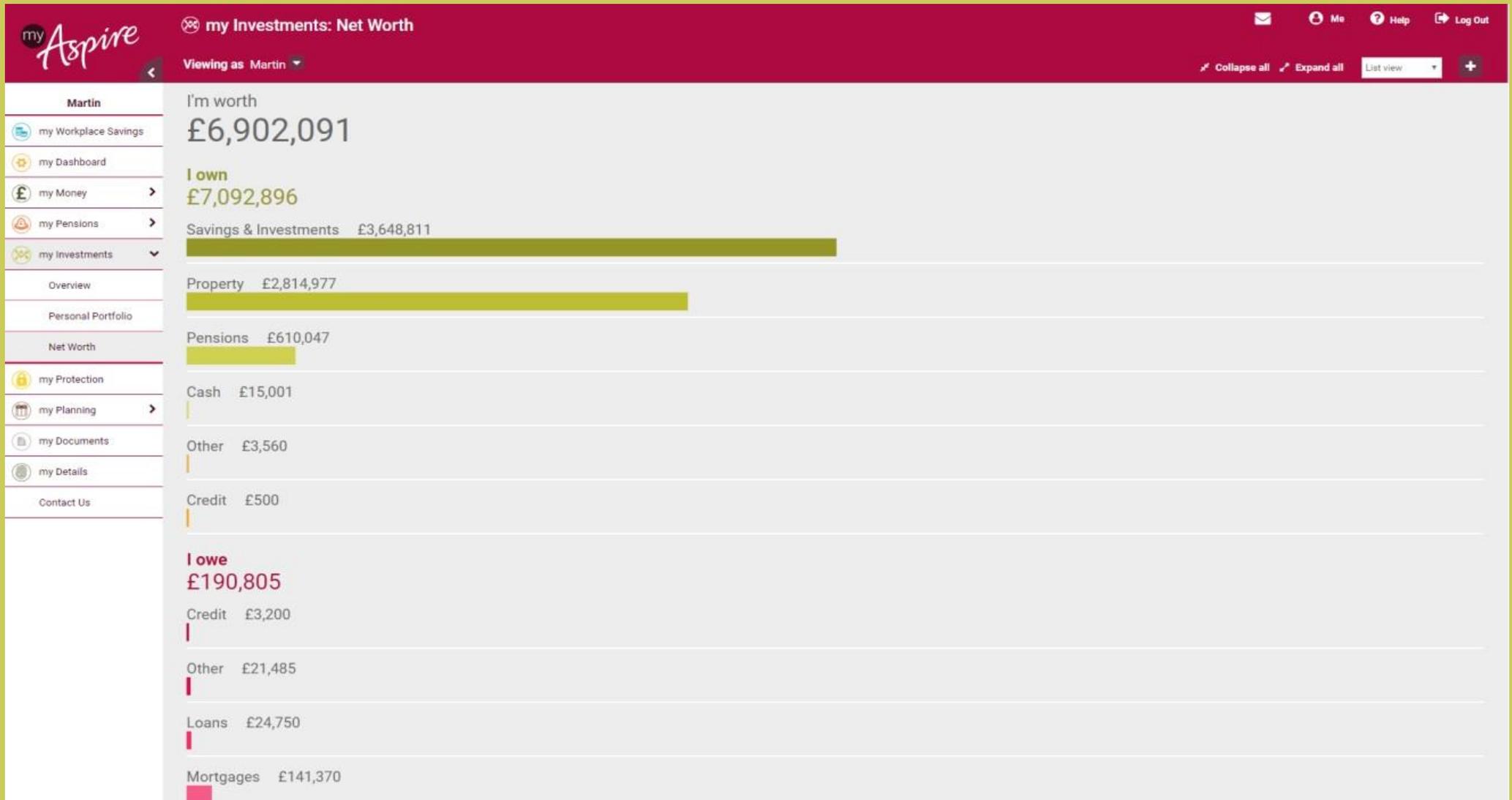
Viewing as Martin Collapse all Expand all

Martin	£610,047
my Workplace Savings	Workplace Pension £56,353
my Dashboard	
my Money	Personal Pension £120,669
my Pensions	
Aspire Pension	SIPP £433,025
Pension Summary	
my Investments	
my Protection	
my Planning	
my Documents	
my Details	
Contact Us	

Powered by moneyinfo



# my Investments





# my Planning

**my Aspire** my Planning: Videos Me Log Out  
Last logged in 13/12/2017 15:04:18

**Tom**

- my Workplace Savings
- my Dashboard
- my Money
- my Pensions
- my Investments
- my Protection
- my Planning
  - Lifestyle and money
  - Planning for the future
  - Accessing my savings
  - Planning tools
  - Videos
- my Documents
- my Details
- Contact Us

## Videos



When facing retirement, you'll need to make a lot of decisions about your pension provision. You'll have to consider your personal circumstances on various stances, from deciding how much risk you're willing to take to if you're ready to touch your pension pot.

We've created these video guides to make the decision easier. They're full of case studies, guides and walkthroughs. But if you're still having trouble deciding what is best for your individual circumstances, feel free to get in touch by contacting [myAspire](#).

### C



#### Case study - take it all

An example of someone who might benefit from taking all their pension pot in one go as a lump sum.



# my Documents

**my Aspire** my Documents Me Help Log Out

Viewing as Martin

- Martin
- my Workplace Savings
- my Dashboard
- my Money
- my Pensions
- my Investments
- my Protection
- my Planning
- my Documents
- my Details
- Contact Us

+ New Folder

- my Personal Documents
  - my Aspire Documents
  - Member Guides
  - Statement of Benefits
  - my Employment Documents
  - my Document Library
    - Pension Guides
  - New folder
  - Recycle bin

### my Personal Documents

Name	Uploaded on	Uploaded by	Size
cli-reference - Copy.pdf	03/07/2017	me	32kB

cli-reference - Copy.pdf

Rename Remove Move Download

Open

Powered by moneyinfo



# my Protection

**my Aspire** **my Protection** Me Help Log Out

Viewing as **Martin** Collapse all Expand all +

**Martin**

- my Workplace Savings
- my Dashboard
- my Money
- my Pensions
- my Investments
- my Protection**
- my Planning
- my Documents
- my Details
- Contact Us

**Group or Company Protection Insurance**

Abc Business Travel Insurance - GI-BTA021 £2,500.00

**Health Protection**

Health Protection added 21-Nov-2017

**Income Protection**

**Abc Accident, Sickness & Unemployment - GI-ASU016** £15,000.00

Details	Provider Description	Description	Policy Number	Owners	Start Date	Status
Documents	<b>ABC Inc</b>	<b>Abc Accident, Sickness &amp; ...</b>	<b>GI-ASU016</b>	<b>Martin</b>	<b>30 Sep 2015</b>	<b>Current</b>
	Plan Premium	Next Payment Due	Plan Premium Frequency	End Date	Benefit Amount	Benefit Frequency
	<b>£15.00</b>	<b>28 Dec 2017</b>	<b>Monthly</b>	<b>30 Jul 2016</b>	<b>£15,000.00</b>	<b>Single</b>
	Benefit To Age	Benefit Def Period				
	<b>0</b>	<b>0</b>				

**Life Protection**

**Life Cover added 23-Jun-2017 - P0678931Z** £100,000.00

Details	Provider Description	Description	Policy Number	Owners	Start Date	Status
Documents	<b>Wesleyan Assurance</b>	<b>Life Cover added 23-Jun-2...</b>	<b>P0678931Z</b>	<b>Martin</b>	<b>21 Jun 2017</b>	<b>Current</b>
	Plan Premium	Next Payment Due	Plan Premium Frequency	End Date	Life Assured	Life Assured Name
	<b>£11.56</b>	<b>22 Dec 2017</b>	<b>Monthly</b>	<b>25 Jun 2025</b>	<b>Partner</b>	<b>M Hughes</b>
	Life Cover	Critical Illness Cover	Terminal Illness Cover	Is In Trust		
	<b>£100,000.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>Yes</b>		

[Edit Details](#)

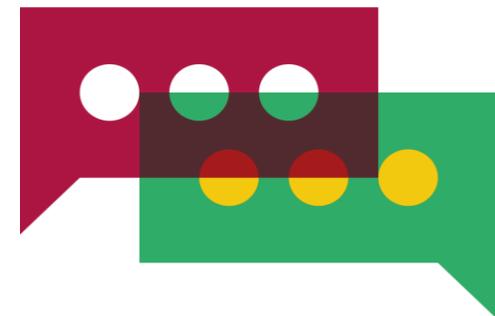
Norwich Un Term Assurance (CGNU) - TA001 £15,000.00

Norwich Un Term Assurance (CGNU) - TA002 £10,000.00

Zurich Convertible Term Assurance - TA003 £10,000.00

## Types of employee/member interactions

- **Keep the content day-to-day relevant** e.g.
  - debt refinancing a good example of what may focus younger minds
- **Help employees establish good financial habits:**
  - Improve cash-flow management
  - Creating savings opportunities/formulating plans
  - Use available annual tax allowances
- **Provide information the user wants/needs/expresses an interest in** e.g. could be most interested in mortgages etc.
- **Keep the messaging positive** – no fear tactics



## It's about finances not a product

Help people to organise their finances in order to maximise their future savings opportunities. Spin off benefit = simplifying guidance/advice and reducing associated costs  
£

**VFM (National Audit Office) – “Optimum use of available resources to achieve required outcome”**



## Example as to why we should be helping clients to think “holistically” i.e. not just leading with the pension

Using guidance and advice and thinking more broadly than just the pension.

Imagine a client aged 60 is retiring:

- needs £25,000 per year income
- has £500,000 pension pot
- £150,000 in ISA's and £50,000 in a bank savings account

By drawing income across all of their savings they can substantially reduce the amount paid in tax.

This involves keeping Tax Free Cash within the product and using that for future income, along with drawing regular income from other non-pension products. Doing this can save £1,000's in tax.



## Example as to why we should be helping clients to think “holistically” i.e. not just leading with the pension

### The traditional solution:

- take £125,000 tax free cash, which they'd probably save - in a taxable savings account, whilst making this liable to Inheritance Tax too as part of their estate
- drawing a regular income from their pension will lead to tax i.e. on anything above personal allowance level

### Simplistic Example:

- £12,500 from the pension (using IATA)
- £12,500 from the ISA
- Using £50,000 to fund annual ISA allowance over 2.5 years.
- Then, using partial TFC to top-up when ISA's run out



Technology is the game  
changer and it's now  
easily accessible!

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# NextGen

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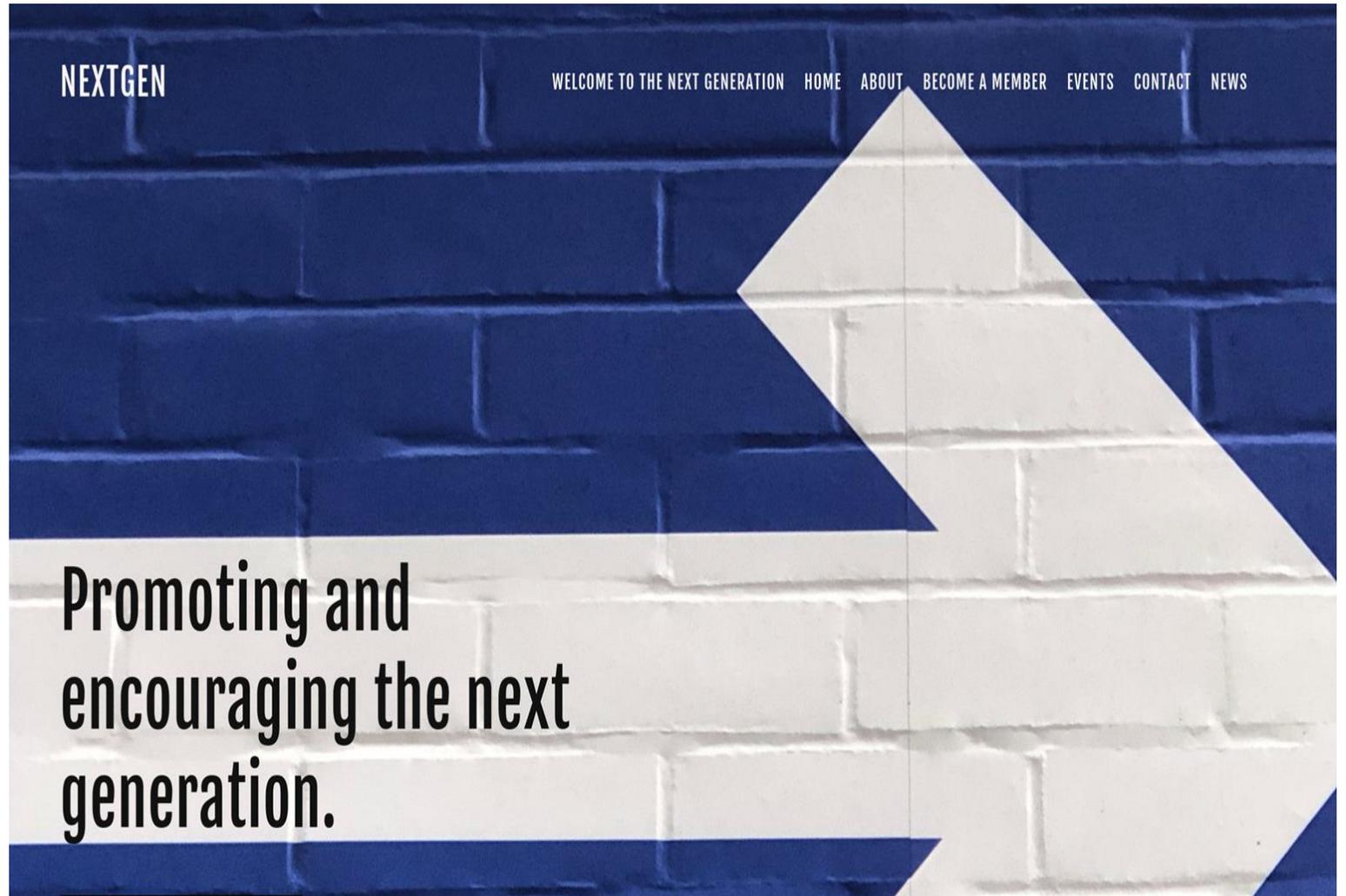
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## What is NextGen?



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# Why do we exist?



---

## Our goals.



---

**What's next?**





Capital Cranfield

LONDON | NOTTINGHAM | EDINBURGH



## The Role of the Fiduciary in the DC Landscape

[capitalcranfield.com](http://capitalcranfield.com)

**Tony Filbin**

Chairman

8<sup>th</sup> November 2018



# What Must Fiduciaries Do?

- ◆ Mastertrusts
- ◆ IGCs
- ◆ Occupational DC



# Fiduciaries – Common to All

- ◆ Value for Money / Members
- ◆ Default oversight and investment governance
- ◆ Nuts and bolts - particularly with AE



# Mastertrusts

- ◆ Trustees at the heart of the proposition
- ◆ Key role in Authorisation process
- ◆ Relationship with other stakeholders



# IGCs

- ◆ Legacy products and platforms
- ◆ Treating Customers Fairly



# What Should Fiduciaries Do?

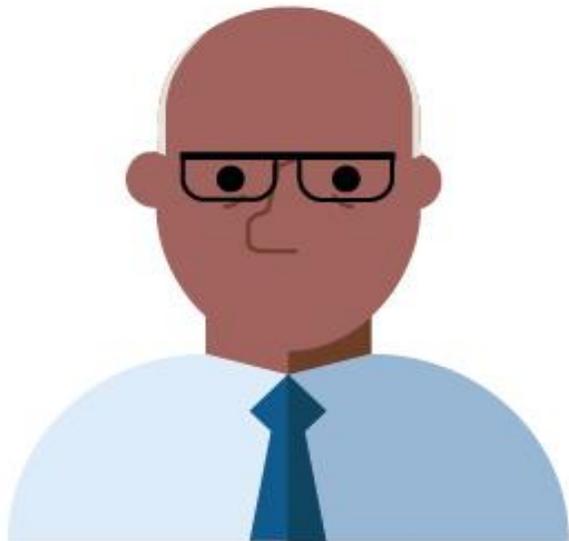
- ◆ Raising the bar
- ◆ ESG
- ◆ Member engagement
- ◆ Dashboard



Punter Southall  
Aspire

# DC scheme reviews and member outcomes





A group of people are high-fiving each other in a celebratory gesture. The scene is set outdoors at sunset, with a warm, golden light illuminating the scene. In the background, there are buildings and colorful bunting flags. The people are smiling and appear to be in a festive or successful mood. The text "Improving member outcomes" is overlaid on the left side of the image in a dark red, serif font.

# Improving member outcomes

# Three key areas



Make your scheme  
as efficient as  
possible



Contribute for  
as long as  
possible



Get employers  
and employees to  
pay more in



# Significant factors

Charges

Volatility

Performance



# The impact of a reduction in charge

## Starting point

Employee joins the scheme at age 25

Salary of £25,000

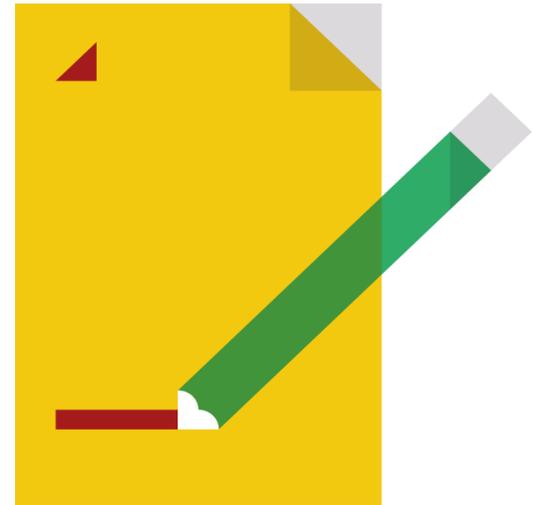
Contributions 8% of basic salary

Taking benefits at age 68

Salary increases of 2% per year

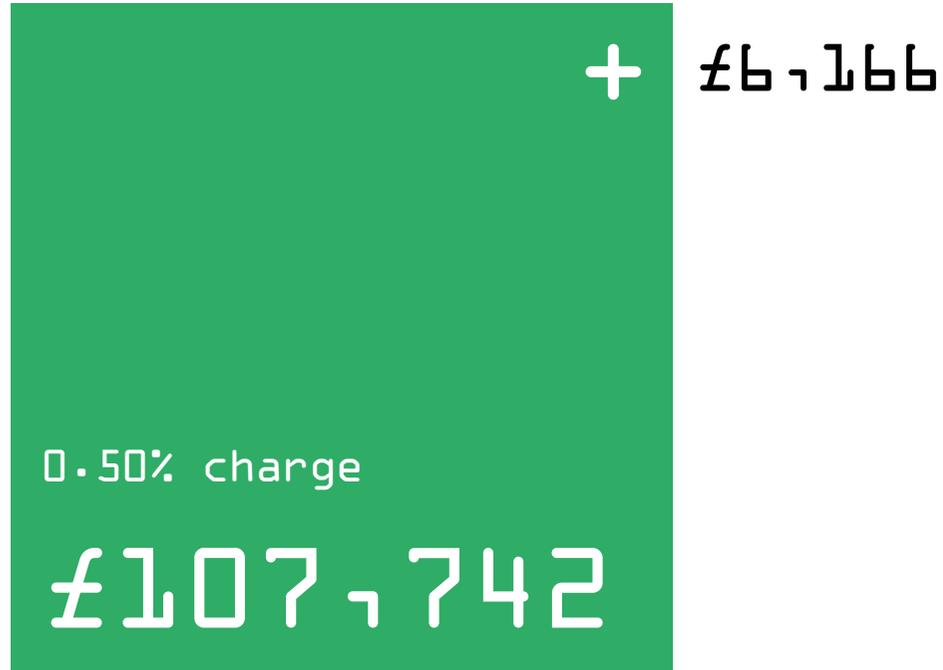
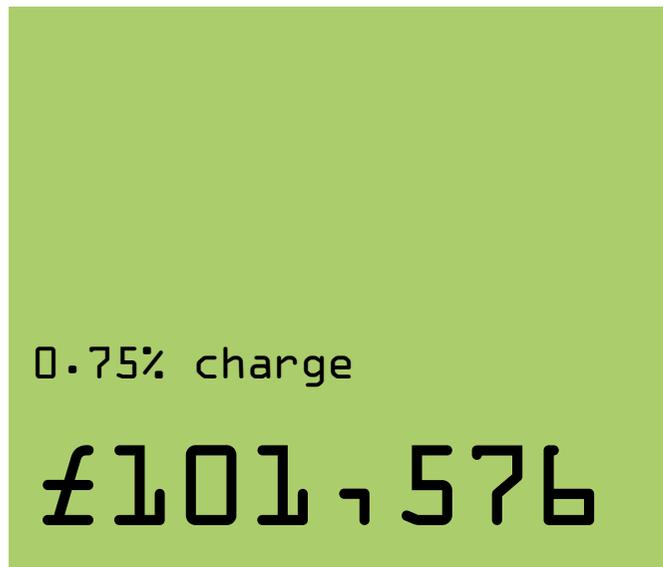
Fund growth of 4% per year

Charge of 0.75%



# The impact of a reduction in charge

Pot at age 68



## Starting assumptions:

- Age 25
- Starting salary £25,000
- Contribution 8% of salary
- Retirement age 68
- Salary increase 2% p.a.
- Fund growth 4% p.a.
- Charge of 0.75%
- Figures in today's terms
- Source: Punter Southall Aspire Pension Calculator



Workplace Default



AVIVA INVESTORS

Diversified Assets II



Growth Portfolio



My Future Growth



Multi Asset



Governed Portfolio 4



Pension Portfolio 2



Active Plus III

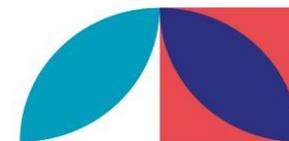
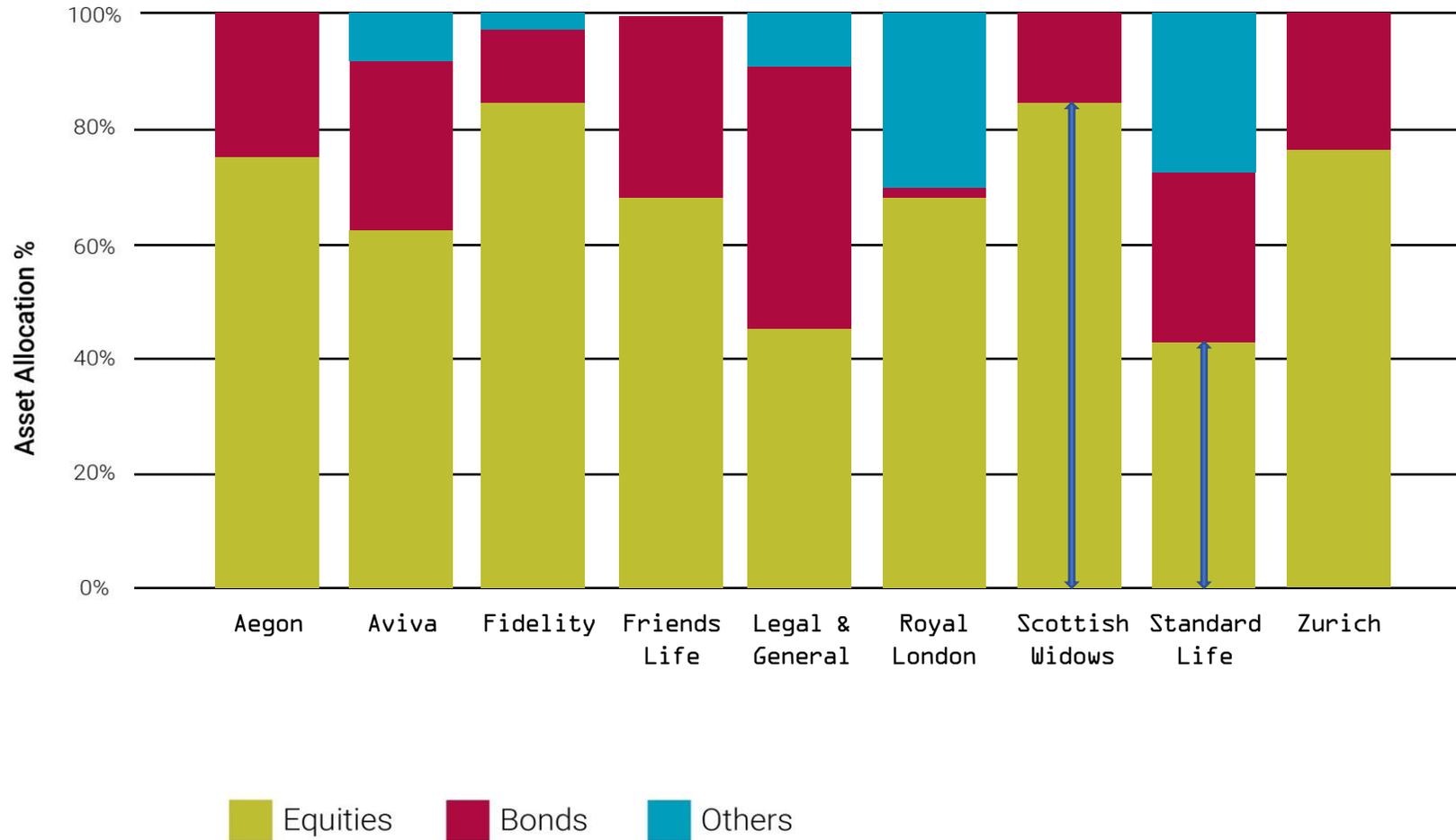


ZURICH

Passive Multi-Asset



# Variance of asset classes



# Improvement of 0.5% in fund performance

Pot at age 68



+ £12,247

## Starting assumptions:

- Age 25
- Starting salary £25,000
- Contribution 8% of salary
- Retirement age 68
- Salary increase 2% p.a.
- Fund growth 4% p.a.
- Charge of 0.75%
- Figures in today's terms
- Source: Punter Southall Aspire Pension Calculator

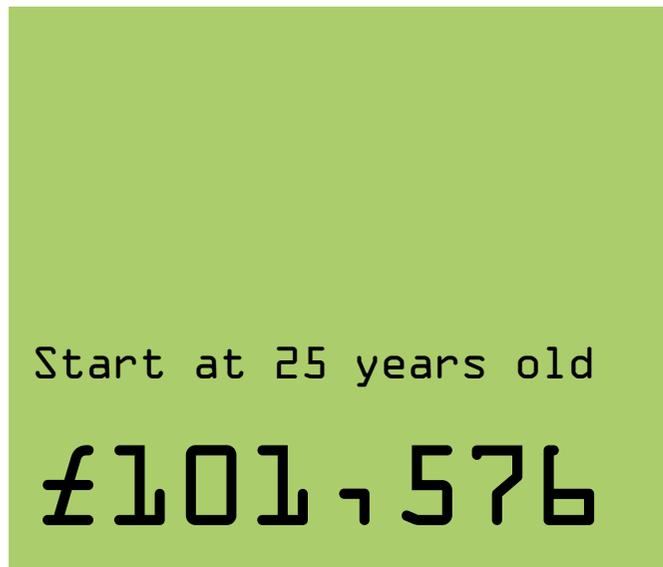




Contribute  
for as long as  
possible

# The benefit of three years' additional contributions

Pot at age 68



+ £2,177

**£103,753**

## Starting assumptions:

- Age 25
- Starting salary £25,000
- Contribution 8% of salary
- Retirement age 68
- Salary increase 2% p.a.

- Fund growth 4% p.a.
- Charge of 0.75%
- Figures in today's terms
- Source: Punter Southall Aspire Pension Calculator

\*Revised starting salary of £23,560

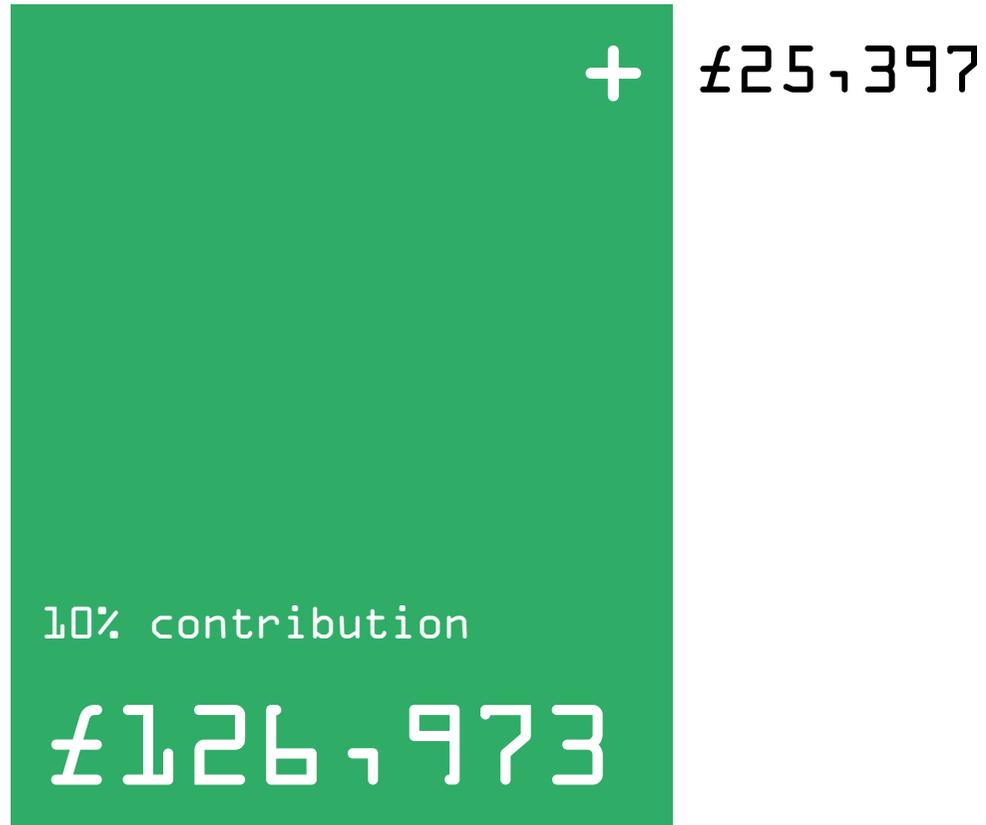
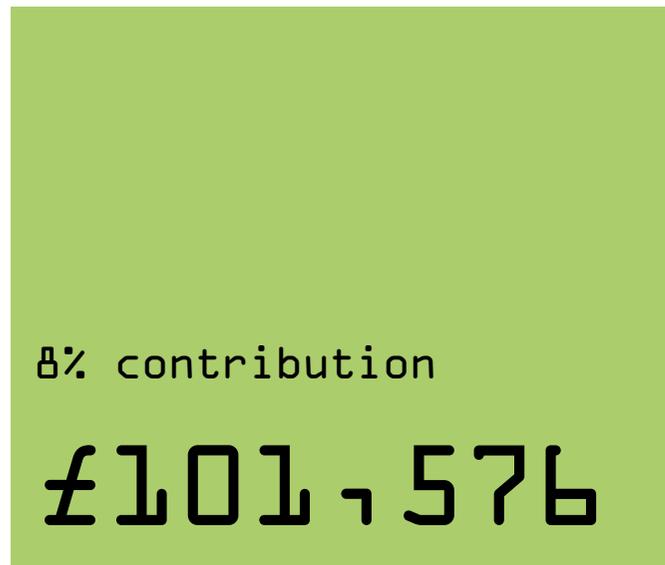


Pay more in



# The impact of higher contributions

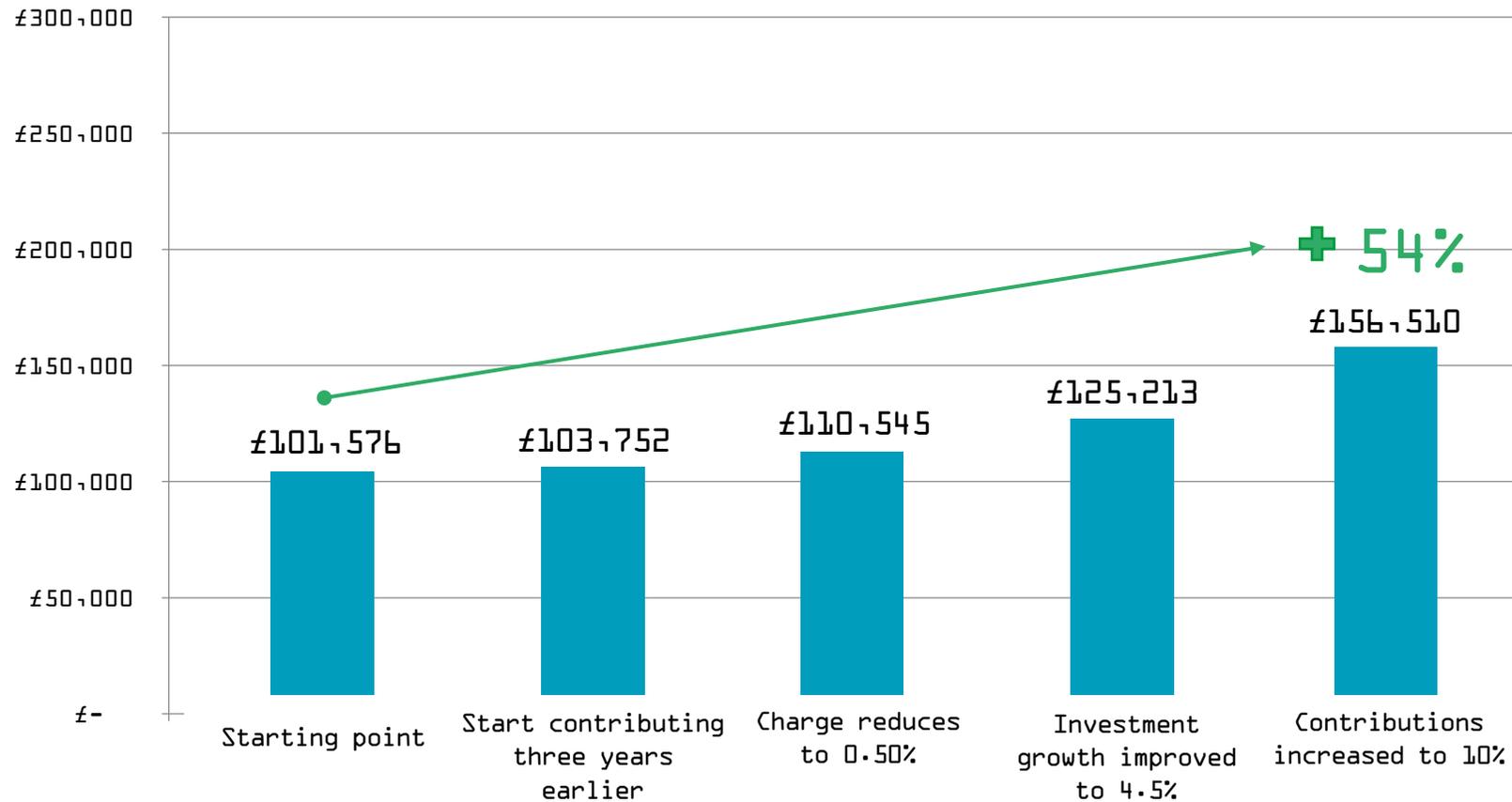
Pot at age 68



## Starting assumptions:

- Age 25
- Starting salary £25,000
- Contribution 8% of salary
- Retirement age 68
- Salary increase 2% p.a.
- Fund growth 4% p.a.
- Charge of 0.75%
- Figures in today's terms
- Source: Punter Southall Aspire Pension Calculator

# Step changes in action

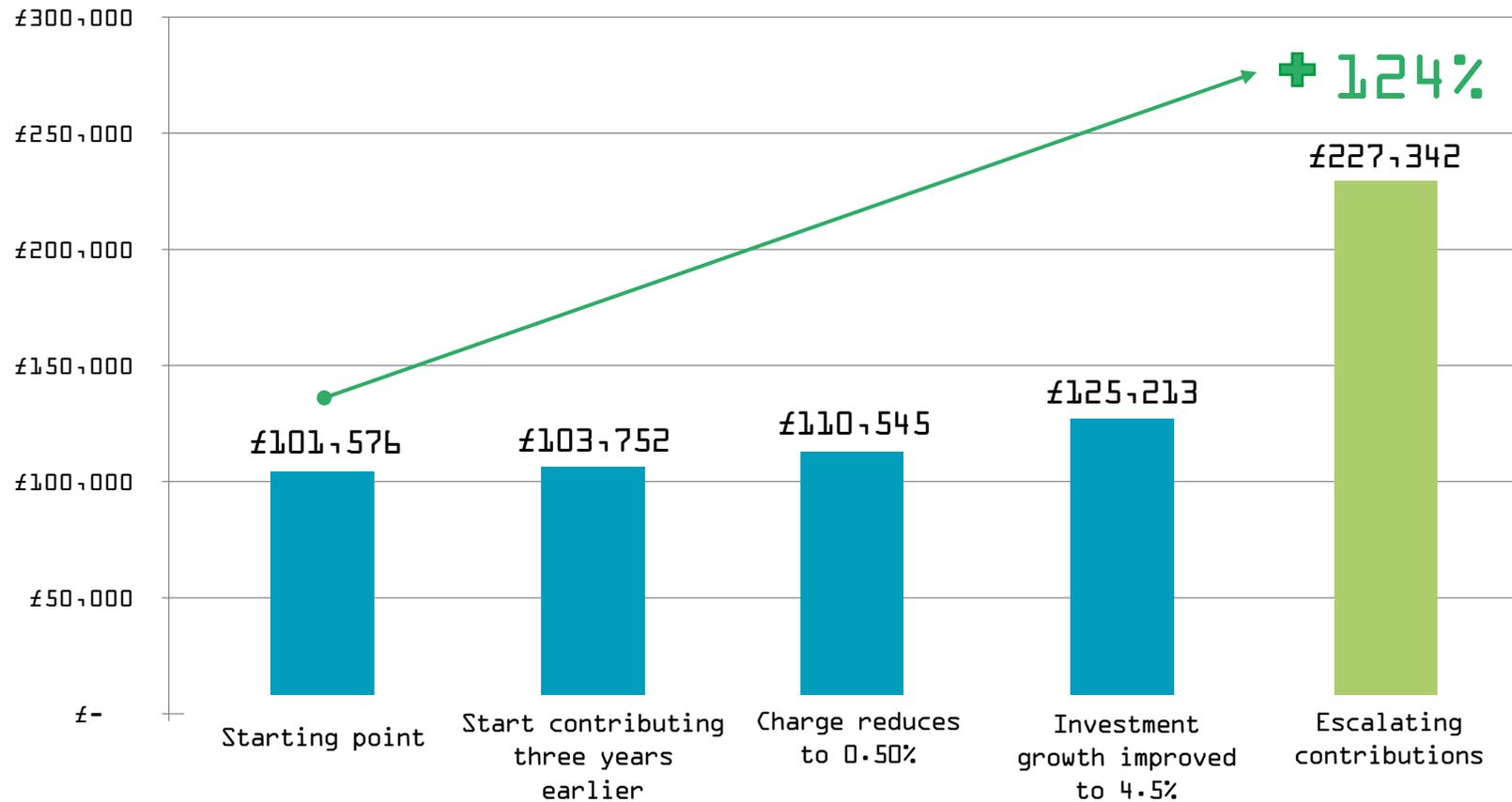


## Starting assumptions:

- Age 25
- Starting salary £25,000 (£23,560 for 22 year old)
- Contribution 8% of salary
- Retirement age 68
- Salary increase 2% p.a.
- Fund growth 4% p.a.
- Charge of 0.75%
- Figures in today's terms
- Source: Punter Southall Aspire Pension Calculator



# Step changes in action



## Escalating contributions

Assumes an additional 1% contribution each year, for the first five years of membership, starting at 10% from age 22 and increasing to 17.5% by age 27.

### Starting assumptions:

- Age 25
- Starting salary £25,000 (£23,560 for 22 year old)
- Contribution 8% of salary
- Retirement age 68
- Salary increase 2% p.a.
- Fund growth 4% p.a.
- Charge of 0.75%
- Figures in today's terms
- Source: Punter Southall Aspire Pension Calculator



A close-up, side-profile photograph of a male tailor with glasses and a goatee, wearing a white shirt and a dark vest. He is focused on measuring the back of a dark navy blue suit jacket that is hanging on a wooden mannequin. He holds a yellow measuring tape across the width of the jacket's back. The background is a blurred workshop or tailor's shop with wooden elements.

The importance of  
scheme reviews

# Good governance



# Regular review

-  Monitoring contributions - the amounts paid and whether they were applied on time
-  Plan membership trends
-  Investment performance
-  Provider performance, administration and financial strength
-  Benchmarking contributions and member charges
-  Projected member outcomes



# PS Aspire governance toolkit



# Thanks

For any further questions, please contact  
a member of our team on:

+44 (0) 20 3327 5500  
[sayhello@psaspire.com](mailto:sayhello@psaspire.com)

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**funds** europe

DC Seminar

Decoding DC Pensions

8<sup>th</sup> November 2018

