

# PLSA SCOTLAND GROUP MEETING FUTURE OF THE UK DC MARKET

26 February 2024

Shepherd & Wedderburn, Edinburgh, Scotland

Please use the Q&A box to ask questions

# AGENDA

- 16:00      **Registration** (light refreshments will be served)
- 16:25      **Welcome and Introduction**  
**Heather Meighan**, (Chair, Scotland Group), Zedra
- 16:30      **PLSA Policy Perspective: Future of UK DC**  
**Ruari Grant**, DC Policy Lead, PLSA
- 16:55      **Q&A Session**
- 17:00      **The Pot for Life**  
**Malina Miller**, Senior DC Consultant, Barnett Waddingham
- 17:25      **Q&A Session**
- 17:30      **Master Trust Perspective: Future of the DC Market**  
**Sharon Bellingham**, Master Trust & IGC Lead, Scottish Widows MT
- 17:55      **Q&A Session**
- 18:00      **Close followed by Drinks Reception**

PLSA Policy Perspective

**RUARI GRANT**  
PLSA



# RLS – THE THREE STANDARDS

## CHOICE

**COMFORTABLE** ...a broad range of opportunities and choices, peace of mind and the flexibility to do a lot of the things that you would like to do.

## OPPORTUNITY

**MODERATE** ....between the minimum and comfortable - access a range of opportunities and choices, having a sense of security and the option to do some of the things that you would like to do

## SECURITY

**MINIMUM** ... A minimum standard of living ....more than just, food, clothes and shelter. ..having what you need in order to have the opportunities and choices necessary to participate in society

# RETIREMENT LIVING STANDARDS 2023



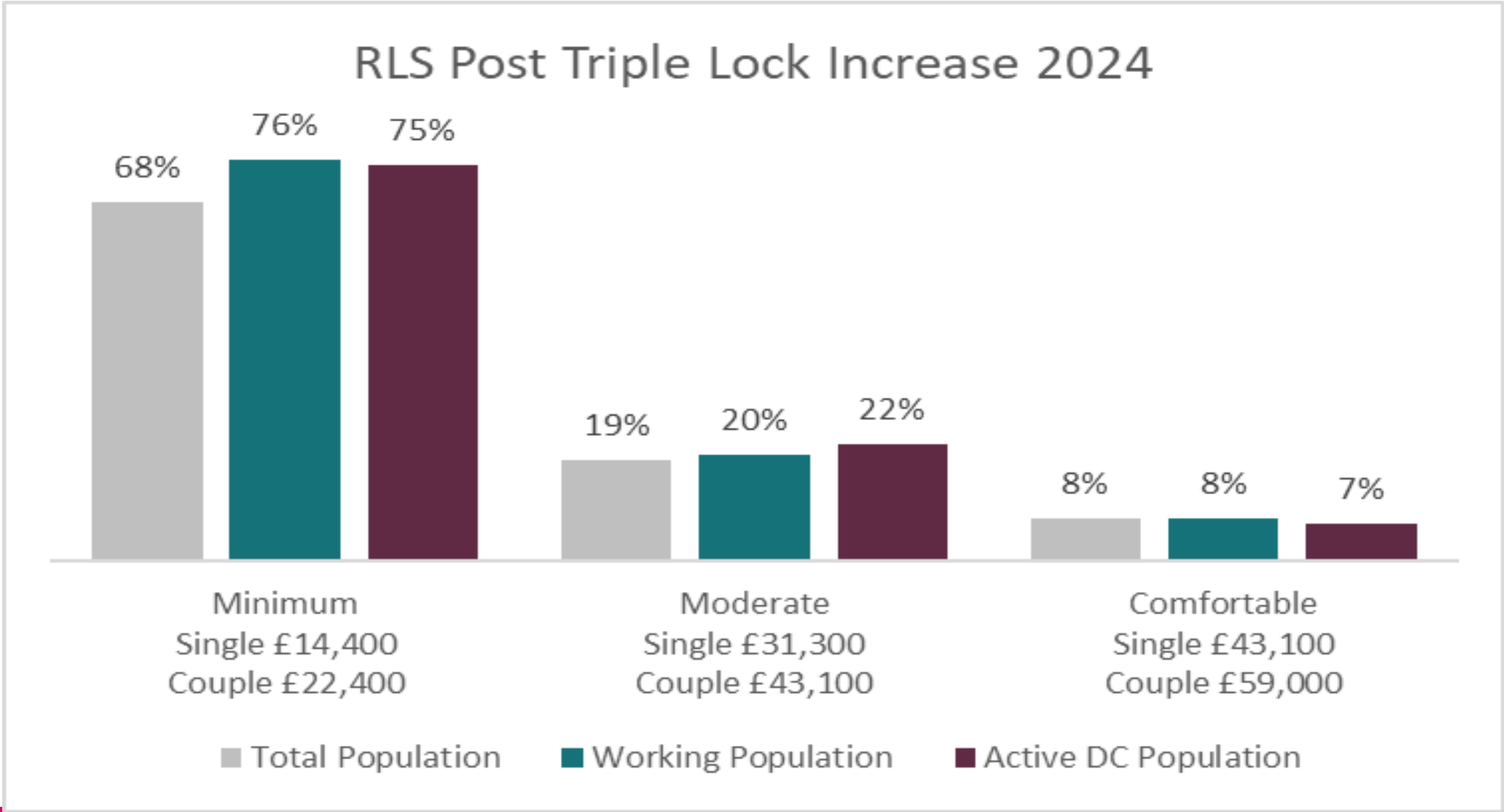
one person



couple

COMFORTABLE	2022	£37,300 <b>£43,100</b> ▲ 5,800	£54,500 <b>£ 59,000</b> ▲ 4,500
MODERATE	2022	£23,300 <b>£ 31,300</b> ▲ 8,000	£34,000 <b>£ 43,100</b> ▲ 9,100
MINIMUM	2022	£12,800 <b>£ 14,400</b> ▲ 1,600	£19,900 <b>£ 22,400</b> ▲ 2,500

# PERCENTAGE HITTING EACH RLS LEVEL



# FROM ACCUMULATION TO DECUMULATION

NEW REGULATORY FRAMEWORK

Requirement for schemes to support their members in respect of their at-retirement and decumulation decisions and options

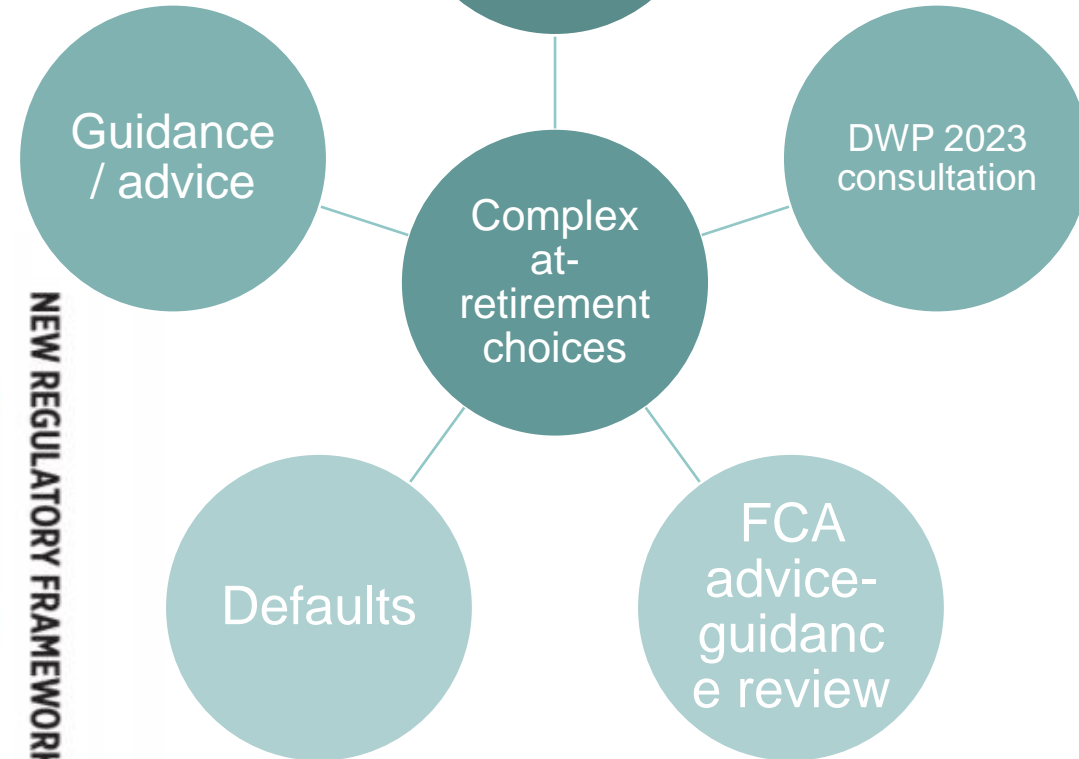
**Support to consist of three specific elements:**  
member engagement and communications,  
decumulation products/solutions (in-scheme or signposted); and  
scheme governance processes relating to selection or design and delivery of the above elements

A set of minimum standards will apply to each element

Guidance to support schemes in the delivery of the above

Best in class industry standards to recognise and drive best practise

NEW REGULATORY FRAMEWORK



# VALUE FOR MONEY

All FCA and tPR schemes (excluding consolidators, decumulation)

Disclosure, comparison, value assessment

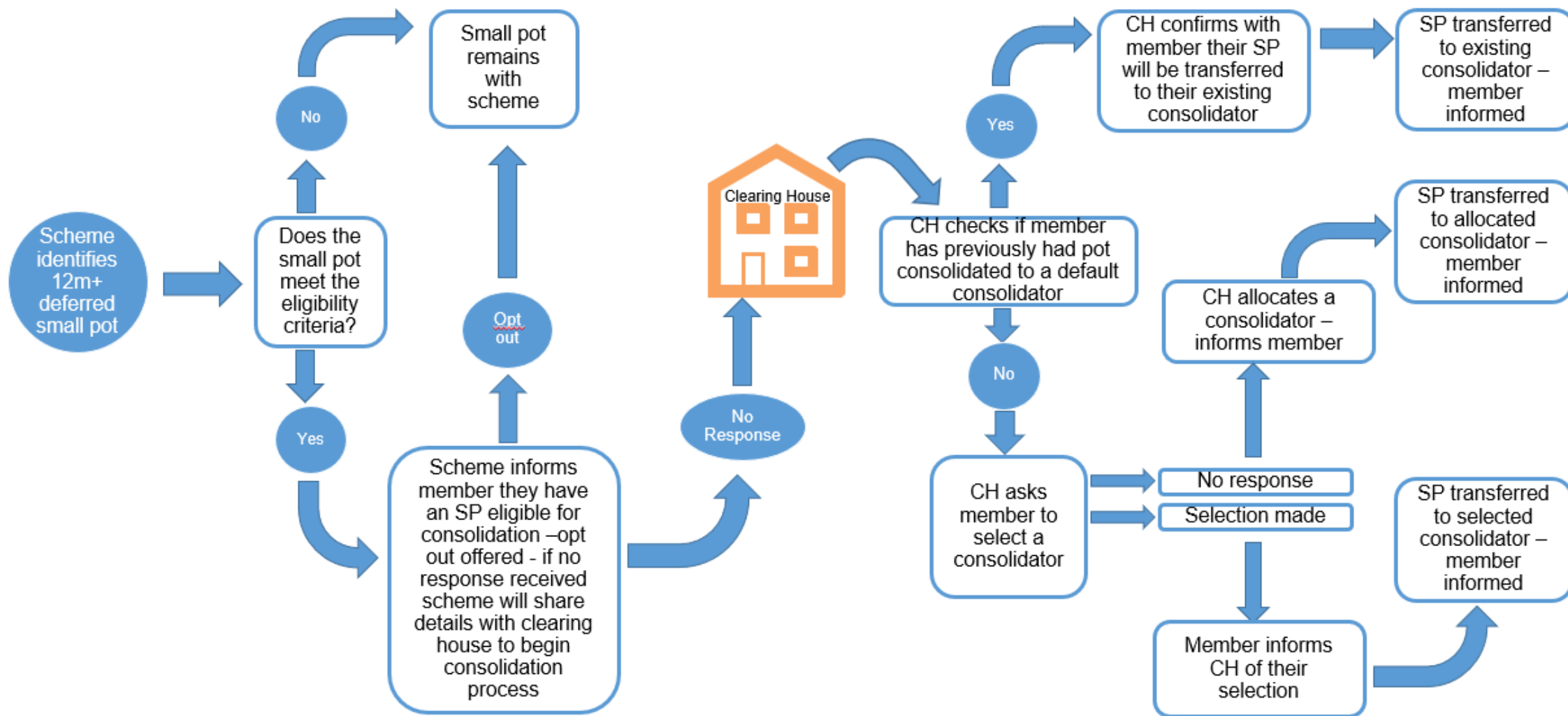
Investment  
performance

Costs &  
charges

Service &  
administration



# SMALL POTS

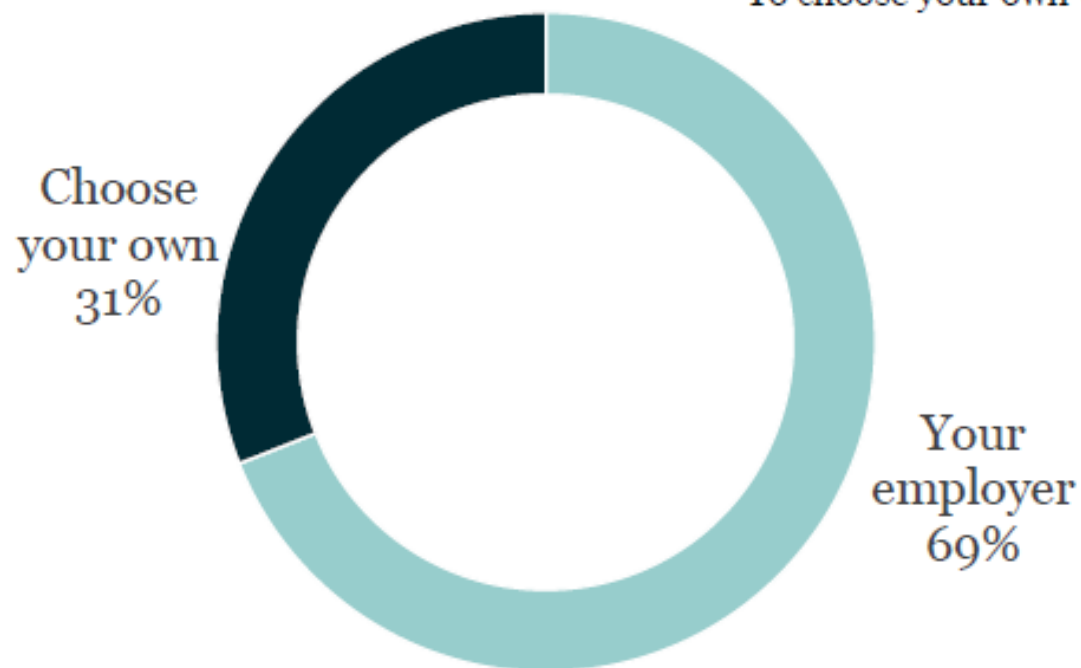


# LIFETIME PROVIDER

## DO SAVERS WANT TO CHOOSE?

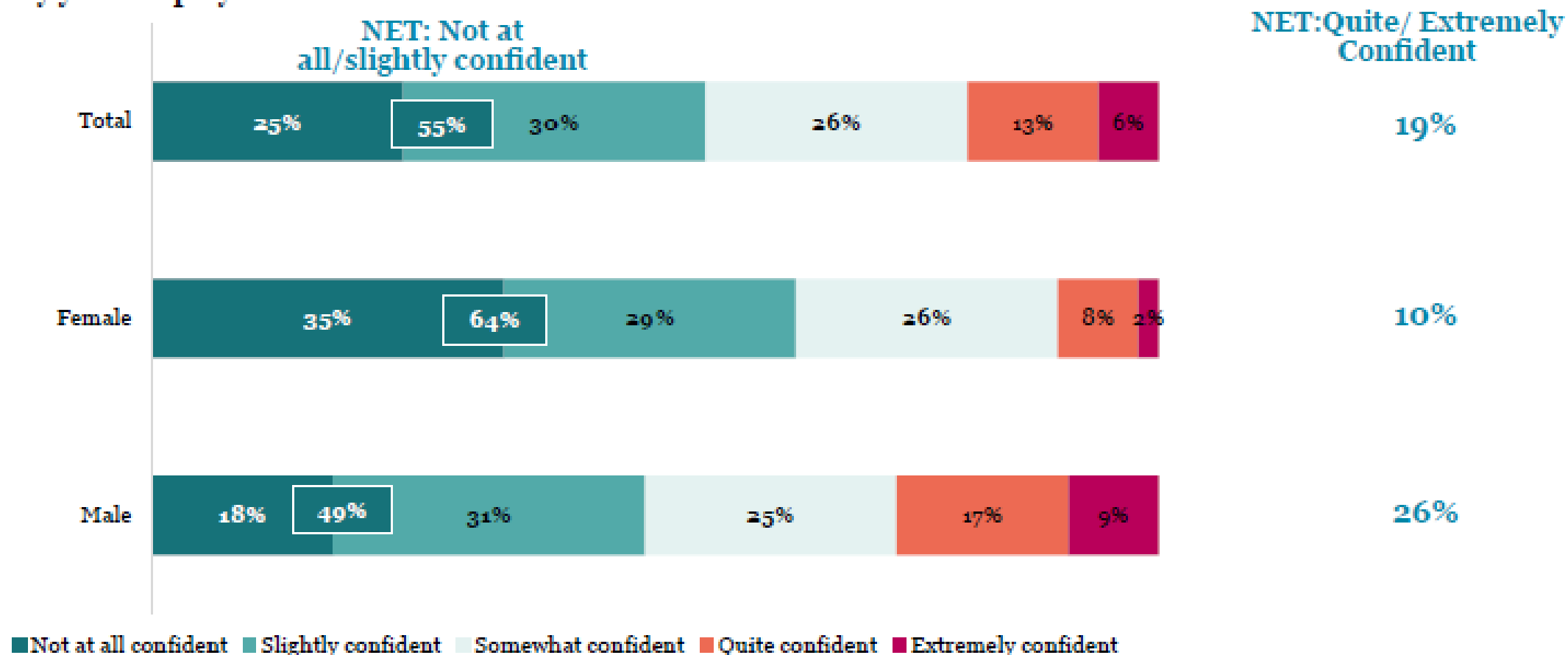
Which of these would you prefer?

Your employer to choose your workplace pension provider  
OR  
To choose your own workplace pension provider



# CONFIDENCE TO CHOOSE A PENSION PROVIDER

Currently employers are given the legal responsibility to choose or set up a workplace pension scheme to provide a pension for eligible employees. How confident would you be choosing a pension provider for yourself rather than going into the one chosen by your employer?



# ANY QUESTIONS?

Please use the Q&A box to ask questions

Pot for Life: Looking into the DC Future

**MALINA MILLER**

Barnett Waddingham



# Pot for Life

Looking into the DC future

Malina Miller

DC Consultant



# Regulatory information

Barnett Waddingham LLP is a limited liability partnership that is authorised and regulated by the Financial Conduct Authority registered in England and Wales. Their registered office is 2 London Wall Place, London, EC2Y 5AU. Registered Number OC307678

However, this presentation is not intended to provide and must not be construed as regulated investment advice. Returns are not guaranteed, and the value of investments may go down as well as up, so you may get back less than you invest.

The information in this presentation is based on our understanding of current taxation law, proposed legislation and HM Revenue & Customs practice, which may be subject to future variation.

# Let's look back.....

## Conservative government pension reforms since 2010

PENSION FREEDOMS

2015



2024



2012



automatic  
enrolment

MANSION HOUSE  
COMPACT

2023





# Pot for Life

December 2023 - Department for Work and Pensions [consulted](#) on whether a single lifetime provider or “pot-for-life” model would improve outcomes for (DC) savers.

## Aims



Move to a simple system



Empowering individuals



Accelerate scale



# Will the UK echo the Australian system?

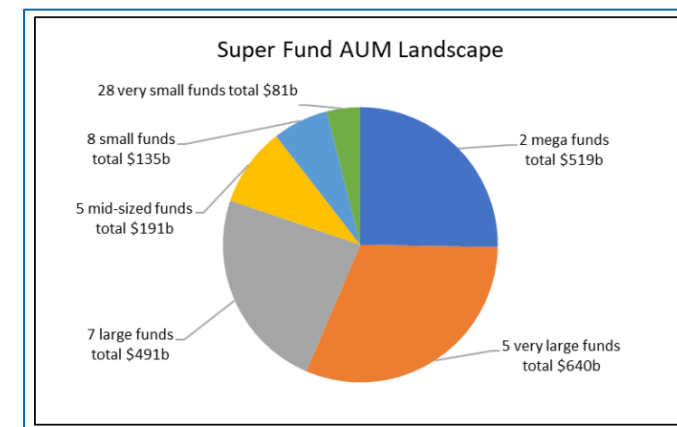
Australian Market	UK Market
Regulators – APRA, ASIC	Regulators -FCA, TPR
Compulsory superannuation	Auto enrolment (AE)
Employer Contributions 11% ( <b>compulsory</b> )	Employer Contributions = 3% of Qualifying earnings( <b>compulsory</b> )
Employee <b>voluntary</b> contributions average = 2.5-3%	Employee Contributions = 5% of Qualifying Earnings ( <b>compulsory</b> )
Employee chooses Super Fund	Employer chooses AE qualifying scheme
86% of pension assets in DC	50% of pension assets in DC
Huge scale of cashflows	Limited cashflows
\$1.6m pension cap	Cap abolished from 6 April 2024
\$25,000 annual contributions cap	£60,000 annual contributions cap
Value for Money – Regulator benchmarking	Value for Money – FCA consultation expected in Spring 2024. Expectation is that framework consistent across both Trust-based and Contract arrangements.

# Lessons from Australia

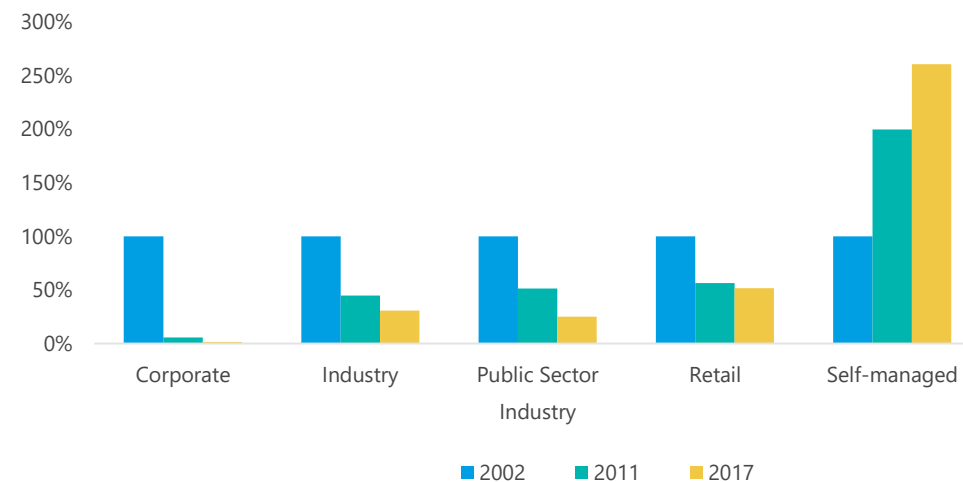
## Superannuation assets \$3.4 trillion at end of December 2022

- Australian DC Market is more mature than UK Market
- The pensions landscape in Australia has gone through a significant transformation driven by changes to regulations in 2005. This acted as the catalyst for significant market consolidation
- Corporate schemes (equivalent to UK own-trust) have reduced significantly in number and only c.10 now remain.
- The UK government has cited the success of illiquid investments in Australia and wants to see UK DC schemes follow suit.

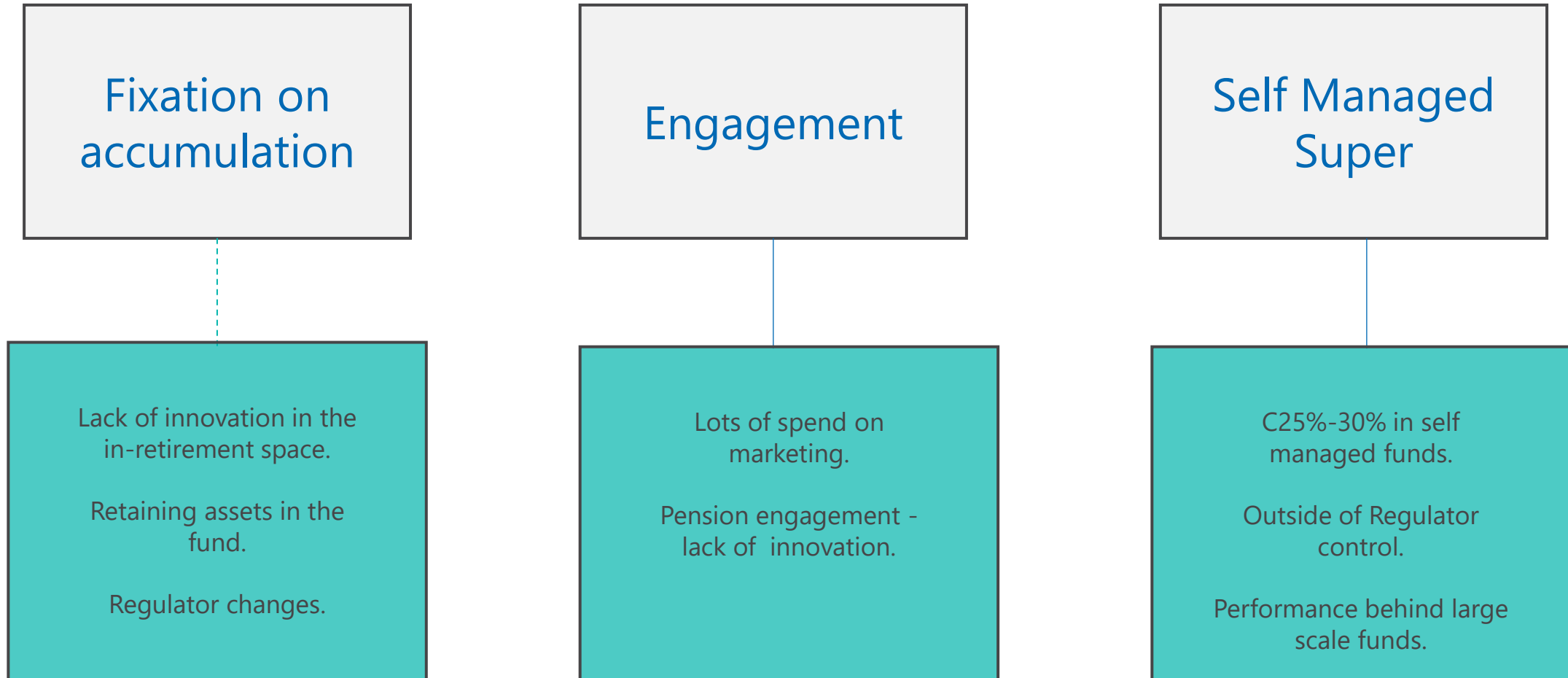
Oz "Fund"	UK "Scheme"
Corporate	Trust Based
Retail	Retail
Industry	Master Trust
Public Sector	Public Sector
Self Managed Super	SIPP / SSAS



Number of consolidation plans each year compared to 2002



# Pitfalls to avoid based on the Australian experience



# Proposal - challenges

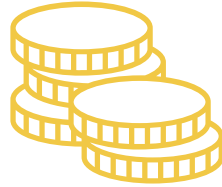


# Distraction?

Is the consultation a distraction from what is important for the government to solve?



1. Launch of  
dashboards



2. Contribution  
adequacy



3. Education



So, would you say you are  
generally in favour, or wholly  
unconvinced?

# ANY QUESTIONS?

Please use the Q&A box to ask questions



# Future of DC Master Trust



**SCOTTISH WIDOWS**  
MASTERTRUST

# MASTER TRUST MARKET

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Providers



Assets



Members

# KEY THEMES

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## CONSOLIDATION

Single Employer Trust

Master Trust Market

A Secondary Market?

## REGULATORY CHANGE

Master Trust Supervision

Parity across regimes and regulators

Trusteeship and the role of the fiduciary

## RETIREMENT

Evolved retirement support / guidance / advice solutions

CDC

## INVESTMENT

Private Markets

Responsible Investment

Evolution of “to & through” solutions

## ENGAGEMENT

Digital engagement & AI

Big Data & Open Finance

Pension Dashboard

THANK YOU

ANY QUESTIONS?

## **PLSA 2024 CONFERENCES**

- **Investment Conference, 27-29 February, Edinburgh**
- **Local Authority Conference, 11-13 June, Gloucestershire**
- **Annual Conference, 15-17 October, Liverpool**

## **DATE OF NEXT SCOTLAND MEETING**

- **Scotland Group Meeting, 9 May – Online: 09:00**

Please visit [www.plsa.co.uk/events](http://www.plsa.co.uk/events) to register

**THANK YOU FOR ATTENDING THE  
SCOTLAND GROUP MEETING**

**PLEASE JOIN US FOR DRINKS FOLLOWING THE  
MEETING**