

# Welcome

## Pension Scheme Assets

How they are invested and how and why they change over time



**INDEPENDENT**  
EVIDENCE BASED  
NOT FOR PROFIT  
NON LOBBYING  
NEUTRAL

## Thank you to our event hosts



# Welcome from our event hosts

**Rob Yuille**

Assistant Director, Head of Long Term Savings Policy



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# Welcome from the Chair

**Daniela Silcock**

**Head of Policy Research**

**Pensions Policy Institute (PPI)**

**@PPI\_Research**

**#PPILaunch**

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# Event overview

The event today is the official launch of the report **Pension Scheme Assets - How they are invested and how and why they change over time**

The PPI is looking to shine a light through the mist and bring together data showing how pension scheme asset allocation changes over time, and why. Supported by a survey, this annual report brings some much needed clarity to an opaque topic as well as supporting discussions with Government about how assets can be defined and reported in the future.

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# Keynote Address

## Emma Reynolds MP

Parliamentary Secretary at  
HM Treasury and the  
Department for Work and Pensions



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# Key Findings



**Jackie Wells**

**Research Associate**

**Pensions Policy Institute (PPI)**



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“ACROSS THE PENSIONS INDUSTRY AS A WHOLE, THE BEST DATA SUGGESTS INVESTMENT INTO UK EQUITIES HAS FALLEN TO AROUND 6%. TO IMPROVE DATA ON CURRENT HOLDINGS, THE GOVERNMENT INTENDS TO BRING FORWARD REQUIREMENTS FOR DEFINED CONTRIBUTION PENSION FUNDS TO PUBLICLY DISCLOSE THE BREAKDOWN OF THEIR ASSET ALLOCATIONS, INCLUDING UK EQUITIES, WORKING CLOSELY WITH THE FINANCIAL CONDUCT AUTHORITY (FCA) WHO SHARE RESPONSIBILITY FOR SETTING REQUIREMENTS FOR THE MARKET. THE FCA WILL CONSULT IN THE SPRING. THE GOVERNMENT WILL INTRODUCE EQUIVALENT REQUIREMENTS FOR LOCAL GOVERNMENT PENSION SCHEME FUNDS IN ENGLAND & WALES AS EARLY AS APRIL 2024. THE GOVERNMENT WILL REVIEW WHAT FURTHER ACTION SHOULD BE TAKEN IF THIS DATA DOES NOT DEMONSTRATE THAT UK EQUITY ALLOCATIONS ARE INCREASING.” BUDGET MARCH 2024

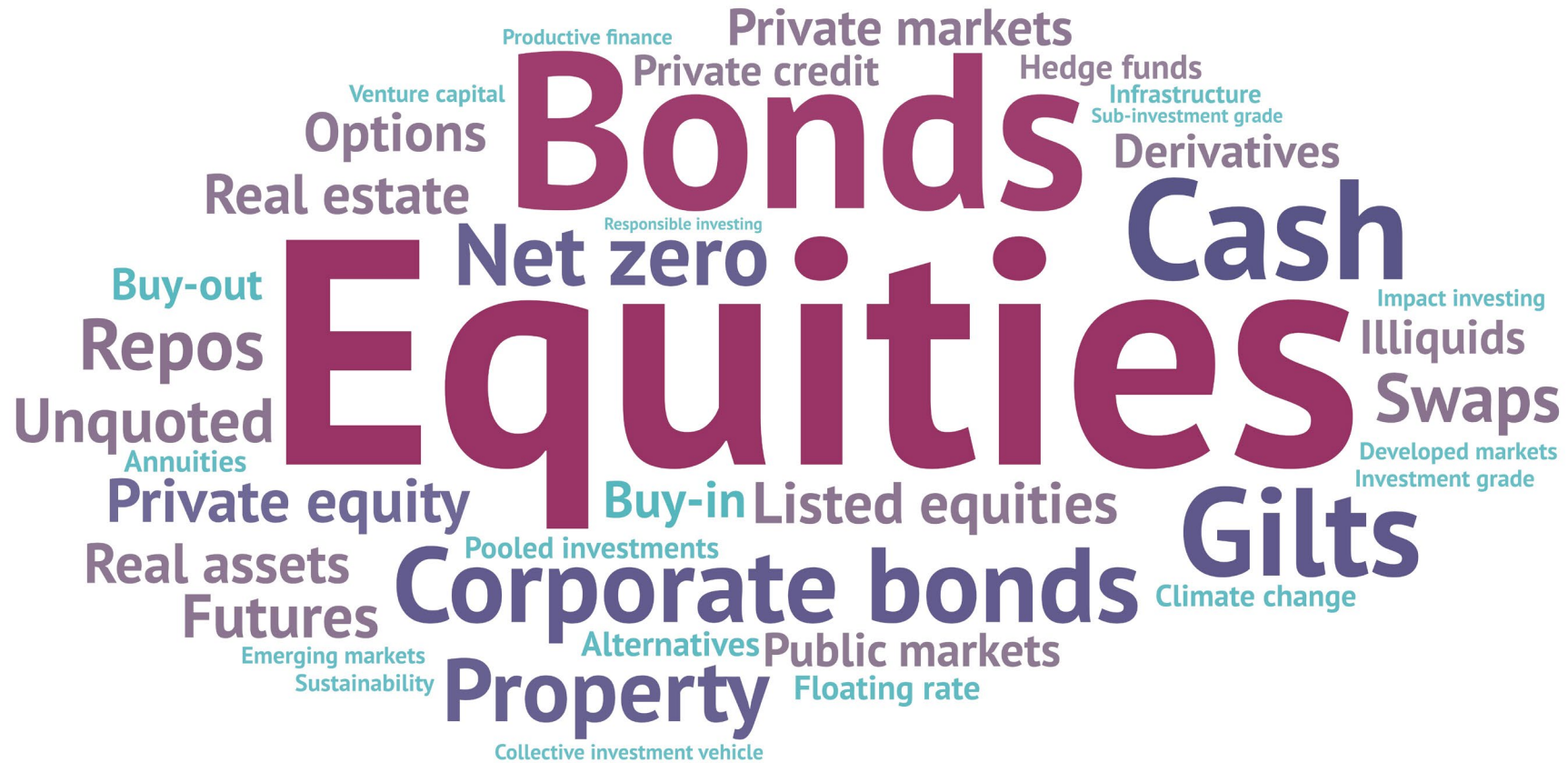
“OVER THE NEXT FEW MONTHS, THE REVIEW WILL FOCUS ON IDENTIFYING ANY FURTHER ACTIONS TO DRIVE INVESTMENT THAT COULD BE TAKEN FORWARD IN THE PENSION SCHEMES BILL BEFORE THEN EXPLORING LONG-TERM CHALLENGES TO ENSURE OUR PENSIONS SYSTEM IS FIT FOR THE FUTURE.

THERE IS SO MUCH UNTAPPED POTENTIAL IN OUR PENSIONS MARKETS, WITH AN INDUSTRY WORTH AROUND £2 TRILLION. THE MEASURES WE HAVE ALREADY SET OUT IN OUR PENSION SCHEMES BILL WILL HELP DRIVE HIGHER INVESTMENT AND A BETTER DEAL FOR OUR FUTURE PENSIONERS.”

PENSION REVIEW, PENSIONS MINISTER JULY 2024



# A complex lexicon



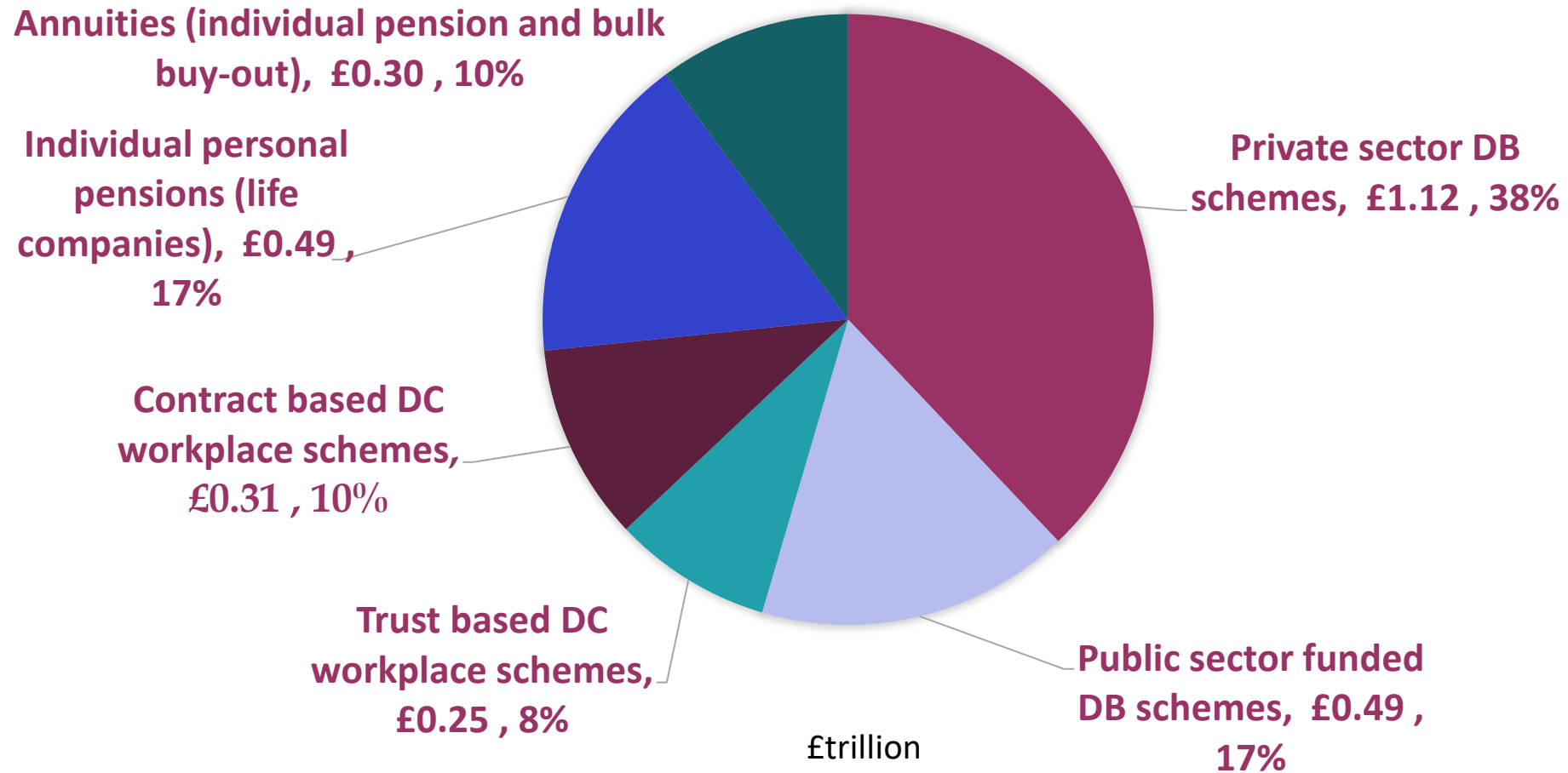
# How much do we know about how assets are invested?

	High level asset allocation	'Productive finance' <sup>1</sup>	UK assets <sup>2</sup>
Private sector DB	Very little	Very little	Very little
Public sector DB	Very little	Very little	Very little
Trust based DC	Very little	Very little	Very little
Contract based GPP	Quite a lot	Quite a lot	Quite a lot
Individual PP	Quite a lot	Quite a lot	Quite a lot
Pension annuities	Quite a lot	Quite a lot	Quite a lot

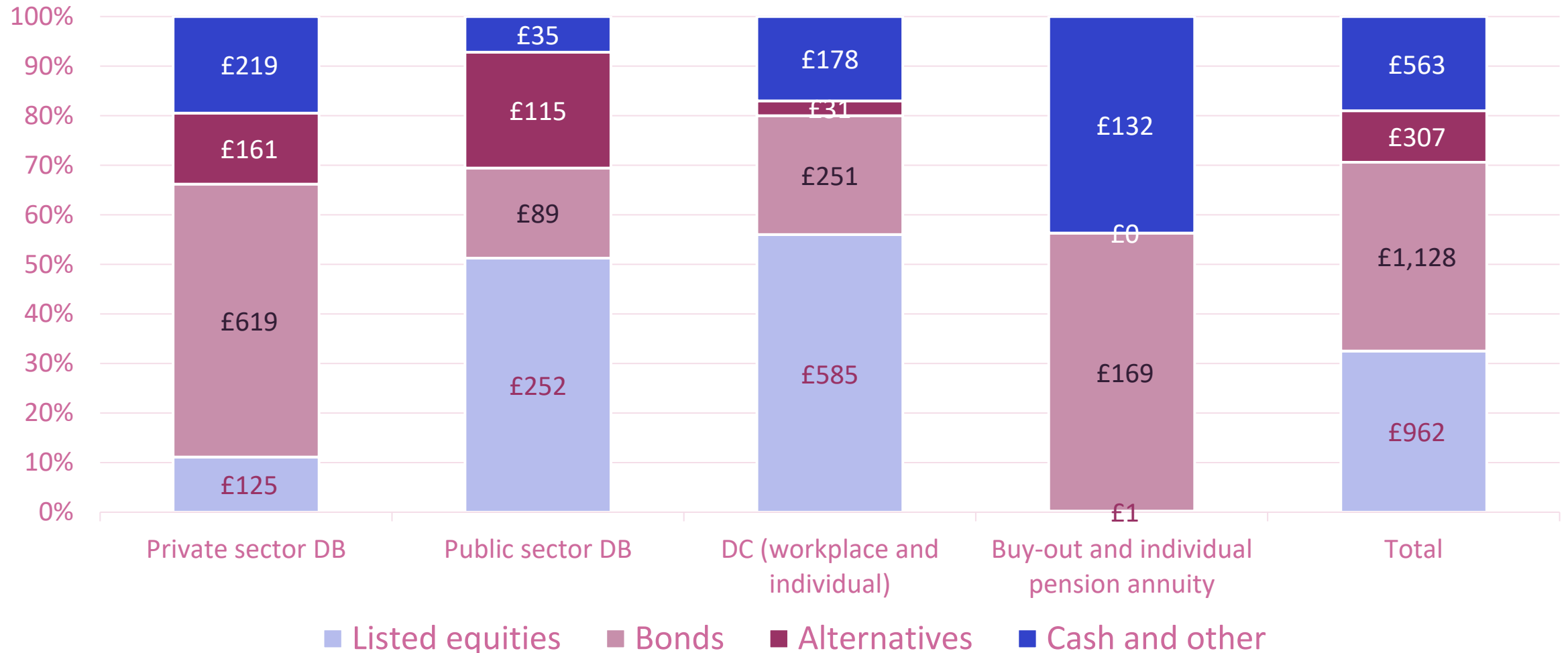


1. Productive finance includes corporate bonds, equity (both public and private) + other alternatives  
 2. UK assets includes assets listed or registered in UK

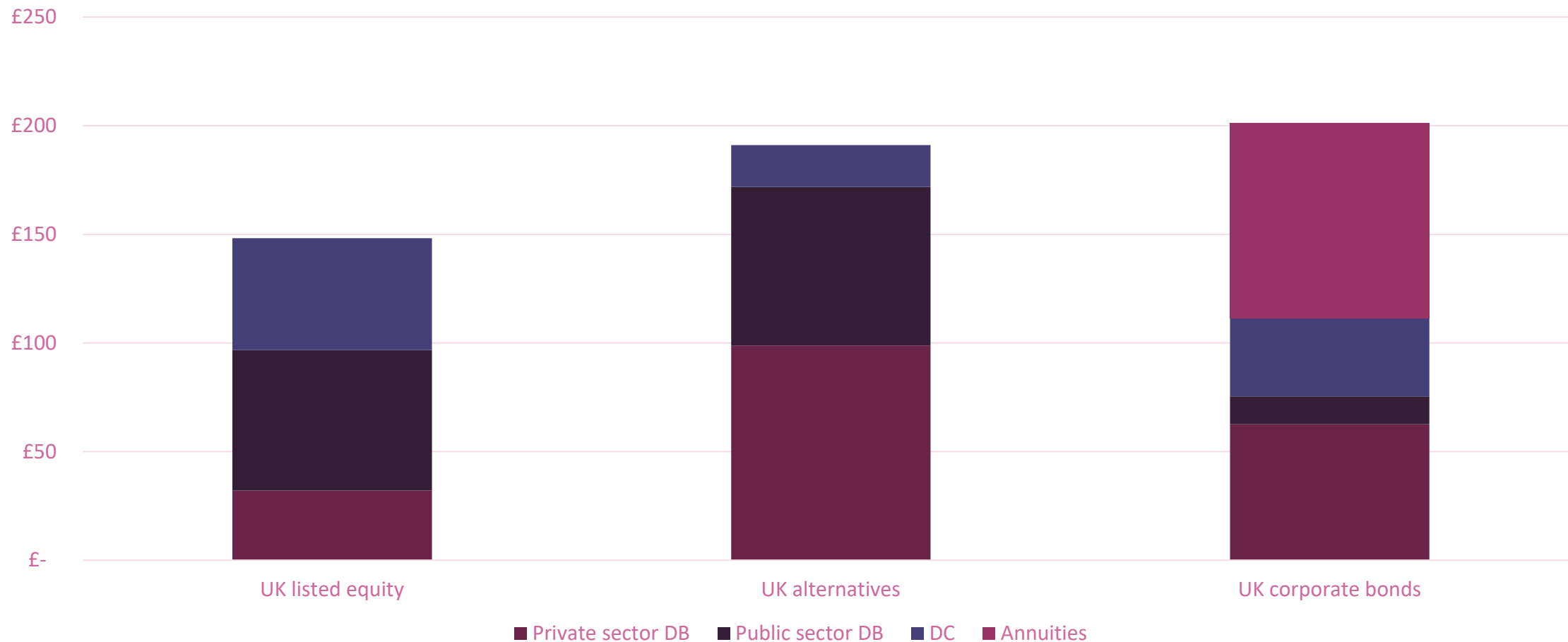
# £3 trillion of UK pension assets



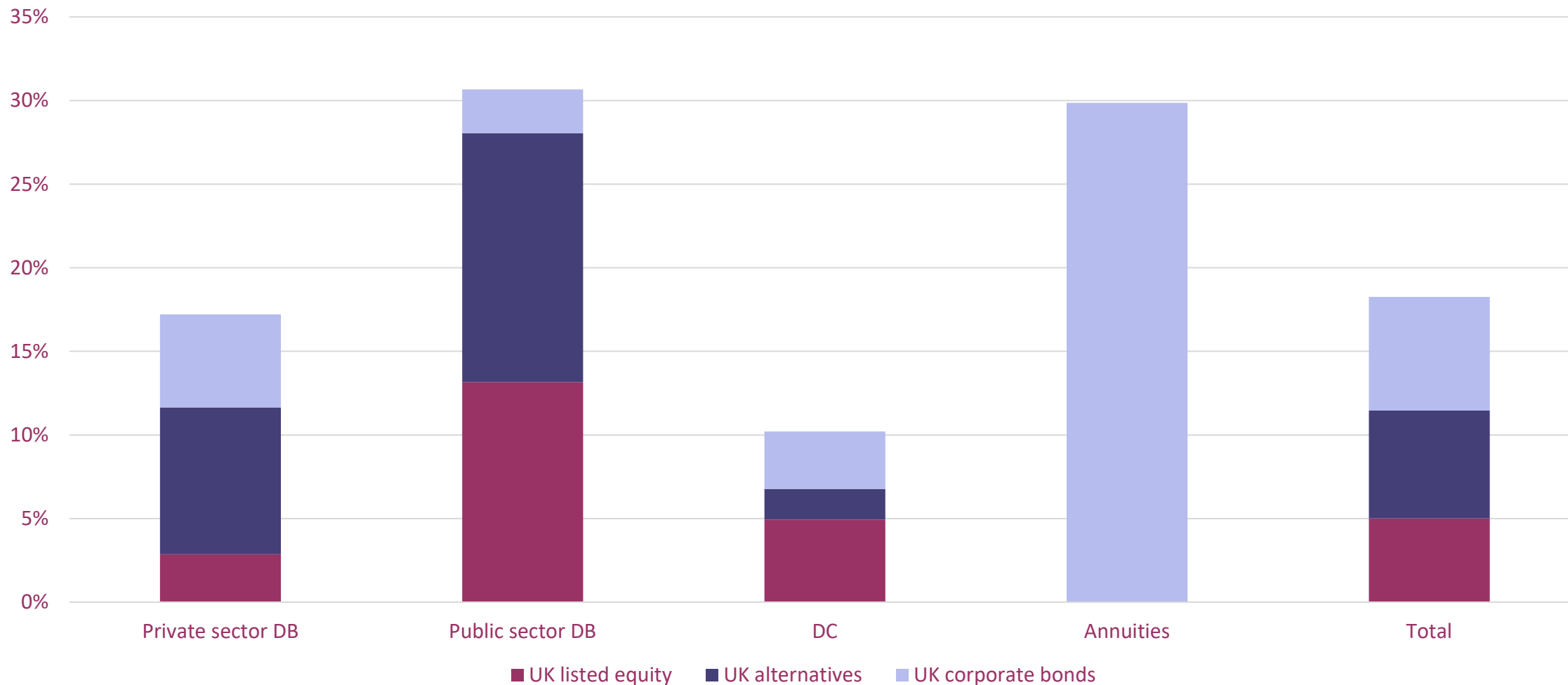
# Significant variation by scheme type (£bn)



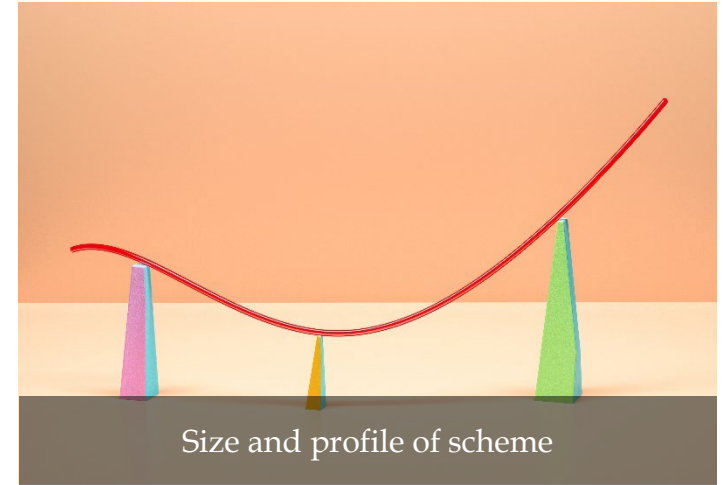
# £541 bn of UK assets held by UK pensions (by asset type)



# DB the largest UK investor by £bn (private sector) and % (public sector)



# Multiple drivers of change



# Key trends and barriers to diversification

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## Trends

Closure of DB schemes and move to buy-out created inevitable shift away from equities

- Cashflow becomes king

- Shift away from government to corporate bonds

Pension freedoms driving shift away from annuity to drawdown target in DC

Scaling up and maturity of DC still in progress

Rise of global equity mandates

LTAf opportunities emerging

## Barriers

Illiquid nature of assets

J-curve of returns

Lack of expertise

Uncertainty over future performance

Cost of investment

Shortage of assets

Life company platforms



# Implications

- UK pension sector in period of transition
  - DC gaining scale, workplace dominates and schemes consolidating
  - Private sector DB winding up and buy-out likely to continue
  - Pressure on LGPS to consolidate further
  - Limited emergence of CDC
- Members should benefit from trends in asset allocation
  - Closed DB benefits secured
  - Open DB members benefit from diversification
  - Better designed and diversified DC defaults
- Government drive for investment in UK will be driven by open DB and workplace DC
- Investment governance and value for money will become even more important
- Measuring trends in asset allocation requires single source of data and clearer set of definitions

# Sponsor's Response

**Mike Eakins**

Chief Investment Officer and  
Group Executive



Pensions Policy Institute  
**PPI**



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# Opening Comments from our panel



**Rob Yuille**  
ABI



**Silvia Knott-Martin**  
London LGPS CIV



**Mike Eakins**  
Phoenix Group



**Jackie Wells**  
PPI

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Thank you for attending today