

“From Pension Fund Governance to Innovation”

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Introduction

- UK pension fund governance is stronger and more resilient
- Encouraged by the ‘good governance’ movement in industry
- Underwritten by The Pension Regulator’s codes of practice
- Sustained by clear separation between sponsors, funds, and participants.

Standout Cases of Success

- For example, Philip Green's Arcadia retail empire
- The resale and bankruptcy strategy didn't work
- Pension trustees held the line, reinforced by TPR
- And a settlement was received protecting the PPF.

TPR Over-Emphasizes Process

- Witness the content of TPR codes of practice
- Its' emphasis on tests of knowledge and understanding
- The time-consuming process of testing, retesting, and progression
- Largely focused on the problems of the past – e.g. defined benefit.

UK Pension Industry is Evolving

- As DB pension schemes have closed, DC is on the ascendance
- Quasi-mandatory pension contributions have been a success
- Although the minimum contribution rate is far too low (cf. 15%)
- And managed by a small number of very large providers.

FinTech Revolution is an Opportunity

- To redesign modes of engagement via social media
- Provide flexibility, user options, and tailored benefits
- Use ‘smart’ devices to encourage higher contributions
- Make DC the cornerstone of UK pension adequacy.

Challenges Remain I

- Oversight of DC value-for-money – Trustees? TPR? Government?
- Need greater competition in provision of DC products and services
- Importantly, a deeper market for advisors and consultants re. design & management of DC plans and benefits
- Consolidation of smaller DC funds into larger groups (like AUS super-funds).

Challenges Remain II

- DC can reinforce gender inequality in retirement saving
- Advice remains a fundamental issue – funds need to take more responsibility
- One-size does not fit all – age, income, gender etc demand tailored solutions
- How can we deliver a stream of income in retirement in a low interest rate environment?

Conclusions

- Roles and responsibilities of trustees are growing
- Its not just an issue of the process (decision-making) – increasingly, the big issues are substantive (delivery of a quality DC product)
- Technological innovation can help, but this requires a new breed of advisors and consultants with expertise at the cutting-edge
- Underwritten by regulators focused on competition and value-for-money.

Research Publications

- Clark, G.L. (2021). The problematic nature of UK pension fund regulation: performing governance at the expense of pension adequacy. Competition & Change DOI: 10.1177/1024529420974608 (2020).
- Clark, G.L. (2020). High-performance DC pension plans: design, technology and the role of public policy. Benefits Quarterly (4th Quarter): 57-68.
- Clark, G.L. and Monk, A.H.B. (2017). Institutional Investors in Global Markets. Oxford: Oxford University Press.
- Clark, G.L., Strauss, K., and Knox-Hayes, J. (2012). Saving for Retirement: Intention, Context and Behaviour. Oxford: Oxford University Press.
- Clark, G.L. and Urwin, R. (2011). DC pension fund best-practice design and governance. Benefits Quarterly (2nd Quarter): 39-49

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