

## Media Release

### UK DEFINED CONTRIBUTION PENSIONS ASSETS MAKE HEADWAY DESPITE A CHALLENGING YEAR

**LONDON, 23 SEPTEMBER 2020:** The 2020 edition of the *DC Future Book*, published today by the Pensions Policy Institute in association with Columbia Threadneedle Investments, has found that UK Defined Contribution (DC) pension assets are growing, despite a challenging start to the year due to the Covid-19 pandemic.

As an established annual compendium of statistics, the *DC Future Book* provides an insight into the state of play of DC workplace pensions along with its likely direction of travel. Since its inaugural publication in 2015, the publication has been tracking DC membership rates, contribution levels, pot sizes, auto-enrolment milestones, investment allocation trends and much more.

The newly released data shows that in the 12 months to the end of July 2020:

- Aggregate DC assets have grown from £430 billion to £471 billion and the median DC pot size stands at £9,600.
- Aggregate combined employee and employer contribution rates have increased from 4.5% to 7%.
- 10.3 million employees had been auto enrolled by 1.7 million employers. This is nearly twice as many employees as those recorded in 2015 (5.4 million).
- The average proportion of actively managed assets has ranged between 76% - 89% for Stakeholder Pensions and Group Personal Pensions, and between 54% - 57% for Master Trusts.

**Lauren Wilkinson, Senior Policy Researcher at the Pensions Policy Institute, said:**

“This year’s edition of the *DC Future Book* shows a continuation of positive trends associated with Automatic Enrolment. A further 2 million employees have been automatically enrolled compared to the same time last year and another 159,000 re-enrolled, while average contribution rates have also increased. Trends in access to DC savings have also continued, with most pots fully withdrawn, but a greater amount of money invested in drawdown products than was either fully withdrawn or used to

purchase annuities. It will be crucial over the next year, and over the longer-term, to monitor how these trends evolve in response to the current Covid-19 pandemic.”

Furthermore, the *DC Future Book 2020* explores the responsible investment approaches available to DC pension schemes, including their suitability for different scheme types and sizes, with financial implications of Environmental, Social and Governance (ESG) factors becoming increasingly important considerations in pension schemes’ investment decisions. ESG issues have become more pressing, both in and of themselves, as well as a result of external pressures such as increased regulation and a broader societal focus.

**Nick Ring, CEO, EMEA at Columbia Threadneedle Investments**, commented:

“We have been proud sponsors of the *DC Future Book* since its inaugural publication. To say that much has happened over the last 12 months is an understatement. The global Covid-19 pandemic has been complex to understand and navigate and has come at considerable human and economic cost. Against this backdrop it is encouraging to see continued growth in UK DC pensions assets, but we are not out of the woods yet.

“While many investment markets have recovered, this is a time of great change in people’s behaviour, the way consumers interact with businesses and the nature of transactions. Over the next few years companies will have to endure an extremely testing economic environment that not all will survive. For DC pension scheme trustees, the challenge *and* opportunity lie in working with those asset managers that can uncover the pandemic’s long-term impacts and apply them to portfolios in order to manage risks and achieve sustainable long-term returns for their scheme members.”

According to Columbia Threadneedle, such analysis would not be complete without responsible investment or environmental, social and governance (ESG) research, not least due to the social issues the pandemic has propelled into the spotlight. There has been a 530% increase in issuance of specifically labelled “social bonds” year on year<sup>1</sup> as governments, supranational entities and corporates rushed to raise funds aimed at alleviating the pandemic, including for health care support, education and job preservation.

“We have seen robust commitment from the investor community to invest in bonds that directly address the impacts of the pandemic and support affected communities. Allocating DC member assets to impact-oriented social bond strategies is one way for trustees to invest responsibly. As this year’s *DC Future Book* shows, there are many others, such as engaging with companies to drive change or excluding certain sectors or industries from portfolios. While integrating ESG considerations into investment

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<sup>1</sup> Increase during the 12 months to 30 July 2020, Bloomberg

strategies can be complex, all DC schemes regardless of size and set-up should be able to find a solution that best serves the long-term interests of their scheme members”, Ring concluded.

To download the full report visit: <https://www.pensionspolicyinstitute.org.uk/media/3615/20200923-the-dc-future-book-in-association-with-cti-2020-edition.pdf>

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Columbia Threadneedle Investments is a leading global asset manager that provides a broad range of actively managed investment strategies and solutions for individual, institutional and corporate clients around the world.

With more than 2000 people including over 450 investment professionals based in North America, Europe and Asia, we manage £385bn (as at 30 June 2020)<sup>1</sup> of assets across developed and emerging market equities, fixed income, asset allocation solutions and alternatives.

Our priority is the investment success of our clients. We know investors want strong and repeatable risk-adjusted returns and we aim to deliver this through an active and consistent investment approach that is team-based, risk-aware and performance-driven. Our investment teams around the world work together to uncover investment insights. By sharing knowledge across asset classes and geographies we generate richer perspectives on global, regional and local investment landscapes. The ability to exchange and debate investment ideas in a collaborative environment enriches our teams' investment processes to ensure the best insights are applied to portfolios. More importantly it results in better informed decisions for our clients.

Columbia Threadneedle Investments is the global asset management group of Ameriprise Financial, Inc. (NYSE:AMP), a leading US-based financial services provider. As part of Ameriprise, we are supported by a large and well-capitalised diversified financial services firm.

<sup>1</sup> Source: Ameriprise Financial Q2 2020 earnings release.

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