Contents

Debate

Anna Copestake, Arc Pensions Law;
Elizabeth Renshaw-Ames, Independent Trustee;
Lydia Fearn, LCP; George Currie, LCP

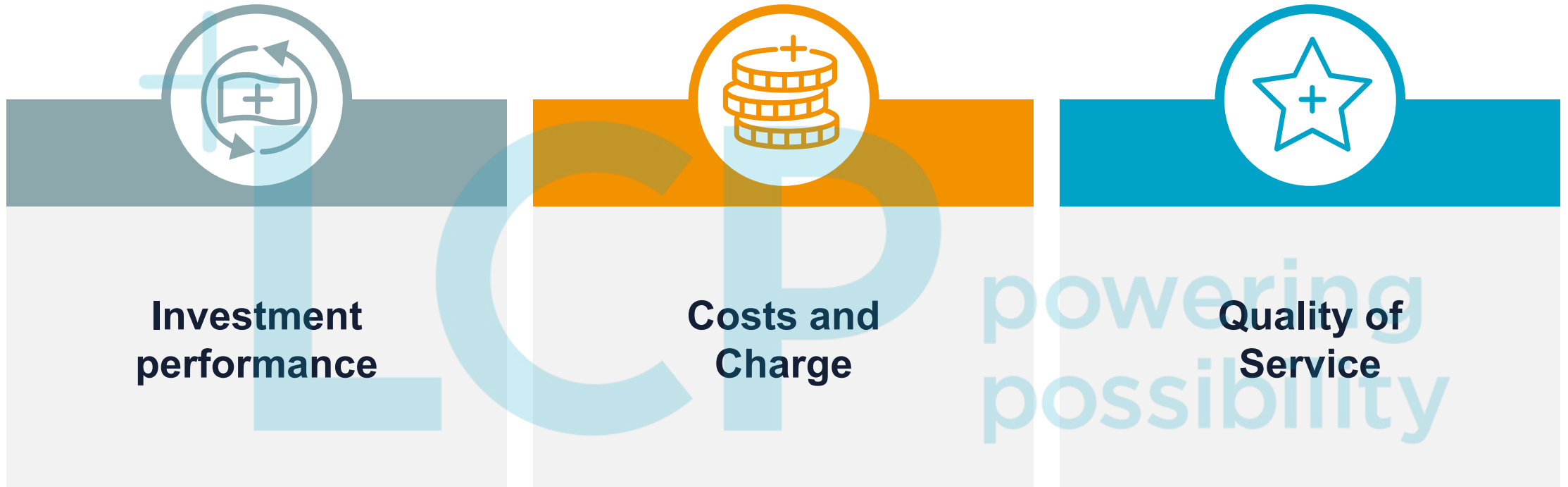DC and Financial Wellbeing Conference 2023 | **#LCPDCconf**

This house believes that the implementation of a Value for Money Framework (VfM) will be the best thing that has ever happened for DC members

DC and Financial Wellbeing Conference 2023 | **#LCPDCconf**

Value for Money Framework

Elements of a new framework for VFM

Investment performance

Costs and Charge

Quality of Service

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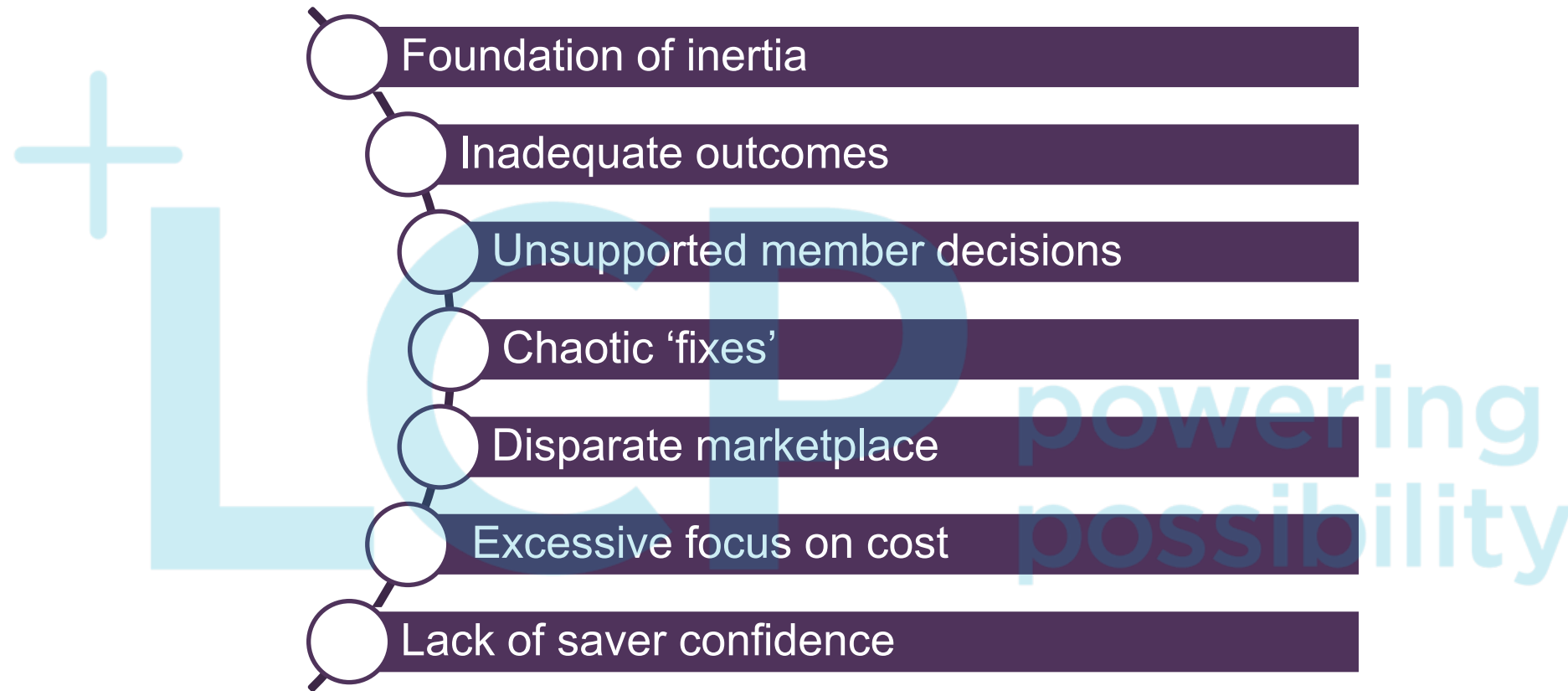
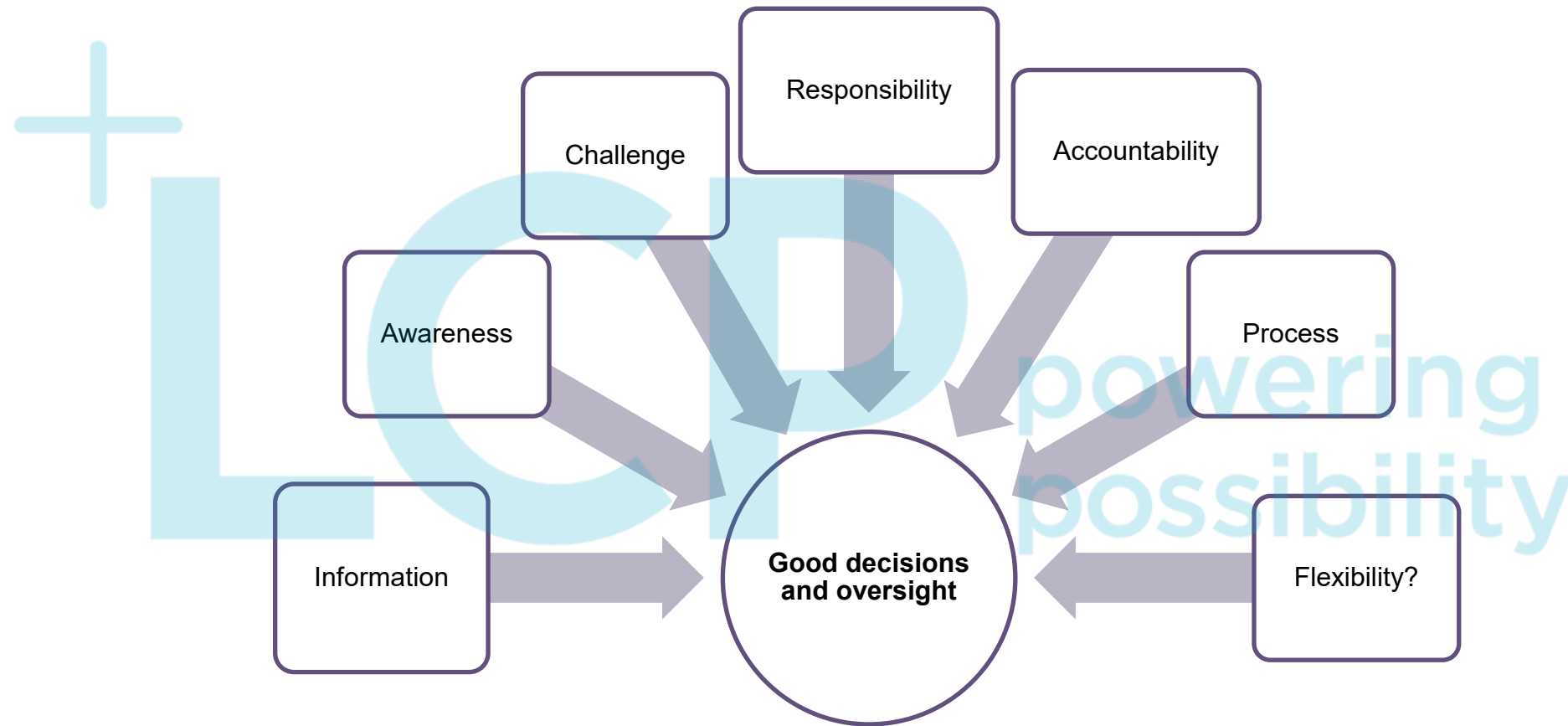FOR: Anna Copestake, Partner, Arc Pensions Law

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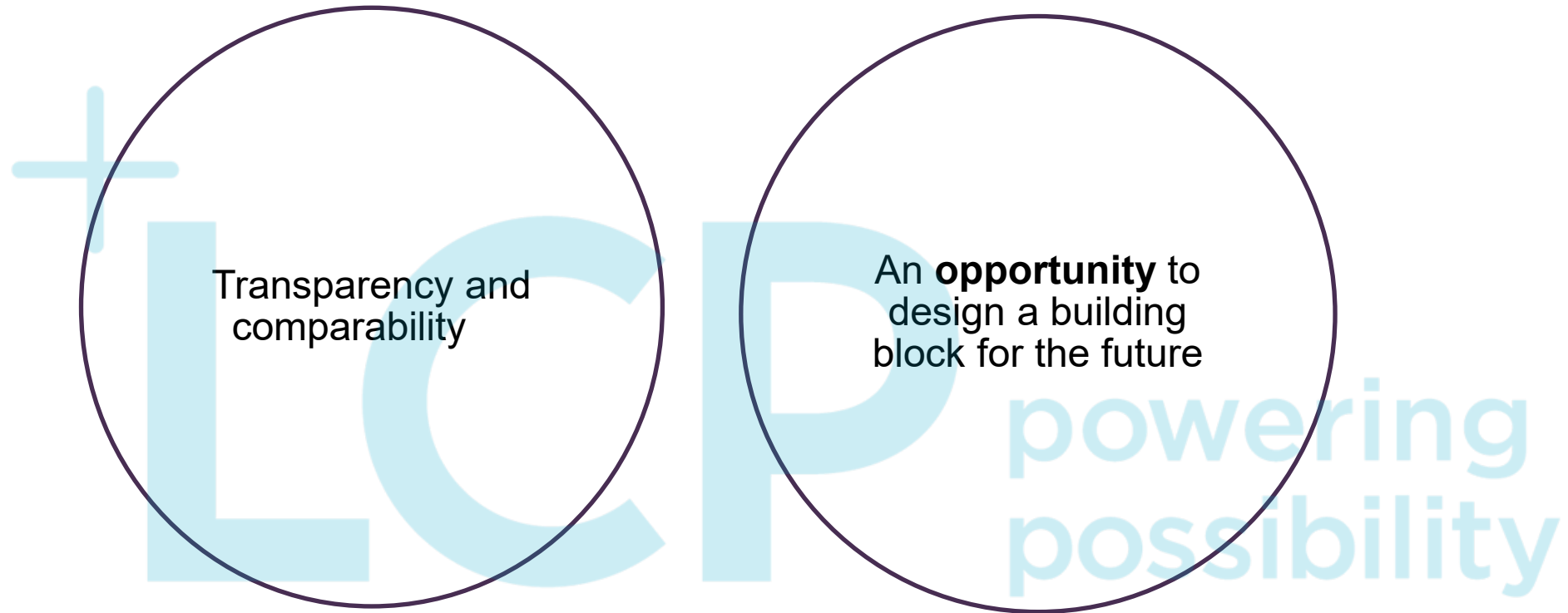
Evolution not revolution

- Foundation of inertia
- Inadequate outcomes
- Unsupported member decisions
- Chaotic 'fixes'
- Disparate marketplace
- Excessive focus on cost
- Lack of saver confidence

Arc Pensions Law

First line of defence

Challenge

Responsibility

Accountability

Awareness

Process

Information

Good decisions and oversight

Flexibility?

Arc Pensions Law

A huge opportunity

Transparency and comparability

An **opportunity** to design a building block for the future

Arc Pensions Law

It's not going to be easy

Objectivity v subjectivity

One size fits all

Performance and risk metrics

Service quality measurement

Costs and charges challenges

Scope and phasing

Presentation and use of results, frequency of assessment

Costs of compliance and proportionality
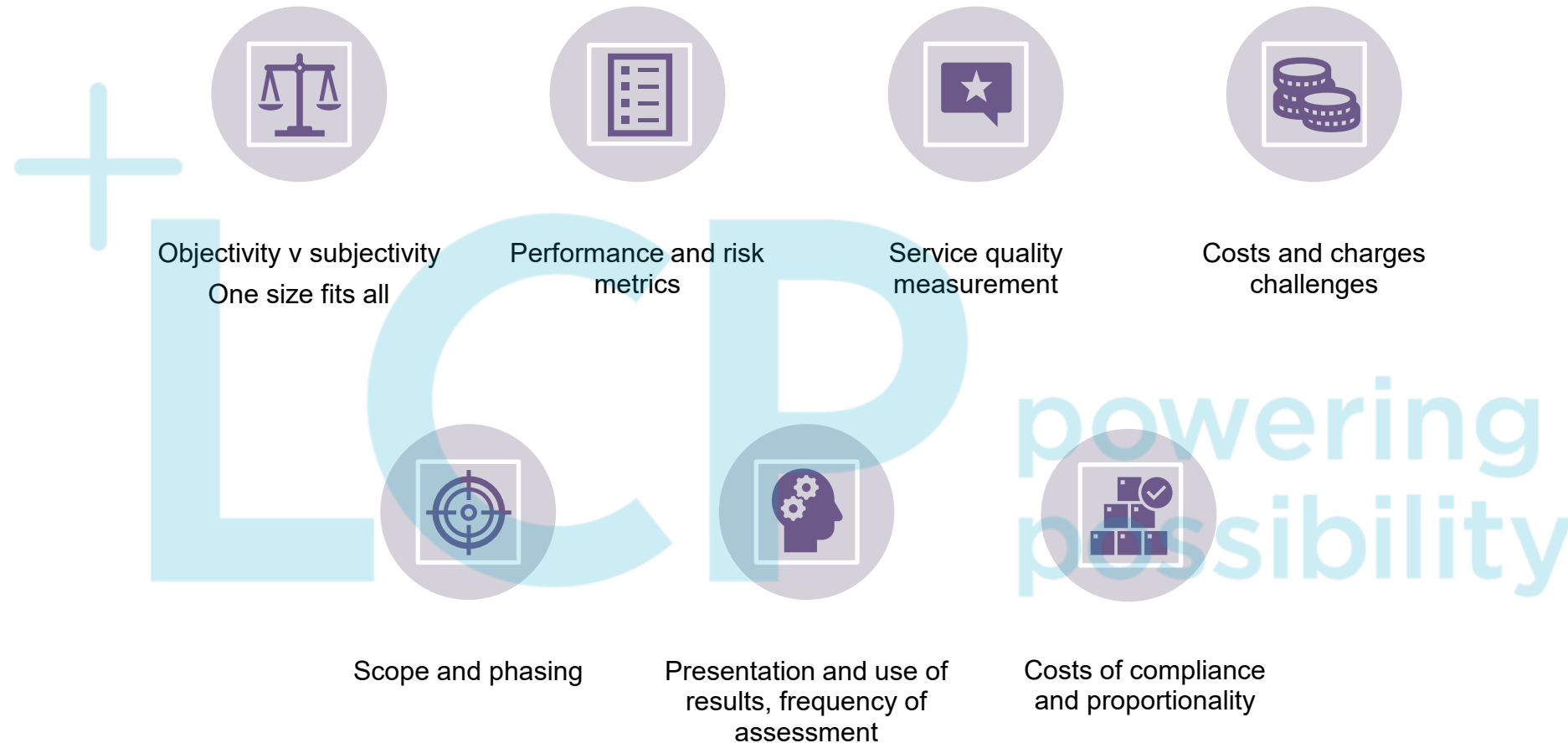
Arc Pensions Law

"Continuous improvement is better
than delayed perfection." (Mark Twain)

Arc Pensions Law

This house believes that the implementation of a value for money framework will be the best thing that has ever happened for DC members.

This house believes that the implementation of a VfM framework will be the best thing that has ever happened for DC members

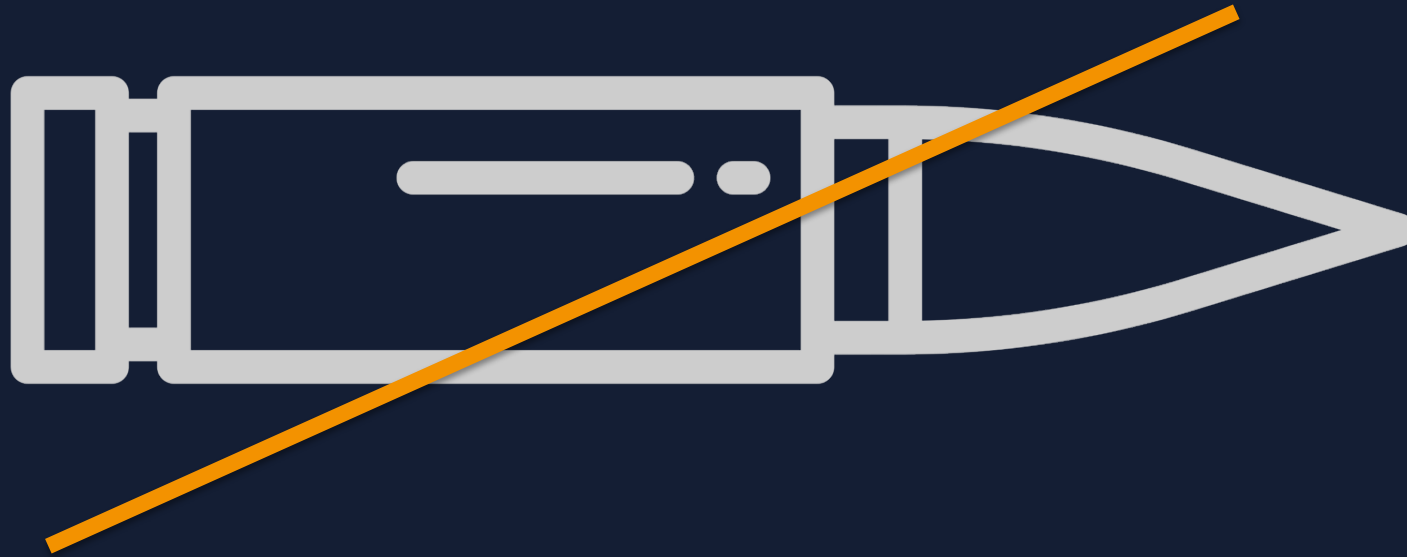AGAINST: Elizabeth Renshaw-Ames, Independent Trustee

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There is no silver bullet

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FOR: Lydia Fearn, LCP

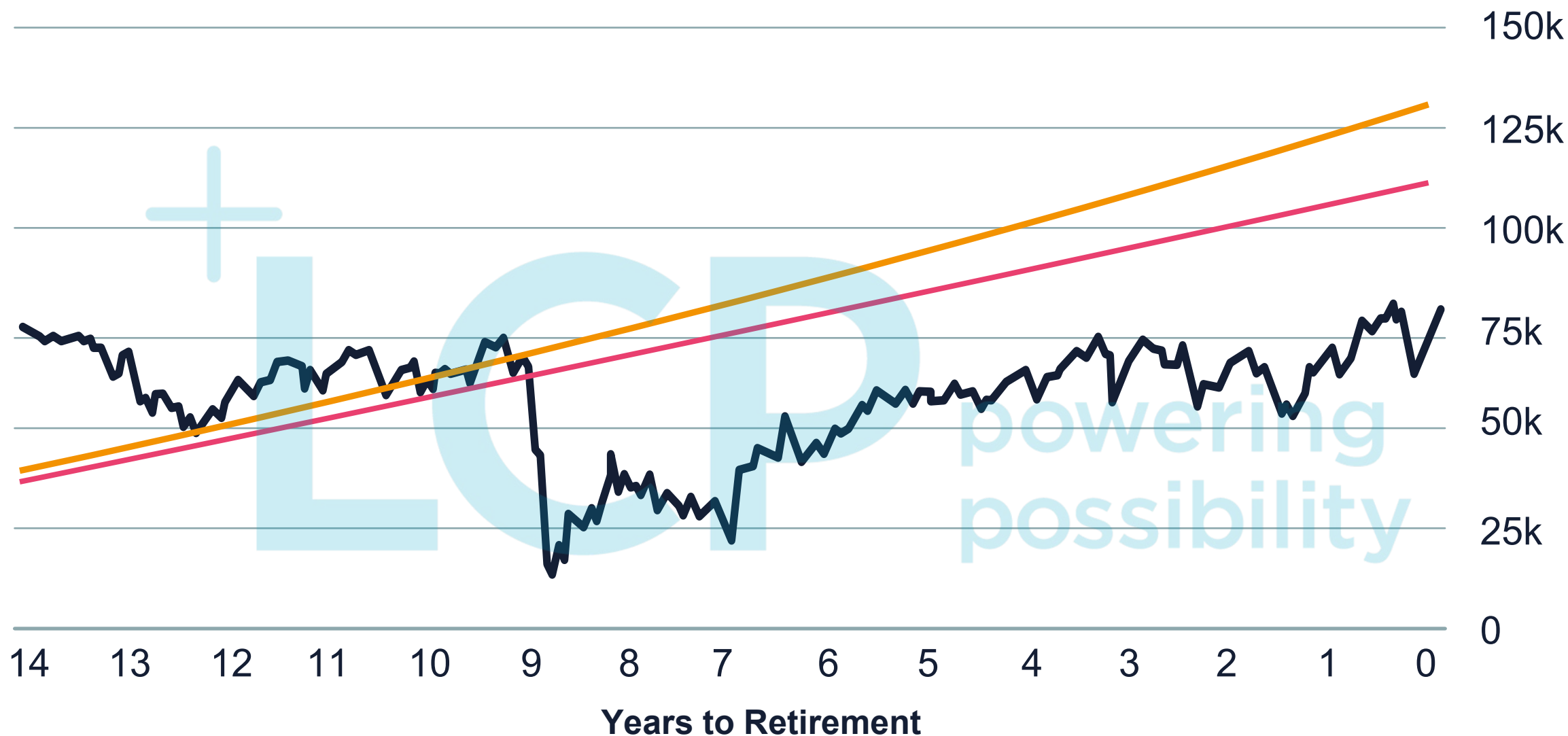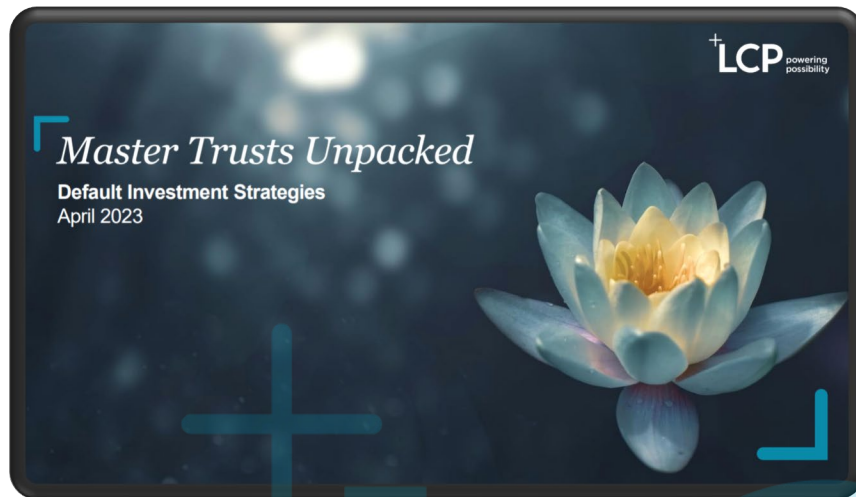DC and Financial Wellbeing Conference 2023 | **#LCPDCconf**

Project Outcomes using LCP Horizon
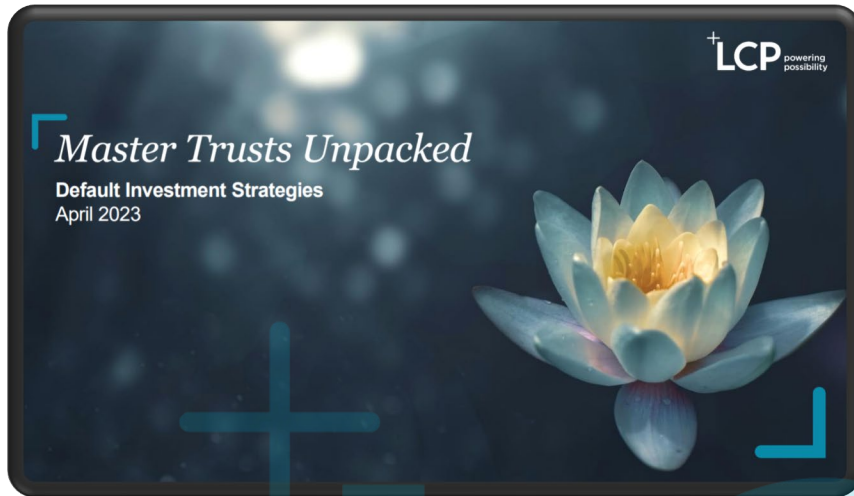

Source: LCP Horizon

Master Trusts Unpacked

Default Investment Strategies
April 2023

Far from retirement - 30+ years to go

2022	2021	2020	2019	2018	3 year pa	5 year pa
-3.9%	25.9%	12.9%	23.5%		9.4%	9.1%
-6.9%	22.3%	10.1%	23.4%	-2.8%	8.6%	7.8%
-7.1%	21.1%	9.9%	23.1%		5.8%	6.2%
-7.9%	20.9%	8.4%		-3.5%	5.8%	6.1%
-8.3%		8.3%	19.6%	-4%	4.8%	5.7%
-8.6%	19.7%	8.2%		-4.1%	4.6%	5.3%
-9.5%		8.1%	19.1%	-4.2%	4.0%	5.3%
-9.8%	16.1%	7.5%	18.9%	-4.3%	3.8%	5.3%
-10.0%	16.0%	6.0%	18.7%	-4.3%	3.7%	4.6%
-10.0%	15.4%	6.0%	18.1%	-5.4%	2.7%	4.3%
-10.5%	14.6%	5.5%	17.6%	-5.7%	2.5%	4.1%
-10.8%	14.2%		17.0%	-6.0%	2.4%	3.9%
-11.5%	11.7%	4.2%	17.0%	-6.7%	2.4%	3.6%
-11.6%	11.5%		16.0%	-7.1%	1.6%	2.9%
-11.9%	11.2%	3.2%	15.6%	-7.7%	1.1%	2.8%
-12.8%	8.4%					

Nearing retirement - 5 years to go

2022	2021	2020	2019	2018	3 year pa	5 year pa
-5.0%	17.9%		18.9%	-2.6%	5.8%	5.3%
-7.0%	13.2%	8%	17.9%		2.6%	3.8%
-7.1%	11.6%	6.1%	16.2%	-3.2%	2.6%	3.6%
-8.5%	11.1%	6%	16%	-3.3%	2.5%	3.5%
-8.5%	10.7%	6%	15.8%	-3.4%	2.1%	3.1%
-8.8%	10.4%	5.7%	15.6%	-3.4%	1.1%	3.0%
-10.0%	10.3%	5.7%	15.5%	-3.5%	1.1%	2.9%
-10.3%		5.1%	15.1%	-4.0%	0.7%	2.5%
-10.6%	9.5%	5.1%	14.1%	-4.3%	0.2%	2.3%
-11.1%		5%		-4.6%	0.1%	2.1%
-11.1%	7.8%	3.7%	13.2%	-5.0%	-0.1%	2.0%
-11.5%	7.3%	3.5%	12.8%	-5.6%	-0.6%	1.3%
-13.4%	6.6%	2.8%	11.7%	-6.5%	-5.7%	-1.8%
-16.8%	6.5%					
-19.4%	1.3%					

Source: Manager data and Bloomberg.
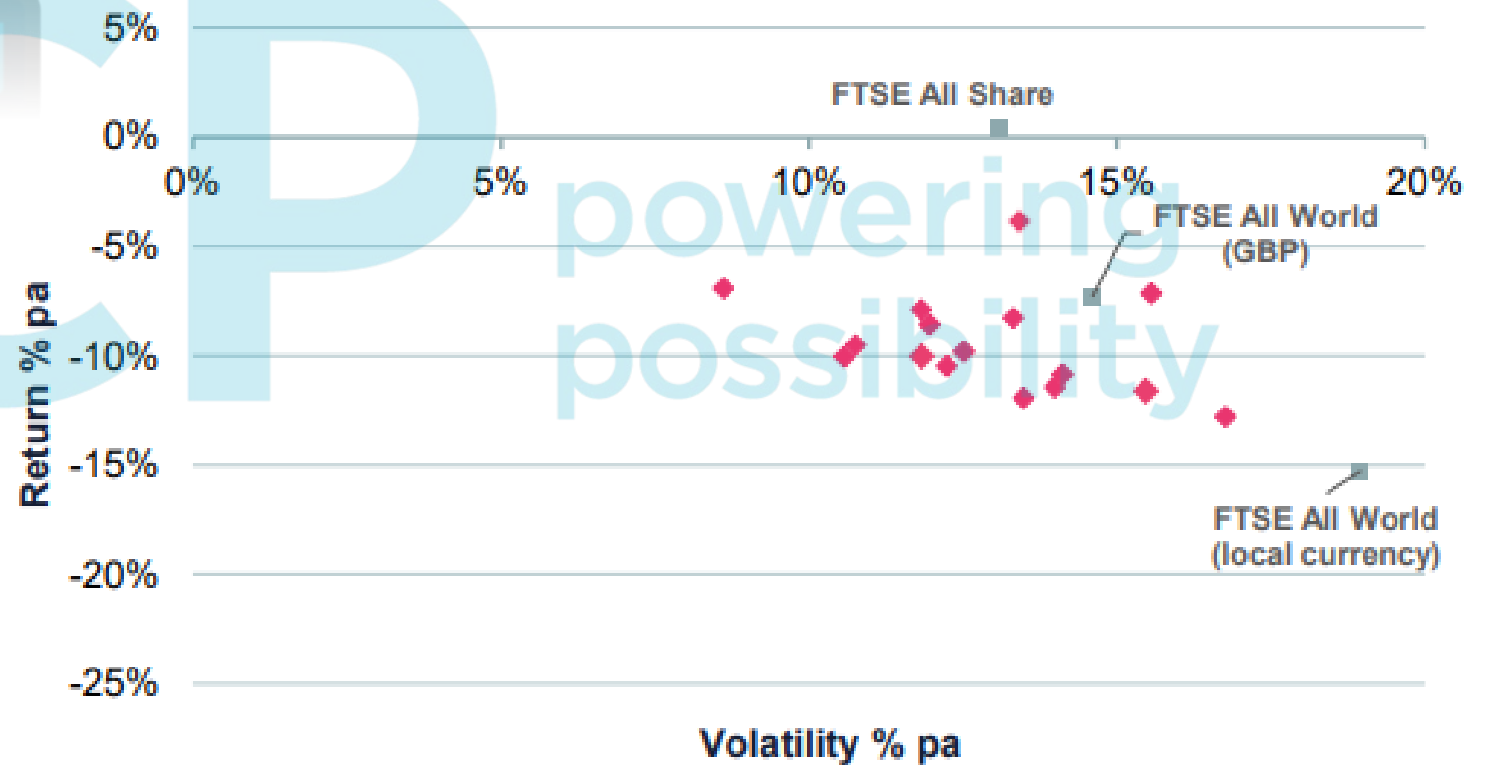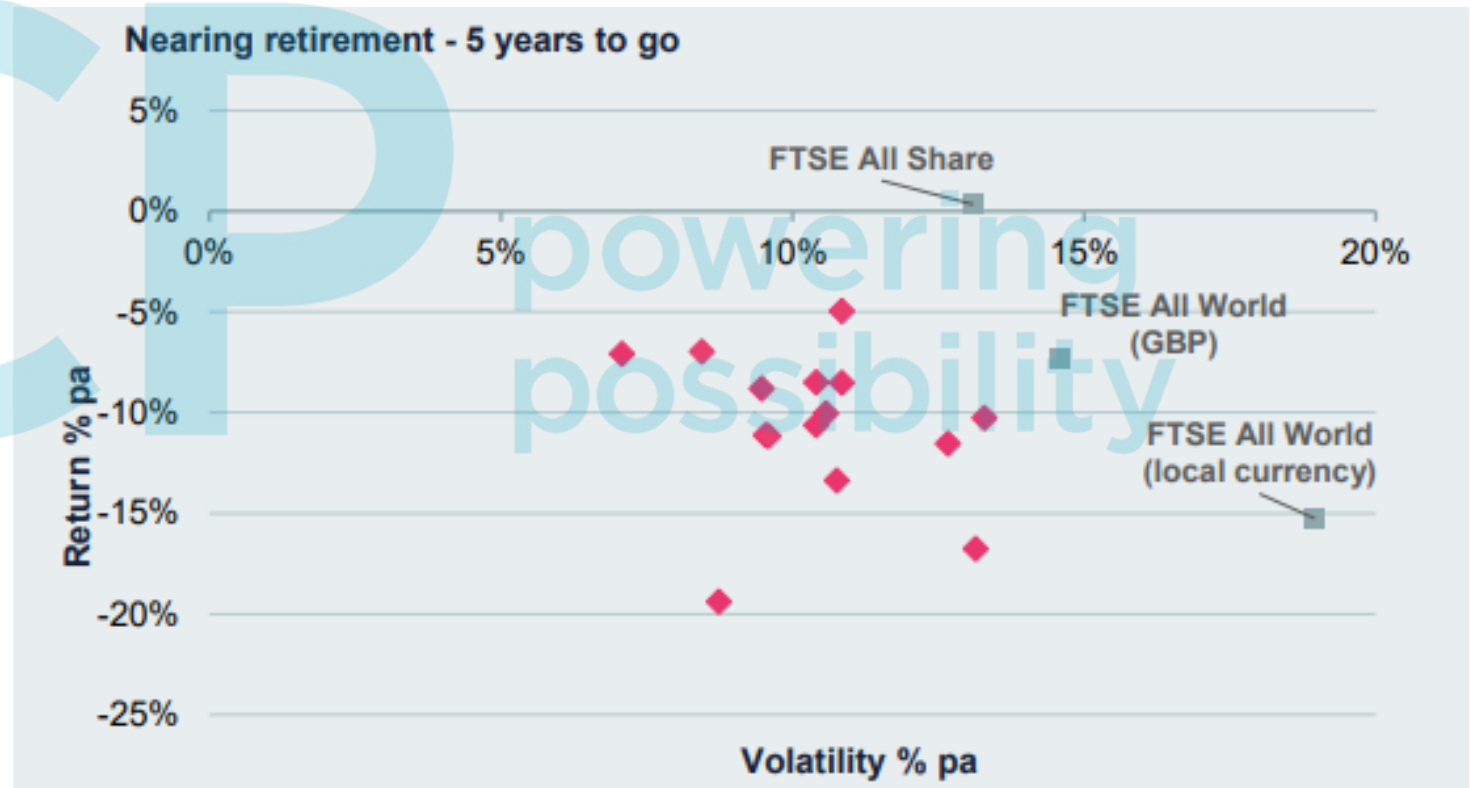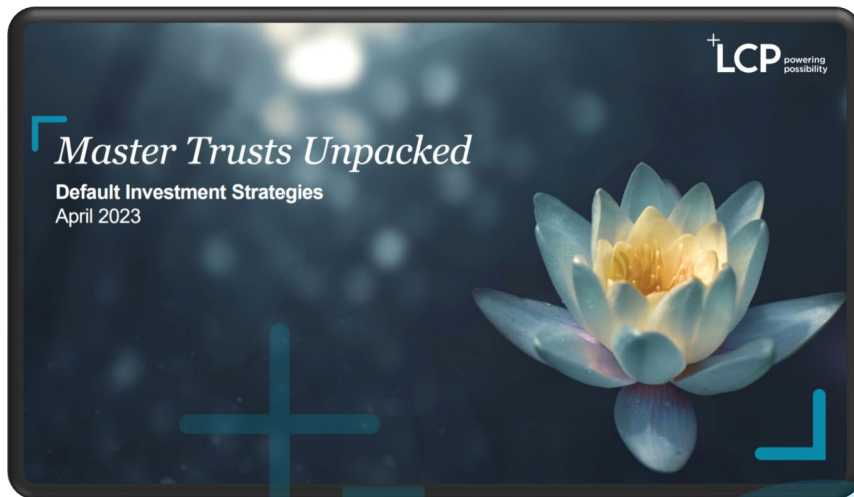
Master Trusts Unpacked
Default Investment Strategies
April 2023

Far from retirement - 30+ years to go

Return % pa

Volatility % pa

FTSE All Share

FTSE All World (GBP)

FTSE All World (local currency)

Master Trusts Unpacked
Default Investment Strategies
April 2023

Nearing retirement - 5 years to go

I'm so cold, I don't know what to do anymore.

Source: Age UK

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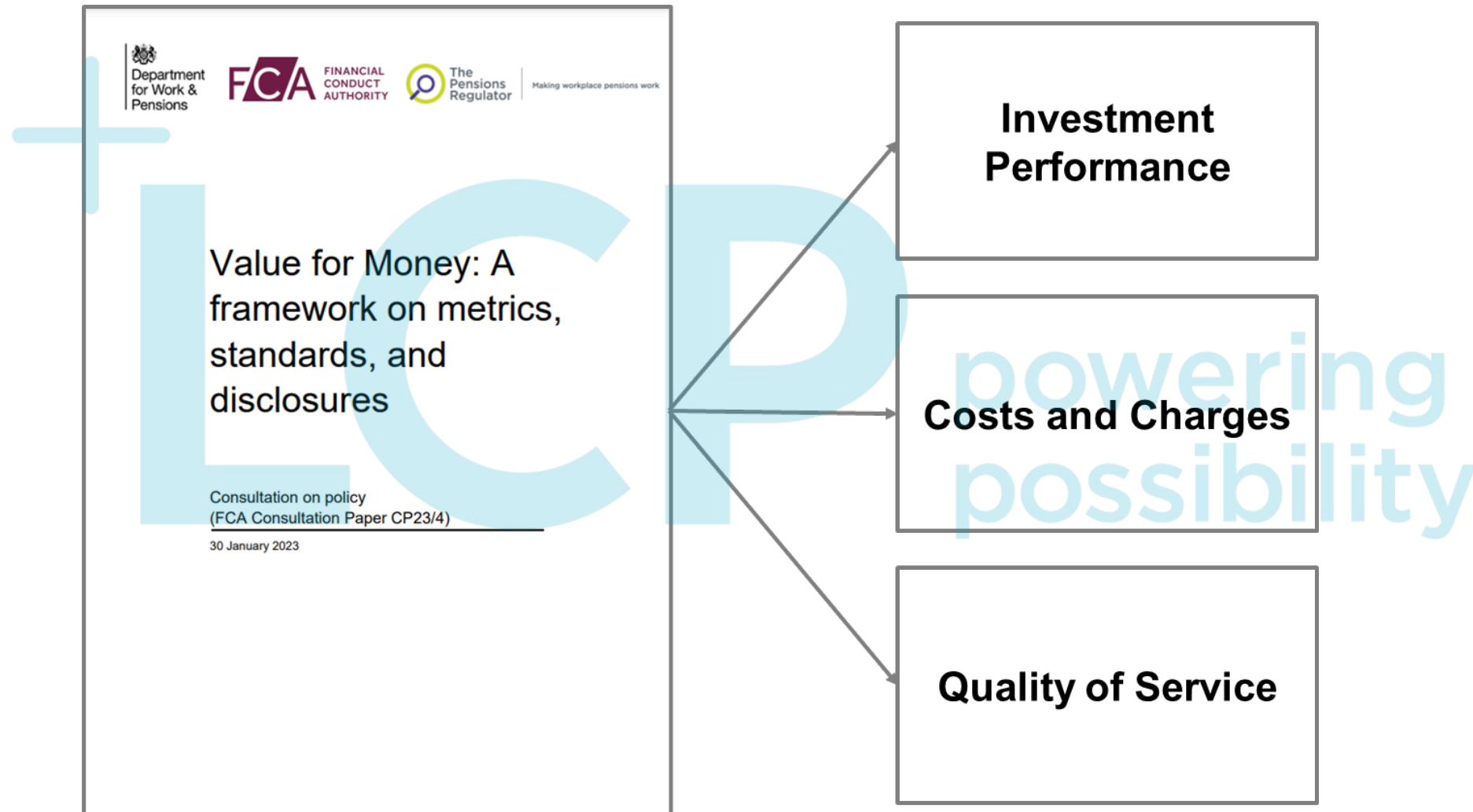
AGAINST: George Currie, LCP

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LCP powering possibility

Value for Money Framework

Elements of a new framework for VFM

Value for Money: A framework on metrics, standards, and disclosures

Consultation on policy (FCA Consultation Paper CP23/4)

30 January 2023

Investment Performance

Costs and Charges

Quality of Service

Value for Money Framework

Investment reporting metrics

Metrics	Reporting Periods	Age Cohorts
Performance net of all costs	1 year	25 year old
Performance net of investment costs	3 years	45 year old
Minimum drawdown	5 years	
Maximum drawdown		55 year old
Standard deviation	10 years	
Forward-looking return metric		1 day before retirement
Forward-looking risk metric	15 years	

Backward looking

Forward looking
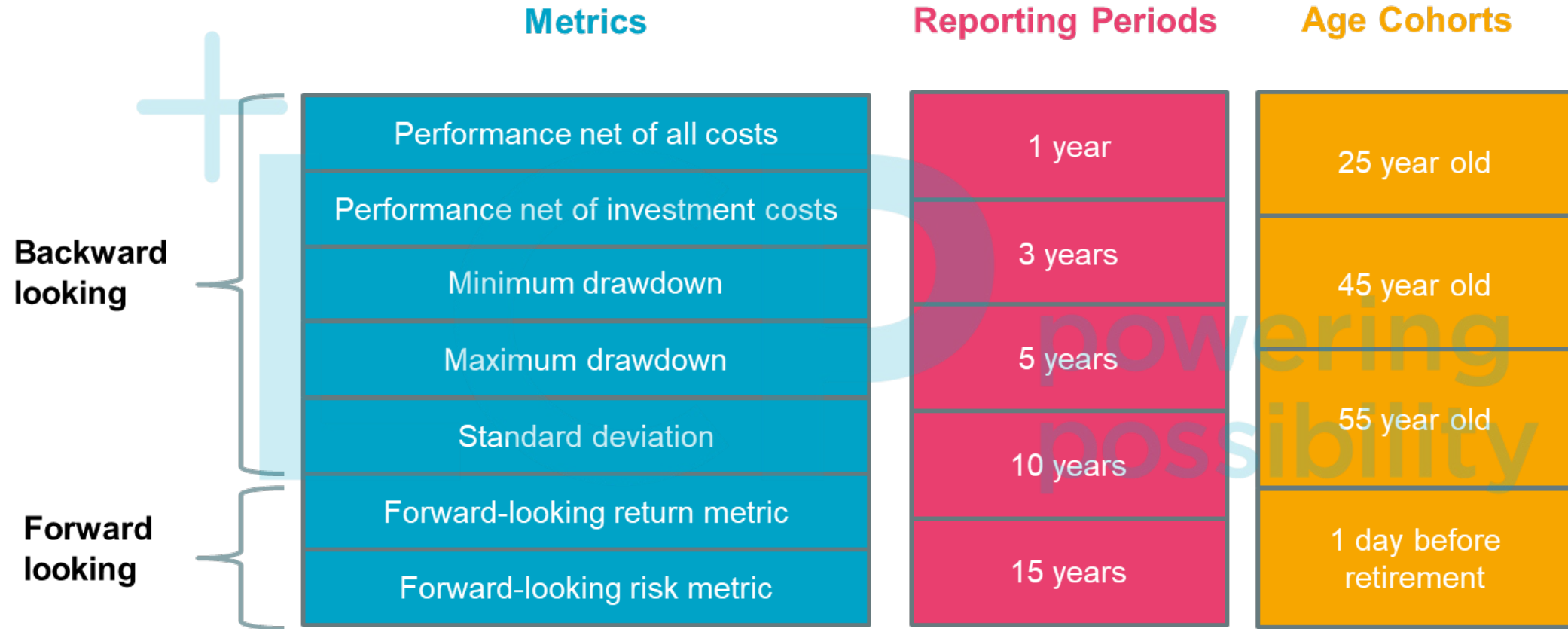
Value for Money Framework

The areas that didn't make the cut

Decumulation

Retail Pensions

Governance

ESG

Summary - AGAINST

The Government's approach to a new VFM framework is unwieldy and unmanageable.

VFM is subjective and cannot be easily reduced to objective measures that are meaningful.

As a result of the above, no VFM framework can ever be comprehensive or representative of what members value.
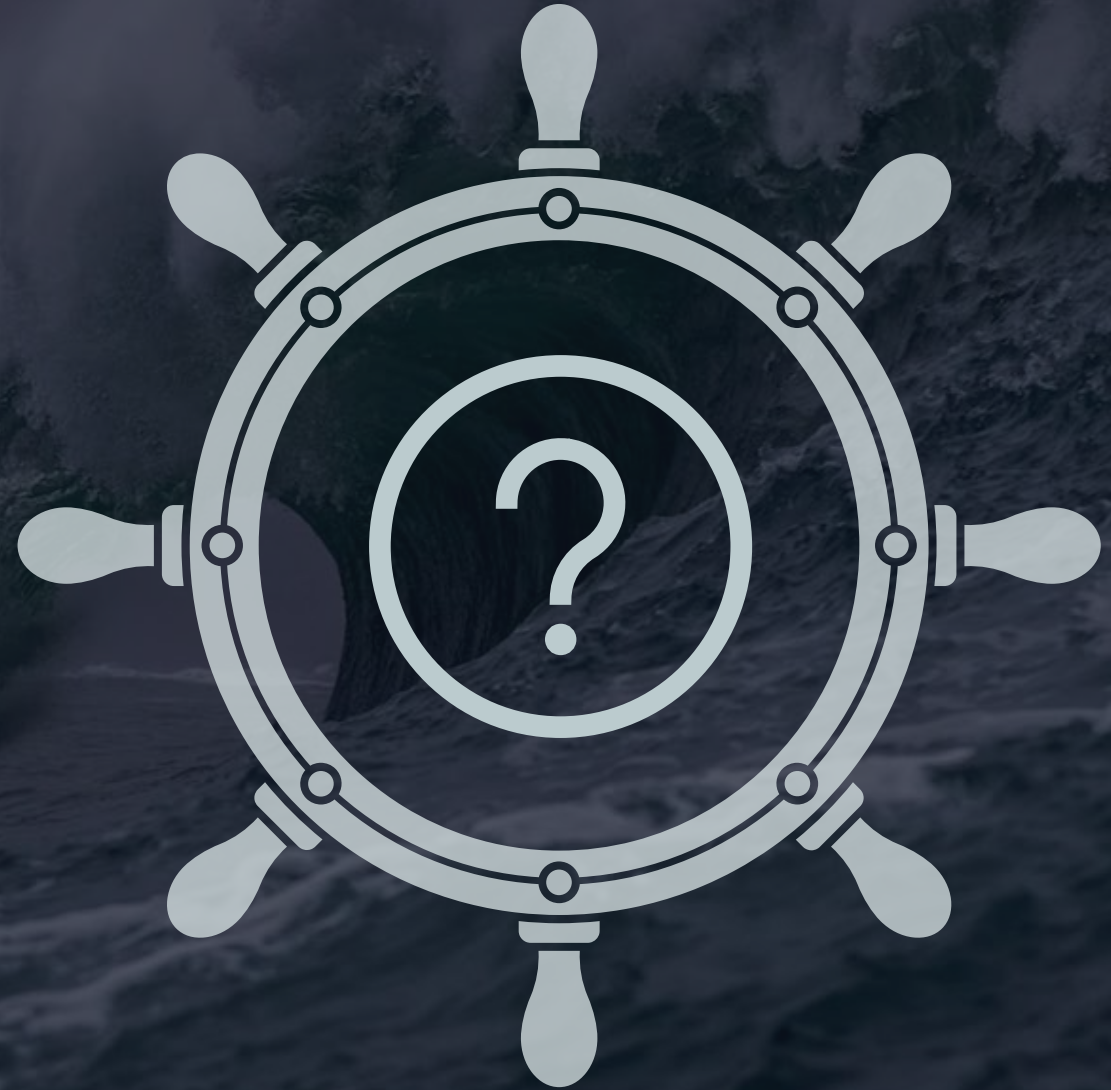
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