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“DC pensions have been resilient during the pandemic, but long-term impacts are not yet clear” says Pensions Policy Institute

The Pensions Policy Institute (PPI) is today publishing the seventh edition of **The DC Future Book: in association with Columbia Threadneedle Investments**. The last year and a half has been challenging and uncertain as Governments, businesses and investors have responded to the COVID-19 pandemic and its economic effects. Some changes have been temporary, such as the extreme volatility experienced in the stock market during 2020, which has since stabilised, but others are likely to have longer-term consequences that will need to be monitored going forward.



Lauren Wilkinson, Senior Policy Researcher at the PPI said, “The long-term nature of pension investments, and the pragmatic approach taken by many DC schemes and savers in response to uncertainty and volatility over the last 18 months, mean that the impact of the pandemic on the DC landscape has not been as substantial as the impact experienced in other areas of the economy and society more broadly.”

“Long-term investment horizons and diversified portfolios helped DC schemes to cope with the extreme short-term volatility seen in the early months of the pandemic. This buoyancy has been supported by a continuation of positive pension saving trends: the number of employees having been automatically enrolled and re-enrolled has continued to grow – reaching 10.5 million and 944,000 respectively by June 2021 – and average DC pot sizes increased by the largest amount since the introduction of automatic enrolment – 19% between 2019 and 2020. In the midst of the uncertainty brought about by the pandemic, DC savers were cautious about accessing their savings; 277,500 DC pots were accessed for the first time in 2020 – a 36% decrease on the previous year. This means that many savers have been protected from locking in the negative investment returns experienced during the volatility of last year, instead giving their pots more time to recover before accessing them.”

“However, it remains to be seen what the longer-term impacts of the pandemic will be on investment, employment, policy and individual saving behaviours. Government and employers are still in the process of developing plans for economic recovery following the pandemic. In terms of investment, while the stock market has now become less volatile, investment returns may still be impacted going forward, and many of the DC schemes that pragmatically chose not to make changes to investment strategy during the uncertainty of the

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pandemic may carry out reviews of their strategies now that the landscape is more stable. Individual saving behaviours, such as opt-out rates and contributions, could also be impacted in the longer-term, particularly if there are continued negative effects on employment and income.”



Michaela Collet Jackson, Head of Distribution, EMEA at Columbia Threadneedle Investments said “This year’s edition of The DC Future Book is particularly insightful as it is the first time the PPI has tracked DC market activity against the backdrop of a major crisis. Encouragingly, it did not halt the positive trends we have been seeing in the UK DC market for some time. However, a more prolonged market downturn could have resulted in far worse outcomes for DC scheme members and their nest eggs. We encourage all pension trustees to use the experience of COVID-19 as an opportunity to work even more closely with their advisers and asset managers to assess the resilience of their schemes’ default funds to improve member outcomes.

“We are pleased to see that The DC Future Book has become the longitudinal study of the UK market we envisaged it to be and that it continues to promote a better understanding of trends and themes. It allows us as asset managers to engage in dialogue and continue to provide the right investment solutions for our clients.”

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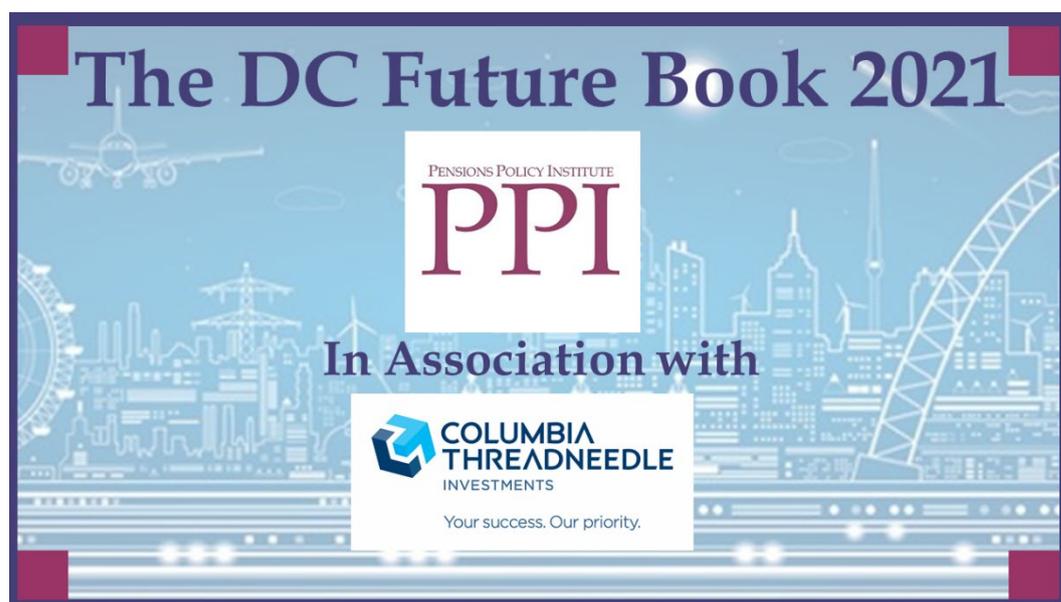
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Notes for editors

1. **We are an independent educational research charity: The Pensions Policy Institute (PPI)** does not lobby for any particular solution, and we are not a think-tank taking politically influenced views. The PPI is an educational research charity, which provides non-political, independent comment and analysis on policy on pensions and retirement income provision in the UK. Its aim is to improve the information and understanding about pensions policy and retirement income provision through research and analysis, discussion and publication. News and other information about The PPI is available at www.pensionspolicyinstitute.org.uk and via Twitter: @PPI_Research.
2. **20 Years of shaping Pensions Policy** – 2021 is the PPI’s 20th Anniversary Year. We have now been analysing policy and future trends for 20 years.
3. **The DC Future Book: in association with Columbia Threadneedle Investments** is an annual compendium (first published in 2015) that sets out available data on the DC landscape alongside commentary, analysis and projections of future trends. As well as tracking changes and trends in DC data over time, each year we also put a spotlight on an area of particular interest within the DC landscape. Since its launch The DC Future Book has been recognised by Savvy Investors in their annual awards and has been Highly Commended in the Best Pensions Paper (UK & Europe) in both 2018 and 2020.



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