Department for Work & Pensions

Consultation Questions: Facilitating Investment in Illiquid Assets

Name of respondent(s)/organisation (please provide):

State Street Global Advisors

Pension Scheme type (cross all those that apply)

Master Trust (500+ employers approx.): .... +

Master Trust (fewer than 500):.................... +

Single-employer trust:................................. +

Contract-based:... +

Defined Benefit:... +

Hybrid: .... +

Administration:...

Investment consultant:.................................

Consumer organisation: ....

Law firm:..

Other (please state): Asset manager.......... +

Please indicate, next to any responses given, if you are **not** content for DWP to publish relevant sections of your responses in the future. Without a specific request for anonymity, we reserve the right to publish your response in full.

Chapter 2: Introducing Disclose and Explain Policy Proposals

Question 1: Do you support these proposals and agree with the government's rationale for intervention?

We support the steps the government is taking to facilitate greater investment in illiquid assets by DC schemes. However, we do not believe that mandating schemes to make additional investment policy disclosures is necessary to improve member outcomes or increase competition within the DC market.

Question 2: Do you agree with the scope of this proposal?

Yes. We agree the focus should be on DC defaults as DB schemes already have greater flexibility to invest in illiquid assets.

Question 3: Considering the policy objective, to require trustees to state a policy on investment in illiquids, how should we define "illiquid assets"?

While Option 2 using a look through approach would be a more precise option, Option 1 (defining illiquids at the fund/vehicle level) will be more straight forward for DC schemes to implement.

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Question 4: Do you agree with the proposed aspects of a scheme's illiquid asset policy that we would require to be disclosed and timing of such disclosures?

No. Where the trustees of a scheme have decided that an allocation to illiquids is appropriate and beneficial for the members then it makes sense to disclose the approach taken and rationale in the Statement of Investment Principles and Chair's statement. However, we do not think it is valuable to require all schemes to justify whether or not they have made an allocation to illiquids. It is likely to result in generic 'boilerplate' disclosures rather than useful discussion of thinking behind the scheme's investment strategy, and make the documents longer and more complex.

Question 5: Do you agree that with the proposed level of granularity for this disclosure? Are the asset classes and sub-asset classes proposed in the example above appropriate for this kind of asset allocation disclosure?

We agree with the level of granularity and think that the asset classes and sub-asset classes proposed are appropriate. Our research into DC member behaviour over the years has found that the use of jargon can be off-putting for members when it comes to saving for their retirement. Appropriate definitions should be given to help members understand the terms used.

Question 6: Do you agree that holding £100 million or more of total assets in an appropriate threshold for determining which DC schemes should be required to disclose asset allocation?

We believe that all schemes should be required to disclose asset allocation as this is important information for members. We think that most schemes already provide some form of this information, eg in factsheets.

Question 7: Do you agree that we should align the disclosures with the net returns' disclosure requirement?

Yes.

Question 8: Do you agree with the frequency and location of the proposed asset allocation disclosures?

Yes.

Question 9: Please provide estimates of any new financial costs that could arise from the proposed "disclose and explain" requirements. Please outline any one-off and ongoing costs.

We anticipate there being consulting fees associated with advice on incorporating illiquid assets and the review of the accompanying governance documents.

Chapter 3: Employer-related investments – Consultation on draft regulations

Question 10: Do you think the current regulations relating to ERI in the 2005 Regulations present a barrier to Master Trusts expanding investment strategies to include private debt/credit?

We do not have a view on this issue

Question 11: Do the draft regulations achieve our policy intent?

We do not have a view on this issue

Question 12: Do you agree with the information presented in the impact assessment?

We do not have a view on this issue