

DWP proposals to help pension schemes boost investment diversity

The DWP's combined consultation – which runs until 11th May – seeks views on policy proposals and draft regulations designed to make it easier for defined contribution (DC) pension schemes to invest in illiquid assets, if trustees deem it in members' interests.

Illiquid assets – also known as productive finance – include infrastructure and private equity, along with long-term projects that will help move the dial towards a carbon-free economy.

The proposals outlined include requiring DC schemes to “disclose and explain” their policies on illiquid investment and for schemes with over £100 million in assets to disclose their current asset allocation to members.

Providing this information to savers, employers, trustees, and the market at-large will bring greater transparency, consistency and encourage further competition based on overall value.

Minister for Pensions Guy Opperman said:

I am passionate about ensuring pension schemes have the necessary information, and a broad range of options, to deliver the best possible outcomes for the record number of Brits now saving for retirement.

Opening up greater illiquid asset options to DC scheme investment will help do just this and enable schemes – and savers – to benefit from more diversified portfolios, while also bolstering the role pension investments can play on our journey to a carbon-free economy.

The document also provides responses to two recent consultations: the December 2021 charge cap consultation, which sought views on proposals to remove performance fees from the 0.75% limit on charges in default arrangements, along with a summary of the responses the DWP received to last summer's call for evidence on the future of the DC market.

The government plans to engage further with industry and other stakeholders on the charge cap and explore how the feedback received could be addressed in the design of future policy.

Alongside this, the government is also proposing to bring forward legislation this year to reduce burdens and further open up private markets by removing restrictions which currently apply to large authorised Master Trusts.

The proposals would maintain saver protections whilst removing disproportionate red tape and, at the same time, reducing the costs of investment in private equity and debt.

This year will be a landmark year for value for money in DC pensions. It will see them disclosing their investment performance for the very first time, and small DC schemes going through a rigorous assessment to determine whether they offer value to their members.

The measures, along with the combined consultation published today, form part of the DWP's wider ongoing work, in partnership with the Financial Conduct Authority and The Pensions Regulator, to create an effective framework that works across the DC market.

Additional information

- The full combined consultation document "Facilitating investment in illiquid assets" can be found [here](#).
- This combined consultation includes:
 - Response to the 'Enabling Investment in Productive Finance' consultation
 - Consultation on new 'Disclose and Explain' proposals
 - Consultation on draft 'Employer-related investment' regulations
 - Response to the 'Future of the defined contribution market' call for evidence

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