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## UK's National DC Plan Considers Investment Options

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By Editor Test     *Wed, Nov 17, 2010*

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The National Employment Savings Trust (NEST), the U.K.'s state-sponsored defined contribution plan, has ruled out any direct investments in infrastructure, commodities and high yield assets in its first few years of existence, IPE.com reported.

"We won't be investing in a single infrastructure fund, though, or a single commodities fund, or a single high-yield fund until we get bigger," said Mark Fawcett, CEO of the program. The fund could get some exposure to those asset classes through its diversified beta fund, however.

The fund isn't required to invest in UK equities, Fawcett said, but its overall global equity mandate will allow for 10% to be invested in local equities.

While it is still undecided whether NEST will link its pensions to the consumer price index (CPI) or the retail price index, Fawcett acknowledged the government had recently deemed CPI the appropriate measure for pensioners.

Fawcett hoped that, in time, the program would clear internally, lowering the cost and minimizing selling and buying, as the constant influx of new members would create ongoing demand for funds sold by members who are retiring.

He said that with the help of target-dated funds, NEST would be able to minimise confusion and allow people to simply set a retirement date, allowing the default investment strategy to then adjust as the pension age approached.

However, the notion of high risk and return, as well as low risk and return, socially responsible investment funds and religiously compliant funds are still being considered, and final details will be announced in the new year when trustees unveil the scheme's Statement of Investment Principles.

As for the ultimate size of the scheme after launch, Fawcett said it was impossible to predict, as the soft launch will still require the employees of select companies to opt into the scheme.

Fawcett said that "hedge funds might have a place, certainly, at some point" in the program, but their huge performance fees conflict with the program's low-fee philosophy. "A lot of pension funds are going into hedge funds at the moment, but it's perhaps not the first place we're likely to go," he added.