

Good pensions

Introducing social pension funds to the UK

Nigel Keohane
Simon Rowell

September 2015

FIRST PUBLISHED BY

Copyright © The Social Market Foundation, 2015
11 Tufton Street
London SW1P 3QB

September 2015

ABOUT THE AUTHORS

NIGEL KEOHANE

Nigel is Director of Research at the Social Market Foundation (SMF), where he oversees the SMF's research programme and leads the work on public service reform and commissioning, welfare reform and low pay, and pensions and savings policy.

Prior to the SMF, Nigel was Head of Research at the New Local Government Network think tank, worked in local government and taught history at Queen Mary College, University of London. He has a BA and MA in history from Exeter University, and a PhD in Political History from Queen Mary.

SIMON ROWELL

Simon leads on public policy, public affairs, research and strategic projects for Big Society Capital. He led their work on the development of the social investment tax relief in the UK, which became law in 2014, and has helped build the first social investment research council with stakeholders across the public, private and not-for-profit sectors.

Prior to Big Society Capital, he was a corporate lawyer for Linklaters LLP, working on mergers and acquisitions. He has also worked on strategic projects for the London Organising Committee of the 2012 Olympic and Paralympic Games and on education reform for the Prime Minister's Department in Australia. He holds a Masters in Public Administration from the Harvard Kennedy School and degrees in Finance and Law from the University of Queensland.

ABOUT THE SOCIAL MARKET FOUNDATION

The Social Market Foundation (SMF) is a leading cross-party think tank, developing innovative ideas across a range of economic and social policy. The SMF's current research themes are: Productivity and Growth; Reforming Financial Services; Cost of Living; and, Public Service Reform. The SMF champions policy ideas which marry markets with social justice and take a pro-market rather than free-market approach. Its work is characterised by the belief that governments have an important role to play in correcting market failures and that a sustainable market economy rests on social and political foundations that are widely regarded as fair.

www.smf.co.uk

ABOUT BIG SOCIETY CAPITAL

Big Society Capital is a financial institution with a social mission, set up to build the social investment market in the UK, so that charities and social enterprises can access appropriate repayable finance to enable them to grow, become more sustainable and increase their impact on society. It is doing this by building a diverse social investment market: encouraging investors to lend or invest money to achieve a social as well as a financial return. Since it was set up as an independent organisation in 2012, Big Society Capital has committed over £165 million in investments to specialist organisations who lend to charities and social enterprises. To find out more visit www.bigsocietycapital.com.

ACKNOWLEDGEMENTS

The authors are grateful to the many individuals that helped inform this paper through involvement at a roundtable event, through individual conversations and through comments on the draft paper. Particular mention should be made of: Emmanuel Delutzel (BNP Paribas), Guilhem Dupuy (Ecofi), Kate Glazebrook (Behavioural Insights Teams), Robert Hewitt (Cabinet Office), Veronica Humble (Legal and General), David Pitt-Watson (London Business School), Will Pomroy (NAPF), and Paul Todd (NEST).

We would also like to thank colleagues at Big Society Capital, including Fran Sanderson and Aine Kelly, and the Social Market Foundation, including Emran Mian, Nida Broughton, Katie Evans and Sean O'Brien.

EXECUTIVE SUMMARY

The purpose of this paper is to explore why and how social pension funds should be introduced in the UK. It considers the introduction of a social pension fund that retail savers could invest in as part of their defined contribution pension fund scheme to help kick-start a new social impact segment of the UK pensions market. This builds on a recommendation made by the UK Advisory Board of the Social Impact Investment Taskforce, established under the UK's presidency of the G8. This paper will be complemented by another paper, to be produced by Big Society Capital, which will provide a detailed proposal for how such a social pension fund could be designed.

THE NEED FOR SOCIAL INVESTMENT AND DEFINED CONTRIBUTION PENSIONS AS A SOURCE OF CAPITAL

Charities and social enterprises address a huge range of complex social challenges in the UK, such as youth unemployment, rehabilitation of offenders and fuel poverty. Social investment can provide these organisations with the capital to innovate and expand their activities sustainably. In a period of continued fiscal austerity when public funding from many Government departments is set to be reduced, finding sources of private finance that can expand the activities of charities and social enterprises is crucial.

Chapter 1 explores how the UK pensions market holds vast reservoirs of capital that could be deployed to help social enterprises. By 2030, assets under management in defined contribution (DC) pension schemes are expected to be nearly £600bn.¹ Meanwhile, the number of DC savers is set to almost treble by the end of this decade. At the same time, the pensions industry (and the Government) is wrestling with the need for individuals to increase their long-term savings and the best way to engage them toward that goal. However, although there appears to be significant saver interest in funds that target social outcomes, the market is not delivering products that meet this demand. A new social impact segment is needed within the UK pensions market.

ENGAGING KEY STAKEHOLDERS IN THE UK PENSION MARKET

Whilst there is a strong case to introduce social pension funds to the UK, their introduction requires a number of stakeholders to be engaged. Chapter 2 identifies a range of barriers and enablers through the investment chain that affect the development of social pension funds in the UK. On the demand for social pension funds, these include inertia displayed by individual savers; on the supply of social pension funds, these comprise risk aversion and concerns about fiduciary duty from trustees and their agents, and concerns about liquidity and scale on the part of providers and investment managers. These can be overcome, but, as Chapter 3 sets out, they require specific actions to be taken.

RECOMMENDATIONS: INTRODUCING SOCIAL PENSION FUNDS INTO THE UK

Drawing on the experience of France's 'Solidarity Investment Fund', which has been functioning for more than a decade and has raised more than €4.8 billion, as well as evidence from behavioural economics, the report sets out proposals for how social pension funds and a broader social impact segment of the pensions industry could be developed for the UK. It proposes that:

- As in France, a hybrid fund could be established that dedicates a small proportion of its capital to social investments and a majority to investments in traditional companies that are socially responsible. This would be a route to achieving scale, liquidity and assurance

on financial performance and risk profile, as well as a diversifier from traditional asset classes.

- These social pension funds could be developed by large investment companies, with the help of the UK's social finance intermediary sector, as well as by specialist investment companies. Its introduction could be facilitated by calls from large auto-enrolment providers or employers that would stimulate the development of new funds.
- Social pension funds could become stand-alone funds that individual investors could opt into, but also could form part of default funds.
- Whilst regulatory change is largely not needed for the establishment of the funds, Government could promote their development through targeted regulatory action, such as by allowing 'mark to model' pricing to overcome liquidity constraints within the social element of the fund as well as to provide assurance to trustees that they are not failing in their fiduciary duty.
- As in France, the Government could also encourage the take-up of social pension funds in the UK by making it mandatory that all employers offer DC savers the option to save into such a fund through their pension scheme.
- Social pension funds could appeal to those individuals with additional capital to invest, who could be nudged into making further investments into a social pension fund when they increase their pension contributions beyond the statutory minimum.
- A roadmap of activities required to make social pension funds a reality is suggested in Chapter 4, comprising a mix of further research, industry leadership and targeted Government intervention. It suggests that by 2020, there could be tens of thousands of new social pension savers investing billions of pounds of pension funds into social pension funds.

CHAPTER 1: THE CASE FOR UK SOCIAL PENSION FUNDS

1. SOCIAL INVESTMENT AND THE PURSUIT OF SOCIAL OUTCOMES

Social investment is private investment that contributes to the public benefit. It is designed to help charities and social enterprises pursue social projects by providing a source of capital.² As such, it provides an alternative route to tackling social problems beyond programmes delivered or funded by government.

A number of factors make this more important now than ever. First, the UK faces a wide range of long-run challenges, such as persistent social problems, climate change, the costs associated with an ageing population, significant under-investment in preventative interventions in health and social care and difficulties sourcing public finance for early intervention. Second, the new Conservative Government is committed to removing the budget deficit and moving it into surplus before the end of the parliament. This means that public funding will have to be reduced in many departments. Combined, these mean that new sources of long-term finance are a necessity to help address these challenges.

As opposed to straight-forward grant-giving, social investment intentionally and explicitly sets out to deliver the dual objective of social or environmental outcomes as well as financial returns. The financial returns sought may be below market, at market or above market rates. The social goals are stated explicitly and measured, and the investment is made with an identifiable group of beneficiaries in mind. The social outcome can be achieved by any route, though typically it is achieved via the social sector.

Social investment is not an asset class – it is better thought of as a spectrum, which captures many classes of financial assets, including low-risk investments such as infrastructure, where patient capital is needed, through to social impact bonds and much riskier equity-like investments into social enterprises. The range of opportunities to address social problems through private investment is enormous and varied. There are already 31 Social Impact Bonds underway in the UK, more than in any other country. The social sector in the UK includes over 160,000 charities and 70,000 social enterprises, along with many more sole traders. In total, two million people are employed by social enterprises.³ The policy goal is to facilitate investment into this broad range of different social enterprises and activities.

Some of the ways in which finance could be directed to help different charities, social enterprises and projects are detailed in the table below, along with a basic estimate of market size.

Table 1: How social capital could be used and estimated market size

Investees	Description	Estimated market size
Charities	Larger charities are starting to finance investment needs through charity bonds. For instance, subsidiary of Mencap Golden Lane Housing raised £10m to help build more accessible housing for disabled.	Over £50m of charity bonds in last few years. ⁴
Affordable housing and specialist housing	Independent funds have been established to purchase and operate properties that service the social sector. These provide more affordable housing and/or housing for those with	Significant demand for affordable and specialist housing remains – size of potential demand unclear.

	specific needs.	
Social impact bonds to reduce reoffending, tackle youth unemployment or address homelessness	SIBs enable investors to provide capital to social organisations to deliver an innovative social service for the public sector. If the service is successful (and cost savings are made), the Government pays the investor a return.	31 SIBs currently operating in UK, total investments greater than £50m – size of potential demand unclear.
Small and medium-sized charity loans	Small and medium-sized charities and social enterprises have a demand for simple repayable loan finance.	£202m invested per year in 2012 and potential demand of £750m per year. ⁵
Social growth finance	Small and medium-sized charities and social enterprises require growth capital to expand their businesses and impact.	£101m available finance for innovation purposes by Big Society Capital (BSC) already – size of potential demand unclear. ⁶
Social business	Regular businesses with social motivations demand significant capital to finance their operations and growth. 60,000 to 300,000 SMEs that consider themselves ‘social enterprises’ in the UK. At present, it is difficult to identify these organisations without labels, however Benefit Corporation (B Corp) label may help.	£1.3bn needed per year by 103,000 SMEs unable to access finance. ⁷

2. WHY USE PENSION FUNDS AS A SOURCE OF SOCIAL INVESTMENT?

The majority of the current social investment activity derives from philanthropists, public funding and foundations rather than individuals. However, although such sources will remain important, the supply of capital could be expanded significantly if a mass retail product could be developed to provide savers with an appropriate investment vehicle. The Cabinet Office has argued that ‘ordinary retail investors represent an important potential source of social investment.’⁸ At the same time, the last Government led an initiative to encourage pension providers to invest in infrastructure projects, the Pension Infrastructure Platform, believing that there could be a good match between providers’ long-term interests and the stable long-term returns offered by infrastructure.

As described below, there is also a potentially major opportunity to connect individual savers to social investment. First, survey evidence suggests that individuals put a high priority on social as well as financial outcomes in their investment decisions. Generational effects also indicate that the interest in social investment as an investment decision may be getting stronger.

Second, for pension providers and government, a social product may be a route to increasing levels of saver engagement with their investment choices, thus driving more informed decision-making and greater competition in the market. Indeed, connecting individual savers more tangibly to investment outcomes may be a route to encouraging higher levels of saving more generally, a principal objective as policymakers try to help people prepare better for retirement. This is enhanced by the way that innovative social investment products are addressing such issues as care homes, preventative social care and community-based interventions, which match the later-life needs of individuals.

Box 1: The culture of saving in the UK

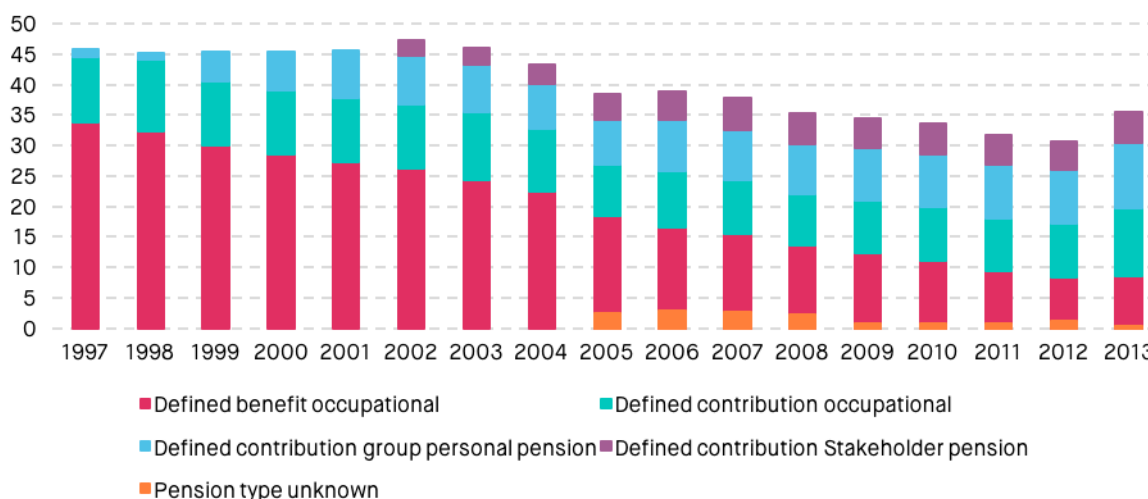
The UK has a longstanding problem of under-saving. Compared to other G7 countries, the UK has a low household savings rate. This is true both in the recent past and historically. The UK also scores poorly in comparison with countries in the Euro 16.

In part, at least, this derives from the absence of a strong ‘culture’ of saving. For instance, four in ten respondents to the Wealth and Assets Survey agreed with the statement ‘I would rather enjoy a good standard of living today than save for retirement’.¹ Both the Coalition Government and the current Conservative administration have sought to address this problem, by encouraging long-term saving for retirement, auto-enrolling workers into pensions, addressing issues of distrust and rent-seeking in the industry and providing additional tax advantages for savings. Both the March 2015 Budget and the Summer 2015 Budget were positioned as steps ‘to create a savings culture’.

DC pensions as a source of capital

Private pensions, in particular, are an important potential source of social investment. The UK is the third largest market in terms of pensions’ assets (after USA and Japan) with \$2,394 billion under management.⁹ These private pension resources are divided between defined benefit (DB) schemes and defined contribution (DC) schemes. Under a DB pension, individuals are protected from the longevity risks, inflation risks and investments risks, and institutional investors make the decisions. In contrast, in a DC pension scheme, the saver bears all these risks and the saver makes the investment decisions.¹⁰

Figure 1: Employee membership of a private sector workplace pension: by pension type, 1997-2013 (%)

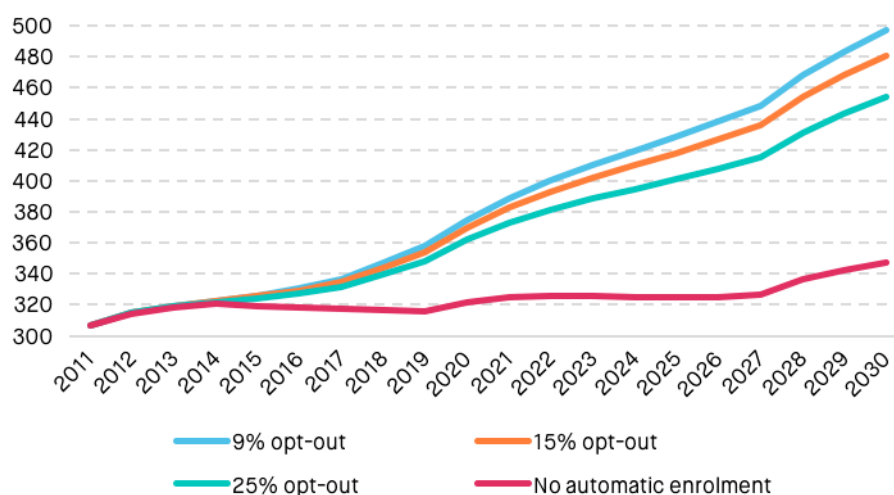


Source: Data from ONS, *Pensions Trends – Chapter 7: Private Pension Scheme Membership*, 2014

As can be seen from Figure 1, there has been a dramatic decline in membership of private sector DB schemes since 1997. At the same time there has been a remarkable expansion in the proportion of the workforce with a DC scheme. The phasing in of auto-enrolment since 2013 is increasing the number of savers. Under this reform, workplaces are compelled to offer their employees a pension scheme and workers are automatically enrolled into saving. Although they can opt out, withdrawal rates are currently low (around one in ten) and up to 11 million workers will be automatically enrolled into DC schemes. This means that by 2020 the number of active members of DC schemes is projected to grow to between 14 and 16 million.¹¹

More widespread take-up of saving means that the value of the assets invested in DC schemes is expected to rise markedly. In 2010 DC funds totalled approximately £275 billion.¹² By 2030, based on the latest data of opt outs rates (9%),¹³ the Pensions Policy Institute estimates that the total would grow to £497bn.¹⁴

Figure 2: Estimate of value of assets in DC schemes by 2030, in 2014 earnings terms (£ Billions)



Source: Pensions Policy Institute¹⁵

Thus far, there has been more focus on how institutional investors make decisions and the potential for directing institutional investment into socially-beneficial projects such as infrastructure and social housing projects. But, as the DC market grows, further exploration of the potential for social investment in the DC sector is needed. Future work could consider how the large amount of legacy capital within DB pension schemes could be used in social investment.

Significant latent demand for social investments

Evidence suggests that there is significant consumer appetite for investments that go beyond simple financial returns. A survey for the National Association of Pension Funds (NAPF) found that although savers prioritise factors associated with financial performance, other issues also affect their investment decisions. A large proportion (70%) felt it important for pension providers to invest in companies that concentrate on avoiding unethical practises.¹⁶ Even though returns are not necessarily different, there is also a willingness to accept lower returns in order that the investments go into more ethical businesses.¹⁷

This instinct also goes beyond ethical funds. Other survey research shows that savers would be keen to invest money in a pension fund that had a social purpose.¹⁸ While 77% favoured a social fund over a conventional fund, 44% still preferred the social fund even when they were told they would receive an 8% smaller pot and 30% stuck with the social fund even when the pots were projected to be 18% lower.¹⁹

Practical evidence also suggests there is demand when suitable products are offered. For example, Threadneedle's UK Social Bond Fund (the first FCA-registered diversified Social Bond Fund) has achieved good levels of take up. In its first six months, the Fund raised £28.1 million from retail and institutional investors.²⁰ As of the end of March 2015, the fund has grown to £67.9 million.²¹

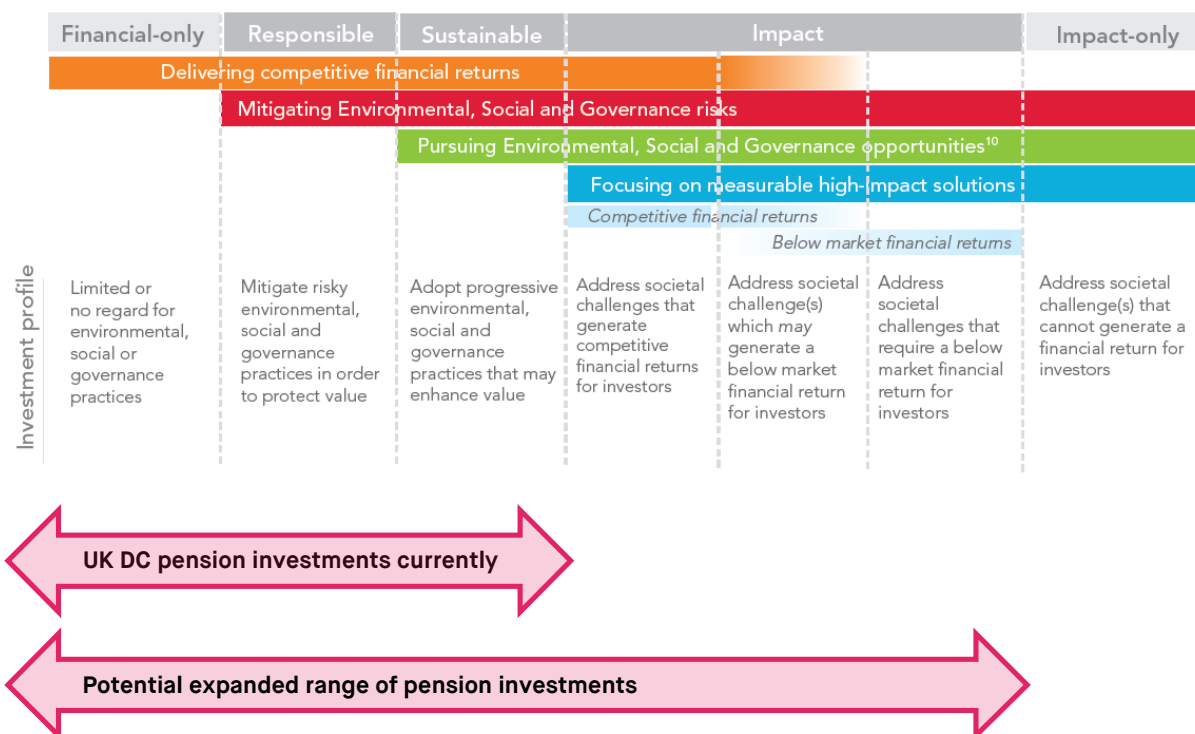
The market is not currently delivering

Despite this appetite for social investment, the UK has very limited social investment fund options for DC savers. While ShareAction’s research suggests that there has been an improvement in awareness and delivery of responsible investment,²² there has been little evolution of more sophisticated social funds.

Where they exist, ethical funds are typically ‘screened funds’, in other words their purpose is to exclude ‘sin stocks’ rather than focus on positive social outcomes. This does not provide the positive social intention that survey evidence suggests could be mobilised. These ethical funds also often fail to effectively analyse and report on the social impact achieved in the same engaging way and with detail that modern social impact reporting achieves. Second, even these ethical funds do not appear to reflect consumer priorities.²³

More generally, only a minority of pension fund investors include impact investing in their portfolio. Our conversations with the pensions industry indicate that there is some activity towards the lower-risk products: some pension providers are already investing in infrastructure and in social housing – but the investments that exist typically derive from annuity books and DB schemes rather than DC schemes. Moreover, there is significant scope to expand the range of social investments that pension funds reach.

Figure 3: A spectrum of capital



Source: Social impact investment taskforce, *Allocating for Impact* (2014), adapting Bridges Ventures, *Spectrum of Capital* (2012)²⁴

3. CONCLUSIONS

This chapter has explained why the goal of a social pension fund is important in the UK. Latent demand for ‘social investment’, the huge growth in private sector DC membership as well as the

need to engage savers more makes this a significant, expanding and necessary source of capital. This could form the basis of a new social impact segment of the UK pensions market.

CHAPTER 2: THE UK PENSIONS MARKET AND ENGAGING KEY STAKEHOLDERS ABOUT SOCIAL PENSION FUNDS

This chapter describes how the UK pensions industry operates and how different stakeholders in the investment chain influence whether and how social pension funds could be introduced.

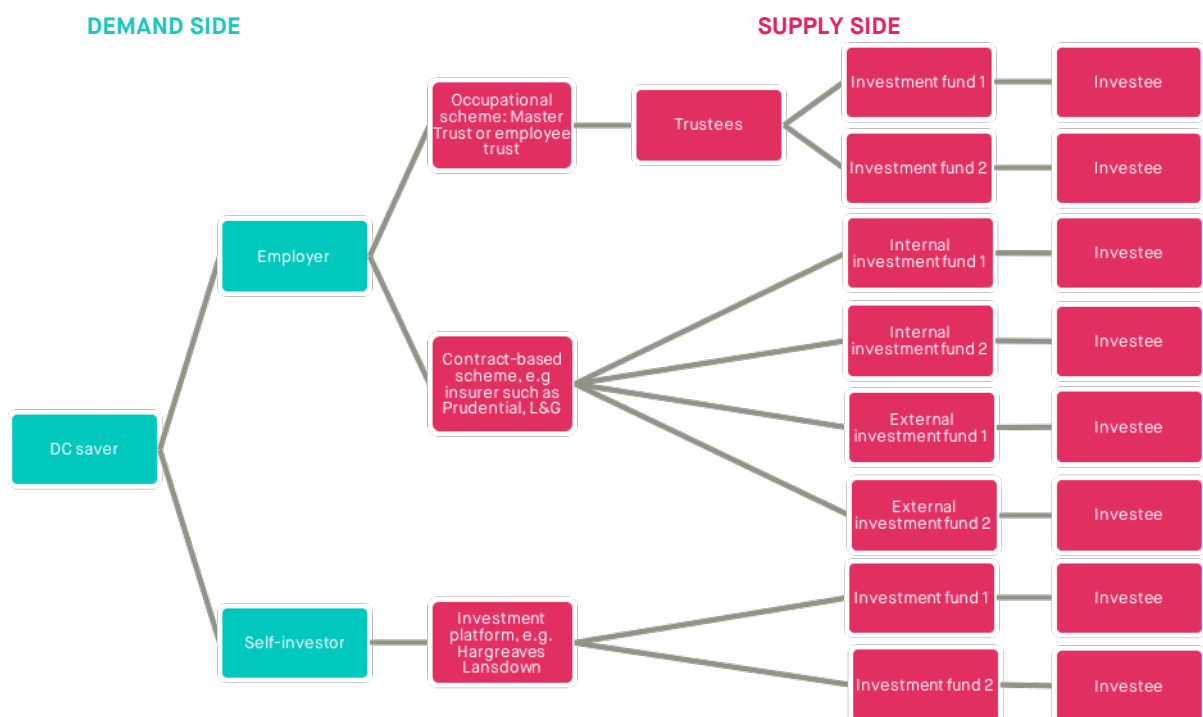
1. HOW THE UK PENSIONS MARKET WORKS

The UK’s pensions market includes a number of different types of Defined Contribution (DC) schemes:

- ‘individual personal pensions’ – administered independently by individuals as ‘Self-Invested Pension Plans’ (SIPPs);
- ‘group personal pensions’ - established by an employer as a way of providing all of its employees access to a pension plan run by a pension provider, but the plan is not particular to the employer and the contract is between the individual and the pension provider (contract-based schemes);²⁵
- ‘occupational pensions schemes’ - set up under trust law by one or more employers for the benefit of their employees and the scheme is overseen by trustees (either at the level of the employer or through a Mastertrust).

Below we set out a decision-tree illustrating a simplified investment chain in UK DC pensions. The diagram sets out the stakeholders that together make decisions on the destination of pension investments. For the sake of ease, we break these down into two broad categories: stakeholders that affect the ‘demand’ for a social pension fund; and those that affect the ‘supply’ of a social pension fund.

Figure 4: The investment chain in UK DC pensions



At each point in this investment chain, there may be barriers and enablers to introducing a social pension fund. These are discussed below in more detail. Chapter 3 then provides analysis on how these can be overcome.

2. STAKEHOLDERS AND THE FACTORS AFFECTING THE DEMAND FOR SOCIAL PENSION FUNDS

Individual savers

Individual savers play two key roles: they decide whether to save through their employer scheme or through a Self-Investment Pension Plan (SIPP); individuals also select the funds into which they wish to invest.

At the individual saver level there are two main potential challenges to the development of social pension funds. The first is that individuals may disagree on the type of ‘social’ objective to be pursued. For instance, survey evidence suggests that many people are more receptive to funds geared to sustainability than funds geared to local community or small businesses. But, different consumer segments favour different social investment funds.²⁶ This variance may demand small bespoke funds, but, as will be described later, this will be in tension with the need for scale. This implies that any social pension fund will need to have a wide range of social causes that could attract a wide range of individual savers. It also may mean that social impact will need to be reported in a language that engages savers with a variety of social issues.

Second, individual DC savers display great diversity in terms of how engaged and independent they are in their decision-making. At the first decision-point, this factor may affect (and be manifested by) whether they decide to save through their employer pension scheme or whether they decide to save independently through a SIPP. Beyond this, engagement also influences investment fund choice. Generally, savers’ awareness of where pension money goes is very low. Nearly 40% of savers are ignorant of what their pension provider does with their money.²⁷ Across all DC schemes, almost three quarters of individuals (73%) are put into the default fund that they are offered (although not all of these opt for the scheme due to disinterest, some believing it to be the best fund for them).²⁸ However, this is just the average. Those in smaller schemes are less likely to be put into the default (65%) and those in larger schemes more likely (80%).²⁹

Savers that have been auto-enrolled into pensions are even more likely to opt for the default fund – as of March 2014, 99% of savers in NEST were in the default fund.³⁰ Auto-enrolment providers and trustees will therefore be vital to engaging savers with the potential of social pension funds. In contrast, those with SIPPs are more likely to make active decisions on their investments. Any policy intervention needs to recognise this heterogeneity and devise appropriate routes into a social pension fund for different segments of the DC population. There are likely to be different policy opportunities for different saver groups. Particular attention would have to be given to interaction with default funds: they represent 70% of DC workplace pension scheme assets and are projected to hold 83% in 10 years.³¹

It is also important to understand the distribution of savers. There are approximately ½ million self-investors; 5 million savers have chosen to take part in a workplace pension scheme (prior to auto-enrolment). Meanwhile, there will be an estimated 10 million auto-enrolled savers by 2020. Many of these will be new investors with this as their first experience of long-term savings products, and therefore there is a real opportunity to engage them in a different way.

Employers

Employers often act as proxy consumers. They choose the type of pension scheme offered (trust-based or contract-based), the pension provider and the pension scheme, and they can have a say in the funds that employees are able to select.

Because pensions are a route to good employee engagement, recruitment and retention, employers have a motivation to ensure that contribution levels, the pension scheme and fund options meet their employees' needs, and in many cases, align with their own personal values. For instance, a recent survey found that many employers were ready to increase contribution levels ahead of any mandatory increase set by government.³² Surveys of businesses have found that 89% of employers believe that pensions help recruit, retain and motivate staff. When asked to identify the top priority for their DC pension scheme, employers highlight its role in attracting and retaining talent (35%) and in fostering employee engagement (21%).³³

However, larger employers typically have larger human resources functions and are thus able to give a greater level of consideration to their workplace pension. This is partially illustrated in the availability of pensions by workplace: 31% of employers with less than fifty employees offer any pension provision, compared to 96% for employers with more than 250 employees.³⁴

This factor has been recognised in the roll out of auto-enrolment with large employers phased in initially and smaller businesses following later. Approximately half of the UK's workforce works in firms with more than 50 employees.³⁵

3. STAKEHOLDERS AND FACTORS AFFECTING SUPPLY OF SOCIAL PENSION FUNDS

Assuming that consumer demand informs the market effectively, pension providers, trustees and investment managers should be motivated to offer savers high-performing funds that meet with their financial and social goals. However, there are a number of factors that may get in the way.

Box 2: Trust-based pensions schemes versus contract-based schemes

There are significant differences between trust-based and contract-based pension schemes. Trust-based schemes are governed by a board of trustees who have a fiduciary duty to act in the best interest of the scheme's members. These may be profit or non-profit making organisations. In contrast, contract-based pension schemes are based on a contract between the saver and the provider, the latter who are usually insurance providers. Whilst there is no fiduciary duty, savers have protection through FCA rules. As ShareAction has argued, the Trust-based model treats the consumer as weak and captive; the contract-based scheme relies on an active consumer.

In 2011, there were slightly more active members in Trust-based schemes (3.4m) than in contract-based schemes (3m).

Source: Fair Pensions, *Whose duty? Ensuring effective stewardship in contract-based pensions* (2012)¹

Pension providers in contract-based schemes

Pension providers choose the funds that are available to their scheme members.

In contract-based schemes, factors affecting the readiness of pension providers to offer social investment funds include: concerns about financial performance and regulatory requirements, and fears that there may be insufficient demand from savers. For instance, a US survey of

investing professionals found that the greatest impediment to the growth of responsible investing is the perception about financial performance.³⁶ In addition, pension providers come under commercial and policy pressure to keep management charges low. If a social pension fund is structured such that it is reliant on a large amount of active management with consequent higher management fees, it may encounter the same challenges as other actively managed funds, including the current regulated charge cap on pension providers, political pressure and the commercial viability of offering a product with higher charges than many other competitor funds.

Trustees in trust-based schemes

Pension fund trustees (either at an employer level or through a Master Trust) choose the funds into which savers can invest. They also select the default fund.

In trust-based schemes, trustees may be deterred from choosing a social pension fund as an option for their members because of concern over fulfilling their fiduciary duty.³⁷ This anxiety may also be prevalent among institutional investors (who are similarly obliged to act in the best interests of their members), although there is anecdotal evidence that trustees are now taking a broader view of their fiduciary duties.³⁸ This objection is not necessarily grounded in evidence. Savers may expect trustees to give consideration to environmental, social and governance factors; and, in putting a low priority on non-financial factors, trustees may be disregarding the interests of their members. In occupational schemes, there is a legal requirement for trustees to say what consideration they have given to these factors in their Statement of Investment Principles. Responsible ownership may also improve investment returns.³⁹ Finally, the Law Commission argued that trustees may offer an ethical pension as a choice for DC savers as long as the decision is informed by members' views.⁴⁰

Decisions of trustees may also be influenced by employee-benefit consultants and legal advisers, who themselves constitute an important part of the decision-making process. Lack of awareness of social investment options and risk-aversion among some advisers may mean they do not steer clients towards social investment options or actively dissuade clients from them.

Investment managers

Investment managers offer the funds to savers and make decisions as to whether there is sufficient demand to run a fund, what the focus of the fund should be and where the investments of the fund should be directed.

A social pension fund may assist fund managers in their quest for diversity if social investments returns are uncorrelated with returns from traditional investments. Two thirds of fund managers highlight that selecting assets that diversify their portfolio is their first priority in deciding what makes an investment attractive.⁴¹

However, a number of factors currently limit the opportunity and enthusiasm for social pension funds, many of which relate to the scale of the fund. First, investment managers may not have the requisite information and capability to make decisions on social investments. In part this stems from information constraints. But, this challenge relates also to scale. Most funds that have the internal resources to understand the asset class often require minimum investments sizes (e.g. £200m) far beyond the capacity of the investment opportunity. Fund size therefore matters. So does deal size: the costs of due diligence may be higher for impact investments, and there are likely to be economies of scale in deal size as well.⁴² Investments therefore may have to be intermediated so that deal sizes are sufficiently large.

Second, again related to scale, surveys show concern that there are insufficient investable propositions and that the demand for social investment from investees will not meet the scale of the supply were social funds to be scaled up.⁴³ Focusing on certain types of social organisations that are known to need significant sources of capital, such as affordable housing and certain community-driven forms of renewable energy, may make this easier to address.

Third, investment managers and pension providers have concerns about liquidity. Pension providers have to be able to meet their financial obligations when savers seek to redeem their investments.⁴⁴ However, investments into social enterprises are typically illiquid, because they are providing long-term capital and the market for the investments may be additionally limited because of its immaturity.

4. CONCLUSIONS

This Chapter has identified the stakeholders who make decisions and the range of factors that influence the demand and supply of a social pension fund. Collectively, these constitute a strong case for industry leadership and targeted market intervention. As described in Chapter 1, there appears to be a mismatch between reported demand for social pension funds and a lack of supply – in part potentially explained by high levels of consumer inertia.

On the demand side, the framing of decisions for different groups of savers, as well as the social motivation of savers, is likely to be an important policy consideration.

On the supply-side, particular challenges to overcome include scale, liquidity, financial performance and risk profile, the affordability of charges, information on social performance and purpose and sufficiency investable propositions. Such coordination problems are likely to continue to impede the development of the market, given that many of the challenges – such as scale and transferrable information – cannot be addressed by any one provider or fund manager in isolation. As will be seen below, international experience suggests that hybrid funds and regulation can play an important role in stimulating the market.

In the next Chapter we go on to demonstrate that the barriers can be overcome by creative fund structures, intelligent policy-making and leadership by the UK pensions market.

CHAPTER 3: DESIGNING A SOCIAL PENSION FUND FOR THE UK

This Chapter discusses how a social pension fund could be introduced into the UK. The first section sets out how to encourage take-up of a social pension fund in the UK. The second part examines France's Solidarity Investment Fund and tests which aspects could be applied to the UK pensions market as a route to overcoming the challenges discussed in Chapter 2.

1. ENCOURAGING DEMAND AMONG SAVERS

Below we consider how demand for a social pension fund among individual savers could be encouraged. Looked at from the demand-side, there are three core groups of DC savers. Because of their very distinctive characteristics and decision making behaviour, these groups are likely to react very differently to different policy interventions.

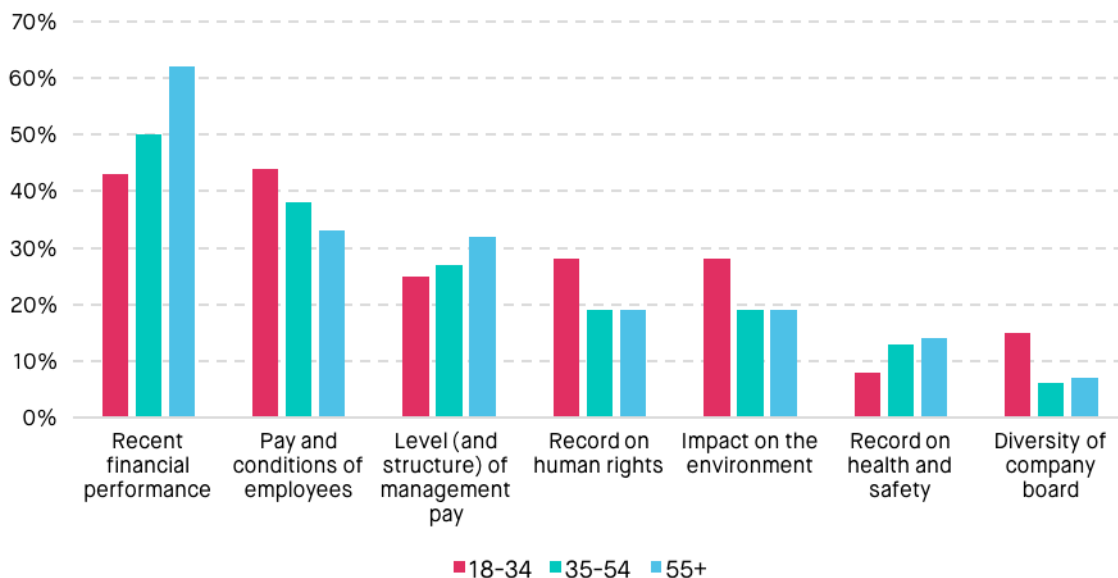
Table 2: Understanding DC saver groups

Type of saver	Number of savers	Average size of pot (55-64 year old) ⁴⁵	Assets	Typical characteristics
Self-investors	0.5m	£250k (mean)	£100bn ⁴⁶	<ul style="list-style-type: none"> ○ Independent, engaged and active consumers. ○ Wealthier than other categories of savers. ○ More likely to have a social investment motivation.⁴⁷
Self-enrolled	5m	£15k (workplace) £30k (personal)	£348bn by 2030 ⁴⁸	<ul style="list-style-type: none"> ○ Sufficiently engaged to be saving already. ○ But majority (70%) opt for default fund.
Auto-enrolled	10m by 2020	n/a	£149bn by 2030	<ul style="list-style-type: none"> ○ Disengaged savers. ○ 99% currently opt for default fund.

In discussing the policy options, we indicate which interventions are likely to have a positive effect in terms of take up among the specific saver group (green suggesting significant scope). The social pension fund could become both an option for an investor to deliberately choose, if a self-investor or self-enrolled, or part of a bigger default fund, if an auto-enrolled investor.

Beyond this typology set out above, it is worth noting that motivation to save in a social pension fund may vary depending on the generation and the life-stage of the individual. For instance, for younger people, the information that they most would like to know about from their pension provider is about the pay and conditions of employees (above fund performance and costs and charges).⁴⁹ They put a higher weight on this information than the wider population. Equally, they prioritise non-financial factors much higher than the wider population (see Figure 5 below).

Figure 5: If the primary fund of your pension provider were taking an active role in the companies they invest in, what do you think are the most important issues for them to consider? (NAPF survey)



Source: Opinion Survey for NAPF of 1,064 UK adults with an occupational pension.⁵⁰

A. INFORMATION AND LABELLING

Products could be labelled better so that social pension funds look attractive investment propositions. At a simple level this would provide assurance about the quality of the investment vehicle. But, such labelling could also be informed by insights from behavioural economics. Across a range of disciplines, the labelling of products and how information is displayed has been shown to be very important in determining consumer choices.⁵¹ For instance, would a fund labelled ‘social’ look attractive when set against various ‘growth’ funds? Therefore, it will be important to understand how individual choices are affected by the description of the fund.

Self-investors	Self-enrolled	Auto-enrolled
----------------	---------------	---------------

B. NUDGING PEOPLE TOWARDS A SOCIAL PENSION FUND

A large number of people save in the default fund chosen by their employers / trustees. Opting all savers into a default social pension could be perceived as an unacceptable regulatory intervention given the quasi-compulsory nature of workplace pensions saving. However, there are other routes to promote fund choices by framing decisions. First, employers, providers and advisers could be encouraged to recommend that the person considers a social investment fund when they initially make their decision on their fund allocation. Employers could also offer a higher matched investment for social investment funds.

Second, the default fund choice could alter as a person saves beyond the minimum contribution rates on the logic that the individual has actively decided to save at a higher rate. Once the scheme has been fully implemented, auto-enrolled savers will have to contribute 3% of their wages to their pension. For those that save more, under this ‘auto-top up’ policy, a portion of the additional saving could automatically be allocated into a social pension.

Self-investors	Self-enrolled	Auto-enrolled
----------------	---------------	---------------

C. INCENTIVISING A SOCIAL PENSION FUND

The Government could increase the attractiveness of a social pension fund to DC savers by offering an incentive.

Consumer-facing incentives

As it stands, the government spends an estimated £23 billion as relief on money put into recognised pension schemes.⁵² The existing pensions tax relief could be restructured to incentivise investment into social investment funds. The current consultation into pensions tax relief could provide such an opportunity.⁵³

The UK already has the Social Investment Tax Relief (SITR) by which investors can deduct 30% of the cost of their investment from their income tax liability.⁵⁴ There may be scope therefore to allow savers to benefit from double relief (pension tax relief as well as SITR) although this is likely to be very complex. Offering a supplementary relief for social saving would complicate things further and likely have little effect on the majority of savers. However, it could act as a means of encouraging more engaged SIPP savers to invest in a social pension fund. Alternatively, the relief could also be structured as an increase to the annual pension allowance (currently set at £40,000).

A consumer-facing tax relief may therefore most likely only be an effective policy only for the most financially literate and engaged savers.

Supplier-facing incentives

Investment managers could be encouraged to develop social investment funds through seed funding. Government could offer targeted working capital grants to fund the one-off development costs to help managers develop new innovative social pension funds.

As is currently being discussed in France, a guarantee could also function by providing a ‘buyer of last resort’. This would relieve liquidity constraints and thus improve the return of the fund. Theoretically, this guarantor could either be the government or a third party provider. From a fiscal perspective, an apparent advantage of such an approach over other forms of incentive is that the cost of this guarantee may not score explicitly as government spending if the state were to take on this role. The principle of underwriting the tail risk has been established in infrastructure development where government guarantees are offered to cover risks that pension providers perceive to be unmanageable.⁵⁵

However, there may be disadvantages. Offering the guarantee may undermine market discipline. In addition, the state may expose itself to risks that it is poorly placed to assess and manage, and the costs may not be transparent. For these reasons, this role would be better borne by an external organisation.

Self-investors

Self-enrolled

Auto-enrolled

D. MANDATING THAT EMPLOYERS OFFER A SOCIAL PENSION

As noted in Chapter 2, employers often act as proxy consumers for their employees by choosing the pension scheme and the provider. In ‘trust-based’ schemes they also select the funds where savers can put their money.

As discussed in more detail below, in France, the Government made it mandatory for employers to offer a solidarity option for their employees. In the UK, such a policy could build on auto-enrolment schemes where employers are compelled to offer a pension scheme to workers and to

automatically sign them up to pension saving. This will be fully phased in by 2018, after which there could be provision to steer employers to provide the option of a social pension.



2. ENCOURAGING SUPPLY: LEARNING LESSONS FROM FRANCE’S SOLIDARITY INVESTMENT FUND MODEL

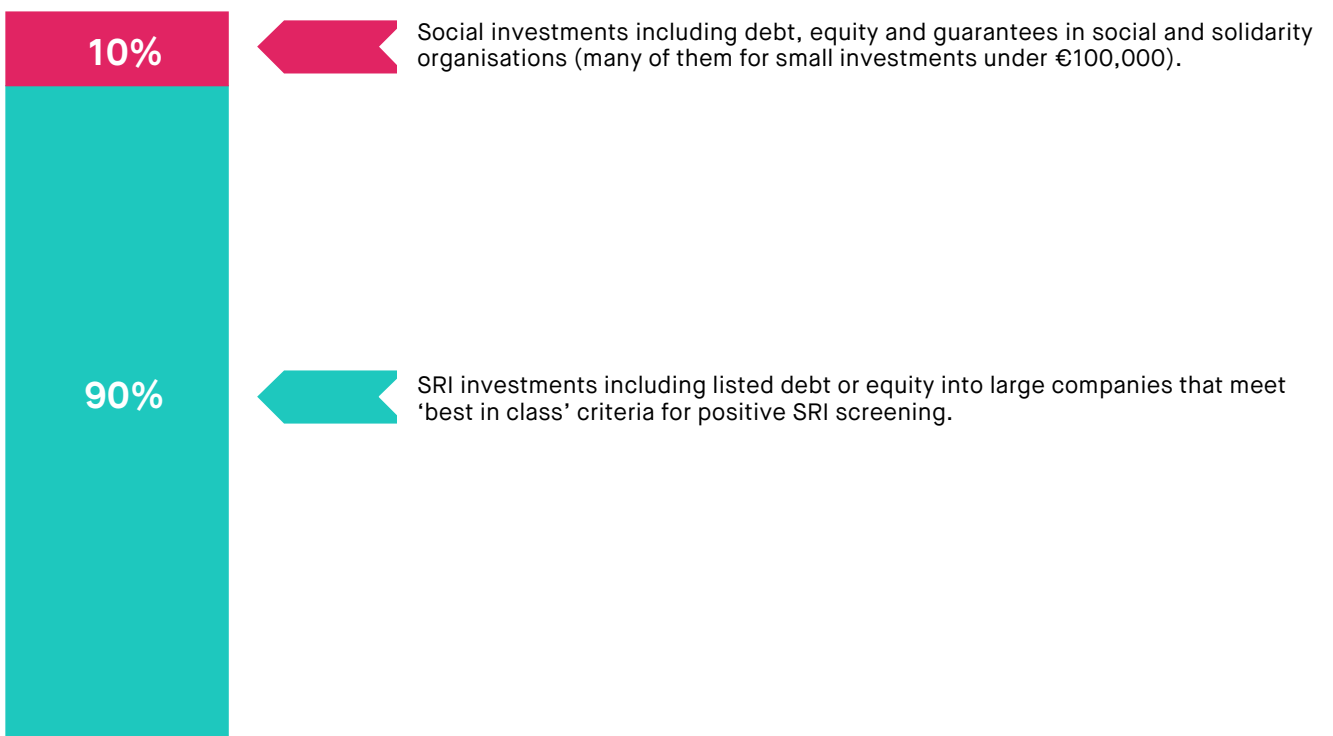
This section considers in detail how the supply of a social pension fund could be stimulated. In particular, it draws on lessons from France where the Solidarity Investment Fund is widely available to savers.

a. What is France’s ‘Solidarity Investment Fund’?

Since 2001, employers and pension providers in France have had to offer the Solidarity Investment Fund as an option for their employees, as part of their employee savings plan. This ruling covers all employers with more than 50 workers. The purpose was to increase the level of capital available to France’s social economy, which often has difficulties raising finance due to the inability to sell equity, at the same time as providing opportunities for individuals to invest in the social economy.⁵⁶ The potential demand for social investment from this scheme in France is large: there are 225,000 organisations in the social and solidarity economy representing 10% of the economy and 2.25 million employees.

The Solidarity Investment Fund aims to place approximately 90% of the fund into traditional investments such as listed companies (which are ethically screened according to environmental, social and governance criteria) and the remaining 10% into social investments (up to 10% as described below), which include less liquid investments into smaller charities and social enterprises.

Figure 6: Illustration of the French ‘Solidarity Investment Fund’



As can be seen from the table below, the French Solidarity Investment Fund has been popular and has made a large number of investments of different types into a range of social and environmental organisations.

Table 3: Statistics about France's Solidarity Investment Fund⁵⁷

Total assets under management	<ul style="list-style-type: none"> ○ €4.6 billion in 2013 – an increase from €478 million in 2008.⁵⁸
Investees	<ul style="list-style-type: none"> ○ Large number of over 100,000 new businesses invested in by Solidarity Finance⁵⁹
Social issues invested in	<ul style="list-style-type: none"> ○ Environment (37%) ○ Housing (31%) ○ Employment (22%) ○ International (5%) ○ Other (5%)
Range of products	<ul style="list-style-type: none"> ○ Debt ○ Equity ○ Guarantees (to bank loans)
Typical size of investments	<ul style="list-style-type: none"> ○ Microcredit loans: approx. €100,000 ○ Real estate: approx. €300,000 ○ Equity and quasi-equity: €300,000 ○ Guarantees: approx. €100,000
Individual investors and their characteristics	<ul style="list-style-type: none"> ○ Over a million individual investors since 2002 ○ Estimated average investment pot of around €3,500 ○ Active investors as need to deliberately opt-in to employee savings scheme

b. Could the Solidarity Investment Fund work in the UK?

In many ways, France's Solidarity Investment Fund appears a success story – but could it operate in the UK? Below we stress test this approach to see whether and how it could be applicable to the UK, and the extent to which it overcomes the principal challenges set out in Chapter 2.

CHALLENGE 1: SCALE

The experience of the French Solidarity Investment Fund

The scheme in France is designed to provide scalability. Companies that do not run their own dedicated social investment funds typically offer a fund from one of the large investment houses. There is competition therefore but also sufficient market concentration to ensure scale.

Investments into these organisations are made through a number of routes. First, large investment houses – such as Natixis Asset Management, Groupe Credit Agricole and BNP Paribas Asset Management – may do all the investment activity. Second, large investment houses may take responsibility for the Solidarity Investment Fund but then outsource the '10' to social investment intermediaries. Third, large investment houses may outsource the whole Solidarity Investment Fund to third party organisations such as Ecofi, PhiTrust or le Comptoir de l'Innovation.

Applicability to the UK

Developing an equivalent Solidarity Investment Fund could offer a route to achieving the scale that providers and investment managers identify as important.

The UK has a number of intermediaries that may be able to play a role in the development of products for social pension funds.

Ensuring a broad range of social investments – including less risky debt, social housing along with higher risk investments into social projects and enterprises provides diversity as well as an extensive range of social goals.

CHALLENGE 2: LIQUIDITY

The experience of the French Solidarity Investment Fund

In a Solidarity Investment Fund, fund managers face liquidity constraints because they operate open or semi-open funds that are subject to market volatility and possible redemption.

The solidarity investment structure itself provides a partial solution to the liquidity constraint because there is some flexibility in the allocation of investments across the solidarity investment. Fund managers typically take a conservative approach to the social investment allocation and retain a significant liquidity margin. Therefore, in practice the funds hold around 93% of funds in traditional investments and 7% in social investments. However, from a policy point of view this is sub-optimal because this limits the amount of capital that can be invested in social objectives.

Regulators have sought to lower the liquidity constraints. The valuation for the '10' in France is done 'mark to model' rather than 'mark to market'. This means that the regulator makes an assumption about how the value of the social investment varies, rather than allowing values to be established by a lumpy market, which can lead to dramatic volatility. This brings advantages: it may allow the market to develop (by providing assurance on value in a low liquidity market); it reduces the amount of capital that would have to be held back to offset liquidity concerns.

However, although this approach helps, it does not resolve the challenge. French policymakers are now considering two further steps: allowing the '10' fund to temporarily exceed its 10% ratio; having a third party offer a liquidity guarantee, in other words for a 'buyer of last resort' to accept responsibility for acquiring solidarity investments if a fund exceeds the 10% ration.⁶⁰

Applicability to the UK

The solidarity investment structure helps overcome liquidity constraints. The French experience suggests that UK regulators may also have to be ready to allow 'mark to model' pricing to help reduce liquidity constraints in an immature market.

French policymakers are assessing the case for allowing greater flexibility in the solidarity investment ratio by allowing the social fund to exceed 10% for a period of time.

Establishing a third party 'buyer of last resort' may have downsides as well as upsides. It may reduce market discipline. The third party may also need to be compensated for taking this risk.

CHALLENGE 3: SECURE RISK PROFILE

The experience of the French Solidarity Investment Fund

The hybrid nature of the Solidarity Investment Fund, with a majority of the funds invested in listed companies and a minority of the funds invested in social investment provides a more secure risk profile than a retail product dedicated entirely to social investment. This was one of the reasons why the Solidarity Investment Fund was adopted in France and a reason why a strict 10% limit was set on more illiquid, riskier social investment products.

Indeed, an academic analysis found that the Solidarity Investment Funds performed as well as traditional French stocks.⁶¹ The fund displayed greater stability during the financial crash than many more traditional investments and, therefore, the solidarity element may offer the function of risk diversification. This may be because social institutions display a different resilience to other parts of the economy. This outcome may also derive from the ‘mark to model’ regulation.

Legislation and regulation can also help reduce the risk aversion of trustees and their advisers. France has compelled employers to offer the solidarity investment fund, therefore, stimulating demand for social investment products.

Applicability to the UK

The performance of the Solidarity Investment Fund may allay some concerns about the performance of social pension funds.

The French experience suggests that a number of reforms could help encourage the supply of social pensions and to overcome risk aversion. Mandating provision of a social pension fund as an option for savers may be more controversial in the UK than in France given that private pensions are relatively more important in the former than the latter. However, such measures could build on the current auto-enrolment reforms once they have been fully phased in in 2018.

In addition, regulatory intervention may reduce the concerns of agents who may be risk-averse. For instance, the use of ‘mark to model’ may help circumvent objections about fiduciary duty because the regulator is making a judgement where the trustee would otherwise be wholly responsible.

CHALLENGE 4: AFFORDABLE CHARGES

The experience of the French Solidarity Investment Fund

Actively managed social investment funds can be more expensive to resource. However, in the Solidarity Investment Fund, market fees on the ‘10’ are 2% per annum. When matched against substantially lower fees of the 90% invested, the overall level is still low.

Applicability to the UK

Given the charges of the remaining ‘90’ are likely to be low, the 2% charge on the social element of the fund will likely not be problematic in the UK. Total annual management charges need to be under 0.75% , the legal cap for default funds for auto-enrolled savers. The charges for the ‘90’ fund would therefore have to be under 0.61 Annual Management Charge to make this possible, which is well within the pricing power of many large pension providers, particularly auto-enrolment providers.

CHALLENGE 5: INFORMATION ON SOCIAL PURPOSE AND PERFORMANCE

The experience of the French Solidarity Investment Fund

In France, the Finansol label helps the general public identify solidarity-based savings schemes. It is granted to vehicles that help fund activities of social or environmental interest. There are approximately 126 such schemes accredited.

Applicability to the UK

A recognised label may help distinguish ‘social investment’ vehicles from other ethical and screened funds.

Historically, there has been a lack of commonly accepted standards for measuring social investment.⁶² The Global Impact Investing Rating System is now establishing a standardised scoring system against which investors can benchmark.

This accreditation process could be led by Big Society Capital which is already an investor in a number of social investment funds.

CHALLENGE 6: SUFFICIENT INVESTABLE PROPOSITIONS

The experience of the French Solidarity Investment Fund

In France, the types of organisations eligible to receive funding through the Solidarity Investment Fund have expanded over time. Until 2014, the Solidarity Investment Fund had to be invested in France's 'social and solidarity' economy – cooperatives, mutual benefit societies and foundations. These organisations had a certificate of their social purpose granted by their local government.⁶³ Since 2014, additional qualifying criteria have been introduced, thus increasing the range of organisations that are eligible to receive investments from the Solidarity Investment Fund, such as profit-making companies that display a social purpose.

Applicability to the UK

As discussed above, the demand for social investment from investees may be too limited for the long-term potential supply of capital for social pension funds. Existing UK legislation that explicitly refers to social investment (in the social investment tax relief) limits its reach to charities, Community Benefit Societies (formerly IPS BenComs) and Community Interest Companies.⁶⁴ There may be a case to expand the definition to include businesses with a social purpose.

The analysis above suggests that the Solidarity Investment Fund structure would help overcome many of the constraints to the supply of social pensions in the UK as identified in Chapter 2. The basic principles of the Solidarity Investment Fund structure developed in France could be transported to the UK. The structure helps provide assurance on financial performance and risk profile; a hybrid fund could also help achieve scale and could be delivered directly through large investment houses, through intermediaries or specialist fund managers.

There are no major regulatory constraints to a social pension fund being established in the UK. Regulatory intervention could be helpful, however, in providing extra comfort to industry players in reducing liquidity constraints, such as through 'mark to model' pricing in France. Market-based initiatives could also be effective in driving supply of pensions by investment managers, such as developing appropriate social investment labels and evaluating and demonstrating the performance of social investment products.

3. CONCLUSIONS

This Chapter has demonstrated how social pension funds could be introduced into the UK.

- A social pension fund model could be developed, based on the French Solidarity Investment Fund, which invests into a mix of listed companies and social investment. This could be relevant as both a pension option as well as the default funds.
- A social pension fund can largely be developed already within existing law, however regulatory activity and market initiatives could make the environment easier for setting up social pension funds.
- Take-up of the social pension funds can be encouraged through a series of measures, including labelling, nudging and incentives.
- This social pension fund could appeal to all three different types of investors: self-investors, self-enrolled and auto-enrolled, though the measures to encourage take-up will differ.
- Social pension funds can form the basis of a new social impact segment of the UK pensions market.

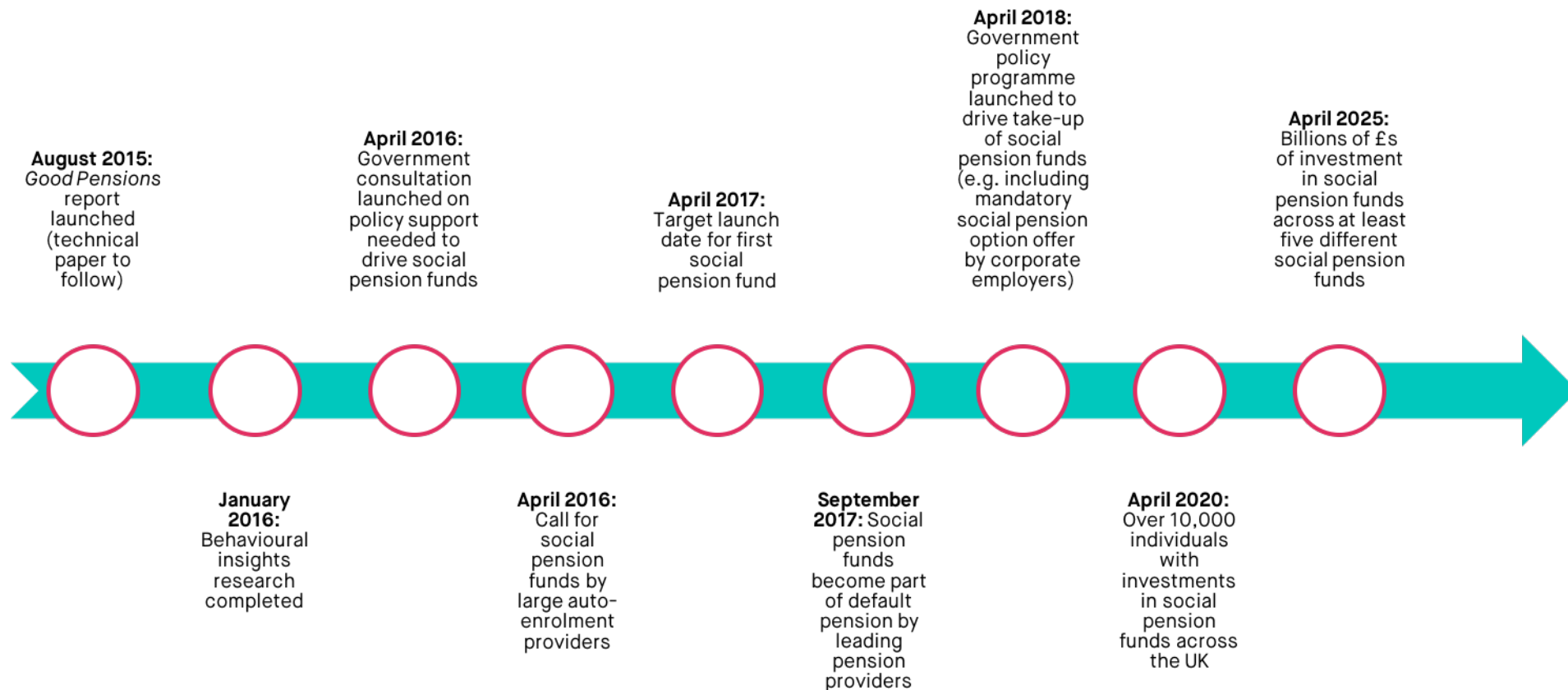
CHAPTER 4: A ROADMAP FOR UK SOCIAL PENSION FUNDS

The report has set out the market and policy interventions that would be necessary to help introduce social pension funds as a new segment of the pensions market in the UK. Below we suggest a roadmap of what could be done to work towards this objective.

Recommendations	Key parties
<p>1. Detailed design of a UK fund</p> <p>Develop a plan for detailed portfolio and fund structure of the social pension fund in the UK and pilot with a major investment manager.</p>	<ul style="list-style-type: none"> ○ Social investment community, including BSC ○ Investment managers
<p>2. Develop behavioural insights</p> <p>Analyse large pools of investment data to understand how social investment motivates individual investors. Understand what aspects of social pension funds need to be emphasised (e.g. social impact reporting) to increase engagement and savings culture.</p>	<ul style="list-style-type: none"> ○ Financial institutions research functions ○ Behavioural insights research community
<p>3. Call for funds to stimulate fund development</p> <p>Outline a call for the development of funds that would suit the needs of large investors of pension fund assets, including auto-enrolment providers and large corporate pension funds. This may stimulate real interest among current managers and impetus to develop new products.</p>	<ul style="list-style-type: none"> ○ Auto-enrolment providers ○ Large corporate employers ○ Large insurers
<p>4. Consider how to encourage social pensions take-up through policy and regulatory activity</p> <p>Regulators to review adaptations necessary to smooth introduction of social pension funds. HMT should consider how current review of pensions tax relief could help incentivise take-up of social pension funds.</p>	<ul style="list-style-type: none"> ○ Government departments, including HMT, Cabinet Office and DWP ○ Regulators, including FCA

The development of a social impact segment of the UK pensions market will rightly take some time. A suggested timeline for its development is outlined overleaf.

Figure 7: Suggested timeline for development of UK social pensions funds



ENDNOTES

¹ The £600bn figure is derived from: maintaining the current estimated £100bn in SIPP DC assets; an estimated £348bn of DC assets without any auto-enrolment; an additional £149bn in DC assets as a result of the roll-out of auto-enrolment. See Table 2 below for references.

² HMG, *Growing the social investment market: 2014 progress update* (2014)

³ UK National Advisory Board to the Social Impact Investment Taskforce, *Building a social impact investment market: the UK experience* (2014)

⁴ <http://www.bigsocietycapital.com/sites/default/files/pdf/Social%20Investment%20Insights%20Charity%20Bonds.pdf>

⁵ GHK, *Growing Social Investment: Landscape and Economic Impacts* (2013)

⁶ Big Society Capital, *Annual Review 2014* (2015)

⁷ CDF, *Mind the Finance Gap* (2013)

⁸ HMG, *Growing the social investment market: 2014 progress update* (2014)

⁹ Social Finance, *Microfinance, impact investing and pension fund investment policy survey* (October 2012)

¹⁰ Note, in many cases under the default strategy, the employer or master-trust effectively makes the investment choice.

¹¹ Pensions Policy Institute, *The changing landscape of pension schemes in the private sector in the UK* (2012)

¹² OFT, *Defined contribution workplace pension market study September 2013* (2013)

¹³ The Pensions Regulator, *Automatic enrolment - Commentary and analysis: April 2013 – March 2014* (2014)

¹⁴ Pensions Policy Institute, *How will automatic enrolment affect pension saving?* (2014)

¹⁵ Pensions Policy Institute, *How will automatic enrolment affect pension saving?* (2014)

¹⁶ NAPF, *What do pension scheme members expect of how their savings are invested?* (2013)

¹⁷ NAPF, *What do pension scheme members expect of how their savings are invested?* (2013)

¹⁸ Defined Contribution Investment Forum, *Identifying new ways to engage with savers in defined contribution pensions* (March 2013)

¹⁹ Defined Contribution Investment Forum, *Identifying new ways to engage with savers in defined contribution pensions* (March 2013)

²⁰ Big Issue Invest, *Threadneedle UK Social Bond Fund: bringing the mainstream into social investment: Interim social performance report October 2014* (2014)

²¹ Columbia Threadneedle, *UK Social Bond Fund: Retail Fund Factsheet as at 31 March 2015*.

²² ShareAction, *Responsible Investment Performance of UK Asset Managers - The 2015 ShareAction Survey* (2015) http://b.3cdn.net/sactionlive/214f5a8b0b88e599ea_6sm6y9xe6.pdf

²³ Bernadette Kamleitner, *Survey report: members' views on responsible investment* (2012); Fair Pensions, *Ethically engaged? A survey of UK ethical funds* (2012)

²⁴ Social Impact Investment Taskforce, *Allocating for Impact* (2014), adapting Bridges Ventures, *Spectrum of Capital* (2012)

²⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/407180/Feb_15_Pensions_publication.pdf

²⁶ Defined Contribution Investment Forum, *Identifying new ways to engage with savers in defined contribution pensions* (March 2013)

²⁷ NAPF, *What do pension scheme members expect of how their savings are invested?* (2013)

²⁸ Defined Contribution Investment Forum, *Identifying new ways to engage with savers in defined contribution pensions* (March 2013)

²⁹ NAPF, *Default fund design and governance in DC pensions* (2013)

³⁰ <http://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/news/nest-corporation-and-nest-scheme-annual-reports-and-accounts-2013-14.html>

³¹ NAPF, *What do pension scheme members expect of how their savings are invested?* (2013)

³² 'Employers aim for increase in pension contributions', *HR Review*, 14 May 2015.

³³ CBI, *A view from the top: CBI 2013 pensions survey* (2013)

³⁴ DWP, *Employers' Pension Provision Survey 2013* (2014)

³⁵ BIS, *Business population estimates for the UK and regions 2013* (2013)

³⁶ World Economic Forum, *From the Margins to the Mainstream Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors* (2013)

³⁷ Fair Pensions, *Protecting our best interests* (2011)

³⁸ Social Finance, *Microfinance, impact investing and pension fund investment policy survey* (2012); NAPF, *The NAPF's preliminary response to the Law Commission review of fiduciary duties of investment intermediaries* (2013)

³⁹ Nest, *Building personal accounts: designing an investment approach Key findings of the public consultation* (2009)

⁴⁰ Law Commission, *Fiduciary Duties of Investment Intermediaries* (2014)

⁴¹ Social Finance, *Microfinance, impact investment and pension fund investment policy survey* (October 2012)

⁴² Eurosif, *European SRI Study* (2014)

- ⁴³Eurosif, *European SRI Study* (2014)
- ⁴⁴<http://www.oecd.org/finance/private-pensions/46350610.pdf>
- ⁴⁵<http://www.napf.co.uk/Membership/LocalGroups/~media/Membership%20Documents/Local%20Groups/City%20and%20Eastern/JP-Morgan-presentation-Sep-14.pdf>
- ⁴⁶ 2013 figure from <http://www.ftadviser.com/2013/04/05/pensions/sipps/sipp-assets-under-management-top-bn-utRx3qv69Ay4RJ5VEms2JO/article.html>
- ⁴⁷ Antony Elliott, *Investing for the Good of Society: Why and How Wealthy Individuals Respond* (Nesta, 2012)
- ⁴⁸ Pensions Policy Institute, *How will automatic enrolment affect pension saving?* (2014)
- ⁴⁹ NAPF, *What do pension scheme members expect of how their savings are invested?* (2013)
- ⁵⁰ NAPF, *What do pension scheme members expect of how their savings are invested?* (2013)
- ⁵¹ University of Sterling, Nudge Database v1.2
- ⁵² House of Commons Library, *Taxation of Pensions Bill 2014-15* (2014)
- ⁵³ HM Treasury, *Strengthening the incentive to save: a consultation on pensions tax relief* (2015)
- ⁵⁴ <https://www.gov.uk/government/publications/social-investment-tax-relief-factsheet/social-investment-tax-relief>
- ⁵⁵ House of Commons Library Note, *Infrastructure policy* (2014)
- ⁵⁶ *The Hows and Whys of social impact investing: financial innovation driving social innovation: report from the National Advisory Board on Impact Investing in France* (January 2015), available at http://www.socialimpactinvestment.org/reports/French_Report_Final_en.pdf
- ⁵⁷ *The Hows and Whys of social impact investing: financial innovation driving social innovation: report from the National Advisory Board on Impact Investing in France* (January 2015)
- ⁵⁸ Impact Investing Policy Collaborative, *Bringing mass retail to impact investing*
- ⁵⁹ Finansol, *Exploring social finance in France* (2013)
- ⁶⁰ *The Hows and Whys of social impact investing: financial innovation driving social innovation: report from the National Advisory Board on Impact Investing in France* (January 2015)
- ⁶¹ Yves Jegourel and Samuel Maveyraud, 'The financial performance of solidarity investment funds: the French case'
- ⁶² Karen Wilson, *New investment approaches for addressing social and economic challenges* (OECD, 2014)
- ⁶³ Organisations had to have at least a third of its staff comprised as part of a work integration programme (such as training / integration of long-term unemployed individuals or those with disabilities).
- ⁶⁴<http://www.bigsocietycapital.com/social-investment-tax-relief>