

Empty NESTs

Predicting is a dangerous game. Making Predictions in writing is an even more dangerous game, but this is BRAVE Partners – so here are the firm's bold statements about pensions in 2012.

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Business is getting into full swing for 2012. In keeping with the firm's name, BRAVE Partners LLP likes to make some bold predictions for the coming year.


BRAVE Partners focuses on pension across industries as well as two industry sectors (re)insurance and alternative energy.

Predicting is a dangerous game with many a prediction haunting the predictor in years to come. The following highlights the issue:

"When we initially offered the UK pension scheme in the 1950s, the company expected employees to live for three years after retirement."

- Senior HR manager from a major Blue Chip

However, in the spirit of adventure for the New Year BRAVE Partners makes a single prediction for 2012.

 The UK government will be forced (again) to delay the implementation of compulsory private sector pensions

2012: Prediction

The UK Government has been proposing compulsory private sector pensions for some time now. These appear to be remaining as promises.

BRAVE Partners predicts that in 2012 The government will be forced (again) to delay the implementation of compulsory private sector pensions.

National Employment Savings Trust

The huge public row over public pensions has obscured the fact that the government has for some time been proposing compulsory private sector pensions. At the heart of these proposals lie two things: Compulsory auto enrolment of all employees in a pension fund and secondly the creation of the National Employment Savings Trust (NEST). A state operated pension scheme open to all employers of any size, which will enable employers to satisfy their requirement to provide auto enrolment in a scheme.

It is difficult to fault the theoretical logic of making retirement savings compulsory or making it compulsory for all employers to provide a pension scheme. Trade union estimates are that over 60% of private sector workers have no pension. The problem is that that means the employers of over 60% of the workforce do not currently bear the cost of pensions. The auto enrolment scheme requires a total minimum contribution of 8% of earnings of which 3% must be made by the employer.

Whatever the lofty objectives; this is scarcely ideal in the current economic climate. When the measure was announced it was intended to be implemented in the autumn of this year but already the government has had to announce that more time will be given for smaller employers. It is now intended that implementation will take place in October for employers with more than 120,000 workers with phased implementation for those with fewer numbers of employees through to July 2013 for employers with more than 3000 workers. The implementation date for smaller employers is being reviewed.

It is a pretty frightening thought that an employer with 120,000 workers could have no pension scheme for its workers; but, leaving that aside, all the evidence suggests that smaller employers are not prepared for implementation and cannot afford the extra cost anyway. It remains to be seen whether the investment industry can expect a massive influx of additional pensions contributions or, as BRAVE Partners believes, the NEST will remain empty for some time to come.

BRAVE Partners' services

BRAVE Partners is a boutique investment bank that serves the (re)insurance, alternative energy and pensions sectors.

The firm has particular skills in risk modeling which allow it to provide excellent advice to pensions on matching assets to liabilities. Through its other focus sectors, insurance and alternative energy, BRAVE Partners sources many truly alternative and inflation linked assets that will be beneficial to the prudent investments of pension funds.

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-  Identifying and arranging Solvency II optimized investments for life insurers.
-  Arranging for the capital markets to provide significant volumes of extreme mortality cover for a US life business.
-  Advising and arranging investment in catastrophe exposed personal lines business in the USA.

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