

# Funding the Future

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Most people have no clue how their pension and other savings are managed, or who by, and what the consequences for the economy, the planet or themselves of that management of their savings might be. Why is it that £6 trillion of pension fund money in the UK is totally unaccountable, and what would happen if we brought it back under saver control?

<https://youtu.be/lq7OI-4V49o?si=4ImxiG3VpQSkZdXc>

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This is the transcript:

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Do you want to be divorced from your savings? Now, that's a slightly odd question because I don't think most people want to be divorced, and most people haven't thought about the fact that they might be divorced from their savings, but I think you probably are.

Most savings of most people in the UK are in pension funds and most pension funds are really remote from the people who actually hope to benefit from them one day.

That's true whether you put money into your own private pension scheme because you're self-employed or run your own company. And it's just as true if you are working for an employer who pays money into a fund for you.

Ask yourself a simple, straightforward question. Do you know what your pension fund is

actually using the money that you've saved with them for, and I'm pretty sure that you will say 'no'. - you have no idea what your pension fund is doing. And that's because pension funds aren't really obliged to tell you.

You can ask, in broad terms, where the fund has allocated its money.

If you've said that you want to hold the funds in cash, then you can be pretty confident that the fund has done that for you.

If you said you want to put all your money in the Japanese market, again, you could be pretty confident that the fund has done what it says it will do.

But in which company in the Japanese market will it currently hold the money? I don't think you'll be able to find out. And I don't think they need to tell you because the law doesn't require them to.

In fact, one of the absurdities of UK company law, but which is replicated in many other states, is that if you hold shares in a company, that company is required to account to you for what it has done with your funds. They must send you a set of accounts each year laid out in great detail, explaining how the company is doing.

If you put your money into a pension fund, which is a much more likely thing for you to do, you may get a very cursory little statement from the pension fund each year, saying, your fund improved by X per cent this year, or whatever. Your bonus is now whatever. And, just as likely, the value of your fund went down, because this has happened, of course, in recent years on occasions.

But there is no explanation. No background note, no justification. It's just a matter of this is what happened to you. "We, as your pension provider, have, as a consequence of the decisions we've made, improved your well-being, or not", and there's nothing that you can normally do about it. And that is the most extraordinary situation.

Why is it that we require companies in which most people don't own shares to be heavily accountable, but we do not require that pension funds be accountable? And this situation is going to get worse. Let me give you an example as to why that will be the case. Rachel Reeves has announced that she is going to consolidate the 90 local authority pension schemes in the UK into eight megafunds.

Those megafunds will be for various areas of the UK rather than individual counties within the UK. The megafunds will be managed on behalf of the local authorities who will be members of those megafunds by megafund managers - the likes of Blackstone - and those fund managers will have no local knowledge of what is going on nor will they be accountable as such to local authorities where the employees who they are meant to represent are actually engaged.

Now, Rachel Reeves says she's doing this because this will result in more money being

invested in local communities in the UK. She has asked that in exchange for consolidating these funds, 5 per cent of their investments should be invested locally in this country. 5 per cent!

Look, the rate of tax subsidy for contributions into a pension fund is 20 percent at a minimum, and sometimes up to 45%, and the fund itself gets a subsidy by not being taxed on the investment return that it makes. The total cost of subsidies to pension funds in the UK is in excess of £70 billion a year, which is vastly more than we spend on defence and education and some other aspects of the economy, and You know, this is one of the biggest aspects of government spend, although it's not highlighted as such in the government's accounts.

And yet, there's no accountability for the use of that subsidy to those who are meant to benefit from it if you have a pension - either a pension you're hoping to get one day, or a pension that you're already enjoying.

Is that fair? Is that appropriate? Is that right? Why is your pension fund so divorced from you that there's no relationship between you and it, which is what I mean by divorced, because, as those who've been divorced might know, there's normally not much of a relationship left after that event. And nor is there when a pension fund is made this remote from the person paying into it.

I am genuinely worried about this, and I have been for years. I believe that we should be passing law that requires pension funds to prepare accounts to send to those who are dependent upon the fund managers so that they are accountable for what they are doing with the funds in which they put the money.

If you want to know where your money is, I think they should tell you.

If you want to know which companies they are invested in, I think you should know.

If you want to know how they generated a surplus or made a loss in the year, I think you have the right to find that answer out.

But at present, you don't.

And nor do you in particular know whether any of that money was used to generate new job opportunities and new investment in the UK economy.

And you also don't know whether, for example, that fund was used to create climate harm or climate benefit. And again, that might matter to you a great deal.

I believe that we should have pension funds where that transparency exists. I believe it is the government's job to provide such pension funds through National Savings and Investments, so that people can get the accountability that they want for their savings.

I also believe that the government has a duty to demand this from private-sector pension providers. But they are up against the likes of Blackstone, the biggest investment fund manager in the world, and all the others who are equivalent. And those companies are enormous in their financial power because your money is entrusted to them and they have no accountability to you for it.

All their power comes from you, but they don't give a damn about you. Let me be blunt: they really don't. In fact, very often, they will be arguing for outcomes inside the economy that are frankly contrary to your well-being but which are great for fund managers.

This divorce of savings from the person who actually owns the benefit of those savings is of staggering importance inside our economy. If we recreated the relationship between savings and the institution that was responsible for managing those savings we could transform the way in which our economy was run.

The government could have the funds it needs for a Green New Deal, because a lot of people would choose to save in that way if only they were given the option.

The money to invest in the long-term future of the young people of this country could be found, because many people of my age would want such investment to take place through their pension fund to ensure that their children, their grandchildren, or their nieces, nephews, and whoever else got the benefit which required from new employment opportunities.

And we could, for example, have the funding that we need for flood defences, and social housing, and other things that are fundamental to our communities, if only people were given the choice as to how the funds in their pension arrangements were to be invested to provide for the security of the communities in which they live.

But none of that is possible, because that is not what fund managers want to do. They want to play speculation instead.

I believe pension funds are atrociously managed in this country. I think that your savings are atrociously managed. And I'm worried that there's almost nothing you can do about it. And I believe that a decent government would make changes to our pension arrangements to make pension funds accountable to their members for exactly what they do. But at the moment, that's the last thing they are. And this has to change.