# CENTREFOLD

Quite often a principal will spread from one area to another almost seamlessly, and certainly without any pre-conceived intentions. This appears to have happened to centralised investment propositions. Over 12 months ago, TISA formed the Centralised Investment Proposition (CIP) Policy Council out of its Distribution Council to work specifically with the industry and regulators on centralised investment propositions, to ensure the regulator was comfortable with those vertically integrated firms developing such propositions for investors.

This methodology of investment now appears to have moved into the arena of pensions and auto-enrolment. Regulation from the FCA has sparked increased demand for centralised investment propositions to be included in employer's options in the selection of an auto-enrolment provider. Data from Scottish Life indicates that 42% of all new business across group and individual pensions constituted CIP's in 2009. Take-up has almost doubled since then reaching around 85% in the group pensions segment last year. This was an increase of 65% for the comparable quarter in 2011.

Outsourcing to a CIP moves the investment decisions back to the fund manager and allows the adviser to spend time focusing on the clients objectives and financial planning requirements. In outsourcing to a CIP, advisers can de-risk their business and reduce charging time by delegating the investment process to investment professionals.

It is not just the RDR that has ignited increased take-up of CIP's however, the 'suitability paper' from the FCA clearly states, in their view, how important it is to align funds to the client's attitude to risk. This guidance has impacted on interest in CIP's in the pensions industry, particularly in relation to auto-enrolment as well as across general investments. A key feature of auto-enrolment is cost and the low cost nature of these funds would indicate they sit quite well within a pension proposition. We are already seeing the trend amongst those employers setting up a qualifying scheme for auto-enrolment, where the employer doesn't want to make any decisions and also the adviser doesn't want to get involved in advising on that decision; they can choose a CIP with a mid-range risk profile on either an actively or passively managed range.

From work done with the regulator within TISA's CIP Policy Council, there seems to be a clear correlation with these trends and the fact that providing the advisory business can demonstrate clearly in their distribution process the rationale with employers for choosing a CIP with the appropriate oversight of risk and conflicts of interest clearly documented. This trend looks well set to continue for the remainder of the auto-enrolment period.

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