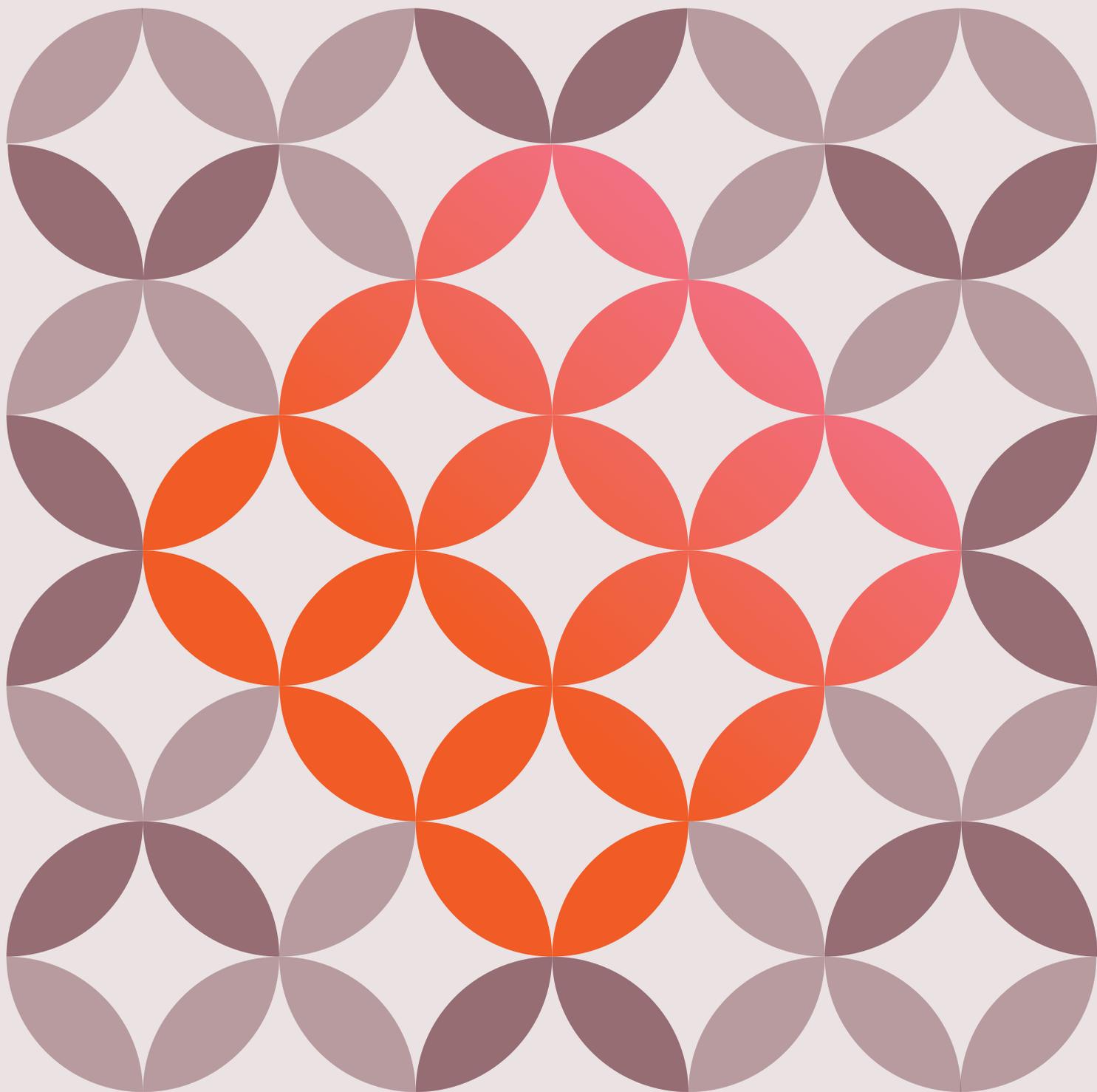


IVCA Submission to Consultation on **Pension Auto Enrollment**



Introduction

I am writing to you to offer the perspective of the venture capital industry on the "Strawman" for Pension Auto-Enrolment published recently by the Department of Employment Affairs and Social Protection.

The IVCA represents venture capital in the Republic of Ireland and Northern Ireland. Our full members are venture capital firms, which provide equity funding to growing unquoted companies.

Venture capital investors are key providers of long-term capital to growing businesses in every sector of the economy.

Since 2008, in excess of 1,450 Irish SMEs raised venture capital of €4.6bn. These funds were raised almost exclusively from Irish venture capital fund managers who during this period:

- Supported the creation of over 20,000 jobs.
- Attracted over €1.6bn of capital into Ireland.

A thriving venture capital industry is a pre requisite for exploiting Ireland's rich potential for innovation and entrepreneurship. Venture capital increases the quality of innovation and has a far-reaching impact on competitiveness. Spin off effects on job creation; patent applications and economic growth have been well documented both internationally and locally in the IVCA Economic Impact Studies.

Throughout Europe venture capital has become an ever-growing feature of institutional investors' allocation mix, pension funds included. In a 2014 Greenwich Associates report on European pension fund investment programmes and attitudes to the asset class, 62% of pension funds had built a venture capital programme, with a further 33% starting out on this process. Pension funds now account for the greatest proportion of capital raised by venture capital funds in Europe.

Capped Fee Concerns

The IVCA are concerned that capped fees of 0.5% will not allow for investment in alternative assets such as venture capital. Consideration should be given to flexibility in the fee structure in order to encourage some asset allocation to venture capital.

Lessons learned from the UK auto-enrolment scheme.

In assessing whether there are any lessons Irish policy makers can take from the UK experience, the IVCA poses the following question.

Should Irish state pension funds assist in creating the jobs of the future in Ireland or the US?

Historically the operation of a pension fund holds that the long-term savings of today's workers to be invested in businesses, providing more jobs and generating tomorrow's profits. The UK Government created the National Employment Savings Trust (NEST), as the default home for pension contributions under auto-enrolment, it currently holds, more than £3bn from nearly 7m members and their employers. A recent analysis of the holdings in Nest's flagship fund shows that all of the 10 largest holdings are in US and not UK based firms. The IVCA believe that any auto enrolment scheme should ensure that a portion of this pension saving supported by the state should be used to finance Irish jobs of the future.

Recommendation & Conclusion

IVCA members in receipt of State investment through Enterprise Ireland are required to invest in Irish companies. This State mandate should extend to pension funds directly in receipt of Irish state funding or indirectly through tax reliefs.

The creation of an auto enrolment pension scheme is an important step to safeguarding the economic security of Irish citizens. It is important that the design of the scheme does not limit the additional economic benefits to the domestic economy that the deployment of significant sums of State money could produce.

Regularly over the last 12 years the IVCA have worked with DCU Business School to produce Economic Impact Studies (EIS). A recent 12 year review of the EIS database, compiled by the DCU Business School shows that venture backed companies:

- Create more high calibre jobs
- Are export led in all age cohorts
- Grow faster
- Are knowledge based producing graduate employment and a significant spend on R&D.

The design of the scheme should ensure that some of the assets under management could be deployed for the benefit of the domestic Irish economy.

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