

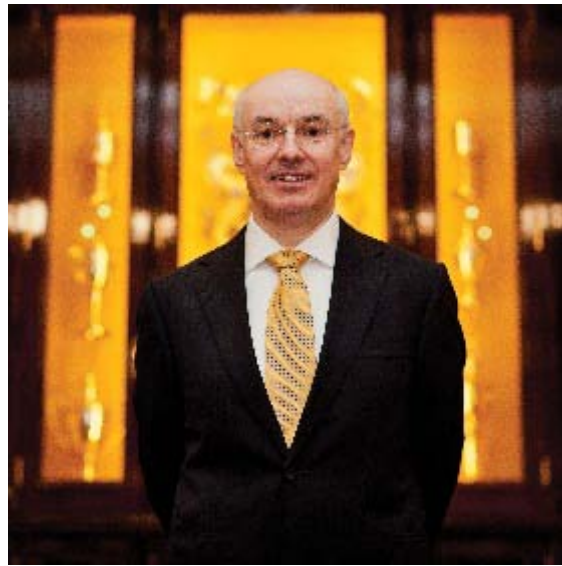
# Dr David Blake

## [Top 50 most influential people in pensions 2012](#)

[www.pensions-insight.co.uk/dr-david-blake/1466543.article](http://www.pensions-insight.co.uk/dr-david-blake/1466543.article)

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Current role: professor of pension economics, Cass Business School; founder and director, Pensions Institute; chairman, Square Mile Consultants



In 1996, Dr Blake established the Pensions Institute at Cass Business School, which undertakes research on pension-related issues, notably longevity and the design of defined contribution schemes. As one of the most respected academics working in pensions, his research has had a direct effect on many schemes.

For Blake, one of the major challenges facing the pensions industry is the need to move away from bespoke longevity models and swaps which offer “no transparency over pricing or structure” and the creation of a liquid, tradable longevity market before current capacity runs out.

“There will come a point where insurance and reinsurance companies can’t take any more longevity risk,” he says, pointing to the over £1trn of UK pension scheme liabilities and calling on the Government to seed the market with longevity bonds.

“Inflation swaps would not have taken off without governments issuing index linked bonds to provide the risk free structure on which the private sector could build. Unless the Government starts issuing longevity bonds, my feeling is the longevity hedging market cannot grow,” he argues.

The logo for Pensions Insight Magazine is centered on a solid red square. The text "Pensions Insight" is in a white, serif font, with "Pensions" and "Insight" on the same line. Below it, the word "Magazine" is written in a larger, white, serif font, also on a single line.

# Pensions Insight Magazine

Blake is co-founder with JPMorgan of the LifeMetrics Indices and co-creator of the Cairns-Blake-Dowd stochastic mortality model. His seminal paper on mortality risk transfers, which led to the world's first pension buy-out in 2006 and the world's first pension buy-in and longevity swap in 2007, saw Blake win the prestigious Robert I. Mehr award in 2011.

Blake is a vocal critic of the current design of defined contribution (DC) schemes and an advocate of the greater use of behavioural finance techniques in scheme design. One of his major projects for 2012 is the real-world implementation of design ideas he and the Pensions Institute developed during 2011, looking at optimal investment and decumulation strategies for DC schemes.

“The basic idea we found was that compared to what was optimal, people tended to move out of equities too late and move entirely into bonds too quickly. The optimal strategy would be to start to move out of equities more slowly, so that when you reach your retirement age, you could still be between 20% and 50% in growth type assets,” he says.

On auto-enrolment, Blake adds: “I’m concerned that with the financial crisis, people will opt out. The Government seems to be chickening out on bringing it in. There’s no good time to ask people to save more, but the fact that the Government is putting auto-enrolment back is disappointing for some.”

Dr Blake is also concerned with the security of private sector pension scheme assets and the “risk of governments commandeering private sector pension assets to cover holes in their balance sheets”, pointing to the examples of Ireland, Hungary, Portugal and the Government’s own plan to get pension schemes to invest in infrastructure projects.

“I’m not saying it’s a bad idea,” he comments, “but directing private sector pension assets into the Government’s own pet projects could be the slippery slope.”