

Press Release

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What is CDC and how might it work in the UK?

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**“Designed effectively, CDC could provide members with greater certainty and potentially higher retirement incomes”
Says Pensions Policy Institute**



The Pensions Policy Institute (PPI) is today publishing *What is CDC and how might it work in the UK?*, a report which explores the defining features of Collective Defined Contribution (CDC) schemes, as well as the potential benefits they may offer and the hurdles they are likely to face in design and operation. This report has been sponsored by Royal Mail and the Defined Contribution Investment Forum (DCIF).

CDC schemes could offer a middle ground between Defined Contribution (DC) and Defined Benefit (DB), providing members with greater certainty about the retirement outcomes they will achieve than would be possible in a DC scheme, while providing greater certainty about costs for employers than a DB scheme. Despite the fact that CDC has been discussed several times in recent years as a possibility for the UK, there is still some uncertainty about how it would work in practice. This research seeks to demystify CDC and the considerations which are likely to be important as it develops in the UK.

Lauren Wilkinson, Policy Researcher at the PPI said “While CDC has the potential to provide benefits, there are also hurdles such schemes will need to overcome when being designed and run, in order to achieve these benefits and minimise risks. Intergenerational fairness is one that’s often raised, but another significant challenge will be communicating the targeted nature of benefits to members. Both of these issues have caused tension among Dutch CDC members, so an important component of establishing CDC schemes in the UK will be in ensuring that scheme design can overcome these challenges.

UK CDC schemes do not necessarily have to be designed in the same way as overseas CDC schemes, and in fact it’s looking as though at least the first UK scheme which will be established by Royal Mail will differ considerably from existing overseas schemes. Any further CDC schemes that are subsequently set up in the UK are likely to use the Royal Mail scheme as a template rather than looking at international scheme design, particularly as legislation will be structured around enabling the Royal Mail scheme in the first instance. It will be interesting to see how this evolves as the consultation process gets underway and Royal Mail reveals more details of its proposed scheme.”

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Notes for editors

1. **The Pensions Policy Institute (PPI)** is an educational research charity, which provides non-political, independent comment and analysis on policy on pensions and retirement income provision in the UK. Its aim is to improve the information and understanding about pensions policy and retirement income provision through research and analysis, discussion and publication. Further information on the PPI is available on our website www.pensionspolicyinstitute.org.uk.

2. DWP announced its CDC consultation, *Delivering collective defined contribution pension schemes*, on 6 November 2018. The consultation period will run through until 16 January 2019.

3. CDC schemes already exist internationally, most notably in the Netherlands, which is discussed in the report alongside insights from Canada, Denmark, Australia and Germany.

4. Sponsorship has been given to help fund the research, and does not necessarily imply agreement with, or support for, the analysis or findings from the project.

5. This report was kindly sponsored by:

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