

Pensions Policy Institute

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Welcome

**How might CDC develop
in the UK?**



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Wednesday 15 May 2024

www.pensionspolicyinstitute.org.uk

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#PPILaunch

Chair's Welcome

David Fairs

Partner (LCP)

PPI Governor

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An INDEPENDENT Briefing Note by the Pensions Policy Institute

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This project is a collaboration between The Pensions Policy Institute and King's College Mathematics Department and is kindly funded by the Nuffield Foundation.



Our Vision

Better informed policies and decisions that improve later life outcomes

We believe that better information and understanding will lead to better policy framework and better provision of retirement for all

Our Mission

To promote, evidence-based policies and decisions for financial provision in later life through INDEPENDENT research and analysis.

We aim to be the authoritative voice on policy on pensions and the financial and economic provision in later life

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Roundtable overview

The event today is the official launch of the Briefing Note **How might CDC develop in the UK?**

The first Briefing Note sets out the current position of CDC in the UK, including its development, current rules and regulations and a case study on the Royal Mail scheme plus it will also explore the potential for future development of CDC in the UK context.



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Key Findings

Lauren Wilkinson

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How might CDC develop in the UK?

- ✓ **Potential benefits of CDC**
- ✓ **Appetite for CDC schemes**
- ✓ **Potential risks and challenges**



CDC schemes could offer a number of potential benefits and opportunities

- CDC schemes have the potential to provide members with better retirement outcomes, including higher and more predictable retirement incomes, protection against longevity risk and less complex decisions
- CDC schemes could provide a more cost-effective way for employers to provide their employees with an income in retirement

Appetite for CDC is currently limited

- CDC schemes could be an appealing alternative for remaining DB schemes, but the transition may be challenging
- CDC may have a less obvious appeal to employers and providers of DC schemes, but there is potential for it to improve outcomes for members
- Further appetite for CDC may not materialise until the Royal Mail scheme is embedded within the system
- There may be greater appetite for CDC schemes with alternative designs to the current single-employer model

Some features could impact the adoption of CDC

- Ensuring that members understand the benefits and risks of a CDC scheme will be challenging, but this challenge is not unique to CDC
- The potential for inequality between and within cohorts of members in CDC schemes means they must be carefully designed to ensure that members are treated equitably
- CDC schemes must be compatible with the wider pensions landscape

How might CDC develop in the UK?

Conclusions

- ✓ As the first UK CDC scheme prepares to open to members, the future of CDC across the rest of the pensions landscape is still unclear
- ✓ CDC schemes have the potential to provide benefits for both members and employers
- ✓ However, appetite for CDC schemes is currently limited
- ✓ Further appetite for CDC may materialise once the Royal Mail scheme is embedded and as alternative scheme designs are brought into legislation

CDC – The Positives

David Pitt-Watson

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CDC – The Possible Pitfalls

Tom McPhail

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The remainder of the event will
take place under

THE CHATHAM HOUSE RULE

THE CHATHAM HOUSE RULE helps create a trusted environment.

Its guiding spirit is:

“Share the information you receive,
but do not reveal the identity of who said it.”



Roundtable Discussion

To ask questions:

- Please use the raise your hand function
- Please type you comment/question into the chat section
- Or text your question to Danielle on 07714 250910



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Thank you for
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