

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

Pensions Policy Institute
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Chairs Welcome

The Rt Hon. Lord David Willetts,
Executive Chair of the
Resolution Foundation and
PPI Governor



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Research findings

Lauren Wilkinson
Policy Researcher
PPI



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What is CDC and how might it work in the UK - Headline findings

- Designed effectively, CDC schemes could provide members with greater certainty and potentially higher retirement incomes
- But there are hurdles which must be overcome in design and operation in order to deliver these benefits
- CDC schemes may open the door for greater innovation and broader provision of collective pensions

What benefits might CDC be able to offer?

For members:

Potential for
higher retirement
income compared
to individual DC

Potential for more
predictable
retirement income
compared to
individual DC

For employers:

Greater certainty
about costs and
liabilities than
DB...

...And potentially
a more efficient
way to offer
employees a more
generous benefit
than individual
DC

*CDC schemes will need to overcome
a number of hurdles in design and
operation*



Communication



Intergenerational
fairness

Governance

How can CDC scheme design mitigate issues of intergenerational fairness?

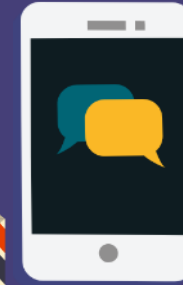
Collective risks...



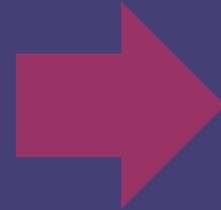
Intergenerational subsidies?

- Buffers unlikely to be used by UK CDC schemes
- Smoothing could still potentially give rise to intergenerational unfairness
- Clear rules established from the outset can help to mitigate this issue

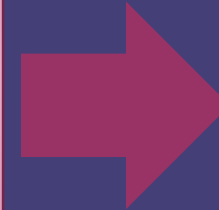
How can CDC schemes overcome the communication hurdle?



What do
members *need* to
understand?

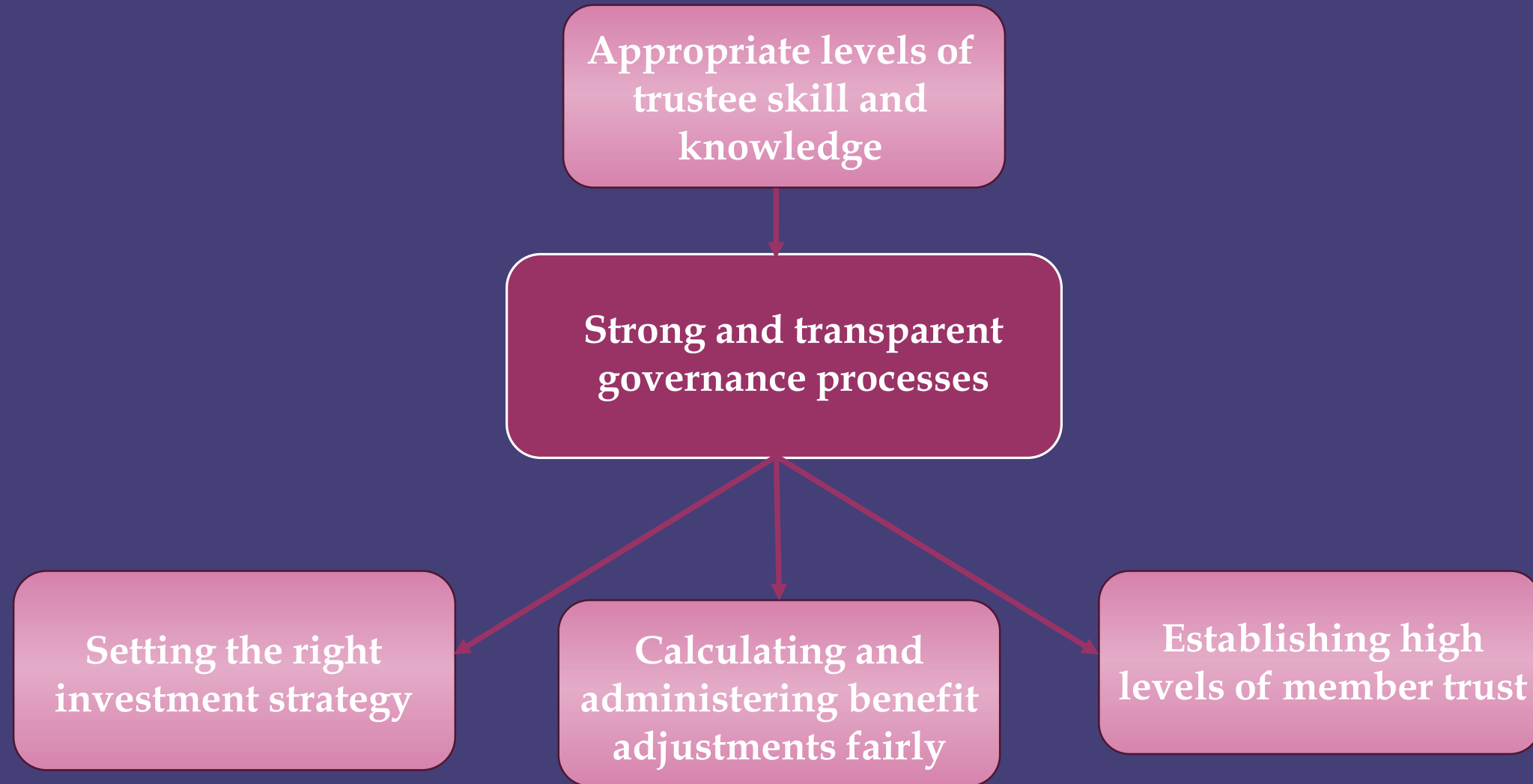


What is the right
level of detail to
communicate to
members?



What is the right
form and frequency
of communication
with members to
ensure they have
understood?

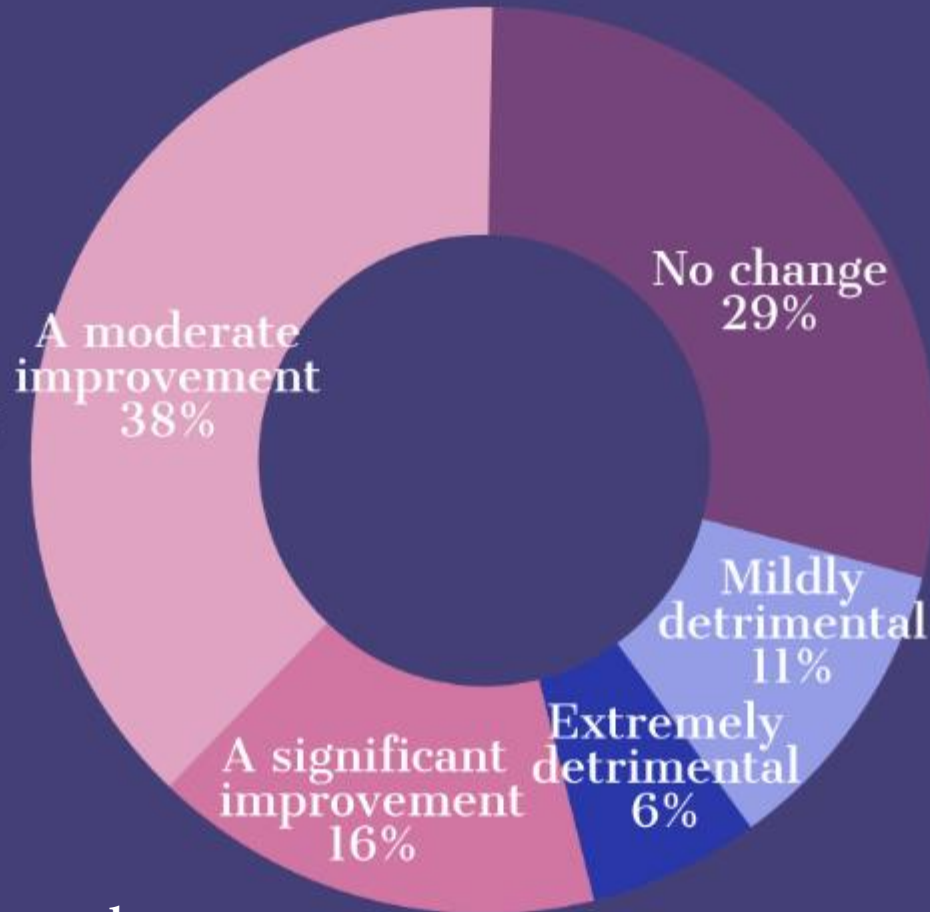
How can good governance enable CDC schemes to realise potential benefits?



The future of CDC?



54% think
CDC would
be an
improvement



17% think
CDC would
be
detrimental



Source: Survey of 98 PMI members

Some final thoughts...

- How can CDC schemes in the UK best mitigate or overcome the challenges identified in the research?
- How much of a role will legislation have in determining the way in which UK CDC schemes approach these issues?
- How might CDC evolve in the future?

Panel Discussion



Jon Millidge,
Chief Risk and
Governance Officer,
Royal Mail



Julian Barker,
CDC policy team,
DWP



Lauren Wilkinson,
Policy Researcher,
PPI



Louise Farrand,
Executive Director,
DCIF

Please observe the Chatham House Rule

Questions and Answers Session



Please observe the Chatham House Rule

Thank you for joining us today

Please stay and join us for a drink

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