

# Collective Defined Contribution (CDC)

## How it works...

Unlike a DC scheme, a CDC scheme provides a whole life pension to members. The contributions that employers and members pay are fixed and pooled into a collective fund. Through pooling investments like this, back testing shows that CDC may generate higher returns than an individual DC scheme and provide greater protection against market volatility.

## Bridging the gap between DB and DC

- Annual pension with target increases for life
- Pension linked to salary, contributions paid and length of service
- Fixed member and employer contributions
- Pooled investments to target higher returns
- No complex member decisions required



## CDC - The best of both worlds

### Defined Benefit



#### BENEFITS

- Income in retirement payable for life
- Benefit level guaranteed



#### INVESTMENTS

- Trustee sets the strategy across the scheme as a whole

### Defined Contribution



#### CONTRIBUTIONS

- Member and employer contributions set
- No deficit contributions



#### FINANCIAL REPORTING (COMPANY)

- No assessed past service obligation
- Accrual of new benefit is equal to the employer contributions

### Collective Defined Contribution



#### BENEFITS

- Income in retirement payable for life
- Benefit level is a target. Annual pension increases can be higher or lower than the target



#### INVESTMENTS

- Trustee sets the strategy across the scheme as a whole



#### CONTRIBUTIONS

- Member and employer contributions are set and pooled
- No deficit contributions

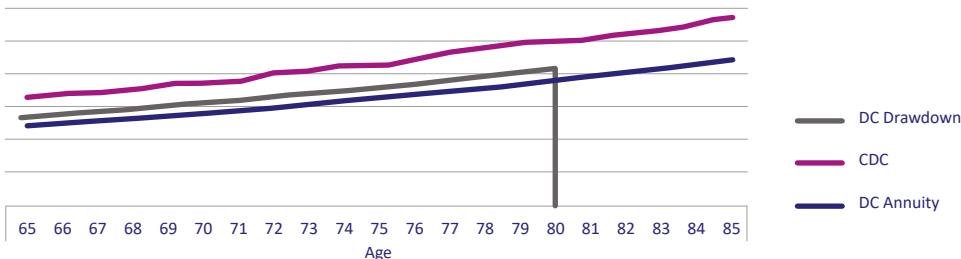


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## Estimated income in retirement



- Modelling shows CDC outperforms DC by up to 30% due to the pooling of contributions in growth assets throughout a member’s working life, without the need to de-risk as a member approaches retirement
- The risk of drawdown is that monies are exhausted during a member’s retirement

## What’s in it for me?

Employer	Employee
Cost predictability through fixed contributions	Pension payable for life
No risk of ongoing employer liability	A more predictable retirement income than DC
Reduced pension costs when compared to DB	Target pension expected to be greater than DC
Staff retention and attraction	Risk is shared through pooled investments



We continue to believe that CDC will have an integral role in the future of pensions in this country and want to ensure as many savers as possible can take advantage of the benefits of CDC.

**Laura Trott**, former UK Pensions Minister



This type of scheme could be particularly attractive to any employers who want to get the most out of their pension contributions to ensure their staff are well taken care of in retirement. CDC could help these firms to attract and retain talent by standing out from their competitors.

**Andy O'Regan**, TPT Employer & Strategic Partnerships Director

## Contact details

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