



ASSOCIATION OF CONSULTING ACTUARIES

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PRESS RELEASE

ACA WELCOMES CDC SCHEMES, BUT CALLS FOR ROBUST GOVERNANCE AND FIRST-CLASS COMMUNICATIONS

16 January 2019: In a response to the DWP consultation on Collective Defined Contribution (CDC) schemes, submitted today, the Association of Consulting Actuaries (ACA) expressed support for the concept of CDC pension schemes. The ACA welcomed the Government's desire to facilitate this new type of scheme for the Royal Mail and noted that similar designs might be helpful elsewhere too. In particular, the ACA sees a future possibility of a decumulation vehicle for members with DC pots at retirement who could benefit from some pooling of risk (but who do not wish to buy an annuity).

However, the ACA is concerned that the potential market for CDC schemes is more limited now than it was when the idea was previously mooted during the 'Defined Ambition' initiative, as many employers have already moved from DB to DC schemes during the interim and may be reluctant to consider another change.

ACA Chair, Jenny Condron, commented:

"We welcome the option for a new type of pension scheme and CDC does have advantages that employers and members may benefit from where they choose to participate. It might be that the value of these arrangements arises sometime in the future when employers and employees realise that DC schemes with low levels of contributions fail to meet people's needs."

"We believe it is vital that any new schemes are subject to robust governance and regulation to protect members. There are obvious issues that arise from the pooling of risk across the membership, though these are an inherent feature of existing pension schemes."

"There will also be a particular challenge in communicating these new and unfamiliar schemes to members to minimise the danger that member expectations are not delivered. Our members have the relevant skills for helping to run these types of pension schemes."

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Registered in England No. 10184138

Registered under the Data Protection Act ZA114526

The ACA response notes that the key drivers of adequate pension provision are the level of contributions paid into the scheme over the years and the way that those contributions are invested, rather than the form of the pension arrangement. CDC schemes will remain reliant on adequate contributions and sound investment strategies to generate decent pensions, as is currently the case for DB and DC schemes. As an example, the Royal Mail proposals target a certain level of benefit but will sacrifice indexation if the investment returns do not prove sufficient to provide that target given the level of contributions paid.

The ACA's full response to the DWP consultation is [here](#).

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About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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