



ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

Widespread support for CDC grows, with more than a fifth of businesses interested in CDC for their employees

6 December 2021: In the fourth of a series of reports outlining the findings of the ACA's 2021 *Pension trends survey*¹, the Association of Consulting Actuaries (ACA) has found widespread support for the new Collective Defined Contribution (CDC) schemes. Over half of survey respondents support extending CDC beyond the Royal Mail scheme, to allow industry-wide and multi-employer. One in five businesses are also considering CDC for their own business.

The ACA's survey findings (to be published later) show that contributions into 'traditional' Defined Contribution (DC) schemes have flat-lined at levels which fall short of providing comfortable retirement incomes. The survey also shows that Defined Benefit schemes are becoming increasingly scarce in the private sector, with 5% of respondents taking action in the last 2 years to reduce or close to accrual and a further 5% buying-out their schemes.

Against this backdrop, interest in CDC is growing, no-doubt spurred the Royal Mail CDC scheme. Businesses seem equally interested in setting up their own CDC schemes (as a replacement for DB schemes and/or DC schemes); or introducing CDC as an enhancement to the DC Master Trusts they currently offer to employees.

Key findings in this report on CDC are:

- **58%** of employers now say they support the CDC option being made available (up 6 points on a year ago) and **54%** support its extension to allow industry-wide and multi-employer CDC schemes (up 8 points on a year ago).
- **21%** (compared to 12% a year ago) would consider introducing a CDC scheme into their own business, increasing to a quarter if multi-employer CDC becomes available.
- **25%** would consider a CDC Master Trust for accumulation and decumulation.

Commenting on the CDC findings, Patrick Bloomfield, Chair of the ACA, said:

"The level of business interest in CDC as a new form of pension saving is very exciting. These findings back up the experience of ACA members, who are working with many businesses looking into offering their employees a CDC scheme. It underscores the opportunity to make CDC a core part of the UK's future pensions landscape."

“It’s wonderful to see the Royal Mail CDC scheme coming to fruition. The ACA encourages the Government and The Pensions Regulator to build on this momentum and business enthusiasm. CDC has the potential to supercharge other Government policy initiatives, like increasing pension scheme investment in patient capital, illiquids and infrastructure.”

Commenting on the CDC findings, Chintan Gandhi, Chair of the ACA PR Committee and the ACA’s CDC spokesperson, said:

“While understanding of CDC has developed over the past few years, it’s really encouraging to see how fast real acceptance of the concept is growing. That reflects the increasing awareness of its value in providing an income for life in retirement on a fixed cost basis, and as a means of saving which doesn’t involve having to make complex financial and investment decisions.

“In addition to the strong support shown in favour of single-employer and multi-employer / industry-wide CDC schemes, perhaps most exciting is the growing support for CDC in the decumulation phase, where employers are clearly beginning to consider the possibility of an option for their employees to buy a CDC pension at retirement.

“This would be best delivered through commercial master trusts and, given previous analyses from across the industry has revealed that CDC may be able to deliver around 30% better outcomes compared with individual DC where annuities are used to purchase lifetime income in retirement, this would pave the way for millions of savers to access a more cost-effective income for life in retirement.”

Further reports on the 2021 Pension trends survey’s findings are due to be published over the next month and a final report early in the New Year.

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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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¹ The ACA 2021 Pension trends survey was conducted in the summer of this year and attracted 212 responses from employers of all sizes, running over 400 different schemes