

# Collective Defined Contribution (CDC)

## How it works...

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 a CDC pension may generate higher returns than an individual DC scheme and provide greater protection against market volatility.

## Bridging the gap between DB and DC

- Fixed member and employer contributions (at employer's discretion)
- Pension linked to contributions paid
- Annual pension with target increases for life
- 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



#### FINANCIAL REPORTING (COMPANY)

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



## 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
No set up costs	No complex financial decisions



I am delighted to see TPT confirming plans for a multi-employer CDC scheme, just days after I set out the timeline for new legislation to enable these new types of pension schemes."

**Torsten Bell MP**, 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 Chief Client Strategy Officer

## Contact details



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