

More savers to benefit from new pension provision

Speaking at the Royal Society of Arts (RSA) Collective Defined Contribution (CDC) Forum today about the road ahead for CDC schemes, the Minister highlighted how the regulations will come into force on 1st August, and discussed the ways in which the next phase of CDC schemes might be taken forward with a consultation planned later this year.

Minister for Pensions Guy Opperman said:

CDC schemes have the potential to transform the UK pensions landscape and deliver better retirement outcomes for millions of pension savers.

I firmly believe that we should capitalise on the enthusiasm that is building for extending CDC to other types of pension scheme, such as multi-employer schemes and Master Trusts.

I am keen to move quickly, but we must get this right if it is to work. That is why I am calling on all those who are seeking to deliver the full benefits of CDC to work with us to help make this a reality.

David Pitt-Watson and Hari Mann, co-chairs of the RSA's CDC forum said:

People who save for a pension typically want to secure an income which will last them until they die, not just to be presented with a cheque when they retire. That is what CDC pensions are designed to do. The government is to be congratulated in creating regulations which allow everyone to benefit from well managed CDC plans. The evidence suggests this can transform retirement for millions of people.

CDCs work by employers and employees contributing to a collective fund from which individual retirement incomes will be drawn. These collective funds can be invested in what are called 'higher return seeking assets' over a longer period than traditional DC schemes, benefiting the growth of the fund and its members.

Currently, regulations will provide for single and connected employer CDC schemes. Some parties have already expressed an interest in pursuing multi-employer CDC schemes as an offer for their members, as well as proposals for

Master Trust and CDC models which offer 'decumulation only' (when pension savings are converted to retirement income).

Later this year, the Department for Work and Pensions (DWP) aims to consult on a package of prospective design principles and approaches to accommodate new types of CDC schemes. This will bring the potential benefits to more savers in the UK in an appropriate way, while also capitalising on the enthusiasm industry have shown for innovation in this area.

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