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On the back of a ten-minute rule bill by Scottish Conservative MP, Paul Masterton, the Government is set to open a consultation and support the introduction of Collective Defined Pension Schemes.

Collective Defined Pension Schemes (CDCs) are seen as an alternative means of workplace saving, following the decline of final salary pension schemes.

CDCs have been used in many countries but came to attention in the U.K. following an agreement between Royal Mail and the Communication Workers Union (CWU). However, it became clear that new legislation would be needed to take the proposal forward, which is why Mr Masterton introduced his Bill.

The Royal Mail employs 140,000 across the U.K., with 143 in East Renfrewshire serving 30,000 households from depots in Barrhead, Newton Mearns and Clarkston.

Supporters of CDC argue that it can deliver higher returns than traditional money purchase schemes for the same level of contributions, partly because CDC pension pots would not need to take as cautious an investment approach as those in more conventional defined contribution schemes.

Before being elected last year, Mr. Masterton spent a decade as a solicitor specialising in pensions law.

Paul Masterton, MP for East Renfrewshire commented:

“I’m pleased that the Government is following up on warm words with action to make CDCs a reality by launching a consultation.

“They are by no means a magic solution to the complex questions of saving in the modern workplace, but there is a clear desire amongst employers and employee representatives to move forward.

“I brought forward a Bill because I was frustrated at progress, I’m delighted if this announcement means I can hand the baton over to the Government.

“I’d like to thank the Royal Mail and the Communication Workers Union for all their hard work.”

Guy Opperman MP, Parliamentary Under-Secretary of State for Pensions and Financial Inclusion added:

“I was pleased to engage with Paul Masterton and thank him for bringing forward his proposals this week. We will be shortly issuing a consultation on CDCs and it is good to see growing consensus that this is a positive way forward.”

Robert McIlveen, UK Policy Manager at the Royal Mail added:

“As the provider of around one in every 190 jobs in the UK, Royal Mail is committed to delivering the best possible pension arrangements for our people. Royal Mail and the CWU hope the legislation required to enable CDC pensions will be introduced at the earliest opportunity.”