



TPT Retirement Solutions chief client strategy officer, Andy O'Regan

Collective DC (CDC) has long been described as a 'middle ground' between DB and DC. Therefore, TPT Retirement Solutions' 75-year-plus experience of managing £9 billion in assets, within both DB and DC, makes it ideally placed to consider how CDC will fit into the UK pensions landscape.

TPT Retirement Solutions chief client strategy officer, Andy O'Regan, explains that CDC provides members with an income in retirement, akin to DB, rather than the pot of money they would receive under a DC arrangement.

"But unlike a DB scheme, the employer doesn't guarantee that the pension paid by the scheme. So effectively, CDC schemes provide a target pension in retirement, and that target pension is adjusted annually based on the investment performance and the life expectancy experience of the scheme."

O'Regan highlights how there are both 'whole-of-life' CDC, where the employee accrues the CDC pension throughout their working lifetime, and 'decumulation-only CDC', where the member participates in a traditional DC arrangement and then purchases a CDC pension at retirement.

However, O'Regan believes the latter is still several years away, while

Podcast: The role of CDC

▶ In the latest *Pensions Age* podcast, Laura Blows speaks to TPT Retirement Solutions chief client strategy officer, Andy O'Regan, about the role of collective DC (CDC) within the UK pensions space

a 'whole-of-life' CDC scheme already exists in the UK, with Royal Mail's CDC offering to its employees, which launched last year.

O'Regan predicts that having CDC enter the mainstream pensions industry will lead to better retirement outcomes for members.

This, he says, would be achieved through higher benefit amounts that CDC is expected to achieve, compared to a standard DC scheme with the same number of contributions, due to being able to keep a higher proportion in growth assets by pooling investment risk across the membership, he explains.

By providing a regular income at retirement, CDC also takes away the need for the retiree to make complex product decisions, O'Regan adds.

And what about the benefits to employers? "CDC allows employer to improve the benefits they offer their employees without an increase in contributions or payments", O'Regan states.

Currently considered to only be an option for large sponsoring companies, this year O'Regan expects the foundations to be laid for smaller-sized employers to be able to offer this through multi-employer CDC schemes.

It has been said that DC master trusts would be the best placed to provide multi-employer CDC. Yet, O'Regan highlights that "the administration and management of a CDC scheme is actually more akin to a DB arrangement than a DC one".

"So, I think knowledge of the

operation of both DB and DC scheme types is really invaluable from a [CDC] provider's perspective. We're ideally placed [to provide a CDC solution], given [TPT's] breadth across DB and DC, to deliver a solution that combines both elements," he explains.

Instead of thinking of it as a future possibility, employers should be considering whether CDC would be appropriate for them now.

"At TPT, we've been speaking to hundreds of employers who have all expressed interest in how a CDC scheme could be delivered for their employees," O'Regan says.

"However, the process to launch a CDC arrangement would likely take a couple of years, so we think that employers should engage early, because their internal processes will also take some time, in order to change benefit structures.

"We believe that employers, members and the wider economy could all benefit from the introduction of CDC, and we do genuinely expect to see its increasing adoption in coming years, which is very exciting."

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