

CDC Consultation Team  
Department for Work and Pensions  
Caxton House  
Tothill Street  
London  
SW1H 9NA

16 January 2019

Dear Sir or Madam,

I am writing in response to your consultation on creating a framework for Collective Defined Contribution (CDC) pensions. Age UK supports the case for enabling the creation of CDC schemes, as well as many of the points raised in the consultation document.

In future years, the number of people with pension savings only in defined contribution (DC) schemes is likely to grow, as a result of both the decline of defined benefit (DB) savings and the roll-out of automatic enrolment. Having options for providing a suitable pension for workers in different circumstances will be increasingly important, and CDC will add to the ability of employers and pension schemes as they work to achieve this aim.

In this short response, we raise a small number of points that we feel need particular attention:

- **CDC is for boosting DC, not undermining DB.** Risk pooling is likely to be advantageous in the longer-term for many DC savers, who would be less exposed to market downturns than under a more individualised regime. There is, however, a risk that if promoted in the wrong way, employers may use CDC schemes as a means to evade their responsibilities to pay out accrued DB benefits.
- The Financial Conduct Authority's Retirement Outcomes Review identified many people moving into income drawdown products without a detailed understanding of product features or being placed in inappropriate investment strategies as a significant risk. If there were to be a market downturn, many people could find themselves suffering a drop in income or unable to make up the shortfall in the value of their investments. **CDC could help existing (and soon-to-be) retirees smooth out their retirement income**, even where market conditions are poor.
- Governance of CDC schemes is also of concern – in order to benefit members from a wide demographic range, we agree the schemes should be run using the trust-based model with the trustees operating under a fiduciary duty. There could be occasions when difficult decisions have to be taken and balancing differing member interests is necessary, which makes **having**

**sufficient member representation important** for the smooth operation of the schemes and maintaining trust in the system.

- Ensuring **communications are clear and consistent, and that they allow members (and potential members) to make appropriate decisions when required.** To help achieve this, suitable guidance must be available, for example through the Single Financial Guidance Body, in order to ensure that members have somewhere to turn for an impartial and independent view on different pension schemes.

We look forward to seeing the Government take these regulations forward over the coming months, and to seeing CDC schemes actively improving outcomes for savers now and in the future. We are confident this will be the case, especially if established with consumer interests at their heart.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Christopher Brooks', written in a cursive style.

Christopher Brooks  
Acting Head of Policy, Age UK