

COLLECTIVE DEFINED CONTRIBUTION (CDC)

Building a pension, not just a pot

HOW DOES CDC WORK?



INCOME FOR MEMBERS



Higher potential payouts



More predictable income



Lifetime payments

BENEFIT FOR EMPLOYERS



Cost certainty



No DB funding risk



Attractive benefit design

CONSIDERATIONS



Intergenerational fairness



Clear governance



Transparent communication

40-60%

Expected increase in retirement income from CDC, compared to buying an annuity¹

COLLECTIVE PENSION DESIGNS ARE COMMON IN EUROPE

Collective designs can vary in terms of:



UNITED KINGDOM

Employer CDC launched in 2024, multi-employer regulation introduced in 2025.

- Buffers not permitted
- Flexibility in scheme design, as long as fair to members

DENMARK

ATP (supplement to the Danish state pension) compulsory, funded collective insurance scheme.

- Fixed contributions for all working Danes
- Collective longevity pooling
- Guaranteed pension for life with capacity to increase/decrease depending on investment return

NETHERLANDS

Occupational schemes required to transform from DB to a new collective/individual DC framework by 2028.

- Fixed contributions, variable outcomes
- Collective asset reserve used to share upside/downside and smooth pension outcomes



LESSONS LEARNT

CDC WORKS BEST WHEN

- 1 RISK-SHARING IS EXPLICIT
- 2 ADJUSTMENT RULES ARE CLEAR
- 3 SCALE SUPPORTS LONG-TERM INVESTMENT
- 4 MEMBERS UNDERSTAND IT'S A TARGET, NOT A PROMISE

BOTTOM LINE

CDC aims to deliver more stable lifetime income through collective risk-sharing and smart design.



¹ Source: Range of outcomes per analysis by Hymans Robertson, LCP, Barnett Waddingham, 2025

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