Collective Defined Contribution
Regulatory Issues

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What Regulation is Appropriate For Collective Benefits?

Key Features of any pensions regime –

• Members should have confidence that any scheme they are members of is subject to a regime that protects their interests.

• Those that want to set up a scheme are clear about the regime under which it will operate.

• Those administering a scheme, are clear about the requirements that the regime will place upon them.

What does that look like for Collective Schemes?
Pension Schemes Act 2015

This Act set out to create a new legal framework for risk sharing schemes (Defined Ambition).

This consisted of 30 sections, and included a range of powers to ensure appropriate regulation.

New definitions –

Defined Benefit – A promise
Defined Contribution – No promise
Defined Ambition – risk sharing between member and employer/insurer.

Collective Benefits were to be a building block that could be used as part of a Defined Ambition of Defined Contribution scheme.

Collective Defined Contribution, because there is no promise, fits into the Defined Contribution space.
But – Since then …

Things changed in 2015

• The 2015 election resulted in Defined Ambition dropping down the Government’s priorities.

• Until late last year no parties had approached Government to commence the legislation and produce the detailed regulations.

• Now we have a large employer who are working with their workforce to try and create a Collective Defined Contribution scheme.

• The structure of the 2015 Act means we can’t use that just for CDC.

So – we are now looking at a new framework for CDC
What does Collective Scheme Regulation look like?

**Transparency** – Members should know in advance how the scheme will operate, how benefits are accrued, and what will happen to target benefits if there is under or over funding.

**Good Governance** – Collective Schemes require that whoever is running the scheme is applying the highest possible standards. Difficult decisions need to be made, and complex judgements and data need to be understood.

**Fairness** – It is important that things like intergenerational fairness are understood and mitigated.

**Compliance** – There needs to be a body of guidance. And there needs to be some form of enforcement.
Collective Benefits Legislation

Some key areas we would expect to see legislation -

- Clarity about target benefit levels, and how those benefits are accrued
- Clear policies for dealing with under- and over-funding
- Compliance with a valuation regime
- Requirements around transfers into and out of a collective fund
- Information and communication requirements
- Role of the regulator
Delivering Regulation

Very much work in progress

Looking at what can be done through powers in existing legislation.

But a new Act may be needed.

Timescales still uncertain.