FOR PROFESSIONAL, QUALIFIED CLIENTS AND INVESTORS ONLY

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed.

BlackRock.

Sophie Dapin
Director, Institutional Solutions EMEA
BlackRock

Laura Blows
Editor
Pensions Age

CDC in the UK pensions market

Pensions Age **editor, Laura Blows, talks to Sophie Dapin, Director, Institutional Solutions EMEA at BlackRock, and host of BlackRock's *Rewiring Retirement* podcast, about the growing interest in collective DC in the UK pensions market**

Collective DC (CDC) has been a long-established solution in other European pensions markets, but in the UK it is only just gaining traction now. Why is that the case? What issues are we hoping it may solve for the UK pension sector?

In the UK retirement market, it is widely recognised that there is a growing need for pensions that can provide an adequate retirement income for life in a way that people feel confident and comfortable with their retirement savings.

If we look at defined contribution (DC) and defined benefit (DB) pension schemes, with DC you get a lot of flexibility, but there are concerns about how easily that transfers into an income for life. With DB you do get that guaranteed income for life, but at a cost and risk level that a lot of employers are not happy to support anymore.

Collective defined contribution sits somewhere between the two. For employers, the contributions are fixed, but members in a CDC scheme do receive an income for life, albeit it is a target income for life rather than a guaranteed income for life. It also means that individuals do not need to take on the responsibility to manage and plan that themselves.

I imagine the regulatory backdrop is also feeding this demand?

Absolutely. In the UK, if we think back a few years, it was only possible for single employer schemes to set up CDC – for example, the Royal Mail's CDC scheme. As of this summer, authorisations begin for multi-employer schemes. That is increasing both the discussion and the demand for this.

With collective DC now entering the UK market, can we clarify exactly what is meant by the 'collective' element?

There are two key collective elements to pull out: Investment pooling and longevity pooling.

Investment pooling means that contributions are invested collectively

rather than in individual pots. That collective structure allows schemes to invest in growth assets for longer, because they are designed around the membership as a whole rather than individual retirement dates.

The collective nature of the investment means the members 'keep' risk for longer and can stay invested in growth assets for longer.

Over time, that compounds and can provide a stronger overall retirement income. If you are an individual managing your own pot, you are naturally going to de-risk your asset allocation more as you approach retirement than if you are in a shared pool.

With longevity pooling, instead of each individual having to plan for how long they might live, the scheme pays pensions from a shared pool. Members who live longer continue to receive an income, while assets from those who die earlier remain in the scheme. This removes the risk of individuals running out of money in retirement.

It sounds great to be able to do that, but surely there must be some trade-offs?

Absolutely, there are definitely trade-offs.

One of the really key things with CDC is that, yes, it provides an income for life. However, it is not a fixed amount guaranteed for life. It is a target that can go up and down.

Every year there is a valuation process where the CDC scheme looks at the amount it has, the amount projected to be paid out in the future, and then makes adjustments to the members income depending on performance and assumptions.

It is therefore important that it is communicated to members that this amount may change over time.

We have been talking generally about CDC, but there are actually two versions: Retirement-only CDC and whole-of-life CDC. What would be a simple explanation of the difference between the two?

They do what they say on the tin.

Whole-of-life CDC is a pension scheme that you join and contribute to while working. Then, when you reach retirement, you stay in the CDC scheme and receive your pension for life.

A retirement-only CDC product is something that you enter when you hit retirement. You may have accumulated your pension savings elsewhere, but you then move into a collective pot to receive a pension for life.

In countries where CDC is already established, which model do we tend to see more of – retirement-only or whole-of-life CDC?

From international experience, we typically see whole-of-life CDC.

Ultimately, the benefits you get from pooling, which I described earlier, are available for longer in a whole-of-life CDC scheme. In theory, the overall improvement in outcomes should therefore be greater.

What is really interesting in the UK at the moment, for retirement CDC, is that there is clearly a huge conversation around what happens when people get to retirement. How do we make sure that people can be guided into the right retirement income for life?

There is something unique here in that retirement CDC fits neatly into the menu of options alongside annuities and drawdown.

Looking ahead, what would you consider a well-designed pension ecosystem to look like, which incorporates whole-of-life CDC, retirement-only CDC, and the traditional DB and DC offerings?

I think it is a great thing for the UK pensions market that CDC is going to become an option for multi-employer schemes.

There are very few instances where you can offer a really demonstrable improvement to end outcomes without a significant increase in cost. That is really important, and something employers will find very attractive.

It is hard to tell exactly how this will evolve at this stage because it is still early, but I think it is important that CDC is not seen as a replacement for DC. Rather, it is another expanded type of pension offering, which is a great thing.

It is particularly valuable because it targets two of the key issues currently facing the pensions industry: adequacy and providing people with an income for life.

This is an edited summary. To watch the full video, please visit pensionsage.com

In association with

BlackRock.

Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: +44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock.

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

© 2026 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, and iSHARES are trademarks of BlackRock, Inc. or its affiliates All other trademarks are those of their respective owners. MKTG0426-5374936-EXP0427