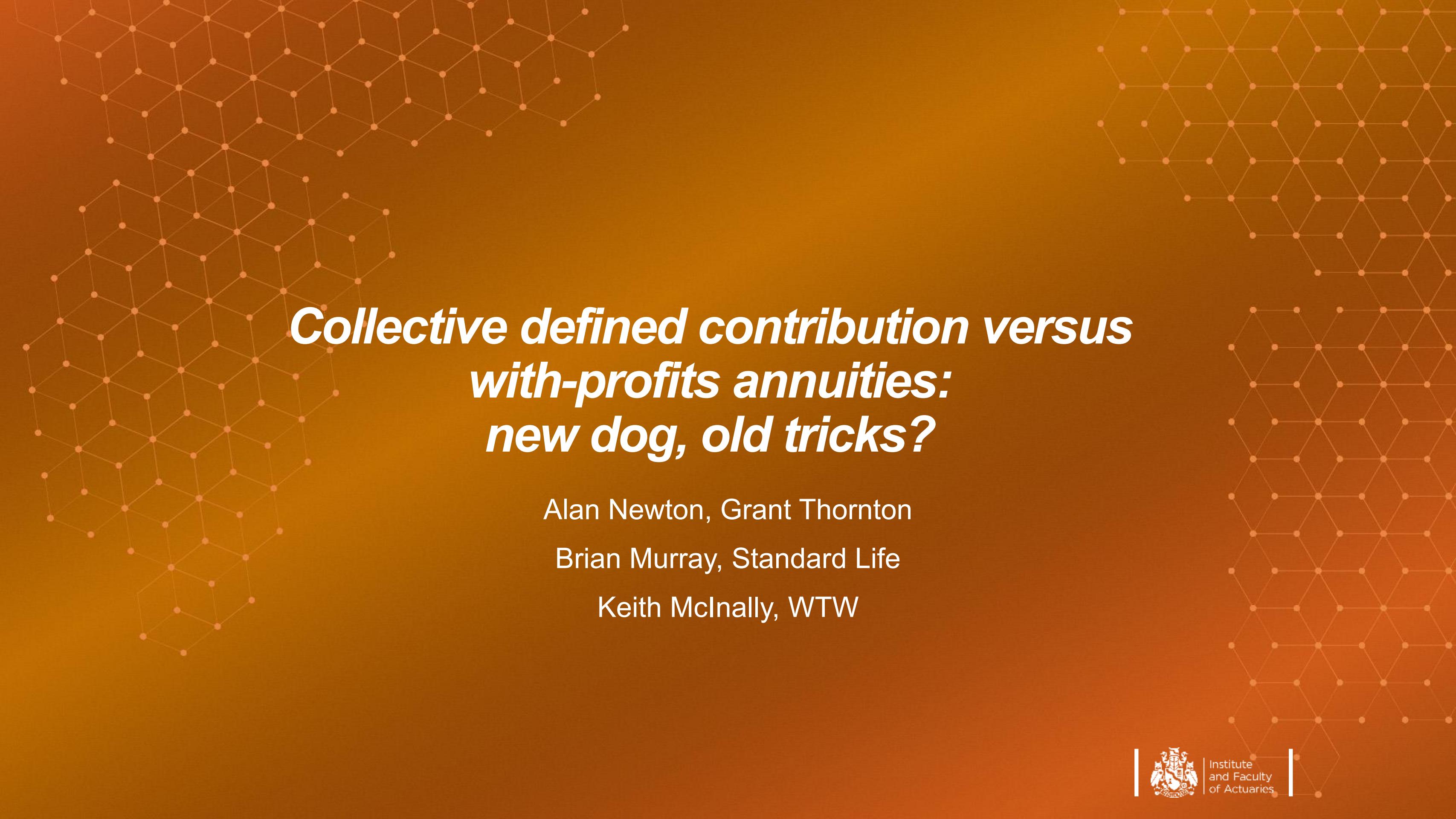




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Collective defined contribution versus with-profits annuities: new dog, old tricks?

Alan Newton, Grant Thornton

Brian Murray, Standard Life

Keith McInally, WTW



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Intros

With-Profit Annuity

- Annual income benefit increases in line with bonus rates
- Estate acts as smoothing buffer
- Estate also protects benefit when guarantees are biting
- Marketed from 1980s to early 2000s
- Lots of firms, but small overall footprint (single-digit)
- Not all structured or operated in the same way
- Typical for policyholder to select anticipated bonus rate
- Assets typically not hypothecated from other WPF assets
- No longer available on the open market, but may be small volumes open to existing customers

Overall WP market

- Largely a picture of run-off
- Still good volumes of smoothed managed funds written into with-profits funds
- New fixed term annuity products launches by M&G and LV=

Example With-Profit Annuity Income p.a.



Equitable Life

SCOTTISH WIDOWS

Collective Defined Contribution

- Defined Contribution but benefit expressed as an income
- Longevity and Investment risks shared
- Regulations very prescriptive about how risks are shared
- Experience → benefit increase rate
- Rate of long term pension increase rate acts as smoothing buffer
- Whole-life or in-retirement
- In infancy – only Royal Mail Scheme in operation
- Multi-employer schemes to be offered through Master Trust framework
- One firm, TPT, have announced plans to launch multi-employer scheme in 2027.

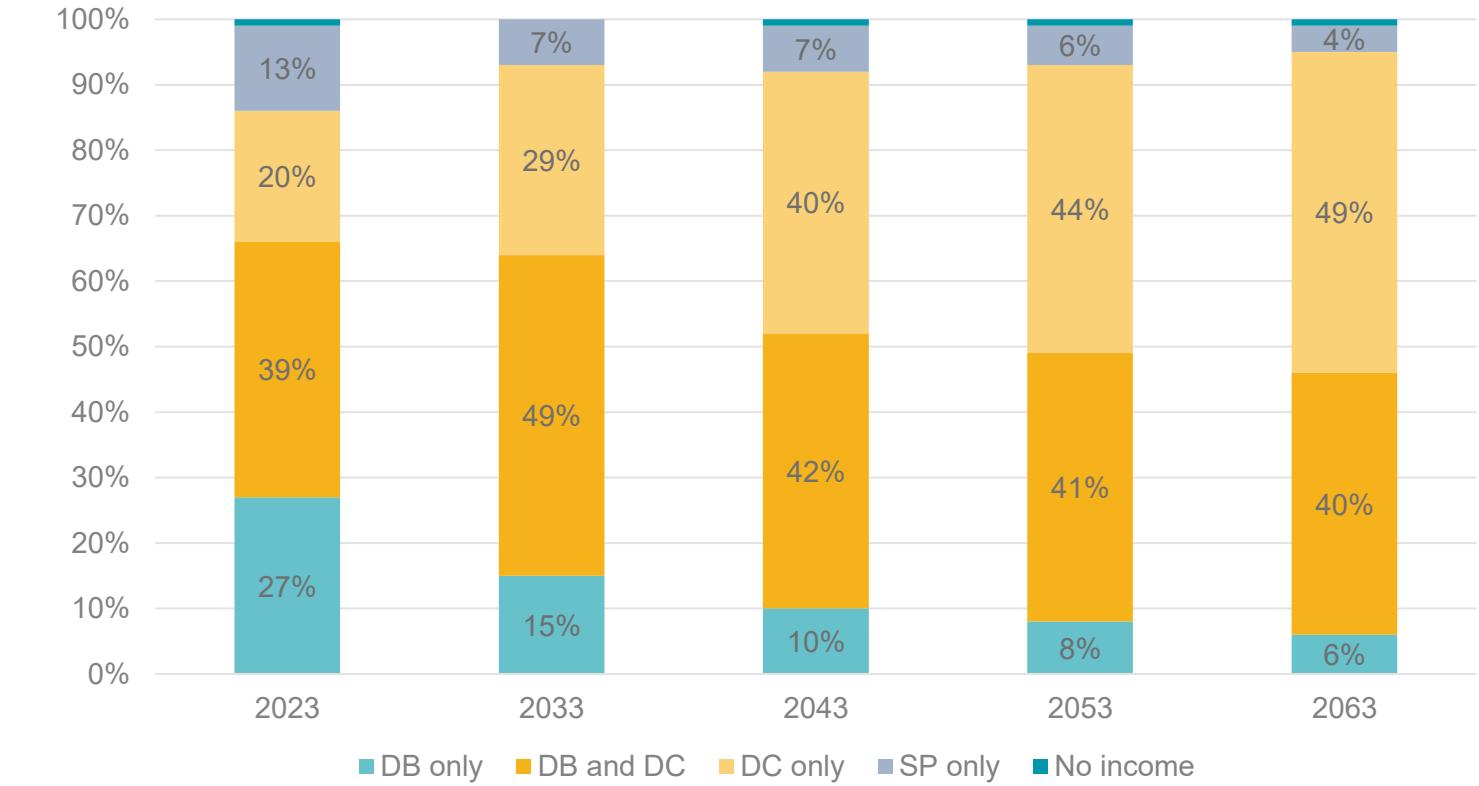
Overall Pensions market

- Ripe for innovation
- Market for DC retirees growing
- Limited product set
- Leads to strategies rather than “set and forget” products
- Inheritance tax changes encourage using pension saving for income

Example CDC Income p.a.

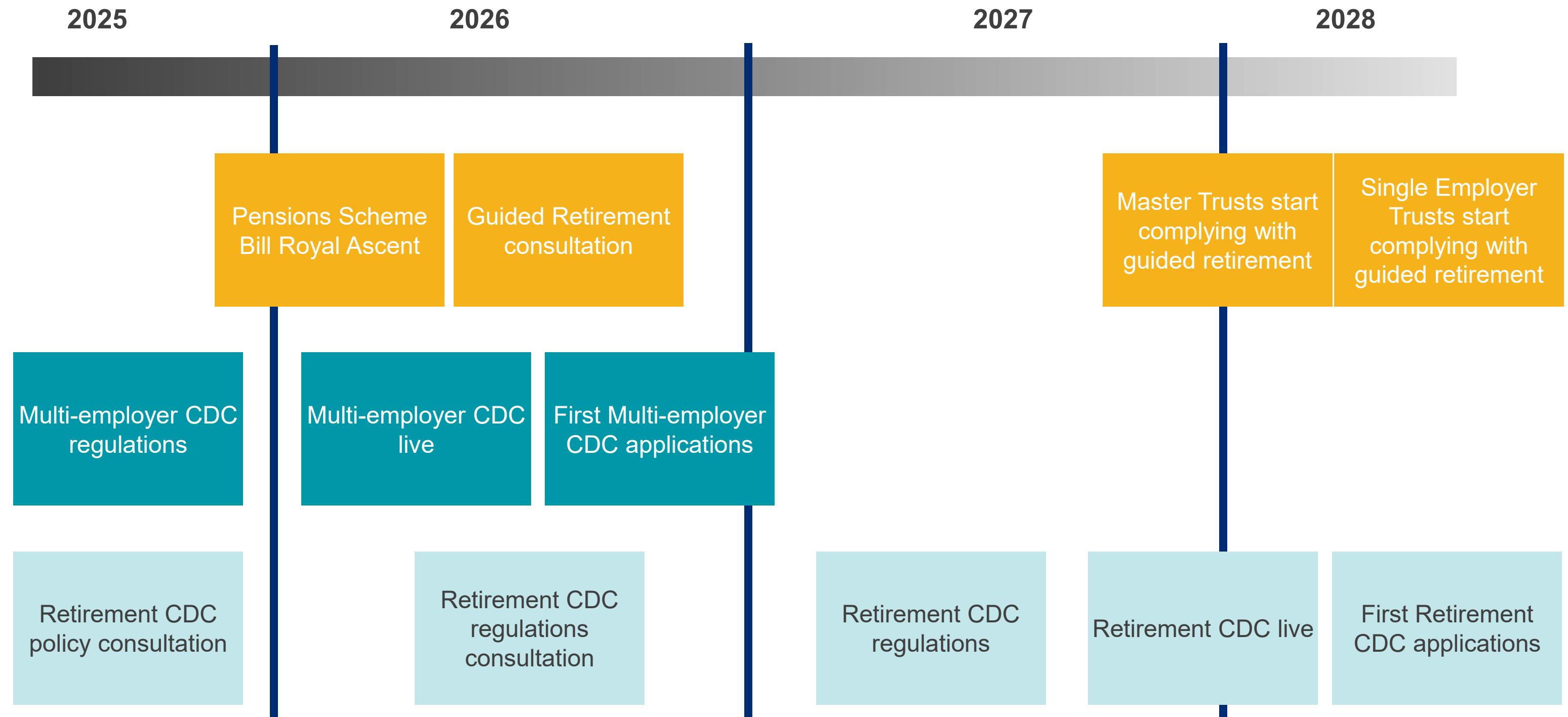


Estimated proportions of new pensioners with different pension types



Source: DWP Analysis of Future Pension Incomes 2025, published 21 July 2025

CDC Implementation Timeline



Comparison

Feature	With-Profits Annuity	CDC
Longevity risk sharing	Shared within fund. Discretion over how (cohort, product, fund)	Shared with other scheme members
Investment risk sharing	Shared within fund. Typically shared equally among all WP policies in fund but can be discretion over how (cohort, product, fund)	Shared with other scheme members
Guarantees	Yes	No
Smoothing	Yes. Provided by Estate	Yes. Through generational nature of design and long-term assumptions.
Investment strategy	Discretionary. If WPF gets into trouble fund may be derisked	Overarching strategy fixed. Any subsequent changes would require sectioning off of benefits.
Valuation	Risk-free, stochastic	Best estimate returns. May include some allowance for market recovery
Scale	Can leverage the insurer's vast existing book of business, making new product launches easier.	Must achieve a large scale from inception to create a viable longevity pool (a "chicken & egg" problem).
Governance	Strong system of governance. WPA, WPC, Board. Regulated by PRA & FCA	Regulations set out clear system of governance. Schemes governed by Board of Trustees. Regulated by The Pensions Regulator (TPR).

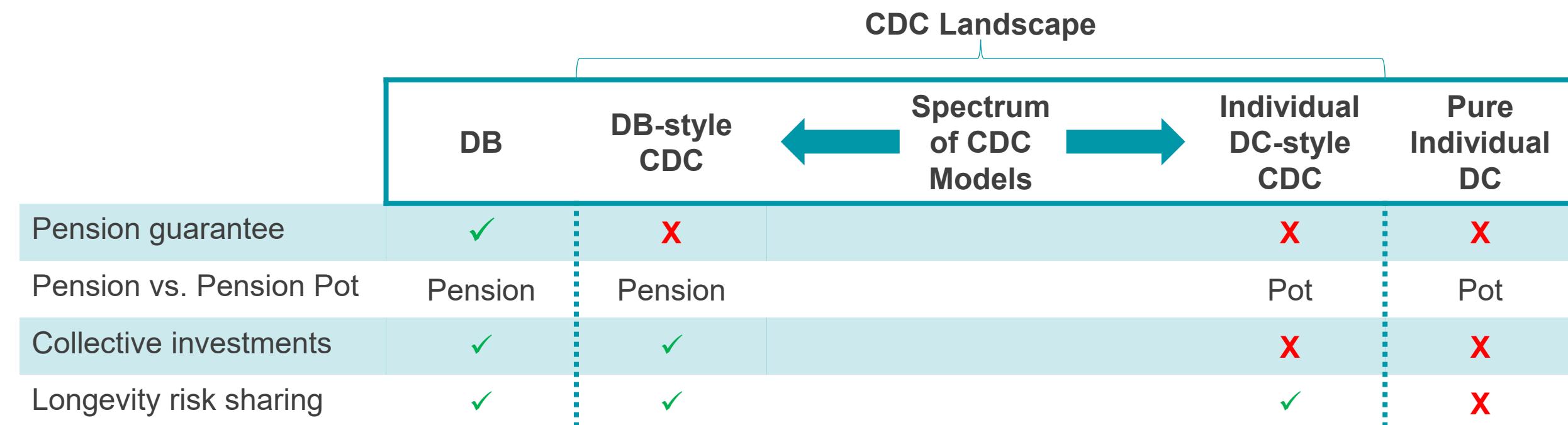


What new or returning product(s) do you think can become mainstream in the UK over the next decade?

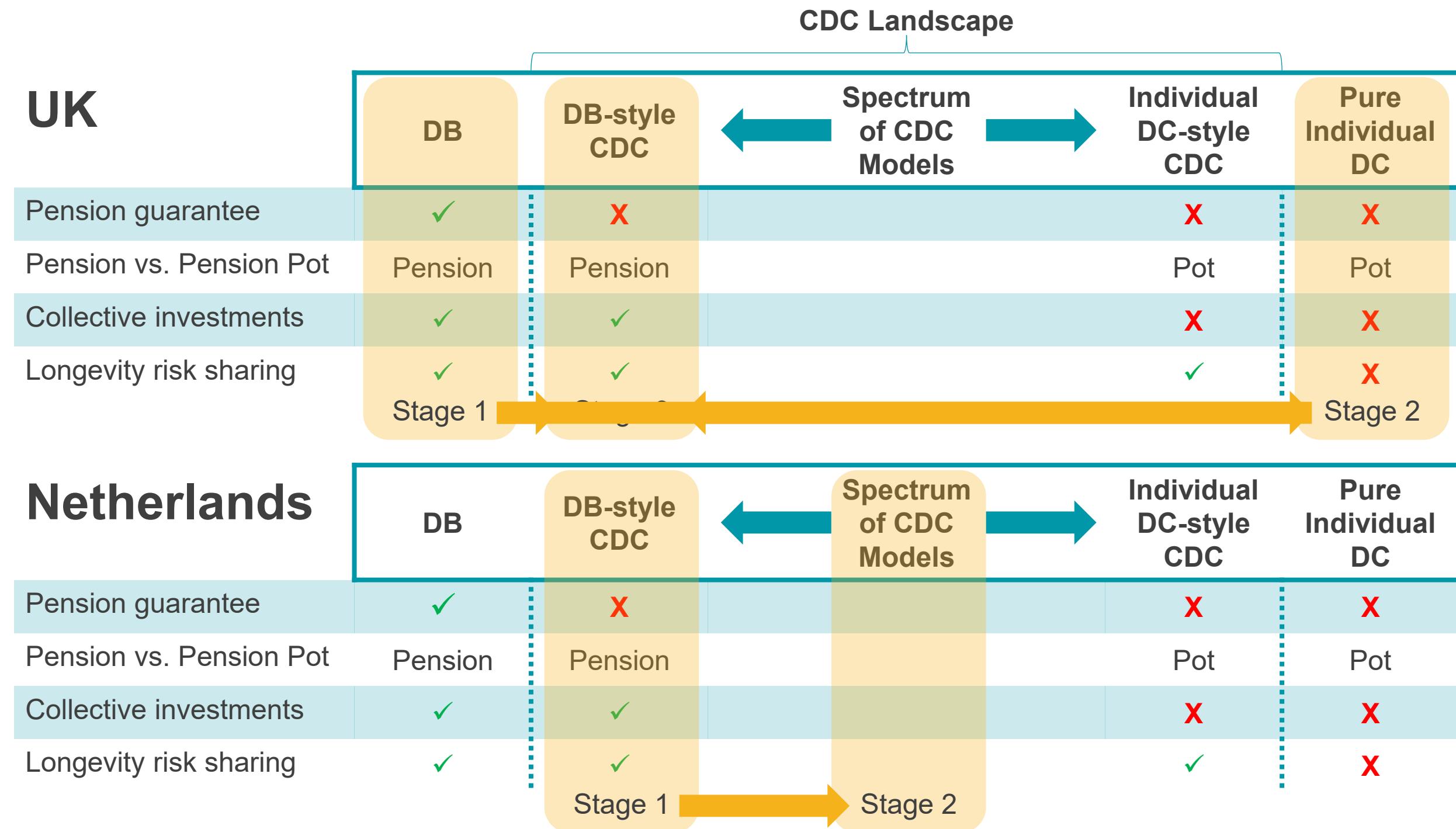
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CDC Implementation in the UK and Netherlands



CDC Implementation in the UK and Netherlands



Q&A



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Thank-you

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