Original Article

Defined ambition pensions – Have the Dutch found the golden mean for retirement savings?

Received (in revised form): 10th September 2012

Erik Schouten

joined AEGON in 2009 as Legal and Tax Consultant, specialising in European and international pension issues, including the fiscal aspects of pensions. He is presently preparing a thesis for his doctorate at the VU University Amsterdam entitled *Solutions to eliminate tax impediments as an obstacle to the internal market for occupational retirement provisions*.

Thurstan Robinson

joined AEGON Global Pensions in 2008 as International Communications Manager, with a focus on research into occupational pensions from an international perspective, including cross-border pension activities. He received his Doctorate from Oxford University in 2002.

ABSTRACT In February 2012, the UK minister for pensions proposed that companies should perhaps be able to provide a new type of pension – Defined Aspiration pensions or Defined Ambition (DA) pensions, as they are called in the Netherlands. In this article, we take a closer look at DA pensions, examining the Dutch experiences to date with the introduction of DA pensions. We look at what DA pensions have to offer employers and employees, and discuss whether DA pensions may provide a third way for pensions in the United Kingdom.

Pensions (2012) 17, 334–341. doi:10.1057/pm.2012.37

Keywords: Defined Ambition pensions; occupational pensions in the Netherlands; UK pension reform

INTRODUCTION

The ancient Greek philosopher and polymath Aristotle saw every virtue or thing of excellence as being perfectly positioned between two extremes (or vices) of excess and deficiency.¹ As a result, excellence should not be sought at the extremes but rather in the middle, the ‘golden mean’. When it comes to pensions, the Dutch, it seems, have taken this methodology to heart – and the UK Government is looking on to see whether the United Kingdom too should ‘go Dutch’ with its pensions.² Are Defined Ambition (DA) pensions indeed the golden mean of pensions?

Correspondence: Thurstan Robinson
AEGON Global Pensions, AEGONPlein 50, 2591 TV The Hague,
The Netherlands
E-mails: Thurstan.Robinson@aegon.com; eschouten2@aegon.nl

PENSION PRESSURES – DEFINED BENEFIT (DB) AND THE VICE OF EXCESS

Put simply, DB pensions represent a promise by the company sponsor to their employees to pay a predetermined pension on their retirement. Both the strengths and weaknesses of DB pensions stem from this promise. The strength of the DB system is that it is by definition focused on achieving a specific result – a targeted income upon retirement. The weakness of the system is that companies are finding this promise increasingly difficult to keep. DB in the United Kingdom is rapidly disappearing. Not only have company sponsors of pension plans been struggling to maintain an adequate rate of return on their assets in the highly volatile economic environment post-2008, they have also been

faced by steadily increasing liabilities, as discount rates have fallen and as their retired employees live increasingly longer. Finally, regulations that were intended to protect the people with DB pensions have only served to increase the pressure on company sponsors.

Over the past 10 years, the amount of money that UK employers have had to contribute to their company DB pension plans has almost doubled. By 2011, UK employers providing DB pensions were contributing an average of 21.4 per cent of the salary into their DB pension plan.³ Therefore, it is hardly surprising that the United Kingdom has seen a catastrophic decline in DB pensions – 91 per cent of DB plans in the United Kingdom are now closed to new entrants, with 37 per cent of these also closed for new accruals by existing members.⁴ Forty per cent of the companies with a DB plan in the United Kingdom state that they are looking to buy-out or buy-in all their pension liabilities within the next 10 years.⁵ As the risks and costs of DB have become too much to bear for the UK companies, those companies providing pensions have moved *en masse* to Defined Contribution (DC) pensions. Have companies in the United Kingdom moved from promising too much to promising too little?

PENSION PRESSURES – DC AND THE VICE OF DEFICIENCY

The DC pension promise is a simple one – the company sponsor promises to pay a fixed contribution into a retirement savings account on behalf of its employees. The financial risk to the company sponsor is completely removed. The majority of companies in the United Kingdom now provide DC pensions only (54 per cent), with a further 41 per cent of companies in transition (offering DB and DC).⁶ However, although DC pensions clearly relieve the pressure on companies, their weakness is almost precisely the reverse of the DB system. In the DB system, companies are forced by regulation to honour their promise; if it looks as if they are not going to be able to provide the pension they have promised, then they have to contribute more. As a result, not only

have companies contributed more (compared with the average DB contribution of 21.4 per cent of the salary, companies with DC pensions contribute an average of 6.4 per cent of the salary), but they have also developed highly sophisticated mechanisms to keep track of their liabilities and to match their assets with those liabilities.⁷ In the DC system, the company is not required to contribute more if it is necessary, but individuals are also not required to do so. Indeed, in most circumstances, individuals are poorly equipped to understand what their liabilities are, and have little ability to track and match these liabilities. As a consequence, it is very clear that the majority of individuals with DC pensions are making inadequate provisions. It is disheartening to see that individuals in the United Kingdom with DC pensions make significantly lower employee contributions to their pensions than those who receive DB pensions.⁸

As DB pensions have declined, large numbers of employees also appear to have given up completely on saving for pensions. From 1991 to 2012, the number of people in occupational pension plans in the United Kingdom dropped from 6.3 million in 1991 to 2.9 million in 2010.⁹ Mandatory auto-enrolment has now been introduced in the United Kingdom to tackle this problem, but how can the problem of adequacy be solved? DA pensions may provide the answer.

DA – THE GOLDEN MEAN?

DA pensions reintroduce (or keep) the idea of an employer promise but loosen the bonds of that promise. The general idea is that employers promise to try to pay employees a particular pension or a pension within a certain range, based on accruing benefits according to years of service and salary (like DB), depending on asset returns and life expectancy. Unlike DC, the employer is still taking responsibility for trying to deliver a specific pension through retirement, but, unlike DB, the employer is able to lower the pensions if it is unable to deliver on its promise. Companies no longer have to deal with the volatility and risk of DB pensions, while employees receive more support and certainty

Box 1: Dutch pension system

The Dutch pension system is a three-pillar system:

First pillar

The first pillar is the basic old age pension (Old Age Pensions Act, or AOW). It provides all residents of the Netherlands at the age of 65 with a flat-rate pension benefit that in principle guarantees 70 per cent of the net minimum wage. In comparison with other EU countries, the state pension in the Netherlands is only a limited part of the total old age pension system. All residents of the Netherlands between the ages of 15 and 65 are insured for the AOW. No distinction is made between men and women, between civil servants, employees, self-employed and so on. During the period of insurance, entitlement is accrued in 2 per cent steps for every insured year. This leads to a 100 per cent entitlement to the relevant pension benefit on reaching the age of 65, provided there are no gaps in the period of insurance. A gap occurs when a person resides outside the Netherlands. State old-age pensions are financed according to the pay-as-you-go system: today's contributors finance the pension payments made to the pensioners of today. The ageing of the population has put pressure on this system of financing and is the main reason for raising the retirement age (see below).

Second pillar

The second pillar consists of supplementary pensions, which are built up as part of people's terms of employment. The primary responsibility for these pensions therefore lies with employers and employees. Representatives of employers and employees have made collective pension arrangements for almost all workers. The supplementary pension plans (including those for civil servants and teachers) are funded systems. The second pillar consists mainly of DB pension plans. But a growing percentage of employees with a supplementary pension are becoming members of DC plans.

The third pillar

The third pillar consists of supplementary personal pensions that anyone can buy from insurance companies, banks or investment companies.

than with most DC pensions.¹⁰ DA pensions provide a 'soft promise', but a promise nevertheless. Most importantly, perhaps, they align the focus of the company and the employee on achieving a specific goal, of ensuring an adequate pension in retirement (Box 1).

GOING DUTCH?

In June 2010, as a result of the financial and economic crises, low interest rates, an ageing population and increasing life expectancy, the Dutch social partners signed a new pension agreement (*Pensioen Akkoord*). Part of the new agreement was that pension contributions into occupational pension plans would be capped at present levels and would not rise any further. If pension contributions are fixed at today's levels, the problem of rising life expectancy or lower-than-expected investment returns must be resolved in another way. The solution agreed upon is shifting this risk to employees (who can address this risk either by saving more or by working longer).¹¹ As life expectancy increases, pensions will automatically be reduced. The aim of this proposed reform was to help companies limit the burden of pensions on companies trying to recover from the economic crisis, while continuing to ensure that employees receive an adequate pension.

Could the Dutch model help companies in the United Kingdom provide sustainable and adequate pensions to their employees in the United Kingdom?

DA IN THE NETHERLANDS – A CLOSER LOOK

Some years before the realisation of the pension agreement, companies in the Netherlands were looking for sustainable alternatives for DB contracts. As a result, a hybrid pension plan was introduced at the beginning of this century,¹² the 'collective defined contribution' (CDC) system – a form of DA pension.¹³ This system combines some of the advantages of DB plans with the advantages of DC. Instead of using the traditional DB model, which accrues benefits on the basis of final earnings, the Dutch hybrid system links the benefits, in most cases, to career average earnings, and benefit indexation depends on the plan's funding position. Employers contribute a fixed percentage of the wages into these plans and bear no additional liability if the investments of the plans perform poorly or if the interest rates used to calculate liabilities decrease. Normally, the contributions for CDC plans are fixed for a period of time, for example, 5 years. After that period, contributions are renegotiated. With CDC, the

Figure 1: Risk profile of pension systems.

investment and longevity risks are transferred from the employer to the pension plan and thus to the employees as a group. If a CDC plan becomes underfunded, the plan's governing body decides on how to restore the full funding position. This can be achieved by reducing indexation, lowering the future accrual rate and, if necessary, by reducing the accrued rights.¹⁴

As CDC plans are already in operation in the Netherlands, DA pensions are in fact not a radical departure. The radical element with DA pensions is that the pension agreement explicitly introduces DA to replace existing DB plans and that it fixes the contribution rate for employers once and for all (Figure 1).

MEETING AT THE MIDDLE (FROM DIFFERENT DIRECTIONS)

Although the financial pressures faced by companies in the United Kingdom and the Netherlands are similar, the pensions situation in the United Kingdom and the Netherlands are very different. In the Netherlands, there is no obligation by law for an employer to offer a pension plan to its employees. However, the Minister of Social Affairs and Employment can order mandatory participation for a particular industry or section of an industry if the social partners so request and if the fund satisfies the requirements. This means that all companies subject to mandatory participation are required to make their employees members of the pension fund. As a result, approximately 80 per cent of all Dutch employees are members of a collective pension fund. In 2010, 78 per cent of occupational pension plans in the Netherlands were DB pensions.¹⁵

However, not all DB pensions are the same. Not only are the majority of Dutch DB pension plans, average salary plans, but they also offer conditional, non-indexed pensions. The current average level of contributions to Dutch DB pension plans is approximately 13 per cent of the total wages (wages including employer premiums),¹⁶ although the Netherlands Bureau for Economic Policy Analysis (CPB) has said that this would need to increase to more than 17 per cent of the total wages by 2025 in order to maintain present benefit levels.¹⁷

To some extent, Dutch DB pensions are already DA pensions. Although regulation demands a funding level of 105 per cent of liabilities, if a Dutch DB pension plan is unable to meet its pension promise, it does not only have to increase contributions and postpone indexation, but it is also allowed (as a last option) to lower pensions in order to once more become fully funded.¹⁸ The Dutch DA solution as agreed in 2010 fixes costs for companies (defined cost pensions), and it makes benefits explicitly conditional on the performance of the plans assets.

The final issue is longevity. This is not something that the DA system can deal with on its own. Companies with DB plans are presently expected to keep paying as their ex-employees live longer and longer. Governments are now recognising that present retirement ages are unsustainable both for the state and for companies, and we can expect to see this element being addressed at a state level as retirement ages are explicitly linked to life expectancy, as in the Dutch pension agreement and the recently changed legislation.

CAN THE UNITED KINGDOM GET THERE FROM HERE?

After significant negotiations and using the Dutch model of agreement through consensus (the 'poldermodel'), the Dutch may have settled upon the golden mean for pensions. The question is, can the United Kingdom get to the same place from where it is today or will it have to create its own golden mean by improving the increasingly dominant contract-based DC system?

NOT AS EASY AS IT SOUNDS – WHAT'S GOING ON IN THE NETHERLANDS?

Although DA pensions may sound like the golden mean, it is presently not clear that even the famously consensual Dutch will manage to implement DA pensions as agreed in 2010. With the collapse of the Dutch cabinet in April 2012, three smaller opposition parties stepped into the breach and helped agree on a new budget. The Spring Agreement of 2012 contained some major changes to Dutch pensions that both pre-empted and replaced measures from the pension agreement of 2010. The new measures, already translated into legislation, are:

- For state pensions (AOW), the retirement age will increase more quickly than previously agreed. The first step will be taken in 2013 when the retirement age will increase by 1 month. In subsequent years, the retirement age will increase further and in larger steps. In 2019, the retirement age of 66 will be reached, and in 2023 the age of retirement for state pensions will be 67. For the first time in 2024, the retirement age will be linked to life expectancy. Following the general elections in September 2012, the coalition parties have proposed an even quicker increase in retirement age after 2015. The retirement age should now rise to 66 in 2018 and 67 in 2021. The pensions agreement provided for a single-step rise of the pension age to 66 in 2020 and a second single-step increase to 67 in 2025.
- On the fiscal side, for occupational pensions the retirement age will increase to 67 in 2014. Here also the retirement age will be linked to life expectancy and the maximum accrual rate will be reduced.

However, the new changes made to the Dutch pensions system did not include the elements concerned with DA pensions. An important part of the 2010 pension agreement was to be a renewed Financial Assessment Framework (FTK). This framework, once implemented, would make it even more costly for companies to maintain DB pension plans, while at the same

time making it possible (and less costly) to provide DA pension plans.¹⁹ The new Dutch pensions system would be subject to a single FTK for both the existing nominal and future real pension contracts (DA contracts).

Under the new system, nominal schemes will be required to maintain capital buffers of 25 per cent, some 5 per cent over the current buffer requirement, in order to guarantee liabilities with 97.5 per cent certainty. Although they are allowed to offer compensation for inflation if they can afford it, such nominal schemes cannot offer full indexation until their nominal funding rate hits 125–130 per cent. Real pension contracts will have real liabilities from the start. However, as they are considered to be fully conditional, there would be no buffer requirements. Profits and losses would be borne by the participants and pensioners and accounted for immediately, although the effects may be spread over a decade.

The legislation needed to make the new pension contract possible is presently expected in 2013. At that time, pension funds and company sponsors will then be able to choose whether to keep the old, nominal DB pension contract or to change to the new, real DA pension contract. Among the key points of the proposals are mandatory agreements between the social partners and the pension funds about sharing financial risks between older and younger generations, and the possible effects on their purchasing power. New legal rules must further provide for proper and uniform communication. The Dutch minister also wanted pension funds to develop a mechanism for the automatic adjustment of pension rights, benefits and pension target age in line with life expectancy. This mechanism would become mandatory for real DA pension contracts, but it could also be applied to indexation under the existing nominal DB contract.

THE STATE OF DUTCH DB

In the meantime, the Dutch DB system is feeling the pressure. Most Dutch DB pension claims and benefits will not be increased in 2012, meaning that they will fall behind wage and price developments. In addition, pension

contributions will also increase in 2012. The average employee contribution will rise from 6.0 per cent to 6.2 per cent of salary, whereas employers' contributions will also rise from 10.9 per cent to 11.3 per cent, according to a survey of 25 large pension funds conducted by the Dutch Central Bank (De Nederlandsche Bank, DNB).²⁰ At company plans, where sponsors usually pay for a contribution rise, the employers' premiums have risen from 24.7 per cent to 26.6 per cent. In addition, a large number of pension funds announced a proposed reduction in claims and benefits. The average reduction is 2.2 per cent and this might affect 7.5 million plan participants.²¹ These developments reflect the weaker financial position of the pension funds.²² Their average funding ratio fell from 107 per cent to 98 per cent in 2011, owing largely to a decline in long-term interest rates. In September 2012, the Dutch government presented a comprehensive package of rules and measures intended to help pension funds. Pension schemes may be eligible for a one-off exemption next year from the obligation to raise premium contributions in the case of a funding shortfall. In addition, the measures will allow pension funds to spread necessary benefit cuts over several years, and to limit cuts to a maximum of 7% annually. Benefit cuts that have already been announced will be unaffected. Another measure would change the discount rate for pension liabilities with a duration of between 20 and 60 years to include the so-called 'ultimate forward rate' – the discount rate under consideration for Solvency II – which is expected to lift coverage ratios by 4–5%. Pension funds wishing to use these measures must meet several conditions. One of the conditions is to raise the pensionable age as used to calculate pension right accrual from 65 to 67 in 2013, one year earlier than originally agreed.

THE PRACTICAL IMPLICATIONS OF MOVING FROM DB TO DA

The intended reform of the Dutch pension system will have a major impact on the pension landscape in the Netherlands. It is expected to give companies the opportunity to transfer their

DB pension risk (like longevity and asset returns) to their employees. As many Dutch companies still have DB pension plans, this will allow companies to remove part or all of their pension risks from their balance sheets. If the pension agreement is implemented in 2013, employers and employees will be able to agree to one of two fundamentally different types of pension contracts: hard pension promises (guaranteed nominal pensions) or soft pension promises ('real' pension benefits depending on asset returns and longevity evolution).

It is still unclear what impact the new DA system will have on employers with insured pension plans. Insurance companies, by their nature, provide security by guaranteeing pension benefits, offering solutions for hard pension promises. However, if the system is to be altered, it should also be possible for insurers to offer products for soft pension promises. Nevertheless, it is as yet unclear how insured solutions will fit into the proposed Dutch pension structure.

WHAT ABOUT ACCRUED PENSION RIGHTS?

One of the biggest issues now with the move to DA in the Netherlands is how to deal with accrued pension rights, and the issues here would be identical if DA were to be introduced into the United Kingdom. Should present accrued DB pension rights be frozen and ring-fenced, or should they be regulated under the new rules for DA pensions? Is it legally possible to institute a mandatory transfer of accrued benefits into the new system? If so, benefits that are currently considered to be unconditional would become conditional.

For Dutch pension agreement to be successful, such a transfer of accrued pension rights is necessary. As a result of rising longevity and the developments on the financial markets, continuation of the existing nominal pension contract is no longer affordable. Without bringing the accrued pension rights under the force of the new rules, it would take decades before the advantages of the new pension contract would be achieved. And there will be a divide between

the present accrued pension rights and future pension accrual.

Although many pension lawyers consider a mandatory transfer of accrued rights to be in conflict with European case law,²³ research by the Dutch Ministry of Social Affairs and Employment indicates that it may nevertheless be possible.²⁴ According to this research, a mandatory transfer of accrued pension rights is a violation of the right of ownership of participants of the pension fund and retirees. On the other hand, such a transfer could be justified by public interest by making occupational pension plans future-proof and sustainable. The mandatory transfer is required to maintain solidarity between the young and the old by means of risk sharing in the pension fund.

Hence, in the Dutch minister's opinion, merging existing nominal pension rights into a new real pensions contract is legally possible. This should be agreed upon and implemented by the social partners and the pension funds boards. The minister would then change the pension law to make sure that a mandatory transfer will be done carefully. The pension fund then has to make its own considerations on whether to opt for mandatory transfer or not. It remains to be seen how many pension funds opt to transfer accrued pension rights into the new pension contract. Although legal uncertainty might work as a deterrent, the urgent need to reduce rising DB plan deficits may provide a powerful impulse to change.

DOES DA HAVE A FUTURE IN THE UNITED KINGDOM?

If we wish to save what is left of DB in the United Kingdom, it may be beneficial to look both to the Dutch model and to the Dutch experiences as the transition is made. However, for the United Kingdom, it is clear that time is running out. For those companies with DB pensions, the DA system may provide an attractive alternative – especially if it proves possible to transfer existing accrued DB pension rights into a DA plan. For this reason alone, UK eyes will probably be watching very closely what happens in the Dutch pension system in 2013.

For the majority of companies in the United Kingdom, however, the Dutch DA model may now seem interesting but largely irrelevant. For most companies, the Gordian Knot of DB plans has been cut and there is no turning back. However, this does not mean that DA has no future in the United Kingdom. DC plans in many cases are at risk of not delivering the pensions that individuals expect or need, and many companies are now looking at how to improve their DC plans in order to help their employees to save for their retirement.²⁵ DA pensions in a DC world do not require any single mechanism, so much as a change in mindset and behaviour. They require companies to look again at the promise they wish to make and how willing they are to assist their employees in achieving an adequate income in retirement. CDC, DC with guarantees or DA bring the company sponsor to the fore, looking after the retirement interests of its employees. DA may indeed represent a golden mean that can be reached from DB or DC, but the road back from pure DC may be harder to climb.

REFERENCES AND NOTES

- 1 Aristotle, *Nicomachean Ethics* II.6. Virtue, then, is a state of character concerned with choice, lying in a mean ... a mean between two vices, that which depends on excess and that which depends on defect ... virtue both finds and chooses that which is intermediate.
- 2 In February 2012, Steve Webb, the UK's Pension Minister, proposed the idea of encouraging companies to adopt a new type of 'defined aspiration' pensions.
- 3 Association of Consulting Actuaries (2011) *Statistical Supplement*, Table 14.
- 4 Association of Consulting Actuaries (2011) *Pension Trends Report*, p. 10.
- 5 Association of Consulting Actuaries (2011) *Pension Trends Report*, p. 7.
- 6 Association of Consulting Actuaries (2011) *Pension Trends Report*, Figure 4, p. 10.
- 7 (See Association of Consulting Actuaries.³ The figures for DC represent a combined average for trust-based DC (6.9 per cent) and contract-based (5.3 per cent) DC. Trust-based DC in the United Kingdom is also on the decline, with 31 per cent of trust-based DC plans now being closed to new entrants.).
- 8 Office for National Statistics (ONS), <http://www.ons.gov.uk/ons/rel/pensions/pension-trends/chapter-8--pension-contributions--2012-edition-/index.html>, p. 7.
- 9 ONS, <http://www.ons.gov.uk/ons/rel/pensions/pension-trends/chapter-8--pension-contributions--2012-edition-/index.html>, p. 5.

- 10 DA pensions are in fact a form of CDC arrangement but with a stated emphasis on achieving a specified outcome for all participants.
- 11 The subject of longevity risk in DC, though pressing, has been largely neglected. The concept of the Equilibrium Retirement Age – together with appropriate information and tools – may help individuals to better understand and control this risk. See Madsen, C. and Tans, M. (2012) 'Personal longevity risk': Defined contribution pensions and the introduction of an 'equilibrium retirement age'. *Pensions* 17(3): 169–176.
- 12 In the period 2004–2005, several large Dutch single employer pension funds made the transition to a CDC pension plan. Among them were Akzo Nobel, SNS Reaal, VolkerWessels and Arcadis. Later, the Railway transport sector pension plan and ING followed.
- 13 The term DA was used for the first time by Jan Tamerus in his dissertation: 'Defined Ambition, een noodzakelijke stap in de evolutie van het pensioencontract naar een duurzaam evenwicht tussen "willen en kunnen"', 22 June 2011. The concept, however, was not new.
- 14 The option of reducing the accrued pension rights is only available for a pension fund. An insurance company can never reduce accrued pension rights.
- 15 Verzekerd van Cijfers 2011 (Dutch Insurance industry in figures), Verbond van Verzekeraars, 2011.
- 16 Gross wages plus employer contributions (including pension contributions). Compared with the gross wages, the percentage is more than 17.
- 17 *Een sterke tweede pijler*, report Goudswaard (on long-term sustainability of pension schemes in the Netherlands), 2010.
- 18 A similar system, Target Benefit plans, has been proposed in Canada in order to halt the decline of occupational DB plans. As the Netherlands is now looking to move from such a Target Benefit system to DA, it is questionable whether Canadian Target Benefit pensions will be sufficiently sustainable.
- 19 'Hoofdlijnennota herziening financieel toetsingskader pensioenen', Tweede Kamer, vergaderjaar 2011–2012, 32 043, nr. 113.
- 20 Results of DNB survey on pension contributions and indexation in 2012, DNBulletin, DNB, 2 August 2012.
- 21 DNB rondt evaluatie herstelplannen pensioenfondsen af, Nieuwsbrief Pensioenen juni 2012 Nummer 21/1 juni 2012, DNB.
- 22 According to the Website of the ABP (the largest pension fund in the Netherlands and one of the largest in the world with available assets of €261 billion), if matters do not improve, pension rights will have to be cut as much as 14 per cent in 2014 and employee contributions will have to be increased to 25 per cent www.abp.nl.
- 23 This would be a violation of art. 1 First Protocol of the European Convention on Human Rights.
- 24 Appendix 2 to the 'Hoofdlijnennota herziening financieel toetsingskader pensioenen', Tweede Kamer, vergaderjaar 2011–2012, 32 043, nr. 113.
- 25 A 2010 report estimated that members of Dutch CDC plans who saved identical amounts to UK counterparts with individual DC plans would end up with 50 per cent more pension. Although the headline amount may be on the extreme side, the advantages of economies of scale and investment strategies that CDC enables are valid. See Tomorrow's Investor: Building the consensus for a People's Pension in Britain, David Pitt-Watson.