Eversheds Sutherland is pleased to announce that it has published a paper—“DC Plans in the US and the UK: Lessons From Across the Pond”—which addresses the differences between defined contribution (DC) plans in the US and the UK and the lessons that can be learned from these programs.

The paper is a high-level overview of the legal, regulatory and policy framework governing DC plans in both jurisdictions. It provides an analysis of the shift away from defined benefit (DB) plans in the US and the UK, to the widespread use of DC plans by both countries as the primary way of providing workplace pensions—a trend which began in the US and then moved across the pond to the UK.

Authored by Eversheds Sutherland’s US-based Partner Adam Cohen and London-based Partner Francois Barker, the paper highlights several lessons that US and UK employers and policymakers can learn from each other, including:

• the potential for auto-escalation, which has been used successfully in the US to boost the contributions paid by DC plan members, to help address the problem of undersaving in the UK (where average contribution rates to workplace pension plans have fallen from 9.7% in 2012 (prior to the introduction of auto-enrollment) to 4.2% in 2016); and

• the extent to which a single-source website hub for pension and retirement information, which is being developed in the UK, could provide a useful model for the US in its efforts to focus savers on the adequacy of their retirement assets and how their various retirement arrangements work together.

Notably, the paper also highlights the risk of a recent trend—an increase in litigation by US plan members over excessive investment fees under DC plans—potentially crossing the Atlantic. UK providers, trustees and employers need to be aware of this risk, particularly in light of the new legal duties for DC plans, to ensure they are delivering value for the money.

By comparing the approach both countries take to DC plans, this paper provides employers and policymakers with a more informed view of the best practices taken by their transatlantic cousins.

Mr. Cohen commented:

As defined contribution plans have become central to retirement planning, employers on both sides of the Atlantic are looking for new ways to boost participation and ensure adequacy of funds for retirement. Our report

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identifies areas of similarity and differences between the US and the UK in the DC plan space with the hope that each country can learn from the successes and challenges of the other.

Mr. Barker commented:

DC pensions are the future for millions of savers in the UK. The US ‘went DC’ a long time before the UK, and our report highlights several areas—like auto-escalation—where UK employers and policymakers could usefully learn from the US experience to improve DC provision. Equally, there is no monopoly on wisdom and there are also areas, like mandatory auto-enrollment and re-enrollment, where learning could go the other way.

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