

---

## UK creates framework for DB/DC hybrid

---

By Editorial Staff    Thu, Jul 3, 2014

---

*It's still not clear whether the hybrid approach—called “defined ambition” by UK Work & Pensions secretary Steve Webb—has widespread support or interest among employers or if it's mainly a private passion of Webb's.*

---

The UK government is working hard to steer its private pension industry—which has rapidly devolved from old-fashioned defined benefit plans to US-style defined contribution—toward a hybrid, Danish-style retirement plan design that requires employers and employees to share investment and longevity risk.

It's still not clear whether this hybrid approach—called “defined ambition” by UK Work & Pensions secretary Steve Webb—has widespread support among employers or if it's mainly a private passion of Webb's. But his department has nonetheless forged ahead and published a “framework” for setting up defined ambition plans in the UK.

For a copy of the publication describing that framework, click [here](#). At present, UK labor law doesn't accommodate DB/DC hybrids.

The legislative framework will also make room for further types of models, focusing on guarantees for retirement income that come into place as a member ages. It will not provide space for any money-back guarantees within DC schemes, but it will continue analysis and work out how other models fit in within the legal parameters.

These include capital guarantees, which protect the nominal value of member savings midway through the savings cycle; the use of retirement income insurance, which avoids single-event conversion risk; and the Danish ATP-style pension income builder, which uses continuously-purchased deferred annuities.

© 2014 RIJ Publishing LLC. All rights reserved.