

Expanding the availability of CDC schemes

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Introduction

With the intention of helping to “build a fairer pensions system that gives people confidence their hard-earned savings will last and they can enjoy their retirement”, the Government has published a package of documents designed to expand the availability of CDC arrangements.

Key points

- CDC schemes have been an option for a few years now, but only for single employers or multiple employers which are financially connected (ie part of the same corporate group).
- The DWP first [consulted](#) on the possibility of extending CDC schemes in January 2023, followed in October 2024 by a further [consultation](#) on broadening their reach to whole-life unconnected multiple employer schemes (“UMES”), as well as decumulation-only vehicles.
- Coming into force on **31 July 2026**, [final regulations](#) laid today will pave the way for UMES CDC. As the new UMES and existing master trust authorisation regimes will be entirely separate, any master trust looking to offer CDC will need to go through an entirely new process before doing so
- In tandem with the regulations, the Government also published a [response](#) to its October 2024 consultation.
- In addition, concerned that people approaching retirement are often “left navigating complex choices and shoulder risks they shouldn’t have to face alone”, the Government also launched a further [consultation](#) on policy proposals for creating pensioner-only CDC arrangements (“Retirement CDC schemes”). The consultation closes at 11.59pm on **4 December 2025**.
- Finally, [regulations](#) making minor corrections to existing legislation will come into force on **4 December 2025**.

CDC – the journey so far

CDC, or Collective Defined Contribution, is a type of DC arrangement where member and employer contributions are invested in a single collective fund, rather than individual pots. Unless a member chooses otherwise, a CDC scheme will provide a pension from the scheme at retirement based on the value of assets in the scheme. As they offer a target level of pension benefits, as opposed to a guarantee, CDC schemes are seen as a “third way”

between traditional DB and DC, offering savers an option “where risks are shared, returns are smoothed and retirement incomes are stronger”.

Regulations came into force on 1 August 2022 setting out the legislative framework for authorising and supervising CDC schemes, but only where there is a single employer or multiple employers which are financially connected (ie part of the same corporate group). Alongside the regulations, TPR issued an accompanying [code of practice](#) outlining its expectations of the authorisation and supervision regime.

Expanding CDC to unconnected employers

With a view to modernising the pensions market, the UMES regulations laid today will significantly extend the scope of CDC. The proposals broadly follow the existing CDC regime for single and connected employers, as well as borrowing elements from the DC master trust authorisation regime, where appropriate. This includes the need to offer such benefits through a trust-based environment, TPR authorisation and supervision, and annual valuations and adjustments.

Other familiar features include:

- those involved with the UMES having to satisfy a “fit and proper persons” test
- scheme design needing to be “sound” and the UMES being financially sustainable
- adequate systems and processes being in place for communicating with members and others, and
- the UMES having an adequate continuity strategy.

Decumulation-only CDC

New guided retirement provisions included in the Pension Schemes Bill will require trustees or managers of DC occupational pension schemes to design and make [default retirement solutions](#) available for their members (from which members can choose to opt out). Where it is “not practicable” for trustees or managers to do so, they will need to partner with another scheme. Retirement CDC schemes are therefore seen as a possible solution here.

The intention is that Retirement CDC schemes will need to be established within an occupational pension scheme, eg as a section of a Master Trust or UMES, but with pensioner members only. As there will be no regular or ongoing contributions from members or employers, and no new benefits building up, Retirement CDC schemes would take advantage of longevity pooling so as to provide retirement income.

Unsurprisingly, the proposed framework for Retirement CDC schemes will be built on existing CDC requirements. Much of the consultation therefore looks at how Retirement CDC schemes will fit within this, the adjustments which may need to be made, and the mechanism by which members would join. The Government’s ultimate aim “is to ensure that the regulatory framework is sufficiently flexible to accommodate a range of designs, while maintaining appropriate safeguards for members”.

Consequential changes will be made to other legislation, such as preservation requirements, to allow transfers of DC benefits without consent to authorised CDC schemes. Other policy considerations centre on the importance of disclosing information to and communicating with members at key stages.

Next steps

The Government's [press release](#) issued yesterday announcing the CDC changes references research indicating that CDC schemes "could boost retirement incomes by up to 60% while providing more security". Against this backdrop, and the Government's stated policy of achieving scale in the pensions market, today would seem to mark the beginning of a major expansion of CDC.

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