

DC briefing

March 2026

Highlighting the latest developments in DC for trustees, employers and providers



Introduction

As the pensions landscape continues to evolve at pace, this briefing focuses on two areas that remain firmly at the forefront of policy change: VFM and CDC. We highlight the latest developments in both, alongside key updates shaping the wider DC agenda.

News



Governance and Trusteeship

The DWP is [consulting](#) on trustees and governance in trust-based schemes, aiming to identify measures that can raise the standards of trusteeship, governance and administration, including considering mandatory accreditation for professional trustees. The consultation closes on 6 March 2026.



Targeted support ("TS")

The FCA has issued [near-final rules](#) for TS, which will allow FCA-regulated firms to offer suggestions designed for groups of customers with common characteristics to help them make important decisions across their pensions and investments. See our [hot topic](#) for more detail.



Changes to salary sacrifice

In the [Autumn Budget 2025](#), the Government announced that pensions salary sacrifice contributions will be capped at £2,000 a year from 6 April 2029. Contributions exceeding that cap can still be made but will be subject to employee and employer NICs. The [legislation](#) to introduce these changes is making its way through Parliament.



Changes to IHT

From 6 April 2027, most unused pension funds and death benefits will be included in the value of a person's estate for IHT purposes. But the Government intends all death in service benefits to be out of scope of IHT (see our [Quarterly briefing – March 2026](#) for more detail).

The evolution of CDC



With major changes underway in the pensions world (see our [October 2025 DC Briefing](#) for a stock take), a key piece of the DC jigsaw is the UK's newest type of pension scheme, CDC. Here, we look at how CDC has evolved and what we can expect next.

What is collective defined contribution ("CDC")?



CDC (sometimes referred to as "collective money purchase") is a type of DC arrangement where member and employer contributions are invested in a single collective fund, rather than individual pots. CDC schemes provide a pension at retirement based on the value of assets in the scheme. Unlike DB schemes, they offer a target level of benefits rather than a guarantee. CDC is therefore seen as a "third way" between traditional DB and DC.

The journey so far

CDC schemes have been an option since 1 August 2022, but only for single employers or multiple employers which are financially connected (ie part of the same corporate group). These schemes are authorised and supervised by TPR, with a CDC code of practice setting out TPR's expectations.

Unconnected multi-employer CDC schemes ("UMES")

Regulations paving the way for UMES come into force on 31 July 2026.

The framework for these schemes broadly follows the existing CDC regime for single and connected employers, as well as borrowing elements from the DC master trust authorisation regime. 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 of UMES include:

- those involved with the scheme having to satisfy a "fit and proper persons" test
- scheme design needing to be "sound" and the scheme being financially sustainable, and
- the scheme having an adequate continuity strategy.

There are also some key differences, for example, the scheme must:

- generally start operating within 24 months of TPR receiving their authorisation application, and
- have a single "scheme proprietor" whose responsibilities include making business decisions to cater for the scheme's specific commercial activities and financing the scheme if charges are insufficient to cover costs.

TPR has [consulted](#) on a revised CDC code of practice to accommodate the new type of scheme, with the intention that prospective schemes will be able to begin making applications for authorisation later in 2026.

The evolution of CDC cont.

CDC as a decumulation option?

Against the backdrop of new guided retirement rules, and concerned that people approaching retirement are often “left navigating complex choices and shoulder risks they shouldn’t have to face alone”, the Government [consulted](#) in October 2025 on policy proposals for creating decumulation-only CDC arrangements (“Retirement CDC schemes”).

How will Retirement CDC be structured?

Retirement CDC schemes are likely to sit within an established occupational pension scheme, eg as a section of a master trust or UMES, but with pensioner members only.

There would be no regular or ongoing contributions from members or employers, and no new benefits building up, but Retirement CDC schemes would take advantage of longevity pooling to provide retirement income.

The Government’s consultation looked at how Retirement CDC schemes fit within the existing CDC regime, with the ultimate aim “to ensure that the regulatory framework is sufficiently flexible to accommodate a range of designs, while maintaining appropriate safeguards for members”.

Changes would need to be made to other legislation to allow transfers of DC benefits without consent to authorised CDC schemes and, importantly, to cater for disclosure and member communication requirements.

Guided retirement



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.

Timing

According to the Government’s [CDC roadmap](#), we can expect TPR to accept applications from prospective Retirement CDC schemes from 2028. The guided retirement rules are due to come into force earlier, with DC master trusts intended to become subject to the new requirements in 2027.

The finer details of both regimes are still developing, requiring careful co-ordination to ensure that, as the Government hopes, Retirement CDC schemes provide viable default retirement solutions.

Updated proposals for new VFM Framework



In January 2026, the FCA, the DWP and TPR published a [joint consultation](#) on detailed proposals for the new VFM framework for DC schemes (the “Framework”).

Work towards the new market-wide Framework has been ongoing for several years, with the aim of shifting focus from cost towards value amongst employers, trustees and managers. Ultimately, it is hoped that this will improve member outcomes by “promoting competition, increasing transparency, and standardising assessments of value”.

Alongside other DC policy measures in progress, including guided retirement and CDC, the Framework is set to bring significant changes to the DC market.

What is the Framework?



Once implemented, all schemes in scope will be required to report on a range of metrics and to use this data to assess the value of their offering against comparators. If a scheme offers poor value, firms and trustees must drive improvements or transfer members to a “value rated arrangement”.

The Framework consists of four elements:

- **consistent measurement and disclosure**, involving public disclosure of investment performance, costs and service quality using specified metrics
- **objective comparison** against the market
- public disclosure of VFM assessment results for **transparency of outcomes**
- trustees and firms must take specified **action on poor value**.

The journey so far

Following a 2023 [joint consultation](#) on VFM policy proposals, 2024 saw the FCA [consult](#) on detailed rules and guidance for default arrangements of contract-based workplace DC schemes.

The [Pension Schemes Bill](#) currently making its way through Parliament contains the proposed requirements for trust-based schemes, to complement those being established by the FCA.

The latest publication, described by the FCA as “fairly technical”, further develops the detailed rules and guidance for contract-based schemes in response to the FCA’s 2024 consultation. Views are invited on how the rules would translate to trust-based pensions to help shape the DWP’s regulations that will implement the Framework for trust-based schemes (expected during 2026/27), and TPR has published an [overview](#) of the Framework to encourage engagement with the consultation.

Updated proposals for new VFM Framework cont.

Changes proposed

Some important changes are proposed to the Framework:

New rating system

The previously proposed “traffic light” ratings have been expanded to allow identification of the top performers:

- strong performance, where no or few improvements could be made
- value could be improved
- not offering value but could be improved to reach value
- not offering value and cannot be improved

Comparing value

Enabled by the VFM database, the comparison will be carried out against a commercial comparator group rather than just three other arrangements.

Central VFM database

The FCA has replaced proposals for VFM data to be published on individual scheme websites with the suggestion of a central VFM database for calculation of data for comparison and potentially publication. This is intended to allow easier access to VFM data and enable wider comparisons.

Action for poor performing schemes

Firms rated “red” must transfer out members where it is in the members’ best interests. This reflects the expected introduction by the Pension Schemes Bill of provisions to enable bulk transfers for contract-based arrangements without member consent, similar to existing provisions for trust-based schemes. If the transfer is not in members’ best interests, eg where safeguarded benefits cannot be replicated, firms and trustees would continue to seek to improve value and put in place mitigations to protect members from foreseeable harm.

What arrangements are in scope?

The aim is to initially target arrangements where members “are most likely to be disengaged and therefore at greater risk of receiving poor value”. To achieve this, a contract-based arrangement with assets in accumulation which has been operating for at least one calendar year would be in scope where:

- it is a default (ie where contributions to an automatic enrolment scheme are invested without the employee having made an active choice), or a “quasi-default” (where a pre-automatic enrolment arrangement is treated as akin to an automatic enrolment default), and
- it has:
 - at least 1,000 members, or
 - fewer than 1,000 members but is either the sole or largest default or quasi-default arrangement provided by a scheme.

Some exclusions would apply, including SIPPs and certain schemes in winding-up.

For trust-based schemes, this proposal is expected to capture the majority of single employer DC schemes, regardless of size. However, this is yet to be finalised and feedback is welcomed.

Next steps for VFM



Contact

Sackers is the leading specialist law firm for pension scheme trustees, employers and providers. Over 60 lawyers focus on pensions and retirement savings, including our DC experts who provide practical and specialist help on all aspects of DC arrangements. For more information on any of the articles in this briefing, please get in touch with Helen Ball, Jacqui Reid or your usual Sackers contact.



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Upcoming events



 We offer an extensive programme of workshops, seminars and trustee training. If you would like to attend any of our events, please contact events@sackers.com or visit www.sackers.com/events.

Quarterly legal update	07/05/2026	Online webinar This session will provide an essential overview of significant developments affecting occupational pension provision in the UK for employers and trustees.
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