

CDC schemes – the future of pensions?

May 2026

The Government hopes that expanding CDC will help “build a fairer pensions system that gives people confidence their hard-earned savings will last and they can enjoy their retirement”. We take a look at the key CDC developments and what is still to come.

What is CDC?



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 schemes.

Updated code of practice



TPR consulted on a [revised CDC code](#) in December 2025, to cater for UMES. The [final version of the code](#) has been laid before Parliament and is expected to come into force in mid-October, with further guidance planned “before the summer”.

Unconnected multi-employer CDC schemes (“UMES”)



Regulations come into force on 31 July 2026 which will significantly extend the CDC market by enabling UMES alongside single and connected employer schemes. TPR is already in discussion with several possible UMES and the first such schemes may begin operating in early 2027.

What will the UMES regime look like?

The UMES regime builds on the existing CDC regime, as well as borrowing elements from the DC master trust authorisation regime. Familiar features include that key people involved with the scheme must satisfy a “fit and proper persons” test, annual valuations and adjustments will be needed, and the scheme must have an adequate continuity strategy.

Differences from single and connected employer CDC

UMES must:

- ✓ start operating within 24 months from the date on which TPR approves the application
- ✓ have a single “scheme proprietor” that is responsible for, among other things, financing the scheme where its administration charges are not enough to cover its costs and making business decisions relating to the commercial activities of the scheme
- ✓ be able to cater for employers with different contribution or accrual rates within the same section (subject to various conditions), and
- ✓ comply with new promotion and marketing restrictions, recognising that UMES are more likely to be run on a commercial basis.

Retirement CDC schemes

The Government [consulted on policy proposals](#) for retirement-only CDC arrangements in October 2025. The intention is that these 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. Individuals who have built up DC pots could transfer them into one of these arrangements to provide a non-guaranteed income for life.

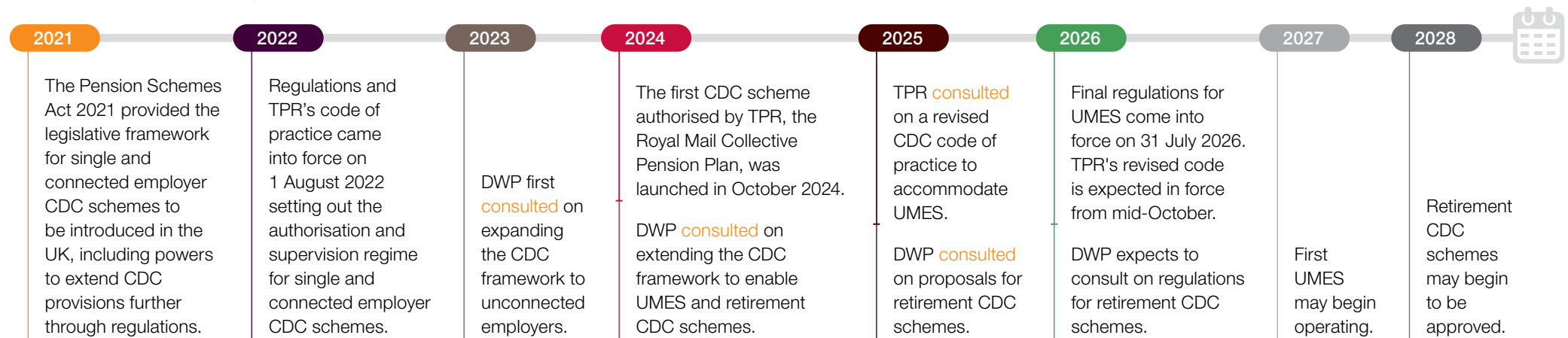
Unsurprisingly, the proposed framework for retirement CDC schemes will be built on existing CDC requirements. Policies including the possible benefit adjustments and the mechanism by which members will join were considered in the consultation, which closed in December 2025. The Government expects to publish a response and consult on regulations for retirement CDC schemes later this year.

How does this fit with the new guided retirement rules?

New guided retirement rules included in the [Pension Schemes Act 2026](#) 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.

According to the Government’s [CDC roadmap](#), we can expect TPR to accept applications from prospective schemes from 2028. However, the guided retirement rules may come into force earlier, starting with DC master trusts from 2027.

Timeline of CDC developments



If you have any questions on any of the above, or would like further information, please speak to your usual Sackers contact.