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CDC guide

Sackers' experts highlight the latest CDC developments for trustees, providers and employers

October 2026



Abbreviations

CDC: collective DC

DB: defined benefit

DC: defined contribution

R-CDC: retirement CDC

TPR: the Pensions Regulator

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Introduction

Welcome to our new CDC guide for trustees, providers and employers.

CDC has reached an important milestone. With the authorisation window for multi-employer CDC schemes open since the start of August 2026, CDC is set to become a mainstream benefit option in the UK. We expect several multi-employer CDC schemes to be live by mid-2027 and R-CDC to become a reality from 2029, aligning with the implementation of guided retirement. The regime for single and connected employer CDC schemes has been in place since 2022, but with only one such scheme authorised to date, the expectation is 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".

Providers and employers are now starting to consider in detail how they could access the nascent CDC market. Providers looking to enter the market will need to decide whether to set up a new multi-employer CDC scheme or establish a CDC section(s) of an existing master trust, whether for whole-of-life or retirement only. In this guide, we look at the key considerations for providers, how trustees of such schemes (and employers considering using them) should approach the new CDC world, as well as the next steps in expanding the legislative framework for R-CDC.

We hope you enjoy reading this guide. If you would like to discuss how we can support you with a CDC project, or if you would like to understand more about how CDC could develop your offering, please speak to any member of the Sackers team.

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How does R-CDC fit into the retirement landscape?

The Government sees R-CDC, ie CDC arrangements in which all the members are pensioners, as an option which would add to the current retirement landscape – providing an income for life and targeting benefit increases, without providing any guarantee. With draft regulations expected before the year is out, R-CDC is moving from theory to practical implementation.

What will the regime for R-CDC look like?

R-CDC is likely to sit within an established occupational pension scheme, eg as a section of a master trust. R-CDC arrangements will need to be authorised by TPR and meet the same authorisation criteria as multi-employer CDC schemes, including fit and proper persons, scheme design, financial sustainability, continuity strategy, systems and processes, communications and promotion and marketing requirements.

An R-CDC scheme is fundamentally different to a multi-employer CDC scheme because there will be no employer participation or contributions, and members will need to consent to access the scheme. The Government has confirmed that existing transfer laws allowing bulk transfers without consent to CDC arrangements won't apply to R-CDC. This means that members will likely be allocated a cohort on joining which reflects their starting level of income, market conditions and targeted benefits. Providers will need to think carefully about how they design the pathway, and access, to an R-CDC scheme to ensure sufficient scale, pipeline of new members / assets and alignment with the guided retirement regime.

R-CDC as a "default pension" under guided retirement

The new guided retirement rules 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). The Government's hope is that R-CDC will be a possible solution here, helping address concerns that people approaching retirement are often "left navigating complex choices and shoulder risks they shouldn't have to face alone".

Under the Government's guiding principles for guided retirement, a default retirement solution will need to provide an income for life through retirement and protect against longevity risk – two key features of an R-CDC arrangement. While R-CDC could be used as a standalone default pension or as the "fix" component of a "flex and fix" model, we expect most R-CDCs will be a standalone arrangement due to the need to build scale and balance simplicity with flexibility.

Given guided retirement will require members to agree to start receiving their default pension (whether R-CDC or a different solution), trustees and providers will need to consider how member communications, engagement and consent fit into their default solution pathway. Members should be informed at the point of joining the scheme in accumulation and throughout their pensions journey about the scheme's default solution and when their ability to make a different choice would become restricted.

When will R-CDC become a reality?

We are expecting draft regulations later in 2026 with the legislative and regulatory framework expected to be in place by late 2028, and the first R-CDC schemes likely to launch in 2029.

The Government's updated roadmap recognises that guided retirement and R-CDC are interrelated and has adjusted timings for the planned next phases as a result. Guided retirement is now set to be phased in from 2029, with master trusts first to comply. However, to support the development of R-CDC, the Government plans to consult on allowing schemes committed to offering R-CDC as their default retirement solution an extension to the deadline for compliance with guided retirement to 2030.

Entering the CDC market: key questions for providers

Providers looking to enter the CDC market will need to decide whether to set up a new multi-employer CDC scheme or establish a CDC section(s) of an existing master trust, whether for whole-of-life or retirement only. This decision will depend on several factors, including costs, existing governance structures, the potential to leverage efficiencies from existing DC master trust authorisation, employer pipeline / interest, member demographic and benefit design. However, as the new multi-employer CDC and master trust authorisation regimes are separate, any master trust looking to offer CDC will need to go through an entirely new process.

1

Who will act as scheme proprietor?

When setting up a CDC arrangement, providers need to consider carefully their corporate and scheme structure. Under the multi-employer CDC regime, the scheme proprietor is responsible for funding the scheme and making commercial decisions, combining elements of the DC master trust scheme strategist and scheme funder roles. Crucially, however, the scheme proprietor is not categorised by profit flows (unlike the scheme funder) and there can only be one scheme proprietor.

If establishing a CDC section of a DC master trust, providers will therefore need to consider which entity will perform the role of proprietor, and how this role interacts with the existing strategist and funder functions. In a standalone structure, providers will need to consider how to capitalise the scheme proprietor without exposing other corporate entities to funding and fitness and propriety requirements.

2

Financial sustainability

Perhaps the key question for a new commercial pension arrangement is: “where’s the money coming from?”. Scheme proprietors need to hold sufficient financial resources to set up and run the scheme and to meet the costs of a triggering event. Trustees need to understand the financial position of the new structure, including the source of finances, cashflows, charging structures and any legally enforceable agreements supporting financial obligations.

While establishing a CDC section of an existing scheme is likely more cost efficient, this will depend on any changes required to the existing scheme structure and whether the CDC arrangement can leverage existing systems and processes to reduce running costs.

3

Trustee governance

CDC benefit design, governance and systems and processes (including administration and IT systems) differ fundamentally from DC benefits. Trustees of multi-employer CDC schemes will need to consider whether their collective skills and competencies, capacity and resources sufficiently cater for CDC, both through authorisation and longer term as the scheme gains traction. They will likely need to upskill quickly and recruit. Similarly, proprietors setting up a new CDC arrangement will need to appoint a trustee board with specific skills for authorisation (eg corporate finance and strategic expertise) but with an eye to the future.

It is likely that trustees would need to appoint specific service providers for the CDC arrangement and consider carefully how their existing governance structures need to evolve for CDC. See “How should trustees approach the new CDC world?” on pages 6 and 7.

4

Seeding CDC

Irrespective of the structure of the CDC arrangement, proprietors should consider how they will seed it to gain scale quickly and stand the best chance of success.

For multi-employer CDC schemes/ sections, we expect a seed employer(s) to switch to CDC for auto-enrolment and for members to bulk transfer without consent from a DC arrangement, providing assets at inception. Ceding (ie transferring) trustees need to agree to a bulk transfer without member consent, and we expect actuarial input on a value for money comparison between the ceding (DC) and receiving (CDC) arrangements to enable trustees to comply with their fiduciary duties.

As the Government does not plan to enable bulk transfers without consent to an R-CDC arrangement, providers will need to think strategically about how R-CDC fits into their guided retirement solutions and how to structure member consent to ensure a sustainable flow of assets. There will need to be alignment between investment and communication strategies in the accumulation (DC) phase and decumulation (CDC) phase.

5

Employer engagement

For employers considering CDC, decisions will likely hinge on costs management, potential partnership opportunities with providers, and the extent to which CDC will replace or supplement existing pension provision for their workforce. Whole-of-life CDC will only be a success with proactive employer engagement.

Proprietors need a clear and sustainable employer base for sufficient members and assets, and to support with member communication. Employers need to be satisfied that CDC is attractive and sustainable for their workforce and that, in choosing a CDC arrangement, it is fit for purpose and aligns with their business culture and principles.

How should trustees approach the new CDC world?

As CDC gathers momentum, scheme proprietors have been sourcing capital, building operational structures and processes, gauging employer interest, identifying target markets and considering scheme design in a finely balanced trade-off between fairness and simplicity.

But the authorisation application and meaningful engagement with TPR can only begin to take shape with the appointment of a trustee board. Trustees are responsible for approving and submitting the authorisation application and, more widely, ensuring that the scheme's core functions (governance, administration, investment and communications) are robust, fit for purpose and future proofed. By appointing trustees early, scheme proprietors can benefit from their input and avoid issues arising further down the line.

A strategic partnership

The working relationship between the scheme proprietor and trustees is fundamental to a successful set-up and authorisation process. Most new commercial pension schemes are start-ups; they need to set up the pension scheme and corporate infrastructure from scratch. In this scenario, trustees need to act as a strategic partner to the scheme proprietor, working collaboratively to get the proposition up and running in a risk-managed way. This broadens the role of the trustee board.

Moving quickly towards authorisation requires considerable trust and confidence between the two parties. Trustees need to be confident that the scheme proprietor understands their role in protecting members' interests, managing risk and engaging with TPR. Equally, trustees need to recognise that the scheme proprietor is likely a commercial entity, answerable to wider stakeholders (eg external investors) and its interests should be taken into account where there is no conflict with trustee duties to members.

While the interests and priorities of the scheme proprietor and trustees will largely align, inevitably there will be areas requiring compromise. For example, if the scheme proprietor requires a unilateral power to decide a course of action (eg opening a new section), trustees will need to ensure this is subject to pre-agreed parameters. Similarly, if the proprietor is reluctant to reserve financially for continuity option three (running as a closed scheme), trustees should review the position periodically.

From the outset, the scheme proprietor and trustees should agree a governance framework with clear responsibilities, delegation and reporting processes to establish effective ways of working and ensure appropriate trustee oversight. Trustees must also have flexibility and autonomy to commission independent advice within pre-agreed budgets where appropriate, enabling them to properly scrutinise the proprietor's initial work and meet TPR expectations around independent decision-making.

Financial sustainability

Trustees will need to ascertain where the money is coming from. This will dictate cashflow, including how profit flows from the scheme, and the availability and suitability of financial resources. Under the multi-employer CDC framework, the scheme proprietor itself needs to hold set-up and running costs. However, if the scheme proprietor is a newly formed entity, it is unlikely to have audited accounts at authorisation. Trustees will need to work with the scheme proprietor to agree ring-fenced financial reserves that reflect the business plan and evidence the financial sustainability of the scheme.

Scheme design

Before appointing a trustee board, most scheme proprietors will have carried out a thorough feasibility study to determine the employer base, membership profile and scheme design. We expect most multi-employer CDC schemes will adopt age-related accrual where different age groups receive different benefit amounts for the same level of contribution to reduce intergenerational cross-subsidies.

But trustees will still need to assess whether the scheme design is sound, fit for purpose and achieves a pragmatic and proportionate balance between fairness and simplicity. They will need to work closely with the scheme actuary to understand the assumptions, projections and modelling underpinning the scheme design, which feed into the viability report and certificate. The scheme design will also influence scheme communications, systems and processes and the continuity strategy. Trustees need sufficient time to review and approve each component of the authorisation application, which are interconnected and should not be viewed in isolation.

Communications

Perhaps the biggest and most publicised risk for CDC (particularly a multi-employer CDC scheme with a diverse membership and wide-range of employers) is communication risk. Trustees will need to decide how best to communicate with members and encourage feedback to build engagement and understanding. Communications should be clear, accessible and proportionate, explaining the key risks and features of the CDC scheme without overwhelming members with unnecessary detail.

This is a critical balance to strike – members do not need to understand every aspect of benefit design but they need sufficient information to make informed decisions. Trustees should adopt a risk-based and flexible communications strategy, focusing on headline messages around accrual, benefit adjustment and indexation, developing communications in response to member feedback and designing bespoke communications for different cohorts of members, if appropriate.

Promotion and marketing

There are limits to trustees' role as a strategic partner to the proprietor. Trustees cannot promote or market the scheme and, as part of the authorisation application, they must provide assurance to TPR that this is the case. In a commercial context, this can be difficult because the proprietor is likely to want trustees to act as figureheads for the proposition, support tenders and help generate new business. As promoting and marketing can take many forms, trustees need to understand how to provide factual information about the scheme or CDC more generally without straying into persuasion or inducement. Trustees should have regard to TPR's recently published guidance in this area and exercise caution with any material that provides illustrations and expected levels of income.

The way forward for trustees

CDC has the potential to bring real benefits to members and help to address the UK's retirement adequacy challenge. If implemented carefully, CDC could provide higher, more sustainable retirement income for those who need it most. Trustees are perfectly placed to influence the direction of travel and ensure new CDC schemes are designed and operated in a way that has the best chance of success.

This is an edited version of the article by Michael Jones first published in Professional Pensions on 11 August 2026.

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How we can help

We have unrivalled experience of advising on the set up, restructuring and authorisation of commercial pension schemes. Recognising the increased appetite and momentum behind CDC pension provision in the UK, we have invested significantly in our CDC expertise over the last few years. Our partners sit on industry working groups, including PASA and the SPP, driving forward industry engagement from a legal perspective.

Sackers is the UK's leading commercial law firm for pension scheme trustees, employers and providers. Over 80 lawyers focus on pensions and its related areas, including the industry's largest team of DC legal experts. For more information on any of the articles in this briefing, please get in touch with Helen, Michael, any of the team below, or your usual Sackers contact.



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