Sackers

DWP consults on guided retirement policy and retirement collective pension schemes

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Introduction

On 3 November 2026, the DWP published a consultation on its guided retirement policy proposals for both contract-based and trust-based schemes, alongside its response to its 2025 consultation and a consultation on draft regulations for retirement CDC schemes (now referred to as "retirement collective pension schemes" or "RCPS").

Key points

- Guided retirement is a key pillar of the Government's agenda to turn DC pots into pensions and develop a pensions system that adequately supports people through retirement. The consultation considers how the introduction of default pensions will operate in practice, and how it can be implemented across the market in a way that works for individuals and pension providers (including trustees of occupational pension schemes).
- Subject to certain exceptions, guided retirement will apply to members of occupational pension schemes who are primarily DC savers (excluding those with DC AVCs only) and across the whole contract-based market.
- Although protection against longevity risk is a core principle of guided retirement, in recognition of the challenges this could present the Government may introduce a threshold (a combined value of £10,000 with a single provider, net of any PCLS withdrawals) below which providers would not be required to deliver a regular income in retirement.
- By pooling longevity risk, RCPS can provide an income that is designed to last for life. Initially, the Government intends such schemes to be accessed through guided retirement, and providers may be required to include RCPS in their market assessment of potential options for default pensions.
- The draft RCPS regulations establish the framework under which RCPS can be authorised, supervised and operated, and set out how the framework differs from the existing framework for unconnected multi-employer schemes ("multi-employer CDC").

- The two consultations have been published together deliberately, and respondents are encouraged to consider them together and reflect on "how each regime can support the other". Please see our forthcoming hot topic for additional insight and opinion.

Guided retirement - background

Guided retirement "is intended to build on the success of automatic enrolment by providing a clear, high-quality route into retirement for the mass market". It aims to "improve retirement incomes through default pensions that harness economies of scale and longevity protection". Reflecting "evidence that behavioural biases and limited engagement can make retirement decisions difficult for many people", the policy will remove the need for individuals to make complex decisions.

The PSA26 will require trustees of occupational pension schemes to design and make available to eligible members one or more default pension benefit solutions ("default pensions"), and keep this under review. Schemes may provide their own solution(s) or, where "it is not reasonably practicable" for them to do so or the trustees consider another scheme's solution would provide better outcomes, partner with another arrangement. However, the individual's consent to the transfer will be needed.

The FCA is required to introduce comparable provision for contract-based schemes.

Guided retirement – key policy proposals

Design

Building on the Government's key principles, default pensions will be required to include the following features:

- protection against longevity risk on pots above £10,000 (see above)
- a single point of consent
- cooling-off periods, and
- pre-designing parameters (such as how much flexibility an individual can have within a default pension).

The parameters, including any limitations, will have to be clearly communicated to individuals and documented in an occupational pension scheme's Pension Benefits Strategy (see below).

Providers will be expected to demonstrate that they have considered certain factors in determining which default pensions to make available, such as protection against inflation risk and including RCPS in their assessment of suitable options. The latter is intended to ensure innovations are considered alongside more established approaches.

Pension Benefits Strategy ("PBS")

An additional requirement for trust-based schemes, the PBS will provide a mechanism for trustees or managers to document the evidence underpinning their decisions. It must be published (alongside specified evidence, such as how the trustees took account of the design considerations (see above) and how they identified any different cohorts) and, on request, a copy provided to TPR or any member. To ensure members who want to engage can understand it, schemes will be required to produce a summary of the PBS as part of the full document.

Member communications

Default pensions will be supported by a communications framework to help reinforce member understanding, ensure they are aware of default pensions and how they will operate, and enable members to make other informed choices if they wish. The DWP's preference is to build on existing requirements where possible, prescribing new rules and regulations only where necessary.

On a related note, the Government proposes that the "trigger point" for allocating a default pension to an individual (including allocating individuals to cohorts) and for communicating information on the default pension is when an individual comes to access their pension. In our view, this is late in the retirement journey because members need to understand and be fully apprised of their designated default pension sufficiently in advance of this trigger point to build trust, confidence and understanding of what happens when they come to access their pension.

Retirement collective pension schemes

Background

The framework for CDC schemes for single employer or multiple employers which are financially connected (ie part of the same corporate group) came into force in 2022. This was extended to cover multi-employer CDC on 31 July 2026.

The Government wishes to extend CDC, or collective pensions ("CP") as it now refers to it, to allow DC savers to access a CP income at retirement through an RCPS and, with this in mind, has aligned the timing of its introduction with that of guided retirement.

Key proposals

Taking into account feedback received on its 2025 consultation, the draft regulations establish the framework under which RCPS can be authorised, supervised and operated. Key proposals include:

- initially, RCPS will be accessible only through guided retirement. However, individuals who have transferred to an RCPS through guided retirement will be able to transfer other pension pots into the scheme
- RCPS will only be established within a master trust or a multi-employer CDC scheme
- the requirements for RCPS will mirror those for multi-employer CDC, subject to differences to reflect the schemes' different natures. For example, bulk transfers without consent will be permitted into a multi-employer CDC scheme, but not into an RCPS "due to the concern for the potential for member harm"
- as RCPS will need not only to attract employers but also to engage with the decision-makers responsible for selecting default pension solutions, including trustees and managers of occupational pension schemes and relevant FCA-regulated firms, statutory changes will be made to allow them to make appropriate communications, and
- a 0.75% annual charge cap will be introduced, aligning with the existing cap for most DC and multi-employer CDC schemes. It will apply to the collective fund, rather than individual pots.

Interaction with tax legislation

As announced at the Budget 2026, the Government plans to provide a cooling-off period to enable individuals who start receiving a pension under RCPS to convert it to flexi-access drawdown within a set timeframe (one year is proposed), if the RCPS chooses to provide that option under the scheme rules. Other future legislative

changes include expanding the circumstances where a member may keep their protected pension age or scheme specific lump sum protection following a transfer to an RCPS.

Implementation timetable

Proposed timetable

Subject to consultation feedback and Parliamentary agreement, the guided retirement duties are expected to apply to:

- master trusts and FCA-regulated schemes from summer 2029 (12 months after regulations are due to be made and the FCA policy statement published)
- master trusts offering RCPS as a default pension (which may include FCA-regulated schemes within the same group) from summer 2030 (this 12-month "grace period" is intended to avoid discouraging schemes from participating in RCPS). To qualify for this extension, a PBS, setting out the scheme's intention to provide an RCPS as its default pension solution, must be published by summer 2029. TPR will have to be notified, at least three months before that deadline, that the extension is being used. (The FCA is considering whether an equivalent extension should apply to the contract-based schemes where the firm's master trust has qualified for an extension), and
- common employer group ("non-commercial") master trusts and single employer trusts from summer 2030.

Next steps

The consultation on the draft RCPS regulations closes on 15 December 2026, followed by the consultation on guided retirement on 22 December 2026.

The DWP expects to publish the Government's consultation response in Q3 2027, alongside a further technical consultation on draft regulations and a consultation on FCA rules.

In other news, the Government guided retirement expects to respond to its consultation on trusteeship and governance "shortly".

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