



TPR extending the CDC code of practice consultation

IFoA response

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Introduction

The IFoA welcomes the opportunity to respond to the Pensions Regulator's consultation on Extending the Collective Defined Contribution (CDC) Code of Practice, published on 19 December 2025. We see CDC as an important step forward in the evolution of UK pensions. CDC schemes have long been supported by the IFoA as a means of delivering better outcomes for savers by pooling longevity and investment risk, enabling more sustainable and potentially higher retirement incomes than traditional individual DC approaches. Extending the Regulator's Code of Practice to include unconnected multi-employer CDC schemes (UMES) is an important next step and we encourage the Regulator to ensure it can be in place well in advance of UMES applications becoming a reality from 31 July 2026.

Executive Summary

The IFoA is encouraged by TPR's continued commitment to supporting the development of both single-employer and multi-employer CDC provision, and we view this draft code as a positive and pragmatic step in enabling a sustainable and well-governed CDC market in the UK.

Across our response, we highlight several key themes:

- Clarity and usability of the code - We strongly support TPR's aim to provide a single code for all CDC schemes. We suggest a small number of areas where clearer drafting, re-ordering, or consolidation could further improve usability for prospective entrants.
- Proportionate expectations for multi-employer schemes - We welcome the introduction of guidance specific to multi-employer arrangements and provide suggestions where additional practical clarification (particularly around the scheme proprietor, financial sustainability requirements, and sectionalisation) would support consistent implementation without deterring innovation.
- Flexibility and principles-based regulation - We encourage TPR to maintain the broadly principles-based approach reflected in the draft code. Excessive prescription in areas such as marketing oversight, financial resources, and systems and processes could risk placing undue barriers on new providers at an early stage of market development.
- Member protection and fairness – We are supportive of the code's focus on transparency and fair outcomes for members. We highlight specific areas where clearer guidance could mitigate risks - for

example, managing the impact of changing membership profiles, ensuring investment governance remains independent, and avoiding unintended conflict of interest.

Overall, we view this draft code as a constructive foundation for the next phase of CDC development in the UK. We hope that our suggestions assist TPR in refining the guidance to ensure it remains practical, proportionate, and supportive of a vibrant and competitive CDC market.

General questions

1. Do you agree with our approach to replacing the existing CDC code with a code that covers both single-employer and multi-employer schemes?

Yes, we agree with this approach.

2. Do you foresee any issues with this approach?

Provided it is made clear where the provisions of the code differ for 'single employer' and 'multi-employer' CDC schemes the proposed approach should work well. This generally seems to be the case. We also note that further care will be required to distinguish between CDC types if, in due course, Retirement-only CDC is also woven in.

One area in which the drafting could be improved is the section on "Sound scheme design: viability certificates", which refers to the live running tests under the "2022 regulations" and the "2025 regulations" rather than the live running test applicable to 'single employer' and 'multi-employer' CDC schemes. The sub-heading referencing "both types of scheme" could also refer to "all CDC schemes".

3. Do you consider that any important areas of the authorisation criteria require additional explanation or guidance?

Although it is clear what requirements a chief financial officer would need to satisfy, it is not clear whether a multi-employer scheme could be authorised without having a named chief financial officer. Our reading is that this is not a requirement of the legislation – and the 'scheme proprietor' (which is a requirement for a multi-employer scheme) would carry out a similar role.

4. Are there any sections or paragraphs of the code that should be relocated to make them easier to use?

There appears to be some duplication in the section entitled "Continuity strategy: Continuity option 1 (discharge liabilities and wind-up)". In particular, text under the subheadings "Periodic income" and "Investments" seems to be repeated under the subheading "Income during wind-up".

Section-specific questions

Introduction, applying for authorisation, authorisation criteria and sectionalisation

5. Is the explanation and level of detail we have set out in this section sufficient?

Yes, other than our comments on sectionalisation in the response to the question immediately below.

6. Is it clear what constitutes a section and when you must divide a scheme into multiple sections?

The paragraph under “Authorisation criteria: Sectionalisation”, commencing “If a multi-employer CDC scheme is required to divide into sections....” should be clarified. We can see only two possible outcomes following the division of a scheme (or section) into two separate sections – one the original section and the second a new section.

The two outcomes should be clearly addressed in the code –

- Both sections continue to remain open to future accrual and therefore both will require authorisation. In this scenario we would anticipate the Pensions Regulator being involved in advance of sectionalisation and ideally providing the necessary authorisations in advance of sectionalisation;
- Only the new section will remain open to future accrual and the original section will be closed to future accrual. In this scenario, TPR will need to be satisfied that the new section satisfies the requirements for authorisation, and so we would again anticipate the Pensions Regulator being involved in advance of sectionalisation. It is also possible that the withdrawal of authorisation for the closed section is appropriate, leading to a triggering event for that section and one of the continuity options being implemented.

As drafted, we think the wording suggests the authorisation will pass to only one of the two sections (and most likely to the section that may be closing to new accrual). We would suggest that the description be replaced with wording emphasising the need to liaise with the Regulator in advance of sectionalisation in order to ensure that the necessary authorisations are put in place. In practice, we can’t see how a scheme could effectively launch a new section through sectionalisation without getting authorisation for that section in advance.

7. Is it clear how the authorisation fee will be set for schemes with multiple sections?

It is not completely clear, as the fee for each additional section is not specified (other than it will be no more than the standard fee and be calculated on a cost recovery basis). The code appears to say no more than the regulations, although we can see why it has been drafted in this way and we are supportive of the approach adopted.

8. Is it likely that existing schemes will set up a CDC section and do we need further consideration of such mixed benefit schemes?

Whether CDC benefits are provided through a trust providing only CDC, or via a CDC section of a trust also providing DC and/or DB benefits, does not appear to raise additional issues as far as the code of practice is concerned – the same requirements should apply to a CDC scheme and a CDC section of a scheme providing wider benefits from separate sections. However, from an authorisation perspective, TPR may want to stress that no CDC section assets can be used for any other section, whether on wind-up or otherwise.

Systems and processes

9. Is the level of detail we have set out sufficient for schemes to meet our expectations for systems and processes?

We believe the level of detail is reasonable.

The draft code says: “We need to see that service provision contracts have been reviewed and negotiated before a decision to appoint is made.” It may be the case that negotiation is not always needed – evidence of robust governance requiring service provision contracts to be scrutinised and agreed should be sufficient.

10. Are there any industry standards or other approaches that could be used to satisfy us that a scheme is meeting our expectations?

Consistency with the single-employer approach seems more helpful than using a different approach.

Fitness and propriety

11. Is it clear which roles subject to fitness and propriety are unique to multi-employer CDC schemes?

The drafting seems reasonable.

12. Is the description of the roles requiring a fitness and propriety check sufficient to identify them within a scheme's governing structure?

The drafting seems reasonable.

13. Is the expected level of competence clear and appropriate for each role subject to a test of fitness and propriety?

The drafting seems reasonable.

14. Are there any potential conflicts of interest that could arise from trustees acting as chief investment officer in a multi-employer CDC scheme?

Yes, there could be several potential conflicts e.g. trustees should be responsible for overseeing the investment function and reviewing performance. The CIO is responsible for running the investment function and so is not independent.

However, there are parallels with the potential conflicts that can arise in any pension arrangement where a trustee also plays a direct role in shaping the investment strategy. In light of this, it may be helpful for the guidance to include examples of situations where it would be prudent for the CIO, who is also a trustee, to step back from certain trustee board decisions.

Scheme proprietor

15. Is the level of detail we have set out sufficient to understand the role and responsibilities of the scheme proprietor?

Broadly, yes – the consultation materials provide a useful high-level outline of the scheme proprietor's responsibilities, particularly in highlighting the new elements that apply specifically to multi-employer CDC schemes.

However, additional practical clarification would help prospective entrants better understand what is expected in practice. For example:

- the nature and scale of "financial support" a proprietor may be expected to provide,
- how oversight of marketing should be exercised day-to-day, and
- how responsibilities should be shared or delineated between proprietors, trustees and key executive functions.

16. Are any of our expectations of the scheme proprietor likely to deter prospective new entrants?

Potentially but only if expectations become too prescriptive or financially onerous.

CDC remains a new and still-developing market in the UK. Overly demanding requirements at the outset, for example, unclear expectations around financial backing or liability exposure could deter innovative or smaller providers who might otherwise bring healthy competition, diversity of design and broader uptake.

17. Can you tell us more about prospective business models, for example how the scheme proprietor is likely to be used in practice?

Various business models could emerge for UME CDC schemes, including different approaches to the scheme proprietor role. However, these will depend on each organisation's objectives and design choices, so we think it is best left to individual organisations to outline how they expect the scheme proprietor to operate in practice.

Financial sustainability

18. Are the expectations we have set out for the business plan appropriate for multi-employer CDC schemes?

Financial resources: [Strand 2]. "A reserved amount sufficient to allow the scheme to continue to operate for a period of six months to two years ('run on costs' following a triggering event ('run on period'))."

The wording is unclear as to whether the reserved amount is intended to be sufficient to provide for a minimum of 6 months or sufficient to cover 2 years? It could be made clearer by referencing "run on period" and explaining first (as you did in the original CDC code) that the run-on period would usually be 24 months, but trustees may be able to justify a shorter period of no less than 6 months.

Run on costs - "the length of the run-on period must be between six months and two years and schemes should assume a run on period of 24 months. Trustees may be able to show that a shorter period is appropriate in some situations."

It may be helpful to provide further information or some examples of the situations in which a shorter run-on period may be appropriate. As above, the statement could also be made clearer by explaining the run on period first and then referencing it in the run-on costs section (e.g. "The run-on period for the purpose of calculating the running costs should usually be 24 months. Trustees may be able to justify a shorter period to TPR, but this can be no less than 6 months.") It may also be appropriate to clarify that TPR will ultimately decide what is appropriate, not the trustees.

Expectations of financial resources - "calculate their required financial resources based on a triggering event occurring between one and three full forecast years into the future" It would be helpful to clarify – one-year or three (or sufficient to cover a triggering event at any point between one and three full forecast years in future)?

Cash reserves and escrow - "We believe that in most cases, multi-employer CDC schemes should have access to a minimum of 15% of their calculated financial reserves in cash." It may be optimal to use a mix of liquid assets rather than expecting a specific percentage of cash. You could consider rewording to suggest a minimum amount of the reserves able to be liquidated within 1 business day.

Schemes charging administration fees - "Schemes whose financial reserving requirements are met by employer guarantees should still aim to reach a point where they hold the necessary financial reserves

themselves.” It would be helpful to clarify TPR’s expectations on how the financial reserve can be built up over time as, if paid through fees for the first cohort of members, could result in perceived intergenerational unfairness.

19. Does treating the CALP [Costs, Assets and Liquidity Plan] as a separate element of the business plan remain reasonable for multi-employer CDC schemes?

Yes – this is reasonable.

Continuity strategy

20. Is the level of detail we have set out sufficient for schemes to present coherent continuity strategies?

Yes.

The draft code of practice currently says the continuity strategy for continuity option 1 (“discharge of liabilities and winding up”) must include a statement of all levels of administration charges. We believe it would also be helpful for the code to note that TPR expects that administration charges should not increase due to the closure or possible closure of a scheme.

21. Is it appropriate to use continuity option 3 as an illustrative measure of a scheme’s ability to provide for its members in the long term?

We agree that continuity option 3 (“conversion to closed scheme”) would only be viable for schemes above a certain size, and that it is reasonable for a projected assessment to be made of when this might become a viable option. This will be helpful for planning purposes, although the date would inevitably rely on significant assumptions and may vary significantly as experience develops.

We do not agree with the comment that pensioners are likely to see a significant reduction in income if continuity option 1 is followed, and we see this as unhelpfully negative. In practice, pensioners transferring to another CDC scheme or to a flexi-access drawdown fund could see improved outcomes compared to their discontinuing CDC scheme.

With the above in mind, we do not believe it is necessary or helpful to communicate the projected date at which continuity option 3 would become a viable option to members, particularly as it would rely on significant assumptions which may not be borne out in practice. If an indication is required, it could alternatively be based on the level of assets at which continuity option 3 is projected to become a viable option. However, this could lead employers to avoid any CDC pension scheme that is not already of sufficient, self-sustaining size – which is presumably not the intention.

22. Are there any risks in not expecting a CDC scheme to plan, or reserve, for continuity option 3 when it first comes for authorisation?

It is reasonable for plans for continuity option 3 to evolve as this becomes a realistic possibility if a trigger event occurred in the near future. If the option is not likely to be adopted, or would not be a viable option unless the trigger event occurred many years in the future, then it is reasonable for the plans at authorisation to focus on alternative options.

As will be clear from previous responses, we believe the risks to members of continuity option 1 (discharge and wind-up) are outweighed by the expected improved member outcomes under a CDC scheme compared with traditional DC. CDC provision will not expand sufficiently from a standing start if UMES are perceived to need to have run-on sustainability from day 1.

Sound scheme design

23. Does the detail set out in the sound scheme design section provide enough information about the evidence that we would expect to see?

Under 'Sound scheme design: Investment', the draft code sets an expectation 'that trustees understand the circumstances the scheme may encounter which require changes' to the investment strategy. It is likely that the scheme rules will be drafted to try to consider foreseeable changes to circumstances necessitating a change in investment strategy. It would therefore be appropriate to add "to the extent such changes can be foreseen".

We agree that trustees should take advice prior to authorisation from appropriate advisers. However, we think it would be reasonable for these advisers to be employed by the scheme proprietor and therefore not have appointment contracts negotiated.

Under 'scheme rules', reference is made to guidance and/or standards issued by the Financial Reporting Council on setting accrual rates. As the consultation has only just been launched by FRC, we are not yet able to comment on whether further information would be helpful from the Regulator on this important area, but we would note that it is important for TPR and the FRC to work together and for general guidance directed at all parties to be in the code and be supplemented by the TAS on areas that actuaries must include in their actuarial advice.

Related to the above point, we note that footnote 141 requires updating – rather than just referencing "Regulation 17" it should reference Regulation 17 for single employer CDC schemes and Regulation 40 for multi-employer CDC schemes – the latter including the new requirements for multi-employer scheme rules to set out 'how the rates at which rights to benefits under the scheme accrue are to be determined'. It may also be helpful to highlight this additional requirement for the scheme rules of multi-employer schemes in the text to which footnote 141 relates. The footnote should also refer to the separate regulations – not the 2021 Act.

Separately, we have noticed that footnote 157 references Regulation 39(5), which does not currently exist. We expect you mean 40(5).

Promotion and marketing

24. Are the promotion and marketing expectations that we have set out sufficiently comprehensive for those seeking to set up and run a multi-employer CDC scheme?

Yes, the expectations as described appear broadly comprehensive and reflect the distinctive risks associated with promoting a new type of pension product.

We would, however, encourage TPR to avoid excessive prescription. A principles-based approach allows innovation and flexibility while still ensuring that member communications are transparent and consumer-focused. This is especially important early in the market's development, where a balance must be struck between member protection and creating space for new entrants to participate. Moreover, as consolidation gains pace in the DC space, we expect the majority of employers to be choosing between DC master trusts and CDC schemes. Whilst there should be allowance for their different risk characteristics, CDC will only thrive if there is a broadly level playing field.

25. Is the balance between the obligations of the promoter and those of the trustees sufficiently clear, and workable in practice?

Largely, yes, although further clarity would be helpful. We would welcome additional practical guidance, for example, illustrative scenarios showing how promoters and trustees should interact where communications

blend scheme-level marketing with benefit-level explanations. Clearer articulation of the boundaries will help ensure consistency and avoid duplication or gaps in accountability.

Importantly, the balance must remain proportionate so that neither party is burdened with obligations more appropriately carried by the other. Excessive compliance demands on promoters could deter market entry; equally, trustees must not be drawn into policing commercial promotional activity beyond their remit.

26. Do you see any barriers in meeting our expectations for effectively using members' feedback and communicating how benefits may potentially vary from target?

CDC benefit variability is conceptually unfamiliar to many savers. Explaining how pensions may adjust over time, without overwhelming members or creating misinterpretation, requires thoughtful design and testing of communications. We support TPR's suggested expectations in this area.

27. What controls are the promoter and trustee of a scheme likely to use to seek assurance that their scheme has not been misrepresented when being promoted or marketed?

For the promoter (scheme proprietor):

- Pre-approval processes for all marketing and promotional materials, ensuring messages are accurate and consistent with the scheme design.
- Clear internal sign-off frameworks, including legal or compliance review, especially regarding claims about target benefits or likely outcomes.
- Monitoring distributor channels (e.g., employer communications, third-party marketing partners) to ensure consistent messaging.
- Complaint and issue-tracking systems, which TPR highlights as a requirement for ensuring marketing is not misleading.

For the trustees:

- Oversight of member-facing materials, ensuring that statutory and fiduciary obligations are met.
- Regular reporting from the promoter, including evidence of marketing checks, complaint trends, or remedial actions taken.
- Review of communications relating to benefit variability, ensuring members are not misled about the nature of target benefits.
- Escalation processes where trustees believe promotional activity could undermine member understanding or trust.

Supervision

28. Is the level of supervision detail we have set out sufficient?

In our view, the level of detail provided is sufficiently clear to understand the supervisory framework, without being overly prescriptive.

29. Can you share your thoughts on the ways that our approach to regulation of multi-employer CDC schemes may have to change over time.

As member-level understanding of CDC improves and as behavioural data accumulates, TPR may be able to refine the expectations around promotional oversight, avoiding overly conservative rules while still protecting members against misrepresentation. This aligns with the consultation's emphasis on preventing unclear or misleading communications in the early stages.

With more providers entering, supervision may need to shift from intensive scrutiny of individual schemes to ongoing monitoring of systemic risks, such as:

- market-wide investment strategies becoming overly aligned,
- cross-scheme communication norms influencing member expectations,
- competitive pressures affecting scheme design choices.

Other issues

30. Do you have any other issues that you wish to raise in relation to this code, the approach we have taken, or the expectations that we have set out?

We consider it important that the code incorporates clear protections to prevent significant shifts in scheme membership from creating unfair outcomes for existing members. In particular, schemes designed to operate on a whole-of-life basis could, in practice, permit substantial transfers in around the point of retirement, which might introduce features resembling Retirement CDC arrangements. A rapid change in the membership profile could materially increase the level of risk borne by current members, especially those who are younger. To mitigate this, we suggest that TPR introduce suitable limitations, supported by fairness tests and impact assessments, to ensure that any transfer-in activity remains equitable and does not unintentionally shift disproportionate risk onto existing members.

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