Department for Work and Pensions (DWP) Consultation on Retirement Collective Defined Contribution (CDC) Pension Schemes

Pensions Management Institute (PMI) Response

Introduction

The Pensions Management Institute (PMI) welcomes the opportunity to respond to the Department for Work and Pensions' (DWP) consultation on Retirement Collective Defined Contribution (CDC) pension schemes. As the professional body supporting over 8,000 trustees, administrators, and pension professionals across the UK, we are committed to promoting better retirement outcomes through informed policy, professional standards, and systemic reform.

We support the Government's ambition to broaden access to CDC benefits and recognise the potential of retirement CDC to deliver more stable and sustainable incomes in retirement. However, we also believe that the success of this model depends on addressing several critical design, governance, and communication challenges. Our response reflects the perspectives of our members and our commitment to clarity, fairness, and member empowerment.

Executive Summary

- The PMI supports the development of retirement CDC as a means of reintroducing risk-sharing and collective provision into the UK pensions landscape.
- We welcome the proposal to allow retirement CDC within Master Trusts (MTs) and Unconnected Multi-Employer Schemes (UMES), but viability depends on scale, trustee confidence, and member engagement.
- The proposed prohibition on marketing to members risks creating an unlevel playing field and undermines informed choice.
- Trustees must be equipped to assess the suitability of retirement CDC, but defaulting members into an irrevocable product raises serious fiduciary and ethical concerns.
- Without the ability to default members or secure early scale, retirement CDC schemes may struggle to launch with sustainable investment strategies.
- We urge the Government to consider how retirement CDC can be integrated into a broader framework of guided retirement, with appropriate safeguards and flexibility.

Key policy considerations

The proposal to limit retirement CDC schemes to pensioner-only sections within MTs or UMES

We support this approach as a pragmatic first step. Housing retirement CDC within MTs or UMES allows schemes to draw on existing operational infrastructure and governance expertise. It also enables trustees to offer a combination of retirement options - drawdown, annuity, and CDC - within a single trust-based environment, provided these are appropriately separated. It will also be important to ensure that if CDC is offered within a MT then the Business Plan will need to be updated and the sustainability test should take into account the CDC offering as this is how a new CDC proposition would be evaluated and its important to keep a fair playing field.

On that point we do have a concern that only allowing retirement CDC in these structures may stifle innovation if not accompanied by sufficient flexibility in design and implementation. The requirement for authorisation and operational deadlines is sensible, but must be proportionate to the scale and maturity of the scheme.

The proposed authorisation and supervision framework

Yes, we support a robust authorisation regime to protect members and ensure confidence in the model. However, the framework must be calibrated to the unique characteristics of retirement CDC. Unlike accumulation CDC, these schemes will rely on the aggregation of individual pots at retirement, which introduces new operational and communication challenges.

We also note that the requirement to demonstrate a credible pipeline of members may be difficult to meet without the ability to default members into the scheme. This creates a structural barrier to achieving scale and may result in overly conservative investment strategies at launch, undermining the very benefits CDC is designed to deliver.

The proposed approach to scheme design and operation?

We broadly support the proposed design principles, including the pooling of individual DC pots at retirement to provide a lifelong CDC income. The ability to invest in growth-seeking assets and absorb market shocks offers the potential for higher and more stable outcomes than individual drawdown or annuity products.

However, we are concerned about the irrevocability of joining a retirement CDC scheme. While this feature may be necessary to support risk pooling, it raises serious questions about member consent and trustee fiduciary duty. Trustees must be confident that defaulting a member into an irreversible product is in their best interests—not just within the scheme, but in the context of their broader retirement savings. This is a high bar, and one that many boards may be reluctant to meet.

The proposed restrictions on marketing

We do not support the proposed prohibition on marketing to members. While we understand the desire to avoid mis-selling, the current approach creates an unlevel playing field. Annuity and drawdown providers are free to market directly to members, while retirement CDC schemes are not. This asymmetry risks confusing members and undermining informed decision-making.

At some point, marketing must be allowed to face the member—just as annuity providers do today. There is clear value in exchanging a DC pot for a form of 'guaranteed' income, but that decision cannot be made without member consent, whether joining a whole-life CDC with an employer or transitioning into a retirement CDC later on.

The proposed approach to member communications

We support clear, consistent, and accessible communications. However, the current restrictions on marketing may inhibit the ability of schemes to provide meaningful information to members. It is unclear how a member can make an informed choice between retirement options without exposure to material that might be considered 'marketing'.

We recommend that the Government revisit this restriction and consider a regulated framework for member-facing communications that ensures transparency without compromising consumer protection.

Additional Observations

Viability and Scale

Using a MT or UMES provides a potential pipeline of members, but unless trustees can get comfortable with defaulting a member into something they cannot get out of, it is difficult to see how retirement CDC becomes viable. Without a credible default mechanism, achieving sufficient scale to operate effectively remains uncertain.

Trustee Professionalisation

We welcome the consultation's recognition of the trustee role in assessing the suitability of retirement CDC. This reinforces the need for continued investment in trustee professionalisation and access to high-quality advice. However, it feels like an overreach of fiduciary duty to empower trustees to default members into an irrevocable retirement choice. While this may deliver better outcomes for many, the broader implications for members' other pensions and lifetime savings cannot be known.

Lifestyling and Value Leakage

We support the idea that retirement CDC could form part of a guided retirement strategy, enabling earlier engagement and more appropriate lifestyling. However, the transition from DC to CDC introduces a risk of value leakage, particularly if members are not adequately prepared or if transfer processes are inefficient. Allowing pre-retirement pooling could help manage this risk and reduce reliance on lifestyling strategies that may not align with CDC objectives.

Longevity Pooling and Fairness

The evolution of the MT market has created segmentation by member profile. Some MTs serve higher net worth individuals; others serve lower-income cohorts. This raises concerns about the fairness of longevity pooling and the potential for 'gaming' - where individuals consolidate pots in schemes with lower average life expectancy to improve their outcomes. The Government may wish to consider safeguards to ensure equitable treatment across schemes.

Broader Systemic Reform

The PMI remains supportive of the CDC model as a means of rebalancing risk in pension provision. The pendulum has swung too far towards individual responsibility, and retirement CDC offers a credible path back to collective risk-sharing. However, we also urge the Government to consider complementary reforms - particularly greater flexibility and less stringent funding requirements in the annuity market - to support productive finance and member choice.

Timescale for implementation

The PMI has welcomed the Government's Pensions Reform Roadmap which provides much needed clarity around implementation timescales for the various elements of the Pension Schemes Bill. However we remain concerned about the proposed timescales for implementation of the 'guided retirement' elements of the legislation.

Whilst we appreciate the Government's desire to bring in retirement support for savers as soon as possible, doing so in advance of DC mega funds and small pot consolidation, and possibly even Pensions Dashboards, increases the risk that (a) schemes are making guided retirement decisions based on an increasingly partial view of that pension savers overall retirement savings and (b) that savers are subject to an increasingly complex web of support (or lack thereof) and default solutions that don't reflect the vast majority of their savings. We would argue that it would be much more effective to implement Guided Retirement once you have implemented scale and small pot consolidation. This also provides a greater opportunity to include retirement CDC in the potential suite of retirement options.

Conclusion

Retirement CDC has the potential to deliver better outcomes for many savers, particularly those seeking a stable income in retirement without the complexity of managing drawdown or the cost of annuities. However, its success depends on careful design, proportionate regulation, and a level playing field in member communications.

We urge the Government to continue working with the industry to refine the framework and the implementation timescales to ensure that retirement CDC becomes a viable, trusted, and valuable part of the UK pensions landscape.