



Department
for Work &
Pensions

The Occupational Pension Schemes (Collective Money Purchase Schemes) (Extension to Unconnected Multiple Employer Schemes and Miscellaneous Provisions) Regulations 2025

Public consultation on draft legislation to extend Collective Defined Contribution (CDC) provision to whole-life unconnected multiple employer schemes and other related provisions

8 October 2024

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About this consultation

Purpose of the consultation

This consultation seeks your views on draft legislation, the Occupational Pension Schemes (Collective Money Purchase Schemes) (Extension to Unconnected Multiple Employer Schemes and Miscellaneous Provisions) Regulations 2025 (“the Unconnected Multiple Employer CDC Regulations 2025”) – contained at [Annex A](#).

The draft regulations remove the exclusion of unconnected multiple employer CDC schemes from operating under the CDC provisions and set out what collective money purchase (commonly referred to as “CDC”) schemes that are whole-life unconnected multiple employer schemes (“unconnected multiple employer CDC schemes”) must do to become authorised, to operate effectively under regulatory oversight, and what happens if changes need to be made to these schemes. The authorisation regime is designed to protect members and to build confidence in this new type of CDC scheme by ensuring only soundly designed and well-run schemes can operate. The draft regulations also make a number of changes to legislation arising from the expansion of CDC schemes to multiple unconnected employers.

This consultation also seeks views on draft miscellaneous amendments associated with CDC provisions, the Occupational Pension Schemes (Collective Money Purchase Schemes) (Miscellaneous Amendments) Regulations 2025 (“the Miscellaneous Amendments CDC Regulations 2025”) – contained at Annex B.

This consultation document includes:

Chapter 1 – a brief background and summary of the work on CDC schemes to date;

Chapter 2 – a summary of the key provisions in the proposed Unconnected Multiple Employer CDC Regulations 2025. For ease of understanding, the following are provided alongside this consultation document:

- [Annex A\(i\)](#) – a Keeling schedule¹ showing the proposed amendments to the Pension Schemes Act 2021² (“the 2021 Act”) to accommodate unconnected multiple employer CDC schemes, provided for under Part 2 of the Unconnected Multiple Employer CDC Regulations 2025;
- [Annex A\(ii\)](#) – a further document highlighting areas where a different approach has been taken from The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022, including with respect to Part 3 of the Unconnected Multiple Employer Regulations 2025, regarding “connected” employers and Part 4, the proposed “Unconnected Multiple Employer Schemes” provisions, including Schedules 1 to 6;

Chapter 3 – explanation of the proposed amendments, including consequential and miscellaneous amendments, which are needed for both unconnected multiple employer

¹ A Keeling schedule is a tool used in English law to show what existing legislation will look like if a proposed amendment is adopted.

² [Pension Schemes Act 2021 \(legislation.gov.uk\)](https://legislation.gov.uk)

and single or connected employer³ CDC schemes frameworks. For your ease Keeling schedules are provided as follows:

- Annex A(iii) – in respect of changes made to the CDC Regulations 2022 provided for under Part 5 of the Unconnected Multiple Employer CDC Regulations 2025;
- Annex A(iv) – in respect of changes made under Part 6 and Schedule 7 of the Unconnected Multiple Employer CDC Regulations 2025;
- Annex A(v) – in respect of changes made to the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- Annex B(i) - for the Miscellaneous Amendments CDC Regulations 2025.

Chapter 4 – an assessment of the impacts;

Chapter 5 - the anticipated next steps.

Who this consultation is aimed at

We expect this consultation to be primarily of interest to:

- pension scheme trustees and managers, including those from DC Master Trust schemes
- those seeking to establish an unconnected multiple employer CDC scheme
- those running a single or connected employer CDC scheme
- those operating sector wide pension schemes
- employers who sponsor an occupational pension scheme
- pension scheme service providers, other industry bodies and professionals
- pension scheme members.

Scope of consultation

This consultation applies to Great Britain as pensions is a reserved matter for Scotland and Wales.

Occupational pensions are a devolved matter for Northern Ireland. It is anticipated that Northern Ireland will make corresponding legislation.

Duration of the consultation

The consultation will run for six weeks and begins on 8 October 2024 and will run until 19 November 2024.

How to respond to this consultation

³ Where there is a single employer, or where there are multiple employers that are financially connected, for example, forming a group of companies.

Please send your consultation responses via email to:

DWP CDC Policy Team at the shared email address:

caxtonhouse.cdcconsultation@dpw.gov.uk

Please indicate whether you are responding as an individual or representing the views of an organisation.

Government response

This consultation is linked to a statutory instrument and our response will therefore be published before or at the same time the instrument is laid. We will publish the government response to the policy consultation on the [GOV.UK](https://www.gov.uk) website.

How we consult

Consultation principles

This consultation is being conducted in line with the revised [Cabinet Office consultation principles](#) published in March 2018. These principles give clear guidance to government departments on conducting consultations.

Feedback on the consultation process

We value your feedback on how well we consult. If you have any comments about the consultation process (as opposed to comments about the issues which are the subject of the consultation), including if you feel that the consultation does not adhere to the values expressed in the consultation principles or that the process could be improved, please address them to:

DWP Consultation Coordinator
Legislative Strategy Team
4th Floor, Caxton House
Tothill Street
London
SW1H 9NA

Email: caxtonhouse.legislation@dpw.gov.uk

Freedom of information

The information you send us may need to be passed to colleagues within the Department for Work and Pensions, published in a summary of responses received and referred to in the published consultation report.

All information contained in your response, including personal information, may be subject to publication or disclosure if requested under the Freedom of Information Act 2000. By providing personal information for the purposes of the public consultation exercise, it is understood that you consent to its disclosure and publication. If this is not the case, you should limit any personal information provided, or remove it completely. If you want the information in your response to the consultation to be kept confidential, you should explain why as part of your response, although we cannot guarantee to do this.

To find out more about the general principles of Freedom of Information and how it is applied within DWP, please contact the Central Freedom of Information Team:
Email: freedom-of-information-request@dwp.gsi.gov.uk

The Central FoI team cannot advise on specific consultation exercises, only on Freedom of Information issues. Read more information about the [Freedom of Information Act](#).

Data Protection and Confidentiality

For this consultation, we will publish all responses except for those where the respondent indicates that they are an individual acting in a private capacity (for example, a member of the public). All responses from organisations and individuals responding in a professional capacity will be published. We will remove email addresses and telephone numbers from these responses, but apart from this we will publish them in full.

For more information about what we do with personal data, you can read [DWP's Personal Information Charter](#).

Ministerial Foreword

As the Minister for Pensions, I have the privilege of being responsible for one of the country's most important industries. My aim in this role is to deliver a better deal for future pensioners and boost investment and economic growth in every part of the UK. People who work hard and save deserve security in retirement.

I am therefore pleased to be publishing this important consultation on draft regulations to extend the provision of Collective Defined Contribution (CDC) pension schemes. CDC schemes are an important addition to the UK pensions landscape and when well designed and well run, they have the potential to improve the pension outcomes for millions of savers in the future.

CDC schemes offer members a seamless transition to a regular retirement income, which many want, without the need for complex financial decisions, which many are ill equipped to make. By pooling longevity and investment risk across the membership, CDC schemes can also shield savers from much of the uncertainty faced by members of DC schemes. This also allows the CDC schemes to invest in illiquid and more productive investments over the long term, including in UK businesses. This can help savers benefit from higher returns and wider economic growth, consistent with the aims of my pensions review.

The Pension Schemes Act 2021 and subsequent secondary legislation introduced the legislative framework to introduce single or connected employer CDC schemes to the UK. I am delighted to say that this consultation launch coincides with the official launch of the UK's first CDC scheme, the Royal Mail Collective Pension Plan.

This is a truly landmark moment for the UK pension landscape and this consultation now builds on the momentum in this area. Acknowledging the strong industry and Parliamentary support for broadening CDC provision further, I intend to deliver it to ensure as many savers as possible can take advantage of the numerous benefits of CDC. My officials have been engaging extensively with a range of industry stakeholders to finalise the legislative framework needed to accommodate whole-life CDC schemes with multiple unconnected employers, including Master Trusts.

I would like to thank all the individuals and organisations that have already provided invaluable insight and expertise. This engagement is essential to producing effective regulations which ensure that only well-run and sustainable schemes can operate, so that the interests of members are protected. It also underscores the significant appetite there is for extending CDC provision beyond single or connected employer schemes.

I look forward to seeing industry engage with these draft regulations with the same vim and vigour that they have shown to date to help us finalise these regulations. I have no doubt that CDC provision can benefit millions of future pensioners when its full potential is realised.



Emma Reynolds, Minister for Pensions

Chapter 1 Background

1. The 2021 Act provided the legislative framework for single or connected employer CDC schemes to be introduced to the UK, including powers to extend CDC provision further through regulations.
2. The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022 (“the CDC Regulations 2022”) came into force on 1 August 2022 and allow CDC schemes for single and connected employers to apply for authorisation from the Pensions Regulator (“the Regulator”). Alongside the CDC Regulations 2022, a new Code of Practice (“the Code”) was introduced by the Regulator to set out the Regulator’s expectations on the authorisation process.
3. Following the introduction of the CDC Regulations 2022, DWP consulted in January 2023 on our proposed policy approach to extend CDC provision to unconnected multiple employer CDC schemes, including Master Trusts.
4. Our proposals were well received by industry and in our response of July 2023 we committed to consulting on draft regulations. A summary of the previous consultations DWP has conducted to shape the development of CDC provision is listed below:

Timeline of CDC:

- *November 2018* - [Delivering collective defined contribution schemes](#)
- *March 2019* - [Government response: Defining collective defined contribution schemes](#)
- *February 2021* - Pension Schemes Act 2021 gains Royal Assent
- *July 2021* – launch consultation relating to [The Occupational Pension Schemes \(Collective Money Purchase Schemes\) Regulations 2021](#)
- *January 2022* – [Government response to the consultation on draft regulations to support Part 1 of the Pension Schemes Act 2021 and associated consequential changes](#)
- *August 2022* - The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022 and The Occupational Pension Schemes (Collective Money Purchase Schemes) (Modifications and Consequential and Miscellaneous Amendments) Regulations 2022⁴ come into force
- *January 2023* –consultation launched on [Extending opportunities for collective defined contribution pension schemes](#)
- *July 2023* – [Government response: Extending opportunities for collective defined contribution schemes.](#)

⁴ [The Occupational Pension Schemes \(Collective Money Purchase Schemes\) \(Modifications and Consequential and Miscellaneous Amendments\) Regulations 2022 \(legislation.gov.uk\)](#)

5. For the avoidance of doubt, for single or connected employer CDC schemes, the existing legislative framework set out in the CDC Regulations 2022 will continue to apply (with some minor amendments). Part 4 of the Unconnected Multiple Employer CDC Regulations 2025 would provide for the equivalent framework for unconnected multiple employer CDC schemes. Schemes will need look to relevant provisions of the 2021 Act, as well as Part 3 of the Unconnected Multiple Employer CDC Regulations 2025, to determine which regime applies.

Chapter 2 Legislation for unconnected multiple employer CDC schemes

Introduction

6. As well as providing the legislative framework for single or connected employer CDC schemes, Part 1 of the 2021 Act contains powers⁵ to amend Part 1 of the 2021 Act to provide for an authorisation and supervision regime for unconnected multiple employer CDC schemes and to make consequential modifications or amendments to other primary legislation. Therefore, to be clear, where this document refers to changes in primary legislation, we do not have to wait for a Parliamentary Bill to make them, as they can be made using the draft regulations on which we are consulting.
7. Changes to primary legislation are discussed further in this document, where necessary. Where no mention is made of amendments to primary legislation, we view that no changes are required, and that existing primary legislation is sufficient to cover the whole CDC framework.
8. The structure of the Unconnected Multiple Employer CDC Regulations 2025 reflects the fact that amendments to existing primary and secondary legislation, as well as the creation of new secondary legislation, are required in order to deliver the proposed regulatory framework for unconnected multiple employer CDC schemes.
9. A brief explanation of the structure is as follows:
 - **Part 1 - Preliminary Provisions**
 - **Part 2 - Amendments to the 2021 Act:** draft regulations that would make amendments to the 2021 Act to accommodate unconnected multiple employer CDC schemes.
 - **Part 3 - Meaning of connected:** supplementing the meaning of connected in Section 49(2) of the 2021 Act, for the purposes of determining whether employers are connected and therefore whether the legislative framework applicable to single or connected employer CDC schemes or the legislative framework applicable to unconnected multiple employer CDC schemes applies.
 - **Part 4 (including Schedules 1-6) - Unconnected Multiple Employer Schemes:** these draft Regulations would implement the new authorisation and supervisory regime for unconnected multiple employer CDC schemes under Part 1 of the 2021 Act.

⁵ Section 47 of the 2021 Act

- **Part 5 - Amendment of the Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022:** amendments we propose to make to the CDC Regulations 2022 which would apply to single or connected employer CDC schemes.
- **Part 6 & Schedule 7 - Consequential amendments:** amendments we propose to make to other legislation.

10. The remainder of this chapter and Chapter 3 do not provide an exhaustive commentary of every provision in the Unconnected Multiple Employer CDC Regulations 2025 and the Miscellaneous Amendments CDC Regulations 2025, respectively. Instead, they provide a broader commentary of the draft regulations with some explanation given for specific provisions key to the delivery of our policy intention which we feel require particular consideration. In addition, we consider that many of the existing provisions in the CDC Regulations 2022 would also work for unconnected multiple employer CDC schemes, so they have been replicated in the Unconnected Multiple Employer CDC Regulations 2025. This includes, for example, the provisions relating to the application fee and its amount.

Scope and Application

Defining qualifying schemes and CDC schemes divided into sections

Section 3 of the 2021 Act and regulations 3, 25, 26 and 59 of the Unconnected Multiple Employer CDC Regulations 2025

Qualifying schemes

11. Section 3 of the 2021 Act sets out the requirements that must be met for a scheme to be a qualifying scheme⁶. Currently, section 3(3) stipulates that, in order to be a qualifying scheme, a scheme must be used, or intended to be used, only by (a) a single employer or (b) two or more employers that are connected with each other.
12. Regulation 3 would delete the restriction at subsection (3) so that the 2021 Act can accommodate both single or connected employer and unconnected multiple employer CDC schemes. Regulation 3 also inserts a new section 1(3) into the 2021 Act,

⁶ A collective money purchase scheme must either be a qualifying scheme or a section of a qualifying scheme, under which all the benefits that may be provided are qualifying benefits (see section 1 of the 2021 Act).

providing for definitions of “single or connected employer scheme” as well as “unconnected multiple employer scheme”⁷ for the purposes of Part 1 the 2021 Act.

Schemes divided into sections

13. Section 3(6) to (9) of the 2021 Act stipulates that there must be appropriate separation of qualifying benefits from non-qualifying benefits and of qualifying benefits with different characteristics described in regulations. Regulation 4 of the CDC Regulations 2022 makes provision relating to the characteristics for single or connected employer CDC schemes under section 3(8) of the 2021 Act. A change to one of these characteristics, such as a change to the rate or amount of contributions paid by the member, would require a single or connected employer CDC scheme to open a new section. Regulation 59 of the Unconnected Multiple Employer CDC Regulations 2025 amends the wording of regulation 4 of the CDC Regulations 2022 to correspond more clearly to the drafting of section 3(8) of the 2021 Act (which provides the power to describe combinations of qualifying benefits) but the amended wording refers to the same characteristics as the current draft in order to achieve the same intended effect.
14. Unconnected multiple employer CDC schemes will, by their nature, have employers with different contribution or accrual rates. The characteristics referred to in the CDC Regulations 2022 will therefore not be appropriate because they would lead to excessive sectionalisation which would undermine the benefits of risk pooling.
15. Consequently, regulation 25 of the Unconnected Multiple Employer CDC Regulations 2025 creates a new trigger for when a new section must be opened that would only apply to unconnected multiple employer CDC schemes. This stipulates that the combination of qualifying benefits for the purposes of section 3(8) of the 2021 Act are qualifying benefits which have, as a result of a change to the investment strategy, materially different rates or amounts by reference to which qualifying benefits are provided each year or materially different expected adjustments to those rates or amounts.
16. As set out in paragraph 44 of this consultation document, the trustees of an unconnected multiple employer scheme would be required to explain in the viability report, submitted to the Regulator, what changes to the investment strategy they consider would require the opening of a new section⁸.

⁷ These definitions relate to CDC schemes, referred to in Part 1 of the 2021 Act as “collective money purchase schemes”.

⁸ See draft regulation 31(1) and paragraph 9(1)(c) of Schedule 2 to the Unconnected Multiple Employer CDC Regulations 2025

17. Regulation 26 of the Unconnected Multiple Employer CDC Regulations 2025 relates to what happens to the authorisation of an undivided scheme⁹ when it becomes a CDC scheme divided into sections, in respect of unconnected multiple employer CDC schemes. The approach set out in regulation 26 is consistent with the approach taken with single or connected employer CDC schemes.

Question 1: Do you think draft regulation 25 delivers the policy intent for the opening of a new section for unconnected multiple employer CDC schemes?

Section 49(2)(b) of the 2021 Act and regulation 22 of the Unconnected Multiple Employer CDC Regulations 2025

Definition of connected

18. Section 49(2) of the 2021 Act sets out the circumstances in which employers are to be considered connected, for the purposes of Part 1 of the 2021 Act. In addition to the circumstances mentioned in section 49(2)(a) of the 2021 Act, regulations can specify other circumstances. These are currently set out at regulation 3 of the CDC Regulations 2022 and determine whether a scheme is used, or intended to be used by, two or more employers that are connected with each other and so whether the scheme is a “qualifying scheme” for the purposes of section 3(3) of the 2021 Act (and Part 1 as a whole).
19. The Unconnected Multiple Employer CDC Regulations 2025 provide for section 3(3) of the 2021 Act to be omitted and for section 1 to be amended to add definitions of ‘single or connected employer scheme’ and ‘unconnected multiple employer scheme’; the meaning of the term “connected” will determine whether a scheme is a single or connected employer CDC scheme or an unconnected multiple employer CDC scheme and so which legislative regime will apply.
20. Regulation 22 of the Unconnected Multiple Employer CDC Regulations 2025 sets out circumstances in which employers will be connected for the purposes of Part 1 of the 2021 Act, which are the same circumstances provided for under regulation 3 of the Occupational Pension Schemes (Master Trusts) Regulations 2018 (“the Master Trust Regulations 2018”). Regulation 3 of the Master Trust Regulations 2018 relates to determining whether employers are connected with each other for the purposes of determining whether a scheme is a Master Trust scheme under section 1(1) of the Pension Schemes Act 2017.
21. We consider that this definition will be appropriate for determining whether a scheme is an unconnected multiple employer CDC scheme or a single or connected employer CDC scheme. Regulation 3 of the CDC Regulations 2022 would therefore be omitted from those Regulations, under regulation 58 of the Unconnected Multiple Employer CDC Regulations 2025.

⁹ A collective money purchase scheme that is not divided into sections (see section 5(2) of the 2021 Act).

Question 2: Do you think the definition of connected in draft regulation 22 can work effectively to establish whether a scheme is a single or connected employer CDC scheme or an unconnected multiple employer CDC scheme?

The Application Process

Regulation 5 the Unconnected Multiple Employer CDC Regulations 2025: Authorisation criteria

22. A scheme applying for authorisation must satisfy the Regulator that it meets the authorisation criteria. These criteria are listed in section 9(3) of the 2021 Act and, as amended by the Unconnected Multiple Employer CDC Regulations 2025, are replicated below. The four criteria highlighted in bold are specific to the authorisation of unconnected multiple employer CDC schemes. They would be inserted into section 9(3) of the 2021 Act by regulation 5(a) of the Unconnected Multiple Employer CDC Regulations 2025. The full list of authorisation criteria is:

- that the persons involved in the scheme are fit and proper persons;
- that the design of the scheme is sound;
- that the scheme is financially sustainable;
- **that the scheme has a single scheme proprietor¹⁰ (see proposed new section 14B of the 2021 Act), and the scheme proprietor meets specific requirements set out in proposed new section 14C of the 2021 Act;**
- **that no person has carried out promotion or marketing of the scheme that is unclear or misleading without rectification¹¹, and that the scheme has adequate systems and processes for securing that promotion or marketing of the scheme is clear and not misleading¹² (see section 14D);**
- **that the scheme trustees do not promote or market the scheme or act as a chief financial officer for the scheme;**

¹⁰ The person or body responsible for financing the scheme where its administration charges are not enough to cover its costs, responsible for costs of any continuity options the scheme pursues and who is responsible for making business decisions relating to the commercial activities of the scheme, (see paragraphs 70-74) for further detail concerning the requirement to have a single scheme proprietor.

¹¹ Draft regulation 5(c) provides for definitions of “promotion or marketing” and “rectification” to be inserted as new section 9(7).

¹² The requirement that the scheme has adequate systems and processes for securing that promotion or marketing of the scheme is clear and is not misleading would not apply if no person is carrying out promotion or marketing of the scheme - see draft regulation 5(b) which would insert new section 9(3A).

- that the scheme has adequate systems and processes for communicating with members and others;
- that the systems and processes used in running the scheme are sufficient to ensure that it is run effectively;
- that the scheme has an adequate continuity strategy; and
- **that (unless required to pursue continuity option 1 by virtue of section 34(3) of the 2021 Act) the trustees of the scheme would not be prevented from pursuing continuity option 3 whenever they consider it appropriate to do so should a triggering event occur in relation to the scheme.**

23. Many of these criteria will be familiar from the authorisation regime for single or connected employer CDC schemes. However, the requirements have been adapted or added to so that appropriate scrutiny is applied to unconnected multiple employer CDC schemes at initial authorisation and on an ongoing basis.

Regulation 6 the Unconnected Multiple Employer CDC Regulations 2025: Commencement of operation

24. Regulation 6 would insert new section 9A into the 2021 Act to impose a mandatory deadline on prospective providers, who have received authorisation from the Regulator to operate, to commence operating as an unconnected multiple employer CDC scheme. Failure to begin operating as a CDC scheme by the commencement deadline would result in authorisation being automatically withdrawn.

25. A scheme that is granted authorisation will have 18 months from the date on which the Regulator receives the application to begin operating or authorisation will be automatically withdrawn, unless the Regulator is satisfied the trustees have a good reason for needing an extension of up to six weeks. We have taken this approach to deter speculators. We only want people or organisations that are fully committed to providing well-run and soundly designed unconnected multiple employer CDC schemes to apply for authorisation.

Regulations 7 and 29 of and Schedule 1 to the Unconnected Multiple Employer CDC Regulations 2025: Fit and proper persons requirement

26. The current authorisation criteria for CDC schemes, set out in the 2021 Act, includes that the persons involved in a CDC scheme are fit and proper persons. The Regulator must decide whether it is satisfied that that is the case. .

27. A list of the relevant persons who must be assessed by the Regulator is set out in section 11(2) of the 2021 Act. It was expected that in the single or connected employer CDC schemes, the persons acting in relation to the scheme in the capacities mentioned will be either the employer, the trustees or a combination of

both. These are also key persons for consideration for unconnected multiple employer schemes.

28. We want to ensure that the Regulator assesses all the relevant people involved in new unconnected multiple employer CDC schemes, both at authorisation and on an ongoing basis, according to the rigorous standard of the fit and proper persons test.
29. Unconnected multiple employer CDC schemes will have different dynamics to single or connected employer schemes. We must ensure the new framework captures any additional persons that we consider to be relevant in unconnected multiple employer CDC schemes, and that these persons are brought within the scope of the fit and proper test so that they are subject to appropriate scrutiny. We envisage that these persons/entities would be:
- responsible for funding schemes – including providing financial assistance in respect of running costs where this is required - and for making business decisions relating to the commercial activities of the scheme;
 - those who market and promote unconnected multiple employer CDC schemes; and
 - those who have significant influence over either or both of the following— (a) the management and use of financial resources of the scheme; (b) commercial decisions in relation to the scheme.
30. Therefore, regulation 7 amends section 11(2) of the 2021 Act to include the roles of ‘scheme proprietor’, ‘a person who promotes or markets an unconnected multiple employer scheme’, and ‘chief financial officer’. We are not mandating that new unconnected multiple employer CDC schemes have a chief financial officer, or a person who promotes or markets the scheme. However, if new schemes do have such persons, we think it is reasonable that they ought to be assessed according to the rigorous standards of the fit and proper persons' test.
31. Although not provided for in the draft regulations we believe that, where applicable, a person undertaking the role of a Chief Investment Officer (CIO) in relation to an unconnected multiple employer CDC scheme should also be assessed against the fit and proper persons test¹³.
32. We may therefore include provision for the assessment of CIOs in the final regulations and propose that a CIO for these purposes would mean a person acting in a capacity in which they have significant influence over any of the following:
- the scheme’s investment objectives, strategy, and principles;

¹³ This aligns with one of the recommendations for DWP in [Evolving the regulatory approach to master trusts \(publishing.service.gov.uk\)](https://publishing.service.gov.uk) to consider the addition of the Chief Investment Officer to the list of persons who are required to undergo a ‘fit and proper’ persons check in respect of Master Trust schemes.

- the implementation, management and communication of the scheme's investment strategy.

33. We intend that the fit and proper persons test must apply to a CIO when they undertake the above responsibilities themselves and, where the CIO is a body corporate or partnership, to individuals performing their functions in relation to the scheme, in the exercise of a management or executive role, consistent with the approach under draft regulation 29(2).

34. Regulation 29(2) is included to ensure that the fitness and propriety of individuals performing relevant functions in a body corporate or partnership (that is a person listed at section 11(2)(a) to (d) of the 2021 Act), in the exercise of a management or executive role, is assessed by the Regulator. This replicates existing provision in the CDC Regulations 2022.

35. Regulation 29(3) establishes that where a person exercises a “core function”¹⁴ in relation to an unconnected multiple employer CDC scheme, the Regulator may assess whether that person is a fit and proper person to act in such a capacity. If we include provision for the assessment of CIOs in the final regulations, our intention would be to provide for regulation 29(3) to also apply to persons exercising “core functions” in respect of, or on behalf of a CIO in relation to an unconnected multiple employer CDC scheme.

36. Schedule 1 sets out the matters that the Regulator must take into account in assessing, for the purposes of section 11 of the 2021 Act, whether a person is fit and proper to act in a capacity mentioned in section 11(2) of the Act¹⁵. Paragraphs 3(d) to (g) of Schedule 1 to the Unconnected Multiple Employer CDC Regulations 2025 stipulates that, in assessing whether the person is fit to act in the capacity of the scheme proprietor, a person who promotes or markets an unconnected multiple employer scheme or a chief financial officer, the Regulator must take into account a person's relevant experience and professional competence and, where relevant, the collective expertise and experience of individuals acting together in one of these roles.

Question 3: Do you have any comments on the draft regulations on the fit and proper person requirements?

Question 4: Do you agree with the functions we have identified for the role of Chief Investment Officer?

¹⁴ See draft regulation 29(4) of the Unconnected Multiple Employer CDC Schemes Regulations 2025.

¹⁵ Draft regulation 29(3) provides that if the Regulator decides to assess whether a person exercising a core function is a fit and proper person to act in such a capacity (see paragraph 35), the Regulator must take into account the matters set out in Schedule 1.

Regulations 30, 31 and 32 of and Schedule 2 to the Unconnected Multiple Employer CDC Regulations 2025: Scheme design requirement

37. To ensure confidence in this new type of CDC provision, it is important that the benefit aspirations in such schemes are based on sound foundations, and that their scheme designs are thoroughly tested against likely threats and provide assurance that they will behave as intended.
38. The dynamics and relationships in the new unconnected multiple employer CDC schemes will require an assessment of soundness which properly reflects these new designs.
39. Section 12 of the 2021 Act, which we do not propose to amend, relates to the scheme design requirement, an authorisation criterion which aims to protect members from being enrolled in ill-considered and poorly designed CDC schemes and which requires the Regulator to be satisfied that the design of a CDC scheme is sound. In making this decision, the Regulator must take into account the scheme's viability report and certificate (see below) and any matters specified in regulations. Regulation 30 and Part 1 of Schedule 2 to the Unconnected Multiple Employer CDC Regulations 2025 set out these matters in respect of unconnected multiple employer CDC schemes, which are equivalent to those provided for in respect of single or connected employer schemes.

Matters in relation to the viability report and certificate

40. Section 13 of the 2021 Act requires that trustees must prepare a viability report explaining the design of the scheme and the reasons that they consider the design to be sound. In addition, they must also obtain certification (a viability certificate) from the scheme actuary certifying that, in the actuary's opinion, the design of the scheme is sound.
41. Whilst the onus is on the scheme's trustees to prepare the viability report, the involvement of the scheme actuary in certification recognises that actuaries, rather than trustees, are best placed to consider actuarial matters and to advise on how these impact the soundness of the scheme at any particular point in time.
42. For unconnected multiple employer CDC schemes, we want to ensure co-operation between the trustees, scheme actuary and scheme proprietor when satisfying themselves that the scheme is of sound design. We therefore intend to require that the viability report of an unconnected multiple employer CDC scheme, and any revisions to it, must be approved by the scheme proprietor and it must also contain a

statement, signed by the scheme proprietor, confirming that the viability report has been approved by the scheme proprietor.

43. New sub-section (5A) of section 13 of the 2021 Act (inserted by regulation 8 of the Unconnected Multiple Employer CDC Regulations 2025) and paragraph 6 of Schedule 2 to the Unconnected Multiple Employer CDC Regulations 2025 would introduce these requirements. In respect of the content of the viability report for unconnected multiple employer CDC schemes, regulation 31(1) and Part 2 of Schedule 2 to the Unconnected Multiple Employer CDC Regulations 2025 sets out requirements in respect of the basic information that we propose must be included.
44. As explained at paragraph 16, any requirement to create a new section will be linked to changes in the scheme's investment strategy. Paragraph 9(1)(c) of Schedule 2 to the Unconnected Multiple Employer CDC Regulations 2025 would require trustees of an unconnected multiple employer CDC scheme to include an explanation in their viability report of what changes to the investment strategy the trustees consider would be changes that would result in a need to sectionalise. Changes to the scheme's investment strategy may materially affect the expected return on assets and this would impact on the rates or amounts of qualifying benefits that can be provided. This can impact on the soundness of a scheme's design in several ways¹⁶ and so it is important it is considered as part of the viability report.
45. As an unconnected multiple employer CDC scheme's demographics change, what trustees consider to be a change to the investment strategy that would trigger sectionalisation is likely to change to reflect this. Trustees would be able to address this by submitting a revised viability report to the Regulator which captures this shift in what they consider to be the trigger for sectionalisation. Where a viability report is revised under section 13(4) or (5) of the 2021 Act, the updated viability report must be provided to the Regulator within three months of it being revised in accordance with section 13(6) of the 2021 Act.
46. The Unconnected Multiple Employer CDC Regulations 2025 make provision about the content of a viability certificate and specify matters to which the scheme actuary must have regard when providing a viability certificate. Regulation 32(1) would require the basic information specified in Part 3 of Schedule 2 to the Unconnected Multiple Employer CDC Regulations 2025 to be included in a viability certificate.
47. We remain mindful that the meaning of "sound" may be open to interpretation. The Unconnected Multiple Employer CDC Regulations 2025 therefore seek to set out

¹⁶ For example, if the expected return on assets is increased, the scheme is likely to be able to provide a higher level of annual increases to benefits than was expected when the scheme was set up. This new level of expected increase *may* be considered to be unsound because it is too high.

sensible parameters to weed out applications in respect of poorly designed schemes and to highlight emerging threats in live schemes, such as an increasing risk of intergenerational unfairness.

48. Broadly, these indicators of soundness fall into three categories. Matters that should be considered:
- at initial application and during subsequent annual reviews during live running;
 - at initial application only (i.e. a gateway test); and
 - at subsequent annual reviews during live running (i.e. a live running test).
49. Where an indicator of soundness is not met, the intention is that the scheme actuary should not certify the scheme's design as sound and bring this to the attention of the trustees and the scheme proprietor.
50. Regulation 32(2) of the Unconnected Multiple Employer CDC Regulations 2025 sets out the matters the scheme actuary must have regard to when providing a viability certificate and considering whether the design of the scheme is sound. Some of these matters need to be taken into account both when providing a viability certificate at initial application and during subsequent annual reviews. Where matters are to be taken into account at the initial application stage, the rationale behind these considerations is to help ensure that inappropriately designed schemes are refused authorisation on application before contributions are received into the scheme.
51. Included in these considerations is the need to satisfy several scheme design tests. The first gateway test (regulation 32(4) and (5)) – which is applicable at the initial authorisation stage - considers whether the expected increase in benefits over a prescribed period is at least in line with the expected average annual increase in the level of the consumer prices index ("CPI"). There is no requirement that CPI increases must be awarded every year across the scheme's lifetime. However, we believe it is reasonable that all CDC schemes should aspire to a level of inflation proofing as part of their design.
52. This helps protect members from regular cuts in the level of benefits, and if schemes are not designed to provide inflation protection, younger members may find that the value of what they receive in real terms, is far below what was originally communicated to them, because their benefits have not kept up with real world increases in prices.
53. The second gateway test (regulation 32(6)) – which may be applicable at the initial authorisation stage, depending on how the actuarial equivalence test is met (see below) - considers whether the expected value of the rights to benefits of each active member expected to accrue under the scheme over a prescribed period is at least equal to the contributions expected to be paid to the scheme by or on behalf of the

member in that period (not including contributions made by or on behalf of employers other than those made as a result of salary sacrifice). The rationale behind this consideration is to assess the impact of cross subsidisation between members, as this could particularly impact upon younger members.

54. We would wish to avoid a scenario where active members continue to contribute to unconnected multiple employer CDC schemes that offer very poor value, for example through excessive cross-subsidisation. Therefore, regulation 32(7) provides for the test described above to also be a live running test meaning certification would be required to be an ongoing, annual process not a one-off check at authorisation.

Actuarial Equivalence Test

55. Actuarial equivalence is the term used when the pension benefits provided are equal in value to the contributions paid. Actuarial equivalence can be satisfied at an individual member level or at an employer level.

56. Actuarial equivalence at an individual member level or at an employer level is essential for unconnected multiple employer CDC schemes to avoid cross subsidies between employers (which, for example, would occur if one employer has a younger workforce than another).

57. Therefore, we intend to require all schemes seeking to operate under this legislative framework to pass the actuarial equivalence test. We are proposing that this test can be satisfied either at an individual member level (regulation 32(9)(a) and (10)), or at an employer level (regulation 32(9)(b) and (10)).

58. Under regulation 32(9)(a) the actuary would be required to compare “the expected value of the rights to benefits of each active member which are expected to accrue under the scheme during the relevant period, calculated on an actuarial basis and in accordance with the scheme rules” with “the value of the contributions expected to be made into the scheme by, on behalf of, or in respect of the member in that period”. This test would only be passed if these two amounts are equal for each active member. A similar test would apply under regulation 32(9)(b), but at the aggregate level for each employer, rather than to individual members.

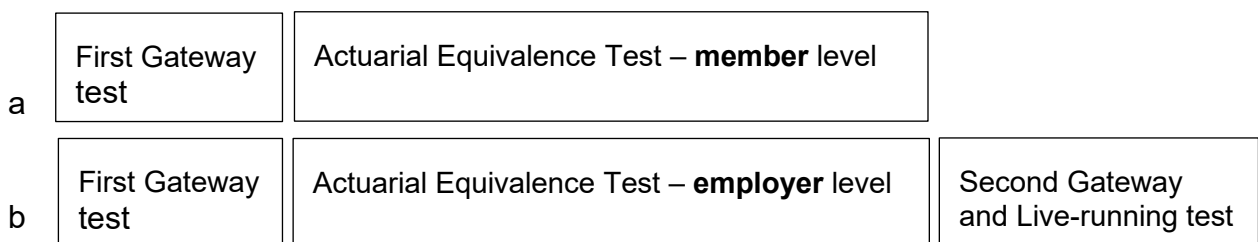
59. Regulation 32(2)(c) and (d) stipulates that the actuarial equivalence test would need to be satisfied both at the authorisation (gateway) stage and on an ongoing (live running) basis. This regulation also stipulates that if a scheme actuary were satisfied that the test is met at an individual member level, there would be no requirement for them to be satisfied that the second gateway test/live running test is also met

(regulation 32(2)(c)(ii)(aa)). This is because satisfying actuarial equivalence at individual member level captures the rationale behind these tests.

60. However, if a scheme actuary were satisfied of actuarial equivalence at an employer level, rather than at an individual level, they would then need to be satisfied that a separate scheme design test was met– i.e. the second gateway test (on application) (see paragraph 53) or the first live running test (on an ongoing basis), which is equivalent to the second gateway test but the relevant prescribed period will begin with the date by reference to which the information in the relevant certificate is prepared (as opposed to the date on which the scheme is expected to begin operating).

61. The regulations have been drafted like this in recognition that there are two clear, rational and robust ways to satisfy the actuarial equivalence test. Our policy intention is therefore to facilitate both approaches. It is also our intention that the scheme would not be able to switch from one approach to the other once it has been authorised. We do not envisage any scenario where a scheme would want to switch, but regulation 32(2)(d) would effectively prevent this.

Figure 1 – the two ways of satisfying scheme design tests



62. As set out in regulation 32(10)(a), when considering whether the actuarial equivalence test is met, whether at member or employer level, the policy intention is that the scheme actuary would be expected to calculate the expected value of the rights to benefits which are expected to accrue using the methods and assumptions used in the most recently completed valuation.

Question 5: Does the drafting of the scheme design tests deliver the policy intention of providing a sensible measure of whether a scheme’s design is sound, at initial application and on an ongoing basis?

Question 6: Do you have any comments on the drafting of the actuarial equivalence test? Is it clear that the scheme actuary must use the methods and assumptions used in the most recently completed valuation to satisfy the test?

Regulations 4(b) and (c), 5, 9, 10, 13 and 33 of and Schedule 3 to the Unconnected Multiple Employer CDC Regulations 2025: Financial sustainability requirement

63. This criterion, more detail relating to which is provided for under section 14 of the 2021 Act, aims to ensure CDC schemes have sufficient financial resources and well considered strategies to meet the costs of setting up and running a CDC scheme, as well as costs associated with the occurrence of a triggering event¹⁷. The Regulator will require evidence to enable it to decide whether it is satisfied that an unconnected multiple employer CDC scheme is financially sustainable, including:

- the estimated costs of setting up and running the scheme;
- details of the scheme's sources of income; and
- the scheme proprietor's strategy for meeting any shortfall between its income and costs including the cost of resolving any triggering event.

64. A CDC scheme will need to have key elements in place before it can be authorised and begin to operate. In deciding whether it is satisfied about a scheme's financial sustainability, regulation 33 of and Part 2 of Schedule 3 to the Unconnected Multiple Employer CDC Scheme Regulations, require the Regulator to consider various matters. Schedule 3 also covers the information relating to a scheme's financial sustainability that must accompany an application for authorisation, and requirements relating to the scheme's sources of, and access to, income for meeting the costs referred to in section 14(2) of the 2021 Act.

65. Regulation 4 would insert a requirement into section 8 of the 2021 Act for unconnected multiple employer CDC schemes to provide the latest scheme accounts at application if any have been prepared and audited by that stage. Regulation 13 would amend the 2021 Act to require that an unconnected multiple employer CDC scheme's accounts are submitted on an ongoing basis. These requirements are necessary in order to provide the Regulator with enough information to be able to assess the financial sustainability of any prospective and operating unconnected multiple employer CDC scheme.

Business plan requirement

66. We want to ensure that any financing required to meet relevant costs is credible and realisable so that it is available at the point of need. Therefore, the scheme proprietor's ability to deliver such financing will need to be assessed by the Regulator, both at authorisation and on an ongoing basis. Indeed, in our policy consultation,

¹⁷ Events which may significantly impact the ability of the scheme to operate and which are listed in section 31 of the 2021 Act.

there was unanimous support for the introduction of a business plan requirement, similar to that for Master Trusts, for unconnected multiple employer CDC schemes.

67. Regulation 9 of the Unconnected Multiple Employer CDC Regulations 2025 would introduce new sub-sections (3A) to (3C) to section 14 of the 21 Act. Section 14(3A) would require that, in deciding whether an unconnected multiple employer CDC scheme has sufficient resources to meet costs of setting up and running the scheme and costs related to triggering events the Regulator must take into account the liability of the scheme proprietor to provide such funds and the financial resources of the scheme proprietor. Section 14(3B) would require that, for unconnected multiple employer CDC schemes to meet the financial sustainability requirement, the Regulator must be satisfied that the scheme has a sound business strategy. Section 14(3C) and Schedule 1A to the 2021 Act would set out the information and matters the Regulator must consider (and may consider) when deciding whether it is satisfied that a scheme's business strategy is sound.
68. The Regulator must take into account the scheme's business plan. Regulation 10 of the Unconnected Multiple Employer CDC Regulations 2025 amends the 2021 Act to insert the new business plan requirement under new section 14A. The scheme proprietor would be required to prepare, maintain and submit a business plan to the Regulator which will include the key financial information for its financial sustainability assessment. The detailed content of the business plan is set out in newly inserted Schedule 1B to the 2021 Act.
69. The Regulator intends to set out in Code how trustees of unconnected multiple employer CDC schemes can evidence how they satisfy the financial sustainability criterion.

Scheme Proprietor

70. As we are seeking to extend CDC provision beyond single or connected employer CDC to unconnected multiple employer CDC schemes, we know there will be new entities involved in the operation and funding of these new types of CDC scheme. Therefore, it is imperative that our regulations clearly establish who is responsible for the scheme's business strategy and financial sustainability, and that it is evidenced to the Regulator both at authorisation and on an ongoing basis.
71. Regulation 5(a)(i) of the Unconnected Multiple Employer CDC Regulations 2025 would add new sub-section 9(3)(ca) to the 2021 Act to make it an express legal requirement that an unconnected multiple employer CDC scheme has a single scheme proprietor and that they meet the requirements set out in the newly inserted section 14C of the 2021 Act (see paragraph's 75-83).

72. Regulation 10 of the Unconnected Multiple Employer CDC Regulations 2025 would amend the 2021 Act to require that the person identified as the scheme proprietor satisfy all the criteria with regards to the responsibilities and liabilities set out in newly inserted section 14B(2). When considering whether an unconnected multiple employer CDC scheme has a single scheme proprietor who meets the criteria the regulator will need to be satisfied that the person identified as the scheme proprietor is responsible for financing the scheme where its administration charges are not enough to cover its costs.
73. They would also be responsible for making business decisions relating to the commercial activities of the scheme and be liable for meeting the costs of any continuity options (see paragraphs 149-159) the scheme pursues.
74. When considering an application for authorisation the Regulator would also consider whether the person identified as the scheme proprietor is liable to provide funds to or in respect of the scheme to meet some or all of the costs of setting up the scheme and some or all of the costs of obtaining authorisation of the scheme

Scheme proprietor requirements

75. The Regulator will need to be satisfied of the existence of a single scheme proprietor and that the scheme proprietor meets the requirements in section 14C of the 2021 Act, which would be newly inserted by regulation 10 of the Unconnected Multiple Employer CDC Regulations 2025.
76. To ensure that the financial arrangements between the scheme proprietor and the scheme are sufficiently visible for the Regulator's financial assessment, section 14C of the 2021 Act would require a scheme proprietor to be a body corporate or partnership that is a legal person under the law by which it is governed. To avoid any potential conflicts of interest, section 14C would also require that the scheme proprietor only carries out activities that relate directly to unconnected multiple employer CDC schemes of which it is the scheme proprietor or prospective scheme proprietor.
77. Section 14C(4) would prohibit the scheme proprietor from also being a trustee of the scheme. The scheme proprietor being a trustee creates a clear conflict of interests. We want trustees to focus entirely on the interests of the scheme members and have complete autonomy to do so.
78. Whilst still considering member outcomes, we expect the scheme proprietor to be mainly focussed on the financial sustainability of the scheme and so a body or partnership will only qualify as the scheme proprietor if it has some liability to provide

the necessary funding to meet the costs of setting up the scheme and applying for authorisation and the costs of running the scheme if those costs are not met through administration charges.

79. The Regulator needs enough information to be able to assess a scheme proprietor as part of the financial sustainability requirement and that means having access to full accounts. As part of this, section 14C(5) ensures that the scheme proprietor must have audited accounts at the time when it entered into the relationship or arrangement with the scheme by virtue of which it is the scheme proprietor.
80. Under new section 14C(6)(a) the scheme proprietor is excepted from this requirement if it has deposited a proportion (to be set out in Code) of the assets required to meet the costs outlined in section 14(2) of the Act in a separate account in the name of the trustees with a deposit taker (as defined in section 49(8A) of the Pensions Act 1995). Under new section 14C(6)(b) the Regulator may also except a scheme proprietor from the requirement at new 14C(5) at its discretion.
81. Sections 8(3)(aa) and (3A) and section 26A of the 2021 Act inserted by regulations 4(b) and (c) and 13 of the Unconnected Multiple Employer CDC Schemes Regulations 2025 would require scheme proprietor accounts, and the accounts of any undertaking that partly or wholly funds the scheme proprietor, prepared and audited in accordance with Parts 15 and 16 of Companies Act 2006, to be submitted to the Regulator on application and on an ongoing basis. Where those provisions do not already apply to a scheme proprietor (or an undertaking funding it) the intention is to require the submission of accounts prepared and audited in accordance with those requirements with any modifications necessary to take into account the nature or structure of the scheme proprietor (or the undertaking).
82. Although not included in the draft regulations, we intend to include provision in the final regulations to ensure a scheme proprietor (and any undertaking funding it) cannot follow a less stringent accounting regime for the purposes of these requirements by taking advantage of the exemptions for small and medium-sized businesses and certain subsidiaries under the Companies Act 2006.
83. There is a need to ensure that the requirement for the submission to the Regulator of fully audited accounts can apply to all scheme proprietors.

Question 7: Do you have any comments on the draft regulations on financial sustainability?

Section 14D of and Schedule 1C to the 2021 Act and regulations 5, 10, 21, 27 and 44, of the Unconnected Multiple Employer CDC Regulations 2025: Promotion or Marketing Requirements

84. The new legislative framework to accommodate unconnected multiple employer CDC schemes will permit schemes that intend to operate on a commercial basis. This will involve acquiring new business through the promotion or marketing of their scheme. To mitigate the risk of schemes overpromising to gain a commercial advantage or mis-selling, we are introducing a new promotion or marketing authorisation criterion. Assessment of this criteria would include any promotion or marketing that may have been carried out before the scheme has been authorised. For example, this could cover any pre-agreements the scheme may have secured prior to authorisation.
85. As previously mentioned, regulation 5(a)(i) would insert the new authorisation criterion into section 9(3) of the 2021 Act at new sub-paragraph (cb), which would require that the Regulator be satisfied:
- that no person has carried out promotion or marketing of the scheme that is unclear or misleading without rectification; and
 - that schemes in relation to which there is promotion or marketing must have adequate systems and processes for ensuring that the scheme's promotion or marketing is clear and not misleading.
86. We envisage that promotion or marketing of a scheme will be carried out by the scheme proprietor or persons assigned to undertake this activity by the scheme proprietor from either within their organisation or a third-party organisation commissioned to carry out promotion and marketing of the scheme. We propose that trustees of unconnected multiple employer CDC schemes cannot undertake promotion or marketing activities (see paragraph 94).
87. The requirement to have adequate systems and processes for securing that promotion or marketing in relation to the scheme is clear and not misleading would only apply to unconnected multiple employer CDC schemes where a person is carrying out promotion or marketing of the scheme. We know that some unconnected multiple employer CDC schemes will operate within a fixed pool of employers so may not carry out this activity.
88. As paragraph 129 sets out, we have also introduced new significant events relating to promotion or marketing. This includes a significant event concerning a scheme that had previously stated to the Regulator that it was not carrying out promotion or marketing but subsequently proposes to do so.
89. Regulation 10 would insert new section 14D of the 2021 Act, which would apply for the purposes of enabling the Regulator to decide whether it is satisfied that the new promotion or marketing authorisation criterion at section 9(3)(cb) of the 2021 Act has

been met. It states that new Schedule 1C sets out the matters that the Regulator must take into account and that, in deciding whether the criterion at new section 9(3)(cb)(ii) has been met, the Regulator may take into account whether any promotion or marketing of the scheme has been unclear or misleading (whether or not it has been rectified).

90. Regulation 21 would insert new Schedule 1C to the 2021 Act. Part 1 of new Schedule 1C would set out the matters the Regulator must take into account in determining whether it is satisfied that no person has carried out promotion or marketing of the scheme that is unclear or misleading without rectification. This includes whether the information in the promotion or marketing is accurate and consistent with the information in:

- the document prepared by the scheme actuary to inform the trustees' consideration as to whether the design of the scheme is sound for the purposes of preparing or reviewing the scheme's viability report (see regulation 31(3)(b)) applicable at the time of the promotion or marketing;
- the document prepared by the trustees setting out their investment strategy (see regulation 31(3)(c)) applicable at the time of the promotion or marketing; and
- the most recently published summary of the scheme's design¹⁸.

91. It also includes whether the promotion or marketing of the scheme clearly and accurately explains, in accordance with any provision set out in the Code, how the target benefits would be determined including illustrations of what individual members might receive, that investment performance can fluctuate and that the expected value of the rights to benefits is not guaranteed, as well as other matters set out in paragraph 2(1)(d) to (f) of new Schedule 1C to the 2021 Act. Regulation 5(c) inserts section 9(7) which provides further information as to the meaning of 'rectification'. In addition, the Regulator intends to set out in the Code its expectations regarding rectification, including information on what is more likely to satisfy the Regulator that rectification has been carried out properly.

92. Part 2 of new Schedule 1C to the 2021 Act would set out the matters the Regulator would be required to take into account in determining whether there are adequate systems and processes in place for securing that promotion or marketing is clear and not misleading. These would include whether there are:

- adequate quality assurance checks to ensure that promotion or marketing is clear and not misleading;

¹⁸ This is the requirement in regulation 29B(2) of and paragraph 1A of Schedule 11 to The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. Paragraph 1A of Schedule 11 is to be inserted into those Regulations by paragraph 6(5) of Schedule 7 to the Unconnected Multiple Employer CDC Regulations 2025.

- systems and processes for handling complaints and feedback, including gathering feedback as well as evaluating that feedback and using it to inform the development of promotion or marketing;
- systems and processes for identifying, managing and monitoring risks related to the promotion or marketing of the scheme; and
- systems and processes relating to governance of the promotion or marketing of the scheme to ensure that promotion or marketing is clear and not misleading and that persons promoting or marketing the scheme are aware of the requirement that promotion or marketing of the scheme must be clear and not misleading.

93. Regulation 27(4) covers the information concerning the promotion or marketing authorisation criterion that must be included in the application for authorisation submitted to the Regulator. Regulation 27(4)(a) states that if there has been no promotion or marketing of the scheme and there is no intention to undertake that activity the scheme proprietor must sign a statement confirming that fact and setting out the reasons why this is the case, to be included in the application. Regulation 27(4)(b) states that where this is not the case information should be provided setting out the details of any promotion or marketing as well as details of the matters set out in Parts 1 and 2 of Schedule 1C.

Question 8: Do you have any comments on the draft regulations on promotion or marketing?

Regulation 5 of the Unconnected Multiple Employer CDC Regulations 2025: Trustee cannot promote or market the scheme or act as chief financial officer

94. We want trustees to focus entirely on the interests of the scheme members and have complete autonomy to do so. The trustee also acting as a person who promotes or markets the scheme or as a CFO for the scheme detracts from this responsibility and creates a clear conflict of interests. Therefore, regulation 5 would insert section 9(3)(cc) into 2021 Act to make a separation of these roles an authorisation criterion. We would also intend for such separation to apply between the trustee and the CIO for the same reason.

Regulation 34 of and Schedule 4 to the Unconnected Multiple Employer CDC Regulations 2025: Communication requirement

95. Effective communications will be crucial to the success of all CDC schemes. Section 15 of the 2021 Act, therefore, introduced a communication requirement, an authorisation criterion which aims to ensure effective scheme communications are delivered to relevant persons in relation to the scheme. We do not propose to amend this section of the 2021 Act.

96. Regulation 34 introduces Schedule 4, which sets out the matters the Regulator must take into account in deciding whether an unconnected multiple employer CDC scheme meets the communication requirement. These include matters relating to:

- the functionality, quality and maintenance of IT systems for delivering scheme communications;
- the systems and processes for ensuring there are sufficient individuals, with relevant skills, qualifications and capacity necessary for delivering scheme communications;
- quality assurance systems and processes – whether there are systems and processes for assessing and improving the effectiveness of scheme communications, for ensuring they are accurate and not misleading and for review by appropriate persons;
- member engagement – whether there are systems and processes for gathering member feedback concerning scheme communications, for taking it into consideration in designing scheme communications and for reporting to trustees and members as to how feedback has been taken into account.

97. This is the same approach as taken in the CDC Regulations 2022.

Section 16 of the 2021 Act and regulation 35 of and Schedule 5 to the Unconnected Multiple Employer CDC Regulations 2025: Systems and processes requirement

98. We want unconnected multiple employer CDC schemes to be well run and expect them to have appropriate systems and processes to enable them to maintain a good standard of administration and governance so that there is adequate security for members' savings and their data.

99. Regulation 35 introduces Schedule 5 which sets out the matters that the Regulator must take into account in deciding whether it is satisfied that the systems and processes used in running an unconnected multiple employer CDC scheme are sufficient to ensure that the scheme is run effectively. We have taken a similar approach to that of the CDC Regulations 2022 however, Schedule 5 to the Unconnected Multiple Employer CDC Regulations 2025 reflects the differing nature of unconnected multiple employer schemes.

100. This includes whether the IT systems have the capacity and capability to reconcile employer contributions with the records of the member to whom they relate, which is essential in schemes with multiple unconnected employers. We also created a new requirement that the Regulator must take into account whether the IT systems are of a sufficient standard to allow the scheme to meet the objectives set out in the business plan.

Regulations 11, 36 and 37 of the Unconnected Multiple Employer CDC Regulations 2025: Preparation, review, revision and content of a continuity strategy

101. The continuity strategy authorisation criterion is provided for under Section 17 of the 2021 Act. It requires trustees of a CDC scheme to prepare a continuity strategy document as part of the scheme's application and to review it on an ongoing basis. This document sets out how the interests of the scheme members are to be protected if the scheme experiences a triggering event.
102. Regulation 11 would amend section 17 of the 2021 Act so that, in respect of an unconnected multiple employer CDC scheme, the requirements to prepare, review and revise the continuity strategy and the requirement to provide it to the Regulator, are to be met by the scheme proprietor instead of the trustees. The continuity strategy, and any revisions to it, must still be approved by the trustees (see new section 17(6B)).
103. The aim of the continuity strategy requirement is to demonstrate that anticipated risks that may arise in future have been fully considered. It is, therefore, appropriate that the scheme proprietor has responsibility for preparing it. However, trustees should be required to approve it to ensure scheme members' interests are properly considered.
104. Regulation 36 sets out the information that must be included in the continuity strategy, which is designed to help the Regulator determine whether it is satisfied that the strategy is adequate. The continuity strategy must set out certain timescales and how implementation of the strategy would be funded. The strategy should explain what plans the scheme proprietor have put in place so that the consequences of these events can be managed in an orderly fashion, and how scheme members will be adequately protected during this process. This is the same approach as taken in the CDC Regulations 2022.
105. Regulation 37 sets out the information about administration charges that must be included in the continuity strategy in order for it to be considered to be adequate. Again, this follows the approach taken in the CDC Regulations 2022.

Regulations 5, 12 and 27 of the Unconnected Multiple Employer CDC Regulations 2025: Ability to pursue continuity option 3

106. It is our policy intention that running an unconnected multiple employer CDC scheme as a closed scheme (continuity option 3) should always be an option open to trustees where it is actuarially viable to do so and to the extent this is permitted under

the legislation. This addresses the concern raised by several respondents to our policy consultation about the potential for a scheme to exit the market for commercial reasons.

107. To be clear, it is not our intention that continuity option 3 should be a default option, necessarily favoured above any other option. At all times, we expect the trustees to take the most suitable course of action, considering the specific circumstances of the triggering event at the time it occurs, and what would be in the best interests of the members. Overall, allowing schemes and the trustees to decide what is best for their members is a more balanced approach to take.
108. The 2021 Act does not currently prevent schemes from pursuing continuity option 3 unless a requirement to pursue continuity option 1 applies or scheme rules prevent this. If trustees do decide to convert the scheme into a closed scheme then section 38 of the 2021 Act applies, which stipulates (amongst other things) that conversion may be carried out only in accordance with the provisions of the scheme. However, the 2021 Act does not require schemes to have the ability to convert to closure. We intend to change this for the unconnected multiple employer CDC schemes to mitigate the potential risk of a commercial provider who opts to dispense with their CDC scheme at some future point because they deem it to be unattractive commercially, even though this may not be in the best interests of the members¹⁹.
109. For example, if a CDC scheme is expected to remain viable and sustainable based on its current asset holdings, requiring it to wind up because it is no longer commercially attractive to the provider is unlikely to be in the best interests of its current members. This is because the members might continue to receive their CDC benefits in a closed scheme, whereas if they were discharged to a DC scheme on wind up of the scheme, they might be worse off financially.
110. We also recognise that this approach would not eliminate the risk of wind up completely. For example, if the scheme proprietor becomes insolvent, then the wind up of the scheme is likely to be unavoidable.
111. Nevertheless, we believe this approach strikes an appropriate balance between commercial interests and the interests of scheme members. It is reasonable to expect unconnected multiple employer CDC schemes to be designed from the outset to be resilient, so that members can have confidence that their scheme will be around to provide an income over the course of their retirement.

¹⁹ It should be noted that a CDC scheme seeking to operate on a closed basis at a future point would need to satisfy the authorisation requirements and seek the Regulator's permission to do so.

112. Regulation 5(a)(iv) therefore would insert a new authorisation criterion at section 9(3)(g) of the 2021 Act, to require the Regulator to decide whether it is satisfied that trustees of the scheme would not, unless required to pursue continuity option 1 by virtue of section 34(3) of the 2021 Act, be prevented from pursuing continuity option 3. Regulation 12 would insert new Section 17A, subsections (2) and (3) of which would provide more information about what the Regulator must take into account when making this decision.
113. Regulation 27(7) requires that the application for authorisation must include an explanation by the trustees of why they consider it to be the case that they would not be prevented from pursuing continuity option 3 (unless required to pursue continuity option 1 by virtue of section 34(3) of the 2021 Act). The information that regulation 27(7)(a) and (b) stipulates must be included in the trustees' explanation is not an exhaustive list but we believe are the key considerations. It is expected that the Code would provide further information to trustees of unconnected multiple employer CDC schemes seeking to evidence how they satisfy this authorisation criterion.

Question 9: Are the draft regulations clear that a trustee's ability to pursue continuity option 3 must not be unduly constrained or fettered and how this would be evidenced to the Regulator?

Valuation and Benefit Adjustment

Regulations 38 to 42 of the Unconnected Multiple Employer CDC Regulations 2025

114. Regulations 38 to 42 make provision for the annual actuarial valuation and benefit adjustment process. Benefits in CDC schemes must be valued and adjusted every year in order to keep the value of assets held and the projected costs of benefits in balance.
115. While unconnected multiple employer CDC schemes will be targeting a particular annual increase, which will be at least in line with the expected average annual increase in the level of the CPI at launch, it is inevitable that due to fluctuations in investment performance the funding level will vary over time. As a result, the annual adjustments will also vary. To avoid bias in favour of a particular group or cohort of members CDC schemes would be required to follow strict rules on benefit adjustments. These requirements include using a central estimate methodology for valuations and ensuring that increases in benefits are sustainable for the remaining lives of the membership. We cover some of the other requirements below in more detail.

Distribution of benefit adjustments

116. To avoid bias, it is currently a key feature of CDC schemes that any adjustment of benefits must apply to all members without variation. We want to retain this principle for unconnected multiple employer CDC schemes. However, as new employers can join these schemes over time, we have adapted our approach to this principle to allow for the permitted range of scheme designs. For unconnected multiple employer CDC schemes, the scheme rules may allow for members' benefits to target different annual increases, based on the performance of the scheme since their employer joined.

117. Regulation 38(4)(c) would require that adjustments of the rate or amount of benefit provided under the scheme must be applied to all the members of the scheme without variation, or, where relevant, that any change to such adjustment must be applied to all the members of the scheme without variation.

Threshold for benefit increases

118. Following a sustained period of higher-than-expected investment returns a CDC scheme may be in a position where it is so well funded that it can target increases well above CPI.

119. The regulations would introduce a maximum threshold for increases, beyond which annual increases cannot be applied; any additional funding above that threshold is to be allocated to members' benefits as a one-off increase in a single year. The regulations set this threshold at CPI + 2% p.a. but schemes could set a higher threshold, reducing the likelihood of one-off increases, by allowing for it in scheme rules (see regulation 38(5)(a)).

120. Where scheme rules allow for members' benefits to target different annual increases based on their employer, it may be that some members receive a one-off increase and others do not, depending on whether the threshold is reached for their target increases that year.

Multi annual reductions

121. Where a scheme experiences lower than expected investment returns there could be circumstances in which benefit levels have to be decreased to restore balance between the assets and projected costs. A concern sometimes expressed about CDC schemes is how members, especially pensioner members, would adapt to sudden decreases in benefits. We believe that for a well-designed CDC scheme, cutting the rate of benefit would be a rare event. But we are conscious that in some extreme scenarios cuts to benefits of several percentage points may be needed.

122. Paragraphs (8) to (17) of regulation 38 provide for benefit decreases, which would apply to all members, to be smoothed over a maximum of three years where scheme rules allow, and subject to the requirements set out in those paragraphs. They also provide for how to apply bounce back in investment performance to reduce or eliminate planned decreases²⁰.

Actuarial requirements and Regulatory oversight

123. Regulations 39 and 40 set out certain requirements relating to the actuarial valuation. Regulations 41 and 42 provide further detail relating to the duty of the trustees to report to the Regulator where a required benefit adjustment has not been made in accordance with the most recent actuarial valuation or has not taken effect in accordance with the scheme rules, and the corresponding powers of the Regulator where such an event has occurred.

Question 10: Are the draft regulations clear on how valuation and benefit adjustments should happen?

Ongoing Supervision Framework

Regulations 14 to 18, 43 to 49 and 53 to 55 of the Unconnected Multiple Employer CDC Regulations 2025

124. Once an unconnected multiple employer CDC scheme receives authorisation it will still be required to be able to demonstrate to the Regulator that it continues to meet the authorisation criteria on an ongoing basis. The Regulator's ongoing supervisory role is, and will continue to be, vital if the interests of the members of the new unconnected multiple employer CDC schemes are to be protected. We envisage that most of the existing ongoing supervision requirements that apply to single or connected employer CDC scheme would also apply to unconnected multiple employer CDC schemes, though there are some areas which require additions and/or amendments.

Regulation 43: Supervisory return

²⁰ Regulations 3 and 4 of The Occupational Pension Schemes (Collective Money Purchase Schemes) (Amendment) Regulations 2024 amended regulations 17 and 19 of the CDC Regulations 2022 to ensure that bounce back in investment performance can also be offset against planned decreases for single or connected employer CDC schemes as intended and that specified information relating to this is provided in the actuarial valuation.

125. The supervisory return is used by the Regulator to inform its ongoing risk assessment of schemes and enables the Regulator to place a minimum reporting requirement on schemes to maintain at least annual contact with the Regulator. The purpose of supervisory returns is to complement the close collaborative engagement that the Regulator envisages developing with unconnected multiple employer CDC schemes on an ongoing basis. Regulation 43 sets out the information that the Regulator may require to be included in a supervisory return. This approach for the supervisory return is consistent with the approach taken with single or connected employer CDC schemes.

Regulations 14 and 44: Significant events

126. Section 28 of the 2021 Act provides that where certain specified people become aware that a significant event has occurred in relation to an authorised CDC scheme, they must notify the Regulator of that fact in writing, as soon as reasonably practicable. These are events that may affect the ability of an authorised CDC scheme to continue to meet the authorisation criteria. Regulation 14 would amend section 28 to include, where the scheme is an unconnected multiple employer CDC scheme, the scheme proprietor, a CFO of the scheme and a person who promotes or markets the scheme to the list of specified people required to notify the Regulator under this provision. If we proceed with regulations to include a scheme's CIO in the list of those required to be subject to the fit and proper test, we would also propose amending section 28 of the 2021 Act to include a CIO of the scheme in the list of those required to notify the Regulator under this provision.

127. Regulation 44(1) would provide for the significant events which would apply in respect of unconnected multiple employer CDC schemes, the occurrence of which must be notified to the Regulator under section 28 of the 2021 Act. Regulation 44(2) would provide for some of these events to be specified significant events, requiring certain further information to be notified to the Regulator in respect of those events.

128. Most of the significant events are the same as those that apply to single or connected employer CDC schemes. However, we believe additional significant events are necessary to protect members in the new unconnected multiple employer CDC schemes.

129. Due to the potential for commercial unconnected multiple employer CDC schemes, we have specified two significant events related to promotion or marketing. Regulation 44(1)(o) would stipulate that a proposal to begin promotion or marketing of the scheme represents a significant event. Regulation 44(1)(p) is aimed at protecting against unclear and misleading promotion or marketing. It would provide that a significant event would have occurred when, in the opinion of a person mentioned in

section 28(2) of the 2021 Act, a person has carried out promotion or marketing in relation to the scheme that is unclear or misleading.

130. Regulation 44(1)(q)-(t) establishes four significant events related to business planning and scheme funding and regulation 44(1)(u) stipulates that a significant event would have occurred if there is a change to the financial reporting period used in the accounts of the scheme or scheme proprietor. These reflect the financial sustainability requirements that are specific to an unconnected multiple employer CDC scheme.
131. Regulation 44(1)(v) establishes that a significant event would have occurred if, in the opinion of a person mentioned in section 28(2) of the 2021 Act, something happens that undermines, or is likely to undermine, the ability of the trustees of the scheme to pursue continuity option 3 whenever they consider it appropriate to do so, should a triggering event occur (unless required to pursue continuity option 1 by virtue of section 34(3) of the 2021 Act).

Question 11: Do you think that the significant events listed in draft regulation 44 will provide the information the Regulator needs or are there other significant events that should be added?

Regulations 15 and 45: Risk notices

132. Section 29 of the 2021 Act introduced risk notices as a supervisory tool for use by the Regulator. This allows the Regulator to issue a risk notice to the trustees of a CDC scheme if it considers that there is an issue of concern in relation to the scheme and that the scheme will breach the authorisation criteria, or is likely to breach them, if the issue is not resolved.
133. Recognising that in some cases with unconnected multiple employer CDC schemes it will be necessary for the Regulator to issue a risk notice to the scheme proprietor, regulation 15 would allow for this and, in relevant places, add references to the scheme proprietor in addition to references to “trustees” in Section 29 of the 2021 Act. Regulation 15 would also amend section 29 of the 2021 Act to provide for section 10 of the Pensions Act 1995 to apply to scheme proprietors where they fail to comply with a risk notice or where they fail to comply with other specified requirements relating to a risk notice. Regulation 45 of the Unconnected Multiple Employer CDC Regulations 2025 sets out certain time periods for the purposes of section 29 of the 2021 Act and stipulates information that a risk notice must contain.

Regulation 16, 17, 18 and 46: Triggering events: notification requirements

134. The triggering events in respect of a CDC scheme are listed at section 31 of the 2021 Act. It is essential that the Regulator is told that an event has occurred so it can ensure that appropriate action is taken to address the event and protect members from that point onwards.
135. Regulation 16 amends section 31 of the 2021 Act to include additional triggering events applicable to unconnected multiple employer CDC schemes: for example, when an insolvency event occurs in relation to the scheme proprietor (new item 4A triggering event), or when the scheme proprietor decides to end, or does in fact end, the relationship or arrangement with the scheme by virtue of which it is the scheme proprietor (new items 7A & 7B triggering events).
136. Regulation 17(1) would limit the definition of ‘relevant former employer’ in Section 31(5) to single or connected employer CDC schemes. This reflects what whilst former employers have an important role in single or connected employer CDC schemes, they have a less important role to play in unconnected multiple employer CDC schemes. Regulations 17(2) – (5) make consequential changes to the 2021 Act.
137. Reflecting the proposed governance structure of unconnected multiple employer CDC schemes, regulation 18 amends section 33 of the 2021 Act so that, if a triggering event occurs in relation to an unconnected multiple employer CDC scheme, any trustee who is aware of the event must give the required notification to each employer and the scheme proprietor. Some exceptions as to what the required notification must contain are set out in section 33 of the Act (to be amended by regulation 18). Regulation 46 would require trustees that are required to give such notifications to provide other specified information to each employer and the scheme proprietor.
138. The role of the scheme proprietor in unconnected multiple employer CDC schemes is also reflected in other notification requirements in section 33 of the 2021 Act as amended by regulation 18 as well as in the requirements set out in regulation 46(2)(b) and 46(3) (which set out timings for notifications under section 33 of the 2021 Act).

Regulation 47, 48 and 49: Implementation strategy

139. If a triggering event occurs in relation to a CDC scheme, the trustees must produce an implementation strategy, which is a document setting out how the interests of members are to be protected following the occurrence of the triggering event. Section 39 of the 2021 Act stipulates that the implementation strategy must be submitted to the Regulator for approval. It is crucial that the process following a triggering event is managed in as orderly a way as possible to minimise the risk of having a detrimental impact on members.

140. Section 40 of the 2021 Act provides that the Regulator may only approve an implementation strategy if it is satisfied the strategy is adequate and goes on to set out what that strategy must contain, and other requirements to be met, in order to demonstrate to the Regulator that this is the case. Regulation 47 sets out the relevant deadline for trustees to submit an implementation strategy to be approved.
141. Regulation 48 sets out how trustees must calculate and set out (in the implementation strategy) the levels of administration charges that will apply during the triggering event period. A triggering event period commences from the date the triggering event occurs. Regulation 49 sets out the other required contents of an implementation strategy. The role of the scheme proprietor in unconnected multiple employer CDC schemes is reflected in regulation 49(3).

Regulation 53: Periodic reporting requirement

142. Section 43 of the 2021 Act requires that during a triggering event period the trustees of a CDC scheme must submit periodic reports to the Regulator. Resolving a triggering event can be complicated so it is important that this work is overseen by the Regulator, as it will have implications for members and employers. This ensures the Regulator is kept up to date with progress and key decisions and events during the triggering event period.
143. Regulation 53 sets out further requirements relating to this periodic reporting for unconnected multiple employer CDC schemes. This approach is consistent with the approach taken with single or connected employer CDC schemes.

Regulation 54: Pause orders

144. Section 44 of, and Schedule 2 to the 2021 Act enables the Regulator to pause a range of activities during a triggering event period for a CDC scheme, by making a pause order in relation to the scheme. It can pause activities if it is satisfied that doing so will help the trustees carry out the implementation strategy or if it is satisfied that there is, or there is likely to be if a pause order is not made, an immediate risk to members' interests or the assets of the scheme and it is necessary to make a pause order to protect the interests of the generality of the members of the scheme.
145. The activities that may be paused include allowing people to transfer out of the scheme. Section 99 of the Pension Schemes Act 1993 (PSA 1993) provides that trustees must facilitate a transfer request within six months of the date of the application. This would not be achievable if a pause order contains a direction stopping transfers out of the scheme. Regulation 54 modifies section 99 of PSA 1993 to accommodate the operation of a pause order that prevents transfers out of an

unconnected multiple employer CDC scheme. This approach is consistent with the approach taken with single or connected employer CDC schemes.

Regulation 55 : Administration Charges during a triggering event

146. Section 45(1) of the 2021 Act protects members of CDC schemes during triggering event periods by ensuring that, during that period, trustees must not impose scheme administration charges on or in respect of members above levels set out in the implementation strategy. During a triggering event period, trustees are also prohibited from imposing new administration charges on or in respect of members or administration charges that arise as a result of the member leaving, or deciding to leave, a CDC scheme during that period.
147. Section 45(2) of the 2021 Act also prohibits trustees of certain receiving schemes – CDC or Master Trust schemes to which trustees of a CDC scheme may bulk-transfer members during the triggering event period – from imposing administration charges on or in respect of members above a certain level or from imposing new administration charges, for the purposes of meeting certain costs.
148. Regulation 55 clarifies the administration charges that are out of scope of the prohibitions set out in section 45 of the 2021 Act. It also provides for the prohibition applicable to receiving schemes to apply to occupational pension schemes other than CDC schemes and Master Trust schemes. Regulation 55 is consistent with the approach taken with single or connected employer CDC schemes.

Continuity Options

Regulations 50 to 52 of the Unconnected Multiple Employer CDC Regulations 2025

Regulation 50: Discharge of liabilities and winding up a scheme under continuity option 1

149. Section 36 of the 2021 Act provides the framework where the trustees of a CDC scheme are pursuing continuity option 1 following a triggering event. This option will arise where the trustees of the CDC scheme are required by the Regulator or choose to wind up the scheme.
150. The requirements of section 36 combined with those in respect of the implementation strategy are intended to protect members by ensuring that the wind-up process takes place within a framework that has been agreed and monitored by the Regulator. Regulation 50 introduces Schedule 6, which provides the details of this

framework. Section 42 of the 2021 Act stipulates that CDC schemes can only be wound up in accordance with continuity option 1.

151. The framework set out in Schedule 6 aims to ensure that the value of members' accrued rights to benefits are transferred to suitable pension schemes or alternative payment arrangements, and that wind up is completed in a timely manner and with minimal disruption to members.

152. The details set out in Schedule 6 cover a number of key areas related to the winding up of an unconnected multiple employer CDC scheme. These include requirements concerning:

- the available discharge options²¹ including the default discharge option. For example, this might be a Master Trust or another CDC scheme;
- during the winding up period that no new members may be admitted to the scheme and that no further contributions may be paid into the scheme (other than those due to be paid before the beginning of the winding-up period);
- the periodic income that must be paid to pensioner members during the winding up period;
- the quantification of the value of each member's rights; and
- the information that the trustees must provide to members and employers, which includes:

ensuring that employers and members are kept informed, and members know what their options are; when the value of members' accrued rights to benefits is expected to have been transferred and to which scheme or alternative payment mechanism

153. A power is also given to the Regulator to direct the trustees to take certain actions, for example, if they consider members' rights are being put at risk through failure to comply with these regulations.

Regulation 51: Resolving a triggering event under continuity option 2

154. Continuity option 2 provides for the resolution of a triggering event. The aim of continuity option 2 is to allow some flexibility for trustees where the triggering event does not warrant the winding up or closure of the scheme. It provides a framework for ensuring appropriate action is taken and that there is an external check that the triggering event has been properly resolved. This is necessary to protect members.

²¹ Regulation 5 of The Occupational Pension Schemes (Collective Money Purchase Schemes) (Amendment) Regulations 2024 amended Schedule 6 to the CDC Regulations 2022 to specify, for clarificatory purposes, the categories of other flexi-access drawdown funds to which the value of a member's accrued rights to benefits under a CDC scheme that is being wound up may be transferred. For the same reason, these categories are also specified in Schedule 6 to the draft regulations for unconnected multiple employer CDC schemes.

155. Section 37 of the 2021 Act states that where the trustees decide to pursue continuity option 2, they must notify the Regulator when they consider that the triggering event has been resolved. Regulation 51 sets a deadline of 14 days for them to do so. This deadline is intended to give trustees a reasonable amount of time to provide the information the Regulator will need in order to be satisfied that the triggering event has been resolved.

Regulation 52: Closing a scheme under continuity option 3

156. Section 38 of the 2021 Act sets out the requirements to be followed by trustees and the Regulator, when a decision is taken to convert the scheme to a closed scheme under continuity option 3 following a triggering event. Closed, in relation to a CDC scheme, means closed to new contributions or new members (or both).

157. This is intended to address a scenario where, for example, a scheme proprietor chooses to run the scheme on a closed basis. A scheme may only operate on a closed basis if this is provided for in the scheme rules, they are not otherwise required to pursue continuity option 1, and the trustees have received a notification from the Regulator that it is satisfied that the preparations for conversion to a closed scheme are complete and that the conversion will resolve the triggering event (and any other subsequent triggering event that has occurred in relation to the scheme).

158. Continuity option 3 recognises that running on a CDC scheme on a closed basis may be justified in some cases and provides a structured framework for securing the Regulator's permission to run on as a closed scheme.

159. Regulation 52 requires notifications to the Pensions Regulator under section 38(2) of the 2021 Act to be given before the end of 28 days beginning with the date on which the trustees consider that preparations for the conversion of the scheme into a closed scheme are complete. This regulation also stipulates that preparations for the conversion of a scheme into a closed scheme are not complete unless the steps identified in the implementation strategy, in order to carry out continuity option 3, are complete. The approach taken for both continuity option 2 and continuity option 3 is consistent with the approach taken with single or connected employer CDC schemes.

<p>Question 12: Do you have any comments on the draft regulations that provide for ongoing supervision of unconnected multiple employer CDC schemes?</p>

Chapter 3 Consequential and Miscellaneous Amendments

Amendment of the Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022

Regulations 56 to 66 of the Unconnected Multiple Employer CDC Regulations 2025

160. In developing an appropriate legislative framework for unconnected multiple employer CDC schemes, we determined that some changes needed to be made to the CDC Regulations 2022. These changes are set out in Part 5 of the Unconnected Multiple Employer CDC Regulations 2025, and include:
- regulation 58 which omits the definition of connected in regulation 3 of the CDC Regulations 2022 (see also paragraph 20). This is because the Unconnected Multiple Employer CDC Regulations 2025 include a new definition of 'connected' that applies in respect of both single or connected and unconnected multiple employer CDC schemes in order to determine the legislative regime applicable to them;
 - regulations 59 and 60 which amend regulations 4(1) and 5 of the CDC Regulations 2022 to correspond more clearly to the drafting of section 3(8) of the 2021 Act (see also paragraph 13 above);
 - regulation 61 which amends regulation 6(6) of the CDC Regulations 2022 to require an explanation of how the scheme satisfies the definition of a collective money purchase scheme under section 1(2) of the Act to be included in the information provided on application;
 - regulation 62 which amends regulation 17(4) of the CDC Regulations 2022 to clarify the restriction on the increase to the rate or amount of benefits provided under the scheme that can be applied;
 - regulation 63 which amends Schedule 1 to the CDC Regulations 2022 to ensure the references to other legislation more accurately reflect that legislation;
 - regulation 64 which amends Schedule 2 to the CDC Regulations 2022 to reflect that whether the scheme satisfies the definition of a collective money purchase scheme needs to be considered separately from the soundness of the scheme. Indeed, satisfying this definition determines whether the scheme comes within the regime at all;
 - regulation 65 which makes minor amendments to Schedule 5 to the CDC Regulations 2022 in part to address the fact that the Lifetime Allowance no longer exists; and
 - regulation 66 which makes some minor clarificatory amendments to Schedule 6 to the CDC Regulations 2022.

Consequential Amendments

Regulations 67 to 69 of, and Schedule 7 to, the Unconnected Multiple Employer CDC Regulations 2025

161. We have identified a number of proposed consequential changes that need to be made, as detailed in Part 6 of the Unconnected Multiple Employer CDC Regulations 2025, relating to:

- the Pensions Act 2004 to include the Regulator's new power to issue a risk notice to a scheme proprietor of an unconnected multiple employer CDC scheme as one of its regulatory functions for the purposes of that Act. This is set out in regulation 67 of the Unconnected Multiple Employer CDC Regulations 2025;
- the Pension Schemes Act 2017 relating to Master Trusts, so that the two multiple employer frameworks can operate in tandem. These are set out in regulation 68 of the Unconnected Multiple Employer CDC Regulations 2025; and
- other existing secondary pensions legislation so that unconnected multiple employer CDC schemes can operate as we intend. These changes are set out in regulation 69 of and Schedule 7 to the Unconnected Multiple Employer CDC Regulations 2025.

162. As there will now be two sets of regulations governing CDC schemes, changes are proposed to the existing secondary legislation to reflect that there are two regimes and to ensure that both are captured appropriately.

163. Amendment is proposed, in particular, to the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013²² (the Disclosure Regulations) regarding disclosures relating to the scheme design statement to reflect the specific design allowed for unconnected multiple employer CDC schemes.

Question 13: Do you agree with the changes in Part 6 of the draft regulations?

²² [Disclosure of Information Regulations 2013](#)

Miscellaneous Amendments

Regulations 2 to 4 of the Miscellaneous Amendment CDC Regulations 2025

164. As with the CDC Regulations 2022, we have always said we would keep other secondary pensions legislation in relation to the CDC regulation framework under review. Therefore, in addition to the above-mentioned amendments, we plan to also make some minor corrections to the secondary legislation previously amended by the Occupational Pensions Schemes (Collective Money Purchase Schemes) (Modifications and Consequential and Miscellaneous Amendments) Regulations 2022.
165. These amendments will also impact single or connected employer CDC schemes and are contained in the Miscellaneous Amendment CDC Regulations 2025, found at Annex B.
166. Particularly worth highlighting are the amendments to the Disclosure Regulations in relation to transfer values included in the Annual Benefit Statement²³. Paragraph 5 of Schedule 6A was introduced to aid member understanding of their benefit statement, but we recognise that there is an element of duplication with this requirement as other benefit adjustment value and transfer value regulatory requirements exist. It is not thought essential to provide this automatically in the annual benefit information. To note we are still retaining the requirement to provide a benefit illustration of the member's projected retirement pension²⁴ as this is thought vital, as with other schemes, to aid member understanding of their pension entitlement and retirement planning.

Question 14: Do you agree with the changes in the Miscellaneous Amendment CDC Regulations 2025?

Other linked legislation - no amendments thought necessary

167. It is worth noting that we have considered whether amendments are required to other areas of legislation (as listed in Annex C) but concluded that they will work appropriately for unconnected multiple employer CDC schemes, as they already do for single or connected employer CDC schemes, without further amendment.
168. Policy for unconnected multiple employer CDC schemes in these areas remain the same as they do for single or connected employer CDC schemes, including the following areas:

²³ Schedule 6A, paragraph 5 of the Occupational and Personal Pension (Disclosure of Information) Regulations 2013 and linked paragraphs, i.e. the amount that represents the member's share of the available assets of the schemes at the illustration date.

²⁴ Schedule 6A of the Occupational and Personal Pension (Disclosure of Information) Regulations 2013. Paragraph 24 and 25 for active members, and paragraph 20 for deferred and pension credit members.

- **The charge cap**²⁵ - Including the performance fee easements, will apply to unconnected multiple employer CDC schemes which at any point have been used for automatic enrolment.
- **Transfers** - Taking into account actuarial factors such as age, transfer values should be calculated on an actuarial basis.
- **Subsisting rights** - The existing subsisting rights protections, which apply to single or connected employer CDC schemes, would also apply to unconnected multiple employer CDC schemes.
- **Automatic Enrolment (AE) quality requirement** - Employers who choose to use an unconnected multiple employer CDC scheme to meet their AE duties are required, as with other schemes, to ensure that the scheme meets the minimum quality requirements for qualifying schemes under the Pensions Act 2008. Unconnected multiple employer CDC schemes will be permitted to satisfy either the “DC Test”²⁶ or the “alternative CDC test”²⁷.
- **Publication and Disclosure** - The Disclosure Regulations set out the principal requirements of how, what, when and to whom information must be disclosed to members (and others). Responses to our July 2023 consultation on the proposal to extend the scope of CDC schemes agreed the existing disclosure requirements applicable in respect of single or connected employer CDC schemes should also apply in respect of unconnected multiple employer CDC schemes. Except for those amendments above²⁸, we therefore propose the existing publication and disclosure framework will apply in respect of unconnected multiple employer CDC schemes. A list of the disclosure requirements specific to single or connected employer CDC schemes is included at Annex D.

²⁵ As set out in [The Occupational Pension Schemes \(Charges and Governance\) Regulations 2015 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

²⁶ Regulation 32E(2)–(7) of the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010

²⁷ Regulation 32EA of the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010

²⁸ Including the proposed amendments to the Disclosure Regulations introduced by the Miscellaneous Amendment CDC Regulations 2025

Chapter 4 Impacts

169. An initial view of the potential impacts of the introduction of CDC schemes on members, businesses, government and the public sector was published in support of the Pension Schemes Act 2021²⁹. A further impact assessment was published in support of the CDC Regulations in 2022³⁰.
170. Although the new regime for multiple unconnected employer CDC schemes is permissive, these schemes are a new type of arrangement and so there is some uncertainty over the full impacts of the proposals.
171. However, we have included a number of questions to help us review the impacts of the proposed draft regulations. We are particularly interested to hear from stakeholders actively exploring setting up an unconnected multiple employer CDC scheme.

Question 15: What are the financial costs required to establish and run an unconnected multiple employer CDC pension scheme? Please outline any one-off and ongoing costs.

Question 16: Considering the draft regulations and criteria for authorisation, could you estimate the costs of preparing the information required for authorisation?

Please outline the extent and cost of external contractors where they may be required.

Question 17: How many members do you consider to be a viable minimum in an unconnected multiple employer CDC scheme?

Please also include any information you have on target scheme size and source of members.

Question 18: Considering potential numbers of schemes, employers and members, do you have any information on the likely size and shape of the unconnected multiple employer market once established?

Protected groups and other comments

172. Public authorities are required under the Equality Act 2010 to have due regard, in the exercise of their functions, to the need to: (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under that Act; (b) advance equality of opportunity between persons who share a relevant

²⁹ https://www.legislation.gov.uk/ukpga/2021/1/pdfs/ukpgaod_20210001_en_001.pdf

³⁰ [The Occupational Pension Schemes \(Collective Money Purchase Schemes\) Regulations 2022 - Impact Assessment \(legislation.gov.uk\)](#)

protected characteristic³¹ and persons who do not share it; (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. As part of this consultation, we are seeking any views and evidence of the impact of our proposals on protected groups and the age and disability characteristics in particular – and how any negative effects may be mitigated.

Question 19: Do you have

- a) any comments on the impact of our draft regulations on protected groups and/or how any negative effects may be mitigated?
- b) any other comments about any of our draft regulations

³¹ Set out in section 4 of the Equality Act 2010

Chapter 5 Next Steps

173. We are committed to facilitating further CDC provision as quickly as possible but want to ensure that we get the legislation right to help ensure that the interests of members in these new schemes are protected. That is why we have engaged extensively with industry during the drafting of these regulations to ensure this will be the case.
174. Following this consultation, our plan is to lay the secondary legislation in 2025 to facilitate unconnected multiple employer CDC schemes and, subject to parliamentary approval, intend to bring that that legislation and an updated Regulator's Code into force as soon as practicable after that. Once this is complete, unconnected multiple employer CDC schemes will be able to apply to the Regulator for authorisation to operate.

Decumulation-only CDC

175. Building on our work to develop a whole-life unconnected multiple employer CDC legislative framework, we are continuing to explore with the pensions industry and regulators what would be needed to provide trust-based decumulation-only CDC options.
176. Central to this is ensuring appropriate controls are in place to protect members. Some of the controls which we need to explore for decumulation relate to achieving scale, promotion and marketing, entry pricing and charging structures. We would be interested to speak to anyone who is currently developing or exploring trust-based decumulation-only CDC options.

Summary of Questions

Question 1: Do you think draft regulation 25 delivers the policy intent for the opening of a new section for unconnected multiple employer CDC schemes?

Question 2: Do you think the definition of connected in draft regulation 22 can work effectively to establish whether a scheme is a single or connected employer CDC scheme or an unconnected multiple employer CDC scheme?

Question 3: Do you have any comments on the draft regulations on the fit and proper person requirements?

Question 4: Do you agree with the functions we have identified for the role of the Chief Investment Officer?

Question 5: Does the drafting of the scheme design tests deliver the policy intention of providing a sensible measure of whether a scheme's design is sound, at initial application and on an ongoing basis?

Question 6: Do you have any comments on the drafting of the actuarial equivalence test? Is it clear that the scheme actuary must use the methods and assumptions used in the most recently completed valuation to satisfy the test?

Question 7: Do you have any comments on the draft regulations on financial sustainability?

Question 8: Do you have any comments on the draft regulations on promotion or marketing?

Question 9: Are the draft regulations clear that a trustee's ability to pursue continuity option 3 must not be unduly constrained or fettered and how this would be evidenced to the Regulator?

Question 10: Are the draft regulations clear on how valuation and benefit adjustments should happen?

Question 11: Do you think that the significant events listed in draft regulation 44 will provide the information the Regulator needs or are there other significant events that should be added?

Question 12: Do you have any comments on the draft regulations that provide for ongoing supervision of unconnected multiple employer CDC schemes?

Question 13: Do you agree with the changes in Part 6 of the draft regulations?

Question 14: Do you agree with the changes in the Miscellaneous Amendment CDC Regulations 2025?

Question 15: What are the financial costs required to establish and run an unconnected multiple employer CDC pension scheme? Please outline any one-off and ongoing costs.

Question 16: Considering the draft regulations and criteria for authorisation, could you estimate the costs of preparing the information required for authorisation? Please outline the extent and cost of external contractors where they may be required.

Question 17: How many members do you consider to be a viable minimum in an unconnected multiple employer CDC scheme? Please also include any information you have on target scheme size and source of members.

Question 18: Considering potential numbers of schemes, employers and members, do you have any information on the likely size and shape of the unconnected multiple employer market once established?

Question 19: Do you have:

- a) any comments on the impact of our draft regulations on protected groups and/or how any negative effects may be mitigated?
- b) any other comments about any of our draft regulations

Annex A – Draft of The Occupational Pension Schemes (Collective Money Purchase Schemes) (Extension to Unconnected Multiple Employer Schemes and Miscellaneous Provisions) Regulations 2025

Annex A(i)-(v) – Keeling schedules for the Unconnected Multiple Employer CDC Regulations 2025 and a document highlighting areas where a different approach has been taken from The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022

Annex A(i) – a Keeling schedule showing the proposed amendments to the Pension Schemes Act 2021³² (“the 2021 Act”) to accommodate unconnected multiple employer CDC schemes, provided for under Part 2 of the draft Unconnected Multiple Employer CDC Regulations 2025;

Annex A(ii) – a further document highlighting areas where a different approach has been taken from the CDC Regulations 2022, including with respect to Part 3 of the Unconnected Multiple Employer Regulations 2025, regarding “connected” employers; and Part 4, the proposed “Unconnected Multiple Employer Schemes” provisions, including Schedules 1 to 6.

Annex A(iii) - a Keeling Schedule showing the proposed amendments to the CDC Regulations 2022 provided for under Part 5 of the Unconnected Multiple Employer CDC Regulations 2025

Annex A(iv) – Keeling schedules in respect of changes made under Part 6 of the Unconnected Multiple Employer CDC Regulations 2025, including Schedule 7 to those draft Regulations;

Annex A(v) – Keeling schedule in respect of changes made to the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

³² [Pension Schemes Act 2021 \(legislation.gov.uk\)](https://legislation.gov.uk)

Annex B – Draft of The Occupational Pension Schemes (Collective Money Purchase Schemes) (Miscellaneous Amendments) Regulations 2025

Annex B(i) – Keeling schedule for the Miscellaneous Amendments CDC Regulations 2025.

Annex C – Other regulations that will apply to unconnected multiple employer CDC schemes

1. The Occupational Pension Scheme (Scheme Administration) Regulations 1996
2. The Occupational Pension Schemes (Winding Up) Regulations 1996
3. The Stakeholder Pension Schemes Regulations 2000
4. Modifications of the treatment of hybrid schemes under the Pensions Act 2004
5. The Occupational Pension Schemes (Employer Debt) Regulations 2005
6. The Occupational and Personal Pension Schemes (General Levy) Regulations 2005
7. The Occupational Pension Schemes (Investment) Regulations 2005
8. The Occupational Pension Schemes (Scheme Funding) Regulations 2005
9. The Occupational Pension Schemes (Winding up etc) Regulations 2005
10. The Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010
11. The Occupational Pension Schemes (Charges and Governance) Regulations 2015
12. The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021
13. The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021
14. The Pensions Dashboards Regulations 2022

Annex D – CDC Specific Publication and Disclosure Requirements

The regulations listed in the table below are contained in the **Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013³³**.

Regulation 6 and Paragraphs 18A and 18B of Schedule 2	Requirement for the basic information about a CDC scheme to include: <ul style="list-style-type: none"> • A statement that there is no promise or guarantee as to the rate or amount of benefit provided under the scheme and that it may fluctuate. • A summary of the rules governing how the rate or amount of benefits provided under the scheme is to be adjusted from time to time.
Regulation 8A and Paragraphs 30 to 38 of Schedule 2	Disclosure requirements where a CDC scheme is pursuing continuity option 3 (conversion to a closed scheme), including that members and beneficiaries are notified of the decision to pursue that continuity option.
Regulation 17A and Schedule 6A	Except for certain exemptions, requirement to provide an annual benefit statement to members of a CDC scheme. Provided to active, deferred and pension credit members to advise them of specified information relating to their benefits under the scheme.
Regulation 18A, 20 and 21 and Paragraph 6A of Schedule 7	Requirement to provide a statement that there is no promise or guarantee as to the rate or amount of benefit provided under the scheme and that it may fluctuate. Provided as part of information on flexible benefits, at retirement and where death of a member or beneficiary is notified.
Regulation 22A and Paragraphs 15 to 20 of Schedule 7	Requirement to provide an annual notification relating to the scheme's actuarial valuation to members before any adjustment (if applicable) is made to benefits following the latest actuarial valuation. Particularly important where benefits cuts are to be made.
Regulation 22B and Paragraphs 21 to 27 of Schedule 7	Requirement to provide a notification to members if it is identified that a benefit adjustment has not been applied in accordance with scheme rules or the latest actuarial valuation. This ensures that members are advised of the latest position of the scheme.
Regulation 29B and Schedule 11	Requirement to publish: <ul style="list-style-type: none"> • A scheme design statement which includes: <ul style="list-style-type: none"> ○ a summary of how benefits accrue.

³³ [Disclosure of Information Regulations 2013](#)

	<ul style="list-style-type: none">○ a statement that there is no promise or guarantee as to the rate or amount of benefits provided under the scheme and that it may fluctuate.○ a summary of the rules governing how the rate or amount of benefits provided under the scheme is to be adjusted from time to time.○ an explanation of how risks to the scheme will be monitored○ a summary of the procedure that would be followed in the event of the winding up of the scheme. <ul style="list-style-type: none">● The scheme rules.● A valuation and benefit adjustment statement, which includes a summary of the results of the latest actuarial valuation of the scheme and an explanation of any changes to the actuarial valuation or to the methods or assumptions used in the previous statement, where applicable.● The models used to calculate information included in the scheme's annual benefit statements (in relation to paragraphs 5, 6, 19, 20 and 23 to 25 of Schedule 6A).
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