

Options assessment

Title: Retirement CDC Schemes

Type of measure: Consultation

Department or agency: DWP

IA number: DWP_001_OA(Consultation)

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1. Summary of proposal

1. The Department is proposing to extend Collective Money Purchase (CMP) Schemes, more commonly known as Collective Defined Contribution (CDC) provision to include Retirement CDC schemes. This new type of scheme would see savers continue to build individual pension pots in Defined Contribution (DC) schemes, and transfer into a Retirement CDC scheme at retirement (within the existing provider or externally) to access their pension.

2. Strategic case for proposed regulation

Policy Background

2. Automatic Enrolment (AE)¹ was first introduced in 2012 and has led to a huge increase in the number of workplace pension savers. 89% of eligible employees (over 21m) are now saving into a workplace pension. The vast majority of these

¹ <https://www.gov.uk/workplace-pensions/joining-a-workplace-pension>

savers are saving into a Defined Contribution (DC) workplace pension².

3. Workplace pensions are split into three markets³:
 - a. **Defined Benefit (DB)** – This is a type of pension which pays a retirement income based on earnings, accrual rate, and length of service rather than the amount of money an individual has contributed to the pension. Of which, the market is further split into:
 - Public sector DB, where the main funded scheme is the Local Government Pension Scheme in England and Wales (LGPS) which is made up of 86 Administering Authorities which operate 87 individual funds in 2023/24.
 - Private sector DB where there were around 5,000 pension schemes in 2024⁴.
 - b. **Defined Contribution (DC)** – This is a type of pension whereby pension contributions are made by employees/employers and are invested to create a pension pot at retirement. The DC market is further split into:
 - Trust-based market - A pension scheme governed by a board of trustees who have a fiduciary duty towards scheme members. The board of trustees manage investments on the members' behalf. This is regulated by the Pensions Regulator (TPR). In 2024, there were around 920 pension schemes with 12 or more members. Of these schemes 33 are Master Trusts which hold around 91% of all DC memberships, 90% of active memberships and 81% of total DC assets in the trust-based DC market⁵.
 - Contract-based market - A pension scheme governed by a provider and an independent governance committee (IGC) where a contract exists between the individual scheme member and the provider. This is regulated by the Financial Conduct Authority (FCA). In 2023, there were estimated to be around 30 firms with an authorised DC workplace pension business.
 - c. **Collective Defined Contribution (CDC)** – these schemes are an emerging type of pension scheme based on risk sharing between pension savers. CDC schemes aim to move the risk away from the individual (as is the case under Defined Contribution schemes) and away from the employer (as is the case under Defined Benefit schemes). CDC benefits are adjusted annually based on the scheme's ability to pay that increase over the life of the membership. The only CDC arrangement in the UK so far is a scheme by the Royal Mail: "The Royal Mail Collective Pension Plan".
4. CDC schemes were introduced by the Pension Schemes Act 2021⁶. In single or connected employer schemes (SCES), employers and employees pay a fixed rate of contributions with the aim of providing a target, regular income for life upon retirement. The first and (currently) only single or connected employer CDC scheme is operated by Royal Mail and commenced in October 2024⁷.

² <https://www.gov.uk/government/statistics/workplace-pension-participation-and-savings-trends-2009-to-2024>

³ https://publications.parliament.uk/pa/bills/cbill/59-01/0255/impact_assessment2.pdf

⁴ <https://www.ppf.co.uk/-/media/PPF-Website/Public/Purple-Book-Data-2024/PPF-The-Purple-Book-2024.pdf>

⁵ <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/occupational-defined-contribution-landscape-2024/occupational-defined-contribution-landscape-2024-annex>

⁶ <https://www.legislation.gov.uk/ukpga/2021/1/contents>

⁷ <https://commonslibrary.parliament.uk/research-briefings/cbp-8674/>

5. Following a consultation^{8,9} on expanding the opportunities presented by CDC schemes, Government has developed a framework that accommodated unconnected multiple employer schemes (UMES), legislation for which has been laid in October 2025. This will allow significantly more employers (and employees) to access a CDC scheme. This follows in the model of Master Trusts, which allow unconnected businesses to access a single scheme.
6. To further increase access to a CDC income in retirement, including for those who have not had the opportunity to save in a CDC scheme during accumulation, the Department is exploring Retirement CDC schemes. These would see savers continue to build individual pension pots in DC schemes, then have the option to transfer into a Retirement CDC scheme (within the existing provider or externally) to access their pension pot as an income over retirement. This would provide an alternative to the existing decumulation options (see next section on current options).
7. Pensioners who choose or are defaulted (see paragraph 15) into a Retirement CDC scheme can rely on a regular, if variable, trustee managed income throughout retirement. This reduces or removes the need for complex decision making in retirement planning.
8. Expansion to Retirement CDC schemes could improve outcomes for members, with industry modelling suggesting Retirement CDC schemes could deliver higher and more stable income in retirement compared to other decumulation products. A Retirement CDC would provide a lifelong income in retirement which individuals don't have to manage, at a likely higher level than an index-linked annuity.

The Decumulation Landscape

9. In 2015, Pension Freedoms were introduced¹⁰ which enabled consumers to flexibly access their DC pension pots from the age of 55 and use the funds for a wider range of options including full cash withdrawal and drawdown (where a proportion of the pot is accessed on a regular basis). Prior to Pension Freedoms, consumers almost always had to purchase an annuity (which provides a regular guaranteed income in retirement, bought from an insurer, for life).
10. As a result, there has been a noticeable shift away from individuals accessing annuities to a greater number of individuals withdrawing their pension in full or accessing drawdown (see figure 1 below). There are 4 ways of accessing a pension now:
 - **Full Cash Withdrawal** – Where the pension pot is fully cashed out by the individual.
 - **Drawdown** – The individual decides how much to take out and when; a regular income can be chosen. How long it lasts depends on investment performance and withdrawal rate.
 - **Annuities** – Buying a guaranteed regular income from an insurer.

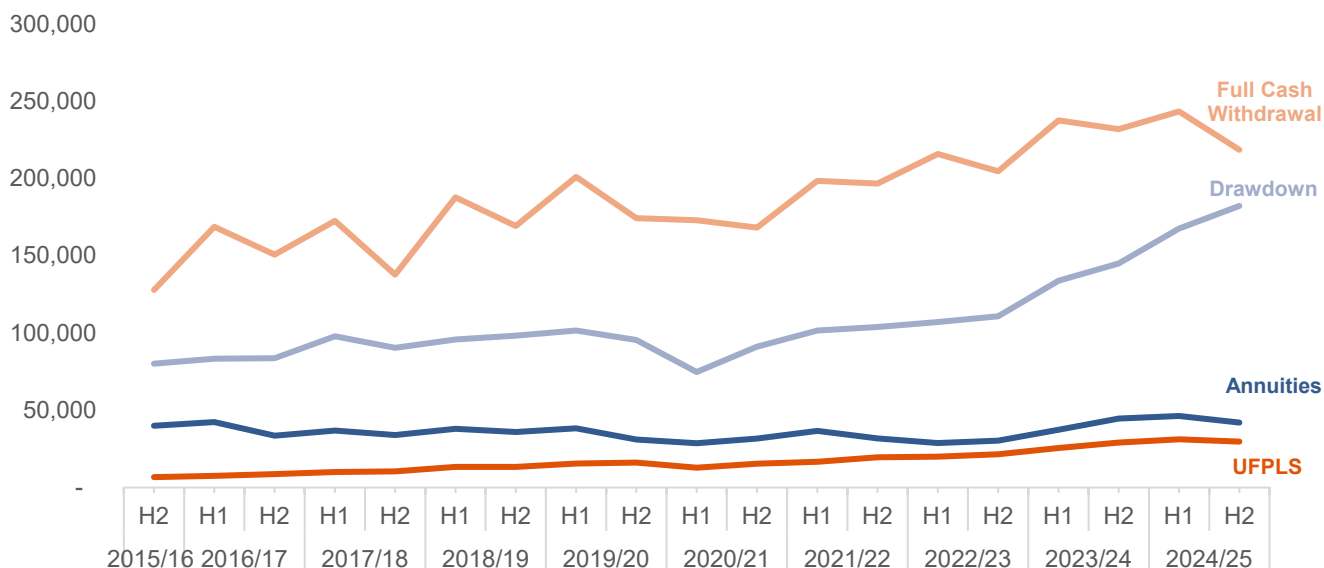
⁸ <https://www.gov.uk/government/consultations/extending-opportunities-for-collective-defined-contribution-pension-schemes/extending-opportunities-for-collective-defined-contribution-pension-schemes>

⁹ <https://www.gov.uk/government/consultations/extending-opportunities-for-collective-defined-contribution-pension-schemes/outcome/government-response-extending-opportunities-for-collective-defined-contribution-pension-schemes>

¹⁰ <https://www.gov.uk/government/publications/pension-freedoms-and-dwp-benefits/pension-freedoms-and-dwp-benefits>

- **Uncrystallised Funds Pension Lump Sum (UFPLS)** – The individual leaves money in the pension pot and take lump sums from it when needed.

Figure 1: Individuals accessing pension pot for the first time by type of pension product



Source: FCA Retirement Income Market Data 2024/25¹¹

11. Despite only a minority taking an income via an annuity, survey evidence suggests many individuals do prefer a guaranteed income for life. The Financial Lives Survey found 29% of people asked wanted their pension to provide them with a guaranteed income for life (the second most common response, behind flexibility to choose how much is taken throughout retirement at 38%)¹². Similarly, DWP's Planning and Preparing for Later Life Survey 2024 found just over half of people aged 40 to 75 with a DC pension (53%) said they wanted their pension to provide them with a guaranteed income for life¹³.
12. Aon and Aegon conducted research¹⁴ with DC savers in the UK on decumulation preferences without giving them their name e.g., 'annuity', 'income drawdown'. The research found 30% of the overall sample had a preference for a CDC pension. Respondents identified reasons they preferred CDC which included higher potential income, the pension will be paid for the rest of their lives and the potential for income to go up if investments do well.
13. Annuities can be flat-level or index-linked. The vast majority of annuity purchases are flat-rate (data from the ABI shows that flat-rate annuities represented over 80% of total annuity purchases annually between 2013 and 2023¹⁵), meaning they decrease in value over time in real terms. The introduction of Retirement CDC schemes could

¹¹ <https://www.fca.org.uk/data/retirement-income-market-data-2024-25>

¹² <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.fca.org.uk%2Fpublication%2Ffinancial-lives%2Ffinancial-lives-survey-2024-tables-volume-13-pension-decumulation.xlsx&wdOrigin=BROWSELINK>, table 60

¹³ <https://www.gov.uk/government/publications/planning-and-preparing-for-later-life-2024>

¹⁴ <https://www.aon.com/unitedkingdom/media-room/articles/aon-aegon-research-third-of-uk-pensions-preferRetirement CDC>

¹⁵ ABI Quarterly Pension Annuities by Age and Size of Fund, 2024

fill a gap in the market, providing a better value income for life as they aim to keep pace with inflation (though this is not guaranteed).

Rationale for intervention and intended effects

14. The current SCES and draft UMES frameworks allow for whole-life CDC schemes, in which members are automatically enrolled by their employer into a CDC scheme, and both save (accumulate) and receive a pension (decumulate) in the same scheme. Industry modelling shows this can provide better outcomes for members, as the collective nature of the scheme shares investment risk across members. This allows a greater growth-seeking asset allocation (increasing potential investment returns); a reduction in 'lifestyling' (where assets are moved to more liquid assets as members approach retirement); and without the need to buy an annuity (which involves some cost).
15. Subject to parliamentary process, Guided Retirement measures, introduced through the Pension Schemes Bill 2025¹⁶, would mean DC scheme trustees and managers must design default retirement solutions for the generality (or cohorts) of their membership, which may deliver greater member outcomes. Therefore, it is appropriately timed to consider expanding the range of potential decumulation options available through consulting on Retirement CDC. Retirement CDC schemes could become one of the potential solutions for Guided Retirement depending on how the market develops.
16. Legislation would be required to introduce Retirement CDC schemes to have parity with the frameworks of whole-life CDC schemes to avoid unfair advantages across CDC scheme types, and to provide appropriate safeguard for members. The Department is currently consulting on policy proposals, so legislation has not yet been drafted at the point of completing this Options Assessment.

Market failures

17. There are key reasons to intervene in the market due to a number of market failures, including:
 - **Asymmetric and imperfect information** – Providers have greater levels of information and awareness of decumulation options compared to members. Engagement in pensions is low (just 24% of those contributing to a DC pension have high level of engagement¹⁷) and 77% of DC pension holders aged 40 to 75 and yet to access their DC pension did not have a clear plan for accessing¹⁸. Individuals often state they want a guaranteed income in retirement (53% mentioned this in PPLL¹⁹) yet actual take-up of annuities is much lower. Similarly, there is relatively low consideration of critical factors such as longevity (43% had considered) or

¹⁶ <https://bills.parliament.uk/bills/3982>

¹⁷ <https://www.fca.org.uk/publication/financial-lives/fls-2024-pensions.pdf>

Defined through several questions related to consumer understanding of and engagement with their DC pension, such as awareness of their pension pot value, understanding their contribution levels, understanding that their pension is invested and what it is invested in, and understanding of fees and charges.

¹⁸ <https://www.gov.uk/government/publications/planning-and-preparing-for-later-life-2024/planning-and-preparing-for-later-life-2024>

¹⁹ <https://www.gov.uk/government/publications/planning-and-preparing-for-later-life-2024/planning-and-preparing-for-later-life-2024>

inflation (26% had considered) for those accessing a DC pension²⁰. A framework for Retirement CDC schemes may help provide a greater range of options and flexibility at retirement for members to better reflect their needs and minimise the need to manage their pot over time.

- **Positive externalities** – CDC schemes are intended to be large schemes, that share investment and longevity risks across all members, over longer time horizons. Consequently, these schemes would have greater capability to invest in more illiquid and productive assets, including infrastructure and other private market assets. These investments could deliver greater returns to members, helping improve the level of income individuals may receive. For example, GAD analysis²¹ showed a benefit of around 2% net uplift to a member's pension pot from investment in these assets while other estimates have ranged from 3%²² and 7-12% increase²³. Private market investments also tend to exhibit greater home bias (around 40% of these investments in DC funds tend to be UK-based compared to less than 10% of listed equities)²⁴ and have more direct links to the domestic economy. As a result, Retirement CDC providers may generate spillover and positive externalities to the UK economy through their investment capability. These benefits include crowding in further investment, supporting start-up businesses to scale up, improving key infrastructure services and helping capital markets function more efficiently²⁵.

Potential benefits of Retirement CDC schemes

18. There are a range of member benefits which may arise from Retirement CDC schemes, including:

- **Provides an income for life.** An individual currently needs to consider how long they may live to manage their money over several decades in retirement if they enter drawdown. Recent findings from the Financial Conduct Authority show many people are withdrawing at drawdown rates which may be considered unsustainable in the long-run²⁶.
- **Retirement CDC schemes remove the need to make complex financial decisions throughout retirement**, which some may not be well-equipped to do. The Retirement CDC will manage the collective fund and make adjustments to benefit levels which balance the value of the available assets and the required amount to pay benefits over the life of the membership. This means individuals do not need to consider the investment decisions or withdrawal rates over time. This is a particular challenge currently given 31% of DC holders are not aware their pot is invested²⁷.

²⁰ <https://www.fca.org.uk/publication/financial-lives/fls-2024-pensions.pdf>

²¹ <https://www.gov.uk/government/publications/pension-fund-investment-and-the-uk-economy/pension-fund-investment-and-the-uk-economy#chapter-2-international-comparisons-of-domestic-investment-by-pension-funds>

²² <https://assets.publishing.service.gov.uk/media/64abe19c404eac0013763bbf/analysing-the-impact-of-private-pension-measures-on-member-outcomes.pdf>

²³ <https://www.british-business-bank.co.uk/sites/g/files/sovrnj166/files/2024-02/oliver-wyman-british-business-bank-the-future-of-defined-contribution-pensions.pdf>

²⁴ <https://www.gov.uk/government/publications/pension-fund-investment-and-the-uk-economy/pension-fund-investment-and-the-uk-economy#chapter-2-international-comparisons-of-domestic-investment-by-pension-funds>

²⁵ <https://www.gov.uk/government/publications/pension-fund-investment-and-the-uk-economy/pension-fund-investment-and-the-uk-economy>

²⁶ <https://www.fca.org.uk/data/retirement-income-market-data-2024-25>

²⁷ <https://www.fca.org.uk/publication/financial-lives/fls-2024-pensions.pdf>

- **The potential to provide a higher income** than annuities. As Retirement CDC schemes provide a target rather than guaranteed income, and investment and longevity risks are shared amongst the membership, Retirement CDC schemes may deliver greater levels of income. Willis Towers Watson (WTW) found those who were in a DC scheme during accumulation followed by a CDC scheme in decumulation could have retirement outcomes 40% greater than an individual DC with annuity purchase.²⁸ Analysis conducted by Aon suggests buying a CDC pension could be worth around 50% more than an annuity for certain members²⁹. However, any benefits are dependent on a range of factors and based on modelling assumptions.
- **CDC benefits are designed to keep pace with inflation**, retaining the value of a pension income over time. This is through aiming to update the annual income by CPI every year (though this is dependent on investment performance). This is a feature which may be possible via drawdown (if investment performance is strong) or via index-linked annuities (though take-up of these, compared to level annuities, is significantly lower).
- However, it is important to note that Retirement CDC schemes may not benefit everyone to the same degree and all decumulation products offer benefits. Depending on specific circumstances and preferences Retirement CDC schemes are unlikely to suit all pension savers at retirement.

3. SMART objectives for intervention

Policy objective

19. The policy objective, and its intended outcome, is to enable significantly more pension savers to access the potential benefits of CDC in retirement, even if they do not have access to a CDC scheme when saving. These schemes have the potential to increase the level of income received by members over their retirement without having to make complex financial decisions.
20. By pooling longevity and investment risk across the membership, Retirement CDC schemes can also shield members from much of the uncertainty faced by DC scheme pensioners, who need to consider their life expectancy, short and long-term financial needs, and market conditions. There is also the potential for Retirement 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.
21. To build confidence across industry, employers and employees, it is essential only well-designed and well-run schemes operate. Building on the consultation responses, DWP intend to legislate to ensure Retirement CDC schemes are regulated effectively.
22. The objective/outcome is specific, measurable, achievable, realistic and time-limited (SMART):
 - S: The Department is exploring the creation of a new type of pension scheme, which offers a specific retirement benefit that is not currently available from

²⁸ <https://www.wtwco.com/en-gb/insights/2024/10/reimagining-pensions-in-the-uk#:~:text=Variable%20cash%20balance%2C%20followed%20by,the%20run%20up%20to%20retirement.>

²⁹ [https://www.aon.com/getmedia/f444c11c-b4cf-4063-a259-aa81b7edd0ad/CDC-in-Decumulation-The-Power-of-Pooling-\(FINAL\).pdf](https://www.aon.com/getmedia/f444c11c-b4cf-4063-a259-aa81b7edd0ad/CDC-in-Decumulation-The-Power-of-Pooling-(FINAL).pdf)

existing schemes. The aim is to reduce informational barriers for retirees, improve retirement outcomes and support economic growth.

- M: Success in achieving the objective would be measured in terms of how sustainable and well-run authorised Retirement CDC schemes are, and the level of member benefits compared to DC averages.
- A: The objective is achievable through secondary legislation, made under the powers of the Pension Schemes Act 2021³⁰. Retirement CDC schemes would be a type of UMES.
- R: The Department intends to seek views on appropriate ways in which legislation may need adapting to enable Retirement CDC schemes through a policy consultation.
- T: The Department is launching a time-limited consultation to seek views on our policy proposals, giving consultees a clear period during which they can share their thoughts. This would inform the development of legislation.

4. Description of proposed intervention and explanation of the logical change process whereby this achieves SMART objectives

Preferred option

23. The preferred option, if pursued, is to expand legislative framework to allow for Retirement CDC schemes.
24. Following finalisation of policy for Retirement CDC schemes as a result of the consultation “Retirement collective defined contribution schemes”, DWP would develop draft legislation for further consultation. This legislation would:
 - Amend parts of the Occupational Pension Schemes (Collective Money Purchase Schemes) (Extension to Unconnected Multiple Employer Schemes and Miscellaneous Provisions) Regulations 2025 and Pension Schemes Act 2021
 - Define Retirement CDC schemes, its features, how it will be accessed by members, the authorisation criteria and ongoing regulation. To make any consequential changes to legislation which may be required as a result.
25. Legislating for this new scheme type would ensure that all types of CDC scheme are authorised and adequately regulated by The Pensions Regulator (TPR), ensuring that only well governed schemes can operate and that members interests are protected.

5. Summary of long-list and alternatives

Options considered

³⁰ <https://www.legislation.gov.uk/ukpga/2021/1/contents>

26. CDC regulations introduced in 2022³¹ and the draft 2025 regulations are designed to accommodate whole-life SCES and UMES. Whilst the number of whole-life CDC schemes is expected to increase (due to UMES regulations) at least in the short-medium term, it is anticipated that the majority of savers in the accumulation phase will remain in the DC market. Legislating to allow for Retirement CDC schemes, as a new decumulation product, will provide the opportunity to expand the benefits of CDC schemes into a different setting.
27. Any future changes to CDC schemes, such as the introduction of Retirement CDC schemes, would require further legislation to ensure that all CDC scheme types are authorised and supervised by TPR, with appropriate member safeguards.
28. This means any alternative to legislation would not allow the introduction of Retirement CDC schemes and therefore meet the policy objective. Employers and DC scheme trustees are only likely to commit member funds to these schemes if there is legal certainty. Therefore, while a non-regulatory option is considered, the only viable option is to extend the current legislative framework.
29. A 'long list' of alternative options has therefore not been developed for this Options Assessment, as it would be disproportionate and disingenuous to do so.
30. This Options Assessment for that reason only includes three options, a 'Do Nothing' approach, a non-regulatory option and the preferred option, as follows:

Policy option 1: Do nothing

31. Retirement CDC schemes would be a type of unconnected multiple employer CDC scheme, but with specific requirements through solely being composed of pensioner members who built their savings in other DC schemes. If the Department were to do nothing, there is a risk that whole-life UMES could attempt to operate as Retirement CDC. These would seek to take advantage of the commercial opportunity created by the 'Guided Retirement' duties in the Pension Schemes Bill 2025 but without the additional features and protections which may be required in such a scheme. Given the DC workplace market is worth over £600bn affecting tens of millions of savers, its vital savers have the right protections in place. Therefore, this is not a viable option.

Policy option 2: Guidance to UMES about receiving DC members at retirement

32. This is a non-regulatory policy option and involves issuing guidance to UMES trustees about member protections should they, under the Guided Retirement powers in the Pension Schemes Bill 2025³², extend their provision to DC members being transferred to their scheme at retirement. This guidance would encourage trustees to consider scheme design and financial sustainability whilst outlining how best to safeguard existing members and their savings. However, this option risks creating a system with excessive cross-subsidisation between generations of members, and a retail market which could lead to consumer harm. Without a full legislative framework to cover Retirement CDC schemes specifically, employers and potential members are unlikely to commit to CDC as a retirement option due to the legal uncertainty of the scheme.

³¹ <https://www.legislation.gov.uk/ukxi/2022/255/contents>

³² <https://bills.parliament.uk/bills/3982>

Policy option 3: Expand legislative framework to allow for Retirement CDC schemes (preferred option)

33. This option is to extend the draft UMES legislative framework to allow for Retirement CDC schemes. This will create a clear CDC retirement option; to sit alongside existing retirement options and which DC scheme trustees would be able to select as a qualifying pension benefit solution for their members. This would expand the opportunity of CDC schemes to a greater number of employers and members, within the regulatory remit of The Pensions Regulator.

Small and Micro Businesses (SAMBA) and Medium-Sized Business Impact

Context

34. The Department has considered the potential impacts that the implementation of Retirement CDC schemes could have on micro and small businesses, as well as medium-sized businesses, including employers and pension schemes.

35. There are roughly three types of businesses that could be affected by Retirement CDC schemes –

- Pension schemes that set up a Retirement CDC – Master Trusts or Unconnected Multiple Employer Schemes can choose to set up a Retirement CDC scheme if they feel it would be beneficial for them to do so.
- Pension schemes considering partnering with a Retirement CDC – Some pension schemes, likely to be smaller schemes, may consider partnering with a Retirement CDC scheme to offer it to their members if they think it is beneficial for them to do so.
- Employers – They will have the option to consider schemes with a CDC element.

36. Pension providers are different to most businesses. They may have a large number of members or assets, but not necessarily a large number of staff working for them. To be consistent with past Impact Assessment's, the definition of smaller businesses has been made consistent with the Pensions Dashboard Impact Assessment³³ and Pension Schemes Bill measures³⁴. This defines Small and Micro businesses as schemes having fewer than 1,000 members. This is not a perfect definition of a small/micro business as scheme size and employer size do not always perfectly correlate, but best attempts to estimate the impact on smaller schemes. It is expected that, on average, scheme size is a sufficiently good proxy for business size for these purposes.

37. In the DC landscape, excluding micro schemes, there are 650 small schemes falling into scope of the legislation³⁵. All these schemes are Single Employer Trusts, as all Master Trusts have over 1,000 members³⁶.

38. For this Options Assessment, the Department assumes that medium-sized pension schemes could be considered medium-sized businesses. Medium-sized businesses

³³ https://www.legislation.gov.uk/ukia/2022/81/pdfs/ukia_20220081_en.pdf

³⁴ <https://bills.parliament.uk/bills/3982>

³⁵ <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/occupational-defined-contribution-landscape-2024/occupational-defined-contribution-landscape-2024-annex>

³⁶ <https://go-group.co.uk/dc-master-trust-league-table-2024-h2/>

are defined as schemes having between 1,000 and 4,999 members. This is not a perfect definition of a medium-sized business as scheme size and employer size do not always perfectly correlate, but best attempts to estimate the impact on medium schemes. It is expected that, on average, scheme size is a sufficiently good proxy for business size for these purposes.

39. There are 140 medium-sized schemes falling into scope of the legislation³⁷. All these schemes are Single Employer Trusts, as all Master Trusts have over 5,000 members³⁸.
40. The cost impact on small and micro-businesses and medium-sized businesses has been calculated based on this number of small/medium schemes. The costs can be found in the later costs and benefits section.

Exemptions

41. Only Master Trusts and Single Employer Trusts are expected to familiarise themselves with the legislation, micro-DC schemes have been excluded from the total number of schemes (920). There are 24,680 micro-DC schemes with between 2 to 11 members³⁹. Whilst these schemes are not exempt from the policy measure, it is very unlikely that these schemes will partner with a Retirement CDC scheme and therefore it is possible they will not fully familiarise themselves with the new legislation. For this reason, micro-DC schemes have not been included in the cost calculations.

Proportionality

42. It is expected that all schemes within scope would need to undertake an initial amount of familiarisation (920 schemes) with the policy. This is because trustees are bound by Trust Law and their fiduciary duty, meaning that they will have to familiarise themselves with the new policy. However, it is anticipated that the proposed changes would not lead to any disproportionate costs on small and micro businesses (650 schemes) or medium-sized businesses (140).
43. Whilst all trustees are bound by Trust Law and their fiduciary duty, small schemes may be less likely to spend multiple hours familiarising themselves with the full regulations. It is plausible that some of the schemes, where partnering with a Retirement CDC scheme would be unfeasible, will keep up with the latest regulations provided by TPR but not invest the same amount of time reading and understanding all the regulation and guidance documents.

Mitigations

44. As all small/micro and medium-sized businesses within scope are Single Employer Trusts they would not be permitted to introduce a Retirement CDC scheme. These schemes could choose to partner with a Retirement CDC to offer this option to their members. Importantly, partnering with a Retirement CDC scheme is voluntary. If the

³⁷ <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/occupational-defined-contribution-landscape-2024/occupational-defined-contribution-landscape-2024-annex>

³⁸ <https://go-group.co.uk/dc-master-trust-league-table-2024-h2/>

³⁹ <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/occupational-defined-contribution-landscape-2024/occupational-defined-contribution-landscape-2024-annex>

scheme was to incur costs due to partnering with a Retirement CDC scheme, it would be assumed the benefit of partnering with a Retirement CDC scheme must be equal or greater than the counterfactual.

6. Description of shortlisted policy options carried forward

45. Given the nature of the policy, only three policy options are considered in this Options Assessment, a 'Do Nothing' approach, a non-regulatory option and the preferred option. The option carried forward is to expand legislative framework to allow for Retirement CDC schemes (preferred option).

7. Regulatory scorecard for preferred option

Monetised Impacts

46. For this Options Assessment, the only impacts that are monetised are the direct costs to business. This is because of the early stage of the policy development and the very limited amount of data currently available.
47. To calculate any further impacts, including indirect costs and benefits, additional data would be required. The Department will consult with industry, and the responses will help inform the final impact assessment.

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
Description of overall expected impact	The overall expected impact of the policy is expected to be Positive . This is based on the expected positive non-monetised impacts of Retirement CDC schemes being greater than the expected negative monetised impacts. Positive impacts include potentially higher pension outcomes, improving retirement income adequacy. There may be additional positive externalities through schemes making greater levels of investment in UK private markets.	Positive Based on all impacts (incl. non-monetised)
Monetised impacts	Only direct costs to business have been monetised at this stage. A total of -£0.5 million Net Present Social Value (NPSV), is expected from Retirement CDC schemes.	Negative Based on likely £NPSV
Non-monetised impacts	There is expected to be positive non-monetised benefits of Retirement CDC schemes. These include potentially higher pension outcomes for members, an income for life for pensioners and potential profits for pension providers.	Positive

Any significant or adverse distributional impacts?	No significant or adverse distributional impacts are expected.	Neutral
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(2) Expected impacts on businesses

Description of overall business impact	The business impact of Retirement CDC schemes is expected to be positive. Only businesses that deem it profitable to establish a Retirement CDC will do so. There is a small cost to all effected businesses that arises from monetised familiarisation costs.	Positive
Monetised impacts	The Equivalent Annual Net Direct Cost to Business (EANDCB) is £0.06 million .	Negative Based on likely business £NPV
Non-monetised impacts	For this options assessment, indirect costs and benefits have not been monetised. If a business chooses to establish and operate a Retirement CDC scheme it will be because they deem it potentially profitable to do so.	Positive
Any significant or adverse distributional impacts?	It is not expected that Retirement CDC schemes will cause any significant or adverse distributional impacts to businesses.	Neutral

(3) Expected impacts on households

Description of overall household impact	There are no predicted costs to households. Retirement CDC schemes could generate greater levels of income compared to other decumulation products and therefore increase household income. Some studies show this could benefit an individual by as much as 50% compared to other decumulation products ^{40, 41} . In addition to improving household incomes, there may be a range of other benefits, such as avoiding investment and longevity risks (which an individual can currently face) and the design of CDC schemes may mean a survivor's benefit is offered after death, supporting the partner as done in the Royal Mail CDC scheme ⁴² . The impact of Retirement CDC schemes is assessed to be Positive.	Positive
Monetised impacts	A NPV for Household impacts has not been calculated as it is difficult to monetise impacts on households as a result of Retirement CDC schemes.	Neutral Based on likely household £NPV

⁴⁰ [https://www.aon.com/getmedia/f444c11c-b4cf-4063-a259-aa81b7edd0ad/CDC-in-Decumulation-The-Power-of-Pooling-\(FINAL\).pdf](https://www.aon.com/getmedia/f444c11c-b4cf-4063-a259-aa81b7edd0ad/CDC-in-Decumulation-The-Power-of-Pooling-(FINAL).pdf)

⁴¹ <https://www.wtco.com/en-gb/insights/2024/10/reimagining-pensions-in-the-uk>

⁴² <https://rmcollectiveplan.com/when-i-die>

Non-monetised impacts	As mentioned above Retirement CDC schemes could generate higher income than other decumulation products and therefore increase household income. This has not been monetised as it is very difficult to do so and is dependent on the take-up of CDC schemes. However, given the external evidence on the potential benefit to savers of Retirement CDC schemes, and that this is an additional product available to individuals, the impact is assessed to be Positive.	Positive
Any significant or adverse distributional impacts?	It is not expected that Retirement CDC schemes will cause any significant or adverse distributional impacts to households.	Neutral

Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
Business environment: Does the measure impact on the ease of doing business in the UK?	It is not expected that Retirement CDC schemes will cause any significant or adverse impacts on doing business in the UK.	Neutral
International Considerations: Does the measure support international trade and investment?	Retirement CDC schemes are not expected to have an impact on trade.	Neutral
Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise?	It is not expected that Retirement CDC schemes will have any impact on the state of UK natural capital and decarbonisation in the economy. It is also not expected that Retirement CDC schemes will have any effect on the environment or greenhouse gas emissions.	Neutral

Monetised and non-monetised costs and benefits

48. For this Options Assessment only direct costs to business are monetised.

49. It is assumed all costs (aside from initial familiarisation costs) would be indirect costs. This is because introducing a Retirement CDC scheme would be optional for pension schemes. These regulations do not mandate schemes to open a Retirement CDC scheme and therefore these costs/benefits are avoidable. Any costs or benefits that arise, other than familiarisation costs, are due to the creation of a Retirement CDC

scheme which a business will only choose to establish if they believe it is beneficial to do so. Given trustees are bound by Trust Law and have a fiduciary duty to work in the best interests for their beneficiaries, it is expected trustees of all affected schemes would undertake familiarisation and therefore familiarisation costs are identified as a direct cost.

50. Benefits are not monetised for the expansion of CDC provision to include Retirement CDC schemes. Whilst not monetised, there are potential benefits that could arise such as improved outcomes for members. However, there is limited data available, and the benefits are dependent on a wide range of factors. These include take-up of Retirement CDC schemes, investment returns and counterfactual returns. In addition, any benefits would be indirect as it would still rely on take-up of Retirement CDC schemes. For this reason, the benefits have not been monetised. The Department will use upcoming consultations and engagement with industry to understand more on the costs and benefits of Retirement CDC schemes.

Direct costs to business

51. Any Direct Costs are associated with familiarisation with the policy. This is because trustees are bound by Trust Law and their fiduciary duty, meaning that they will have to familiarise themselves with the new policy.

Table 1: Summary of direct cost and benefits and EANDCB.

Cost/Benefit Type	Total (£)
Direct Costs	
Familiarisation Costs (over 10-year period)	£504,000
EANDCB	£59,000

52. It is expected trustees of all Master Trusts and Single Employer Trusts would have to undertake familiarisation with the new legislation and to understand the implications for their scheme and members. Given trustees are bound by Trust Law and have a fiduciary duty to work in the best interests for their beneficiaries, these familiarisation costs are assumed to be a direct cost. It is also assumed any unconnected multiple employer scheme that intends to start a Retirement CDC will also familiarise themselves. It is assumed that this will be a one-off cost occurring in the first year following implementation of the policy, **estimated to be around £500 per scheme, totalling £504,000 across the whole occupational pension scheme sector.**

This assumes:

- There are 920 DC schemes⁴³ (33 Master Trusts and 887 Single Employer Trusts) in scope.

⁴³ <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/occupational-defined-contribution-landscape-2024>

- On average each scheme has around 3 trustees⁴⁴.
- It is estimated it will take trustees around 5 hours of work to read and understand the policy change. This is based on the reading speed of 3 minutes per page⁴⁵, for around 100 pages of information (which is the approximate length of the regulation and guidance documents).
- An hourly wage rate of £36.51 for trustees, based on the median wage for corporate managers and directors (£28.75) in the Annual Survey of Hours and Earnings (ASHE) dataset⁴⁶ uprated by 27% to account for non-wage costs.

53. Familiarisation costs are estimated by multiplying the above (£36.51 per hour * 5 hours * 3 trustees * 920 schemes – giving a total of £0.5m).

54. Table 1 details the specific costs that impact the £59,000 EANDCB figure. The EANDCB is a £59,000 annual direct cost to business. This is because only the familiarisation costs are direct, whilst all other costs/benefits would be indirect.

Small and Micro Businesses (SAMBA) and Medium-Sized Business Costs

55. All schemes within scope are expected to face one-off familiarisation costs of around £500 per scheme in the first year. **This amounts to around £0.36m for all 650 small schemes and £0.08m for all 140 medium-sized schemes.**

56. Using the same direct cost approach as outlined in Table 1, a SAMBA-specific EANDCB calculation can be outlined below in Table 2 and Table 3. The equivalent annualised net direct cost to small businesses is expected to be around £0.04m and to medium-sized businesses is expected to be around £0.009m. The only direct costs are the initial familiarisation costs.

Table 2: Summary of direct cost and benefits and EANDCB on small schemes

Cost/Benefit Type	Total (£)
Direct Costs	
Familiarisation Costs (total over 10-year period)	£356,000
EANDCB	£41,000

Table 3: Summary of direct cost and benefits and EANDCB on medium-sized schemes

Cost/Benefit Type	Total (£)
Direct Costs	
Familiarisation Costs (total over 10-year period)	£77,000
EANDCB	£9,000

⁴⁴<https://webarchive.nationalarchives.gov.uk/ukgwa/20170712122409/http://www.thepensionsregulator.gov.uk/docs/trustee-landscape-quantitative-research-2015.pdf> - Estimate based on Figure 3.2.1 Number of trustees on boards., page 13.

⁴⁵ <https://www.fca.org.uk/publication/consultation/cp19-05.pdf>

⁴⁶ Office for National Statistics. 'Annual Survey of Hours and Earnings 2024. Table 2.5a. 2024. Available at: <https://www.ons.gov.uk/surveys/informationforbusinesses/businesssurveys/annualsurveyofhoursandearningsashe>

Further costs and benefits

57. For this Options Assessment indirect costs and benefits are not monetised. This is because of the early stage of the policy development and the very limited amount of data currently available.
58. To calculate further impacts additional data would be required. The Department plans to consult with industry, where evidence can be gathered on the costs and benefits ahead of the final Impact Assessment.

Indirect costs to business

59. There are a number of indirect costs expected to arise from the introduction of a Retirement CDC scheme. Whilst the indirect costs to business are not monetised for this Options Assessment, a number of potential costs are outlined below.
60. Indirect costs to businesses would only apply to those who chose to introduce a Retirement CDC scheme. The number of businesses that are planning to set-up a Retirement CDC scheme is unknown, but interest has been reported in surveys and reports. The Workplace Pensions Into Retirement Report⁴⁷, showed that 8 respondents suggested they would be likely to offer a decumulation-only collective DC arrangement in the next 5 years.

Authorisation fee

61. It is expected that several schemes will introduce a Retirement CDC scheme following the introduction of the policy change. As a result of the authorisation regime, a Retirement CDC seeking to enter the market will be required to gain authorisation from TPR in order to operate. This process of authorisation would impose costs on TPR relative to the counterfactual due to the resource required to assess whether the Retirement CDC meets the authorisation criteria. Retirement CDC schemes that enter the market will be required to pay a one-off authorisation fee that is intended to cover TPR's costs associated with processing an application for authorisation.
62. The one-off authorisation fee is £77,000⁴⁸ for a SCES or UMES entering the market. Ahead of the introduction of Retirement CDC schemes TPR will investigate whether the current fee is still reflective of cost-recovery, based on there being inflation since this assessment was last undertaken. Therefore, the current cost of authorisation is unknown, but is expected to be at least £77,000 per scheme.
63. Given this would be undertaken voluntarily by schemes, the authorisation fee has been identified as an indirect cost. However, creating a CDC is a business decision and so if a firm decides to enter the CDC market it is because they deem it potentially profitable to do so, and as such must view it to be beneficial for them, even after paying the authorisation fee.

Establishment costs

⁴⁷ <https://corporate-adviser.com/flipbook/workplace-pensions-into-retirement-report/>

⁴⁸ <https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/collective-defined-contribution-schemes/how-the-authorisation-fee-will-be-set>

64. Those who introduce a Retirement CDC scheme will face establishment costs. Given this would be undertaken voluntarily by schemes, these have been identified as indirect costs.
65. It is very difficult to estimate the costs of establishing a Retirement CDC scheme. Given CDC schemes have only recently been introduced, and Royal Mail are the only employer to set one up to date, DWP are unable to calculate with accuracy the potential costs for Retirement CDC schemes from empirical evidence and this is likely to differ scheme-to-scheme.
66. Responses to the consultation planned by the Department will be utilised to help provide an estimated cost of establishing a Retirement CDC for the Impact Assessment.

Retirement CDC running costs

67. Newly created Retirement CDC schemes will have to pay annual running costs. It is very difficult to estimate the running costs of a Retirement CDC scheme given CDC schemes have only recently been introduced, and Royal Mail are the only employer to set one up to date.
68. Responses to the consultation planned by the Department will be used for the Impact Assessment to estimate the costs of running a Retirement CDC.

Benefits

69. It is difficult to monetise the benefits of Retirement CDC schemes as Royal Mail is the only business to have implemented a CDC pension scheme and therefore data on its effects is limited. For this reason, DWP have not monetised the benefits for this policy change.

Benefits to businesses

Benefits to pension providers

70. It is difficult to estimate the benefits to businesses who may choose to engage with a Retirement CDC model. However, creating a Retirement CDC is a business decision and so if a pension provider decides to enter the Retirement CDC market it is because they deem it potentially profitable to do so, and as such must view it to be beneficial for them. Retirement CDC schemes may generate greater benefits and economies of scale, which in turn could generate additional revenues.
71. Allowing Master Trusts to establish Retirement CDC schemes will widen the number and type of funds they are able to offer to employers. This wider product offering allows for innovation in the market. This could help attract more employers to their business.

Outcomes to members

72. There is no empirical evidence on Retirement CDC scheme outcomes for members, but there are external studies and research around potential outcomes for Retirement CDC schemes in the UK. Findings from the studies are listed below.

73. A large amount of the evidence suggests that Retirement CDC schemes can provide a greater level of retirement income than alternative decumulation products. However, external modelling also shows that this may not always be the case and there could be volatility in outcomes depending on investment performances.

Summary table of outcomes to members

74. Table 4 summarises the potential outcomes of Retirement CDC schemes as found by external studies and research.

Table 4: Summarising external evidence on the outcomes of Retirement CDC schemes

Year of publication	External researcher	Findings
2024	Willis Towers Watson (WTW) ⁴⁹	Retirement outcomes for those in DC in accumulation, followed by CDC in decumulation, could be 40% higher than those with DC annuities.
2023	Pensions Policy Institute (PPI) ⁵⁰	PPI's modelling showed a potential scheme could offer an income level that broadly increases in line with Consumer Prices Index (CPI), though the actual year on year increases vary.
2023	Association of British Insurers (ABI) ⁵¹	ABI's model the differences between decumulation-only CDC and individual defined contribution schemes (IDCs) followed by various decumulation products. The differences in outcomes depend on the investment return scenario but in most cases replacement rates for decumulation-only CDC schemes are similar to other decumulation products (or higher in the older ages).
2022	Aon ⁵²	Buying a CDC pension could be worth 50% more than an annuity.

Benefits to members

75. It is difficult to estimate the benefits to members who may engage with a Retirement CDC. Therefore, DWP have not monetised the potential benefits to members. This is because there is limited data available, and the benefits are dependent on a wide

⁴⁹ <https://www.wtwco.com/en-gb/insights/2024/10/reimagining-pensions-in-the-uk>

⁵⁰ <https://www.pensionspolicyinstitute.org.uk/media/tysoikiid/20231205-the-role-of-cdc-in-decumulation-final.pdf>

⁵¹ <https://www.abi.org.uk/globalassets/files/publications/public/lts/2023/abi-collective-defined-contribution-modelling-pension.pdf>

⁵² [https://www.aon.com/getmedia/f444c11c-b4cf-4063-a259-aa81b7edd0ad/CDC-in-Decumulation-The-Power-of-Pooling-\(FINAL\).pdf](https://www.aon.com/getmedia/f444c11c-b4cf-4063-a259-aa81b7edd0ad/CDC-in-Decumulation-The-Power-of-Pooling-(FINAL).pdf)

range of factors. These include take-up of CDC schemes, investment returns and counterfactual returns. There are some potential benefits identified by external studies and research listed above and discussed in further detail below.

Potentially higher pensions overall

76. Research suggests that a Retirement CDC scheme can provide a higher retirement income-for-life than alternative decumulation products. Reporting by WTW⁵³ suggests that retirement outcomes for those in a DC scheme in accumulation, followed by a Retirement CDC in decumulation, could be 40% higher than those that purchase a DC annuity. Similarly, Aon's modelling⁵⁴ suggested that in their example buying a CDC pension could be worth 50% more than an annuity. ABI modelled⁵⁵ different scenarios comparing a decumulation-only CDC to various decumulation products such as income drawdown, an annuity and drawdown followed by an annuity. The results suggest that the higher potential income from Retirement CDC schemes is dependent on the investment return scenario but that in most cases replacement rates are similar or higher than other decumulation products for decumulation-only CDC schemes (higher for the older ages around 90+). It is worth noting that these reports compare Retirement CDC schemes to the current DC system, which is expected to improve due to the Pension Schemes Bill⁵⁶ measures.

Regular income without the cost of an annuity or risk of running out of money with drawdown

77. In Retirement CDC schemes, a lifetime stream of target level pensions would be provided without the need to buy an annuity. Research suggests that many people want a regular income in retirement. For example, the Financial Lives Survey found that 29% of people asked wanted their pension to provide them with a guaranteed income for life⁵⁷. Despite this, in the last 4 years only 19% of those who decumulated a DC pension bought an annuity⁵⁸. Other research, including a small-scale survey by Canada Life found that around a fifth of those asked didn't think annuities offered good value, 44% felt they were inflexible and 45% felt they were risky⁵⁹. Research conducted by DWP on pension freedoms with the public suggested that some did not like annuities because they are based on calculations of life expectancy⁶⁰. Retirement CDC schemes could provide people with a retirement income for life, without the need to buy an annuity.

⁵³ <https://www.wtwco.com/en-gb/insights/2024/10/reimagining-pensions-in-the-uk>

⁵⁴ [https://www.aon.com/getmedia/f444c11c-b4cf-4063-a259-aa81b7edd0ad/CDC-in-Decumulation-The-Power-of-Pooling-\(FINAL\).pdf](https://www.aon.com/getmedia/f444c11c-b4cf-4063-a259-aa81b7edd0ad/CDC-in-Decumulation-The-Power-of-Pooling-(FINAL).pdf)

⁵⁵ <https://www.abi.org.uk/globalassets/files/publications/public/lts/2023/abi-collective-defined-contribution-modelling-pension.pdf>

⁵⁶ <https://bills.parliament.uk/bills/3982>

⁵⁷ <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.fca.org.uk%2Fpublication%2Ffinancial-lives%2Ffinancial-lives-survey-2024-tables-volume-13-pension-decumulation.xlsx&wdOrigin=BROWSELINK>, table 54

⁵⁸ <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.fca.org.uk%2Fpublication%2Ffinancial-lives%2Ffinancial-lives-survey-2024-tables-volume-13-pension-decumulation.xlsx&wdOrigin=BROWSELINK>, table 32

⁵⁹ <https://www.canadalife.co.uk/news/annuity-confusion-as-common-misconceptions-revealed/>

⁶⁰ <https://www.gov.uk/government/publications/pension-freedoms-a-qualitative-research-study-of-individuals-decumulation-journeys/pension-freedoms-a-qualitative-research-study-of-individuals-decumulation-journeys#factors-affecting-decumulation-decisions>

78. DC members can use some or all their pension to buy an annuity and have a guaranteed income source for life. Some annuities come with additional costs such as advisor fees or commissions which would not be present in Retirement CDC schemes so buying an annuity can be expensive. Exact rates of annuities vary depending on the type of annuity and individuals' personal health. Longevity estimate an insurer will charge around 5% more than it expects the annuity to cost⁶¹.

79. Members could also get a regular income through drawdown. Although drawdown can provide a regular income, there is the potential for members to run out of money too quickly. Recent findings from the Financial Conduct Authority show that many are withdrawing at high rates which are likely to be unsustainable⁶².

Challenges to outcomes for members

80. Whilst there are many potential benefits to Retirement CDC schemes, it is important to note these benefits will not be the same for everyone. When modelling the benefits of a Retirement CDC scheme, what you compare a Retirement CDC to makes a difference. The external pieces of evidence presented above use a range of counterfactuals in their modelling, as well as each using a different set of assumptions, for example estimated investment returns. Comparing a Retirement CDC scheme to various decumulation products, such as income drawdown or an annuity, will all show different outcomes. In some cases, a Retirement CDC may produce better retirement outcomes but in other scenarios the alternative option may do so. Some external researchers are more sceptical of the benefits that CDC schemes might provide, such as PPI whose modelling showed a scheme may only be able to generate future benefit increases in the range of CPI +2% in 68% of future years⁶³. The report finds that a scheme may see increases or decreases in terms of real benefit.

8. Monitoring and evaluation of preferred option

81. The Department recognises the significant impact this intervention may have on the pension decumulation landscape and, therefore, the importance of monitoring and evaluation. Although details will be developed as the policy is finalised, there are clear plans to closely monitor and evaluate Retirement CDC trends and impacts. This includes:

- **Monitoring scheme viability reports:** SCES and UMES legislation on CDC schemes requires/will require trustees to publish information about the scheme including a viability report which must be updated yearly to ensure the scheme is still viable⁶⁴. The legislation already requires the publication of certain scheme information, and the Pensions Regulator will collect and monitor data on Retirement CDC schemes. The collection of information, monitoring and evaluation of schemes would apply to all future schemes.

⁶¹ <https://www.longevity.co.uk/information-matrix-page/are-annuities-expensive-enough>

⁶² <https://www.fca.org.uk/data/retirement-income-market-data-2024-25>

⁶³ <https://www.pensionspolicyinstitute.org.uk/media/tysokiid/20231205-the-role-of-cdc-in-decumulation-final.pdf>

⁶⁴ <https://www.legislation.gov.uk/ukpga/2021/1/section/13/enacted>

- **Industry engagement:** DWP will actively engage with CDC schemes, the wider pensions industry and TPR on Retirement CDC schemes efficacy and place in the market.
- **Qualitative or Quantitative research –** The Department is considering the potential to commission or conduct research to explore views across stakeholders, this could include views from schemes, members and employers. To gather information on the interest in CDC schemes, the Department is considering using the DWP Employer Survey or TPR Trustee Surveys. Research could draw on the experiences from across schemes and members and explore attitudes towards Retirement CDC schemes.

82. The Department will continue to consider further ways it could monitor and evaluate Retirement CDC schemes.

9. Minimising administrative and compliance costs for preferred option

83. As set out in the policy consultation “Retirement collective defined contribution schemes” the Department’s initial assessment is that much of the legislative framework for UMES would continue to apply for Retirement CDC. Therefore, interested parties may already be aware of the legislative requirements. Through this consultation the Department is seeking views on how this would need to change to accommodate Retirement CDC schemes in a way which is proportionate and in members’ best interests.
84. The Department proposes that only authorised Master Trusts or UMES may apply to become authorised Retirement CDC schemes. These organisations will already have in place much of the infrastructure required – minimising administrative and compliance costs.
85. The Department does not intend to mandate the creation of any Retirement CDC schemes. It is therefore optional, and only those organisations that wish to introduce a Retirement CDC scheme will need to comply with the regulations and incur the associated costs.
86. Officials will continue to work with industry throughout policy development to ensure that the regulations work for organisations, while ensuring that the authorisation and supervision regime is sufficient to safeguard members. With this in mind, we have launched a policy consultation to gather industry views and will take all feedback on board, including on ways to reduce administrative and compliance costs.

Declaration

Department:

DWP

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Senior responsible officer:

Laura Adelman

I have read the Options Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed:

Laura Adelman

Date:

19/09/2025

Summary: Analysis and evidence

Price base year: 2024

PV base year: 2025

This table may be reformatted provided the side-by-side comparison of options is retained	Option 1. Business as usual (baseline)	Option 2. Guidance to UMES about receiving DC members at retirement	Option 3. Expand legislative framework to allow for Retirement CDC schemes (Preferred way forward)
Net present social value (with brief description, including ranges, of individual costs and benefits)	N/A – no change in relation to baseline	N/A – no change	Only direct costs to business have been monetised at this stage. A total of -£0.5 million Net Present Social Value (NPSV) is expected from Retirement CDC schemes.
Public sector financial costs (with brief description, including ranges)	N/A	N/A	N/A
Significant un-quantified benefits and costs (description, with scale where possible)	N/A	N/A	For this Options Assessment indirect costs and benefits have not been calculated. Indirect costs could include establishment costs, running costs and an authorisation fee to TPR. Benefits could include potentially higher retirement incomes for members and profits for providers of Retirement CDC schemes.
Key risks (and risk costs, and optimism bias, where relevant)	N/A	N/A	Key risks include: - Not all Master Trusts and Single Employer Trusts familiarising and therefore costs been overestimated

			- The wage rate of trustees is based on the median hourly wage for corporate managers and directors (£28.75) in the Annual Survey of Hours and Earnings (ASHE) dataset, this could vary between providers.
Results of sensitivity analysis	N/A	N/A	N/A