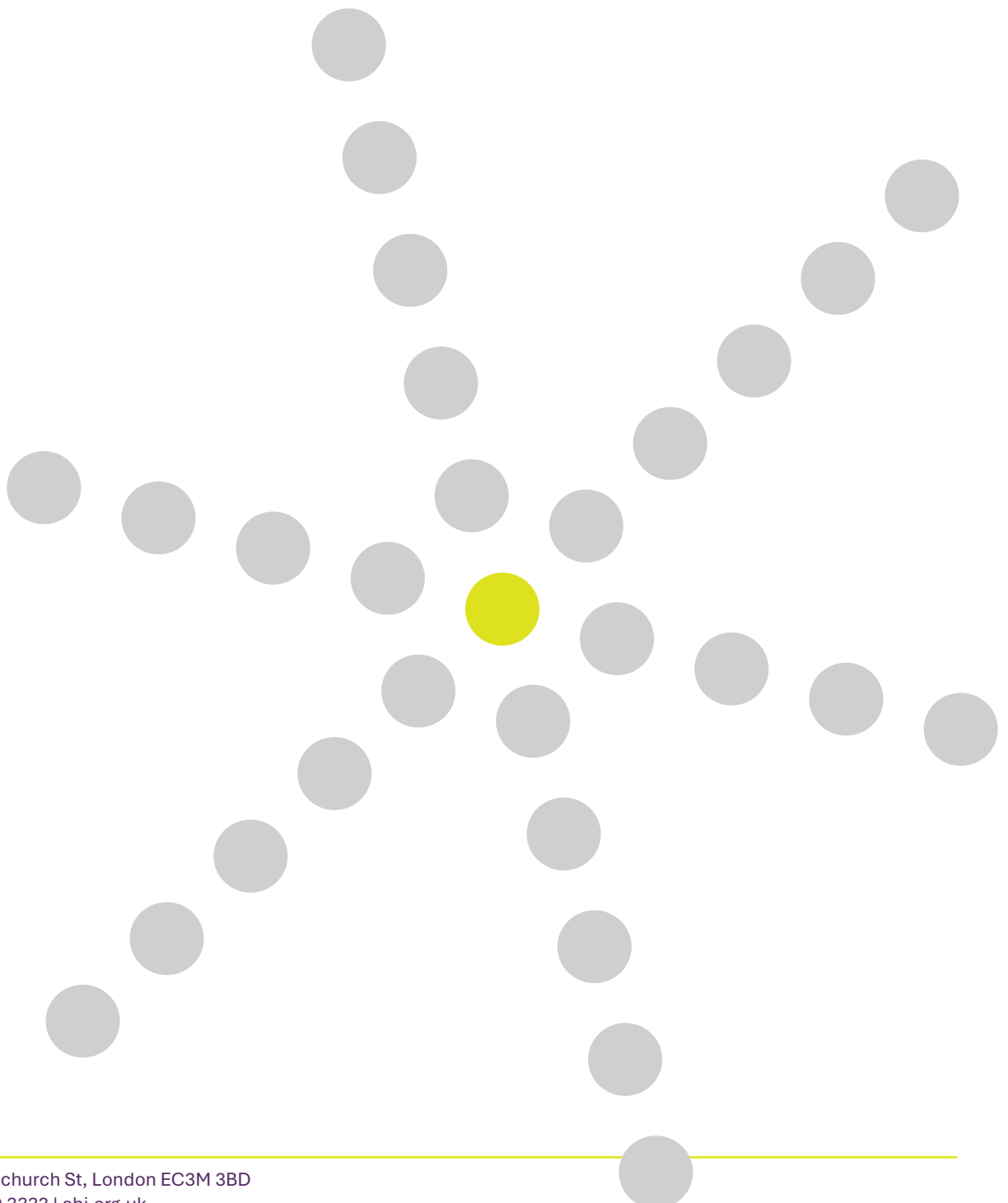


ABI Response to Retirement Collective Defined Contribution pension schemes Consultation

4 December 2025



Executive summary

This consultation is welcomed as it clearly outlines the government's objectives for individuals to receive an income for life from their pension. This enables the industry to develop ways to improve the concept of r-CDCs as well as to propose alternative products that could achieve the government's objectives through different means. This consultation highlights that r-CDCs should be an option, but not framed as a solution for all and aims to provide objective feedback on how r-CDCs could better work in practice.

- The key features of Collective Defined Contribution (CDC) schemes need to be widely understood by both potential scheme members and policy makers alike. These key features are the following:
 - A CDC product provides a pension for life and could help tackle income inequality, however, this assumes that mortality rates are uniform across income deciles. This is not the case. It is widely documented and accepted that wealthier people live longer and healthier lives¹. In the case of r-CDC, where those who die earlier are subsidising those who live longer, this could result in poorer people subsidising wealthier people, furthering income inequality. This needs to be clearly communicated to the potential scheme members and for them to understand whether this is the right solution for them as they enter retirement. In the annuity market, this is addressed by medical underwriting.
 - Moreover, entering a CDC means loss of control for a scheme member as it is an irreversible product with no 'cooling-off' period, and there is uncertainty around the availability and value of transfers out of the scheme once entered. This is particularly the case when an individual is moving a contract-based pension to a CDC. When purchasing an annuity, the customer must consent to a transfer and has a right to cancel, but this is not the case for r-CDC. An annuity also guarantees an income via insurers holding enough capital to ensure that members' incomes are secure and is subject to prudential regulation by the PRA.
- Secondly, it is paramount that the outcomes and risks of entering into a r-CDC scheme are clearly set out in way that is understandable to the customer. The characteristics that must be communicated are set out below.
 - That your pension income can fluctuate, it can both increase and decrease depending on investment performance.
 - That your pension income will not only depend on how much you contribute, but also the conditions faced by your cohort of joiners.

¹ Paola Zaninotto, George David Batty, Sari Stenholm, Ichiro Kawachi, Martin Hyde, Marcel Goldberg, Hugo Westerlund, Jussi Vahtera, Jenny Head, Socioeconomic Inequalities in Disability-free Life Expectancy in Older People from England and the United States: A Cross-national Population-Based Study, *The Journals of Gerontology: Series A*, Volume 75, Issue 5, May 2020, Pages 906–913, <https://doi.org/10.1093/gerona/glz266>

- Lastly but crucially, the safety nets that underpin other pension arrangements such as the PRA regulatory regime protecting annuities and the FSCS, and the PPF protecting defined benefit schemes, will not apply to CDC schemes, including r-CDCs.
- Thirdly, that communication would need to be realistic and could follow the FCA's Consumer Duty guidance². In particular, the claim of '60%' higher retirement incomes is inaccurate – this number is referring to whole of life CDCs, not r-CDCs, which may not benefit from de-risking, and will still face the risk of being purchased at the wrong time. CDC is, at best, likely to be comparable in performance to a flex-then-fix strategy. Furthermore, this '60% more' is a comparison to index linked annuities which is a less used product which guarantees increases. This comparison is misleading and should be avoided in the future.
- In addition, the complexity of r-CDCs themselves. One of the main benefits of CDCs in general is members not having to make complex decisions at retirement; however, this is inconsistent with the need to communicate how longevity is pooled across members, which is important in knowing if it is the right option for them. It also ignores that members must make some decisions – at the least, when to take their pension, and how this fits with other household income. However, we want to acknowledge that r-CDCs (alike annuity products) has the merits of individuals not having to make complex decisions *during* retirement. This is especially important in an age where an increasing number of older people will have to make active financial decisions into advanced age when they may be experiencing significant cognitive decline³.
- When schemes come to communicate r-CDC to their members, care should be taken when describing these returns that it doesn't fall into being deemed a promotion. Communications should also take account of the limited numeracy/pension/economic understanding of many adults, given the available evidence on UK numeracy and literacy skills⁴. Even though members are not required to make complex choices within r-CDC, the products are arguably more complex than income drawdown. Given the backdrop of limited numeracy and limited financial capability within the UK, regulations should ensure that members are informed of potential outcomes of r-CDC. The government may struggle to limit marketing and retail offerings of r-CDC, or even to define these terms, because schemes offering r-CDC will want to promote them; and may want to attract members during accumulation, on the basis of their retirement offering. Changes to the Privacy and Electronic Communications Regulations could help schemes when communicating to their members.
- We do not believe that contract-based providers should be excluded from offering r-CDCs. The consultation paper states that "Retirement CDC would operate under trust. We are not aware that there is appetite for CDC schemes to be operated as contract-

² FCA (2022). [Finalised Guidance FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty](#)

³ IFS (2025), [Cognitive decline and financial wealth at older ages](#).

⁴ Plain Numbers (2023), <https://plainnumbers.org.uk/the-problem>

based pension schemes”. Interest from contract-based providers will likely arise once a market develops for r-CDC. The regulations should not prevent providers who may wish to bring valuable, innovative propositions to market at some later point; the consultation notes (para 33) that “we do not wish to stifle innovation or prescribe a single model”.

- We believe greater clarity is needed on how the government intends for r-CDC and provisions within the Pension Schemes Bill, mainly Guided Retirement, to interact. There remain questions on how r-CDCs will interact with the FCA regulated space. Assuming a roadmap in place by 2027, it won't be possible to provide a r-CDC by 2028. Leaving open-ended questions about how r-CDC will interact with the proposed DC decumulation changes in the Bill, without clear timelines, is unhelpful. Addressing this gap would benefit pension providers, trustees, and customers alike, enabling the industry to prioritise appropriately.
- Risk-sharing has clear benefits in a pension system, but there are multiple models that can deliver this. Government should not be so prescriptive as to limit the models that can be offered, as long as they work for members, are viable and fit within the regulatory framework. For example, Collective Pensions with Investment choice Model as outlined by the recent Pension Policy Institute (PPI) and Kings University research report, this product/solution may offer superior member benefits to r-CDCs but is not in line with the current legislation⁵.

⁵ PPI, KCL (2025) [Pension Policy Institute \(PPI\) and Kings University research report](#).

Question 1. How do you anticipate Retirement CDC investment strategies will need to differ from those of whole-life CDC schemes?

1. Whole life CDCs are expected to have a range of members of different ages (i.e. years to retirement, or at retirement) and, as a result, the asset mix will reflect the investment risk that members can afford to take, the income expected to be paid to those already in payment and expected liquidity pressures (e.g. potential transfers before retirement). As the assets are pooled, lifestyling/de-risking will be decided by trustees, which allows for the possibility of more investment in higher risk assets compared to DC (this advantage is the other side of the coin of intergenerational risk- sharing which favours older cohorts). Commercial CDCs are likely to face the same competitive pressures to minimise cost as master trusts and GPPs, and as a result, we expect them to face this same critical barrier that applies to commercial DC schemes as they expand investment in private markets.
2. R-CDC will have only members in payment, and their investment strategy will focus on income generation (rather than a substantial proportion of higher risk assets), in order to meet the expected liabilities. Therefore, the asset mix would more closely resemble annuity funds: private, or public long-term debt. Unlike annuity funds, r-CDC would not have to adhere to the Solvency UK framework which includes strict requirements to match assets with liabilities; it is unclear whether the PRA would take any view on CDC offered by insurers. This would give r-CDC scheme operators more freedom (at a cost/risk to beneficiaries) albeit within a similar investment strategy.
3. This would still allow r-CDC to invest in productive assets, in the same way annuity providers do, but if they invest in high-risk assets – because the more risks they take, the less predictable the income will be. Their ability to invest in big productive assets in the UK, such as infrastructure projects, in the same way that annuity providers do, would depend on their scale and sophistication, which annuity providers have built over many years. Annuity providers invest at scale in the UK (65% of assets held by participating firms providing bulk and individual annuities are invested in the UK) including in productive assets from urban regeneration to social housing, renewable energy, electric vehicle charging infrastructure and later living communities. In 2024, £10.9 billion was invested against annuity business directly into UK focused productive assets⁶.
4. Whilst r-CDC would have the regulatory freedom to slightly deviate from the investment strategy of annuity funds, the additional risk they take would be borne out by beneficiaries whose income may fluctuate or drop overall which may result in more reliance on the state. The uncertainty around their scale also poses questions around their ability to invest in productive long-term assets in the UK.

Question 2: What do you estimate the establishment and running costs of an r-CDC scheme to be? Please outline one-off and ongoing costs.

5. The current proposals appear broadly aligned with the continuity requirements for Master Trusts and whole of life CDCs but do not seem to account for the additional capital complexity involved in operating a r-CDC scheme. If this were to be considered, it would be reasonable to expect higher funding requirements due to the absence of consistent ongoing inflows. This would likely

⁶ The ABI (2025). [From pledge to progress: £10.9 billion invested in UK productive assets](#)

increase both establishment and operational costs, which may ultimately be passed on to customers.

6. Continuity requirements require Master Trusts to set out a high-level plan to protect members' interests in the event of a 'triggering event'. A similar requirement should apply to r-CDC schemes, ensuring they follow the same code of practice. However, the government should recognise that this is likely to be more costly for r-CDC schemes, given the greater variability arising from the absence of guaranteed inflows and the need for frequent actuarial valuations. The costs will be akin to those found in defined benefit schemes, but increased by annual rather than triennial valuations⁷.
7. Further consideration should be given to whether r-CDC schemes will be required to hold risk capital from their inception. If they were to do this, it would provide greater security for members – especially if there were to be a triggering event – and therefore reduce the level of risk borne by beneficiaries, bringing these schemes more closely in line with other risk sharing products currently available in the market.
8. Medical underwriting is likely to be required for members at entry to the scheme. This will allow for a fair calculation of benefits by recognising significant differences in life expectancy – similar to when an annuity is purchased. Without this, the benefits of R-CDC would skew towards wealthier people who tend to live longer; and may lead to selection risk as more people opt out.
9. R - CDC schemes will incur significant communication costs due to the complexity of ensuring members understand that pension values may decrease as well as increase. These costs will be even higher in years where benefit reductions or lower pension increases occur, as additional communication will be essential to maintain transparency and member confidence.

Question 3: Should all business plan requirements that would apply to whole-life unconnected multiple employer CDC schemes also apply to Retirement CDC schemes? What, if anything, should change or be added?

10. Assuming that r-CDC schemes will operate on a commercial basis, similarly to whole-life unconnected multiple employer CDC schemes, business plan requirements should apply. If r-CDCs are to be available to retail customers, they would need to follow the same appropriate marketing and governance as all retail products.

Question 4: What numbers of member onflows, and at what pot sizes will be needed to achieve stability in Retirement CDC, given there are no ongoing contributions, and what allowances need to be made for members who opt-out of their default pension benefit solution?

11. It's understandable that due to the complex and costly nature of r-CDC schemes, they will be exempt from the scale requirements that were outlined in the 2025 Pension Schemes Bill. This will allow for r-CDCs to function with much fewer members, but the value of the pot sizes will have to be significant to begin building to scale.

⁷ Collective DC modelling, Milliman Barnett Waddingham, <https://www.abi.org.uk/globalassets/files/publications/public/lts/2023/abi-collective-defined-contribution-modelling-pension.pdf>

12. More time is required to fully understand what minimum pot size is required in order to achieve stability in a r-CDC scheme. Providers should determine, as they do with annuities, what the minimum pot value they would accept for a r-CDC scheme. They would need also need time to understand and model the demographic and scale requirements that is needed to inform minimum pot sizes.
13. The current median pot size across providers sits at £21,500⁸. However, this is mainly skewed by data from Single Employer Trusts as the median value of pots in Master Trusts and Group Personal Pensions (GPPs) is £4,200⁹. The size of the pot is important as if there is lots of small pots, paying out benefits to members would become costly and become a net cost to the scheme. The minimum pot size should be governed by actuaries for each scheme to ensure the scheme can be self-sustaining.
14. There should be consideration of introducing a lower threshold, say a minimum pot size of £10,000. This would then be in line with HMRC's small pot lump sum tax rules. If a scheme were to accept a transfer below this point, the costing may not be sustainable for the scheme to continue. Though it is important to understand if capital requirements are needed at the outset and/or ongoing basis and how this would impact the minimum transfer value before a customer can enter the scheme.
15. In the context of Guided Retirement, there is a concern that if there is a move towards accepting small pot sizes (i.e. <£10,000), this runs the risk of 'ticking' the box of providing some sort of longevity protection for the scheme member. This could not actually be in the customer's best interest for their circumstances due to the small benefits they would receive in return. This highlights the need for a further consolidation nudge to be present within the customer journey through Guided Retirement.
16. In the scenario where there are lots of small pots, r-CDC schemes would become inefficient and therefore could require an inflow of significantly sized pots to be transferred to scheme to offset this cost originating from small pots.

Question 5: What do you think the effects of the proposed adaptation to promotion and marketing criteria, including a prohibition on member marketing, would be?

17. When schemes come to communicate CDC to their members, care should be taken when describing these returns that it doesn't fall into being deemed promotion as these are projections, not guarantees. They should also take account of the limited numeracy/pension/economic understanding in the UK.
18. It's important to ensure that schemes who offer r-CDC schemes should only target marketing to trustees and the schemes they operate. Further thought needs to be given to whether and how far trustees are permitted to promote r-CDC schemes to individual scheme members. The same applies to whether trustees are given freedom to act as marketers and challenge any misleading communications, as such actions could mislead customers and degrade consumer trust in these

⁸ The Pension Provider Survey 2024/25, DWP, <https://www.gov.uk/government/publications/the-pension-provider-survey-202425/the-pension-provider-survey-202425#glossary>

⁹ *ibid*

products. The regulations should apply the same standards as the FCA's Financial Promotions regime.

19. Tight control could be needed to avoid mis-selling and exaggerating the returns that can be achieved. It is also vital that returns from whole of life CDCs aren't confused with returns from r-CDCs and the assumption that are made in these calculations are laid bare to a layman audience. Schemes must be clear on providing factual information to scheme members at the point the member is about to enter a r-CDC. This includes the features, risks and alternatives to the scheme. However, the government may struggle to limit marketing and retail offerings of r-CDC, or even to define these terms, because schemes offering r-CDC will want to promote it; and may want to attract members during accumulation, on the basis of their retirement offering. Schemes will need to communicate the option to their customers, but this could be considered marketing. The existing precedent of the Privacy and Electronic Communications Regulations (PECR) considers any non-neutral language communicated electronically to be direct marketing. A change to PECR could be considered by government if they would like schemes to resolve this issue.
20. It is also worth bearing in mind that, the adaptations to promotion and marketing criteria would increase reliance on Employee Benefit Consultants (EBC), hence we request that regulations be extended to EBCs. Employers and trustees will be the decision makers when it comes to r-CDC for their scheme members and it's important they are regulated in a similar way to other commercial business from financial service providers.
21. It important to acknowledge that members still have the right and should have the right to make decisions.

Question 6: How would an approach to allow access to Retirement CDC via a guided retirement default or formal partnership between trustees, protect members, and impact a developing market? Would there be any unintended consequences?

22. Including r-CDC schemes within the options available to trustees through Guided Retirement could improve the suite of options available to scheme members, enabling them to access a more appropriate default solution when drawing down their pensions. The core aim of Guided Retirement is for customers to receive an income throughout retirement and r-CDC schemes can offer this. However, choice remains a fundamental aspect of retirement, and it is essential that customers are supported to make decisions that best reflect their individual circumstances. While r-CDC schemes may offer an appropriate solution for some, other products (i.e annuities) may be better suited to certain members' needs and should continue to be considered within the available options. Moreover, the features and risks of each option need to be set out very clearly.
23. The government should avoid adopting overly rigid definitions of what constitutes income throughout retirement. The characteristics of r-CDC schemes will help meet demand for offering an income in retirement, but other solutions should be available. To continue to adapt and meet the changing needs of scheme members, prescription should be avoided to allow providers to tailor and adapt products.
24. Trustees must continue to uphold their fiduciary duty obligations when selecting the most appropriate default solution for different cohorts of scheme members. They should carefully

assess whether an r-CDC schemes will lead to better outcomes for scheme members or whether the customer is best served by another retirement product. This underscores the importance of trustees obtaining sufficient information about scheme members before defaulting them into a r-CDC scheme, particularly as these schemes are irreversible.

25. There's a concern that if a r-CDC scheme is struggling to meet inflow requirements, trustees could default customers into a r-CDC scheme to allow them to meet the conditions needed for the scheme to continue. This approach would be harmful to scheme members and would be degrade the consumer trust with the pensions industry; TPR should make certain that the Default Pension Benefit Strategy should prevent this from occurring and introduce robust safeguarding measures to prioritise members' interests over the operational needs of the scheme.
26. Similarly to the flexibility point raised above, it is essential that informed consent is given by customers ahead of transferring to a r-CDC scheme, and they have full information when giving this consent. This has a link to whether it is wholly appropriate for the 'provider of last resort' should offer such a solution for Guided Retirement.
27. The 'provider of last resort' will offer a Guided Retirement solution for schemes who are unable to, but this solution should be a flexible and reversible option to permit customers to exercise their rights to choose a product to suit their needs in retirement – r-CDC schemes may not offer this and will not allow customers to alter their path in retirement.

Question 7: What are your views on the risks, benefits and potential protections for members of FCA-regulated pension schemes being transferred to a Retirement CDC to access their pension savings?

28. There may be future interest from contract-based providers in operating r-CDC schemes, particularly once there is greater certainty about how the market for r-CDCs will develop. The government should draft rules that include contract-based providers and do not preclude them from developing r-CDC solutions in the future. This approach would help foster innovation, as many contract-based providers have experience offering With Profits and other decumulation options, which could prove invaluable for future iterations of r-CDC.
29. If contract-based providers are unable to provide r-CDC schemes, this would create misalignment between the two regulatory frameworks and add further complexity to the current system. There has been effort to align the two regulatory pillars of the pension's world with collaborative work from both FCA and TPR on initiatives like the Value for Money framework.
30. If the government only allows for trust-based providers to operate r-CDC schemes, contract-based providers could be discouraged from having this product as part of the suite of decumulation options for, due to the nature of having to partner with a Master Trust.
31. The consultation proposes the ability for bulk transfer of contract-based DC benefits without consent from the policyholder under the guise of the proposed contractual override powers within the Pension Schemes Bill. We are supportive of the contractual overrider measures and believe they would be of great benefit for schemes and customers, in particular ahead of the implementation of the Value for Money framework.

32. However, when transferring to a r-CDC, difficulties arise due to the nature of the product the customer would be entering due to the lack of known ‘cooling-off’ period and uncertainty around the possibility of transferring out.

Question 8: What matters should we consider in developing an actuarial equivalence requirement for transfers into the scheme, and are there other factors to address regarding member entry?

Question 9: What mechanisms should be introduced to ensure that quotations are accurate and not misleading?

33. We want to highlight to the government that any mechanisms introduced to ensure quotations are accurate and not misleading will face a host of challenges. These challenges arise from the number of different scheme designs and individual outcomes, not least since the retirement income generated is not guaranteed as it would be through an annuity.
34. It is particularly important that quotations related to whole-of-life CDCs aren’t blurred with that of r-CDCs.
35. One possible way to counter misunderstanding of the returns is to utilise illustrations. These illustrations should be tested following guidelines that are comparable with FCA’s consumer understanding guidelines¹⁰.
36. A key challenge of communicating the returns of r-CDCs is communicating the outcomes the member may expect from joining a r-CDC scheme. For example, how a member of a r-CDC scheme’s income might be adjusted i.e. the volatility of the returns, or once they transfer to the scheme, they will only have a right to the income and not the money to provide the income. This needs to be consistent, i.e. comparable across schemes with key/core differences highlighted in layman terms.

Question 10: What are your comments on a ‘cohorting’ approach to helping well-performing schemes remain affordable for members and are there alternative approaches you would recommend? What should scheme rules on cohorting include? And does the illustrative drafting capture the policy intent and would this drafting work in practice?

37. Scheme rules should ensure that the practice of cohorting is explained. For example, if new cohorts are required every year, these new cohort will require new actuarial assumptions that need to be communicated well as they will have variations in accuracy due to the uncertainty included. This will lead to cohorts getting different CPI linked offers i.e. those in a CPI ++ scheme, will get a smaller initial income compared to an offer in line with CPI or less than CPI, but will have the benefits of compounding. This needs to be explained.

¹⁰ FCA (2022). [Finalised Guidance FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty](#)

38. Firms should have the ability to cohort regularly (daily if necessary) to ensure that the price people are joining the scheme is fair to new and old members.
39. This should follow a similar structure to annuity pricing, where when new investment in fixed interest assets is cheaper and a higher expected income can be offered. R-CDC assets will need to have a higher fixed interest component and be more annuity like than whole of life CDCs. This is because whole of life CDCs can allow for greater equity exposure for the pool of lives by utilising the exposure of the youngest lives. However, it should be noted that this is not the fairest approach as identified by analysis by the Pension Policy Institute (PPI)¹¹.
40. One alternative approach is to allow individuals to transfer part of their pension wealth to r-CDCs to manage cohorting so the individual is not stuck with one benefit and can diversify their risk. However, we note that this might take away from what the government intended for r-CDCs to achieve.
41. In contrast to whole-of-life CDCs where one of the key benefits is the mortality pooling across generations, this mortality pooling only works if you are in the scheme for accumulation and decumulation. However, in the case of r-CDCs, this is not the case and instead mortality risk is pooled across people who are in the decumulation stage only which in itself is less beneficial to individuals.

Question 11: What issues would removal of the upper threshold and allowing the spreading of cuts over the lifetime of the scheme, for schemes using cohorting create, and how might these be mitigated?

42. Thresholds should not be needed for a market where schemes are under prudent risk management, managed well and have appropriate cohorting.

Question 12: Is there any further information that Retirement CDC schemes should be required to provide to new and prospective members?

43. One of the main benefits of CDCs, is that members don't have to make complex decisions at retirement; however, this is inconsistent with the need to communicate how longevity is pooled across members, which is important in knowing if it is the right option for them. Individual cohorts of schemes being presented with CPI + x % when a large part of the UK public have misconceptions about economic figures such as CPI¹² and percentages as a whole with 54% of the UK working age population has low numeracy¹³.
44. The government should learn from the FCA, in particular the FCA's rules and guidance for drawdown providers communicating with non-advised customers who are considering drawdown. It is paramount, that the individual is aware that their income is not guaranteed through r-CDCs alike that in drawdown, and recognise the potential unfairness arising from risks

¹¹ PPI (2025), <https://www.pensionspolicyinstitute.org.uk/media/g2sp5fpp/20251106-collective-pensions-with-investment-choice-ppi-kcl-nuffield.pdf>

¹² Runge, J., & Hudson, N. (2020). *Public Understanding of Economics and Economic Statistics*.

¹³ National Numeracy & YouGov (2022). [Numeracy levels and attitudes towards maths and numbers](#)

they assume by pooling their investments due to health inequality. Hence the relevance of looking to these guidelines.

45. We believe that the communication of r-CDC should mirror the FCA's requirements for consumer understanding, as set by the Consumer Duty¹⁴. The Consumer Duty, for example, requires FCA-regulated firms to test "communications where appropriate to support consumer understanding so that they can make effective decisions and act in their interests".
46. Examples/scenarios should supplement the information provided to new and prospective members. For example, showing how their retirement income would be adjusted if there was X% fall in the market (i.e. inflation drop). This could help individuals understand the range of outcomes across different economic scenarios and perhaps help bring across the level of cross subsidy that people are accepting. This will help push the point that the income is not guaranteed. In order to successfully deliver this, these communications should be tested in a way that is comparable to FCA's consumer understanding guidelines.

Question 13: Are there practical or operational challenges in delivering Retirement CDC communications through DC scheme trustees, and how might these be addressed?

Question 14: What additional costs might a Retirement CDC illustration create, and what considerations should be taken into account to ensure illustrations are realistic, consistent, and not misleading?

47. See question 9.

Question 15: What charging structure/what charge levels is your organisation considering levying on members? If implemented, at what level should a Retirement CDC charge cap be set?

Question 16: Do you foresee any areas of potential arbitrage, and how should Government and regulators seek to mitigate this?

48. The government should not exclude contract-based providers from operating a r-CDC if they wish to do so. Providers will determine this based upon the future direction of the market that develops following the introduction of the product. We believe that this will enable innovation in the market by allowing a wider number of providers to operate in the r-CDC market, giving more choice to customers when approaching retirement, and reducing the additional administrative cost to scheme members that arise from having a contract-based provider to partner up with a trust-based provider. We also believe that this would make r-CDCs more commercially viable as providers offering retail pensions, trust and contract-based products will face barriers if r-CDCs are limited to one customer base.

¹⁴ FCA (2022). [Finalised Guidance FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty](#)

49. One of the most similar products to r-CDCs is annuities. If the r-CDCs were established within the TPR framework as proposed, the retirement market will be skewed in r-CDCs favour as the TPR requirements would represent a lower bar than the PRA regulations for insurers/annuity providers. This is particularly the case when considering the additional cost to insurers in the form of stringent capital requirements.
50. These large capital requirements as required from the PRA mean that insurers have to hold capital and hence, they can guarantee annuity rates unlike a r-CDC. As r-CDCs aren't required to hold capital as risk, this makes them a lot more attractive option to schemes as the running costs would be a lot less than that of insurers. It is important that the government doesn't put aspirational returns that are not guaranteed ahead of the security of income for scheme members.
51. On the back of this, we are seeking clarity on how the PRA would view CDC being operated by an insurer. We would particularly be interested in understanding what the capital requirements would be and what assets would an insurer be allowed to hold, including any requirements on winding up (since there are none proposed for r-CDC schemes).
52. The ABI also want to seek clarity on whether there is any expectation of capital holding requirements in regard to r-CDCs as there was in the UMES consultation (Question 7: Do you have any comments on the draft regulations on financial sustainability?).¹⁵
53. Another potential area of arbitrage the government should seek to avoid is through communications to members. As stated, in our response to Question 5, customers need to be made aware of the potential outcomes and risks involved when entering a r-CDC scheme. For contract-based providers, they must adhere to the Consumer Duty and be drivers of good customer outcomes and avoidance of harm. For r-CDCs, they would then have to be transparent and communicate that this is an irreversible product and the income derived may fluctuate depending on market performance. We understand that Trusts operate under Fiduciary Duty, but the requirement for clear, factual communications to prevent customer harm should also apply across both regulatory spaces – especially if people are being defaulted into this product via Guided Retirement.

Question 17: Are there any other matters you wish to raise in relation to the possible extension of the CDC authorisation and supervisory framework to include Retirement CDC schemes?

54. Schemes should be required to give clarity on the features and risks of r-CDCs and how this differs to other products in the market. Giving scheme members full information regarding how r-CDC operate, including the benefits and drawbacks, would help mitigate concerns that its introduction could stifle innovation in the market. Innovation has long been identified (from the time of Schumpeter) as a critical dimension of economic change, providing better results than

¹⁵ DWP, The Occupational Pension Schemes (Collective Money Purchase Schemes) (Extension to Unconnected Multiple Employer Schemes and Miscellaneous Provisions) Regulations (2025), <https://www.gov.uk/government/consultations/the-occupational-pension-schemes-collective-money-purchase-schemes-extension-to-unconnected-multiple-employer-schemes-and-miscellaneous-provisions/the-occupational-pension-schemes-collective-money-purchase-schemes-extension-to-unconnected-multiple-employer-schemes-and-miscellaneous-provisions#summary-of-questions>

market movements and price competition. Below are possible ways that the introduction of r-CDC schemes could stifle innovation:

- a) As it stands, there is barrier to contract-based providers from operating their own r-CDC scheme. If a non-trust provider was to provide the r-CDC schemes (and CDC schemes in general) they must partner up. This barrier means that fewer providers can compete and in turn build more innovative solutions.
- b) In the case that r-CDCs become the default pension benefit solution, it might reduce consumer demand for proposition of greater range of choice and tailored benefits as this might deter the provider from catering to individual retirement needs.
- c) There is also a concern that the government will see the solution of retirement adequacy having been solved with the introduction of r-CDC schemes, neglecting other innovative solutions that may offer fairer (and innovative) solutions. For example, Collective Pensions with Investment choice Model as outlined by the recent Pension Policy Institute (PPI) and Kings College London research report¹⁶, this product/solution may offer superior member benefits to r-CDCs, but is not in line with the current legalisation.

55. An additional area, the DWP should consider is regarding the normal minimum pension age and whether r-CDCs would recognise/allow for those with a protected pension age within their current scheme. This could be an area of complexity for DWP to consider, it could exclude some schemes, where protected pension ages apply if not recognised by r-CDCs.

Question 18: Do you have any comments on the proposed amendment to Regulation 12 of the Preservation of Benefit Regulations 1991?

56. The government should consider further the impacts of the proposed draft amendment to customers, and more clarity on the mechanisms behind r-CDCs is needed prior to this amendment.

57. As mentioned previously, we are supportive of the contractual override measures in the Pension Schemes Bill, but before individuals are transferred without consent from IDC to CDC, the government should consider the customer harm that will arise. This stems from the uncertainty surrounding the possibility of a transfer out of the scheme once entered, and the value of that transfer. This would be an actuarial equivalent of the r-CDC benefit and not a ring-fenced fund which is assigned to the individual. This could be subject to errors with this potentially affecting the youngest in the scheme the most.

58. Current regulations require trustees to communicate with members at least one month before a transfer, providing details of the proposed transfer and the value of the rights to be transferred. This gives members only a short period to opt-out before the transfer is completed.

¹⁶ PPI, KCL (2025) [Pension Policy Institute \(PPI\) and Kings University research report](#),

59. The government could consider an appropriate mechanism to allow for members to transfer out of a r-CDC scheme while retain their initial value, adjusted for any investment gains or losses. This would help address concerns around transfers without consent.

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We represent more than 300 firms within our membership including most household names and specialist providers, providing peace of mind to customers across the UK.

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