

LCP's response to the Pensions Regulator's Consultation on CDC Code of Practice

Response submitted on the Regulator's online system

Issued on 11 February 2026

This document sets out LCP's response to the Pensions Regulator's [consultation](#) on extending the CDC code of practice, published on 19 December 2025 (the "Consultation").

General questions

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

Yes. Given there is a stated aim to align the codes for authorised schemes and incorporate into the general code of practice, the approach taken by TPR seems appropriate.

However, most users of the multi-employer code are likely to be most interested in the material covering multi-employer schemes, and in this case the legacy single-employer material could be something of a distraction. For example, it would be useful for some colour coding or other formatting to distinguish between those applicable only to one of the two types of schemes.

2. Do you foresee any issues with this approach?

The current layout on a single webpage is not necessarily clear whether a section might apply to multi-employer CDC schemes only, or to both types of schemes. For example, for the final few subheadings at the end of the "Supervision: Introduction and significant events" section (starting from the sub-sections after "Multi-employer CDC schemes only: expectations for additional significant events"), it is not immediately obvious whether they apply to single employer schemes. Formatting or colour coding may help.

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

In general we believe the key areas have sufficient explanation and guidance. However we note that the tone of several areas, for example in relation to Scheme Proprietor, appears to implicitly assume the CDC scheme will be a commercial entity. For example an existing DB trust setting up a new CDC section (and using a retained surplus to meet CDC financing requirements) is unlikely to be able to supply historical accounts for a Scheme Proprietor (as these will currently be being set up for the purposes of meeting CDC governance requirements). Whilst these situations appear to be envisaged in the regulations (which allow for TPR to make exemptions to the requirement to provide historical Scheme Proprietor accounts for approval) it would be helpful for these scenarios, which could apply to many "Not-for-Profit" schemes to be more explicitly envisaged in the Code. We have expanded on this further under Question 15.

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

A lot of the content of the Code is a repeat of legislation, sometimes paraphrased. Without careful comparison of the legislation and the Code, it would not be obvious to a user whether there are elements in legislation that are not repeated in the Code, although if the "must" and "should" labels are strictly applied, it should be obvious which elements are in the Code only. As users of the Code should also be familiar with the relevant legislation, we suggest that references to the relevant parts of the legislation should be used instead of repeating the legislation itself. This also future proofs the Code if minor changes were made to legislation, or other authorisation regimes were brought together into one single code.

Information for specific users are spread throughout the Code. It would be useful for there to be enough links and possibly a summary to ensure all areas are picked up. For example, for a Scheme Proprietor, as well as the

dedicated section, there are business plan requirements, separate paragraphs under fitness and propriety, requirement to provide marketing information to trustees under the marketing section etc.

The order of parts of the financial sustainability section appear confusing, for example mixed benefit schemes appear under both the introductory section and the business plan section. More directions, or putting them together, might be useful.

It would be helpful if the sections and paragraphs are numbered, for ease of reference.

Introduction, applying for authorisation, authorisation criteria and sectionalisation

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

Trustees are expected to include the name of all employers in the scheme at the point of application for authorisation. We expect that, for a large not-for-profit multi-employer CDC scheme to be made available to all current DB / DC scheme members, the timing of when an employer may join the scheme is uncertain and could depend on factors such as when the employer may get comfortable to change current arrangements including training and discussions with trustees, employee benefit cycles, and when the CDC scheme may have the administrative capacity to take on members. Some employers may also not wish to join the CDC scheme until the CDC scheme has received Regulator authorisation. Clarification on the frequency and circumstances the Regulator may wish to receive an updated list of employers would be useful, both during and after the authorisation process.

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

Guidance on what constitutes “materially different benefits, or materially different adjustments to benefits” would be useful.

- This is particularly important as the draft Code requires any material change to only apply to future service benefits. There could be situations where a change to the scheme’s investment strategy is necessary but which could affect adjustments to past service benefits. We note the Code’s requirement seems to be stricter than implied by the legislation. We understand that the Regulator is planning to amend this wording; it would nonetheless be helpful to have guidance on how much adjustments to past service benefits can be made.
- Guidance may help to make authorisation application more likely to be acceptable to the Regulator. It may also help to manage trustee expectations on when a new section may be needed.

From the “What is a CDC scheme?” section, it is not entirely clear whether a single-employer CDC scheme can later set up a new multi-employer section (and vice versa), as the authorisation requirement for different sections are separate.

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

The process the Regulator proposes to use to set fees for additional sections is clear. It may be useful for schemes considering new sections to set expectations, for example by setting out a minimum fee for a new section that is structurally exactly the same as an already authorised section.

It would also be helpful to provide clear starting point for the two-year period for schemes to start operating: e.g.

- A new scheme is required to pay the “primary section” standard fee once the Regulator confirms receipt of application, so we expect this is the starting point;
- A second section of a scheme seeking authorisation at the same time as the primary section seems not to be paying its fee for up to seven days after the primary section, when duplication is being reviewed. Does the two-year period start with the primary section, or on payment of fees of this second section?
- It would also be useful to include a statement regarding subsequent sections.

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

Yes, we are aware of current multi-employer schemes that plan to set up a multi-employer CDC section, instead of setting up a new scheme. For example, a not-for profit CDC scheme that plans to utilise a retained DB surplus may prefer to use this route.

For these schemes, the board of trustees is likely to be shared between the CDC section and non-CDC sections. Most individual trustees, when the CDC section first commences, will likely be experienced pension trustees through their involvement with the non-CDC sections, but will not necessarily be initially fully conversant with CDC schemes, even though, as a whole, the board of trustees have the necessary skills. It would be useful for the Regulator to clarify how fit and proper persons tests, especially competency, would apply for these experienced trustees.

We would also expect such schemes to be more traditional / no-for-profit in design that might for example offer CDC to existing sets of employers that previously participated, or could have participated, in other non-CDC sections. Given this, it is important that the code enables TPR takes a proportionate approach in areas such as marketing, where groups will need to be free to provide information on CDC to existing employers at an early stage of development.

Systems and processes

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

The details set out in the scheme governance, processes and member communications sections of the draft Code are mostly clear and easy to follow when applying for authorisation. We have not considered the IT section in detail but the requirements seem appropriate.

The draft Code includes a requirement for service provision contracts to have been reviewed and negotiated. We suggest negotiations may not always be appropriate, for example where the service is provided inhouse but the set up is such that the arrangement contains a “service provision contract”.

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

We are not aware of other standards or approaches that should be applicable.

Fitness and propriety

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

The “Separation of functions” section is applicable to multi-employer CDC schemes only and it would be useful to highlight this at the start of the section. Otherwise some parts could be read as applicable for single-employer schemes as well – for example, should trustees of a single-employer scheme choose to have a CFO (perhaps with an entirely different function to that for a multi-employer CDC scheme) this section could create an unintentional problem.

While it is clear that trustees cannot hold the roles of proprietor, promotor and marketer, or Chief Financial Officer, it is not clear whether the proprietor can also be a promotor or the CFO.

We would also suggest the sub-headings under the section “persons listed in section 11(2) of the Pension Schemes Act 2021” (e-h) should also specifically label multi-employer CDC schemes only, even though this is stated before (e). Similarly, this should be made clear in sub-headings under the section “fitness and propriety: assessment of competence and experience”. It is possible that single-employer schemes have (for example) CFOs

/ CIOs and these persons should not be required to fulfil the Regulator’s assessment criteria for these multi-employer roles.

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

Scheme Proprietor: the definition of a scheme proprietor under part (e) of the “persons listed in section 11(2) of the Pension Schemes Act 2021” is different to the definition set out under “business plan: information about scheme proprietors” in the Scheme Proprietor section. We understand these two definitions are for slightly different purposes, but it would be useful to point out the difference and clarify the purpose of any difference.

In relation to persons who can appoint or remove trustees, and persons who can amend the trust deed, in some situations where a CDC section is being added to an existing trust, historical trust documents may name individuals as having such powers, but in practice the powers lie with the office, or department, of the named individuals. We expect it would be more appropriate for the Regulator to assess individuals who exercise the powers in these cases, and not necessarily the individuals named in the trust documents. For example, these individuals could be identified as such either by the scheme proprietor or the scheme trustees.

Other named roles are clear.

Other persons undertaking core functions: it may be useful to have a list of such persons (for example, see the second bullet point below), and any specific assessments of competence and experience that the Regulator may expect to apply.

- In the “authorisation criteria” section, it is stated “*we may also assess any person that undertakes a core function – for example, a strategic, executive or management role carried out in relation to or on behalf of a person we are required to assess to authorise a multi-employer CDC scheme.*” Similar wording is used in the “fitness and propriety: who we will assess” section.
- However, more, and perhaps slightly different, information is provided in the “systems and processes: scheme governance” section, which states “*The map identifies and documents all the functions the trustees think relevant, including:*
 - *managing the trustee board*
 - *administration*
 - *investment*
 - *risk*
 - *actuarial matters*
 - *member communications*

...A responsible person is identified for each function. This person has day-to-day responsibility for managing the function and will manage the planned work set out in the objectives statement. This person falls within the fit and proper regime.”

It would be helpful if these two sections could be consistent.

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

Scheme Proprietor: we expect the Scheme Proprietor to have a strong working knowledge of occupational pension schemes and so these tests appear reasonable.

We agree that the other expectations seem reasonable.

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

We don’t expect potential conflicts of interest in a non-commercial multi-employer CDC scheme, beyond any usual conflicts that trustees of an occupational pension scheme may have when making decisions on the investments of scheme assets.

Scheme proprietor

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

It would appear that this section of the draft Code envisages a scheme proprietor to be a pre-existing commercial entity looking to set up a CDC scheme. We are aware of existing occupational pension schemes looking to set up a multi-employer CDC section, and creating a new entity to become the scheme proprietor in the process.

- It may be useful for the Code to explicitly acknowledge such arrangements at the start of the Overview section.
- The first sentence in the Accounts section, where it is stated the scheme proprietor must have had accounts prepared and audited at the time when it entered into the relationship with the scheme, is also contrary to the end that section where alternatives are set out. We suggest the first sentence should end with “unless the scheme proprietor is a newly established entity, in which case alternative supporting evidence as set out in paragraph x is acceptable”.

Whilst it is clear that the proprietor cannot be a trustee, please confirm whether a close relationship is permissible, provided there is sufficient transparency and independence. For example, would a subsidiary company of the trustee company be acceptable as a scheme proprietor?

There are several paragraphs in the draft Code pointing to the proprietor to directly provide funds. For example, these statements are included in the overview section:

- *“In the event of a triggering event the proprietor must be able to provide funds to the scheme to meet the costs of compliance and run on costs.”*
- *“The necessary resources are available from the outset from a credible source, and that the prospective proprietor has made adequate provision within their business planning for the cost eventualities that arise. The proprietor’s available resources also need to be sufficient to cover any costs associated with a triggering event occurring.”*
- *“We must be satisfied that the scheme proprietor is capable of meeting the costs of setting up, authorising, and running the scheme.”*

This appears to us to be at odds with language we have heard previously from TPR around how financing tests will work. In particular, there are many potential financial models for providing contingency resources and the code should be flexible enough to allow for each.

For example, for a CDC scheme being added as a new section to an existing trust, an obvious rationale for doing this is if an existing surplus within the trust is to be made available for the scheme, over which the Scheme Proprietor can have visibility, but would not be resources of the proprietor. It would be helpful for the code to set out specifically that the nature of the financial tests is that resources can be demonstrated to available when needed, not that they must be in the day-to-day possession of the Scheme Proprietor.

Similarly, where the proprietor is unable to provide audited accounts for consideration at authorisation, it is required to set aside assets to be held in a separate trustee deposit account. The draft Code sets out the amount to be set aside, without consideration of any surplus already exists within the trust and to be made available for the CDC section of the scheme.

We note that the draft Code states full audited accounts from the proprietor are required when financial sustainability is assessed (in the “financial sustainability: overview” section), or when the business plan is submitted (in the “financial sustainability: business plan” section), making no allowance for situations where the first accounts are not yet available.

If the Proprietor is wholly or partially funded by a third party, the draft Code states that the accounts of the third party may also have to be submitted. Please confirm if these accounts also need to comply with the Companies Act requirements.

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

The draft Code's wording with regards to the scheme proprietor appears very much geared towards commercial operators. There is a risk that this signposting could deter existing schemes considering creating their own CDC schemes.

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

We have no comment to this question.

Financial sustainability

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

In general, we agree they are reasonable.

The draft Code requires a scheme to demonstrate run-on costs to support six months to two years following a triggering event, that schemes should assume a run-on period of 24 months unless a shorter period could be demonstrated, and that schemes should demonstrate ability to move towards supporting continuity option 3 at the earliest opportunity.

Please clarify what demonstration is needed for a period shorter than 24 months, and how the 24-month reserve for run-on costs might fit in with an eventual full support of continuity option 3.

Calculation of financial resources also require an estimate of requirements based on a triggering event occurring between one and three years (noting the proposal to change this from three to five years). There is repetition of calculations here compared to the estimation of 24-month run-on costs, but with slightly different dates. For ease of understanding and minimise extra expenses to provide different calculations, it would be helpful for these illustrative figures to have the same timeframe.

The draft Code states that financial obligations from participating employers may be allowed for in the financial sustainability requirement; on the other hand, commitments from participating employers to provide fees could breach scheme proprietor requirements. Further guidance from the Regulator may be helpful on this point.

The draft Code suggests that, where employer guarantees are provided to meet financial reserves, a CDC scheme should still aim to independently hold the full reserves. This appears to be in contradiction to a CDC scheme not holding extra reserves. Guidance on this point would be appreciated.

19. Does treating the CALP as a separate element of the business plan remain reasonable for multi-employer CDC schemes?

The CALP as a separate element of the business plan, but not a separate document, seems reasonable.

Continuity strategy

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

Administration charges: both the draft Code and the 2025 regulations state the requirement to provide a statement of all levels of administration charges. It may be useful to provide guidance to clarify what is meant by "all levels", and the level of details required in the statement.

Otherwise, the detail in the draft Code appears sufficient.

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

There is merit in running the scheme on as a closed scheme for a certain period of time. For example, it will give members some level of security regarding their income over a period. A projection of when continuity option 3 may become a viable option is therefore a useful exercise.

However, we expect closed CDC schemes would likely wish to eventually wind up and transfer to another scheme, maybe another CDC scheme. An illustration showing members that the scheme is expected to have financial reserves for it to run on indefinitely might create unrealistic expectations.

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

When a scheme first comes for authorisation it is useful to those involved, in particular the Scheme Proprietor, to understand (and demonstrate understanding) of the costs involved. However, individual schemes or sections of schemes may have reasons to plan for other continuity strategies, and the general expectations may change as the market develops. Reserving for continuity option 3 may not always be the best approach.

Sound scheme design

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

In general the actuarial and investment and wider scheme design principle needed to demonstrate sound scheme design appear clear and this area is broadly consistent with the existing Single Employer Code.

However the Code notes it will be important to reflect guidance from other regulators such as FRC, which will be very important to meeting the actuarial tests. For example the area of "actuarial equivalence", now being consulted on by FRC (in the updated version of TAS 310), will be important to demonstrate the scheme meets the actuarial and scheme design tests described in legislation. It may be helpful from the Code to refer specifically to the principles set out by FRC as some readers of the draft Code may not be fully aware of these requirements. Once the FRC's draft TAS 310 is finalised, we may also need to comment further on whether the actuarial design principles in the draft Code are compatible with the updated TAS 310.

Promotion and marketing

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

In general, yes.

Some clarification and guidance on the FCA's objective test, and examples, are likely to be helpful. For example, are the following promotional material or factual information:

- Information provided to current employers of other sections of the existing pension scheme (to which the CDC scheme will become a section), which includes some widely cited figures that a CDC scheme may deliver retirement outcomes between 15% (2026 [LCP blog](#)) and 75% (the 2025 [PPI report](#)) higher than DC schemes followed by a range of income drawdown and full annuitisation strategies.
- The same information provided to employers who were eligible to join, but decided against joining, the existing sections of the same scheme.
- The same information provided to employers who have so far not been eligible to join the scheme.
- Where, instead of using the widely quoted figures, the percentages in the above examples are calculated based on the CDC scheme's own investment strategy and scheme design.

We also note that while the FCA's test is suitable for the retail market, the Regulator may wish to adjust the wording to make clear that the intention is for employers to join the CDC scheme.

As this is a new product we expect there will be a lot of innovation and changes in the next couple of years. The draft Code is quite detailed in areas; some of it may be more appropriate in a non-statutory guidance.

This is also an area where TPR needs to be able to take a proportionate approach in areas for traditional trust based or not-for-profit groups that will need to be free to provide information on CDC to existing employers (including those employers previously eligible to join the other sections of the trust) at an early stage of development, without risking falling foul of marketing requirements.

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

The draft Code states that trustees should have appropriate oversight of the marketing materials so they have the opportunity to review or challenge the content. It may be useful for the Code to set out who has the ultimate responsibility, and how any disagreements may be noted or resolved. It may also be helpful for guidance to set out examples of the level of "appropriate oversight" that trustees are expected to do, which we hope to be high level and light touch, and that any scrutiny of the commercial operations behind the promotional material would be unnecessary.

Under the section "clear and not misleading", we would like to see more examples of and guidance on what trustees can provide to existing and prospective employers as factual information. For example, the five bullet points in the previous section "transparency of promotional or marketing material" are likely to be useful for trustees to provide to employers, but the Code seems to imply they are part of marketing and promotional material.

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

The draft Code sets out the Regulator's expectation that where any complaints are due to concerns with the promotional or marketing material, the promoter needs to provide feedback to the originator of the complaint. It may be helpful if the "originator" could be clarified:

- If the promotional material is provided to employers, and the complaint is made by a prospective employer, this seems reasonable.
- If the material is used by employers to provide information to their employees, and employees make complaints or have questions that may appear to be complaints, it is not clear if the promoter is required to respond to these directly (noting the promoter is not expected to promote to individual members). If so, this could be very onerous.

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

We have no comment on this.

Supervision

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

Yes.

However, to manage expectations and ensure consistency, it would be useful to link to relevant sections of the [CDC schemes supervision and enforcement policy](#). For example, the Code sets out the requirement to complete a supervisory return with "at least six weeks' notice", however the supervision and enforcement policy also mentions face-to-face meetings, scheme visits and phone calls.

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

As multi-employer CDC schemes are expected to be very large, and a failure of any one such scheme could affect the CDC market and the general public's view of the pensions system, we would expect the close working relationship between the Regulator and individual schemes to continue into the future.

However, the multi-employer CDC market will also evolve over time. It is hard to predict what new regulatory activities will be needed once the market settles. Some areas for consideration might be changes needed in promotional material as general understanding of the market improves, or bulk transfers between CDC schemes. Regulations at a systemic level may also be required as competitions between CDC schemes and new investment strategies develop. Considerations will be needed to ensure commercial and not-for-profit schemes do not have regulatory advantages over the other.

Other issues

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

Some clarification and guidance on whether advisors (especially legal and actuarial) can be shared between trustees and the scheme proprietor would be helpful, especially in the not-for-profit sector.

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