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Mythbusting CDC: what employers need to know

2026 will be another busy and exciting year for the UK pensions industry. Innovation is taking the industry by storm. New endgame options are going live for Defined Benefit (DB) schemes. The continual evolution of Defined Contribution (DC) offerings continues to add value to members. And the highlight of the year, progress towards launching the UK's first set of multi-employer Collective Defined Contribution (CDC) schemes.

At the end of 2025, the Department of Work & Pensions (DWP) announced its consultation outcome on multi-employer CDC regulations. It covers a lot of detail but clearly confirms two things:

1. Multi-employer CDC schemes will be coming to the UK.
2. They may be coming sooner than you think.

Regulations are expected to come into force on 31 July 2026. Providers have already started work on designing CDC schemes fit for the UK market.

Authorisation by The Pensions Regulator (TPR) will be required for each scheme. We anticipate that the first set of multi-employer CDC schemes will start taking contributions [or "go live"] in 2027.

A well-designed and effectively governed CDC scheme is expected to deliver better outcomes for typical members, compared to some DC options available in the market. We have been passionate about engaging the pensions industry on the prospects of CDC. As part of those discussions, we have come across various views and perceptions of CDC that deserve addressing.

Myth	Our response
‘There will be a significant burden for us as an employer of CDC, having to create our own scheme to provide CDC benefits’	The CDC market will be like the DC Master Trust world. Different providers will set up CDC schemes that employers can enrol their employees into. Employers won’t have to set up their own scheme to access CDC benefits, once the multi- employer CDC regulations go live, so won’t have to bear the costs or burden of doing so.
‘I understand there will be negative accounting impacts of CDC schemes, which make it a much less attractive proposition’	Accounting impacts will be no different to that of DC schemes, as they are both money purchase benefits. There is only a DB-like accounting treatment if you provide some DB-like benefits as part of your overall pension provision.
‘Aren’t CDC schemes similar to With-Profit funds? They didn’t stay the distance, so why is CDC any different?’	Some areas of With-Profit funds are still running successfully in the UK. While CDC schemes have some similarities to With-Profit funds, there are some important differences. In particular, CDC does not provide any guarantees, which for example, led to the downfall of some notable funds.
‘CDC has been tried and tested in other countries to limited success. Why is it different in the UK?’	Schemes that have some of the risk-sharing traits of CDC are still common in other countries such as the Netherlands, Denmark, Canada and Australia. Overseas CDC schemes typically use buffers to hold back surplus in the good days, to protect against the bad days. This is a fairly complex and subjective approach. However, in the UK, surplus and deficits are equally distributed between all members of a CDC scheme each year, a requirement by legislation. This provides more transparency and simplicity.
‘Aren’t CDC schemes fairly inflexible on the benefits they provide? My employees deserve a choice on how to take their benefits at retirement’	A member of a CDC scheme will likely have the option to trade some of their CDC benefit for tax-free cash on retirement (depending on the scheme). Members will always have the option to transfer their benefits out before they draw from their pension, and can access other pension products in the market if they prefer.
‘Any future Government could change pension scheme legislation, similar to what happened with DB, leaving us exposed’	An employer enrolled in a CDC Master Trust can always choose to leave (subject to contractual terms on joining). This gives employers a clean break on any responsibilities to that Master Trust arrangement. This is no different to the current approach with DC and a reason we expect CDC to take off at scale in the UK via Master Trusts rather than employers setting up their own CDC vehicles.

CDC schemes will not be right for every employer. Like any pension scheme that is planned to run for decades, they will come with their own set of risks. They do offer an attractive alternative for those employers who are looking to provide a higher expected pension income at retirement for their employees, without increasing costs. In 2027, CDC schemes are expected to be available to almost all employers through a Master Trust arrangement. Employers will have an active question to consider: does a DC pension arrangement still give the best outcomes for my employees, or could a CDC pension arrangement provide a better offering?

If you would like to discuss CDC schemes and whether they may be a good fit for your business, **please get in touch**.

We believe CDC has a major role to play in the future of UK retirement savings. Check out our **Collective Defined Contribution Pensions hub** where we share insights on delivering better retirement outcomes.

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