

Consultation document on:

# A Code of Practice for authorisation and supervision of collective defined contribution schemes

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## Scope of the consultation

We are consulting on the draft code of practice for the authorisation and supervision of collective defined contribution (CDC) schemes (the CDC code). We are particularly interested in responses to the specific areas that we have asked about and request that respondents focus on these, although we will consider all comments.

While we understand that the intention of government is to legislate to enable further market developments like commercial master trusts in due course, at this stage only single or connected multi-employer CDC schemes are permitted by the legislation, which is reflected in this draft code. We ask that comments are restricted to those relevant to this type of scheme.

This draft code focuses on all requirements trustees need to plan for now. However, we will be revisiting the code later in the year to expand on our expectations for continuity options. We will also be producing accompanying guidance in relation to the code.

## Who this consultation is for

This consultation is for anyone who is seeking to understand what our approach to the authorisation and supervision of CDC schemes will be. This will likely include trustees, sponsoring employers, scheme members, pension professionals and those who are looking to establish a CDC scheme.

## Government consultation principles

For the purposes of this consultation paper, we are following the government's consultation principles at <https://www.gov.uk/government/publications/consultation-principles-guidance>

The key principles state that consultations should:

- be clear and concise
- have a purpose
- be informative
- be only part of a process of engagement
- last for a proportionate amount of time
- be targeted
- take account of the groups being consulted
- be agreed before publication
- facilitate scrutiny
- be responded to in a timely fashion, and
- not be launched during local or national election periods

## Consultation context

The Pension Schemes Act 2021 (the 2021 Act) received Royal Assent in February 2021 and introduced the legislative framework for CDC schemes within the United Kingdom. The Department for Work and Pensions (DWP) has since developed the Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022 in close consultation with us. These expand on and provide specific detail to the provisions in the 2021 Act. The legislation requires that members will be appropriately protected through an authorisation and supervision regime for CDC schemes. Therefore, for a scheme to be authorised and remain authorised, we must be satisfied that they meet the relevant criteria.

This consultation is in relation to the content of the draft CDC code, which outlines the criteria, our expectations, and the procedures we expect to follow when determining whether or not authorisation must be granted to prospective CDC schemes.

While CDC schemes are a new type of pension scheme within the United Kingdom, our role in the authorisation of these schemes does not represent a new way of operating for us. Many aspects of the code will be familiar in that the approach to the authorisation and supervision regime reflects that adopted for master trust schemes in many areas.

The purpose of the CDC code is to provide trustees with the clarity they need on how to apply for authorisation and the matters that will be taken into account in deciding whether a CDC scheme should be authorised and should remain so. This code is an addition to the existing legislation and codes that will be relevant to CDC schemes and we expect those who will use this code to be familiar with their existing obligations and our expectations in this regard.

## Presenting our expectations

Our intention is to incorporate the CDC code into our new single code of practice, which we consulted on last year. Therefore, the final CDC code will adopt the modular format of the new code, with each module relating to different aspects of the authorisation criteria.

The code sets out how an application for authorisation is made and the matters we will take into account when considering applications. It does not cover all aspects of pensions legislation; therefore, trustees will be expected to seek the help of advisers and look beyond this code to help them understand all their legal obligations.

We make a clear distinction between legal duties and our expectations in the code by using the word 'must' when referencing legal duties, and 'should' for our expectations. We use 'need' where the process is necessary to allow a scheme to operate even though there is no expectation or legal requirement in place.

The 2021 Act sets out that the trustees applying for authorisation must satisfy us that the scheme meets the criteria to be authorised. In view of this, the language we have chosen to use is that schemes are, for example, 'more likely' or 'less likely' to satisfy us. This enables circumstances where CDC schemes may be able to justify a particular or different approach.

## Responding to the consultation

Please fill in your responses to the questions below, save this whole consultation form to your computer and return the completed attachment by **22 March 2022** to: [cdcpolicy@tpr.gov.uk](mailto:cdcpolicy@tpr.gov.uk).

When responding, please confirm if you are responding as an individual or on behalf of an organisation and, if on behalf of an organisation, whether only the views of the organisation are expressed in the response.

### Your details

Your name:

Organisation (if applicable):

Responding as an individual or on behalf of an organisation:

If on behalf of an organisation, are only the views of the organisation expressed in this response?:

Job title (if applicable):

Postal address:

Telephone:

Email:

Your details continued...

Please select the category that best describes you or your organisation.  
If you have multiple roles, please select all that apply.

- |  |                    |                      |
|--|--------------------|----------------------|
| Adviser (Actuarial)                      | Adviser (Covenant) | Adviser (Investment) |
| Adviser (Legal)                          | Adviser (Other)    | Administrator        |
| Investment manager                       | Professional body  | Provider             |
| Scheme sponsoring employer               |                    | Trustee              |
| Other (Please describe in the box below) |                    |                      |

## Confidentiality (Please complete as applicable)

Please confirm whether you would like us to include your name on our list of respondents to this consultation:

Yes, I wish my name to be included on the list of respondents

No, I do not wish my name to be included on the list of respondents

### and/or:

Please confirm whether you would like us to include your organisation on our list of respondents to this consultation:

Yes, I wish my organisation to be included on the list of respondents

No, I do not wish my organisation to be included on the list of respondents

As this is a public consultation, we may need to share the feedback you send us within our own organisation or with other government bodies or in response to a request under the Freedom of Information Act 2000. In the interests of transparency and effective scrutiny, we may also publish this feedback as part of our response to the consultation. If you wish your response, in whole or in part, to remain confidential, please tick the box below and give your reasons and we will consider whether we can reasonably meet your request:

Yes, I wish my response to remain confidential

If 'Yes', please specify which part of your response you wish to remain confidential and why:

## Consultation: General question

### 1. Do you consider that any important areas of the authorisation criteria have been missed in the new code?

We have drafted a code that is intended to provide the trustees of CDC schemes with sufficient detail to understand how their scheme can meet the criteria to be authorised. The code is structured around the criteria as they appear in the relevant legislation. We are aware that there is a significant interplay between the various authorisation criteria. Our intention is that users should be able to clearly identify places where they may need to consider other elements of the authorisation criteria.

Yes

No

Please give your reasons below:

# Consultation: Section-specific questions

## Introduction and Applying for authorisation

### 2. Is the level of detail we have set out appropriate?

Yes

No

Please give your reasons below:



Introduction and Applying for authorisation continued..

### 3. Are there areas where supporting guidance would be useful?

While there is significant detail in the code, we will be steered by your response to areas where further guidance would be helpful.

Yes

No

Please give your reasons below:

Introduction and Applying for authorisation continued...

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

Yes

No

Please give your reasons below:

Introduction and Applying for authorisation continued...

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

Yes

No

Please give your reasons below:

## Fitness and propriety

### 6. Is the level of detail we have set out appropriate?

Yes

No

Please give your reasons below:

Fitness and propriety continued...

## 7. Are there areas where supporting guidance would be useful?

Yes

No

Please give your reasons below:

Fitness and propriety continued...

**8. Is it clear what the expected level of trustee competence is to successfully govern a CDC scheme?**

Yes

No

Please give your reasons below:

## Systems and processes

### 9. Is the level of detail we have set out appropriate?

Yes

No

Please give your reasons below:

Systems and processes continued...

**10. Are there areas where supporting guidance would be useful  
- for example preparing a governance map?**

Yes

No

Please give your reasons below:



Systems and processes continued...

**11. Is it clear what constitutes an effectively administered and governed CDC scheme?**

Yes

No

Please give your reasons below:

## Member communications

### 12. Is the level of detail we have set out appropriate?

Yes

No

Please give your reasons below:

Member communications continued...

### 13. Are there areas where supporting guidance would be useful?

Yes

No

Please give your reasons below:

Member communications continued...

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

Yes

No

Please give your reasons below:

## Financial sustainability

### 15. Is the level of detail we have set out appropriate?

Yes

No

Please give your reasons below:

Financial sustainability continued...

## 16. Are there areas where supporting guidance would be useful?

Yes

No

Please give your reasons below:

Financial sustainability continued...

**17. Is the structure of the Costs, Assets and Liquidity Plan reasonable for this type of model?**

Yes

No

Please give your reasons below:

## Continuity strategy

### 18. Is the level of detail we have set out appropriate?

Yes

No

Please give your reasons below:



Continuity strategy continued...

## 19. Are there areas where supporting guidance would be useful?

Yes

No

Please give your reasons below:

Continuity strategy continued...

**20. Is it appropriate for a CDC scheme to not plan for continuity option three (closure) when it first comes for authorisation and are there any risks to this?**

Yes

No

Please give your reasons below:

## Scheme design

In this section, we have tried to explain how we will assess whether the scheme design is sound in terms of process and evidence.

### 21. Is the level of detail we have set out appropriate and are there further matters we should consider?

Yes

No

Please give your reasons below:

Scheme design continued...

## 22. Are there areas where supporting guidance would be useful?

Yes

No

Please give your reasons below:

Scheme design continued...

**23. Is it clear what we expect with regard to testing and modelling, and are there any additional issues or factors which could be relevant?**

Yes

No

Please give your reasons below:

Scheme design continued...

**24. In regard to testing and modelling, is it appropriate to expect schemes to conduct asset liability modelling (ALM)?**

Yes

No

Please give your reasons below:

Scheme design continued..

**25. Are there any other aspects of the trustees' stewardship of the investment strategy that we should be assessing in support of a scheme's design being sound?**

Yes

No

Please give your reasons below:

Scheme design continued..

**26. In respect to the gateway and live running tests, are there any further matters we should consider and is it clear what we expect?**

Yes

No

Please give your reasons below:



Scheme design continued..

**27. Our plan is to provide a standard template for the viability certificate to ensure what is being certified is standardised across CDC schemes. Is this helpful?**

Yes

No

Please give your reasons below:

## How to contact us

Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

<https://www.thepensionsregulator.gov.uk/>

<https://trusteetoolkit.thepensionsregulator.gov.uk/>

Free online learning for trustees

<https://education.thepensionsregulator.gov.uk/>

Pensions education portal



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