

Code of practice

Authorisation and supervision of collective defined contribution (CDC) schemes

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Introduction

1. This code of practice relates to the authorisation and supervision of collective defined contribution (CDC) schemes. These are also known as collective money purchase schemes.
2. This code applies to CDC schemes that are single and connected employer schemes introduced by the Pension Schemes Act 2021 and the Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022 ('the 2022 Regulations'). This code also applies to unconnected multiple-employer schemes introduced by the Occupational Pension Schemes (Collective Money Purchase Schemes) (Extension to Unconnected Multiple Employer Schemes and Miscellaneous Provisions) Regulations 2025 ('the 2025 Regulations').
3. In this code, where we use the term 'multi-employer CDC schemes' this refers to unconnected multiple-employer schemes. Where we use the term 'single-employer CDC schemes' this refers to single and connected employer schemes. Unless otherwise specified in this code, where a scheme is sectionalised, references in this code to a scheme, a CDC scheme, a multi-employer CDC scheme or a single-employer CDC scheme, refer to each section of the scheme that provides CDC.
4. Where a legal duty or expectation is different or applies differently in law for single-employer CDC and multi-employer CDC schemes this is made clear in this code, for example for 'single-employer CDC schemes only' and for 'multi-employer CDC schemes only'. Where this is not specified, it should be assumed that the legal duty or expectation refers to both single-employer CDC and multi-employer CDC schemes.
5. The publication of this code of practice is a statutory requirement¹. Its purpose is to set out how to apply for authorisation and how we assess whether a scheme meets the criteria for authorisation, both at application and throughout supervision. It sets out the information we require to make our assessment and the standards we expect to see. If we are not satisfied that a CDC scheme meets all the relevant criteria, we must refuse to authorise it².
6. This code is primarily aimed at those involved in the operation of a CDC scheme, for example trustees, **scheme proprietor** (multi-employer CDC schemes only), and their advisers.
7. This code assumes that trustees have a good knowledge of all relevant legal requirements and our expectations in other codes of practice, which may apply in addition to this code and the CDC legislation. Codes of practice that apply to pension schemes generally or to DC schemes will also apply to CDC schemes, unless there is a specific exemption.

1. Sections 90(2)(jc) and (jd) of the Pensions Act 2004
2. Section 9(5) of the Pension Schemes Act 2021

8. Codes of practice give practical guidelines about the requirements of pension legislation and set out standards of conduct and practice expected of those who must meet these requirements. If there are grounds to issue a risk notice, **improvement notice or compliance notice**, we may direct a person to take, or not to take, steps specified in the notice. These directions may be worded by reference to a code of practice issued by us. Failing to comply with a risk notice, improvement notice or compliance notice carries a penalty³.
9. This code is supported by guidance, which will help trustees to understand the evidence.

Status of this code of practice

10. The purpose of the code is to set out how to apply for authorisation, and how we assess whether a scheme meets the criteria for authorisation, both at application and throughout supervision. The code should be read in conjunction with the relevant legislation and accompanying guidance that gives more practical information about how trustees can show that the scheme meets the authorisation criteria.
11. Codes of practice are not statements of the law and there is no direct penalty for failing to comply with them. However, the legislation requires some parts of this code to be complied with, which is known as a legislative underpin, and may provide for penalties if they are not. The code indicates which parts this applies to. In addition, when determining whether the legal requirements have been met, a court or tribunal must take account of any provisions of a code that it considers relevant.
12. The code distinguishes between legal duties and our expectations by using the word 'must' when referencing legal duties, and 'should' for our expectations. We use 'need' if the process is necessary to allow a scheme to operate but there is no expectation or legal requirement.
13. The code highlights key aspects of the regulations. It sets out how we will assess the matters that the regulations require us to consider when deciding whether we are satisfied that a CDC scheme meets the authorisation criteria at application and throughout supervision. This includes the information we expect to take into account in our assessment and the standards we expect to see. If we are not satisfied that a CDC scheme meets all the criteria, then we will not authorise it (or may de-authorise it). Our decision on this will be informed by the expectations we have set out in this code.

3. Sections 29(1), (4) and (11) of the Pension Schemes Act 2021

14. We are required to consider the matters set out in the regulations. The code sets out some factors as 'more likely to satisfy'. These factors are not specifically required by the legislation, but if one or more are present, we are more likely to be satisfied that the underlying legal requirements are met. Trustees may choose a different approach to satisfy us that all of the authorisation criteria have been met.
15. If we decide not to authorise a CDC scheme, or to de-authorise a CDC scheme after it has been authorised, the reasons for our decision may refer to this code, or any relevant code of practice.
16. The Pension Schemes Act 2021 sets out the framework for authorisation and places a duty on us to assess an application for authorisation against the authorisation criteria. It also prohibits a person from operating a scheme that falls within the definition of a CDC scheme unless it has been authorised. The legislation sets out the matters that we must take into account in respect of each of the authorisation criteria. For a CDC scheme to be authorised, we must be satisfied that it meets all the authorisation criteria⁴.
17. Trustees and any scheme proprietor should be open and honest in the information they provide and in their dealings with us. Providing false or misleading information could lead to a CDC scheme not being authorised or being deauthorised. If a CDC scheme that has not been granted authorisation starts to operate, it must cease operating and wind up. A CDC scheme that has been authorised must also wind up if it is subsequently de-authorised.
18. Once authorised, a multi-employer CDC scheme is expected to start operating within 24 months starting from the date on which we received the application for authorisation. In the event this timeframe cannot be met, the trustees should contact us to request a short extension⁵ which, if granted, may be up to six weeks.

4. Sections 9(4) and (5) of the Pension Schemes Act 2021

5. Section 9A(3) of the Pension Schemes Act 2021

What is a CDC scheme?

1. If a scheme does not meet the legislative requirements to be a CDC scheme, we cannot assess an application to authorise it and it cannot operate as a CDC scheme. This section summarises our position using definitions taken from the Pension Schemes Act 2021, the 2022 Regulations and the 2025 Regulations and should be read in conjunction with them.
2. Anyone seeking to establish a CDC scheme should consider taking professional advice to ensure that their scheme meets the requirements required by legislation. There are differences between the authorisation criteria for single-employer CDC schemes and multi-employer CDC schemes. It is not the intention that a scheme authorised as a single-employer CDC scheme will be able to become a multi-employer CDC scheme after it has commenced operation (and vice versa), so careful thought should be given to the type of authorisation that is required at the outset. Other modules in this code provide more specific details on the relevant authorisation requirements.
3. In this code, references to a CDC scheme are to¹ a qualifying scheme or a section of a qualifying scheme which can only provide qualifying benefits. References to a CDC section are to a section of a qualifying scheme which can only provide qualifying benefits.
4. A scheme will be a qualifying scheme for the purposes of the definition of CDC scheme if it²:
 - a. is an occupational scheme established under an irrevocable trust
 - b. is not a relevant public service scheme
 - c. must provide qualifying benefits which consist of or include the payment of a pension
 - d. must, if the scheme provides qualifying and other benefits or types of qualifying benefits with different characteristics, have appropriate separation of those benefits
5. A qualifying CDC scheme or CDC section of a qualifying CDC scheme may be a single-employer CDC scheme or a multi-employer CDC scheme (or in each case a CDC section of such scheme).
6. To be a single-employer CDC scheme: the CDC scheme or CDC section must only be used, or intended to be used, by a single employer or two or more connected employers³.

1. Section 1 of the Pension Schemes Act 2021
2. Section 3 of the Pension Schemes Act 2021
3. Section 1(3) of the Pension Schemes Act 2021

7. To be a multi-employer CDC scheme: the CDC scheme or CDC section must be used, or intended to be used, by two or more employers, some or all of which are not connected with each other⁴.
8. A qualifying benefit⁵:
 - a. is provided from the available assets of the scheme (for example, assets that come from member and employer contributions and are available to provide benefits collectively)
 - b. is subject to periodic adjustment, in accordance with the scheme rules, to achieve a balance between the value of the available assets and the required amount (for example, the amount expected to be required to provide benefits collectively)
9. If a scheme provides qualifying benefits and other benefits, for example a defined benefit lump sum or a DC benefit at an individual level, the benefits that are not qualifying benefits must be separated from the CDC benefits and provided from a different section⁶. Only the sections providing qualifying benefits will be subject to CDC authorisation.
10. To be separated correctly:
 - a. a section providing a qualifying benefit cannot provide any other type of benefit (for the avoidance of doubt a lump sum can be provided from a CDC section where it is a qualifying benefit)
 - b. contributions made in respect of qualifying benefits must only be made into the section providing those qualifying benefits
 - c. assets are apportioned to each section and cannot be used for the purposes of a different section
11. Each CDC section must be authorised, either at initial application or as different qualifying benefits are created.

4. Section 1(3) of the Pension Schemes Act 2021

5. Section 2 of the Pension Schemes Act 2021

6. Section 3(6) of the Pension Schemes Act 2021

Applying for authorisation

1. The application for authorisation must be submitted by the trustees in our required format. The application forms will provide guidance on the evidence that must be submitted.
2. The trustees must satisfy us that the scheme meets the authorisation criteria:
 - a. If we are satisfied that the authorisation criteria are met, we must authorise the scheme¹.
 - b. If we are not satisfied that a scheme meets all the criteria, we must refuse to authorise it².
3. If we decide not to authorise a scheme, we will give reasons, and you may refer the decision to the tribunal³.
4. Once authorised, we must remain satisfied that a scheme continues to meet all authorisation criteria. If we cease to be satisfied, we may decide to withdraw the scheme's authorisation⁴.

What to include in the application for authorisation

5. Trustees must include the following in their application⁵:
 - a. The name of the scheme.
 - b. The name of the employer that established the scheme (if any), and any other employers in the scheme.
 - c. The approximate date from which the scheme intends to begin operating (for multi-employer CDC schemes only: this must be no more than 24 months from the application date).
 - d. Contact details of the individuals making the application.
 - e. A copy of the rules of the scheme and a copy of the scheme's trust deed.
 - f. A viability report, a viability certificate, and a continuity strategy.

1. Section 9(4) of the Pension Schemes Act 2021

2. Section 9(5) of the Pension Schemes Act 2021

3. Section 10 of the Pension Schemes Act 2021

4. Section 30(1) of the Pension Schemes Act 2021

5. Section 8(30) of the Pension Schemes Act 2021, Regulation 6 of the 2022 Regulations, and Regulation 29 of the 2025 Regulations

6. For multi-employer CDC schemes only, the following must also be included with the application⁶:
 - a. The scheme's business plan.
 - b. The scheme's latest accounts (if any).
 - c. The scheme proprietor's latest accounts (if any).
 - d. The latest accounts of any undertaking (other than an unincorporated association) that partly or completely funds the scheme proprietor.
 - e. A statement signed by the trustees of the scheme confirming that the scheme has a single scheme proprietor that meets the requirements set out in section 14C of the Pension Schemes Act 2021.
 - f. A statement signed by the trustees of the scheme confirming that no trustee promotes or markets the scheme or acts as the chief financial officer of the scheme.
7. If there has been no promotion or marketing of the scheme and there is no intention to do any in the future, a statement must be provided, signed by the scheme proprietor, that confirms this fact and explains how and why this is the case.⁷
8. If there has been, or is intended to be, marketing and promotion of the scheme you must include⁸:
 - a. details of any promotion or marketing of the scheme
 - b. details of the matters set out in Part 1 of Schedule 1C to the Pension Schemes Act 2021 (no promotion or marketing that is unclear or misleading)
 - c. details of the matters set out in Part 2 of Schedule 1C to the Pension Schemes Act 2021 (promotion or marketing: systems and processes), including details of the systems and processes used, or intended to be used, for the purposes of promotion and marketing of the scheme

6. Section 8(3) of the Pension Schemes Act 2021 and Regulation 29 of the 2025 Regulations
7. Regulation 29(5)(a) of the 2025 Regulations
8. Regulation 29(5)(b) of the 2025 Regulations

Authorisation criteria

9. To authorise a CDC scheme, we must be satisfied that⁹:
 - a. the scheme satisfies the definition of a collective money purchase scheme under section 1(2) of the Pension Schemes Act 2021 (Collective money purchase benefits and schemes) and the requirements of section 3 of the Pension Schemes Act 2021 (Qualifying schemes)
 - b. those involved in the scheme are **fit and proper persons**
 - c. the **design of the scheme** is sound
 - d. the scheme is **financially sustainable**
 - e. the scheme has adequate systems and processes to **communicate with members and others**
 - f. the **systems and processes** used in running the scheme are sufficient to ensure that it is run effectively
 - g. the scheme has an adequate **continuity strategy**
10. For multi-employer CDC schemes only, we must also be satisfied that¹⁰:
 - a. the scheme has a single scheme proprietor that meets the relevant requirements¹¹
 - b. the trustees of the scheme do not promote or market the scheme
 - c. the trustees do not act as chief financial officer of the scheme
 - d. there are adequate systems and processes for ensuring that promotion and marketing in relation to the scheme is clear and not misleading¹²
 - e. no person has carried out promotion or marketing in relation to the scheme that is unclear or misleading that has not been rectified
11. Multi-employer CDC schemes should also detail how the trustee has set the parameters that, if breached, would require a new CDC section to be opened.

9. Section 9(3) of the Pension Schemes Act 2021
10. Section 9(3) of the Pension Schemes Act 2021
11. Sections 14B and 14C of the Pension Schemes Act 2021
12. Section 14D(2) of the Pension Schemes Act 2021

Application timeline

12. Trustees can apply for authorisation at any time. However, we strongly encourage trustees and, in the case of a multi-employer CDC scheme, the scheme proprietor, to engage with us before submitting a formal application.
13. Where a scheme or section intends or is required to add a new section, we expect trustees to engage with us as soon as they become aware of this.
14. We will consider that an application has been made once we have received:
 - a. a completed application form
 - b. supporting evidence for each of the authorisation criteria
 - c. the application fee
15. We will check that the application is complete and tell you within seven days if anything is missing.
16. Once we are satisfied we have received a complete application, we will inform you that the assessment period began on the date the application was submitted. We must tell you within six months of this date whether the scheme has been authorised.¹³ Once authorised, a multi-employer CDC scheme will normally have 24 months from the application date to start operations.
17. During the assessment period we may ask for information or clarification. We recognise that circumstances (such as corporate activity in the employer or a change of trustee) may require you to update your application during the assessment period. Any changes should be sent to us, with reasons, as soon as possible. We are more likely to be able to take account of changes or new information if we are notified earlier in the assessment process.

Application fee

18. A standard non-refundable application fee is set out in the regulations (£77,000 at the time of publication) and must be paid by BACS transfer for us to confirm we have received a completed application¹⁴.
19. If an application is withdrawn during assessment and then resubmitted, the resubmission will be treated as a new application and the full standard fee or specified fee must be paid for it.

13. Section 9(2) of the Pension Schemes Act 2021

14. Regulation 7(1) of the 2022 Regulations and Regulation 30(1) of the 2025 Regulations

The authorisation criteria

1. We will need to be satisfied that a CDC scheme meets all the authorisation criteria for it to be authorised and able to operate¹. The authorisation criteria are broadly as follows²:

Fitness and propriety

2. For all schemes, we are required to assess the person who establishes the scheme and the trustees, as well as those who can appoint or remove the trustees or amend or vary the trust deed or scheme rules.
3. For multi-employer CDC schemes only, we are also required to assess³:
 - a. the scheme proprietor
 - b. any person who promotes or markets the scheme
 - c. the chief financial officer
 - d. the chief investment officer
4. For multi-employer CDC schemes only, we may also assess any person that undertakes a 'core function', this being a strategic, executive or management role carried out in relation to or on behalf of a person we are required to assess when authorising a multi-employer CDC scheme⁴.
5. When assessing any of the above persons, we must take into account any matters specified in legislation. We can also take into account any other matters we consider appropriate, including matters relating to 'connected persons'⁵.
6. All individuals assessed must be able to satisfy us that they are fit and proper because they meet the standards of honesty, integrity and knowledge appropriate to their role. We will also assess trustees' competence and conduct.

1. Section 9(1) of the Pension Schemes Act 2021
2. Section 9(3) of the Pension Schemes Act 2021
3. Section 11(2) of the Pension Schemes Act 2021
4. Regulations 31(3) and (4) of the 2025 Regulations
5. Section 11(3) of the Pension Schemes Act 2021

Systems and processes

7. The scheme must have sufficient IT systems in place to ensure it is run effectively and have robust governance processes to manage the scheme effectively and comply with all relevant requirements⁶. This code uses the term processes to mean policies, processes and procedures.

Member communications

8. The scheme must have adequate systems and processes to communicate with members and others in accordance with regulations⁷ so they understand the risks and benefits of the scheme, particularly how the rate or amount of benefits may change.

Continuity strategy

9. The scheme must have an adequate continuity strategy⁸ for how members will be protected if there is a triggering event. A continuity strategy setting out how members will be protected must be prepared by the trustees (single-employer CDC schemes) or the scheme proprietor (multi-employer CDC schemes).

Financial sustainability

10. A scheme must have sufficient financial resources to operate at set-up and on a day-to-day basis, and following a triggering event, **without increasing the cost to members**. Multi-employer CDC schemes must have a sound business strategy evidenced by a **business plan**⁹.

Sound scheme design

11. A scheme must have a sound scheme design¹⁰. This should be demonstrated in the **viability report**. It should also be supported by evidence, including appropriate advice from suitably qualified professionals and modelling and testing appropriate to a scheme's complexity.

6. Section 9(3) and Section 16 of the Pension Schemes Act 2021 and Paragraph 7 of Schedule 5 of the 2025 Regulations

7. Section 15 of the Pension Schemes Act 2021 and Regulation 13 and Schedule 4 to the 2022 Regulations and Regulation 36 and Schedule 5 of the 2025 Regulations

8. Regulation 15 of the 2021 Regulations, Regulations 38 and 39 of the 2025 Regulations, and Section 9(3)(f) and Section 17(1) of the Pension Schemes Act 2021

9. Section 9(3)(c) and Section 14A of the Pension Schemes Act 2021

10. Regulation 9 and Part 1 of Schedule 2 of the 2022 Regulations, Regulation 32 and Part 1 of Schedule 2 of the 2025 Regulations, and Section 9(3)(b) and Section 12 of the Pension Schemes Act 2021

(For multi-employer CDC schemes only) Promotion and marketing

12. Trustees are prohibited from carrying out any promotion or marketing of the scheme¹¹. A scheme must have adequate systems and processes in place to ensure any promotional or marketing material is clear and not misleading¹². If a person has carried out promotion or marketing of the scheme that is unclear, misleading or both, these must have been rectified.

(For multi-employer CDC schemes only) Scheme proprietor

13. The scheme must have a single scheme proprietor, which must be a body corporate or a partnership that is a legal person under the law by which it is governed. This proprietor must not be a trustee of the scheme. The **scheme proprietor** must be liable for providing funds for some or all of the costs of setting up and running the scheme, and for making business decisions relating to the commercial activities of the scheme (if any)¹³.

Interconnectivity between criteria

14. There are strong links between all the authorisation criteria, and they cannot be assessed in isolation. For example, we could not approve the fitness and propriety criterion if we were not confident that trustees were competent to assess the scheme actuary's analysis of whether the scheme's design is sound (sound scheme design criterion), or whether it is being communicated appropriately to members (promotion and marketing criterion).

11. Section 9(3)(cc) of the Pension Schemes Act 2021

12. Section 9(3)(cb)(i) and Section 14D and Part 1 of Schedule 1C to the Pension Schemes Act 2021

13. Section 9(3)(ca) and Section 14B and Section 14C of the Pension Schemes Act 2021

Authorisation of sections

1. If a single-employer CDC scheme provides a combination of qualifying benefits with different characteristics, these must be separated and provided from different sections of the single-employer CDC scheme¹. Examples might include:
 - a. benefits provided by reference to different rates or amounts for different members
 - b. benefits in respect of which the contributions paid by the employer or employee are different
 - c. benefits in respect of which the normal pension age differs between members
2. In a multi-employer CDC scheme, if a change to a scheme's investment strategy would result in materially different benefits, or adjustments to benefits, from those targeted or promoted then that change should only apply to future service benefits, which should be provided from a different section².

Applications from sectionalised schemes

3. Where a combination of qualifying benefits with different characteristics is provided under one scheme, the scheme must be divided into sections with appropriate separation of benefits that have different characteristics³.
4. Where a scheme is divided into sections, a separate authorisation must be obtained for each section that provides qualifying benefits. A separate application will be required for each CDC section. This is required regardless of whether there is any duplication between the evidence required in respect of the CDC section and any other CDC or non-CDC section.
5. When making applications for multiple sections, to ensure an efficient authorisation process, please clearly identify all sections in each application form and ensure all scheme documentation makes it clear which employers (if any) are joining each section. This could be achieved by giving each section a name and having a deed of participation or heads of terms for each employer.
6. Applications in respect of multiple CDC sections can indicate where the same documents and/or information are relevant for more than one CDC section.

1. Section 3(8) of the Pension Schemes Act 2021 and Regulation 4(1) of the 2022 Regulations
2. Regulation 27 of the 2025 Regulations
3. Section 3(8) and Section 5 of the Pension Schemes Act 2021

Applying for more than one CDC section at initial authorisation

7. Trustees may seek initial authorisation either for a CDC scheme or, if the scheme is sectionalised, authorisation for each CDC section. CDC authorisation applies separately for each section providing qualifying benefits. A separate application is therefore required for each CDC section. Trustees must submit evidence about the authorisation criteria for each CDC section for which they are seeking authorisation, regardless of whether there is any duplication between sections.
8. Multi-employer CDC schemes only: where a scheme is sectionalised at the outset, we expect the trustees to provide full details of how each section is set up, including accruals and benefit rates, in the application for the relevant section.

Explain how the CDC sections differ

9. When applying for authorisation of a CDC section, trustees should explain in a separate mapping document how each of the CDC sections that make up the scheme differ from one another. This document will need to describe the following:
 - a. The reasons for having multiple CDC sections.
 - b. The level of shared management dependency across multiple CDC sections, including whether:
 - i. there are the same or separate **systems and processes** in place across all CDC sections
 - ii. the same individuals who are subject to **fit and proper person requirements** are common across all CDC sections
 - c. Any differences in scheme design between CDC sections, as each section will be **assessed on its own merits for soundness** and **financial sustainability**.
 - d. The strategy for **communicating with members** across multiple CDC sections, highlighting the subject areas that will be common to all CDC sections or specific to one or more CDC sections.
 - e. The strategy for **promotion and marketing** and how this will work across multiple CDC sections (where relevant).

Further sectionalisation

10. In a multi-employer CDC scheme, sectionalisation (or further sectionalisation) may also be required if the rates or amounts by reference to which the qualifying benefits are provided each year are either materially different as a result of a change to the scheme's investment strategy, or subject to materially different expected adjustments as a result of a change to the scheme's investment strategy⁴.
11. If a multi-employer CDC scheme is required to divide into sections in the circumstances described above⁵, the existing authorisation will attach to the section of the scheme that provides qualifying benefits by reference to the same rates or amounts and using the same expected adjustments to those rates or amounts as the undivided scheme (or if there are two such sections, such section as the trustee may determine). In this situation, the trustee must notify us as soon as reasonably practicable which section the authorisation will apply to and from when.

Application fee

12. When submitting applications for multiple CDC sections, we expect the trustees to specify which section the standard fee (£77,000 at the time of publication) will apply to⁶.
13. The fee for authorising each additional CDC section is calculated on a cost-recovery basis and will not exceed the standard fee⁷.
14. We will check that each section's application is complete and tell you within seven days if anything is missing. As part of this check, we will assess the additional work and complexity involved in evaluating each additional CDC section. We will then specify a non-negotiable fee for each additional CDC section. The total application fee for all sections of the scheme should be paid at the same time.
15. It is in trustees' interests to clearly state the commonality and differences between the CDC sections in the mapping document so we can accurately assess how much resource is required to authorise each section.
16. If applications are made for more than one CDC section, the standard fee must be designated to one application and we may specify the fee for each other application. The fee for authorising each other CDC section is calculated on a cost-recovery basis and will not exceed the standard fee⁸. We may also specify the fee if there is already an authorised CDC section for which a standard fee has been paid.

4. Section 5 of the Pension Schemes Act 2021, Regulation 4 of the 2022 Regulations and Regulation 27 of the 2025 Regulations
 5. Section 3 of the Pension Schemes Act 2021 and Regulation 27 of the 2025 Regulations
 6. Section 5(2)(b) of the Pension Schemes Act 2021 and Regulation 28 of the 2025 Regulations
 7. Section 8(4)(c) of the Pension Schemes Act 2021 and Regulation 7 of the 2022 Regulations and Regulation 30 of the 2025 Regulations
 8. Regulation 7(4) of the 2022 Regulations and Regulation 30(4) of the 2025 Regulations

Applications for a new CDC section to be added to an authorised CDC scheme

17. When assessing a new CDC section to be added to an already authorised CDC scheme (or scheme with already authorised CDC sections), the trustee should provide a mapping document as described in paragraph 9 above.
18. When trustees apply for a new CDC section for a scheme that has not previously been divided (an undivided scheme), the existing authorisation will apply to a section of the scheme if:
 - a. that section is a collective money purchase scheme
 - b. the rate or amounts by reference to which the qualifying benefits provided under that section of the divided scheme are provided each year under the scheme, and the expected adjustments to those rates or amounts, are the same as those provided for under the undivided scheme⁹
19. If there are two or more CDC sections that meet the criteria in 'b' above, the trustees should inform us which section they believe the existing authorisation should apply to and apply for authorisation of the other section or sections.
20. Trustees must submit evidence for all the authorisation criteria for a new CDC section, even if there is duplication with a previously authorised CDC scheme or section¹⁰.

Application fee for adding new sections

21. The fee will be based on the approach outlined above for the additional CDC sections of a sectionalised scheme and will:
 - a. be calculated on a cost-recovery basis not exceeding the standard fee¹¹
 - b. be based on an upfront assessment of the level of duplication between the new and an existing CDC scheme or CDC section to estimate the level of analysis required
22. If there is a high level of commonality with an existing CDC scheme or CDC section, then the learning gained through supervising the existing CDC scheme or CDC section should help reduce the resource and time required to assess the new application.

9. Regulation 5(3) of the 2022 Regulations and Regulation 28(2) of the 2025 Regulations

10. Section 5(2) of the 2022 Regulations

11. Regulation 7(4) of the 2022 Regulations and Regulation 30(5) of the 2025 Regulations

Systems and processes: Overview

1. The trustees of a CDC scheme must satisfy us that it has sufficient systems and processes to run effectively in the areas of administration, scheme governance and communications¹. For multi-employer CDC schemes this requirement also includes promotion and marketing.
2. For us to be satisfied, we will assess the:
 - a. processes for supporting the different functions to administer and govern the scheme effectively
 - b. functionality and maintenance of the IT systems used in scheme administration and governance, member communications
 - c. for multi-employer CDC schemes only, promotion and marketing structures for governing the scheme
3. While we recognise that a scheme will not have started the administration work before authorisation, we will expect its systems and processes to be developed enough so they can be assessed. We will need evidence to satisfy us that there are sufficient systems and processes in place. This code uses the term processes to mean policies, processes and procedures.
4. We recognise that, in some matters, trustees may rely on a third party to give them information about how a scheme will be administered. In these circumstances, while the activity itself can be delegated, accountability cannot. Trustees must assure themselves of how the requirements are met.
5. We need to see that service provision contracts have been agreed between the parties and were reviewed and given appropriate consideration by the trustees before a decision to appoint was made. Service providers should agree to bring to the attention of the trustee anything that they become aware of that may cause the trustee to cease to meet the authorisation criteria and maintain a high governance standard. Trustees should be particularly careful of clauses which exclude or limit the service provider's liability, clauses by which a trustee is required to indemnify the service provider and force majeure clauses which are not balanced between the parties.
6. The authorisation application should explain how trustees have assessed that the scheme meets and will continue to meet the systems and processes requirements.
7. This could be demonstrated through independent checks, such as agreed-upon procedures, internal audits and scheme documentation, particularly in respect of ensuring the functionality and maintenance of IT systems.
8. If the trustees do not have access to internal expertise to assess systems and processes, the authorisation application should include evidence that the scheme has had an independent external assessment, particularly in respect of ensuring the functionality and maintenance of IT systems.

1. Sections 9(3)(d) and (e), 15, and 16 of the Pension Schemes Act 2021, and Regulations 13 and 14 and Schedules 4 and 5 to the 2022 Regulations and Regulations 36 and 37 and Schedules 4 and 5 to the 2025 Regulations

Systems and processes: IT functionality and maintenance

1. The regulations set out the matters we must take into account in deciding whether we are satisfied that a CDC scheme has sufficient IT systems to ensure that it is run effectively¹. This applies to both the systems and processes and member communications authorisation criteria.
2. System functionality is important as it provides a basis for good administration and ensures that members receive the correct benefits at the right time. It will be difficult for us to be satisfied that a scheme has sufficient IT systems to ensure it is run effectively if the required functionality is not in place and its effective use cannot be demonstrated.
3. For multi-employer CDC schemes only: the IT systems must be of sufficient standard to allow the scheme to meet the objectives set out in the **business plan**².

Functionality of IT systems

4. We are more likely to be satisfied where the IT system has the features set out in the following sub-sections.

Transactions and annual events

5. The IT system can:
 - a. process transactions, including the processing of leavers, retirements, deaths and transfers
 - b. process annual events, including the annual adjustment exercise and benefit statements
 - c. reconcile data against transactions and annual exercises
 - d. increase and reduce target and in-payment benefits on an annual basis
 - e. rectify errors – and there is a clear process to do so
6. Systems handling administration have:
 - a. segregated duties, with a junior level of clearance to input data and request payments or benefit changes, and a senior level to authorise changes and transactions
 - b. authorisation levels to prevent payments of certain sizes exceeding those allowed by the trustee mandate
7. Multi-employer CDC schemes only: the IT system can reconcile contributions paid by or on behalf of an employer with the records of the member to whom they relate³.

1. Section 16 of the Pension Schemes Act 2021 and Regulations 6, 13, 14 and Schedules 4 and 5 of the 2022 Regulations
2. Paragraph 2 of Schedule 5 of the 2025 Regulations
3. Paragraph 1(i) of Schedule 5 of the 2025 Regulations

Member records

8. The IT system can record members' benefits correctly, including:
 - a. basic member information such as name, date of birth, NI number, address, pensionable service, pensionable salary, dependants' information
 - b. all contributions
 - c. full record of target accrual and annual adjustments
 - d. full record of pension payments and annual adjustments
 - e. full record of periodic income during wind-up and adjustments made
 - f. details of payments made into or out of the scheme including transfers, deaths and divorces
9. The IT system can extract the necessary data for the annual valuation using automated routines, including the ability to check data quality.
10. The IT system can provide complete and accurate data and meets the requirements of pensions dashboards.

Administration system payments

11. The default is for all payments into and out of the scheme to be made electronically, and manual payments are made by exception.
12. The IT system can make monthly pension payments and calculate and deduct tax.
13. The IT system has the capability to accept contributions from a range of sources and caters for different sizes of employers.
14. The IT system can transfer data and monies from and to other IT systems, including those used by:
 - a. employers (including third party payroll or other providers acting on behalf of employers)
 - b. administration systems (in-house or third party)
 - c. investment managers
 - d. investment platform providers

Member communications

15. The IT system can produce member communications automatically, including individual transactions and annual exercises.
16. The IT system can record members' communication preferences.

Promotion or marketing

17. The IT system can hold all required records relating to **promotion and marketing**.

Maintenance of IT systems

18. It's important that the data held in the IT system is maintained to reflect the scheme's current needs and legal requirements. This includes the need to protect data appropriately.
19. We are more likely to be satisfied where evidence demonstrates the following:

Planning for change

20. How known changes to the system are planned and executed, and this is reflected in the governance plans, risk framework and estimates of costs for running the scheme.
21. If there is no system functionality in place at authorisation to calculate benefits under **continuity option 1**, how and when this functionality will be developed and the costs of doing so. We will expect that the development of this functionality would not delay the progress of continuity option 1.
22. The system can be updated.
23. There is a robust methodology for releasing changes to systems, along with a portfolio of ongoing change to systems for a rolling five-year period.
24. There is an IT process for making scheduled and known changes, including annual updates and changes in tax thresholds.
25. There are adequate and sufficient resources, with appropriate skills, to carry out the work.
26. The IT system can meet the expected physical system requirements, and the scheme has the funds to meet those requirements.
27. There are plans for how planned and potential future upgrades can be managed in the administration system and the trustees are satisfied that the system can be upgraded to meet the needs of the scheme.
28. There is a policy for maintaining, upgrading, and replacing hardware and software, and this is accounted for in the costs of running the scheme.

Protecting data

29. There are cyber-defence strategies, including firewalls and intrusion detection systems.
30. There are procedures and protocols for governance, identifying and resolving risks and breaches, and responding to cyber incidents.
31. There are roles assigned to manage these protocols and procedures.
32. Scheme, member and communications data are backed up at least daily, with backup servers at an external location and off-line backup.
33. There is a disaster recovery process with roles assigned, which is tested every six months.
34. Adequate steps are taken to ensure data security, including compliance with GDPR.

Systems and processes: Scheme governance

1. Good governance ensures that a scheme is well-run and issues are managed effectively. Effective governance provides the trustees with oversight of the day-to-day running of the scheme, clear accountabilities and delegations, and a basis for assessing that the scheme is meeting all legal requirements over time. The regulations set out matters that we must take into account in respect of scheme governance as part of the systems and processes requirement¹.
2. Each multi-employer CDC scheme is required to have a **scheme proprietor**. We expect there to be an open and cooperative relationship between the proprietor and the trustees.
3. We must see evidence that a CDC scheme has a coherent governance structure with clear accountabilities and delegations. Trustees should also be able to demonstrate how the scheme will be governed on a day-to-day basis.
4. We are more likely to be satisfied where the following matters are addressed:

Governance structure

5. There is an organisation map setting out the governance structure for the scheme.
6. The map sets out the governance structure split by function.
7. The map identifies and documents all the functions the trustees think relevant, including:
 - a. managing the trustee board
 - b. scheme administration
 - c. investment strategy (including its setting, implementation, management and communication)
 - d. functions of the scheme proprietor in providing funds to the scheme
 - e. management and use of the scheme's financial resources
 - f. actuarial matters
 - g. member communications
 - h. the promotion and marketing of the scheme (if any)
 - i. the commercial activities of the scheme (if any)

1. Regulation 14 of the 2022 Regulations and Schedule 5 to the 2022 Regulations and 2025 Regulations

Governance structure continued...

8. For each function, the map identifies:
 - a. a person that is responsible
 - b. all individuals that have a strategic, executive or management role
 - c. any sub-committees, and the individuals sitting on them
9. The map is reviewed at least annually.

Responsible persons

10. A responsible person is identified for each function. This person has significant influence over and/or day-to-day responsibility for managing the function and the planned work in that function. The responsible person is, where applicable to the function they perform, assessed for **fitness and propriety**.
11. A statement is provided to explain why the responsible person has sufficient skills to manage the function.
12. The responsible person has relevant experience in the function they are responsible for. This should also be reflected in the evidence provided for the fit and proper assessment.
13. Where an individual is a responsible person for more than one function, there is an explanation of how they will have the capacity to manage multiple functions.

Internal controls

14. There are processes for documenting and reporting to the trustees of the scheme (and in multi-employer CDC schemes, to the scheme proprietor) matters relating to the governance of the scheme.
15. There are robust processes for identifying and addressing any failures in the governance of the scheme.

Statements of aims, objectives and key tasks

16. A statement is provided for each function, setting out the aims, objectives and key tasks to be undertaken. For multi-employer CDC schemes, this statement should be included in the business plan.
17. Key risks are identified and fed into the main risk schedule.
18. There is a plan of work for the year ahead.
19. All subcommittees are identified, and membership and meeting dates identified.
20. It is clear who the decision-makers are and who has to be consulted.
21. The statements:
 - a. include the type, source and frequency of management information necessary to enable effective monitoring of each function
 - b. reflect the matters identified in the **Processes module**
 - c. are reviewed annually and revised as needed

Systems and processes: Processes

1. Regulations¹ set out the matters that we must take into account in deciding whether we are satisfied that a CDC scheme's processes are sufficient to ensure that it is run effectively². This code uses the term processes to mean policies, processes and procedures. These processes underpin the governance framework, and we expect to see them reflected in that framework.
2. If a CDC scheme does not have all the relevant processes, we are unlikely to be satisfied that the authorisation criteria have been met. Once the scheme has entered live running, we should be able to see evidence that the processes are used in running the scheme and that they are effective.
3. We should be able to see provision for processes to remain sufficient and for it to be clear how and when they will be reviewed.
4. In assessing processes, we are more likely to be satisfied where the following matters are addressed.

Managing the trustee board

Trustee recruitment

5. It is clear who is responsible for the recruitment and selection process and what input is required from other parties.
6. It is understood which skills and competencies need further development on the trustee board and how this is monitored over time.
7. There is a succession plan to maintain the skills and competencies needed by the trustee board.
8. The principles for determining trustee remuneration are assessed and agreed.
9. There is an agreed budget for trustee training.
10. Fitness and propriety are assessed on an ongoing basis, along with any potential conflicts of interest and how these are managed or resolved.
11. A resignation and removal policy is in place. This makes clear who can remove a trustee or member of the trustee board, how, and under what circumstances.

1. Section 16 of the Pension Schemes Act 2021

2. Sections 9(3)(e) and 16 of the Pension Schemes Act 2021

Diversity and inclusion

12. Trustee boards benefit from access to a range of skills, views and expertise as that supports robust discussions and decision-making.
13. There should be evidence that:
 - a. there is a policy on diversity and inclusion
 - b. the policy includes objective selection criteria
 - c. inclusive language has been considered when advertising for roles
 - d. flexible working has been considered for roles
 - e. there is the ability to capture and monitor data on diversity and inclusion

Trustee governance

14. There is clarity on:
 - a. the frequency of trustee meetings and under what circumstances this may change
 - b. the circumstances where extraordinary meetings may be called and how
 - c. trustees' expectations in preparing for meetings and the actions needed in between them
 - d. who is responsible for setting the agenda and frequency for trustee meetings and who else is consulted in developing an agenda (for example trustees, employers, or in multi-employer CDC schemes, the scheme proprietor)
 - e. standing agenda items
 - f. the minimum number of people officially required (quorum) to be present at trustee meetings
 - g. how the trustees make decisions and how the process conforms with the scheme's rules, and the memorandum and articles of the trustee company
 - h. who decides in a scenario where both the employer and trustee have an interest, including a clear process for trustees to express and record their views if the decision falls to the employer, or in multi-employer CDC schemes, the scheme proprietor
 - i. the process for notifying trustees (and the scheme proprietor in multi-employer CDC schemes) of breaches of the law, and the corresponding process for monitoring breaches and determining whether they should be reported to us
 - j. the process for notifying trustees (and the scheme proprietor in multi-employer CDC schemes) of significant events and triggering events and reporting them to us

Managing service providers³

15. Service providers are assessed before appointment, including due diligence carried out as part of the appointment process.
16. In multi-employer CDC schemes, the trustees must let the scheme proprietor know about the appointment of contract and service providers (for example, investment consultants and actuarial advisers), their roles and responsibilities, and their removal.
17. Performance indicators are agreed and documented on appointment. The service provider is accountable, with escalation points, for ensuring the indicators are met.
18. The performance indicators are reviewed regularly by an appropriate person, outcomes are recorded, and all actions are allocated and tracked.
19. Service providers and advisers are kept under review. This includes having detailed criteria for assessment, and if applicable, key performance indicators (KPIs) and service level agreements (SLAs).
20. Trustees can show how they establish that their service providers are sufficiently qualified and experienced to meet the needs of the scheme. This may include evidence of the checks carried out by service providers on new staff and how tender processes are operated.
21. The role of the trustee board and employer is clear if a decision is needed to replace any service provider.
22. The terms of appointment of each service provider include clear lines of responsibility for ensuring a smooth handover over an appropriate timescale, with no interruption of service if the service provider is replaced.
23. There is a clear process for ensuring information about the performance, evaluation and ongoing suitability of service providers, including any issues or concerns, are brought to the attention of the trustees in a timely manner. This should include:
 - a. mapping out of lines of communication
 - b. documenting key members of staff from both parties to be communicated with
 - c. the decision-making responsibilities or delegations of key members of staff
 - d. a clear remuneration policy that is followed to assess whether service providers are delivering good value
 - e. trustees' understanding of the contracts and agreements with all service providers to the scheme. This includes impacts on service or ability to act. There is a written process documenting how these contract and agreements are updated and agreed.

3. Schedule 5 to the 2022 Regulations and Schedule 5 to the 2025 Regulations

Planning resources

24. All key administrative tasks are fully documented with detailed end-to-end processes. This includes the timely sending of notifications and documents to us.
25. These process documents and maps are reviewed regularly, particularly as part of a system or process change, to ensure that enough human resources are allocated.
26. Key resources have been identified, with the skills and experience to effectively run the scheme and in multi-employer CDC schemes, to deliver the objectives in the business plan⁴. There is a plan in place to ensure continuity of service provision, for example if key staff leave.
27. There is awareness of the timeframes required to bring new human resources on board and what contingency is in place to mitigate any under-resourcing due to increased work volumes or loss of staff.

Administration

Record-keeping

28. The process directs how records are kept up to date. Exception reporting is in place to ensure that errors and gaps are reported to the relevant governance function.
29. There is a plan to rectify data errors, and the continuity strategy reflects the impact of data quality in the scheme.
30. There is evidence of service provider agreements that include provisions, roles, responsibilities and source of funds for resolving errors that impact members.
31. The process sets out the action that will be taken to put members in the correct position if errors or inconsistencies are found.

Member events

32. There are documented processes for member events including leavers, deaths, retirement and transfers.
33. There are processes for automatic enrolment events, such as opt-outs or re-enrolment.
34. There is a process for managing member events and choices during a triggering event.

4. Paragraph 10(d) of Schedule 5 of the 2025 Regulation

Administration continued...

Annual valuations⁵

35. There is a process for producing and checking the annual valuation data extract, which ensures it is complete, accurate and timely.
36. There is a process for:
 - a. loading valuation data onto the administration system, including any benefit adjustments
 - b. notifying members of any adjustment to their benefits

Missed contributions

37. There is a process for quickly identifying and chasing missing employer or employee contributions.
38. In the event of an employer insolvency or claim on the Redundancy Payments Service, there is a process for reclaiming any outstanding contributions from employer assets.
39. There is a process for rectifying and remedying any unpaid contributions.
40. There is a process for reporting and explaining material missed contributions to us.
41. There is a log of missed contributions, which includes actions taken in response to the missed contributions.

5. Section 16 of the Pension Schemes Act 2021, Regulation 14 and Paragraph 13 of Schedule 5 of the 2022 Regulations, and Regulation 37 and Paragraph 12 of Schedule 5 of the 2025 Regulations

Investment⁶

Investment governance

42. The trustees, on an ongoing basis:
- a. take adequate advice from appropriate advisers
 - b. can show a logical connection between the trustees' declared investment philosophy and the investment strategy being pursued
 - c. can show they have the necessary expertise to fulfil their fiduciary responsibilities as they relate to investment
 - d. can show a thorough understanding of the investment strategy from the perspective of risk, return, markets, asset class, and outcome
 - e. have a process for managing real or perceived conflicts of interest in the governance framework
 - f. will identify any deviation from the agreed investment strategy guidelines that would have required their approval immediately
 - g. address any material breaches of the investment management guidelines they have contractually agreed to with their suppliers
 - h. have processes to effectively analyse and review their investment strategy
 - i. have a policy on environmental, social and governance (ESG) issues and climate change

Managing the investment function

43. It is clear who manages the key investment functions and who the responsible person is for:
- a. providing investment advice
 - b. the investment management guidelines and permissions
 - c. implementing all aspects of the investment management strategy and subsequent oversight of it
 - d. ownership of the investment governance framework
 - e. design and ongoing review of the investment strategy
 - f. portfolio construction, for example multi-asset or fund of funds structures
 - g. selecting investment managers and their ongoing review cash flow management
 - h. processes to implement change to the investment strategy

6. Section 16 of the Pension Schemes Act 2021, Regulation 14 and Paragraph 12 of Schedule 5 of the 2022 Regulations, and Regulation 37 and Paragraph 11 of Schedule 5 of the 2025 Regulations

Investment data

44. There is sufficiently detailed information to enable trustees to monitor investments effectively, including:
- a. evidence of adherence to the investment management agreements that the trustees enter into with the various suppliers of investment services
 - b. details of the investment returns and the risk profile of the investment strategy, which are consistent with their stated objectives
 - c. a suitable range of risk metrics, which trustees use to inform their ongoing assessment of returns
 - d. detailed performance attribution analysis of the investment strategy, including benchmark and peer group relative performance
 - e. details of any material breaches of investment guidelines and corrective action taken to prevent reoccurrence, together with any agreed restitution
 - f. a framework that enables trustees to assess the continued suitability of the investment strategy

Risk management⁷

45. There is an ongoing process for identifying, recording, measuring, monitoring, prioritising and resolving actual and perceived risks, including investment risks.
46. In single-employer CDC schemes, appropriately skilled individuals are responsible for monitoring risk against the work planned and the scheme's aims and objectives. In multi-employer CDC schemes, the scheme proprietor is responsible for monitoring risk to the delivery of the business plan. In each case, the responsible individuals have access to the management information and intelligence they need to carry out this task properly.
47. Information and relevant data are received regularly (at least quarterly) from the appropriate responsible person to enable the risk register to be properly updated and investment risk analytics to be monitored.

7. Regulation 14 and Paragraph 9 of Schedule 5 of the 2022 Regulations and Regulation 37 and Paragraph 8 of Schedule 5 of the 2025 Regulations

Risk management continued...

48. The trustees have documented how issues identified through risk management will be resolved by the responsible persons.
49. There is a risk register to support the ongoing monitoring of risks and it has been considered and agreed in single-employer CDC schemes, by the trustee board, and in addition in multi-employer CDC schemes, by the scheme proprietor.
50. The risk register is regularly reviewed in detail by trustees and:
 - a. considerations and decisions are documented
 - b. ownership and actions are assigned
 - c. timelines for delivery are agreed
51. An annual review is conducted to ensure no additional risks have emerged that should be included on the risk register.

Actuarial⁸

Annual exercises

52. There must be effective processes for actuarial matters.
53. The annual valuation is the backbone of scheme work and we expect to see:
 - a. a plan for managing the valuation process
 - b. a process for managing benefit adjustments
 - c. clear timings by which each stage of the work should be completed
 - d. the authorisations required for each stage and the persons able to give them
 - e. provision to give adequate notice to pensioner members if their income is adversely affected
 - f. a process for completing the viability certificate and alerting all relevant parties, including us, if concerns are identified

8. Regulation 14 and Paragraph 13 of Schedule 5 of the 2022 Regulations and Regulation 37 and Paragraph 12 of Schedule 5 of the 2025 Regulations

Systems and processes: Member communications¹

1. Effective communications are necessary to the success of a CDC scheme. Members need to understand the risks and benefits of the scheme, as well as having clear and accessible information on how their benefits may increase or decrease.
2. There should be a focus on producing member communications as well as the IT functionality needed. We will assess the functionality, quality and maintenance of the IT systems used for member communications on the same basis as the **IT systems more generally**.
3. In multi-employer CDC schemes, member communications should be consistent with any **promotional or marketing material** that has been used to induce prospective or existing employers to join or remain within the scheme.
4. To produce effective communications, there must be:
 - a. appropriate systems and processes in place
 - b. individuals who have appropriate skills to undertake the planning and assessment work²
5. In assessing the scheme, we are more likely to be satisfied where the following matters are addressed.

People responsible for member communications

6. There is a person with overall responsibility for member communications.
7. There are individuals employed or contracted who have the appropriate skills to develop, assess and implement effective communications. If communications are outsourced, we expect the same due diligence to be conducted as for other external service providers.
8. The individuals providing communication, information or expertise have enough capacity to do that work.

1. Sections 9(3)(ca)(i) and 15 of the Pension Schemes Act 2021 and Schedule 4 to the 2022 and 2025 Regulations

2. Paragraph 4 of Schedule 4 to the 2022 Regulations and Paragraph 3 of Schedule 4 to the 2025 Regulations

Communications plan

9. There is a plan for producing and issuing member communications.
10. The plan sets out activities for the year and must cover reviews of member communications, member engagement and reporting.
11. We do not expect all scheme communications to be reviewed each year, but there should be regular reviews of key communications that impact members.
12. The plan includes a mechanism to measure the effectiveness of the member communications in increasing member engagement with the scheme (for example, developing an engagement dashboard).
13. The plan covers all new and existing legal requirements on member communications, including the provision of annual benefit statements to members³.
14. The plan sets out what resources will be required for each communication, for example actuarial, legal, administration, employer and representative bodies, such as unions.
15. The plan sets out when those resources are likely to be required and records any capacity or other constraints on those providing the information or expertise.
16. The plan includes the scheme actuary's annual review for the viability certificate.

Quality assurance

17. There is an evidence-driven process for creating, reviewing (including that the content is accurate and not misleading) and maintaining member communications in a timely manner.
18. There is evidence that the distribution channels used are appropriate and accessible for the membership.
19. Feedback is considered from, where applicable, trustees, employers, members, and unions or other representative bodies.
20. There is evidence of how the process has been used to develop key communications, such as the member booklet and annual benefit statement.

3. Paragraph 17A and Schedule 6A to The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013

Feedback from members

21. Members are actively encouraged to give feedback on communications and raise concerns.
22. There are clear and simple channels for members to give feedback.
23. As part of the process of developing and routinely maintaining communications, views must be sought from a range of members who are representative of the membership as a whole.
24. This process needs to test whether that range of representative members can understand the communication, including the description of any impact on their benefits and the level of risk involved. We will also want to understand how this work will be used to improve the effectiveness of member communications.
25. There is evidence of the methods used to gather member feedback and its outcomes. This could include surveys to establish members' understanding of the risks and benefits.
26. Where ad hoc feedback is received from members, it must be considered and, where appropriate, acted on.

Reporting of feedback⁴

27. A report should be provided to the trustees on how feedback from members has been taken into account. This report should be provided quarterly, or at a different frequency to align with trustee meetings.
28. The report to trustees should:
 - a. summarise the feedback from members (unless no feedback has been received in that quarter) and whether it was proactively sought from members or whether concerns had been raised by members
 - b. set out any complaints received in respect of member communications
 - c. set out how the feedback has been considered and what action will be taken
 - d. set out the rationale for making changes (or not)
29. The purpose of the report is to enable trustees to monitor progress against the communications plan and identify any additional actions needed, including by the scheme proprietor, such as improvement of processes for future communications.
30. A report should be provided to members on how their feedback on communications has been taken into account.
31. This report should be provided at least annually.
32. The report to members should:
 - a. summarise the feedback from members and any action that has been taken in response
 - b. explain why changes have or have not been made
 - c. summarise any planned work on communications over the next reporting period
 - d. explain the importance of members reading and understanding communications from the scheme, and how they can raise concerns and give feedback

4. Paragraph 6(d) of Schedule 4 to the 2022 Regulations and Paragraph 5(d) of Schedule 4 to the 2025 Regulations

Scheme proprietor: Overview

1. Multi-employer CDC schemes must have a scheme proprietor¹ and only one, who must be a body corporate or partnership within the meaning given in section 1173(1) of the Companies Act 2006, and that is a legal person under the law by which it is governed².
2. The proprietor is responsible for making business decisions relating to any commercial activities of the scheme. This means that the scheme proprietor must prepare a **business plan** for the scheme, share with the trustees for approval, and submit to us.
3. The proprietor is liable to provide funds to or in respect of the scheme for the purposes of meeting some or all of the costs of setting up the scheme, and some or all of the costs relating to obtaining authorisation of the scheme. This includes providing funds to, or in respect of, the scheme where administration charges to members are not sufficient to cover the balance (if any) of the costs of obtaining authorisation, or of setting up and running the scheme.
4. 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.
5. The proprietor must not be a trustee of the scheme. The intent of this is to ensure that the relationship between the scheme proprietor and the scheme is a transparent one. Where we are not satisfied that sufficient transparency exists, we are unlikely to be able to authorise the scheme. Provided that all other requirements are met, and where the trustee is a body corporate, the scheme proprietor may be owned by the trustee.
6. It is important that relations between the scheme proprietor and the trustees are **open, appropriate and well managed**.
7. For a multi-employer CDC scheme to be authorised we will assess the scheme proprietor for their **fitness and propriety** for the role.
8. We must be satisfied that the scheme proprietor is capable of meeting the costs of setting up, authorising, and running the scheme. We must also be satisfied that 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 scheme proprietor's available resources also need to be sufficient to cover any costs associated with a **triggering event** occurring.
9. As part of our assessment of a multi-employer CDC scheme authorisation application, and ongoing supervision, we will assess the accounts of the scheme proprietor whilst checking we are satisfied of the scheme's **financial sustainability**.

1. Section 9(3)(ca)(i) of the Pension Schemes Act 2021
2. Sections 14B and 14C of the Pension Schemes Act 2021

Scheme proprietor: Accounts

1. Audited accounts provide us with a source of information about the financial health of the scheme proprietor. Unless an exception applies, the scheme proprietor must have had individual accounts prepared and audited at the time when it entered into the relationship or arrangement with the scheme of which it is the scheme proprietor.¹
2. These accounts must be prepared and audited in accordance with the requirements applicable to them (for example, under the Companies Act 2006).
3. Any provision of law that relates to the preparation or audit of group accounts or that provides for accounts to be prepared or audited differently (or not at all) due to the scheme proprietor not exceeding a certain size or because it is a subsidiary of another entity should be ignored².
4. If a scheme proprietor is not subject to any such requirements, accounts must be prepared and audited under the Companies Act 2006³.
5. The scheme proprietor (and if applicable any relevant undertaking fully or partly funding it) must send us their annual accounts no later than nine months after the end of the financial year to which they relate. If an item 4A or 7A triggering event⁴ occurs and we give notice to the scheme proprietor requiring that accounts be sent early, the accounts must be sent within the period specified in the notice. We may request the most recent accounts of the scheme proprietor in the scheme's supervisory return, or at any other time.
6. We can take action against those who do not comply with these requirements, which could result in a monetary penalty.
7. The scheme proprietor is required to prepare the accounts on a going concern basis. We would expect the auditor to comment if the scheme proprietor is not a going concern or is receiving financial support from another party. Where a scheme proprietor's accounts are qualified or are subject to an emphasis on a matter we consider significant or relevant, we will consider whether we are satisfied that the scheme proprietor is able to support the scheme.

1. Section 14C(4) of the Pension Schemes Act 2021
2. Section 8(3A) of the Pension Schemes Act 2021
3. Section 8(3B) of the Pension Schemes Act 2021
4. Section 31 of the Pension Schemes Act 2021

8. In addition, if a scheme proprietor is fully or partially funded by a third party, the accounts of the third party (unless it is an unincorporated association) must be submitted to us. These accounts must be prepared and audited as individual accounts⁵.
9. There may be a number of reasons why a scheme proprietor is unable to provide audited accounts for consideration at authorisation. In this situation, the scheme proprietor should set aside cash or near cash assets equivalent to the value of the financial reserves identified in the **costs, assets and liquidity plan (CALP)**. The amount set aside should be held in a separate trustee deposit account with a deposit taker or within the scheme itself as unallocated assets⁶.
10. The sum set aside must be deposited within three months of the scheme proprietor taking on their role and held in the trustee deposit account, unless required for meeting the costs of setting up and running the scheme or a triggering event, until such a point as the scheme proprietor can provide audited accounts.
11. The intent for the above requirement is to ensure the costs of setting up, authorising, and running the scheme, as well as those that would be required for a triggering event are available from the outset via an identifiable source, and that the prospective scheme proprietor has made adequate provision within their business planning for the cost eventualities that may arise.

5. Section 8(3)(aa)(iv) of the Pension Schemes Act 2021

6. Section 14C(5) of the Pension Schemes Act 2021

Fitness and propriety: Overview

1. Those fulfilling various roles in relation to a CDC scheme must show that they meet satisfactory standards of fitness and propriety¹. For a scheme to be (and remain) authorised we need to be satisfied that all relevant individuals can show the appropriate skills and characteristics on their appointment and throughout supervision. If the relevant individuals change at any time after authorisation, the newly appointed individual must also be assessed as fit and proper.
2. For single-employer CDC schemes, the 2022 Regulations, and for multi-employer CDC schemes, the 2025 Regulations, set out the matters we must consider in our assessment². We may also take into account such other matters as we consider appropriate, including matters relating to connected persons³.
3. Each individual subject to the assessment must provide a declaration and criminal conviction certificate⁴. The other evidence we require will vary from role to role. We will also take into account:
 - a. evidence of competence
 - b. statements of development
 - c. evidence of qualifications or learning programmes
 - d. other relevant professional experience
 - e. matters we consider appropriate, including those relating to a connected person⁵
 - f. matters that occur in and outside the UK
4. The application must:
 - a. identify each person subject to a fit and proper test⁶
 - b. ensure that we receive sufficient evidence about them for us to complete our assessment
 - c. demonstrate the steps that the trustee has taken to carry out due diligence (to the extent possible) to determine whether the relevant persons meet the requirements to be fit and proper, and identify any action needed

1. Sections 9(3)(a) and 11 of the Pension Schemes Act 2021

2. Regulation 8 and Schedule 1 to the 2022 Regulations and Regulation 31 and Schedule 1 to the 2025 Regulations

3. 55A Section 11(3)(b) of the Pension Schemes Act 2021

4. Regulation 6(2)(a)(v) of the 2022 Regulations Regulation 29(2)(a)(vi) of the 2025 Regulations

5. Section 11(3)(b) of the Pension Schemes Act 2021

6. Regulation 6(2)(a) and (b) of the 2022 Regulations and Regulation 29(2)(a) and (b) of the 2025 Regulations

Separation of functions (multi-employer CDC schemes only)

5. The Pension Schemes Act 2021 requires that certain functions in relation to a multi-employer CDC scheme may not be undertaken by a trustee of the scheme, or any member of a trustee board. This is to help ensure that appropriate standards of governance and oversight are maintained, that potential conflicts of interest are limited, and ultimately, that decisions taken on behalf of the members are taken in their interests alone and free from commercially influenced pressures.
6. A trustee of a scheme is not permitted to:
 - a. be the scheme proprietor⁷
 - b. promote or market the scheme⁸
 - c. act as chief financial officer of the scheme⁹
7. Although they are unable to perform these functions, we expect trustees to maintain their usual standards of knowledge and understanding of these functions and provide appropriate challenge to those performing them.
8. The application for authorisation must include a statement signed by the trustees confirming that the scheme proprietor meets the requirements set out in section 14(C) of the Pension Schemes Act 2021, which includes a requirement that the scheme proprietor is not a trustee of the scheme¹⁰. The application must also include a statement confirming that no trustee promotes or markets the scheme or acts as a chief financial officer of the scheme¹¹.
9. We will also expect the application to include:
 - a. an illustration of the scheme's governance structure to understand how the trustees will interact with the persons carrying out the functions specified above
 - b. where a corporate entity carries out a function, confirmation of the person to whom each of the people carrying out management and executive roles is accountable
 - c. confirmation of who is responsible for the appointment of persons to perform each function

7. Section 14C(3) of the Pension Schemes Act 2021

8. Section 9(3)(cc)(i) of the Pension Schemes Act 2021

9. Section 9(3)(cc)(ii) of the Pension Schemes Act 2021

10. Section 14C(3) of the Pension Schemes Act 2021

11. Section 9(3)(cc)(ii) of the Pension Schemes Act 2021

Identifying who is subject to the fit and proper test

10. The Pension Schemes Act 2021 sets out the persons who we must assess¹² at authorisation and during supervision. For multi-employer CDC schemes only, there is a further category of persons that perform 'core functions' in respect of the scheme, that we may assess at authorisation and during supervision as explained in paragraph 14 below.
11. The application must¹³ identify any individual, or group of individuals, who perform one or more of the roles mentioned in section 11(2) of the Act. We will assess each of those persons for fitness and propriety. For multi-employer CDC schemes only, the application must also identify any person that performs a core function. We will decide whether we assess those persons for fitness and propriety once the application is received.
12. Where an individual has more than one role in relation to a CDC scheme that we must assess (or in the case of a core function, we decide to assess), they will be assessed for fitness and propriety in relation to each role. However, in multi-employer CDC schemes only, it is not possible for a trustee to be the scheme proprietor, to market or promote the scheme or act as a chief financial officer for the scheme¹⁴.
13. Where roles are fulfilled by a corporate body (or in multi-employer CDC schemes, a partnership), we must assess individuals exercising a management or executive role, but we will not normally assess the corporate entity or partnership¹⁵.
14. In relation to a multi-employer CDC scheme only, we may assess a person that undertakes a core function. A core function includes a strategic, executive or management role carried out in respect of, or on behalf of, a person mentioned in paragraphs (a) to (d) of section 11(2) of the Pension Schemes Act 2021¹⁶.

12. Section 11(2) of the Pension Schemes Act 2021

13. Regulation 6(2) of the 2022 Regulations and Regulation 29(2) of the 2025 Regulations

14. Section 14C(3)(c) and section 9(3)(cc) of the Pension Schemes Act 2021

15. Regulation 8(2) of the 2022 Regulations and Regulation 31(2) of the 2025 Regulations

16. Regulations 31(3) and (4) of the 2025 Regulations

Persons we must assess (as listed in section 11(2) of the Pension Schemes Act 2021)

(a) The person who establishes the CDC scheme

15. This is the person who is identified in the trust deed and rules as having established the scheme. They may:
 - a. have provided the initial financial backing for the CDC scheme
 - b. remain connected to the CDC scheme
16. We will not assess a person who has no decision-making capacity in, or influence over, the scheme.

(b) Trustees

17. We will assess the following people:
 - a. All trustees (including member-nominated trustees) who are appointed as individuals.
 - b. All directors (including member-nominated directors) of a corporate trustee of the scheme.
 - c. All individuals who perform the functions of the trustee in a management or executive role, including those who perform management and executive roles on behalf of a trustee director that is itself a corporate body.

(c) Persons who can appoint or remove trustees

18. We will assess all persons identified in the trust deed, or other documents, as having the power to appoint or remove trustees.
19. We will not normally assess members or employers who vote as part of an election or selection process.

(d) Persons who can amend the trust deed

20. We will assess all persons identified in the trust deed, or other documents, as having the power to amend the deed.
21. We will not normally assess:
 - a. members who vote on or consent to amendments
 - b. employers who can change the admission criteria only for their section or for individual members

(e) Scheme proprietor (for multi-employer CDC schemes only)

22. We will assess any individuals exercising a management or executive role in relation to the scheme proprietor. We expect that in most cases this will be the directors of the scheme proprietor (or where the scheme proprietor is a partnership, the partners).
23. We may also assess any individuals who have significant control over the scheme proprietor.
24. Where the scheme proprietor is a corporate, we will consider an individual to have significant control if they:
 - a. hold (directly or indirectly) more than 25% of shares or voting rights in the scheme proprietor
 - b. have the right (directly or indirectly) to appoint or remove a majority of directors
 - c. have the right to exercise, or actually exercises, significant influence or control over the scheme proprietor's activities
25. Where the scheme proprietor is a partnership, we would expect to assess any individual who:
 - a. has a right to share in more than 25% of any surplus assets of the entity on winding up
 - b. holds more than 25% of the rights to vote on those matters which are to be decided upon by a vote of the members of the entity
 - c. has the right to appoint or remove the majority of the persons who are entitled to take part in the management of the entity
26. We will not normally assess individual employees of the scheme proprietor.

(f) Persons who promote or market the scheme (for multi-employer CDC schemes only)

27. We will assess any individuals exercising a management or executive role in relation to the scheme's promotion and marketing function. This will typically include the individual who is responsible for managing and approving communications or campaigns. We may determine that more than one individual should be assessed where, for example, the person who manages content creation and the person who manages the relevant systems and processes are separate individuals.

(g) Chief financial officer (for multi-employer CDC schemes only)

28. We will assess any person who has significant influence over the management and use of the financial resources of the scheme and/or business decisions relating to any commercial activities of the scheme.
29. We will concentrate on people who have significant influence and control in these matters, rather than anyone who has a matching or comparable job title.
30. Because of the nature of the role, it is likely that it will exist in relation to every scheme, regardless of size or business model.

(h) Chief investment officer (for multi-employer CDC schemes only)

31. We will assess any person who has significant influence over the contents of the scheme's investment strategy and/or the implementation, management and communication of the scheme's investment strategy.
32. We will not assess anyone who fulfils this role only because they are a service provider to the scheme.
33. Trustees may not always have the capacity or experience to act as chief investment officer. We would therefore be more likely to be satisfied where the chief investment officer is distinct from the trustees. Where a trustee fulfils this role, unconscious biases and conflicts of interest may emerge over time. We expect to see details of how this risk is being managed.

Fitness and propriety: How we assess fitness and propriety

1. For single-employer CDC schemes, the 2022 Regulations and for multi-employer CDC schemes, the 2025 legislation sets out the matters that we must take into account when determining whether we are satisfied that a CDC scheme is operated by fit and proper persons¹. It also allows us to take into account such other matters as we consider appropriate, including matters relating to connected persons². In carrying out our assessment, we will consider their honesty, integrity, financial soundness, their competence to fulfil the requirements of their role and their current and past behaviour (conduct).
2. We will also consider:
 - a. the impact on others of the past or current behaviour or actions
 - b. how long ago any issue of concern occurred
 - c. whether there has been a pattern of behaviour which creates concern
3. The following modules (honesty, integrity and financial soundness, assessment of competence and experience and conduct of individuals involved with the scheme) describe the factors that are more likely to satisfy us that a scheme is operated by fit and proper persons.
4. In a few serious matters, for example certain unspent criminal convictions or bankruptcy, we are very unlikely to be satisfied that an individual is fit and proper. This is because these are strong indicators that a person lacks the integrity or competence needed to be charged with the care of members' pension savings and managing their scheme.
5. If an application is submitted where these serious matters are relevant to an individual, trustees should explain how they took reasonable steps to satisfy themselves that the individual meets the requirement to be fit and proper.
6. In some cases, an individual will automatically be barred under existing legislation from acting in certain capacities; for example, an undischarged bankrupt cannot be a trustee.

1. Regulation 8 and Schedule 1 to the 2022 Regulations and Regulation 31 and Schedule 1 to the 2025 Regulations
2. Section 11(3)(b) of the Pension Schemes Act 2021

Fitness and propriety: Honesty, integrity and financial soundness

1. We must be satisfied about the honesty, integrity and financial soundness of everyone being assessed.
2. We are very unlikely to be satisfied that an individual is fit and proper if they:
 - a. are subject to a bankruptcy order, bankruptcy restrictions order (including an interim order) or an award of sequestration
 - b. are disqualified from acting as a director due to unfit conduct
 - c. are prohibited or disqualified from acting as a trustee (in any capacity)
 - d. have an unspent criminal conviction related to dishonesty, fraud, or financial crime

Mitigations: Personal bankruptcy

3. If an individual has been, or is likely to be, subject to bankruptcy, a county court judgment (CCJ) or individual voluntary arrangement (IVA), including where a bankruptcy order has been applied for or a bankruptcy petition has been served, we are more likely to be satisfied if:
 - a. the individual was discharged from bankruptcy, the CCJ or IVA more than five years before the authorisation application
 - b. there is no pattern of bankruptcy, CCJs or IVAs
 - c. the CCJs do not indicate a persistent failure to settle outstanding debts

Mitigations: Business failure

4. If an individual was a director or partner of, or concerned in the management of, a business that went into insolvency, liquidation, or administration either at the time of the insolvency event or during the 12 months before it occurred, we are more likely to be satisfied if:
 - a. they can show they were not significantly responsible for the failing of that business due to their action or inaction
 - b. there was only one such failure
 - c. the event occurred more than five years before the application for authorisation

Mitigations: Criminal convictions

5. If an individual has an unspent criminal conviction which is not related to dishonesty, fraud, or financial crime, we are more likely to be satisfied if:
 - a. the conviction relates to a minor offence, depending on the circumstances of the offence and any mitigating factors
 - b. there has only been one conviction
 - c. the conviction is not relevant to the role being undertaken

Mitigations: Adverse judgments and settlements

6. If an individual has been the subject of any adverse judgments or settlements in civil proceedings, particularly in connection with investment or other financial business, misconduct, fraud or the formation or management of a corporate body, we are more likely to be satisfied if:
 - a. there is no pattern of recurrent proceedings or settlements for breach of contract, or failure to fulfil obligations or duties
 - b. the individual being assessed did not have a significant role in the events that led to proceedings being brought
 - c. the impact of their action or inaction on other individuals or organisations was relatively limited
 - d. the proceedings related only to family or private matters

Fitness and propriety: Assessment of competence and experience

1. In assessing whether a person is a fit and proper person to act in a particular capacity, we will take into account a person's relevant skills, knowledge and experience.
2. We are more likely to be satisfied of an individual's competence where they:
 - a. hold relevant professional qualifications or accreditations
 - b. have gained experience, over a number of years, which is relevant to the function being performed (for example experience of pension, financial or insurance businesses of a similar scale)
3. We are less likely to be satisfied where:
 - a. experience is limited to small scale operations that are not related to pensions, financial or insurance business, for example a single retail outlet
 - b. experience is in the relevant industry sector but unrelated to the function being performed
4. This should not stop a less experienced individual from taking on a new role, as long as they have a basic level of knowledge before they are appointed.
5. Where any of the roles are performed by a group of individuals, we are more likely to be satisfied where that group can demonstrate that the majority of individuals possess relevant business experience rather than this being concentrated in one or two individuals.
6. For multi-employer CDC schemes, the scheme's business plan should explain:
 - a. how it is intended to maintain and develop competence
 - b. the succession plan for each role
7. We set out below the specific indicators of competence for each function.

Trustee competence

8. We will assess individual competence as well as the overall skills and experience possessed by the trustee board¹. We recognise that not all trustees will be experts, nor do they need to be, and we have set out below different levels of knowledge and experience that are more likely to satisfy us.
9. Where an individual has not previously been appointed as a pension trustee, or does not have sufficient experience through a previous appointment, we are more likely to be satisfied where there is evidence of the following:
 - a. The individual has undertaken training to gain a basic level of knowledge before or at the time of their appointment as trustee, which is equivalent to the Trustee Knowledge and Understanding set out in legislation². This training should at least cover what occupational pensions are, understanding DB, DC and CDC schemes, the role of the trustee, running a scheme, pension law basics, and pension investment basics. This training could be undertaken through our Trustee toolkit or alternative provision.
 - b. A plan is in place to build further knowledge.
10. Where an individual has previously been appointed as a pension trustee, we are more likely to be satisfied where there is evidence of the following:
 - a. The individual has gained sufficient equivalent knowledge through previous experience as a trustee or in a senior role in a comparable scheme. By senior role we mean a role with accountability and responsibility for the day-to-day running of a scheme, including management, supervisory, technical or compliance oversight roles. By comparable scheme we mean an occupational scheme of similar size and complexity, but not necessarily a CDC scheme.
 - b. The individual has gained sufficient experience through the Association of Professional Pension Trustees (APPT) or Pensions Management Institute (PMI) trustee accreditation.
11. For all individual trustees, we are more likely to be satisfied where:
 - a. they have received scheme-specific training on CDC schemes, including what is being offered to members, the scheme design, key tasks in running the scheme and how multi-employer CDC schemes differ from single-employer CDC schemes
 - b. they can demonstrate how they will continue to develop the relevant knowledge, skills and experience throughout supervision

1. Paragraph 3(a) to (c) of Schedule 1 to the 2022 Regulations and Paragraph 3(a) to (c) of Schedule 1 to the 2025 Regulations

2. Section 247 and section 248 of the Pensions Act 2004

12. In assessing the trustee board, we are more likely to be satisfied if the board:
- a. has the skills, knowledge, and experience appropriate for governing their CDC scheme
 - b. has a balance of skills and experience across its members
 - c. has a range of diverse skills and experience in senior roles, to include pensions, trusteeship, investment, administration, actuarial work, and communications
 - d. has a plan for maintaining and developing the board's skills, knowledge and experience
 - e. has a plan to address any gaps in skills, knowledge and experience
 - f. has processes and standards to ensure that individuals subject to contract, employment, or delegation themselves have relevant skills, knowledge, and experience
 - g. ensures that any service provider's staff have the necessary skills, knowledge, experience, and integrity

Competence of scheme proprietor (multi-employer CDC schemes only)

13. As part of the authorisation process, applicants will need to satisfy us that the scheme proprietor of a multi-employer CDC scheme is in a position to be able to perform their role to an adequate level.
14. A declaration as to the overall competence of the scheme proprietor, with particular reference to the experience, knowledge and professional qualifications of the individuals performing the functions of the scheme proprietor in the exercise of a management or executive role, and plans to improve that competence by way of continuous professional development or otherwise, must be included in the scheme's business plan.

Competence of persons who promote or market the scheme (multi-employer CDC schemes only)

15. We are more likely to be satisfied where they have:
- a. experience of carrying out this function in a relevant or regulated environment
 - b. can provide evidence that they have experience of working with systems and processes designed to provide quality control and assurance of a promotional or marketing function

Competence of chief financial officer (multi-employer CDC schemes only)

16. A 'chief financial officer' is a person acting in a capacity in which that person has significant influence over the management and use of financial resources of the scheme and/or business decisions relating to the commercial activities of the scheme (if any)³.
17. We are more likely to be satisfied where an individual has:
 - a. experience of developing and implementing financial strategies
 - b. experience of managing the financial operations of a comparable or larger scheme or company
 - c. experience of oversight of accounting and finance departments and compliance with accounting standards and practices
 - d. experience of maintenance of financial records and filings
 - e. knowledge and understanding of compliance with relevant laws and regulations

Competence of chief investment officer (multi-employer CDC schemes only)

18. A 'chief investment officer' is a person who has significant influence over the contents of the scheme's investment strategy and/or the implementation, management, and communication of the scheme's investment strategy (but does not have that influence because they provide investment services to the scheme)⁴. Investment strategy for this purpose means a document prepared by the trustees setting out the strategy for investing the assets that arise or derive from the payments made by or in respect of members of the scheme.
19. Examples of significant influence might include:
 - a. being a member (voting or not) of a trustee sub-committee
 - b. being involved in a decision-making or advisory capacity in researching, selecting, and monitoring the scheme's third party investment services providers (such as the trustees' investment adviser, the scheme's investment managers, custodians and similar)
 - c. being involved in a decision-making or advisory capacity in researching, selecting, and monitoring investments for the scheme's investment strategy

3. Section 49(1) of the Pension Schemes Act 2021

4. Section 49(1) of the Pension Schemes Act 2021

Competence of chief investment officer (multi-employer CDC schemes only) continued...

20. We are more likely to be satisfied where an individual:

- a. holds relevant investment qualifications, such as actuarial, CFA, CISI, and maintains any CPD requirements
- b. has relevant experience in developing and implementing investment strategies, and providing investment advice
- c. can demonstrate knowledge and understanding of investment trends and considerations
- d. has experience working with asset managers, platform providers, custodians, and other related entities in implementing and managing investments
- e. can demonstrate that they have relationships with appropriate asset managers and other investment service providers
- f. has experience of systems and processes appropriate for managing and monitoring investments
- g. has experience of communicating investments strategies
- h. has knowledge and understanding of compliance with investment laws and regulations

Fitness and propriety: Conduct of individuals involved with the scheme

1. We must take into account a person's conduct in the five years before the authorisation application, and continuously afterwards in relation to any work done in connection with an assessed role (or in the case of a multi-employer CDC scheme, on behalf of someone who was undertaking an assessed role) in relation to a CDC scheme¹.
2. We are more likely to be satisfied of an individual's conduct if:
 - a. they act in an open, honest, and transparent manner
 - b. they are responsive to issues that may arise in their scheme
 - c. they seek to improve outcomes for their members
 - d. where an adverse event has previously occurred:
 - i. there are mitigating circumstances
 - ii. they have acted to reduce the likelihood of it recurring
 - iii. they are able to provide evidenced examples of their conduct, such as testimonials relating to other schemes
3. While the following is not an exhaustive list, we are less likely to be satisfied of an individual's conduct if:
 - a. they are, or have been, under investigation by a regulatory authority (including TPR), government agency, or professional body
 - b. they are, or have been, subject to disciplinary action by a regulatory authority (including TPR), government agency, or professional body
 - c. they have had action taken against them or had permissions or licences removed by a regulatory authority (including TPR), government agency, or professional body for reasons of misconduct
 - d. they are subject to disciplinary or criminal proceedings or they have unspent and/or spent criminal convictions
 - e. they have been notified of potential proceedings, including investigations
 - f. they have been dismissed, resigned or forced to resign due to negligence or misconduct from employment or a role involving a fiduciary duty
 - g. they have been dismissed, resigned or forced to resign over poor management or failure to resolve a conflict of interest
 - h. there are aggravating factors to any of the adverse events in a to g above that are relevant to the role being assessed, including their frequency, severity and impact

1. Paragraph 2(j) of Schedule 1 to the 2022 and 2025 Regulations

4. Where a person has experienced one of the adverse events listed above it may still be possible to satisfy us with a full explanation, supported by evidence, of how the situation was resolved satisfactorily and how further experience demonstrates acceptable conduct.

Financial sustainability: Overview

1. All CDC schemes must be able to demonstrate they have access to sufficient financial resources to cover their set up and running costs. They must also have sufficient financial resources to cover the costs arising from a triggering event. A CDC scheme that is unable to meet the financial sustainability requirements at any point may not satisfy us that it should remain authorised.
2. It is up to the trustees to demonstrate that they can meet the financial sustainability requirements¹. These can be demonstrated in different ways. We will expect schemes to provide relevant evidence to support their calculations.
3. Some schemes may rely entirely on their own resources to meet the financial sustainability requirements, whilst others may rely on the support of third parties. For example, single-employer CDC schemes, may maintain close links with participating employers and be able to call on those employers to provide financial resources to the scheme and multi-employer CDC schemes may be more akin to a retail product and rely on the resources of a third party scheme proprietor for support.
4. Where a single-employer CDC scheme relies on employer support, the trustees must demonstrate that they, together with the employer, can meet the financial sustainability requirements. Our expectations in relation to employer support are set out in **Financial sustainability: Employer support**.
5. Where a multi-employer CDC scheme, relies on a scheme proprietor for support, they must demonstrate that they, together with the scheme proprietor can meet the financial sustainability requirements. Our expectations in relation to proprietor support are set out in paragraph 10 below.
6. Trustees must demonstrate that any commitment of support is legally binding and that they have first call over committed assets.
7. The scheme's trust deed, rules or deeds of participation may impose financial obligations on participating employers or third parties, or on the scheme itself. Depending on their interaction with the provisions of the Pension Schemes Act 2021, appropriate allowance should be made for these when calculating the financial sustainability requirements.
8. Our assessment of each scheme's financial sustainability will also consider the evidence presented in relation to **systems and processes**, and the **continuity strategy**.

1. Section 14(2) of the Pension Schemes Act 2021

Information that we require in assessing financial sustainability²

9. For all schemes we require sight of, and will consider:
 - a. the scheme accounts (if any)
 - b. the scheme's **costs, assets and liquidity plan (CALP)**
 - c. evidence of any **financial reserves** held for supporting running costs and costs of compliance following a triggering event
 - d. relevant extracts of the scheme's trust deed and rules, which govern expenses and winding-up arrangements
 - e. details of service contracts and insurance policies held by the trustees
 - f. details of any loans
 - g. any other documents that the **scheme can show to be relevant**

Multi-employer CDC schemes only: additional information that we require in assessing financial sustainability³

10. In relation to multi-employer CDC schemes only, we require sight of, and will consider:
 - a. full audited accounts of the scheme proprietor (where available) as set out in **Scheme proprietor: Accounts**
 - b. the scheme's **business plan**
 - c. any documentary proof of support being offered by the scheme proprietor
 - d. details of any joint bank account or escrow held by or on behalf of the trustees and proprietor
 - e. any other documents that the **scheme can show to be relevant**
11. In relation to multi-employer CDC schemes only, we require sight of, and will consider:
 - a. documentary proof of any **support offered by the employer(s)**
 - b. details of any joint bank account or escrow held by or on behalf of the trustees and scheme provider
12. Where the scheme proprietor of a multi-employer CDC scheme is supported by debt issuance, we may have to understand the ability of the scheme proprietor to support repayment terms of the debt while maintaining support for the multi-employer CDC scheme itself.

2. Regulation 12 and Parts 2 and 3 of Schedule 3 to the 2022 Regulations and Regulation 35 and Parts 2 and 3 of Schedule 3 to the 2025 Regulations

3. Sections 14(3A), 14(3B), and 14(3C) of the Pension Schemes Act 2021

Financial sustainability: Financial resources

1. To satisfy us that they meet the **financial sustainability** criterion, all schemes must have access to sufficient financial resources¹ to set up and run the scheme. They must also have sufficient financial resources to meet the costs following a triggering event, as identified in their **costs, assets and liquidity plan (CALP)**.
2. The composition of these resources may be adjusted over time as the scheme grows and matures.
3. An element of the scheme's financial resources, referred to in this code as financial reserves, must be sufficient to keep a scheme running after a triggering event, while that triggering event is resolved or if the scheme is wound up and members transferred out.
4. Multi-employer CDC schemes should also be able to demonstrate their commitment to remain in the market after a triggering event. We should see evidence of the scheme's ability to move towards supporting **continuity option 3** at the earliest opportunity.
5. The resources calculated should be broken into three separate strands:
 - a. Sufficient resources to cover the costs of setting up and running the scheme on an ongoing basis, whether in-house or outsourced (running costs).
 - b. A reserved amount sufficient to allow the scheme to continue to operate for a period of six months to two years ('run-on period') following a triggering event (run-on costs).
 - c. A reserved amount sufficient to cover the additional costs following a triggering event (costs of compliance).

Running costs²

6. We do not require trustees to maintain a reserve for running costs, although they may do so. We will focus on the:
 - a. expected and realised costs of the scheme
 - b. ability of the scheme and the employer to cover the costs
 - c. enforceability of any commitment of support
7. Where the costs of setting up the scheme have been incurred and fully paid at the point of application, they do not need to be included in a calculation of running costs. However, any costs that are still outstanding, or yet to be incurred, must be detailed.

1. Section 14 of the Pension Schemes Act 2021 and Regulation 12 and Schedule 3 of the 2022 Regulations and Regulation 35 and Schedule 3 of the 2025 Regulations
2. Section 14(2)(a) of the Pension Schemes Act 2021

Run-on costs³

8. Schemes should assume a run-on period of 24 months. Trustees may be able to show that a shorter period is appropriate in some situations.
9. When calculating the run-on costs, schemes should not just duplicate the calculation of annual running costs. Calculations of costs in the run-on period should make reasonable allowance for variations in staffing or overhead costs, and activities undertaken throughout the period of the continuity option.
10. Calculations of run-on costs may exclude costs deducted at source in order to prevent reserving for costs that are covered automatically.

Costs of compliance⁴

11. In calculating the costs of compliance, schemes should, as a minimum, make allowance for:
 - a. additional spending on member communications
 - b. additional spending on employer communications
 - c. data cleansing
 - d. professional services, including actuarial, legal and accountancy advice
 - e. contract break clauses
 - f. staff termination or redundancy payments
 - g. contracting staff
 - h. additional work and communication from members who choose not to follow the default

3. Section 14(2)(b)(ii) of the Pension Schemes Act 2021

4. Section 14(2)(b)(i) of the Pension Schemes Act 2021

Expectations of financial resources⁵

12. Trustees should consider the points below where their financial resources are met in whole or part by financial reserves. In place of maintaining financial reserves, trustees may also rely on other forms of third party support, such as legally enforceable guarantees, loans and funding commitments from, for example:
 - a. **employers or companies in the employer group**
 - b. in the case of a multi-employer CDC scheme, **the scheme proprietor**⁶
13. In these situations, trustees should still consider the points below to ensure that the third party support is always available.
14. Trustees should:
 - a. be able to provide evidence that they have first call on the third party support
 - b. be able to demonstrate that they can access the third party support if there is a triggering event of any type
 - c. be able to show that any guarantor, lender, or provider of a funding commitment can provide the support to which they are committed
 - d. regularly review and adjust the value of the **financial reserves** they hold to account for their liquidity, scheme membership and demographics, and possible market movements
 - e. be able to show that they have access to sufficient financial resources at all times
 - f. perform their own prudent calculations of the costs arising from a triggering event
 - g. base their calculations on what they calculate to be the more expensive of continuity option 1 and 2⁷. We do not expect CDC schemes to reserve for continuity option 3 (running as a closed scheme) until there is a prospect of this being a viable option.
 - h. calculate their required financial resources based on a triggering event occurring between one and three full forecast years in the future
 - i. consider various factors, including the growth and demography of scheme membership, when deciding the forecast period
 - j. ensure any estimates are consistent with the figures used in their **CALP**
 - k. regularly, and at least annually, revisit their calculations to ensure they contain appropriate cost estimates
 - l. continuously monitor and maintain their forecast financial reserves

5. Section 14(2) of the Pension Schemes Act 2021

6. Paragraph 4(b) of Schedule 3 to the 2022 and 2025 Regulations

7. Section 34(2) of the Pension Schemes Act 2021

Financial sustainability: Other regulators of the scheme proprietor

15. Some multi-employer CDC schemes will have a scheme proprietor that is regulated by another financial services regulator, for example the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA), or an equivalent overseas body.
16. We will take any reserving requirements imposed by another regulator into account where they are, and only to the extent they are, relevant. We may decide that a risk, while addressed under another regulator's reserving requirements, is not fully addressed under ours and therefore needs to be reserved for.
17. Where a scheme proprietor is regulated by a financial regulator (apart from us), the business plan should disclose this, and the regulator(s) in question. Where a scheme proprietor is part of a group that has overseas divisions or subsidiaries, it will not be necessary to disclose the regulators that they operate under in every case. Disclosure is only necessary where an overseas regulator has oversight of a parent, or ultimate parent of the scheme proprietor.
18. To show that a scheme proprietor is reserving against a particular risk, we will require evidence that the risk is fully covered. This may extend to a legally enforceable indemnity from the scheme proprietor stating the extent of the protection provided. We must be assured that should the scheme proprietor fail or withdraw support, any reserves made for the purposes of another regulator can and will be deployed to assist the multi-employer CDC scheme.
19. Some multi-employer CDC schemes will be part of a larger financial services group that is subject to Part VII of the Financial Services and Markets Act 2000 (FSMA) if it wishes to sell or transfer blocks of business. We expect the business plan to show the potential impact of this on the scheme in the event of a sale or transfer of the business. We also expect the trustees to have received an adequate assessment of the impact on the financial sustainability of any such transaction on their scheme and to have made provision for it.

Cash reserves and escrow

20. We believe that, in most cases, multi-employer CDC schemes should have access to a minimum of 15% of their calculated financial reserves in cash. We may require that cash held outside the scheme is held in a specific vehicle, such as an escrow account, intended to ring fence those assets to which the trustees have unfettered access.
21. If we ask a scheme to establish a separate account, we will need to be satisfied of the terms under which the cash is deposited and can be accessed, including any covenant restrictions placed on the account. We may also ask that the cash sum is held with a bank, building society or similar credit institution.

Financial sustainability: Other ways of meeting costs

Indemnities and insurance

1. We will consider any insurance policies or indemnities held by trustees in relation to running costs or financial resources that provide cover for certain costs¹. We will need to be satisfied of:
 - a. the details of the policy or indemnity
 - b. the provider
 - c. the policy holder
 - d. the beneficiary
 - e. any limitations of the insurer's liability
 - f. the security, strength, and enforceability of the indemnity
 - g. the ability of the person providing an indemnity to meet its obligations under that indemnity
 - h. the likelihood of any insurance paying out
 - i. the likely time needed to settle any claim
2. The matters above should be consistent with the elements of the scheme's **costs, assets and liquidity plan (CALP)** and **continuity strategy**.
3. If the beneficiary of the insurance or indemnity is not the trustee, we may place less weight on its value. We will also consider the cost of any policy in assessing whether it remains a viable part of a scheme's financial sustainability.

1. Paragraphs 2(h), 2(j), 3(if), and 3(i) of Schedule 3 to the 2022 Regulations and Paragraphs 2(g), 2(i), 3(e), and 3(g) of Schedule 3 to the 2025 Regulations

Loans

4. The ability of a scheme to take out a loan is limited. Where a scheme or the scheme proprietor is receiving support by way of a hard or soft loan, we will assess the security, enforceability, and affordability of the loan.
5. We are of the view that in most cases it is inappropriate for a scheme to be in receipt of a formal loan, but we acknowledge that trustees may be under an obligation to repay the employer or scheme proprietor for the support it has provided to them.
6. We may ask for details of any existing or expected borrowing by the trustees or scheme proprietor including:
 - a. the identity of the lender
 - b. the loan amount
 - c. the interest rate
 - d. the repayment date
 - e. any security taken by the lender
7. We will also consider:
 - a. the ability of the scheme or proprietor to meet its repayment obligations in accordance with the agreed terms
 - b. whether the scheme or proprietor requires, and has received, the sanction of the court under Part 7 of Financial Services and Markets Act (FSMA) for any of its activities

Fixed cost and compensation arrangements

8. If the scheme has a fixed-cost arrangement with a service provider to provide services, regardless of the actual cost to the provider, we will take this into account². We will need to be satisfied that the trustees have considered any services that might fall outside the agreement and the terms on which it may be reviewed, varied, and renewed.
9. We will also consider any compensation that might be payable to scheme members after a triggering event³. We will need to be satisfied of:
 - a. the compensation provider
 - b. the basis and timescale over which compensation may be payable
 - c. any limits on the compensation available
10. We will usually not consider any cover provided by the Financial Services Compensation Scheme (FSCS) as part of the scheme's financial sustainability requirement. If trustees believe their treatment by the FSCS is likely to be different from other schemes, they should draw this to our attention.

Offsetting revenues

11. As a scheme matures and grows it may be producing sufficient income to increasingly offset its need for support from an employer or scheme proprietor. This might occur where, for example, fees on participating employers, or drawn from assets, are sufficient to cover running costs.
12. We will consider requests from trustees that we should take account of such income in determining whether a scheme is meeting financial reserving requirements. Our decision will be influenced by the demonstrable and projected ability of the scheme to maintain projected levels of income above actual and projected costs. It is important that the scheme can demonstrate how it would, for example, recover from a triggering event at the same time as they experience a downturn in income.
13. The extent to which any requested offset is considered satisfactory will also depend on what a scheme does with any generated surplus and any commitments it may have regarding spending, transferring, or redistributing any such surplus.

2. Paragraph 2(i) of Schedule 3 to the 2022 Regulations and Paragraph 2(h) of Schedule 3 to the 2025 Regulations

3. Paragraphs 1(b)(ix) and 3(k) of Schedule 3 to the 2022 Regulations and Paragraphs 1(b)(viii) and 3(i) of Schedule 3 to the 2025 Regulations

Schemes charging administration fees

14. Some multi-employer CDC schemes may have participating employers who provide fees to the scheme to meet administration or other costs of the scheme. Trustees must ensure that such arrangements do not inadvertently cause these employers to meet the definition of scheme proprietor and, because of that, breach the requirement that there is only one proprietor.
15. Any guarantees or contingent support from participating employers can be taken into account in the calculation of the scheme's financial reserves. The haircuts applied to guarantees recognise there can be difficulty receiving timely funding from participating employers. This means it is necessary for schemes to demonstrate that they also have a proportion of their financial reserves readily available.
16. Schemes whose financial reserving requirements are met by employer guarantees should still aim to reach a point where they hold the necessary financial reserves themselves.
17. Trustees building their assets in this way should regularly monitor their progress towards holding their full financial reserves. The trustees should set a realistic timetable for increasing financial reserves to a point where they fully meet the level of financial reserves identified in the CALP.
18. We will need to be satisfied that the timescale is appropriate and achievable and how it relates to the period covered by the business plan. We will expect to see the progress against this objective updated in each review of the business plan and CALP.

Financial sustainability: Employer support (single-employer CDC schemes only)

1. There may be situations where an employer puts in place a contract guaranteeing the trustees access to sufficient funds or a suitable financial vehicle (such as an insurance contract) or contract guaranteeing the trustees access to sufficient funds to run the scheme and/or to replace the scheme's need for **financial reserves**. Any such support will need to ringfence and guarantee the necessary resources for the financial sustainability of the scheme¹.
2. Financial reserves are not required where there are legally enforceable commitments or guarantees in place from employers or group companies to cover the costs arising from a **triggering event**.
3. We will expect to see evidence that the trustees have first call on the necessary support and the guarantor can provide it².

Information about the employer (single-employer CDC schemes only)

4. Where a participating employer has agreed to provide support for the **ongoing costs of the scheme** or provide some, or all, of the required **financial resources**, trustees may be required to provide financial information about the employer³.
5. In addition, we are more likely to be satisfied that this criterion is met if trustees provide:
 - a. any additional information that we ask for to be satisfied that the employer or group can provide adequate financial support to the scheme
 - b. any further evidence that supports an application
6. We are not obliged to consider evidence that we have not asked for, but we will not reject it unreasonably.
7. Where the supporting employer is part of a corporate group, the financial information must be provided at a level appropriate to the employer's position in the group⁴. We may also ask for information about other group companies if we feel their operations or liabilities may affect the scheme or limit the ability of the employer to support it.
8. We do not require this financial information where an employer's only commitment is to pay contributions for the members it employs.
9. A scheme may be supported by more than one employer. We will consider the financial position of each employer that we consider relevant⁵. We may choose to accept a case made by the trustees that stronger employers can absorb more potential costs. We will require evidence of the legal enforceability of a debt on any such employer.

1. Section 14(2) of the Pension Schemes Act 2021 and Paragraph 4 of Schedule 3 to the 2022 Regulations
2. Paragraph 4(b) of Schedule 3 to the 2022 Regulations
3. Paragraph 1(a)(vii) of Schedule 3 to the 2022 Regulations
4. Paragraph 1(a)(vii) of Schedule 3 to the 2022 Regulations
5. Paragraphs 2(f) and 3(e) of Schedule 3 to the 2022 Regulations

Accounts

10. We will consider whether the employer is able to support the scheme where:
 - a. the auditor expresses a qualified or adverse opinion or disclaims their opinion on any supporting employer's financial statements
 - b. the auditor's report contains a material uncertainty related to a going concern paragraph or an emphasis of matter we consider to be significant or relevant
11. Any supporting employer should disclose any reliance on third party financial support. We may need to see the accounts of any such third party.

Financial sustainability: Costs, assets and liquidity plan (CALP)

1. The CALP summarises the running costs and financial resources available to the scheme. It is not a document identified in the legislation, but the information contained in it is required for our assessment of **financial sustainability**. We expect the CALP to be consistent with the other information presented by the scheme, especially the **continuity strategy**.
2. For a single-employer CDC scheme the trustees should produce the CALP with the co-operation of any sponsoring employers. The CALP should cover a period of three to five years from the point the trustees agree it.
3. For a multi-employer CDC scheme, the CALP:
 - a. forms part of the business plan produced by the scheme proprietor
 - b. should be approved by the trustees
 - c. should cover a period of three to five years from the 'effective date'¹
 - d. should include projections that match the period covered by the **business plan**
 - e. can be presented as a separate document to the business plan²
4. Where a CALP is submitted for a multi-employer CDC scheme, it should match the period covered by the business plan.
5. The CALP should include:
 - a. an estimate of the trustees' or scheme proprietor's risk appetite for their financial reserves and any support from employers or other parties
 - b. a statement about the level of prudence in their estimates
 - c. an assessment of the different levels of liquidity needed throughout the period covered by the CALP and continuity strategy
 - d. details of the resources allocated to each section separately
 - e. where the scheme has more than one section an explanation of assumptions and levels of prudence adopted throughout the document
 - f. a range for any variable items, explaining how that range was reached
 - g. an explanation of why any element not included in the CALP cannot be provided

1. Section 14A of the Pension Schemes Act 2021

2. Paragraphs 1, 2, and 26 of Schedule 1B to the Pension Schemes Act 2021

6. The information presented in the CALP should be grouped into four sections, these are:
 - a. costs in relation to benefits
 - b. income in relation to benefits
 - c. assets held to meet costs in relation to benefits
 - d. liquidity of those assets

Costs in relation to benefits

7. The information presented in the CALP on costs in relation to benefits should include the following:
 - a. The estimated cost of running the scheme for each year of the period covered by the CALP. This estimate should include:
 - i. the costs paid to asset managers or an in-house team to manage the scheme's funds, whether deducted at source or not
 - ii. the costs incurred to implement the investment strategy
 - iii. the costs of advice taken on investments
 - iv. the remuneration and overheads associated with paying trustees and staff
 - v. the cost of professional and other services commissioned by the trustees or scheme proprietor, including actuarial, audit and legal advice
 - vi. the cost of scheme administration, activities associated with receiving, making, and reconciling payments, compliance, and communications to members
 - vii. any costs incurred by the trustees, sponsoring employer, or scheme proprietor, including planning, communication, marketing, and any dedicated support provided by them to the scheme
 - b. Details of any actual or potential financial liabilities arising from any contract between the trustees and a sponsoring employer, scheme proprietor or any service provider to the scheme.
 - c. The estimated **costs of compliance** arising from the scheme's duties in its continuity strategy, including:
 - i. a breakdown of the activities required to carry out the duties in the continuity strategy
 - ii. an estimate of the compliance cost for each activity identified

Costs in relation to benefits continued...

- d. The **estimated run-on costs**³ after a triggering event, including:
 - i. an estimate of the length of the run-on period after a triggering event
 - ii. an estimate of the monthly gross cash cost of running the scheme
 - iii. an estimate of the gross cash run-on costs for the run-on period after a triggering event
 - iv. the assumptions used in those estimates
- e. The following costs, and the strategy for ensuring that the scheme's financial resources are sufficiently liquid to meet them as they fall due, including:
 - i. the estimated costs of compliance during a triggering event period
 - ii. the estimated cost of closing and winding up the scheme after the transfer of assets
 - iii. the maintenance or replenishment of reserves if the scheme is following continuity option 3
 - iv. any provision made to fund contingent liabilities in respect of the scheme
- f. Details of the expected cash flows into and out of the scheme for every year of the period covered by the CALP. For multi-employer CDC schemes this should include the extent to which these cash flows will come from and go to the scheme proprietor.

3. Section 14(2)(b)(ii) of the Pension Schemes Act 2021, paragraph 1(b)(ii) of Schedule 3 to the 2022 Regulations, and paragraph 1(b)(ii) of Schedule 3 to the 2025 Regulations

Income in relation to CDC benefits⁴

8. The information presented in the CALP on income in relation to CDC benefits should include the following:
 - a. The anticipated scale of the scheme at milestones set at least annually for the period covered by the CALP. Multi-employer CDC schemes should include details of any risks from failing to meet or exceeding any of the milestones. The selected milestones can be chosen at the discretion of the proprietor for a multi-employer CDC scheme, or the trustees for a single-employer CDC scheme. The selected milestones should as a minimum include:
 - i. the number of members in the scheme that are entitled to CDC benefits, including estimates of those accruing benefits, those with deferred benefits and those drawing benefits
 - ii. any income from contributions paid to the scheme in respect of CDC benefits
 - iii. the assets under management or administration in respect of CDC benefits
 - iv. any income from charges on assets under management or administration in respect of CDC benefits
 - v. any income from charges paid by participating employers any income from assets not designated to providing CDC benefits
 - vi. the number of participating employers in any sections of the scheme providing CDC benefits
 - b. The assumptions and dependencies that informed the information presented at each milestone, together with a sensitivity analysis of those assumptions.
 - c. Any sources of income for the scheme, including the estimated income from each source, for each year of the period covered by the CALP.
 - d. The principal sources of income of each participating employer (single-employer CDC schemes) or scheme proprietor (multi-employer CDC schemes) as detailed by that company's strategic report, to the extent that the income is available to the scheme.

4. Paragraph 1(a)(iii) of Schedule 3 to the 2022 Regulations and paragraph 1(a)(iii) of Schedule 3 to the 2025 Regulations

- e. Information provided should also include an estimate of the monthly gross income due to the scheme for two years after a triggering event, or any shorter period determined by us, with reference to:
 - i. the number of members in the scheme that are entitled to CDC benefits, including estimates of those accruing benefits, those with deferred benefits and those drawing benefits
 - ii. any income from contributions paid to the scheme in respect of CDC benefits
 - iii. the assets under management or administration in respect of CDC benefits
 - iv. any income from charges on assets under management or administration in respect of benefits
 - v. any income from charges paid by participating employers
 - vi. any income from assets not designated to providing CDC benefits
 - vii. the number of participating employers in any sections of the scheme providing CDC benefits
 - viii. the assumptions and dependencies that informed the information presented at each milestone, together with a sensitivity analysis of those assumptions

Assets held to meet costs in relation to benefits

9. The CALP must include details of the assets available the trustees, either directly held or by having first call on them:
- a. A description, including values, of any **haircuts** applied to the assets at the effective date of the CALP, or for multi-employer CDC schemes, the business plan.
 - b. The percentage of the scheme's financial sustainability requirement met by the assets.
 - c. The estimated assets needed to meet costs arising from the scheme's compliance with the duties in its **continuity strategy**.
 - d. The strategy for meeting any shortfall between the scheme's income and the costs it will experience during the period covered by the CALP, or for multi-employer CDC schemes, the business plan.
 - e. Details of any escrow agreement, bank guarantee, letter of credit, guarantee, commitment, indemnity, legally binding agreement, or insurance policy held by the trustees intended to cover any aspect of the financial sustainability requirement.
 - f. The strategy for maintaining the short-term solvency of the business operations supporting the scheme, including information about the scheme's ability to pay for services as those liabilities fall due.
 - g. The text of any provision in the trust deed and rules providing that trustees, employers, the scheme proprietor or other third parties must pay the amounts shown in the 'Costs in relation to benefits' section of the CALP.
 - h. The text of any provision in the trust deed and rules that empowers any person to change the rule about who is liable to meet the costs of the scheme.
 - i. Where a scheme is providing non-money purchase benefits, details of how any debt the employers may be liable for under section 75 of The Pensions Act 1995 is to be apportioned in accordance with section 75A of that Act.
 - j. Details of any existing or expected lending by the trustees, including the identity of the borrower, the loan amount, the interest rate, the repayment date, and any security taken by the trustees.
 - k. Where the scheme is reliant on an employer, or employers, to support the costs of the scheme, the information set out in the **Employer support module**.

Liquidity of those assets

10. The reserves held by a scheme will be needed at various times and can have different levels of liquidity according to the costs they are addressing⁵.
11. Trustees and scheme proprietors must assess and document the different levels of liquidity they will need throughout the period covered by the business plan and continuity strategy. If a scheme proprietor operates more than one scheme or section, the funds allocated to each scheme or section should be separately identified. This may mean that the assets are held in different ways, depending on how the funding obligations are determined.
12. The way funds are held in each scheme is likely to be different and in keeping with the way it is funded and operated. However, we are unlikely to be satisfied by a scheme:
 - a. with cash, or near cash, assets that are less than 15% of the calculated necessary financial resources
 - b. that holds a significant level of non-marketable or illiquid assets in its financial reserves
 - c. with marketable assets held as part of the financial reserves that are not admitted to trading on regulated markets
 - d. that relies on the sale of directly held physical assets, for example property, as an element of its financial reserves
 - e. where a significant proportion of the **scheme reserving requirements** are directly met by charges on, or revenues from, scheme assets

5. Paragraph 4(a)(i) of Schedule 3 to the 2022 Regulations and paragraph 4(a)(i) of Schedule 3 to the 2025 Regulations

Financial sustainability: Financial reserves and haircuts

1. Apart from a **minimum amount for liquidity**, we do not prescribe the type of assets that a scheme must hold in any financial reserves that it maintains. However, trustees must apply a discount, or 'haircut', to the current or book value of the assets held for reserving purposes¹. We consider the asset types in the table at the end of this module to be appropriate for including in a scheme's financial reserves.
2. The haircut reduces the market or book value of an asset or holding for the purposes of the costs, assets and liquidity plan (CALP) or business plan. For example, an asset with a current market value of £100 and a haircut of 20% would be valued at £80 for the purposes of the financial reserves. This means that the current value of assets held by the trustees, or over which they have first call, in their **financial reserves** will be greater than that set out in the CALP.
3. Trustees should choose the haircut that most closely represents each type of asset in their financial reserves. There are different haircut values for each class of asset, reflecting different levels of risk depending on the length of time before they are expected to be called on. Trustees should consider this when assessing the assets they hold in their reserves and the liquidity they require.
4. The haircuts applied to assets may influence the choice of assets that the trustees include in their financial reserves.
5. Trustees and scheme proprietors should aim to provide an estimate of the risk appetite they take to their financial reserves. This is because the value of assets and the capital and liquidity requirements will fluctuate over time. We need to know if schemes are holding the bare minimum according to their estimates, or if they are holding a prudent buffer to account for such movements.
6. Unless otherwise stated, we assume all asset prices are in pounds sterling. Any currency risk that an asset is exposed to, or cost of hedging activities, should be assessed within the CALP.
7. All marketable assets held as part of the financial reserves should be admitted to trading on regulated markets. There should not be a significant level of non-marketable or illiquid assets held in financial reserves.
8. Schemes should maintain reserves greater than those required by this code as a prudential measure to maximise the probability of being able to meet the costs of a triggering event.
9. Schemes may hold their entire reserves in cash, but they should ensure that the CALP allows for the effects of inflation. These allowances may include general increases in prices of goods and services, and in particular wage costs. Schemes should take account of prevailing factors when setting these expectations and should not necessarily default to a long-term average.

1. Paragraph 4(a)(ii) of Schedule 3 to the 2022 Regulations and paragraph 4(a)(ii) of Schedule 3 to the 2025 Regulations

Financial sustainability: Financial reserves and haircuts continued...

10. We will expect any debt instruments the scheme holds in its financial reserves to be of investment grade, as determined by a recognised ratings agency.
11. Financial commitments or guarantees issued by participating employers or group companies (single-employer CDC schemes), or scheme proprietor (multi-employer CDC schemes), will be assessed for the ability of the relevant entity to support that commitment or guarantee. We will also assess the time needed to deliver that support.
12. Schemes with financial reserving requirements covered by employer or scheme proprietor guarantees should aim to build their financial reserves to a point where they fully meet the amount they require. Trustees building their assets in this way should regularly monitor their progress towards holding their full financial reserves.

Asset classes we consider appropriate for a scheme's financial reserves

Asset class	Description	Haircut			
		Running costs	Financial reserves for costs arising		
			Financial reserves within 1 month of a triggering event	Financial reserves between 2 and 12 months of a triggering event	Financial reserves after more than 12 months of a triggering event
Scheme funds	Assets not attributable to members that are available to pay scheme costs	As underlying assets			
Cash	Cash including fixed-term deposits from eligible counterparties and money market funds	0%	0%	3%	6%
Guarantee from a PRA regulated firm	Legally enforceable guarantees issued by a scheme proprietor, participating employer or group company which are not considered as debt instruments	10%	0%	5%	5%
Scheme proprietor (or participating employer) guarantee	Legally enforceable guarantees issued by a scheme proprietor, participating employer or group company which are not considered as debt instruments	10%	25%	10%	10%

Asset class	Description	Haircut			
		Running costs	Financial reserves for costs arising		
			Financial reserves within 1 month of a triggering event	Financial reserves between 2 and 12 months of a triggering event	Financial reserves after more than 12 months of a triggering event
Scheme revenues	Revenues generated by the scheme from charges on assets (annual management charge) or members, based on most recent audited accounts	5%	10%	20%	30%
Scheme income	Income received from the scheme proprietor (or participating employers in the case of single-employer CDC schemes) for covering costs, based on most recent audited scheme accounts	10%	10%	20%	30%
Government and public sector debt	Government debt (for example, bonds or gilts) such as debt issued by central banks, government agencies and local government	25%	5%	5%	5%
Supranational institution debt	Debt issued by agencies such as the European Investment Bank and the World Bank	25%	10%	10%	10%

Asset class	Description	Haircut			
		Running costs	Financial reserves for costs arising		
			Financial reserves within 1 month of a triggering event	Financial reserves between 2 and 12 months of a triggering event	Financial reserves after more than 12 months of a triggering event
Corporate debt	Corporate bonds, including bonds issued by banks or credit institutions	50%	25%	25%	25%
Asset-backed securities	Bonds or notes backed by financial assets, excluding mortgage loans	75%	25%	25%	25%
Equities	Shares listed on a regulated market	0%	50%	25%	10%
Gold or precious metals	Certifications and bullion	90%	75%	75%	75%
UK government issued loans	Guarantees issued by government departments (for example, the Department for Work and Pensions) which are not considered as debt instruments	0%	0%	0%	0%
Property assets	Scheme office premises or other property available on first call	-	90%	70%	50%
Insurance	Policies held by trustees to cover normal scheme running costs	10%	0%	3%	6%

Asset class	Description	Haircut			
		Running costs	Financial reserves for costs arising		
			Financial reserves within 1 month of a triggering event	Financial reserves between 2 and 12 months of a triggering event	Financial reserves after more than 12 months of a triggering event
Wind-up insurance	Policies held by trustees to cover the costs of a triggering event	-	90%	3%	6%
Loans	Loans provided by banks	-	10%	115%	130%

Financial sustainability: Business plan (multi-employer CDC schemes only)

1. A business plan is required as part of our assessment of the financial sustainability of a multi-employer CDC scheme. It is prepared by the scheme proprietor and sets out the schemes' objectives and how these will be achieved. A business plan is a comprehensive narrative document providing the detail required in legislation and in this code.
2. The business plan must be submitted by the trustees as part of the application for authorisation and the information provided within the plan must not be more than six months old on the day that the application for authorisation is submitted¹.
3. The business plan must be reviewed on an annual basis and revised within three months of identifying that it needs to be updated. Any change to the business plan arising from the annual review must be notified to us as soon as they are completed. Changes at any other time should be notified to us within three months of the business plan being revised. A scheme proprietor may need to prepare an updated plan specifically for the purposes of the application².
4. We expect the business plan to be comprehensive and to accompany accounts from the **scheme proprietor** (where available). We also expect the scheme proprietor to provide us with all the information we need to assess their financial strength. This information will vary according to the circumstances of the scheme and the scheme proprietor.
5. The business plan must be prepared by the scheme proprietor and approved in writing by the trustees. There must also be a statement signed by the scheme proprietor confirming that they consider that the business plan gives a true and fair representation of the matters to which it relates³.
6. The business plan must provide comprehensive information on:
 - a. the scheme's objectives and strategy for meeting them
 - b. estimates of the associated costs
 - c. the class and liquidity of any assets held to meet the costs
 - d. scheme income
 - e. plans to meet any shortfalls
 - f. scheme profit and loss
 - g. the financial strength of the scheme proprietor
7. We are more likely to be satisfied that a business plan is viable where it is supported by robustly tested assumptions and is appropriately documented. We expect the business plan to be a detailed document that shows the scheme proprietor and trustees have carefully considered the needs and development of the scheme, legislative requirements, and code.

1. Sections 8 and 14A(6) and paragraph 26(a) of Schedule 1B to the Pension Schemes Act 2021

2. Section 14A(1) of the Pension Schemes Act 2021

3. Paragraph 5 of Schedule 1B of the 2025 Regulations

8. The business plan needs to be consistent with other elements of the authorisation criteria. For example, we would expect to see consistency between forecasts in the business plan and the capacity within systems and processes. Additionally, a business plan which relies on continued rapid growth is unlikely to satisfy us if the stated aim of the scheme is to remain as a niche provider to a certain industry.
9. The following information must appear in every business plan⁴:
 - a. Any trading or brand name under which the multi-employer CDC scheme is known, promoted or marketed under and, if relevant, the name the scheme is registered under to comply with the Finance Act 2004⁵.
 - b. The date when the scheme was established.
 - c. The pension scheme registry (PSR) number.
 - d. The HMRC reference number (PSTR).
 - e. The address of the scheme's office as notified to HMRC.
 - f. The scheme administrator's name and address.
 - g. The scheme auditor's name and address.
 - h. The name of each trustee and the scheme proprietor.
 - i. The effective date of the business plan.
 - j. The period to which the business plan relates (which must be no less than three years and no more than five years from the effective date).
 - k. The number of employers participating in the CDC scheme at the effective date.
 - l. The number of scheme members at the effective date, broken down into active, deferred, and pensioners.
 - m. A breakdown of the membership movements in the CDC scheme to include those joining, transferring from and leaving the CDC scheme, in each of the three years ending with the effective date.
 - n. Where estimates are provided within the business plan, it must state the assumptions used in reaching the estimates and the circumstances and extent to which the actual scheme membership, contributions, income and costs may vary from the estimates.
10. A multi-employer CDC scheme should make every effort to supply the necessary information. If it is not possible to supply certain items, the trustees should explain why. If a provision of the code or the legislation does not apply because of the way the scheme operates or is designed, this should be clearly explained.

4. Schedule 1B to the Pension Schemes Act 2021

5. Chapter 2 of Part 4 of the Finance Act 2004

Business plan and triggering events

11. If a multi-employer CDC scheme has experienced a triggering event and we have approved an implementation strategy for the scheme, we may waive the requirement for a revised business plan to be submitted to allow efforts to be focused on implementation of the agreed continuity option. As part of our review of the trustees' progress with any continuity option, we may ask for updates about certain aspects of the business plan. If a **triggering event** has reduced the value of the financial resources of the scheme, then a revised business plan, approved by the trustees, must be submitted to us no later than three months following revision⁶. It must detail the plans and timetable for restoring the scheme's financial resources to a level to satisfy us that the scheme is financially sustainable. Where there is no such plan and the trustees are looking to pursue continuity option 1 or 2, full details of how this will be funded along with an implementation strategy must be provided.
12. If a multi-employer CDC scheme has experienced a triggering event and we have approved an implementation strategy for the scheme, we may waive the requirement for a revised business plan to be submitted to allow efforts to be focused on implementation of the agreed continuity option. As part of our review of the trustees' progress with any continuity option, we may ask for updates about certain aspects of the business plan.
13. The costs incurred as a scheme nears the end of a triggering event period are very likely to have reduced the value of the financial reserves available to the scheme. Part of a scheme's efforts to demonstrate that it has resolved a triggering event will include providing a revised business plan. This business plan should include the plans and timetable for restoring the scheme's financial resources to a satisfactory level to meet the financial sustainability criterion.
14. Once a triggering event has been resolved and financial reserves are still being rebuilt, any subsequent business plan must include details of the progress made by the scheme against the plans it set out to restore the financial reserves it should hold or have first call over.

6. Section 14A (6)(c) of the Pension Schemes Act 2021

Business strategy

15. We will have to be satisfied that a multi-employer CDC scheme has a sound business strategy. This means that the objectives set out in the business plan need to be achievable and realistic, and that thought has been given to situations where the objectives are not met or are exceeded. A sound business strategy should normally lead to a point where a multi-employer CDC scheme considers that **continuity option 3** is viable.
16. When assessing the business strategy, we will take account of a number of matters. The first of these are the scheme's objectives. To the extent that there is a growth strategy, we will expect to see an illustration of how this is expected to be funded.
17. When providing estimates of future growth of membership, contributions, income and costs, we expect to see prudent assumptions. A scheme should be able to demonstrate that it has considered the consequences of failing to meet certain targets or assumptions used in its modelling. The parameters for all assumptions should be clearly set out so we are able to consider how reasonable they are. Consideration should also be given to the consequences of exceeding forecast growth.
18. Where a scheme is expecting to derive income from investments, such as from an annual management charge on scheme assets, we expect to see that the estimates of income received here are consistent with the investment mix set out in the statement of investment principles. Where income is derived in foreign currencies, we will expect any forecasts to include details of, or allowances for, currency fluctuations or hedging activities.
19. We also expect to see planning for any increases in reserves required in the future as a result of an expansion, in particular, of membership.
20. If the scheme also intends to offer decumulation options for members, then the potential additional costs related to this should be factored in. In particular, any additional costs associated with communications or advice to these members following a triggering event.
21. Where schemes present similar business strategies or identify the same or overlapping markets, we will not intervene to prevent competition or influence the market. We will, however, expect to see that schemes have considered the consequences of failing to meet their objectives.
22. The business plan should include details of whether the scheme proprietor is a participating employer in the scheme. By assessing the use of the scheme by its scheme proprietor, we gain a better picture of the scheme proprietor's commitment to the scheme and its ability to distance itself from the scheme.
23. We expect to see allowances in the business plan for contingent events. These events are sometimes difficult to forecast, but may include allowances for correcting administration errors, break clauses in contracts, additional requirements from service providers and other costs that might only arise if things went wrong.

Business strategy continued...

24. The distribution of contingent liabilities between scheme proprietor and schemes may vary but needs to be clearly divided between the parties. This means that the responsibility for meeting certain costs may fall into one camp or another. We anticipate that in most cases, the liability for particular costs will be clear in service contracts or the scheme documents. We would expect to see such contingent costs clearly divided between the scheme proprietor and trustees. Where the trustees are not clear whether it is being used by all or some participating employers for automatic enrolment, they should be clear whether the scheme is, or can be, a qualifying scheme.
25. The second area to note is whether the scheme is, or is planning to, operate in the consolidation of other schemes. This may be through a specific intention to acquire other schemes, or to market itself as a home for members and assets from an employer's own trust scheme or from other schemes.
26. Some schemes, or sections of them, may be promoted or marketed to employers by commercial or non-commercial partners under a brand name that is different from the registered name. We should be made aware of situations where this is taking place and for the relevant scheme to detail all trading names, and any partner organisations, that it may have.
27. We are more likely to be satisfied if the following matters are addressed in the business plan:
 - a. Business strategy and scheme objectives.
 - b. Systems and processes.
 - c. People.
 - d. Target market.
 - e. Costs, assets and liquidity plan.
 - f. Continuity strategy.
 - g. Other regulators.

Business strategy and scheme objectives

28. The plan should include:

- a. details of existing and planned membership and full rationale on how the trustees expect to meet their objectives
- b. evidence that all costs have been fully considered, and sufficient monies have been appropriately earmarked to meet the scheme objectives (in addition to what is required for reserving)
- c. risk management

29. The business plan should show that:

- a. the scheme proprietor has considered and documented actual and perceived risks to the delivery of the business plan and has documented mitigations or processes for monitoring and managing each of these risks – for example, failure to meet targets or milestones
- b. there are appropriately skilled individuals taking responsibility for the management of risk monitoring against the business plan, and those individuals have access to the necessary management information and intelligence to properly carry out this task

Information about scheme proprietors

30. A scheme proprietor may have a single shareholder or be reliant on a particular individual or major shareholder. We would normally consider a scheme proprietor to be reliant on any person who exercises or controls (on their own or with any person they are acting with) 33% or more of the votes able to be cast on all or substantially all matters at general meetings of the company, or who owns 33% or more of the share capital of the company.
31. In these situations, we would expect the business plan to include details of the succession planning and any key person provisions covering the event that the shareholder or single individual ceases to meet the reliance test above.

Systems and processes

32. Evidence provided should show:

- a. IT systems are **capable of being updated and maintained effectively** on an ongoing basis
- b. details of how data quality impacts the scheme

People

33. The plan should show:

- a. key resources have been identified, and they have the necessary skills and experience to deliver the objectives in the business plan
- b. there is a plan in place to ensure continuity of service

Target market

34. The plan should address the following:

- a. A significant component of any business plan is consideration of the target market for the CDC scheme. The size and nature of the target market will significantly influence the ability of a multi-employer CDC scheme to meet its target, particularly if there are ambitious growth forecasts, and the target market is small.
- b. Where multi-employer CDC schemes, whether commercial or otherwise, present similar business strategies or identify the same or overlapping markets, we will not intervene to prevent competition or influence the market. We will however expect to see that proprietors have considered the consequences of failing to meet their objectives.

Costs, assets and liquidity plan (CALP) (if not provided separately)

35. We expect to see prudent assumptions when estimating future growth of membership, contributions, income and costs.

Continuity strategy

36. The costs of dealing with a triggering event should be set out in the business plan. They will be used as part of the overall assessment of whether the scheme is financially sustainable – particularly in demonstrating that the scheme has adequate reserves to meet the costs of continuing to operate the scheme, in addition to costs in pursuing the relevant continuity option.
37. Charges for pursuing the chosen continuity option must be aligned with the business strategy and consistent with the financial information and assumptions provided.

Information about those preparing the business plan⁷

38. The business plan should include the name of each person involved in the production of the business plan and the position they hold in the scheme proprietor.
39. Where different aspects of the production of the business plan are distributed among various staff, we need to understand what discretionary ability each individual or division has. In most cases, the relevant individual will be the person with responsibility for signing off the business plan.
40. The business plan should include a declaration on the experience, knowledge, professional qualifications and competence of the person responsible for signing it off on behalf of the scheme proprietor.
41. The business plan should also include the name, role, and responsibilities for anyone who is in a position of influence, including but not limited to those subject to the fit and proper tests. Where an individual is subject to a fit and proper assessment, the details provided in the business plan can refer to this.
42. The business plan should also set out how the scheme proprietor has satisfied themselves that these individuals possess relevant skills, knowledge and experience, and any contingences that have been made for these individuals ceasing to act in their role.

Milestones and measurement

43. When setting out a scheme's objectives, key delivery milestones must also be set out. These might include plans to reach or retain a certain number of members, or to review admission policies, by a particular point.
44. Milestones should be set out in the business plan at regular time intervals. For a new scheme, these milestones might be set quarterly, while for a more established or less growth-oriented scheme these might be set at annual intervals. Milestones should be set throughout the duration of the plan, with an indication of how critical each milestone is to the sustainability of the scheme. Milestones may also relate to key dates in agreements within contracts and with service providers.
45. As well as the milestones, a business plan must include details of the strategy that the trustees and scheme proprietor will adopt to achieve them. The approach to measurement and reporting of the milestones should also be taken into account.

7. Section 14A(2) and Paragraph 4 of Schedule 1B to the Pension Schemes Act 2021

Failure to meet targets or milestones

46. Any **significant failure** to meet a key milestone, target, estimate or assumption set out in the business plan is a significant event and must be reported to us as soon as reasonably practicable.
47. As the objectives, milestones and resources reflected in the business plan will differ for each scheme, we expect the business plan to outline what is considered to be a significant failure for the scheme.
48. We expect the business plan to set out the tolerance levels and trigger-points for notifying us of any changes that the scheme provider considers to be prudent for their scheme, including their reasons for this. As a minimum, we expect this to include changes to current or planned:
 - a. membership numbers
 - b. classes and proportions of scheme assets
 - c. future income from participating employers
 - d. changes to support available from the scheme proprietor
49. We also need to be assured there are sufficient processes within a scheme's systems and processes to identify and appropriately address significant events.
50. If we are not satisfied that the arrangements for notifying us are adequate, we may not be satisfied that the scheme meets the authorisation criterion for the business plan to be sound.

Submitting a revised business plan

51. Whenever a revised business plan is submitted to us, any changes and revisions must be highlighted. Where milestones, objectives or outcomes have altered we will require an updated commentary from the scheme proprietor outlining the impact and consequences of the changes. Any commentary may also contain additional comment from the trustees.
52. Where a revised business plan is delayed by concerns raised by the scheme proprietor or trustees, we should be notified of the delay and the issues leading to the delay. If the issues cannot be resolved, this may affect our view of whether the scheme continues to satisfy the criteria to be authorised.

Scheme accounts

53. Trustees of multi-employer CDC schemes must send us the scheme's annual accounts no later than two months after they are obtained by the trustees⁸.

8. Section 26A of the Pension Schemes Act 2021

Mixed benefit schemes

1. Mixed benefit schemes are schemes that have sections that provide other money purchase or non-money purchase benefits. Mixed benefit schemes include other schemes authorised by us, such as master trusts.
2. There is no need for each section of a mixed benefit scheme to have a separate scheme proprietor. Our assessment of a mixed benefit scheme in relation to CDC authorisation will focus on the activities of the CDC section. Care should be taken to show how the functions of a CDC section are integrated with, or are separated from, the activities of an authorised master trust.
3. We may consider any commitments made to other sections, such as the strength of employer covenants, where these are relevant to the support being provided to the CDC scheme.
4. Some schemes may have unallocated assets within the scheme that are not used for the provision of benefits. Where the rules of the scheme allow, unallocated assets may be used towards meeting the scheme's financial sustainability requirements.
5. We may also consider the use of unallocated scheme assets to meet the requirement for scheme proprietors to place assets into a deposit account where they do not have audited accounts¹.
6. We will consider financial sustainability calculations that make allowances for services supplied to authorised CDC sections and master trust sections of the same scheme.
7. The rules of a mixed benefit scheme may provide a priority order for expenses and wind-up costs if the scheme winds up. This can mean that in practice there is cross subsidy between sections of the scheme. We recommend that trustees or scheme proprietor of mixed benefit schemes consider taking legal advice on this matter when preparing their CALP and calculating their financial reserves.
8. The law permits mixed benefit schemes to provide accounts in relation to the scheme as a whole and not just in respect of the CDC section². We may take information provided in relation to other sections into account where we consider it relevant.
9. The functions of scheme funder and scheme strategist in an authorised master trusts are combined into the scheme proprietor for a CDC scheme. Any application for a CDC section of a master trust should be clear on how the respective functions of those bodies will be allocated.

1. Section 14C(5) of the Pension Schemes Act 2021
2. Section 39 of the Pension Schemes Act 2017

Business plan requirements for mixed benefit schemes

10. In considering whether a multi-employer CDC scheme should be authorised, we will typically only consider the CDC benefits. However, multi-employer CDC schemes may provide other benefits or be part of a scheme that provides other benefits. We should be told where they exist and understand any interaction they have with the CDC benefits.
11. The business plan for mixed benefit schemes must also provide the following additional information:
 - a. Details of non-CDC benefits offered by the scheme.
 - b. Whether any non-CDC benefits are provided in segregated or separate sections.
 - c. Whether any non-CDC benefits are fully segregated, or whether there can be cross subsidies between sections in certain situations (for example winding up), and details of what those cross subsidies are.
 - d. Whether there is a recovery plan to address a deficit in relation to a non-money purchase section.
 - e. Whether any non-money purchase section is open or closed to new members and/or accrual.
 - f. Any non-CDC decumulation options offered by the scheme.

Continuity strategy: Overview

1. The continuity strategy must be submitted as part of the authorisation application¹.
2. We must, at the time we consider an application for authorisation, be satisfied that the scheme has an adequate continuity strategy². This is a document that sets out how members' benefits will be protected following a triggering event as detailed in **Continuity strategy: Preparing for a triggering event**.
3. A continuity strategy must, in the case of a single-employer CDC scheme, be prepared by the trustees³, setting out how members' interests will be protected after a triggering event.
4. For a multi-employer CDC scheme, the continuity strategy must be prepared by the scheme proprietor⁴. The **Scheme proprietor: Overview** module of this code explains who the scheme proprietor is and the nature of the role.
5. Once prepared by the scheme proprietor (in the case of a multi-employer CDC scheme), the continuity strategy must then be approved by the trustees as part of the application for authorisation. The scheme proprietor will regularly review the strategy and revise it as necessary⁵. It should be reviewed at least annually. Each revision must be approved by the trustees⁶.
6. The statement of all levels of administration charges relevant to each continuity option should be included as part of the continuity strategy as a single document or provided as a standalone document in an electronic format that is Excel compatible, with clear data labels.
7. There is nothing preventing the trustees or scheme proprietor from including the continuity strategy as part of the scheme's business plan. Where they choose to do this, the continuity strategy should be a clearly identifiable and distinct part of the wider business plan.
8. It must give details about all matters set out in regulations⁷ and include a statement of all levels of administration charges⁸, which may be presented as a separate document.

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1. Section 8(3)(b) of the Pension Schemes Act 2021
 2. Section 9(3)(f) of the Pension Schemes Act 2021
 3. Section 17(2)(a) of the Pension Schemes Act 2021
 4. Section 17(2)(b) of the Pension Schemes Act 2021
 5. Section 17(6A) of the Pension Schemes Act 2021
 6. Section 17(6B) of the Pension schemes Act 2021
 7. Regulation 15(1) of the 2022 Regulations and Regulation 38(1) of the 2025 Regulations
 8. Regulation 16 of the 2022 Regulations and Regulation 39 of the 2025 Regulations

Continuity strategy: Overview continued...

9. We do not expect the continuity strategy to be exhaustively detailed. Using the headings below as a guide, it should provide the principles and framework for identifying key actions, their owners and the timings of decisions required to deal with a triggering event. It should be sufficiently comprehensive for trustees to be able to quickly resolve which continuity option to select and be in a position to provide a template for working up the detail of an **implementation strategy** within 28 days of the triggering event occurring or becoming final. We would also be likely to consider a review of the continuity strategy following a significant event that has been approved by the trustees of a multi-employer CDC scheme⁹ to be a reasonable precaution.
10. While the continuity strategy should be thought of as setting out a business case to explain what needs to be done and how, and the likely cost of dealing with a triggering event, the implementation strategy is a fully costed operational business plan to manage a triggering event once it has occurred.
11. The continuity strategy should be flexible enough to allow the trustees to tailor their approach in response to a specific triggering event. It should be periodically reviewed and, if appropriate, revised to adjust to changing circumstances. It should also give sufficient detail to allow calculation of the costs identified for the **costs, assets and liquidity plan (CALP)**.
12. In addition to meeting the continuity strategy requirements set out in the legislation¹⁰, trustees should be clear about how they will:
 - a. be adequately prepared in case of a **triggering event** occurring
 - b. continue to operate the scheme during a triggering event period
 - c. decide which continuity option to pursue
 - d. meet the costs of dealing with a triggering event
 - e. communicate with members

9. Section 17(6B) of the Pension Schemes Act 2021

10. Section 17 of the Pension Schemes Act 2021

Continuity strategy: Preparing for a triggering event

Assessing the risk of a triggering event

1. We are more likely to be satisfied about a **continuity strategy** where the trustees of a single-employer CDC scheme or the scheme proprietor of a multi-employer CDC scheme have assessed and outlined:
 - a. which triggering events are more likely to occur in relation to the scheme
 - b. which continuity options are available to the trustees in each case
 - c. where more than one continuity option is available, how the trustees will decide which one to follow
 - d. any condition in the scheme's deed and rules that would automatically cause a triggering event and pursuit of one of the continuity options
 - e. the risk and potential impact on members following a triggering event

Planning initial response to a triggering event

2. We are more likely to be satisfied where the continuity strategy sets out:
 - a. how the trustees will initially respond to a triggering event, including how and when they will first assess risks and impacts
 - b. the process for making decisions, showing where they can be delegated in the absence of a key decision-maker
 - c. the principles for identifying and managing conflicts of interest that may arise following a triggering event
 - d. any role, function, or named person to be involved in producing the implementation strategy

Continuing to operate the scheme during a triggering event period

3. We will only consider a continuity strategy where the trustees have set out the matters required by regulations¹, including how they would:
 - a. manage triggering event notifications in line with requirements and statutory timeframes
 - b. decide which continuity option to pursue, if there is more than one viable continuity option available
 - c. continue to run the scheme while fulfilling duties arising from a triggering event
 - d. meet the costs of operating the scheme during the triggering event
 - e. communicate with members, employers and us
 - f. maintain members' records
 - g. comply with any legal requirements
 - h. meet actuarial requirements
 - i. manage investments and make investment decisions
 - j. deal with any contributions due from employers and members
 - k. ensure administrative services would continue, including a summary of any arrangement or provision under contract for service that would continue during a triggering event and pursuit of any one of the continuity options
 - l. ensure continuity of services, including that any arrangements for appointing key roles and advisers will continue to operate in the event of any roles being left vacant
 - m. ensure that the continuity strategy deals with a triggering event that has occurred
4. Trustees should explain the assumptions behind any estimates provided².

1. Regulation 15 of the 2022 Regulations

2. Regulation 15(2) of the 2022 Regulations and regulation 38(2) of the 2025 Regulations

Choosing a continuity option

5. The continuity strategy must provide the framework and key steps on how the trustees will decide to pursue (or follow, where required) one of the following continuity options:
 - a. **Continuity option 1** (discharge liabilities and wind up).
 - b. **Continuity option 2** (resolve triggering event).
 - c. **Continuity option 3** (close the scheme to new contributions or new members).
6. We are more likely to be satisfied where the trustees can show they have considered each continuity option available to them for each triggering event, in conjunction with the general requirement to address how the trustees will protect members' interests during a triggering event period.

Meeting the costs of dealing with a triggering event

7. The activities identified in the continuity strategy must be appropriately costed and assumptions clearly stated alongside estimate figures provided. Trustees must explain how they will meet the costs, noting the prohibition on increasing or adding new administration charges during a triggering event period³.

Statement of administration charges

8. The continuity strategy must set out:
 - a. all levels of charges for each charge structure, for the current scheme year and on an annualised basis
 - b. whether or not any additional, third party or other types of administration charges apply
 - c. the reasons for imposing any of the charges above
9. We are more likely to be satisfied where the charge levels provided are consistent with the financial information and assumptions provided for the **financial sustainability** criterion.

3. Section 45 of the Pension Schemes Act 2021

Continuity strategy: Continuity option 1 (discharge liabilities and wind up)

1. Continuity option 1 is for the scheme's liabilities to be discharged and for the scheme to be wound up.
2. We are more likely to be satisfied where the **continuity strategy** shows trustees have considered each continuity option and addresses how members' interests will be protected during a triggering event period.

Ways to discharge liabilities

3. The ways that a scheme can settle liabilities to members when it closes are set out in section 36 of the Pension Schemes Act 2021 (continuity option 1: discharge of liabilities and winding up). These include:
 - a. transferring the value of benefits to an occupational pension scheme
 - b. transferring the value of a member's pension to a flexible retirement account (called a flexi-access drawdown fund), which lets the member take money out as income when they choose
 - c. transferring the value of the pension to a dependant's flexible retirement account (a flexi-access drawdown fund), so the dependant can take income from it
 - d. transferring the value of the pension to a nominee's flexible retirement account, allowing the nominee to take income from it
 - e. transferring the value of the pension to a successor's flexible retirement account, so the successor can withdraw income from it
4. Schemes can settle liabilities to each member by buying one or more insurance policies from Financial Conduct Authority (FCA) authorised insurers. These policies will then be used to pay the member's benefits. This is referred to as an 'alternative payment mechanism' in section 36(2)(c) of the Pensions Act 2004.

Key issues to consider

5. This is not a comprehensive list of every issue, but we are more likely to be satisfied that the continuity strategy is adequate if it addresses the following considerations.

When choosing continuity option 1

6. When choosing continuity option 1, include details of how the trustees would¹:
- consider the interests of active, deferred, pensioner and beneficiary members when identifying suitable options for discharging liabilities
 - assess and decide on the relevant factors when selecting the default discharge option(s)² by transferring the value of the beneficiaries' accrued rights to benefits under the scheme to one or more alternative arrangements
 - carry out due diligence checks (such as consulting professional advisors) before choosing an alternative arrangement
 - secure benefits for members already receiving a periodic income³
7. The strategy should include details of scheme rules on how continuity option 1 is given effect⁴, specifically:
- the time when winding up is formally triggered⁵
 - how the value of available assets will be determined
 - how the realisable value of accrued rights to benefits will be quantified during wind-up, noting that the rules for valuing accrued benefits must be applied to all members without variation⁶
 - how the amount or rate of periodic income payable during wind-up is to be calculated and adjusted⁷

1. Section 36 of the Pension Schemes Act 2021

2. Section 36(2) of the Pension Schemes Act 2021 and Paragraph 2 of Schedule 6 to the 2022 and 2025 Regulations

3. Paragraph 7 of Schedule 6 of the 2022 Regulations

4. Paragraph 3 of Schedule 6 to the 2022 and 2025 Regulations

5. Paragraph 4 of Schedule 6 to the 2022 and 2025 Regulations

6. Paragraphs 3(3) and 5 of Schedule 6 to the 2022 and 2025 Regulations

7. Paragraph 3(2)(e) of Schedule 6 to the 2022 and 2025 Regulations

Actions from wind-up to start date

8. The strategy should contain a plan on how the trustees would implement the following actions from the winding-up start date⁸. The actions include:
 - a. stopping admission of new members
 - b. ceasing receipt of contributions by or on behalf of members
 - c. dealing with late payments and transfers into the scheme⁹
 - d. stopping, interrupting or delaying the payment of benefits, including transfer payments
 - e. discharging trustee liability in connection with pension sharing orders and short service refunds¹⁰
 - f. an assessment of any activities that can't be carried out in house and would require external contractors

Quantifying value

9. The strategy should include details of how the trustees will quantify the realisable value of each beneficiary's accrued rights, on an actuarial basis. This should be done in accordance with regulations and scheme rules and:
 - a. within 28 days of commencing wind-up (initial estimate)
 - b. within six months of the date we notified the trustees that the implementation strategy was approved
 - c. no less than one month before the proposed discharge date (final estimate)
 - d. immediately before discharge, with any final figure reduced to reflect any periodic income paid in winding-up period (final quantification)

8. Paragraph 4 of Schedule 6 to the 2022 and 2025 Regulations

9. Paragraph 6(2) of Schedule 6 to the 2022 and 2025 Regulations

10. Paragraphs 6(5) and 6(6) of Schedule 6 to the 2022 and 2025 Regulations

Periodic income during wind-up

10. The strategy should include a plan for how the trustees will provide periodic income to pensioner beneficiaries during the wind-up period¹¹ from the wind-up commencement date, until initial quantification of accrued rights has taken place.
11. This should include how the trustees will provide a periodic income to pensioner beneficiaries in place of any pension they were in receipt of before wind-up commenced.
12. Periodic income during this period must fall on the same day and be an equivalent amount to pension received before wind-up started and remain in place until the value of rights has been initially quantified.
13. After initial quantification of accrued rights, trustees should show:
 - a. how the trustees will provide periodic income to pensioner beneficiaries, following the quantification of accrued rights on an initial estimate basis (after any adjustments), and as revised by subsequent winding-up quantifications
 - b. the principles the trustees will use to prepare beneficiaries for the transition from the periodic income paid during wind-up and the benefits to be secured through one of the permitted discharge options
 - c. a summary of the trustees' approach to making decisions and dealing with investments during wind-up, including identification of assets that may be transferred in specie, or will need divestment
 - d. applicable timescales – for example, when disinvesting, and whether there is a need to manage any specific conditions under the terms of contracts with investment providers
 - e. a summary of costs and how these will be met, including disinvesting, exit fees, early redemption penalties, or costs for advice
 - f. a summary of assumptions used for any estimated figures provided

Data cleansing

14. In respect of data cleansing and member tracing¹², the strategy should show the approach to identifying and rectifying any data issues, including how they will conduct tracing member exercises, an estimate of costs and how they will meet them.

11. Regulation 15(1)(g) and Paragraph 7 of Schedule 6 to the 2022 Regulations and Regulation 38(1)(g) and Paragraph 7 of Schedule 6 to the 2025 Regulations

12. Regulation 15(1)(l) of the 2022 Regulations and Regulation 38(1)(l) of the 2025 Regulations

Investments

15. When dealing with investments¹³, the following should be included in the strategy:
- a. A summary of the trustees' approach to making decisions and dealing with investments during wind-up, including identification of assets that may be transferred in specie, or will need divestment.
 - b. Applicable timescales, for example, when disinvesting, and whether there is a need to manage any specific conditions under the terms of contracts with investment providers.
 - c. A summary of costs and how these will be met, including disinvesting, exit fees, early redemption penalties, or costs for advice.
 - d. A summary of assumptions used for any estimated figures provided¹⁴.

Transfers

16. In respect of transfers the strategy should show¹⁵:
- a. how the trustees would securely transfer the value of beneficiaries' accrued rights to benefits to a receiving scheme or alternative discharge option, including:
 - i. a summary of any checks or approvals before the transfer takes place
 - ii. a summary of timelines and costs, and how they will meet those costs
 - b. how the trustees would securely transfer beneficiaries' personal data, including details of any quality controls and checks to ensure the integrity of data on transfer

Communication strategy

17. The strategy should include details of communication plans. In particular, how trustees would communicate with employers, beneficiaries and TPR, including:
- a. the information to be provided
 - b. how the trustees will assess whether their communications are understood
 - c. stages at which communications will take place
 - d. how trustees will deal with members communicating with them
 - e. a timetable for how the trustees will ensure statutory notices¹⁶ are sent to employers and beneficiaries
 - f. estimates of the costs of communication and how they will be met
 - g. strategies for communicating with us, which should include the types of communications, owners and timescales

13. Regulation 15(2) of the 2022 Regulations and Regulation 38(2) of the 2025 Regulations

14. Regulation 15(1)(p) and Paragraph 7 of Schedule 6 to the 2022 Regulations and Regulation 38(1)(p) and paragraph 7 of Schedule 6 to the 2025 Regulations

15. Regulations 15(1)(h), (i), and (k) of the 2022 Regulations and Regulations 38(1)(h), (i), and (k) of the 2025 Regulation

16. Sections 36(1)(c) and (5) of the Pension Schemes Act 2021 and Paragraphs 10-13 of Schedule 6 to the 2022 and 2025 Regulations

Continuity strategy: Continuity option 2 (resolving triggering event)

1. Continuity option 2¹ is for the triggering event to be resolved. We are more likely to be satisfied where the trustees' **continuity strategy** shows that they have considered how this continuity option could be applied under each applicable trigger event. This requirement is in conjunction with the general requirement to address how members' interests will be protected during a triggering event period.
2. We are more likely to be satisfied that the continuity strategy is adequate if it addresses the issues set out below.

Identifying options for resolving a triggering event

3. Trustees should consider whether:
 - a. there are any known potential remedies available for resolving a certain triggering event.
 - b. they will seek legal and professional advice and how those costs can be met

Communications

4. Trustees should consider:
 - a. if, how and when they will communicate with beneficiaries and employers in considering options for resolving a triggering event and how communication costs will be met
 - b. how they will comply with the requirement to notify TPR that the triggering event is resolved
 - c. timescales for resolving the event and meeting costs
5. The strategy should include²:
 - a. clear timescales for resolving the event using any of the mitigation options identified
 - b. any critical milestones
 - c. how long the trustees can fund an attempt to resolve an event before switching to continuity option 1 (discharge and wind-up) or continuity option 3 (conversion to closed scheme)
 - d. a contingency plan to cover the costs of resolving an event if resolution takes longer than expected
 - e. a summary of the assumptions behind any estimated figures

1. Section 37 of the Pension Schemes Act 2021

2. Regulation 15 of the 2022 Regulations and Regulation 38 of the 2025 Regulations

Continuity strategy: Continuity option 3 (closing the scheme to new contributions or members)

1. Continuity option 3 is for the scheme to run on as a closed arrangement¹.
2. We are more likely to be satisfied where the trustees' continuity strategy shows that they have considered each continuity option, in conjunction with the general requirement to address how members' interests will be protected during a triggering event period.
3. We do not expect trustees of a new single-employer CDC scheme to make provision for continuity option 3 when it first applies for authorisation, unless this is the only continuity option open to the trustees under the scheme rules. However, we expect multi-employer CDC scheme trustees to consider when it is likely that continuity option 3 will become a viable option and to give an estimated timeframe for including the details in an updated strategy.
4. We expect to see that multi-employer CDC schemes have projected the point at which continuity option 3 becomes viable for them. It is important that commercial providers are willing to demonstrate their commitment for the longevity of the scheme. Pensioners in a scheme unable to proceed under continuity option 3 may see a significant reduction in income if continuity option 1 is followed.
5. There should be nothing that prevents trustees of a multi-employer CDC scheme following this continuity option if they consider it appropriate to do so². Where continuity option 3 is not permitted for either a single-employer CDC or multi-employer CDC scheme, we expect that to be clearly stated in the strategy. Similarly, if there is no intention that the CDC scheme will reach a point where continuity option 3 may be viable, we will need to be assured of the provider's ability and commitment to support it in the long term, and how such an approach is appropriate and affordable. We will be less likely to be satisfied with a scheme that is unable to demonstrate the commitment or ability of the provider to support the scheme in the long term.
6. The strategy should document the framework for identifying key actions, decisions and owners of actions required to deal with a triggering event. It should also document the circumstances where continuity option 3 will be considered and how reserving will be built up to be set out at high level.
7. It needs to set out the principles by which decisions will be made, the timescales over which this will take place and how the costs of continuing to operate the scheme and resolve the triggering event will be paid for. We also expect that the continuity strategy will also describe how the trustees intend to comply with the formalities for closure set out by the trust deed and rules.
8. We do not expect the level of detail in the continuity strategy to be exhaustive, provided it meets the requirements set out in legislation.

1. Section 38 of the Pension Schemes Act 2021

2. Section 9(3)(g) of the Pension Schemes Act 2021

9. A continuity strategy must also set out a statement of all levels of administration charges. Costs and charges set out in the continuity strategy must reflect the scheme's financial sustainability calculations.
10. Once the trustees of a CDC scheme have pursued continuity option 3, they cannot revert it back to being an open scheme. A key aspect of continuity option 3 is to ensure pre-engagement takes place between the scheme trustees and us before the triggering events can occur leading to a formal decision to close the scheme.
11. This is to help clarify the intentions of the trustees, and employer or scheme proprietor. We will expect each party to understand what will be required of them, as well as other matters that need to be considered alongside the closure. For example, employers in a multi-employer CDC scheme, particularly in a commercial environment, will need to be informed of matters to enable them to continue to meet ongoing automatic enrolment obligations. We must be notified in writing as soon as practicable, if they become aware that a **triggering event** has occurred.
12. While we will remain in contact where a multi-employer CDC scheme has declared its intention to follow continuity option 3, the scheme must notify us when they consider that their preparations for the conversion of the scheme into a closed scheme are complete. The notification should be sent to us by the trustees within 28 days of the date the trustees have completed all the steps set out in the implementation strategy³.

Key issues to consider when pursuing continuity option 3

13. Key issues to consider when pursuing continuity option 3 are set out below. We are more likely to be satisfied that the continuity strategy is adequate if it addresses these considerations.

Details of scheme rules on how continuity option 3 is given effect⁴

14. The strategy should address:
 - a. any provisions in the scheme rules that permit or require the scheme to operate as a closed scheme and any provisions that apply during the period of operation as a closed scheme
 - b. any conditions or circumstances in which the trustees would operate on a closed scheme basis, as opposed to pursuing one of the other continuity options
 - c. how the scheme's design and method of actuarial management may have consequences for closing the scheme to new contributions or members

3. Regulation 31 of the 2022 Regulations

4. Section 17 of the Pension Schemes Act 2021, Regulation 15(1)(a) and (b) of the 2022 Regulations, and Regulations 38(1)(a) and (b) of the 2025 Regulations

Operating a closed scheme and meeting costs⁵

15. The strategy should show:

- a. the point in time after which the trustees consider that continuity option 3 may be a viable option, where appropriate relating this to the three-to five-year timeframe of the **costs, assets and liquidity plan (CALP)**
- b. how long they would operate the scheme on a closed basis
- c. the factors which the trustees would take into account to assess whether continuity option 3 could be sustained indefinitely
- d. how target benefit levels could be sustained
- e. whether the scheme's viability report and certificate would need to be revised, including the costs of this and how they will be met
- f. how the costs of running the scheme would be met
- g. how financial reserving requirements would be maintained throughout the proposed lifetime of the closed scheme
- h. how the trustees would stop accepting new contributions (where applicable), the timescales for doing this and how they would deal with late payments
- i. how they would stop admitting new members (where applicable) and the timescales for doing this
- j. a plan for making decisions on the scheme's investment strategy and dealing with investments
- k. whether they would divide the scheme and open a new section
- l. a summary of the assumptions behind any estimated figures

Communications

16. The strategy should include:

- a. how and when they would consult with beneficiaries and employers on proposals to close the scheme
- b. how the costs of communication would be met
- c. how they would maintain communication with TPR

5. Section 14(2) of the Pension Schemes Act 2021, Regulation 15(1)(a), (b), (l) and (n) to (t) of the 2022 Regulations, and Regulation 38(1)(a), (b), (l) and (n) to (t) of the 2025 Regulations

Promotion and marketing: Introduction

1. This is a new authorisation criterion specifically for multi-employer CDC schemes. This is because the legislation¹ introduces commerciality into the regime. It is envisaged that there will be a number of competing multi-employer CDC schemes in the market. This means it is highly likely promotional activities will take place between the scheme and (prospective) employers to induce them into joining or remaining within the scheme. This section of the code sets out our expectations in respect of promotion and marketing, when applying for authorisation and when meeting authorisation criteria on an ongoing basis.
2. If we believe that elements of our code concerning marketing and promotion are not being complied with, we can use our powers to ensure schemes comply.
3. The Pension Schemes Act 2021 defines promotion and marketing as follows:
 - a. “ ‘promotion or marketing’ of a scheme means any communication about the scheme for the purpose of inducing a prospective employer to use, or an employer to continue to use, the scheme (whether or not that communication is accompanied by an offer of, or provision of, a benefit) and ‘promote or market’ is to be construed accordingly.”
4. The 2021 Pension Schemes Act does not define ‘inducing’ or an ‘inducement’. However, as this term already exists in other legislation and is widely understood in the contract-based world (Financial Conduct Authority (FCA) regulated space), there should be consistency in the trust-based occupational pension space. The FCA uses an objective test to determine whether an item is a financial promotion, and we expect CDC schemes to adopt the same test, which is, at the time the communication was made would a reasonable observer (taking into account all of the circumstances at the time the communication was made)²:
 - a. consider that the communicator intended the communication to persuade or incite the recipient to engage in investment activity, or that was its purpose
 - b. regard the communication as seeking to persuade or incite the recipient to engage in investment activity
5. In the context of the paragraph above investment activity means inducing an employer into enrolling workers into a pension scheme or offering membership in a pension scheme.

1. Sections 9(3)(cb) and (cc), 14D, and Schedule 1C to the Pension Schemes Act 2021 and Regulations 29(5) and (6), and 46(o) and (p) of the 2025 Regulations
2. The Perimeter Guidance Manual (PERG) 8.4 FCA Handbook

Accuracy of promotional or marketing material

6. Where applicable, all materials must accurately describe the features of the scheme and be consistent with the information contained in:
 - a. the document prepared by the scheme actuary for the purposes of the viability report
 - b. the document prepared by the trustees confirming that the viability report is the most recent viability report at the time of the promotion or marketing
 - c. any summary published most recently in relation to the scheme at the time of the promotion or marketing

Transparency of promotional or marketing material

7. Where applicable, all promotional or marketing materials must clearly and accurately explain (and be consistent with other areas of this code)³:
 - a. how the rate or amount of benefits provided to members under the scheme is determined, including supporting illustrations of what individual members might receive
 - b. that performance of investments can fluctuate
 - c. that the expected value of the rights to benefits is not guaranteed
 - d. that levels of the rate or amount of benefits provided to members under the scheme can fluctuate
 - e. what would happen if the scheme became unable to continue to operate
 - f. any other matters set out in this code

3. Section 114D(1) and Paragraph 2(1) of Schedule 1C to the Pension Schemes Act 2021

Clear and not misleading

8. The 2025 Regulations⁴ set out requirements that these promotions must be **clear and not misleading**, and any errors/inaccuracies which would render the item either unclear or misleading or both, should be **rectified** as soon as reasonably practicable after they have been identified.
9. To ensure promotional material is clear and not misleading, there must be appropriate **systems and processes** in place and individuals who have appropriate skills to undertake promotional activities.
10. While trustees are prohibited from conducting any promotional or marketing activities on behalf of the scheme, they are not prohibited from meeting with prospective and existing employers to provide factual information regarding the scheme or general information about how a CDC scheme operates. This would include:
 - a. the number of members and assets under management
 - b. details of how the scheme is administered
 - c. how they interact with the scheme proprietor and monitor the effectiveness of the scheme's governance
 - d. the differences between a CDC scheme and a DC scheme

Types of promotion or marketing

11. Promotion and marketing can be identified as either real time or non-real time.

Real time

12. Real time would capture conversations between the scheme proprietor or a delegated individual who acts on their behalf, and an employer (either existing or a prospective employer). It would also include presentations that may be given to an employer or group of employers. Due to the nature of real time promotions, we wouldn't expect them to be formally approved, however any material that is shown alongside, such as slide packs, must be approved before use to ensure they are clear and not misleading.

4. Section 9(1)(cb) of the Pension Schemes Act 2021

Non-real time

13. Non-real time promotional or marketing materials would constitute any written, printed or electronic items (including emails, social media posts and broadcast advertisements) that are used to induce an employer to either join or remain within the scheme. All material of this type must be approved for use as clear and not misleading and reviewed regularly to ensure it remains so.
14. Systems and processes for giving approval should include the following types of promotion or marketing material:
 - a. brochure
 - b. leaflet
 - c. flyer
 - d. poster
 - e. social media posts
 - f. radio/TV advertisement
 - g. printed advertisement
 - h. online advertisement (needs to be clear and not misleading in own right)
 - i. online search engine entry (needs to be clear and not misleading in own right)
 - j. CDC provider and scheme websites, including scheme microsites developed for members
15. Bar some exceptions detailed below, approval is not required for:
 - a. in-person sales pitches and negotiations, except for slides, leaflets or any other accompanying material used (including a trade stand)
 - b. sales pitches or presentations to an employer or group of employers, except for slides, leaflets or any other accompanying material used (including a trade stand)
 - c. trustee meetings with employers or prospective employers, however the use of any promotional/marketing material is prohibited for these meetings
16. Slides may be approved with the ability to add bespoke details of the potential customer at a later date, as long as the rest of the content is deemed clear and not misleading.

Promotion and marketing: Clear and not misleading

1. The law requires that any promotion and marketing must not be unclear or misleading without rectification¹. Whilst the promotion or marketing will only extend to employers who are considering joining or remaining within the scheme, given the novel features of a CDC arrangement we expect all promotional or marketing materials to be written in a way that can be easily understood by the target audience. This may include making them accessible in other formats if employers have specific needs (for example, in braille or larger font).
2. Additionally, employers may want to reproduce some of the material in **communications to their members**. Where this happens, the scheme proprietor should make reasonable efforts to ensure that any such communication complies with these principles.
3. As part of the authorisation process, we will expect you to send us copies of promotional or marketing material that has been approved for use to induce prospective employers to join the scheme. As an example, representative examples of materials for proposed campaigns at launch would satisfy this requirement.
4. Here is a list of evidence you can provide to show scheme promotional or marketing material is clear, not misleading and meets regulatory requirements.

Evidence showing clear promotional or marketing material

5. Material is written and formatted in plain English with no jargon, and use of appropriate graphics and takes into account the needs and nature of the intended audience.
6. Terms are clearly defined where appropriate (if some industry terms need to be included you should consider adding a glossary to the item).
7. Where the material is part of a suite of documents, this is clearly pointed out to the reader, and they are clearly signposted to other documents they should read before making a decision.
8. Material is clearly marked to show that it is not for individual/member use.
9. Any omission that means the item is not clear must be identified and included.

1. Section 9 of the Pension Schemes Act 2021

Evidence showing promotional or marketing material is not misleading

10. The material is appropriately balanced – setting out the key benefits and risks associated with the scheme and accurately reflects the terms of the scheme as per the viability report and actuarial certification.
11. Items include details of any compensation arrangements that would be available to scheme members if the scheme were to fail.
12. Appropriate risk warnings are prominently contained within the documents.
13. The material must not describe a feature of the scheme as ‘guaranteed’, ‘protected’ or ‘secure’ or use a similar term unless it is able to provide a clear and not misleading description of it (for example, scheme documentation is sufficiently clear and prominently displays the relevant information that makes these statements clear and not misleading).
14. Evidence that the content has been reviewed to check that it is not misleading by appropriate advisers before being sent for approval. This would likely include legal and actuarial advice.
15. Evidence that the material is consistent with scheme documentation, such as the viability certificate and any other documentation which shows how benefits are accrued and paid.
16. Any claims within the material are appropriately substantiated and a copy of the relevant substantiation is kept on the approval file.
17. Where relevant, the actuarial assumptions used to show benefit levels are included in the material and are communicated in a clear and not misleading way and are also kept on the approval file.
18. Any omission that means the item is misleading must be identified and included.

Evidence showing promotional or marketing material meets all regulatory requirements

19. Evidence that the approvals process ensures all items are compliant with all other regulatory requirements, including the Advertising Standards Authority (ASA), FCA etc. Having an approvals checklist is one way of ensuring this.

Promotion and marketing: Systems and processes

1. Accurate promotional or marketing material is a fundamental part of a multi-employer CDC scheme as this will be used to induce an employer into joining or remaining within the scheme. It is also imperative that employers seeking to join the scheme fully understand the risks and benefits of the scheme.
2. There should be a focus on producing promotional or marketing material as well as the IT functionality needed. Note that we will assess the functionality, quality and maintenance of the IT systems used for promotional or marketing communications on the same basis as the IT systems more generally.
3. To produce effective promotional or marketing material, there must be appropriate systems and processes in place and individuals who have appropriate skills to undertake the planning and assessment work. Here we set out what we will be checking when we assess the scheme in respect of promotion and marketing.

People and skills

4. We will need to see evidence that:
 - a. there is a responsible person with appropriate expertise, likely to be the scheme proprietor
 - b. there are individuals appointed who have the appropriate skills to develop, create and implement promotional material – if outsourced, we expect the same due diligence to be conducted as for other external service providers
 - c. the planned resources include all relevant parties, including the scheme actuary, administrator, employer, compliance and risk and legal advisers and representative bodies, such as unions
 - d. the necessary individuals have enough capacity to do the work needed
5. Capacity could be monitored through service level agreements. If output is consistently below expected levels, then it may indicate a lack of resource.

Promotion and marketing

6. We will check the following:
 - a. There is a plan for producing and issuing promotional materials (usually annually, although there may be circumstances where it needs updating more regularly).
 - b. There is evidence that the trustees are consulted and provide their approval for the plan and any ad-hoc updates to the plan. The plan sets out activities for the year and must cover reviews of all promotions and reporting.
 - c. There is evidence that the trustees have appropriate oversight of the marketing materials and that they have the opportunity to review or challenge the content.

Promotion and marketing approvals processes (including quality assurance)

7. We will check that:
 - a. there is an evidence-driven process for creating, reviewing (including that the content is accurate and not misleading) and maintaining promotional material in a timely manner
 - b. there is evidence that the distribution channels used are appropriate
 - c. there is a clear process for reviewing promotional and marketing material (including where minor amendments and extensions to approval periods are requested)
 - d. there is a clear process for undertaking quality assurance on the approvals process to ensure promotional items are of sufficient high quality and consistent and that the personnel developing them remain competent

Systems and processes

8. We will check there is evidence that appropriate promotion and marketing approvals systems and processes exist to demonstrate a clear audit trail, and includes:
 - a. confirmation of who developed the marketing material (the originator)
 - b. confirmation of who approved the marketing material (this should be an independent person to mitigate the risk of conflicts of interest)
 - c. how long the material is approved for and the expiry date of the approval for such item
 - d. a final copy of the approved item that is being used for promotional activities must be retained
 - e. any feedback provided to the originator of the item where changes were required to ensure the item was deemed clear and not misleading

Record-keeping

9. In respect of record-keeping:
 - a. The approval file for each item should contain evidence that the material has been reviewed and signed off by an independent competent person (independent to the persons or team responsible for putting together the material) confirming it is clear and not misleading.
 - b. The approval file should contain an expiry date of the approval which should usually be no more than one year from date of approval.
 - c. Copies of relevant sign offs are obtained, and a clear audit trail of the approval process also needs to be kept ideally in electronic form and easily accessible.
 - d. There must be an appropriate document retention period set for marketing or promotional material. Where the promotion relates to transfer activity, we would expect this to be kept indefinitely. For all other material we would expect records to be kept for at least six years.

Reporting

10. A report must be provided confirming how many promotional materials have been created and used. The report should be provided quarterly, or at a different frequency to align with trustee meetings. The report should:
 - a. confirm the number of approvals made, whether quality assurance has been undertaken on the items, whether any complaints or feedback has been received on the items and subsequent action taken if needed
 - b. show whether any rectifications have been made and how these were identified and how quickly they were undertaken and the rationale for making changes, or not
 - c. include rectifications which identify financial loss to the scheme/members including full details of how this was identified and amounts paid – this should be highlighted in any financial reporting (such as scheme accounts)
 - d. show whether any risks have been identified as a result of promotional activity and any mitigations for these and how ongoing risks resulting from all promotional activity are being monitored and mitigated

Promotion and marketing: Rectification

1. The 2021 Pension Schemes Act¹ defines rectification in relation to marketing or promotional material as the following:
 - a. “Rectification, in relation to promotion or marketing that is unclear or misleading, means that a clarification or correction is made in relation to the promotion or marketing as soon as practicable.”
 - b. In line with the regulations, any promotion and marketing material must be rectified where they have been identified as unclear or misleading. This must be done as soon as reasonably practicable after the issues with the material have been identified.
2. We will not normally challenge any materials that are unclear or misleading if they are rectified within one calendar month of the issue being identified.
3. We would expect schemes to have robust processes in place to be able to identify whether any promotional or marketing material is unclear and misleading before it is in use.
4. However, there may be some occasions where a promotional or marketing item is identified as being either unclear, misleading or both after it has been approved for use. In these situations, we expect there to be appropriate processes in place to:
 - a. assess the risks posed by the item and determine what, if any, remedial action will need to be taken
 - b. ensure the item is removed from further circulation with immediate effect
 - c. if it has resulted in actual detriment to members, such as a financial loss, identify all the recipients of the item (where it is reasonably practicable to do so) and inform them of the error(s)
 - d. provide feedback to the persons responsible for producing and signing off the item
 - e. ensure appropriate training is given to the persons responsible for the item if relevant
 - f. remedy where financial loss has been identified so that the member is not worse off
5. We do, however recognise that some errors will be more severe than others. Where an item has been used with errors, trustees should:
 - a. show evidence that the scheme proprietor has assessed the risks and whether members have suffered detriment as a result
 - b. set and document their own risk tolerances when determining the appropriate action to be taken where issues have been identified with the marketing material – this could include taking no action if the rectification needed is so trivial that there is no impact on members

1. Section 9(7) of the Pension Schemes Act 2021

6. Here we set out the evidence we will look for in our assessment which shows how the scheme rectifies unclear or misleading promotional or marketing material as soon as reasonably practicable. This is in respect of communications channels, record-keeping and reporting.

Communications channels

7. We will look for evidence that feedback mechanisms are in place and working. For example, if any complaints are received due to concerns with the promotional or marketing material, we would need to see evidence that this has been fed back to the person(s) responsible (including originator, approvals persons etc) for the material regardless of whether it was upheld or not.

Record-keeping

8. Records of rectifications made must be easily accessible. These should be kept electronically with suitable back up arrangements in place.
9. Records must also contain full details of any remedial actions undertaken and whether the scheme had to add to the scheme assets to ensure members weren't disadvantaged as a result of unclear or misleading information provided to their employer.

Reporting

10. The scheme proprietor must provide the trustees with regular reports on promotional and marketing activity. These should include details of the following:
 - a. type of material (i.e. flyer/leaflet/letter etc)
 - b. audience of material and approximate size
 - c. number of approvals undertaken during the reporting period
 - d. number of rectifications undertaken during the reporting period
 - e. details of any risks identified as a result of unclear and/or misleading material
 - f. items in use after approval identified during the reporting period (including anywhere the risk has been accepted)
 - g. what mitigations (if any) are in place for the risks identified
 - h. any remedial actions undertaken and the cost to the scheme where financial loss was identified
 - i. number and types of items that have been used after the expiry date of their approval (if relevant)
 - j. ongoing assessment of any open risks or mitigations from previous reports
11. We would also expect the scheme proprietor to provide copies of these reports on no less than a quarterly basis to their appointed contact at The Pensions Regulator.

Sound scheme design: Introduction

1. A scheme must have a sound scheme design¹. The trustees' explanation of this must be set out in the viability report, accompanied by a viability certificate, and should be supported by appropriate advice from suitably qualified professionals, as well as modelling and testing in line with a scheme's complexity. Evidence of sound design will include, but is not limited to, evidence that the viability certificate tests are met and the reasoning and justification that support the conclusions made.
2. We will decide whether we are satisfied that the design of a CDC scheme is sound by taking account of the following matters²:
 - a. whether the scheme rules meet the legislative requirements³ on calculation of benefits
 - b. whether the conclusions reached by the trustees and the scheme actuary as set out in the viability report are justified
 - c. whether the conclusions reached by the scheme actuary as set out in the viability certificate are justified
 - d. whether the contents of the viability report are sufficiently comprehensive
 - e. whether the contents of the viability certificate are sufficiently comprehensive
 - f. whether the information provided to us about testing or modelling is sufficiently comprehensive

1. Section 9(3)(b) of the Pension Schemes Act 2021

2. Section 12(2) of the Pension Schemes Act 2021 and paragraph 1 of Schedule 2 to the 2022 and 2025 Regulations

3. Sections 18(1) and (2) of the Pension Schemes Act 2021 and Regulation 17 of the 2022 Regulations

Viability report, viability certificate, and connected information and documents

3. The trustees must prepare a **viability report** explaining the design of the scheme and the reasons they consider the design to be sound⁴. It must be prepared for an authorisation application and must be reviewed at least once a year and revised if necessary⁵.
4. The viability report submitted to us must include the following:
 - a. The scheme actuary's report⁶ including an explanation of their conclusions on the viability certificate tests, the assumptions used in carrying out these tests and how the use of these assumptions are justified, and the testing or modelling regarding the scheme's design being considered by the trustees.
 - b. The trustees' strategy for investing the assets of the scheme together with evidence that this has been developed on the advice of an appropriately qualified and experienced professional.
 - c. Extracts of the scheme rules concerning how the rate or amount of benefits provided under the scheme is to be determined. The relevant extracts are those relied on in the explanations in the viability report of the scheme's design and how the trustees are satisfied that the rules meet the relevant legislative requirements. These extracts can be included in the viability report or set out in an accompanying document to make the viability report more readable.
5. The trustees must also obtain a **viability certificate** in relation to the initial viability report⁷ and at least annually thereafter⁸. While the viability report sets out the trustees' explanation of why they consider the scheme design to be sound, the viability certificate provides the scheme actuary's statement confirming that, in their opinion, the scheme design is sound.
6. The trustees and the scheme actuary will likely be basing their judgement on the same information, which includes:
 - a. the testing and modelling carried out
 - b. the results of the viability certificate tests
 - c. the strategy for achieving sufficient investment returns to provide the target benefits
 - d. how the assumptions used are justified
 - e. the legal advice on whether the rules of the scheme meet the relevant legislative requirements

4. Section 13(1)(a) of the Pension Schemes Act 2021

5. Section 13(4)(a)-(b) and 5(a) of the Pension Schemes Act 2021

6. Regulation 10(3)(b) of the 2022 Regulation

7. Section 13(1)(b) of the Pension Schemes Act 2021

8. Section 13(4)(c) and (5)(b) of the Pension Schemes Act 2021

7. We expect the above statements to be justified through appropriate evidence, including modelling and testing appropriate to the complexity of the scheme or sections. We will consider statements to be justified when they are supported by sufficient and comprehensive evidence and advice from qualified and experienced persons.
8. What is comprehensive depends partly on the complexity of the scheme and its design, but the evidence and advice should meet professional standards in a way that allows the trustees to make clear decisions about their scheme. This will include an understanding of the downside risk and the likelihood of cuts to benefits, as well as the level of variation in benefits.

Sound scheme design: Viability report

1. A viability report should be in an electronic format and must contain¹:
 - a. the effective date of the viability report
 - b. the name of the scheme that the report has been prepared for
 - c. the name and contact details of the person to be contacted about the report
 - d. a statement signed by the trustees confirming that in their opinion the design of the scheme is sound and that the viability report has been approved by the trustees
 - e. a statement signed by the scheme proprietor confirming that the viability report has been approved by the scheme proprietor (multi-employer CDC schemes only)
 - f. a statement signed by the scheme actuary confirming they are satisfied that the actuarial matters referenced in the viability report accurately reflect those matters in respect of the scheme (if the scheme actuary cannot provide this statement, the viability report will not be compliant)
2. The report should also contain an explanation of the design of the scheme, including:
 - a. how the scheme is a CDC scheme²
 - b. how the scheme meets the requirements for a qualifying scheme³
 - c. how the trustees are satisfied that the rules of the scheme meet the requirements in legislation about the calculation and adjustment of scheme benefits
 - d. why the trustees consider the design of the scheme to be sound and the evidence on which this is based
3. In considering whether the scheme design is sound, the trustees should consider the written advice obtained from the actuary⁴. This advice must explain the actuary's conclusions on the matters that they must consider providing the **viability certificate** and the assumptions they used to carry out the gateway tests or live-running tests. The actuary must explain the assumptions being used, for example expected returns on assets, inflation and mortality, and explain how they are justified. The document must also include an explanation of the testing or modelling being considered by the trustees, including the results of this testing or modelling.

1. Part 2 of Schedule 2 of the 2022 and 2025 Regulations

2. Section 1(2) of the Pension Schemes Act 2021

3. Section 3 of the Pension Schemes Act 2021

4. Regulation 10(3)(b) of the 2022 Regulations and Regulation 33(3)(b) of the 2025 Regulations

4. In explaining the design of the scheme, and whether it is sound, the trustees should show they have taken appropriate investment advice and used it to develop an appropriate investment strategy for the scheme⁵. We expect trustees to explain how their investment strategy supports the scheme's design. This explanation should clearly reference key points from the statement of investment principles, investment strategy and advice. These documents should be submitted to us alongside the viability report as part of the trustee's evidence for why they are satisfied the scheme design is sound.
5. When providing their advice, we expect the scheme actuary and the individual providing advice supporting the investment strategy to engage with each other.
6. Both the viability report and the actuarial advice underlying the viability certificate must explain how the scheme rules meet the legislative requirements on benefit calculation and adjustments, with relevant extracts of the trust deed and rules. We therefore expect trustees to obtain legal advice on these matters and share it with the scheme actuary.

Testing and modelling in respect of the scheme

7. The assumptions used in testing and modelling should be central estimates, except where this is for the purposes of examining sensitivities to changes. Their use, including how they are considered to be central estimates, should be justified in the scheme actuary's advice to the trustees, along with their associated volatilities.
8. Trustees should understand the key assumptions that underlie any modelling they receive and consider the impact of making alternative assumptions. It will also be important to test changes in assumptions separately from market movements. Advisers should be transparent with their clients about the key assumptions that influence the model output.
9. The modelling and testing should examine how the scheme would be affected by changes to market or economic circumstances and include an examination of the main circumstances in which the scheme's design might no longer be sound. These may include:
 - a. the number of members entering the scheme falls materially in the future
 - b. circumstances in which there might be significant cuts to benefits
 - c. significant numbers of members transferring out their pension

5. Section 36 of the Pensions Act 1995

Testing and modelling in respect of the scheme continued...

10. We expect the modelling and testing undertaken and provided to the trustees to include stochastic asset liability modelling (ALM) alongside an explanation of assumptions and inputs. This should provide assurance that outcomes are consistent with what is communicated to members, as well as providing trustees with a measurable way of understanding the variability of outcomes, to support trustee decisions. If modelling is based on an existing known model, then any changes to the underlying model should be explained. We do not expect new ALM every year.
11. New ALM should be undertaken where the trustees consider it appropriate, for example, when significant changes occur to the expected returns on the scheme's investments, volatility of the scheme's investments, and longevity assumptions, to provide outputs that can be relied on to inform their decisions.
12. Where schemes allow for member options, trustees should understand the impact of these on the scheme's viability. We expect, as part of the testing and modelling at authorisation, that trustees have understood this, for example as part of the modelling of members transferring out or seeking early retirement.

Sound scheme design: Investment

1. Members' retirement outcomes will be materially influenced by the performance of the investment strategy, making it an important part of a scheme's design.
2. Trustees play a critical role in shaping, implementing and then monitoring this investment strategy. While expert advisers can help them with their responsibilities, ultimate fiduciary responsibility for the design, ongoing suitability and performance of the investment strategy sits with the trustees.
3. Trustees need to show sufficient focus, expertise, and a deep understanding of all material aspects of the investment proposition, both at the time the scheme is authorised and during subsequent supervision.
4. Through our supervision of the scheme, we will monitor the trustees' activity and assess their stewardship of the investment strategy, and their investment related service providers. Where we identify activity, omissions or behaviour that fall short of the standards we require, in line with the criteria for fitness and propriety and systems and processes (in particular scheme governance), we will hold the trustees accountable.
5. When a significant change to a scheme's investment strategy is being considered, we expect the trustees to seek advice from the scheme actuary on the impact of the change on the scheme benefits and any adjustments to those benefits. Before any significant changes are made to the scheme's investment strategy, we expect to be provided with:
 - a. a copy of that advice
 - b. a note of the trustees' consideration of that advice
 - c. confirmation as to whether the trustees have decided to provide future service benefits from a new section
 - d. the trustee's view on whether it is necessary to seek authorisation of a new section

6. Where the scheme rules set prescriptions with regard to the investment strategy set by the trustees we will expect:
 - a. an explanation of how the prescriptions fit within current UK law
 - b. justification for the prescriptions and how they support the scheme's design
 - c. a statement that the trustees are comfortable with the prescriptions
 - d. that there is provision for reviewing and amending the scheme rules relating to investment, and at what intervals or events this is triggered
 - e. an explanation of who can amend the relevant scheme rules
 - f. that trustees are required to agree the changes for them to be enacted
 - g. that trustees understand the circumstances the scheme may encounter which are likely to require changes to the investment strategy, to the extent that these can be foreseen
 - h. that there are processes in place to bring about the necessary changes in a timely manner
 - i. that there is provision for the trustees to change the investment strategy if necessary, during a triggering event period
7. At authorisation, trustees should show that they:
 - a. take advice from appropriate advisers who should be formally appointed with appointment contracts negotiated
 - b. pursue a strategy consistent with their defined investment philosophy, as recorded in the statement of investment principles
 - c. have the necessary expertise to challenge the advice they receive
 - d. thoroughly understand the investment strategy from a risk and return perspective
 - e. have clarity in the roles and responsibilities for the implementation of the investment strategy
 - f. have a process for selecting, appointing and monitoring third parties such as investment advisers, investment managers, custodians and other service providers commensurate to the nature of the investment strategy
 - g. monitor the ongoing suitability, relevance and appropriateness of the investments and associated benchmarks
 - h. monitor material changes in process, policy, or strategy that affect the investment proposition
 - i. have access to relevant data that enables a prompt analysis of their investment strategy
 - j. have established an effective investment governance framework

8. As part of our ongoing assessment of the trustees' oversight of the investment strategy and the framework in which the investment arrangements operate, we will assess the quality of the investment-related documentation presented by the trustees. These documents should contain enough detail to give us a thorough understanding of the investment strategy, and the roles and responsibilities of the individuals involved in implementing it.
9. More specifically, we expect these documents to enable us to clearly understand key elements of the strategy, including:
 - a. the trustees' investment philosophy and the style of investment management being pursued
 - b. the investment objectives, benchmarks and estimated return and risk for the strategy
 - c. the range of permissible asset classes, markets, and instruments together with the process for adding new or additional investments
 - d. the asset allocation framework detailing the parameters for tactical and strategic asset allocation discretion
 - e. the size and nature of the risk budget or the risk factors permitted under the agreed investment arrangements
 - f. the trustees' policy on ESG and climate change

10. Similarly, in the context of the ongoing monitoring of the performance of the investments, we expect trustees to show that they:
 - a. have maintained specific accountability for each element of the investment strategy and that any conflicts of interest are identified, understood, and addressed
 - b. actively monitor the absolute and relative performance of their investments against appropriate benchmarks and peers
 - c. receive sufficiently detailed information regarding the attribution of performance in the portfolio to fully understand all the components of the investment performance of their strategy
 - d. employ a suitable range of risk metrics to fully understand the nature and magnitude of risk being deployed across their investments
 - e. understand the resilience of their investment strategy to a range of economic and market scenarios and stresses
 - f. can assess whether those responsible for strategic and tactical asset allocation decisions, portfolio construction and manager selection decisions are adding or detracting value for the trustees
 - g. are immediately aware of material changes to relevant benchmarks, objectives, risk budgets, investment process or philosophy and the associated implications for the strategy
 - h. fully understand and appropriately manage the liquidity profile of their underlying investments and the potential implications for members' cashflow requirements
 - i. are immediately aware of any material breaches of agreed investment guidelines
11. Regarding ongoing investment governance, any significant change to the investment strategy must be reported to us as a significant event and we also expect any material breach of the investment management arrangements to be reported to us¹. The statement of investment principles must be updated without delay following any significant changes to the investment policy².

1. Regulation 23(1)(c), (g) and (k) of the 2022 Regulations

2. Regulation 2(1)(b) of the Occupational Pension Schemes (Investment) Regulations 2005

Sound scheme design: Viability certificate

1. To provide a viability certificate for a **viability report**, certifying that in the actuary's opinion the scheme design is sound, the scheme actuary must have regard to a range of matters¹. The scheme actuary's explanation of their conclusions on these matters must be provided to the trustees in connection with the viability report for which the viability certificate has been produced. The trustees must provide a copy of this explanation to us with the viability report.
2. We expect the scheme actuary to use the template provided in preparing a viability certificate. Where this template is used and completed properly, we will be satisfied that the viability certificate is sufficiently comprehensive. It must contain²:
 - a. the effective date of the certificate
 - b. the name and contact details of the scheme actuary
 - c. the name of the scheme in respect of which the viability certificate is given
 - d. a statement, signed by the scheme actuary, confirming that, in the scheme actuary's opinion, the design of the scheme is sound and that when providing the viability certificate, the scheme actuary has had regard to the applicable matters in regulation 11(2)

Scheme rules

3. The scheme actuary must be satisfied that the scheme rules meet the legislative requirements on benefit calculation and adjustments³. As mentioned above, we expect trustees to take legal advice on these matters and the scheme actuary may wish to do likewise. But it is for the actuary to decide how they comply with this requirement, and while we do not expect them to obtain their own legal advice, they may if they consider it appropriate.
4. In respect of multi-employer CDC schemes, one particular requirement is that accrual rates should be set such that the value of benefits provided is equal in value to the value of contributions paid⁴. Scheme actuaries should follow relevant guidance and/or standards issued by the Financial Reporting Council (FRC) when setting accrual rates.

1. Regulation 11(2) of the 2022 Regulations and Regulation 34(2) of the 2025 Regulations

2. Part 3 of Schedule 2 to the 2022 and 2025 Regulations

3. Regulation 11(2)(a) of the 2022 Regulations and Paragraph 13(2) of Schedule 2 to the 2025 Regulations

4. Regulation 40(5) of the 2025 Regulations

Scheme communications

5. The scheme actuary must have regard to whether, in the actuary's opinion, the trustees have accurately described or explained in the member booklet, the statement of scheme design and the wording used in the most recent benefit statements⁵. This includes:
 - a. the methods by which the scheme determines the rate or amount of benefits provided under the scheme
 - b. estimates of the rate or amount of any future pension benefits payable under the design of the scheme
 - c. that the future pension benefits payable under the scheme are subject to annual adjustment in accordance with the rules of the scheme
6. We expect trustees to communicate this information to members clearly and comprehensibly. The actuary should be satisfied that what the trustees include in the communications to members (set out above a. to c.) aligns with how the scheme operates and relevant actuarial advice, in a way that is not misleading. In forming their opinion, we expect the scheme actuary to review the generic communications and templates relating to items (a) to (c) above. We do not expect the actuary to approve every individual piece of member communication.

Viability certificate tests at authorisation (the gateway tests)

7. Regulations set out two gateway tests that the scheme actuary must have regard to at authorisation.
8. We expect both tests to be met for a scheme actuary to be able to provide a viability certificate. An explanation of the following must be included in the actuary's advice to the trustees in connection with the viability report for which the certificate is produced:
 - a. the scheme actuary's conclusions
 - b. the assumptions used in carrying out the tests, the testing or modelling used in assessing scheme design

The first gateway test: Funding for CPI indexation

9. This test considers whether the estimated projected average annual increase in benefits earned over the first 10 years of the scheme's operation is at least in line with the expected level of increase in the consumer price index (CPI)⁶. This test must⁷ use a central estimate basis.

5. Regulation 11(2)(b) of the 2022 Regulations and Regulation 34(2)(a) of the 2025 Regulations

6. Regulation 11(2)(c)(i) and 11(4) of the 2022 Regulations and Regulation 34(2)(b)(i) and 34(4) of the 2025 Regulations

7. Regulation 11(4) of the 2022 Regulations and Regulation 34(4) of the 2025 Regulations

The second gateway test: Minimum value of benefits

10. This test considers whether the value of the benefits expected to be provided to each active member based on the first five years of the scheme's operation is at least equal to the contributions payable to the scheme by the member over that period⁸. This is designed to limit the amount of cross-subsidisation between members. This test does not take account of contributions that will be made by the member's employer in respect of the member, except those made as a result of a salary sacrifice arrangement.
11. This test should also use a central estimate basis in estimating the expected value of benefits to be provided to each member.

Viability certificate tests thereafter (the live running tests)

12. Following initial authorisation, the first gateway test no longer applies. This means in live running there is no requirement for the scheme to award increases every year in line with CPI.
13. Single-employer CDC schemes have two live running tests and multi-employer CDC schemes have one live running test. The scheme actuary must have regard to these when providing a viability certificate at any time after the scheme has begun operating⁹ and has at least one active member. We expect the tests or test to be met for a scheme actuary to be able to provide a viability certificate. As with the gateway tests set out above, an explanation of the following must be included in the actuary's advice to the trustees in connection with the viability report for which the certificate is produced:
 - a. the scheme actuary's conclusions
 - b. the assumptions used in carrying out the tests
 - c. the testing or modelling being considered by the trustees in assessing scheme design
14. A valuation of the scheme must be undertaken annually in order to determine the benefit adjustments necessary to keep the value of liabilities in line with the value of assets. We anticipate that these tests will be conducted following or in conjunction with the valuation and will therefore use relevant information from that year's valuation.
15. In addition, we expect trustees and the scheme actuary to monitor any trends indicated by the live running test or tests and consider these trends, as well as the results of that year's tests, in making decisions regarding benefits and the design of the scheme.

8. Regulation 11(2)(c)(ii) and 11(6) of the 2022 Regulations and Regulation 34(2)(b)(ii) and 34(6) of the 2025 Regulations

9. Regulations 11(2)(d) and (13) of the 2022 Regulations and Regulations 34(2)(c) and (11) of the 2025 Regulations

The first live running test for both types of scheme: Minimum value of benefits

16. This test considers whether the value of the benefits expected to be provided to each active member in respect of the five-year period beginning with the effective date of the viability certificate, is at least equal to the contributions payable to the scheme by the member over that period¹⁰. This is designed to limit the amount of cross-subsidisation between members. This test does not take account of contributions that will be made by the member's employer in respect of the member, except those made as a result of a salary sacrifice arrangement.
17. This test should also use a central estimate basis in estimating the expected value of benefits to be provided to each member.

The second live running test (single-employer CDC schemes only): Excessive cross-subsidy

18. This test considers the risk of excessive cross-subsidy and is applied as part of the scheme actuary's annual recertification of viability. This test highlights large differences between the value of benefits that are expected to be earned and the contributions being paid to the scheme that could be perceived as unfair to either new joiners or long-time members. Where it is failed, the cross-subsidy has become too large over a sustained period.
19. In relation to each actuarial valuation, the scheme actuary must calculate the value of benefits expected to be earned in the year following the effective date of that valuation and express it as a percentage of pensionable salary¹¹. This is over the active member population as a whole, not on an individual-member basis.
20. To apply the test, they must then compare the average of the results of this calculation over the five-year test period with the rate of contributions paid to the scheme by members and employers. If the average is less than half or more than twice this rate, the test is failed.
21. Where the scheme has been operating for less than five years, this test must be conducted by reference to the average of the results available.

10. Regulations 11(7) and (8)(b)(ii) of the 2022 Regulations and Regulations 34(7) and (8)(b)(ii) of the 2025 Regulations

11. Regulations 11(10)(d) and (9) of the 2022 Regulations

Supervision: Supervisory return, scheme return and significant events

1. Once a CDC scheme is authorised, those running it must continue to satisfy us that it meets the **authorisation criteria** on an ongoing basis. Our continuing assessment of the criteria and all other relevant duties and requirements is called supervision.
2. Supervision is a risk-based, proactive process that allows us to understand how a CDC scheme continues to meet the authorisation criteria. This will be achieved through our supervisory relationship.
3. When a scheme is authorised, we will carry out an evaluation of the scheme which will summarise:
 - a. our intended supervisory intensity
 - b. the key risks we have observed
 - c. the actions we expect the scheme to take
 - d. our planned engagement timetable, focusing on any risks or issues
4. This approach will be reviewed and adapted as appropriate.
5. There should be suitable governance in place, including monitoring and reporting to the trustee board, to enable timely engagement with us and to report to us as required.
6. Supervision under the CDC legislation does not operate in isolation. Schemes are also subject to other oversight and activity for example, relating to other legislative requirements, codes of practice and thematic reviews.

Supervisory return and scheme return

7. The trustees may, by notice, be required to complete a supervisory return to provide information to satisfy us that the scheme continues to meet the authorisation criteria¹.
8. The trustees will receive at least six weeks' notice to submit the supervisory return. We can ask for a supervisory return no more than once a year and only where we decide it is necessary. We expect to issue the first notices requiring a supervisory return after the scheme has been authorised for a year.
9. The content of the supervisory return will be set, reviewed and updated to aid us in ensuring the scheme's ongoing compliance with the authorisation criteria. The return is likely to ask for updates to the business plan and/or costs, assets and liquidity plan (CALP), the annual chair's statement and to highlight any issues or changes in the scheme.
10. Trustees are also required to complete an annual scheme return to provide us with certain registrable information².

1. Section 27 of the Pension Schemes Act 2021, Regulation 22 of the 2022 Regulations, and Regulation 45 of the 2025 Regulations
2. 165 Section 64 of the Pensions Act 2004

Significant events

11. Significant events³ are circumstances arising during the operation of a CDC scheme that must be notified to us as soon as reasonably practicable once the person is aware that the event has occurred.
12. When a significant event occurs, our focus will be on whether we remain satisfied that the scheme continues to meet the authorisation criteria. If we are no longer satisfied that a CDC scheme meets the authorisation criteria, we may take regulatory action, including deauthorising it.
13. The duty to notify us falls on most parties involved in supporting the management of the scheme⁴. This typically includes those required to be assessed under the fit and proper criteria but also extends to advisers and administrators⁵.
14. More than one person may be responsible for notifying us of the same event. As such, we expect schemes to have a process for notifying significant events that avoids the making of duplicate reports where possible.
15. Notifications must be made as soon as reasonably practicable, which we consider to be within five working days of the person with an obligation to report becoming aware of the significant event other than where specified below.
16. Those required to notify significant events should consider reporting if they are unsure on whether to notify or not.
17. We expect schemes to have systems and processes in place to monitor and address significant events and to help those with reporting duties to fulfil their obligations.
18. We will use the information you provide to help consider and assess whether we remain satisfied the scheme continues to meet the authorisation criteria. If we are not satisfied with the scheme's response to the event, and therefore not satisfied that the scheme continues to meet the criteria, we may take further action, including deauthorising the scheme.

3. Section 28(1) of the Pension Schemes Act 2021, Regulation 23(1) of the 2022 Regulations, and Regulation 46(1) of the 2025 Regulations

4. Section 28(2) of the Pension Schemes Act 2021

5. Sections 28(2)(e) and (f) of the Pension Schemes Act 2021

Events relating to persons who are required to be assessed as fit and proper⁶

19. We expect all changes to persons who are required to be assessed as fit and proper⁷ to be reported to us before the individual commences their role. The exception is if an individual is providing temporary cover for up to six months: in these circumstances we do not expect a report to be made and will not complete an assessment.
20. We expect all persons who are required to be assessed as fit and proper and who are subject to one of the events listed in Regulation 23(1)(b) of the 2022 Regulations and Regulation 4(1)(b) of the 2025 Regulations to be reported to us within five days of the individual to whom the event relates becoming aware.

A significant change to the scheme's investment strategy⁸

21. We expect significant changes to the investment strategy to be reported as a significant event. These could include changes to:
 - a. the trustees' investment philosophy and the style of investment management being pursued
 - b. the investment objectives, benchmarks and estimated target returns for the strategy
 - c. the range of permissible asset classes, markets, and instruments together with the process for adding new or additional investments
 - d. the asset allocation framework detailing the parameters for tactical and strategic asset allocation discretion
 - e. the size and nature of the risk budget or the risk factors permitted under the agreed investment arrangements

A proposal to change the design of the scheme, including, but not limited to, a proposal to close the scheme and a proposal to add a section to a scheme that was previously unsectionalised⁹

22. In addition to a proposal to close the scheme to new accruals or new members, this event also includes proposals to narrow the eligible membership. Changes to the prescribed characteristics of the scheme can only be achieved through the closure of the existing scheme and the addition of a new section to provide benefits with the new prescribed characteristics.

6. Section 11(2) of the Pension Schemes Act 2021

7. Regulation 23(1) of the 2022 Regulations and Regulation 46(1) of the 2025 Regulations

8. Regulation 23(1)(c) of the 2022 Regulations and Regulation 46(1)(c) of the 2025 Regulations

9. Regulations 23(1)(d) and (e) of the 2022 Regulations and Regulations 46(1)(d) and (e) of the 2025 Regulations

An event which, in the opinion of a person with the duty to report, undermines, or is likely to undermine, the soundness of the scheme design¹⁰

23. This could include events outside the running of the scheme, such as an external economic or market event, or a decision taken by the employer. We expect most events of this type to have been identified as part of the modelling and testing supporting the trustee's considerations of whether the scheme's design is sound or in the monitoring of investments.

An event that has resulted or, in the opinion of the person with the duty to report, is likely to result in the scheme being unable to meet the specified requirements in relation to its financing¹¹

24. This includes where the assets being held to meet the financial sustainability requirements are not of the classes or in the proportions set out in the **Financial reserves and haircuts module** of this code, are not available to be used when the relevant costs fall due, and where the trustees do not have first call on the assets.

Significant events relating to the ability of the scheme to meet its running costs or maintain the required reserves in appropriate proportions¹²

25. This should be reported to us within two working days of the event occurring, or the person mentioned in those events forming their opinion.

10. Regulation 23(1)(g) of the 2022 Regulations and Regulation 46(1)(g) of the 2025 Regulations

11. Regulation 23(1)(h) of the 2022 Regulations and Regulation 46(1)(h) of the 2025 Regulations

12. Regulation 23(1)(i) and (j) of the 2022 Regulations and Regulations 46(1)(i) and (j) of the 2025 Regulations

A failure of the systems and processes used in running the scheme, which has a significant adverse effect on the security or quality of data or on service delivery¹³

26. This includes an adverse effect on security or quality of data or on service delivery brought about by a series of events or failures, as well as single significant events. This may include errors in the actuarial valuation. Where the key objectives and tasks in the function holder governance statements are not met, and this failure increases the key risks identified, we expect this to be reported as a significant event. This will include where investment management arrangements have not been followed.
27. In general, notifications of this event should look at divergence from the objectives set for the scheme and tolerance of risk as set out in the risk register. This includes considering the balance of probabilities that the failure has, or will have, an adverse effect that a scheme's existing systems and processes cannot rectify without impacting on the security or quality of data, or on service delivery.
28. Where the failure has had, or will have, an adverse effect on the scheme's data security you should report to us when a report is made to the information commissioner.

A failure of the systems and processes for communicating with relevant persons, which has a significant adverse effect on communication with relevant persons¹⁴

29. This includes an adverse effect on communications with relevant persons brought about by a series of events or failures as well as single significant events. Notifications of this event should look at the balance of probabilities that the failure has, or will have, an adverse effect that a scheme's existing systems and processes cannot rectify without impacting on communications with relevant persons.

13. Regulation 23(1)(k) of the 2022 Regulations and Regulation 46(1)(k) of the 2025 Regulations

14. Regulation 23(1)(l) of the 2022 Regulations and Regulation 46(1)(l) of the 2025 Regulations

A proposal to make a significant change to the systems and processes used in running the scheme (including the systems and processes for communicating with relevant persons)¹⁵

30. This is not intended to capture the general upkeep or maintenance of systems. We expect notifications of proposals such as changing:
- a. the scheme's administrator
 - b. the system being used to run the scheme
 - c. the persons responsible for delivering key services to the scheme, such as investment advisers or managers
 - d. the scheme payroll provider (if different from the administrator)

There is an investigation of the scheme, or a person involved in a scheme, by a regulator or other competent authority including those outside the United Kingdom¹⁶

31. We consider notification of this event as soon as reasonably practicable to mean notifying us immediately after becoming aware of the investigation.
32. A competent authority is a person or organisation with powers to carry out an investigation and take regulatory action. This includes the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and investigative agencies, such as the police and the Serious Fraud Office (SFO).

A proposal to begin marketing of the scheme (multi-employer CDC schemes only)¹⁷

33. If there is a proposal to begin promotion or marketing of the scheme, information provided must include:
- a. the details, reasons and objectives of the proposal
 - b. how the interests of the members of the scheme have been considered
 - c. how the authorisation criteria will be met

15. Regulation 23(1)(m) of the 2022 Regulations and Regulation 46(1)(m) of the 2025 Regulations

16. Regulation 23(1)(n) of the 2022 Regulations and Regulation 46(1)(n) of the 2025 Regulations

17. Regulation 46(1)(o) of the 2025 Regulations

A person has carried out promotion or marketing of the scheme that is unclear or misleading (multi-employer CDC schemes only)¹⁸

34. We expect all persons responsible for notifying us of a significant event to receive adequate training to be able to identify whether any promotional or marketing material is unclear or misleading. We expect a notification to be made where:
- the description of scheme benefits is not in line with the scheme design documentation and actuarial certification
 - the description of how scheme benefits are accrued and applied is not clear and easy to understand
 - the material does not provide a balanced view of the risks associated with the scheme
 - claims about scheme benefits are materially exaggerated

A change which requires a revised business plan to be submitted (multi-employer CDC schemes only)¹⁹

35. Any change that requires a revision to the business plan outside of the annual review cycle must be reported as a significant event.

Any failure to meet a key milestone, target, estimate or assumption in the business plan (multi-employer CDC schemes only)²⁰

36. Any failures to meet a key milestone, target, estimate or assumption in the business plan must be reported.

18. Regulation 46(1)(p) of the 2025 Regulations
19. Regulation 46(1)(q) of the 2025 Regulations
20. Regulation 46(1)(r) of the 2025 Regulations

The scheme is unable or unlikely to meet its liabilities on demand (multi-employer CDC schemes only)²¹

37. This may occur where the scheme actuary, or any other person responsible for monitoring the scheme liabilities, becomes concerned that there is a significant possibility of the scheme not being able to meet its liabilities on demand or any reserves or assets held as security are insufficient to meet the scheme's liabilities on demand.
38. We consider notification of this event 'as soon as reasonably practicable' to mean within one working day of the person becoming aware that:
- the scheme cannot, or is not likely to be able to, meet on demand any of its liabilities from an accounting perspective as and when they fall due during the ordinary course of business – this includes, for a scheme proprietor, trading whilst insolvent or likely to trade whilst insolvent
 - the scheme is unlikely to meet its costs (expected or unexpected costs) – for this event, we are likely to consider whether we are satisfied that the scheme remains financially sustainable, and the trustees and scheme proprietor should monitor whether they need to notify a triggering event

That the scheme is unable or unlikely to meet the level of assets or liquidity agreed with us and set out in the business plan (multi-employer CDC schemes only)²²

39. We consider notification of this event 'as soon as reasonably practicable' to mean within one working day of the person becoming aware that this event has occurred for at least two consecutive working days. We will expect a notification to be made where financial reserves fall to less than 98% of the level agreed in the CALP or business plan.

That there has been a change to the financial reporting period to be used in the scheme accounts or those of the scheme proprietor (multi-employer CDC schemes only)²³

40. We consider notification of this event should be made within five working days of the decision to change the reporting period.

An event which undermines or is likely to undermine the ability of the trustees of the scheme to pursue continuity option 3 (multi-employer CDC schemes only)²⁴

41. Where continuity option 3 is not being pursued, we expect to receive notification within five working days of becoming aware of the situation. If this event occurs during a triggering event period, or while continuity option 3 is being followed, we expect that notification should be made on the same day, or next working day if it takes place on a non-working day.

21. Regulation 46(1)(s) of the 2025 Regulations

22. Regulation 46(1)(t) of the 2025 Regulations

23. Regulation 46(1)(u) of the 2025 Regulations

24. Regulation 46(1)(v) of the 2025 Regulations

Supervision: Triggering events and implementation strategy

Triggering events

1. Triggering events are events that may indicate that the scheme cannot continue to operate¹. We must be notified that a triggering event has occurred unless it occurs as a result of a notice that we have issued, as is the case for events 1 to 3 of the triggering event table².
2. We expect the trustees (and in the case of a multi-employer CDC scheme, the scheme proprietor) to have robust procedures for monitoring risks to the scheme, and to be able to identify a triggering event when it occurs. Consequently, where the trustees decide that the scheme is at risk of failure and it is necessary to pursue one of the continuity options, the continuity strategy should in most cases have already identified the risk leading to the failure. In many cases, an associated significant event should have already been reported to us, and the trustees should be in dialogue with us at the time of the triggering event notification.
3. Table 1 on pages 146 and 147 sets out the triggering events that we must be notified of. Triggering events apply to all schemes unless otherwise specified.

1. Section 39(1) of the Pension Schemes Act 2021
2. Regulation 26 of the 2022 Regulations

Table 1: The triggering events TPR must be notified of

Triggering event		Date event occurs
4: Single-employer CDC schemes only	An employer or relevant former employer has an insolvency event	The date of the insolvency event
4A: Multi-employer CDC schemes only	An insolvency event occurs in relation to the scheme proprietor	The date of the insolvency event
4B: Multi-employer CDC schemes only	The scheme proprietor becomes unlikely to continue as a going concern	The earlier of: a. The date on which the scheme proprietor notifies us of the fact b. The date on which the trustees become aware of the fact
5: Single-employer CDC schemes only	An employer or relevant former employer becomes unlikely to continue as a going concern	The date the employer or relevant former employer becomes aware it is unlikely to continue as a going concern
6	A person decides that the scheme should be wound up (where the person making the decision has the power to do so under the scheme rules)	The date of the decision
7	An event occurs which is required or permitted by the scheme rules to result in the scheme winding up	The date on which the event occurs
7A: Multi-employer CDC schemes only	The scheme proprietor decides to end the relationship or arrangement with the scheme	The date of the decision
7B: Multi-employer CDC schemes only	The scheme proprietor ends the relationship or arrangement with the scheme	The earlier of: a) The date on which the scheme proprietor notifies us of the fact b) The date on which the trustees become aware of the fact

Table 1: The triggering events TPR must be notified of continued...

Triggering event		Date event occurs
8	A person decides that the scheme should become a closed scheme (where the person making the decision has the power to do so under the scheme rules)	The date of the decision
9	An event occurs which is required or permitted by the scheme rules to result in the scheme becoming a closed scheme	The date on which the event occurs
10: Multi-employer CDC schemes only	The trustees decide that the scheme is at risk of failure and need to pursue one of the continuity options	The date of the decision

Notifications to TPR about triggering events

4. If a scheme experiences a triggering event, the trustees, or the employers or former employers must notify us within seven days after the event occurs or, in some cases, after they become aware that it has occurred³. If you are unsure whether a triggering event has occurred, you should seek professional advice.
5. Some triggering events must be reported when a decision has been made⁴. Only binding decisions should be reported, not plans or proposals. A decision can be taken outside a formal meeting, and our expectation is that where clear steps have been taken regarding an event, without a formal minuted decision, a notification will need to be made.
6. Notification duties attached to the triggering events fall into two categories:
 - a. Category 1: persons more closely involved with the event must notify us within seven days starting with the date of the event itself.
 - b. Category 2: other persons must notify us within seven days starting with the date they first become aware of the event.

3. Section 31 of the Pension Schemes Act 2021

4. Section 33 of the Pension Schemes Act 2021

Table 2: Notifications attached to the triggering events TPR must be notified of

Triggering event	Category 1	Category 2	Category 2 (when not the decision-maker)
4: An employer or relevant former employer has an insolvency event (single-employer CDC schemes only)	Employer/relevant former employer	Trustees	
4A: The scheme proprietor becomes unlikely to continue as a going concern (multi-employer CDC schemes only)	Scheme proprietor	Trustees	
4B: The scheme proprietor becomes unlikely to continue as a going concern (multi-employer CDC schemes only)	Scheme proprietor	Trustees	
5: An employer or relevant former employer becomes unlikely to continue as a going concern (single-employer CDC schemes only)	Employer/relevant former employer	Trustees	
6: A person decides that the scheme should be wound up (where the person making the decision has the power to do so under the scheme rules)	Employer/relevant former employer Trustees [Scheme proprietor] Other decision-makers		Employer/relevant former employer Trustees [Scheme proprietor]
7: An event occurs which is required or permitted by the scheme rules to result in the scheme winding up	Trustees	Employer/relevant former employer	[Scheme proprietor]

Table 2: Notifications attached to the triggering events TPR must be notified of continued...

Triggering event	Category 1	Category 2	Category 2 (when not the decision-maker)
7A: The scheme proprietor decides to end the relationship or arrangement with the scheme (multi-employer CDC schemes only)	Scheme proprietor	Trustees	
7B: The scheme proprietor ends the relationship or arrangement with the scheme (multi-employer CDC schemes only)	Scheme proprietor	Trustees	
8: A person decides that the scheme should become a closed scheme (where the person making the decision has the power to do so under the scheme rules)	Employer/relevant former employer Trustees [Scheme proprietor] Other decision-makers		Employer/relevant former employer Trustees [Scheme proprietor]
9: An event occurs which is required or permitted by the scheme rules to result in the scheme becoming a closed scheme	Trustees	Employer/relevant former employer [Scheme proprietor]	
10: The trustees decide that the scheme is at risk of failure and need to pursue one of the continuity options (multi-employer CDC schemes only)	Trustees	Scheme proprietor	

7. A triggering event will also arise where there is a warning notice about a decision to withdraw a scheme's authorisation (or in some cases a determination about such a decision), or a notice from us that a scheme is not authorised. These do not have to be notified to us.

Other notifications about triggering events

8. Trustees must also notify an employer or former employer within 14 days of the event (or of the trustees becoming aware of it).
9. Trustees must report:
 - a. that the triggering event has occurred, unless the triggering event related to or was instigated by the employer or former employer
 - b. the date on which the trustees intend to or did submit the implementation strategy to us
 - c. that the implementation strategy will be made available to the employer or former employer within seven days after it has been approved by us⁵
10. An employer, former employer or other person to whom a triggering event relates or by whom it was instigated must notify the trustee of the triggering event within two days of it taking place⁶.

Implementation strategy following a triggering event

11. If a triggering event occurs, the trustees must produce an implementation strategy⁷. This is a plan for how the trustees will implement their chosen continuity option and should be a more detailed version of the higher-level plan in the continuity strategy.
12. The implementation strategy must be submitted to us for approval within 28 days of the triggering event occurring or the decision to withdraw authorisation becoming final in the case of a type 1 or type 2 triggering event⁸.

5. Regulation 25(2) and (3) of the 2022 Regulations

6. Items 6 and 8 of the triggering event table at Section 31(4) of the Pension Schemes Act 2021

7. Sections 33(3), (3A), and (4) of the Pension Schemes Act 2021 and Regulation 25(2)(b) of the 2022 Regulations

8. Section 33(9) of the Pension Schemes Act 2021 and Regulation 25(2)(c) and (3)(c)(ii) of the 2022 Regulations

Content of an implementation strategy

13. The implementation strategy must be presented in writing in an accessible format and must include the information in regulations⁹ and must¹⁰:
- a. show that the trustees have carefully considered and applied the requirements of the Pension Schemes Act 2021 and Regulations, as well as the provisions of the code
 - b. contain an analysis of the risks to members' benefits, and provide adequate mitigations
 - c. set out an appropriate and realistic timescale for dealing with the triggering event in relation to the chosen continuity option
 - d. explain why the chosen continuity option is being pursued
 - e. where the trustees have decided to pursue continuity option 2 (resolving the triggering event), set out in detail the conditions and timescales that may lead the trustees to instead pursue continuity option 1 (discharge of liabilities and winding up) or continuity option 3 (conversion to closed scheme)
 - f. where the trustees have decided to pursue continuity option 1 (discharge of liabilities and winding up), include details of the receiving scheme and any other retirement vehicle the trustees intend to transfer members to
 - g. provide details of the plan for calling on the financial reserves to cover the costs of complying with the relevant continuity option, including actuarial, legal and other service provider requirements
 - h. wherever the implementation strategy includes cost estimates, include a statement of the factors that may cause these estimates to vary, and by how much

9. Sections 39(1)(a) and 40 (6) of the Pension Schemes Act 2021, Regulation 28 of the 2022 Regulations, and Regulation 51 of the 2025 Regulations

10. Section 40 of the Pension Schemes Act 2021

Charges

14. The implementation strategy must¹¹ set out a statement of administration charges calculated using the method in regulation 27, and include:
 - a. the lower of the administration charges for the year before and the year of the triggering event, and not impose any additional administrative charges beyond those allowed for in the regulations
 - b. the reason for imposing any additional or third party charges

Reporting

15. During a triggering event period, the trustees must submit periodic reports to us. The first report is due within 14 days of notification that their implementation strategy has been approved¹².
16. We will notify the trustees of the timing for the second and subsequent reports¹³ and may ask for more information. When trustees report on the implementation of the communication plan, we will assess how they are monitoring how well members understand their options.
17. Under continuity option 2, when trustees consider that the triggering event has been resolved, they must notify us with an explanation within 14 days¹⁴.
18. Under continuity option 3, trustees will need to inform us within 28 days when they consider the preparations for closing the scheme are complete¹⁵.

11. Sections 40 (3) and (4) of the Pension Schemes Act 2021

12. Section 43(2) of the Pension Schemes Act 2021 and Regulation 32(1) of the 2022 Regulations

13. Section 43(3) of the Pension Schemes Act 2021

14. Section 37(2) of the Pension Schemes Act 2021 and Regulation 30 of the 2022 Regulations

15. Section 38(2) of the Pension Schemes Act 2021 and Regulation 31 of the 2022 Regulations



Code of practice

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