TISA

Response by TISA to: Retirement Collective Defined Contribution pension schemes consultation

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About TISA

Supporting the financial journey through life

The Investing and Saving Alliance (TISA) is committed to improving the financial wellbeing of all UK consumers by working collectively with the financial services industry to deliver solutions and champion innovation, for the benefit of people, our industry, and the nation.

We do this by working with our member firms to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

We care about the entire financial life of consumers: from their first savings account opened to ensuring people can age and retire with dignity. TISA believes that savings and investments play a significant role in the lives of people and small businesses. Consumers benefit when they put aside money for their future. Saving and investing can provide a buffer for emergencies; help people achieve big and small goals throughout their lifetime; and give people quality of life in later years.

TISA is a not-for-profit membership organisation and a trusted partner of key industry stakeholders in helping shape the future of the UK financial services and the environment in which we operate. We have approximately 270-member firms involved in the supply and distribution of savings and investment products and associated services. Our members include the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, FinTechs, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

Our work, your influence

With a focus on four key workstreams that best support the consumer and UK financial services, TISA has become a leading industry voice and ally for delivering consumer focused initiatives.

Our policy work reflects TISA's broad scope of interests and aims on meeting the needs of UK consumers, members and our industry. From improving financial education, inclusion and accessibility, right through to savings, investments and retirement planning, the work we do with our members to **influence policy** is crucial in enhancing the industry we operate in and driving positive change.

As part of our commitment to delivering focused and impactful consumer outcomes, TISA's policy working groups have been structured into **four distinct workstreams**:

1. **Consumer Protection**
   Protecting the best interests of UK consumers in their financial journeys.

2. **Consumer Access**
   Considering issues that could directly impact access to financial products.

3. **Effective Products**
   Examining key considerations and legislation relating to products across the investing and saving landscape.

4. **Corporate Responsibility**
   Exploring issues that directly impact society, the environment, and the economy.

All groups focus on both strategic and technical elements of policy/regulation. Key outputs from our workstreams can include recommendations to government and regulators on developing a financial services framework that protects and benefits UK consumers, finding solutions to operational/infrastructure challenges and developing standards of good practice on the interpretation and implementation of new regulation.

We provide a channel for firms to have their say on the policy we develop and present, contribute to our technical and regulatory interpretation work and, importantly, gain insights from other TISA members, policy makers, government and regulators.

Find out **more about TISA here:** https://www.tisa.uk.com/about-tisa/

Executive Summary

TISA welcomes the opportunity to respond to the DWP consultation - Retirement Collective Defined Contribution pension schemes.

From a technical perspective, as these schemes will not be able to accept contributions, the product name is inaccurate and may create some confusion – this needs a rethink. The consultation itself poses some very specific questions on Retirement CDC (RCDC), which can only be answered by schemes which have either already decided to offer the product or have undertaken in-depth research. Given the very early stage we are at with Guided Retirement (GR) and RCDC, most providers will not currently have taken a view on whether to offer such a product and will wait to see how the proposals progress. As such, we have provided higher-level responses to these questions.

RCDC has been positioned by some as a decumulation vehicle which will provide enhanced retirement outcomes over drawdown and lifetime annuities. Even government have highlighted how CDC could enhance retirement outcomes by up to 60%. However, this is not a guarantee and is not a helpful or balanced message to convey. A key finding from independent research undertaken by The Pensions Policy Institute and King's College London in November 2025 was that Collective Drawdown provided the best outcomes and enjoyed several other benefits over alternative CDC approaches.

For most people, retirement is an incredibly difficult area to navigate, with many not aware of the risks they are exposed to and the impact their decisions will have in later years. This is borne out in FCA Retirement Income Market Data, which shows that a significant number of pots above £10,000 are fully cashed in, the most popular regular withdrawal rate for all age groups and all pots up to £250,000 is 8% or more, single life level annuities are the most popular option and a high percentage of decisions are made without the benefit of regulated advice or guidance. Clearly, the framework needs updating to address these trends and we believe Guided Retirement (GR), if positioned correctly, can provide a valuable backstop for those who don't or can't select a decumulation option.

We do have some initiatives coming through which could move the dial on consumer engagement and understanding – notably Pension Dashboards and Targeted Support. If we can equip more individuals with the knowledge to make informed decisions, this should provide at the very least, no worse outcomes than someone being placed in a default/qualifying pension benefit solution.

RCDC is being positioned as an option that schemes should consider for their GR propositions, however it is important that they do not feel compelled to offer these in order to meet government requirements. Care should be taken to ensure that other decumulation options are given equal prominence in GR consultations and communications, with an emphasis placed on the solution being appropriate for their target market.

The welcome opportunity to allow innovation with scheme design could create a landscape of varying RCDC models. Trustees and IGCs may not be equipped with the knowledge to select the right RCDC for their membership, if they deem this is an appropriate solution. Further industry guidance will be needed.

With regards to the design of the product, it is essential that members achieve fair outcomes. Actuarial equivalence is essential i.e. to ensure cross-subsidies do not exist and one group of members is not subsidising the outcomes of others. As such, we believe that medical underwriting will be an essential element. This is particularly important given circa 40% of annuities are currently written on enhanced terms and members will be 'defaulted' into these products based on limited personal information. It is crucial that potential members are made fully aware of all of the product benefits and risks before being placed into them.

Finally, we see this operating within the GR as a retail product of sorts, with members making a decision whether or not to be placed into the default. Members of retail pension schemes are faced with the same decisions, challenges and risks when entering decumulation and as such, retail schemes should have the option to offer them. This would create consistent outcomes and help RCDC achieve the scale needed to deliver on its objectives.

Question responses

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

Given these schemes will be paying out benefits almost upon receipt of the transfers in, liquidity will clearly play an important part of the investment strategy, to ensure liabilities can be met as they fall due.

The scale likely to be achieved in these schemes will be smaller than that of multi-employer schemes which need to reach assets under management in their main scale defaults of £25 billion by 2030 (subject to pathway concessions). As such, access to certain asset classes may be harder to achieve for RCDC schemes.

As membership of these schemes is to be largely driven through GR, scheme trustees and IGCs/managers will be influencing what the investment strategy is. They will be defining target markets for their default pension benefit solutions and if they decide RCDC is appropriate for one or more membership cohorts, they will also determine what level of investment risk is appropriate for them to be exposed to.

Employers could, for example, cohort members through general state of health and if schemes operate entry based on underwriting, the outcomes would need to be reflected in the investment strategy.

As such, we would expect RCDC schemes or sections of these schemes to operate various investment strategies, influenced by the underlying membership.

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

This question is more appropriate for schemes which have already decided they will offer an RCDC scheme and researched all the associated costs and charges. Given there are large unknowns around how this market will operate and the associated regulation, most firms will not be in a position to provide a detailed response.

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

Without going into the lower-level detail of each of the plan components, it is important that RCDC business plan requirements reflect the distinct differences that exist with UMES. Notably, the lack of an accumulation section and a harder to gauge membership level will mean the associated risk of failure could be higher.

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

Again, this question is more for schemes which have already decided to go down the RCDC route.

It will be hard for providers to accurately estimate the number of transfers in they will receive, given membership will be largely determined through a GR journey. As such, it is essential the business plan and funding requirements reflect what could be a wide margin of error with this estimate.

As GR is due to be implemented before RCDC schemes come to market, there is a strong likelihood that a scale opportunity will be missed, as schemes will have already designed and implemented a Default/Qualifying Pension Benefit Solution (D/QPBS).

Either that, or schemes will have determined they will use RCDC as a default once it becomes available and only spend minimal time and resource designing and implementing a default journey and solution in the knowledge it will only be an interim measure.

Strong governance will be required from the regulators to ensure any members being placed into defaults in an interim period are not disadvantaged, due to long-term strategy overshadowing a tactical interim solution.

There could be commercial interests for Master Trust providers who offer an RCDC to make this the overriding default for most of their members. The governance framework surrounding this and GR needs to ensure that DPBS solutions are designed and can be evidenced on the basis of consumer outcomes and not commercial benefits.

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

Communications need to be clear and not misleading, ensuring members are aware of the benefits and risks they are exposed to, notably this is likely to be an irreversible decision.

There can be a fine line between what is deemed promotion, marketing and information. As the intention is for RCDC to be used by individual DC members on a self-select basis, the rules need to ensure providers are not restricted in ensuring they can deliver communications with the appropriate content and in an appropriate medium.

RCDC providers which design the schemes are best placed to write member communications, as they are in full receipt of all the risks and assumptions used in the creation of the scheme.

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

The rising prominence and advancements in AI mean that this may be relied upon in a GR journey, with decisions almost taken out of members hands. Given the nature of RCDC and its clear inappropriateness for certain groups, we need to ensure that members are given watertight support throughout the journey, so that there is no consumer detriment and no unintended consequences or unexpected outcomes.

Where a Master Trust operates an RCDC, the governance framework needs to guard against RCDC being used as a DPBS for commercial reasons.

Schemes not operating RCDC but wanting to use one will need to make a careful selection of which is appropriate for their members. The opportunity for scheme innovation is welcome but does have the unintended consequence of meaning there could be various different RCDC models operating. E.g. one may offer medical underwriting whilst others will not. Trustees and IGCs will need to be equipped with the knowledge to make informed decisions when it comes to selection of an appropriate RCDC. Choosing a scheme which does not offer underwriting for members which have slightly lower life expectancy than average for instance, would be a bad outcome for defaulted members of that DPBS.

Some of the unintended consequences can be mitigated through appropriate safeguards contained within GR regulations. Default options should not be featured more prominently than other decumulation options and all communications should be clear and not misleading.

RCDC and GR needs to be considered together and collaboratively between FCA, TPR and DWP. There needs to be a single set of outcomes that should be achieved, with an aligned regime and reporting requirements.

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

We see no reason why RCDC should not be an option available to retail investors in the same way it will be for members of workplace schemes. Whilst the product and risks are more complicated to understand, a GR journey should require the member to make a decision as to whether to be defaulted into it (by making no active choice) or opting out and selecting another option. In other words, it is a personal choice and in that sense, RCDC is a retail product. Advisers may well consider this as an option for their clients if given the choice.

Opening RCDC to retail providers levels up opportunities for all members and increases the likelihood of scale being achieved. And members who have entered RCDC through GR may also wish to consolidate other retail pensions, by transferring them into the RCDC scheme.

For workplace pensions, the IGC has a role to play in ensuring that RCDC is an appropriate QDPBS and which provider is appropriate for their members. The same challenges which apply to trustees who don't offer RCDC will apply to IGCs. We are also unsure if it would be possible to transfer a member from a GPP to an RCDC on technically a non-consent basis?

Communications would need to adhere to Consumer Duty requirements and be clear and not misleading, clearly outlining potential risks and benefits. Like any other decumulation option, the journey needs to be robust and ensure members are aware of what they are entering. Targeted Support could play a key role here.

We are unsure what protections will RCDC have. An annuity for instance is protected by FSCS up to 100%.

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

Actuarial equivalence is crucial to ensure fair treatment for members. Existing RCDC members may make active decisions to transfer other pension entitlements in. Control over the terms new members receive need to be considered, as this could influence decisions and impact on fairness across the membership more generally. To ensure members do not subsidise others unfairly, we believe this would necessitate the need for underwriting. It would be wholly unfair for members with reduced life expectancy being placed into an RCDC through a GR journey and subsidising the pensions of more healthy members. Given health is often linked to wealth, you could have the less wealthy subsidising the wealthier in RCDC schemes, which would be a perverse outcome.

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

The RCDC provider will be in receipt of all the necessary information to produce quotations and ensure they are accurate. The actuaries design the scheme so design the quote calculations.

Given RCDC bears a remarkable resemblance to variable annuities, we could leverage the mechanisms which are already in place.

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

Legislation already requires CDC schemes to ensure members with different benefits are placed in separate sections and this will be replicated for UMES. We do not see any mention of RCDC operating with different sections other than this being proposed through a cohorting approach.

RCDC will create different outcomes for members based on certain characteristics. Any approach taken to create fairness must operate this principle across the entire membership.

Presumably if underwriting is operated, you would need different cohort groups and investment strategies based on the u/w outcomes.

We remain unclear exactly how RCDC will be structured to accommodate trustees and IGCs who have different target markets and levels of risk they want their memberships exposed to. Can this aspect be explained in more detail.

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

No response to this question.

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

The communications need to be clear and not misleading, ensuring members are fully aware of the benefits and risks they are exposed to. We note one line in the consultation refers to schemes potentially allowing transfers out. We do not envisage many schemes offering this option, however it is crucial members are made aware whether or not this exists before entering the scheme.

The way that RCDC is promoted to employers and trustees will also be extremely important. At present, the advice given to these groups is not regulated in the same way as advice given to retail customers. This needs to be considered to ensure that conflicts of interest and other unwelcome consequences do not occur.

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

The RCDC provider will be in receipt of all the necessary information to produce quotations and communication ensuring they are factually accurate. We therefore believe responsibility for the content and quality of the communications rests with the RCDC provider, even where the DC scheme trustees may have responsibility for the delivery of them.

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

Given RCDC bears a remarkable resemblance to variable annuities, we could leverage the mechanisms which are already in place.

We have no comment on costs.

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

N/A

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

As previously mentioned, we see no reason why RCDC is not an option available to retail providers. Members are still faced with retirement options and are exposed to the same risks that exist in workplace. Not having this option available risks skewing the market and creating inconsistent retirement outcomes for DC scheme members.

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

Given the distinct difference between RCDC and Master Trusts, we should avoid complicating matters by layering additional requirements into the existing framework to cater for RCDC. They should have their own authorisation and supervisory frameworks to reflect the differences and avoid complexity and confusion.

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

No