Housing briefing, May 2025
CDC pensions are on their way

Collective Defined Contribution (CDC) schemes are back in the news. TPT Retirement Solutions has announced its intention to set up a multi-employer CDC scheme. This follows the Government's plans to legislate for multi-employer CDC schemes later this year. In this briefing, we discuss what this may mean for housing associations.

Up to now, CDC has only been available to single employers. TPT – provider of the Social Housing Pension Scheme (SHPS) and other pension arrangements for not-for-profits – hopes to gain authorisation from The Pensions Regulator (TPR) for its new CDC scheme by the end of 2026. This would make a potential launch possible as early as 2027.

Other pension providers may also enter the multi-employer CDC space following this regulatory change.

Why is this exciting?

People need to be able to plan ahead, with a reasonable idea of the income they'll have in retirement without having to worry about how long they'll live.

There is far too little pension provision in the private sector. The number of people earning benefits in a Defined Benefit (DB) scheme has gone down from a high of around 6m to fewer than 1m today. This is against a total of around 27m private sector workers. While the majority of them are saving into a Defined Contribution (DC) pot, for most this is unlikely to generate the income needed in retirement, and DC outcomes are inherently uncertain.

There is clearly a substantial unmet need for more pension provision to support people throughout their retirement.

CDC is exciting because it's a new, easy to manage facility for providing a pension for life – rather than a *savings pot* – in the private sector.

What is CDC and is it any good?

A CDC scheme is set up on a DC basis for both the employer and the member. This means that the employer isn't taking on any future funding risk by contributing to a CDC scheme.

A CDC scheme provides a pension, not a *savings pot*, so members can retire with confidence on a reliable income which is payable for life.

CDC investments are pooled collectively – they are not divided into individual pots. They can therefore be invested for a good, long-term return, even while some of the members are in retirement.

This scope for long-term, rewarding investment means that CDC is expected to provide a better pension for most CDC members than those with a DC pot spent on an annuity, even with the same contribution history.

How are the benefits decided?

An actuarial valuation of the CDC scheme is used to decide the benefits that can be afforded from the assets and fixed contributions. Every year, members receive a benefit statement so they can see how their pension is building up.

The main way of keeping the cost of benefits in line with the value of assets (i.e. avoiding a funding deficit) is by varying the annual rate of pension increase (or decrease). A small change in the annual rate of increase, repeated each year over the lifetime of the members, adds up to a significant change to the value of benefits. This is how the value of benefits can be kept in line with the value of assets.

Benefits are not guaranteed. Sometimes increases will be higher than inflation, sometimes lower than inflation, and there may even be a decrease.

© First Actuarial LLP 2025 all rights reserved.

The information contained in this bulletin is, to the best of our knowledge and belief, correct at the time of writing. However, First Actuarial cannot be held liable for any errors contained herein and the recipient accepts that the information stated is provided on an "as is" basis. This briefing is for general information only. It does not and is not intended to constitute advice. Specific advice should always be sought from the appropriate professional on all individual cases.

First Actuarial LLP is a limited liability partnership registered in England & Wales. Number OC348086. Registered address: First Actuarial LLP, Mayesbrook House, Lawnswood Business Park, Leeds, LS16 6QY. First Actuarial LLP is not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of insurance and investment services to clients because we are licensed by the Institute and Faculty of Actuaries. We can provide these services if they are an incidental part of the professional services we have been engaged to provide.

As multi-employer CDC schemes are not yet available, what can we do now?

If your organisation is large enough, you may be able to start to set up your own CDC scheme now. However, by being one of the early adopters, your set-up costs are likely to be higher. As a rough guideline, this route is generally only viable for employers with more than 5,000 employees.

For smaller employers, while launching a bespoke CDC scheme may not be practical at this stage, it's still worth keeping CDC in mind as part of your longer-term pension strategy. This is particularly important given the expected arrival of multi-employer CDC schemes in the coming years.

Once CDC is available, CDC can be put on your options list when reviewing your DC provider, as an alternative form of DC retirement provision, one that provides a pension, not a savings pot.

CDC can also provide a pension alternative to a DB scheme. If you have employees in a DB scheme and are looking for an alternative pension arrangement which carries no risk for the employer, you can add CDC as an option.

Get in touch with our experts

From the beginning, First Actuarial have been thought leaders in the development of CDC. We have worked with Royal Mail and CWU, the Department for Work and Pensions and TPR to develop CDC.

We offer a complimentary training session to any organisation interested in what CDC can offer. We'll take you through the basics and give you ample opportunity to discuss how it could work for your organisation.

Book a CDC training session

First Actuarial provides independent advice to more housing associations than any other firm.

To discuss the contents of this briefing, contact any member of our nationwide social housing team.