PENSIONS POLICY INSTITUTE

PPI

# The DC Future Book 2026

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We believe that better information and understanding will lead to better policy framework and better provision of retirement for all

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**www.pensionspolicyinstitute.org.uk**

**OR CONTACT:**

**Danielle Elliott**

Head of External Relations

**danielle@pensionspolicyinstitute.org.uk**

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# This report is authored by:

**Shantel Okello**
Policy Researcher

**John Adams**
Senior Policy Analyst


## A research report by the UK's leading independent authority on pensions and retirement policy

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**www.pensionspolicyinstitute.org.uk**

**e: info@pensionspolicyinstitute.org.uk**

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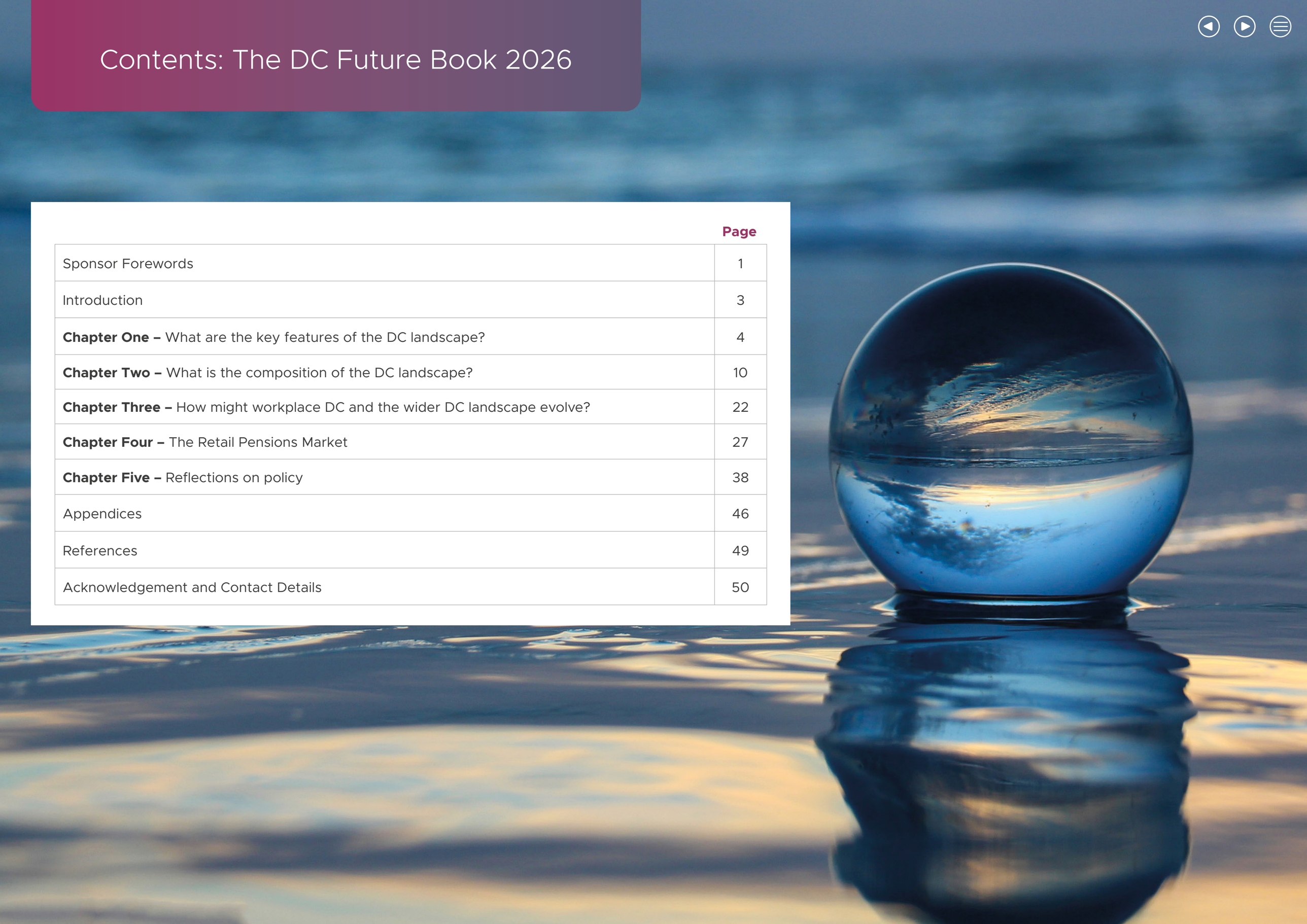


# The DC Future Book 2026: Foreword

The UK is rapidly becoming one of the world's most significant Defined Contribution pension markets with automatic enrolment significantly improving pension participation. Yet the real test of success is no longer how many people are saving, but whether those savings will deliver the retirement outcomes people need.

The growth of DC over the past decade represents one of the most important shifts in retirement provision in a generation. More people are saving for retirement than ever before, participation has become embedded across the workforce, and defined contribution pensions now sit at the heart of the UK's retirement system.

But participation and outcomes are not the same thing. While assets continue to grow and more people are saving than ever before, many savers remain on a path that may not deliver the retirement they expect. Contribution rates remain relatively low for large parts of the population, pension pots are often modest, and individuals are increasingly required to make complex financial decisions throughout their working lives and into retirement. The industry's success can no longer be measured solely by participation rates or assets under management, but instead, we should consider whether people are building sufficient financial resilience to support a secure retirement.

This is why the Pensions Policy Institute's DC Future Book 2026 remains such an important publication. At State Street Investment Management, we are proud to support research that brings together robust evidence, long-term thinking and objective analysis. At a time of significant demographic, technological and regulatory change, the ability to understand emerging trends and their implications has never been more important.

One of the most striking themes running through this year's edition is the growing interconnectedness of the pensions system. The traditional distinction between workplace and retail pensions is becoming increasingly blurred as savers move jobs, accumulate deferred pots, consolidate assets and consider a wider range of retirement income options. For many people, the pension journey is no longer a single path within one scheme. It is a series of connected decisions spanning saving, consolidation, retirement planning and decumulation.

This evolution brings significant opportunities as well as challenges. Today's savers have access to more flexibility and innovation than previous generations. However, greater choice does not automatically lead to better outcomes. As retirement journeys become more complex, the quality of support and nudges available at key moments becomes increasingly important. The role of innovation should not simply be to offer more options, but to help people make better decisions with greater confidence.

We've seen the recent policy agenda reflecting this shift with initiatives such as Value for Money assessments, pensions dashboards, small-pot consolidation, targeted support and Guided Retirement. These all seek to address different aspects of the same challenge: helping the pensions system work more effectively for the people who rely upon it. Together, they signal an important evolution in policy thinking, from expanding participation towards improving long-term outcomes. Their success will ultimately depend not only on policy design, but on how effectively the industry works together to translate reform into meaningful benefits for savers.

We are delighted to support the PPI's important work and hope that The DC Future Book 2026 contributes to informed debate across the pensions industry.

**Olivia Kennedy**

Head of European Institutional Strategy

State Street Investment Management

The DC Future Book produced each year by the PPI has become essential reading for those in our industry and many of the stakeholders with whom we interact.

A publication which allows industry experts to quickly get up to speed on the latest trends and developments, and for those who are new to the industry needing a crash course, to locate the essentials in one place.

This year's publication could be the most important to date. The publication comes at a time when the Pensions Commission is considering the UK's pensions and retirement ecosystem, with a view to making recommendations which if implemented will set the direction of travel for the second half of the century. Questions of adequacy, coverage, fairness and of course the whole subject of decumulation.

Whilst we await the conclusions of the Pensions Commission, we have a busy 'Roadmap' of legislative activity to be getting on with, alongside an equally busy and complex programme of regulatory activity from the FCA to keep us busy through to 2030.

This year, the PPI have focused their deep dive on the retail pensions market. It's an important market from a public policy perspective. Whilst the majority of DC savers are saving for retirement through workplace arrangements, the majority of assets reside in retail arrangements.

It's likely that the interaction between the retail and workplace sectors across our industry will increase, and a reference document which helps each side understand the other is timely.

I'd just like to finish by thanking everyone at the PPI for their diligent work on this report and also those stakeholders who provided input. I hope that readers will find this both timely and informative.

**Graeme Bold**

Managing Director, Pensions & Investments

Scottish Widows

# Key Findings

## The DC landscape at a glance

**Participation**
**90%**
of ellegible UK employees belong to a workplace pension in 2025

**Saving levels**
**48%**
of employees earning £10,000–£20,000 saved at the AE minimum

**Deferred pots**
**21.3m**
deferred memberships in non–micro occupational DC and hybrid schemes in 2025

**Pot sizen**
**£15,400**
median DC pension pot in 2025

**Retail accumulation**
**4.7m**
UK adults reported a non–workplace DC pension in accumulation in May 2024

**Retirement decisions**
**44%**
of new drawdown contracts were purchased without advice in 2025

- **In 2025, 90% of employees eligible for automatic enrolment in Great Britain were saving into a workplace pension**
  This is equivalent to 22.6 million employees.
- **Deferred DC memberships substantially outnumber active memberships.**
  In 2025, non-micro-occupational DC and hybrid schemes had 21.3 million deferred memberships compared with 11.4 million active memberships. Deferred memberships represented 65% of the total.[1]
- **A range of measures highlight the significant scale and breadth of the retail pensions market.**
  FCA data show around £567 billion of assets under administration in SIPPs in 2024. Separately, almost £1.3 trillion was administered across the wider contract-based DC market, which includes both workplace and individual pensions. Neither measure represents the whole retail pensions market.
- **DC saving encompasses both workplace and retail pensions, highlighting the interconnected nature of the market.**
  Job changes may create deferred pots, while transfers, consolidation, additional saving and retirement choices can connect workplace schemes with personal pensions, SIPPs and retail drawdown.

[1] Deferred memberships are memberships relating to members who are no longer actively contributing to a scheme but retain pension rights within it. Non-micro-occupational schemes are schemes with 12 or more members. Membership figures count pension memberships rather than individuals, as one person may have memberships in more than one scheme.

- **Lower earners are much more likely to save at minimum levels.**
  48% of employees earning £10,000 to £20,000 contribute at the AE minimum, compared with 12% of those earning £60,000–£70,000.
- **Individual DC pots remain relatively modest.**
  The median pot in DC schemes was £15,400 in 2025, despite the substantial aggregate assets held across the DC system.
- **Non-advised drawdown has become much more common.**
  44% of new drawdown contracts were purchased without advice in 2025, compared with 10% in 2014. Over the same period, the independently advised proportion fell from 81% to 43%.
- **PPI modelling projects a gradual increase in active workplace DC savers.**
  The number is projected to rise from around 14.0 million in 2026 to around 14.9 million in 2046, while the number in master trusts increases from around 9.3 million to 10.6 million.
- **Savers aged 45 to 54 in 2026 have a projected median DC pot of around £63,000 by age 67**, the current State Pension age. This is below the modelled medians for those aged 55 to 64, at £70,000, and 35 to 44, at £74,000.
- **PPI modelling projects substantial growth in aggregate DC assets.**
  Assets increase from around £1.3 trillion in 2025 to a median of around £2.2 trillion in 2046. End-period estimates range from around £2.0 trillion on the lower modelled path to around £3.7 trillion on the upper path. All amounts are in 2026 earnings terms.
- **Around 4.7 million UK adults, or 9%, reported holding a non-workplace DC pension pot in accumulation in May 2024.**
  Retail pensions nevertheless span different products, providers and routes to market, so neither customer numbers nor assets can be captured reliably through a single dataset.
- **Convenience was much more commonly considered than other consequences when consolidating.**
  Among recent savers who consolidated their pensions, 78% cited keeping pensions together or easier access, while 32% considered charges, 21% investment choice, and 7% the possible loss of guarantees or safeguarded benefits.
- **Retail pension propositions differ in both how they are structured and how consumers access them.**
  Pensions may be stand-alone or provided through platforms that can also hold other investments. Consumers may access them through regulated advice, a direct-to-consumer platform, or directly from a provider. In advised propositions, advice and product or platform services may be provided within the same corporate group or by separate firms.

# Introduction

This report is the twelfth edition of the Pensions Policy Institute's (PPI) The DC Future Book, setting out available data and analysis on the Defined Contribution (DC) landscape. Demographic and policy changes indicate that, compared to previous generations of pensioners, current and future retirees can expect to:

- **Live longer on average**
- **Receive their State Pension later**
- **Be more likely to reach retirement with DC savings forming an important part of their pension provision, and with less DB entitlement than many earlier cohorts**
- **Face a wider range of choices about how to access and use their DC savings, alongside developing policy reforms intended to help savers navigate these choices**

These changes increase the complexity of decisions savers must navigate and action at, and during, retirement. Given the potential risks involved for those retiring with DC savings, and the growth and increasing interconnectedness of workplace and individually selected DC pensions through the retail market, it is important that a comprehensive synthesis of DC research, statistics, and longitudinal data is available to support observation and analysis of developing trends.

**Chapter One – What are the key features of the DC landscape?**

**Explains the foundations of the UK pension system and the key features of DC provision, including the relationship between workplace and retail pensions, deferred pots, retirement decisions, and the main risks and reforms shaping saver outcomes.**

**Chapter Two – What is the composition of the DC landscape?**

**Provides an evidence-led picture of the current DC landscape, covering workplace and retail accumulation, participation and contribution levels, scheme and investment trends, and how DC savings are accessed and supported in retirement.**

**Chapter Three – How might workplace DC and the wider DC landscape evolve?**

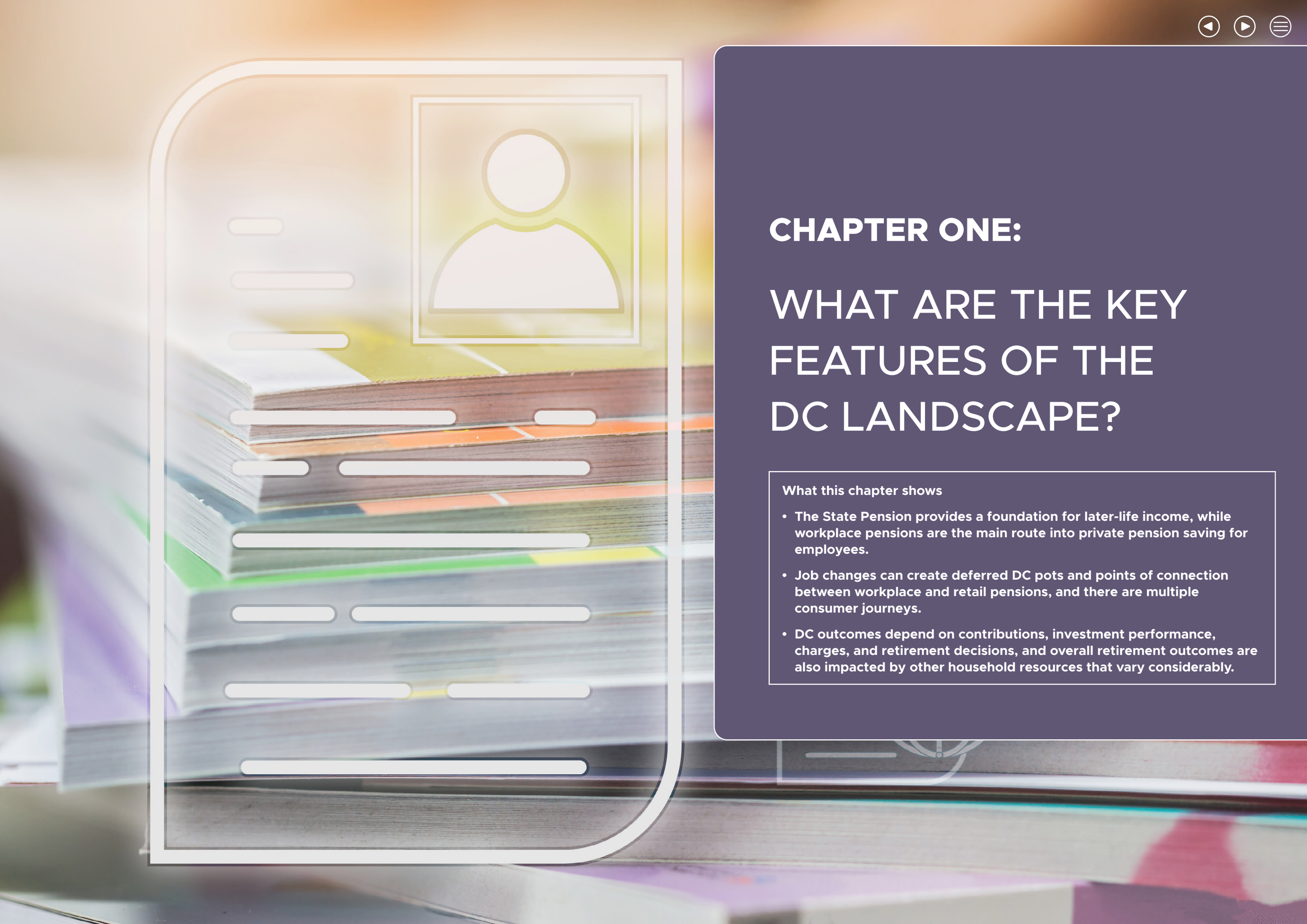
**Uses PPI modelling to illustrate how workplace DC membership, individual pot outcomes and aggregate assets could develop, alongside wider policy changes that may affect the DC system.**

**Chapter Four – The Retail Pensions Market**

**Examines the retail pensions market, including its products, distribution routes, charges, transfers, retirement services and innovation, and how it connects with workplace DC.**

**Chapter Five – Reflections on policy**

**Brings together invited reflections from external contributors on how the DC landscape may evolve and the policy questions this raises.**



## CHAPTER ONE:

# WHAT ARE THE KEY FEATURES OF THE DC LANDSCAPE?

**What this chapter shows**

- **The State Pension provides a foundation for later-life income, while workplace pensions are the main route into private pension saving for employees.**
- **Job changes can create deferred DC pots and points of connection between workplace and retail pensions, and there are multiple consumer journeys.**
- **DC outcomes depend on contributions, investment performance, charges, and retirement decisions, and overall retirement outcomes are also impacted by other household resources that vary considerably.**

## The State Pension provides a foundation, while workplace pensions are the main route into private pension saving for employees

The UK pension system combines State provision with private pensions held through workplace and retail arrangements. Retail products may be accessed directly, through an adviser or digital service, or through interactions with workplace provision. The State Pension provides a foundation for later-life income, supplemented for some individuals on low incomes by Pension Credit. For employees, private pension saving is now most commonly encountered through a workplace pension, particularly following the introduction of AE.

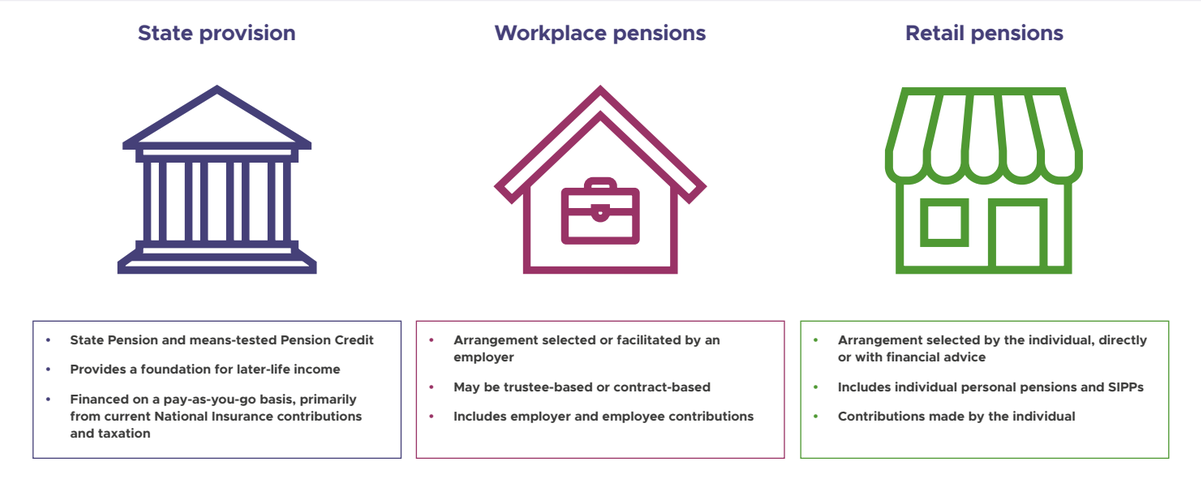
There is no single pension journey. Many employees may first begin building private pension savings through a workplace scheme, commonly through AE. If they change jobs, contributions to an earlier scheme may stop and the pension may become deferred. Some savers leave those savings where they are, while others may later transfer them to another workplace scheme or consolidate them into an individually selected personal pension or SIPP. Some savers also save through retail pensions outside or alongside workplace provision, including some of those who are self-employed or otherwise outside AE.

At retirement, decisions may involve one or more workplace or retail DC pensions alongside the State Pension, DB entitlements and other household resources. Housing, ISAs and other savings may also form part of the resources available to some households, although access to these assets varies considerably.

Retail pensions are therefore important to the wider DC system without being a universal destination for workplace savings. They can provide a route for independent saving, consolidation and retirement, and may connect different stages of an individual's pension journey. This edition includes The DC Future Book's first thematic deep dive into the retail pensions market. Retail pensions are less consistently evidenced than workplace DC pensions, with no single dataset capturing the market's full size, structure or consumer journeys. Chapter 4 therefore provides a baseline for understanding the market and its relationship with workplace DC.

This chapter provides the wider context for the remainder of the report. It explains the main types of pension saving, the expansion of DC provision, the growth of deferred memberships and the risks and reforms that shape decisions. Chapter 2 describes the current DC landscape in detail, Chapter 3 considers how it may evolve, and Chapter 4 examines retail pensions, including products, providers, platforms, advisers, charges and investment developments.[2]

**Figure 1.1**




[2] For a fuller explanation of the State Pension, workplace and individual pensions, tax treatment and the wider UK pension system, see The UK Pensions Primer.
[3] TPR (2026a)

### DC is now the main route into private pension saving for most employees

Private pensions differ in what they promise and in how uncertainty is shared. The three main forms are DB, DC, and Collective Defined Contribution (CDC) (Figure 1.2). CDC remains at an early stage: TPR's 2025 data included one authorised CDC scheme.[3]

**Figure 1.2 Pension type determines how benefits are calculated and where uncertainty falls[4]**

| Type | What does it provide? | Where is it found? | Where is there uncertainty? |
|---|---|---|---|
| **DB** | An income, usually paid for life, calculated under scheme rules, commonly using salary and length of service. Employees may be required to contribute towards building up these benefits, alongside contributions from the employer. | Predominantly workplace provision; still widespread in the public sector, and present in private-sector legacy schemes. | Trustees manage schemes and the sponsoring employers bear most funding, investment and longevity uncertainty, subject to scheme and insolvency protections. |
| **DC** | An individual pot built from contributions and investment returns after charges. The amount of retirement income is not guaranteed. | Workplace occupational schemes, workplace personal pensions and individually arranged personal pensions and SIPPs. | The individual bears more uncertainty about contributions, investment performance, inflation, longevity and how savings are used. |
| **CDC** | A target benefit supported by pooled contributions and investments; benefits can be adjusted and are not guaranteed. | Currently limited workplace provision; future retirement-only models are under development. | Risk is shared collectively across members rather than attached only to an individual pot, but target benefits can change. |

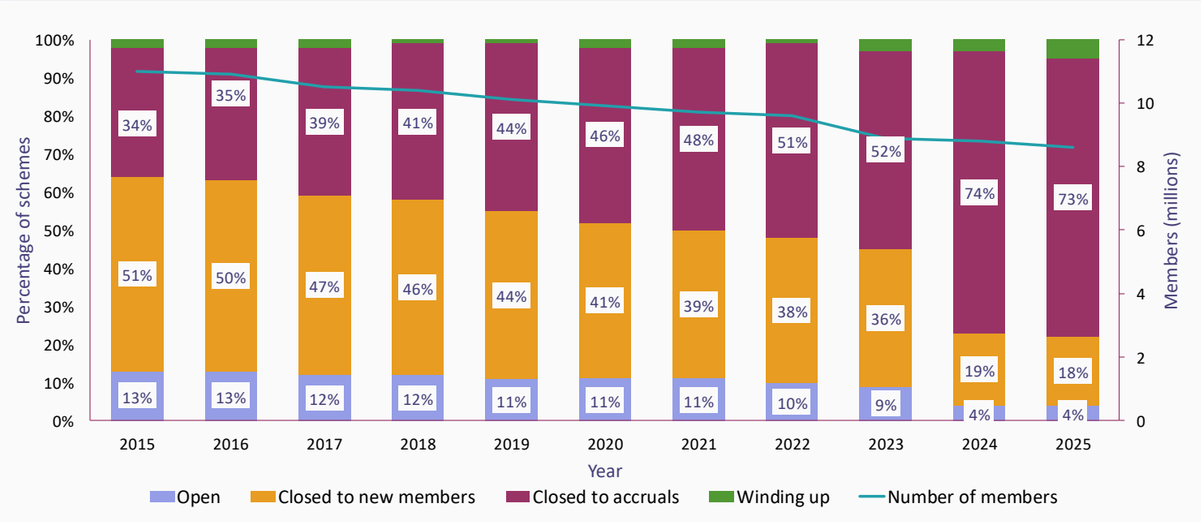
DB pensions remain important to some individuals' retirement incomes even though most private-sector schemes no longer admit new members because they have closed (see Figure 1.3 below). The Purple Book 2025 covered 8.6 million memberships in Pension Protection Fund (PPF)-eligible DB schemes at 31 March 2025.[5] 8% were active memberships and 4% of schemes were open to new members. These are memberships rather than unique individuals, but they show that accrued DB rights will remain part of the system for decades.[6]

[4] PPI synthesis drawing on ONS (2026), TPR (2026a), PPF (2025) and DWP (2026b). The allocation of risk is simplified; members, employers, trustees, providers and public protection arrangements can each retain some risks.
[5] PPF-eligible schemes are private-sector occupational DB schemes, and the DB elements of hybrid schemes, that qualify for PPF protection. The PPF may pay compensation if a sponsoring employer becomes insolvent and the scheme lacks sufficient assets to provide benefits at PPF compensation levels. Some schemes, including most public-sector schemes, are excluded. See PPF, Purple Book.
[6] PPF (2025)

Figure 1.3

## In 2025, there were 8.6m members of private sector DB schemes, with only 4% of schemes remaining fully open

**Scheme status and number of members in private sector DB 2015-2025**




### AE has increased participation, but contribution adequacy remains under review

For current employees, the expansion of workplace saving has been driven by AE. Since 2012, employers have had to enrol eligible workers into a qualifying workplace pension and contribute unless the worker opts out. Among employees eligible for AE in Great Britain, the DWP estimated that 90%, or 22.6 million eligible employees were saving in 2025. Participation has stabilised after the large increase during the roll-out of AE.[7, 8]

In 2026/27, AE applies from age 22 to State Pension age for workers earning more than £10,000 a year from a single employer. The statutory minimum contribution is 8%, including at least 3% from the employer. Under the standard qualifying-earnings approach, however, this rate applies only to earnings between £6,240 and £50,270 rather than total pay.

The effective contribution rate can therefore be below 8% of total earnings. For someone earning just above £10,000, minimum contributions are equivalent to just over 3% of total earnings, rising to around 7% at the upper earnings threshold.[9] Schemes may use other qualifying bases.

In 2024, around one in three private-sector DC savers received total contributions at the standard AE minimum of 8% of qualifying earnings. For a saver earning £37,000, the median total contribution was around £3,090 a year, £630 above the AE minimum, with most of this additional contribution coming from the employer.[10] The statutory minimum is an enrolment and contribution floor, not a measure of whether an individual's eventual retirement income will be adequate.

The second Pensions Commission is reviewing the adequacy, fairness and sustainability of retirement incomes, including whether current AE contribution levels are sufficient. Its recommendations may therefore lead to further changes to the AE framework.[11]

[7] ONS (2026)
[8] DWP (2025b)
[9] Khambhaita, P. et al. (PPI) (2026)
[10] Second Pensions Commission (2026)

### Workplace and retail DC pensions differ in who selects the arrangement and where decisions sit

Workplace and retail DC pensions form connected parts of the wider DC system, but responsibility for selecting the arrangement is different. In workplace DC, the employer selects or facilitates the pension scheme, while trustees or the provider establish its governance and default investment strategy. In the retail market, consumers may access a pension directly, through regulated financial advice or through digital/robo-advice services, although the level of investment choice and support differs considerably between propositions.

### For this report, retail pensions are pensions selected by an individual outside an employer relationship

They include individual personal pensions and SIPPs and may be accessed through regulated financial advice, a direct-to-consumer platform, or directly from a pension provider. Some retail pensions operate as stand-alone arrangements, while others are administered through platforms that may also hold ISAs or other investments.[12] Some advised propositions bring pensions and other investments together on a platform, although this is not a universal feature of advice and may not be appropriate in every case.[13] Chapter 4 examines these distinctions in detail.

**Figure 1.4 Workplace and retail DC pensions: how they differ and interact**

| | Workplace DC pension | Retail pension |
|---|---|---|
| **What is it?** | A pension provided or facilitated through an employer. | For this report, a pension selected by an individual outside an employer relationship. The FCA generally refers to these as non-workplace pensions. |
| **Examples** | Occupational DC schemes, including master trusts and single-employer schemes, and group personal pensions. | Individual personal pensions, stakeholder pensions and SIPPs. Retail services may also provide pension consolidation and drawdown. |
| **How is it accessed?** | Through employment, including AE. | Through regulated financial advice, a direct-to-consumer platform or directly from a pension provider. |
| **Who selects the arrangement?** | The employer selects or facilitates the scheme. | The individual selects the pension independently or following regulated advice. |
| **Who selects the investments?** | Trustees or the provider design the default strategy. Members can usually choose alternatives, but most remain in the default. | The individual or their adviser may select the investments. Some products also offer managed portfolios or ready-made investment options. |
| **How do the markets interact?** | A workplace pot may remain in the scheme after someone changes job or may later be transferred to another arrangement. | Savers may use retail pensions to save outside or alongside workplace provision, consolidate deferred pots or access savings in retirement. |

### Deferred DC pots create important points of connection between workplace and retail pensions

When an employee changes job, contributions to the former employer's scheme usually stop and the pension becomes deferred while remaining invested. The individual may leave the pot where it is, transfer it to a later workplace scheme or move it to an individually selected personal pension or SIPP.

Consolidation is the process of bringing two or more pension pots together. It can simplify administration and make pensions easier to monitor. However, a transfer may also change charges, investment options, guarantees, protections and retirement services. Whether consolidation is beneficial therefore depends on the arrangements being compared and the individual's circumstances.

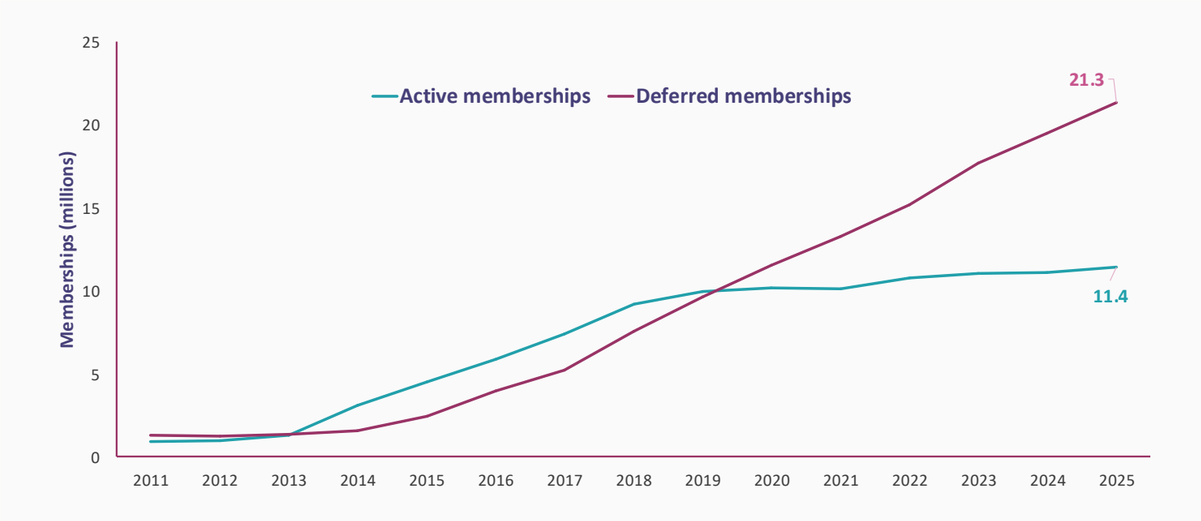
[11] Second Pensions Commission (2026). The second Pensions Commission is examining the long-term adequacy, fairness and sustainability of the pension system and is expected to make its final recommendations in spring 2027.
[12] FCA (2019)
[13] FCA (2019)

The growth of deferred memberships makes these decisions increasingly relevant. TPR recorded 21.3 million deferred memberships and 11.4 million active memberships in non-micro occupational DC and hybrid schemes in 2025. Deferred memberships first exceeded active memberships in this series in 2020 and represented 65% of the 2025 total.[14]

**Figure 1.5**

## Deferred occupational DC memberships have outnumbered active memberships since 2020

**PPI analysis of TPR (2026), Occupational defined contribution landscape 2025**



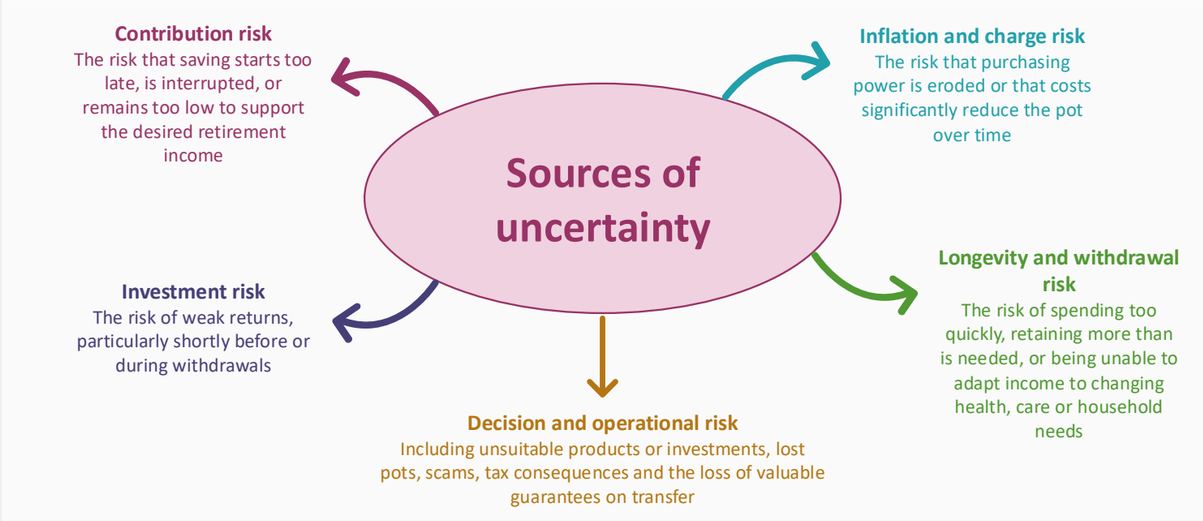

Retail pensions can therefore connect with workplace saving at several points without being the destination for every deferred pot. They can receive transfers from former workplace schemes, accept contributions made outside employment and provide investment or retirement services selected by the individual. Conversely, some savers may transfer an older pension into a later workplace scheme.

At retirement, the options available differ between workplace schemes. Some provide in-scheme drawdown or other retirement options. Where a preferred option is unavailable, a member may be able to transfer to another pension arrangement, although published data do not clearly establish how frequently this occurs. Chapter 4 examines these routes and the organisations involved in greater detail.

### DC outcomes depend on decisions and risks across a long retirement

DC pension contributions become an invested pot. Its value depends on how much and how long the individual and employer contribute, investment returns, charges and the timing of market movements. The retirement income it can support then depends on when and how the pot is accessed and how long it needs to last. Unlike DB pensions, DC savings do not generally promise a specified income for life.

**Figure 1.6 The main sources of uncertainty**




These risks do not affect everyone equally. Their effect depends on earnings, contribution history, pot size, household composition and the other resources available. These may include the State Pension, DB rights, housing, ISAs and other pension and non-pension savings. A small DC pot can still be important to a low-income household, while someone relying more heavily on DC may need to manage investment and withdrawal decisions over many years.

Since pension freedoms took effect in April 2015, individuals accessing DC savings from the normal minimum pension age have generally had greater choice over how to use them. Options include cash withdrawals, an annuity, drawdown (where the balance remains invested while withdrawals are made), or a combination.

Not every scheme or provider offers every option, so accessing a particular option may require a transfer. Greater flexibility can allow retirement income to be adapted to individual circumstances, but it can also turn retirement into a series of decisions involving investment, tax, withdrawals and longevity rather than a single conversion of pension savings into income.

### Workplace and retail pensions involve different balances of governance, choice, and support

Workplace and retail pensions should not be understood as risk-free and risky alternatives. Both involve uncertainty, but they differ in how governance, choice and responsibility are distributed between members, employers, trustees, providers and advisers.

During accumulation, workplace default investment strategies, trustee or provider governance and charge protections can reduce the number of decisions members need to make, although they cannot ensure adequate contributions or outcomes.

Support at retirement is also set to change. Under the forthcoming Guided Retirement framework, workplace schemes will be required to make available one or more default pension benefit solutions, while members will retain the right to choose another option.

Retail pensions may provide wider investment choice, regulated advice, consolidation or additional retirement services. Digital tools are increasingly available in both markets, but consumers or their advisers generally have a more direct role in selecting and reviewing retail products, investments, charges and withdrawals. The significance of these differences depends on the individual's needs, the services provided and the decisions being made.

[14] TPR (2026a). The figures count scheme memberships rather than unique members, exclude micro schemes and do not cover contract-based workplace or retail pensions, so they should not be read as a count of individuals or of all DC pots.

### Several reforms may reshape the connections between workplace and retail pensions

A series of separate policy and regulatory changes is underway. Although they do not all arise from the Pension Schemes Act 2026, together they may affect how savers find and consolidate pension pots, receive support and access retirement income.

The Pension Schemes Act 2026 establishes frameworks for a Value for Money regime across trust- and contract-based workplace DC pensions, automatic consolidation of small dormant pots, scale requirements for multi-employer workplace schemes and Guided Retirement. The Government's July 2026 publication, Workplace pensions: an updated roadmap, sets out the phased implementation of these reforms through 2030 and beyond. It anticipates the first Value for Money assessments in 2028, Guided Retirement compliance beginning in 2029, and small-pot consolidation and the scale requirements beginning in 2030. Much of the detail remains subject to regulations, regulator rules and operational development, so the effects on competition, transfers and consumer outcomes are not yet established.[15, 16]

Separate initiatives may also influence how savers interact with workplace and retail pensions. Pensions dashboards are intended to enable savers to view information about multiple pensions in one place, with all providers and schemes in scope required to connect by 31 October 2026. Connection does not mean that dashboards are publicly available, and no consumer launch date had been announced by the publication date of this report.[17]

The FCA's targeted-support regime, introduced on 6 April 2026, enables authorised firms to make suggestions designed for groups of consumers with common characteristics, rather than providing a personal recommendation. Dashboards and targeted support may respectively make pensions easier to find and expand the support available from providers and platforms, but their effects were not yet observable.[18]

The second Pensions Commission provides the wider context for possible further reform. Its May 2026 interim report identified under-saving, gaps in pension participation and the management of savings during retirement as important challenges. Its final report, planned for spring 2027, will make recommendations for a pension system that is adequate, fair and sustainable.[19]

[15] DWP (2026a)
[16] DWP (2026b)
[17] Pensions Dashboard Programme (2026)
[18] FCA (2025e, updated 2026)
[19] DWP (2025a)

# Conclusions

**The DC landscape increasingly connects workplace saving with retail decisions**

- The State Pension provides a foundation for later-life income, while AE has made workplace pension saving widespread among employees.
- Job changes can create deferred workplace pots and leave some savers managing several pension arrangements over their working lives.
- Leaving pots in place, transferring them, consolidating savings or choosing retirement options can create points of connection between workplace schemes and personal pensions, SIPPs and retail drawdown.
- Retail pensions can provide additional flexibility, investment choice, and support, but varying arrangements allocate responsibility for product selection, investments, charges and withdrawals in different ways.
- Retirement outcomes may depend on several sources of income and wealth alongside pensions. These include DB provision, housing, ISAs, other savings, and wider household resources, although their availability and relevance vary considerably.
- Workplace governance, providers, platforms, advisers, guidance and digital services can all influence outcomes. The DC landscape is therefore best understood as a connected system in which savers may move between different forms of saving and support at different stages, rather than as a single universal consumer journey.

## CHAPTER TWO:

# WHAT IS THE COMPOSITION OF THE DC LANDSCAPE?

**What this chapter shows**

- **AE has widened workplace saving, but participation and contribution levels vary substantially, particularly by earnings and employment status.**
- **Retail accumulation is less consistently measured than workplace saving, and no single dataset captures the entire retail pensions market.**
- **Retirement income access spans workplace and individually selected arrangements, with product availability and forms of support differing between schemes and providers.**
- **Among survey respondents, participation in the main default strategy is highest among master trust members, followed by GPP and Stakeholder pension members.**
- **Default investment strategies remain strongly growth-oriented before de-risking, with both master trust and contract-based arrangements reducing listed equity exposure and increasing allocations to bonds as savers approach retirement.**

# Automatic enrolment

AE requires employers to enrol eligible workers into a workplace pension and contribute unless the worker opts out. Chapter 1 explains the eligibility criteria and minimum contribution requirements. The current framework may change following the second Pensions Commission's review of retirement-income adequacy.

## Employees and AE

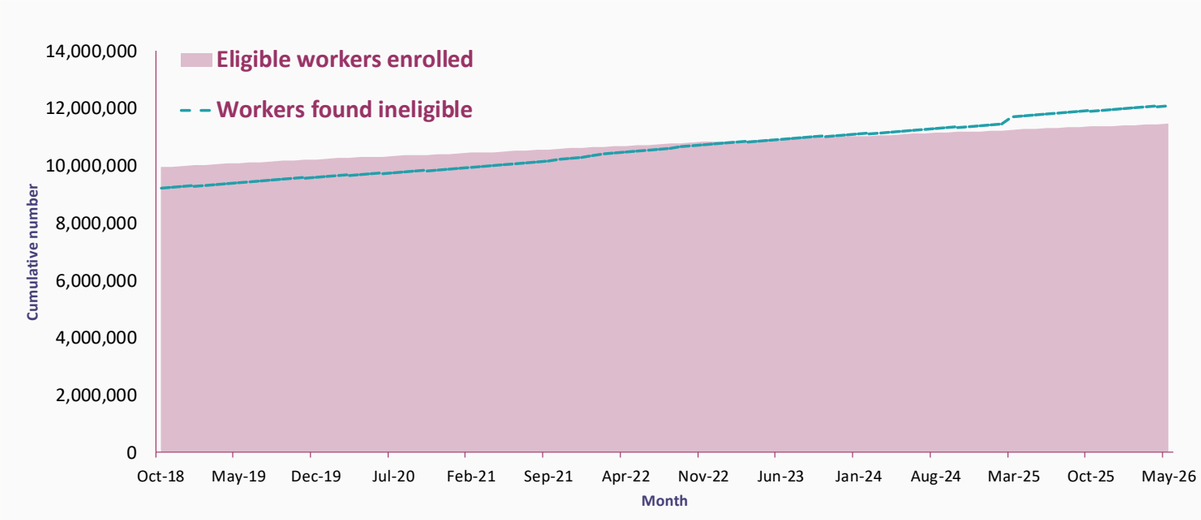
### 11.45 million employees were automatically enrolled by May 2026

By May 2026, 11.45 million employees had been automatically enrolled. However, the number of workers found ineligible for AE due to age or earnings had risen to 12 million, continuing to exceed the number of eligible employees (Figure 2.1). As eligibility is reassessed each time someone joins a new employer, the ineligible count continues to rise, particularly among younger or lower-income workers, who are more likely to move jobs frequently. While this has been a recent trend, future labour market shifts, for example through automation or changing work patterns, may alter the balance between eligible and ineligible employees.

**Figure 2.1[20]**

## The number of employees that have been automatically enrolled is less than the number that are ineligible, at 12 million

**Cumulative number of employees automatically enrolled and cumulative number of employees found ineligible by month**




In addition to the 11.45 million employees who had been automatically enrolled by May 2026, a further 12.4 million employees were already active members of a qualifying scheme when their employer's AE duties began. For employers covered by the phased roll-out, this was known as their staging date; for newer employers, it is their duties start date.[21] These are cumulative administrative counts describing enrolment activity over time. For the current participation measure, DWP estimates that 90%, or 22.6 million, eligible employees in Great Britain were saving in a workplace pension in 2025.[22]

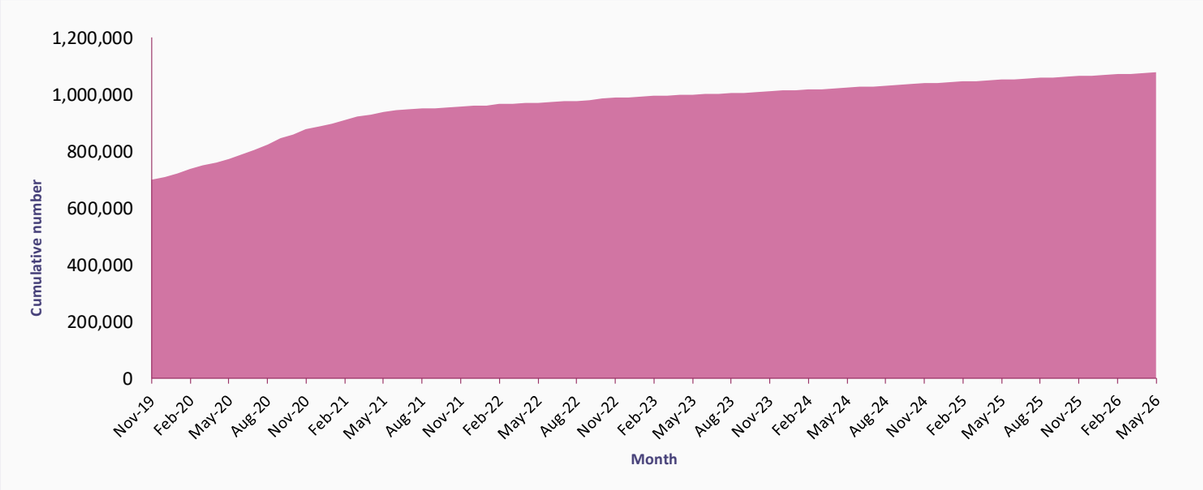
### More than a million employees have been automatically re-enrolled

Employers are required to automatically re-enrol all eligible employees who have opted out or ceased making contributions every three years. For employees who were already working for the employer at the time of AE staging, this means they are re-enrolled three years after the date that they opted out for the first time, and every three years after that, if they continue to opt out. For employees who joined the employer after AE began, re-enrolment may take place sooner than three years after they first opted out. This is because re-enrolment is actioned across the full workforce at a set date every three years, rather than on an individual employee basis. As of May 2026, 1.07 million employees had been automatically re-enrolled, growing from 1.05 million in June 2025 (Figure 2.2).

**Figure 2.2[23]**

## More than a million employees were automatically re-enrolled by May 2026

**Cumulative number of eligible jobholders automatically re-enrolled by month**




### Further reform may be needed to close gaps in pension participation

The 2017 AE Review recommended lowering the minimum age for AE from 22 to 18 and removing the Lower Earnings Limit (LEL) so that contributions are calculated from the first pound of earnings.[24] The Pensions (Extension of AE) Act 2023 created powers to implement these recommendations but did not itself change the AE rules. As at the publication of this report, the necessary regulations had not been made. Eligibility therefore continues to begin at age 22, while minimum contributions under the standard qualifying-earnings approach are calculated only on earnings above the LEL.

Implementing the 2017 recommendations would enable young employees to begin saving earlier and increase contributions for lower earners already within AE. However, it would not remove the £10,000 earnings trigger or address all the gaps in coverage. The second Pensions Commission's interim report found that 14% of employees, around four million employees, remain outside AE because of the age and earnings criteria.[25] Some employees with multiple jobs may also have total earnings above £10,000 but remain ineligible because the threshold is applied separately to each job. The Commission is considering whether AE eligibility, earnings thresholds and contribution levels need to change.

PPI modelling illustrates the potential effect of widening the framework. A persistently low-paid worker who accumulates no private pension under the current rules could build a pot of around £50,400 if the earnings trigger were removed and contributions were calculated from the first pound. However, widening employee eligibility would not address the position of self-employed individuals.[26]

[20] TPR (2026b)
[21] TPR (2026b)
[22] DWP (2025b)
[23] TPR (2026b)
[24] DWP (2017)
[25] Second Pensions Commission (2026)
[26] Khambhaita, P. et al. (PPI) (2026)

The Pensions Commission estimates that around 4.4 million individuals are self-employed. Among the approximately 2.4 million individuals who received income only from self-employment, just 4% were contributing to a pension in 2023/24; among those aged under 45, participation was below 3%. This is substantially lower than the 17% participation rate reported across the wider self-employed population, reflecting considerable variation between those relying solely on self-employment and those who also receive employee earnings.[27] Extending default pension saving to this group would require a different mechanism because there is no employer to enrol the worker, make contributions or operate payroll deductions.

Together, this evidence suggests that implementing the 2017 recommendations would address part of the participation and contribution gap, but broader reforms would be required to support multiple-job holders and the self-employed. These questions form part of the second Pensions Commission's wider review of the adequacy, fairness and sustainability of retirement incomes.

### Opt-out rates remain low, but future contribution increases could affect behaviour

DWP's latest monitoring indicates that the proportion of newly started savers who actively opted out rose to around 11–12% in the latest year. This remains low relative to the AE-eligible population, and it is too early to know whether the increase will persist.[28] The second Pensions Commission has identified concerns about the adequacy of current contribution levels and is considering whether minimum rates should change. Any increases would require notice and phasing, and their effect on participation would depend on their design and the wider economic context.

### Fewer than 1% of savers stopped contributing as a result of an active decision not to continue saving after the opt-out period

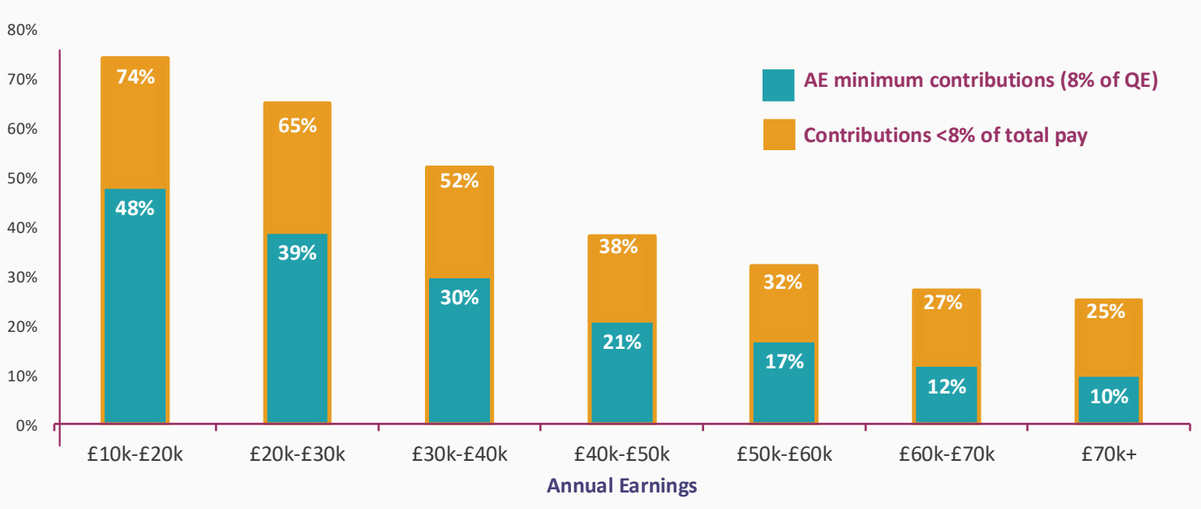
While employees have a one-month cool-off period in which they can opt out of their workplace pension entirely, some members cease contributing to their scheme after the opt-out period has expired. As a result, any contributions already made remain invested in the scheme. Members stop saving for a number of reasons:

- They leave their current job (and will be automatically enrolled via their next job if eligible),
- Their earnings fall below the limit for eligibility, or
- They do not wish to continue contributing to their pension scheme.

**Figure 2.3[29]**

## The proportion of employees saving at AE minimum levels is greater among lower earners

**Employees in DC schemes total contribution levels by earnings, derived from the ONS ASHE, GB, 2023**




There is a clear relationship between earnings and pension saving levels. Nearly half (48%) of employees earning £10,000–£20,000 per year save at AE minimum levels, compared with 12% of those earning £60,000–£70,000. These patterns show that higher contribution rates are more common among higher earners.[30] Similarly, around 74% of low earners save 8% or less of their total pay into a pension, whereas this drops to just 25% for those earning above £70,000.[31]

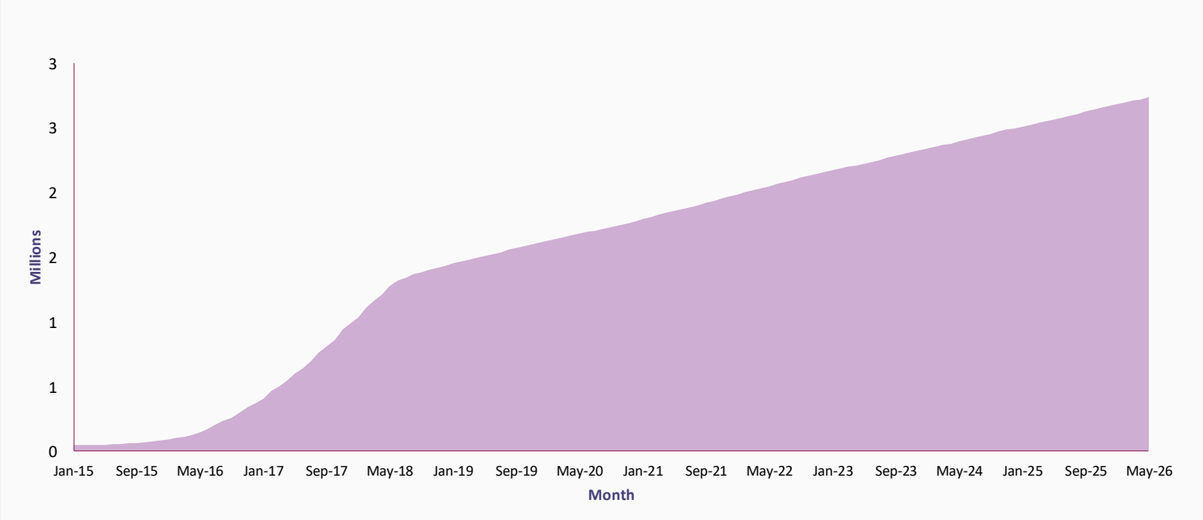
## Employers and AE

AE was fully implemented by 2018 and now forms part of employers' ongoing duties. Employers must assess their workforce, automatically enrol eligible workers, make the required contributions and periodically re-enrol certain eligible workers who are no longer active members. By May 2026, over 2.7 million employers had confirmed that they had met their duties by completing a declaration of compliance (Figure 2.4).[32]

**Figure 2.4[33]**

## Over 2.7 million employers had automatically enrolled their employees by May 2026

**Employers who have completed automatic enrolment declarations of compliance by May 2026 (cumulative)**




## Scheme type

### 88% of active memberships are now within trust-based DC schemes

Employers must select a qualifying pension scheme for AE, but their practical options are influenced by factors that include workforce size and characteristics, cost, administrative and payroll capacity, existing provision and whether a commercial provider is willing to accept them. NEST was established to ensure that all employers could access a suitable, low-cost scheme.

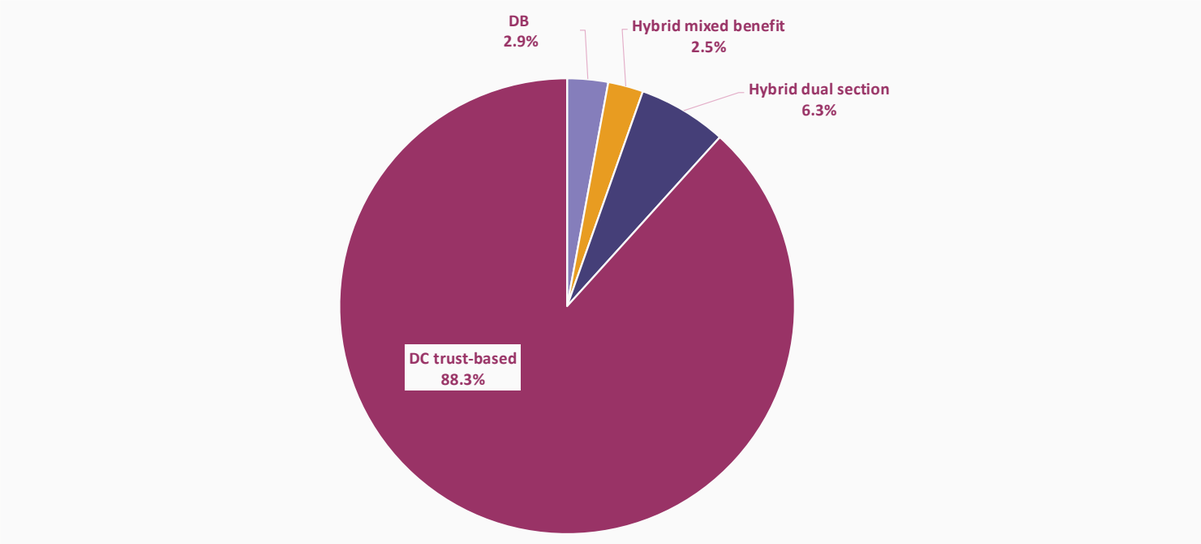
The decline of private sector DB provision and the introduction of AE have contributed to substantial growth in DC schemes, particularly master trusts. In 2024, DC accounted for 88% of active memberships within occupational trust-based pension provision (Figure 2.5).[34]

[27] Second Pensions Commission (2026)
[28] DWP (2025b)
[29] Replicated from: DWP (2025c), based on estimates derived from the ONS ASHE, GB, 2023.
[30] DWP (2025c)
[31] DWP (2025c)
[32] TPR (2026b)
[33] TPR (2026b)
[34] This figure excludes contract-based workplace pensions, such as GPPs, and is therefore not directly comparable with the 92% reported in the 2024 edition.

Figure 2.5[35]

## In 2024/25, 88% of active memberships were in trust-based DC schemes

**Occupational DC landscape in the UK 2024**




## Contributions

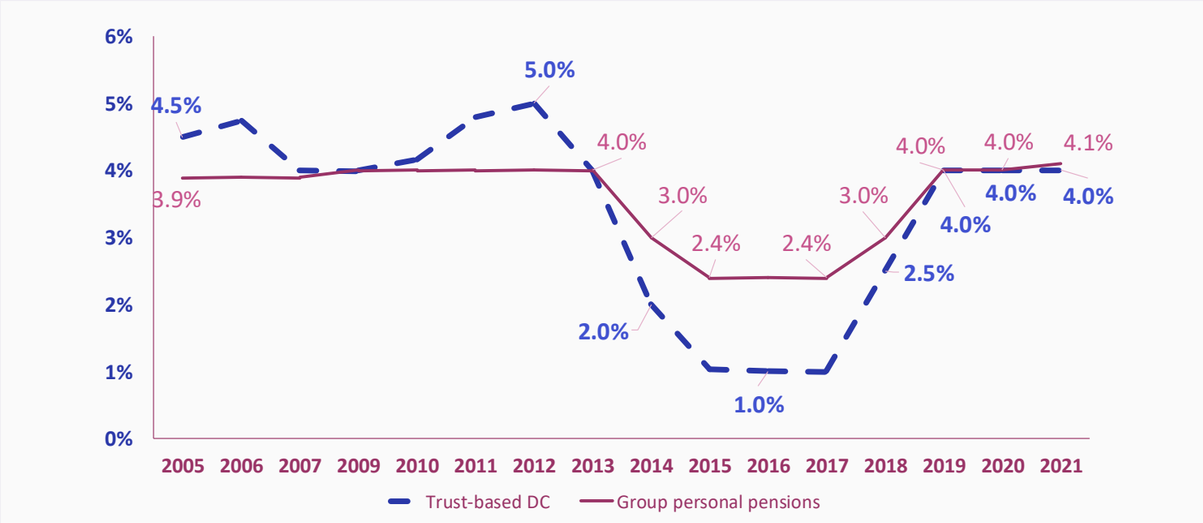
**Median contribution rates have changed little since the last AE minimum increase**

Median employee contribution rates have remained around 4% in trust-based DC schemes and increased only slightly, from 4.0% to 4.1%, in GPPs over the period shown in Figure 2.6.[36]

Figure 2.6

## Median employee contribution rates in DC schemes have started increasing

**Median active member contribution rates to DC pensions by year (DC trust includes master trusts)**

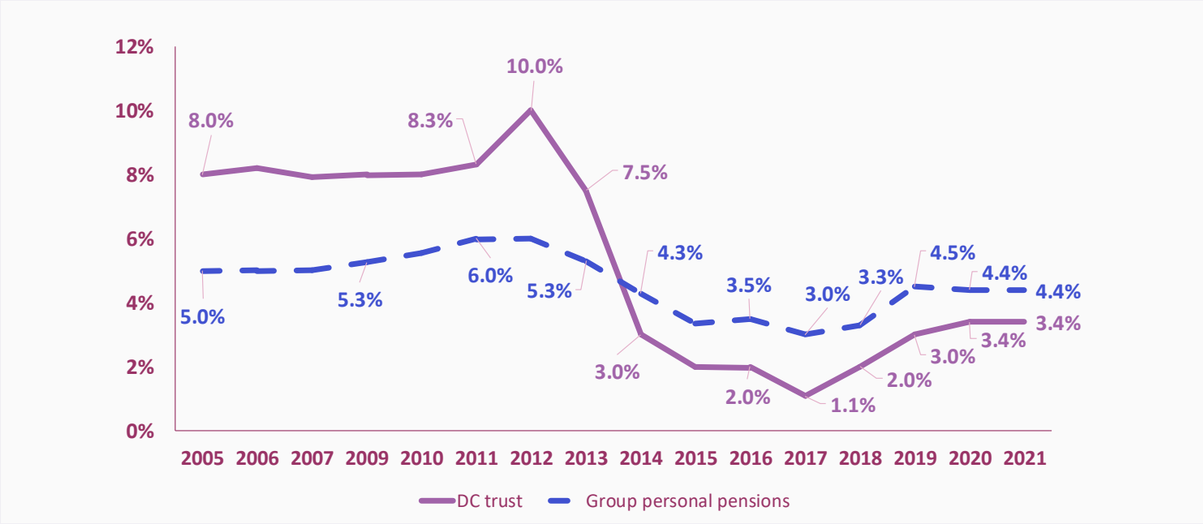



Median employer contribution rates increased around the 2018 and 2019 AE minimum increases but have since changed little, remaining around 4% of total pay in the series shown in Figure 2.7.[37]

Figure 2.7

## Median employer contribution rates in DC schemes have started increasing

**Median employer contributions for active members to DC pensions by year (DC trust includes master trusts)**




[35] The percentage of DC contract-based schemes is not included in this year's edition, as the data has not been updated since 2022/23 and is no longer included in TPR statistics as of 2025. For earlier figures on contract-based schemes, please refer to previous editions. Occupational defined contribution landscape in the UK 2024 | The Pensions Regulator

[36] DWP (2025c)

[37] DWP (2025c)

### Employer contributions drive most saving above the minimum, but support is unevenly distributed

Among AE-eligible private-sector DC savers, employee contribution rates were relatively concentrated: the middle half had contribution rates between 3.7% and 5.0% of full pay. Employer contribution rates varied much more widely, ranging from 2.5% to 6.9% across the middle half of savers. Employers accounted for 68% (£23.5 billion) of the £34.5 billion contributed above AE minimum levels. Additional saving was also concentrated among higher earners, with 45% relating to employees earning £70,000 or more. This suggests that saving above the minimum is strongly influenced by earnings and the level of employer contributions, rather than being distributed evenly across savers.[38]

### Minimum contributions may be insufficient for many savers to meet target replacement rates

Under an assumption of full entitlement to the new State Pension (nSP) and a lifetime of minimum required AE contributions, anyone earning over £12,700 will require additional savings beyond the default 8% of band earnings to reach their target replacement rate, which will allow them to replicate working-life living standards in retirement. While there is a broad consensus that higher contribution rates are required to achieve adequate and sustainable retirement outcomes, there are differing views on the level of contribution needed. PPI modelling suggests that, for those earning above £18,700 a year, a higher contribution rate of 12% is the strongest lever for improving adequacy in later life.[39]

## DC investment

This next section explores how assets are allocated within DC pension schemes' investment strategies. The following data is based on responses to the PPI DC Asset Allocation Survey 2026. The participating schemes collectively manage 28.6 million pots with aggregate assets under management (AUM) of around £501.1 billion.

The PPI DC Asset Allocation Survey is an annual online survey that collects data on size, charges, and asset allocation across the DC universe. This year's survey was carried out from June to August 2026, with all data being self-reported by participating schemes. As the composition of schemes represented can vary between survey waves, year-on-year comparisons should be interpreted in this context.

### Master trust members remain more likely than GPP members to be invested in the main default strategy

Among survey respondents, around 91% of master trust members are invested in their scheme's main default strategy, compared with 79% of GPP members (Figure 2.8). This reflects differences in market structure: Master Trusts typically operate a main default strategy across multiple participating employers, while contract-based providers may offer different default arrangements to different employer clients.

The survey also records Stakeholder pensions, among which 59% of members are invested in the main default strategy. Introduced in 2001, Stakeholder pensions have largely been superseded by newer generations of personal pensions and now represent a small and shrinking legacy segment of the contract-based market. Their results are therefore included for completeness but are not central to the comparison between the main workplace DC scheme types.

For 2026, the figures show the number of members in the main default strategy as a proportion of total members within each scheme type. The underlying 2025 data have been recalculated on the same basis to enable like-for-like comparison. This produces corresponding 2025 figures of approximately 91% for master trusts, 61% for GPPs and 56% for Stakeholder pensions.

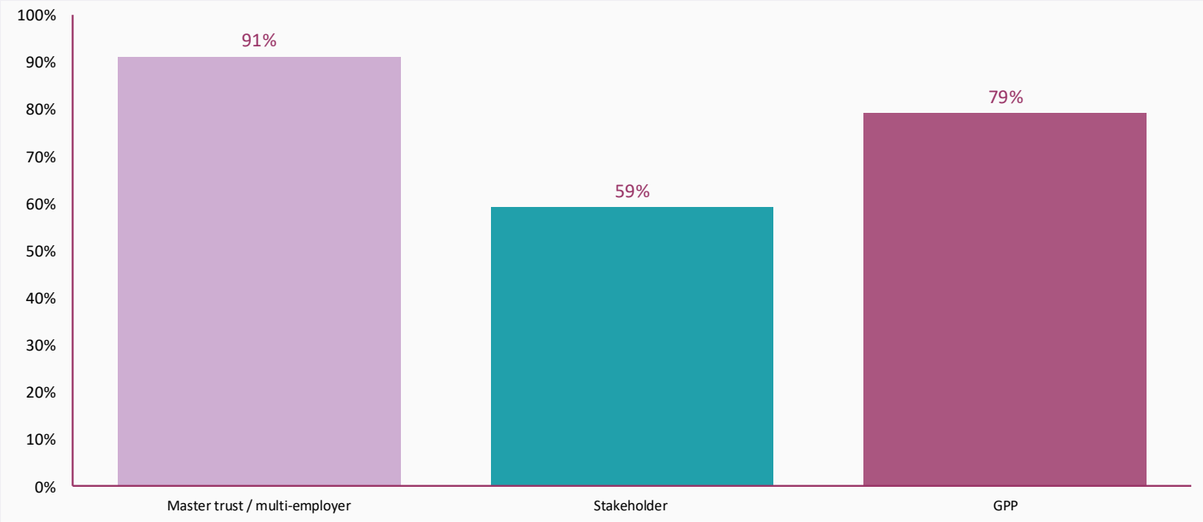
The proportion of master trust members invested in the main default is therefore broadly unchanged, while the proportion among GPP respondents is higher in 2026. The Stakeholder figure has also increased, although its significance should be considered in the context of this category's small and declining market presence. Changes in the mix of providers responding to the survey may also influence the results, particularly for GPP and Stakeholder schemes. Year-on-year movements should therefore be interpreted cautiously as reflecting the schemes represented in each survey rather than necessarily indicating equivalent changes across the wider market.

[38] The Second Pensions Commission (2026)
[39] Khambhaita, P. et al. (PPI) (2026)

**Figure 2.8**

## Main default participation is highest among master trusts, followed by GPPs

**Proportion of members in each scheme type in the main default strategy, 2026**




### Master trust defaults shift from equities towards bonds after de-risking

Before de-risking, master trust main default strategies allocate the large majority of assets to listed equities (around 83%), with around 9% allocated to corporate and government bonds combined and minimal cash holdings. After de-risking, listed equity exposure falls to around 30%, while corporate and government bonds increase to around 58% combined and cash rises to around 3% (Figure 2.9).

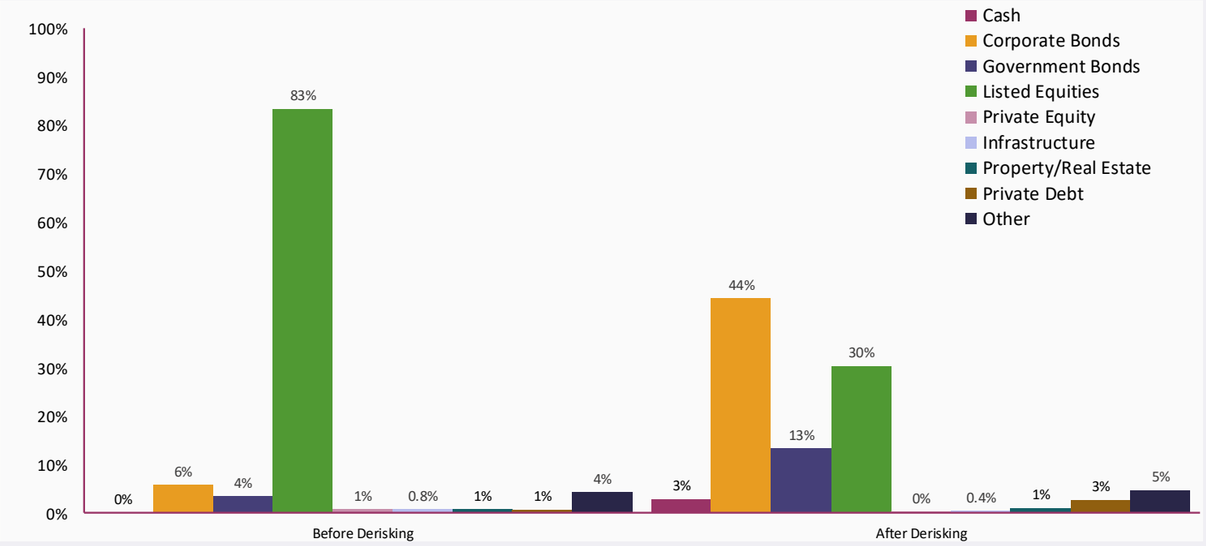
Allocations to private equity, infrastructure, property, and private debt remain relatively modest at both stages. Overall, the results illustrate the substantial shift in the composition of master trust default strategies as members approach retirement, with lower listed equity exposure and a greater allocation to bonds.

The 2026 pre-de-risking allocation is more equity-heavy than in 2025, with listed equities increasing from around 70% to 83%. Some of this movement reflects differences in the composition of schemes represented across survey waves. After de-risking, the 2026 results indicate a greater allocation to corporate bonds and a lower allocation to cash than in 2025.

Figure 2.9

## Master trust defaults shift sharply from equities towards bonds after de-risking

**Average asset allocation in master trust main default strategies, before and after de-risking, 2026**



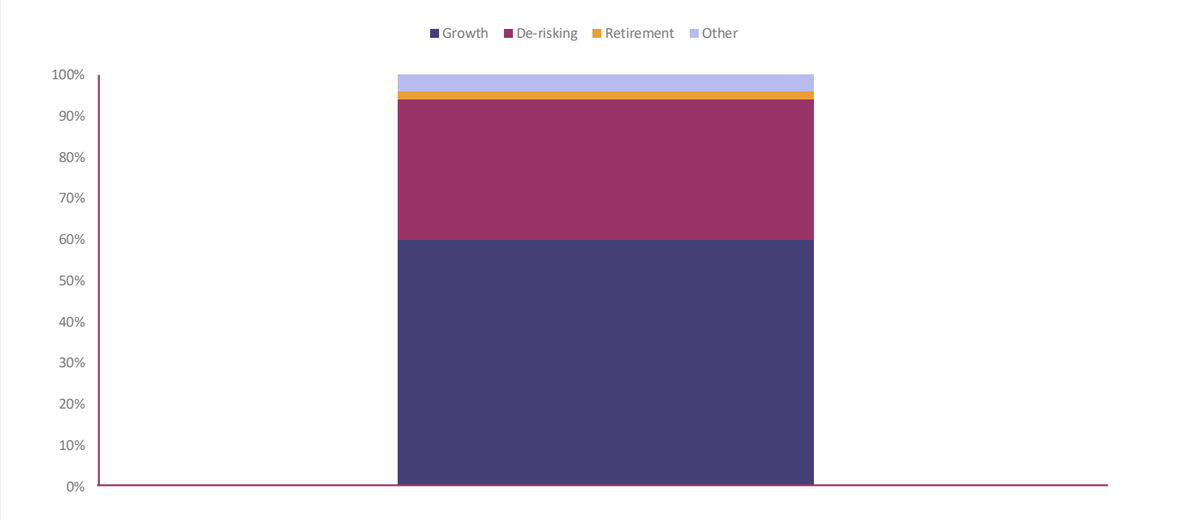

### Master trust assets are weighted towards growth over de-risking

Around 60% of master trust main default assets are held in the growth phase, compared with 34% in the de-risking phase and around 2% for members at or beyond retirement, with a further 4% captured as other (Figure 2.10). This reflects the design of master trust glidepaths, which typically begin de-risking around 10 to 15 years before members' target retirement age. Schemes participating in the survey report an average de-risking period of around 13 years, indicating a gradual transition from growth-oriented towards lower-risk investments as members approach retirement.

Figure 2.10

## Master trust assets are weighted towards growth over de-risking

**Distribution of assets in master trust main default strategies across growth, de-risking and retirement phases, 2026**




### Contract-based defaults (GPPS, GSIPPs) shift from equities towards bonds and cash as savers approach retirement

Before de-risking, contract-based default strategies allocate around 90% of assets to listed equities, compared with 83% for master trusts. Corporate and government bonds account for around 4% combined, compared with 9% for master trusts, while cash holdings are minimal in both.

After de-risking, contract-based defaults follow the same broad pattern as master trusts, with substantially lower equity exposure and higher bond allocations. Listed equities fall to around 34%, slightly above the 30% reported for master trusts. Corporate and government bonds increase to around 50% combined, below the 58% reported for master trusts, while cash rises to around 4%, compared with 3% (Figure 2.11).

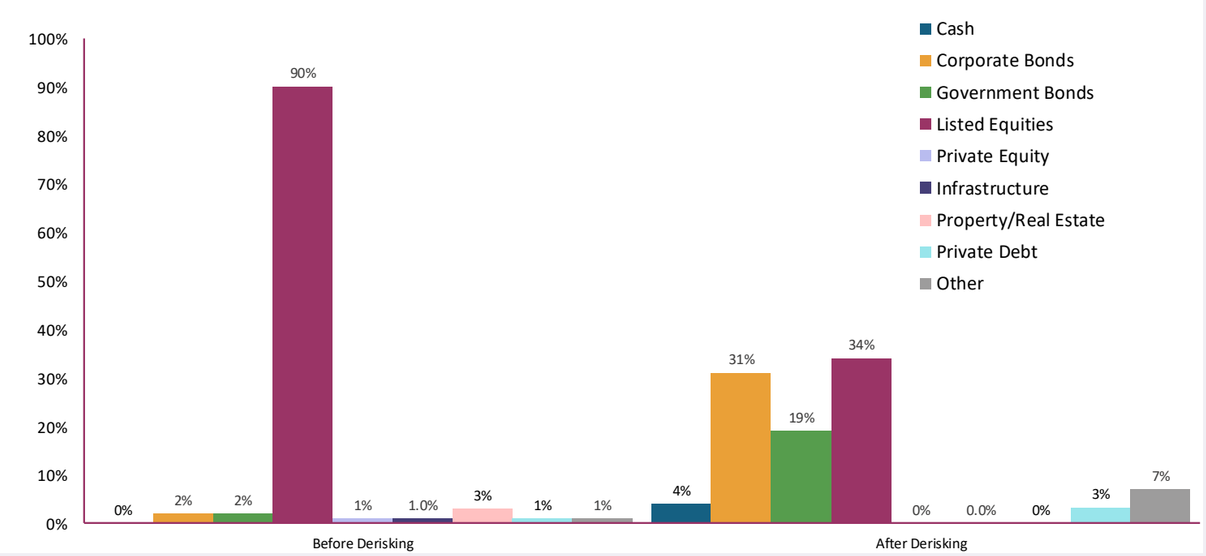
Allocations to private equity, infrastructure, property and private debt remain modest after de-risking, together accounting for less than 5% of contract-based default assets. A further 7% is classified as other assets.

These survey results suggest a similar broad approach to de-risking across both scheme types, with contract-based defaults retaining somewhat more exposure to listed equities and less to bonds.

Figure 2.11

## Contract-based defaults (GPPs, GSIPPs) shift from equities towards bonds and cash as savers approach retirement

**Average asset allocation in GPP/GSIPP Contract main default strategies, before and after de-risking, 2026.**



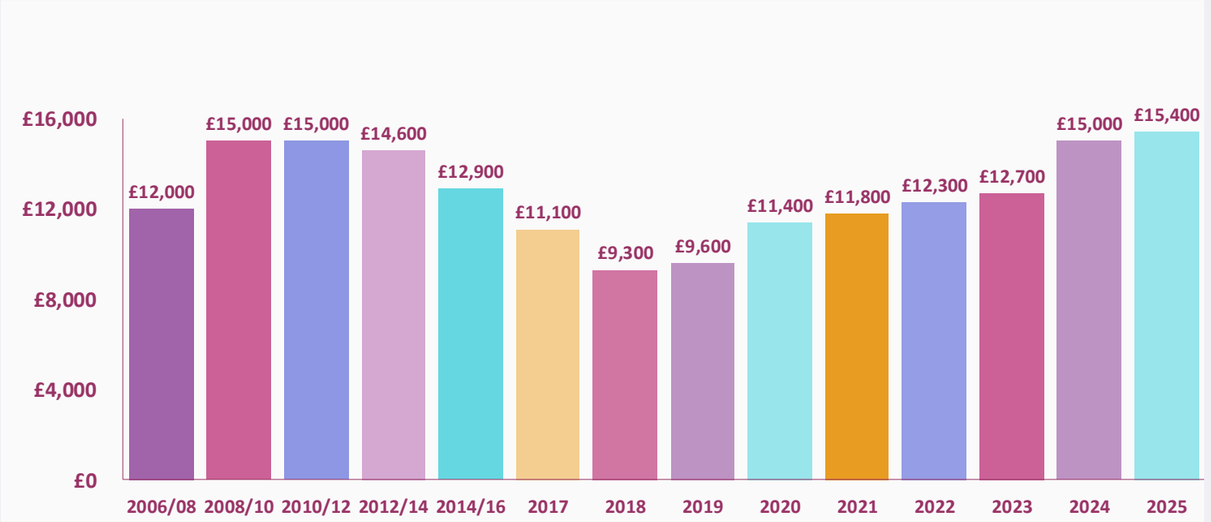

## DC saving levels

Following the expansion of AE, median DC pot size stood at £9,300 in 2018. It has since increased gradually, reaching £15,400 in 2025 (Figure 2.12). However, increasing pot sizes do not necessarily indicate that current saving levels are adequate. The second Pensions Commission estimates that around 43% of the working-age population are under saving against target replacement rates and has raised concerns that the statutory AE contribution floor has become a norm rather than a minimum.[40]

Figure 2.12

## Median DC pot sizes have started increasing as minimum contributions levels have increased and members have spent a longer time enrolled

**Median DC pot size between 2006 and 2025 in UK for people aged 16 and over (includes both deferred and active savers)**




Aggregate DC assets have increased substantially over the past decade, but available estimates cover different populations and are not directly interchangeable. Chapter 3 sets out the PPI modelled private-sector workplace DC asset series, while the retail section below distinguishes this from FCA measures of contract-based DC pensions and SIPPs.

## Retail accumulation is an important but less consistently measured part of the DC landscape

The preceding sections focus mainly on workplace saving because AE and occupational pension data provide the clearest evidence on participation, contributions, and scheme type. However, DC accumulation also takes place through retail pension arrangements outside an employer relationship. These arrangements can be used for independent saving, alongside workplace saving, or to receive transfers from other pensions. While Chapter 4 examines the structure of the retail market in detail; this section provides the statistical context needed to understand its place within the wider DC landscape.

The terminology used in different datasets is important. Workplace pensions include both occupational trust-based schemes and contract-based workplace pensions, such as Group Personal Pensions. A personal pension is a contract-based pension and can therefore be used either as a workplace or an individually arranged pension. A SIPP is a type of personal pension and may also include employer-linked arrangements. The FCA's contract-based DC market is broader still, covering workplace and individual personal pensions and SIPPs, but not occupational trust-based schemes. The FCA uses non-workplace pension for pensions arranged by individuals rather than through an employer. In this report, retail pensions is a broader analytical term for individually selected pension arrangements and the services through which they are accessed, as set out in Chapter 4.

[40] Second Pensions Commission (2026)

### Non-workplace DC pensions remain a minority form of pension saving

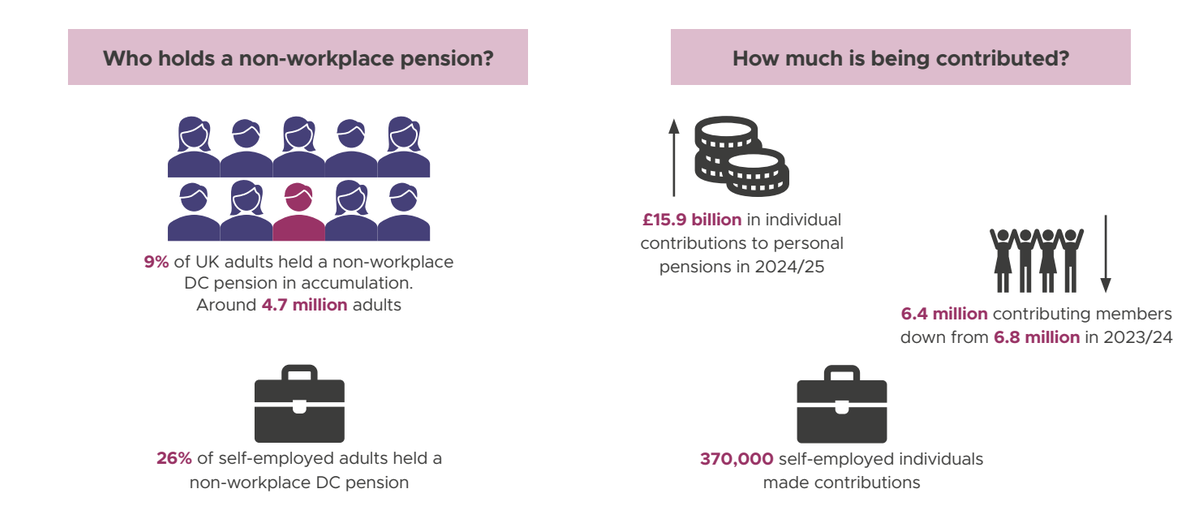
The FCA's Financial Lives 2024 survey estimated that 9% of UK adults held a non-workplace DC pension in accumulation, with ownership more common among self-employed adults (Figure 2.13).[41] This partly reflects the role retail pensions can play for savers without access to workplace provision.

### Personal pension contributions increased despite fewer contributing members

HMRC data provide a different perspective by measuring contributions to personal pensions. Individual contributions increased from £14.6 billion in 2023/24 to £15.9 billion in 2024/25, despite contributing membership falling from 6.8 million to 6.4 million. HMRC also recorded 370,000 self-employed individuals making personal pension contributions in 2024/25 (Figure 2.13).[42]

**Figure 2.13**

## Non-workplace pensions reach a minority of adults, while personal pension contributions continue to rise




Transfers provide another route into individually selected pensions. Financial Lives found that 6% of DC pension holders had consolidated pensions in the previous 12 months in 2024. Among savers who had consolidated during the previous three years, 35% moved savings into a non-workplace arrangement, although most consolidation was into a current or previous workplace pension.[43] Consolidation may involve transfers between workplace and retail arrangements, but a retail pension will not be the appropriate destination for every saver.

No single measure captures the size of retail accumulation. FCA survey data, HMRC contribution statistics, contract-based pension data, and SIPP data cover different populations and there are challenges to using measures for these all together. In particular, the FCA's £567 billion of SIPP assets under administration is a SIPP measure rather than a measure of the whole retail market, while the FCA's almost £1.3 trillion contract-based DC estimate includes both workplace and individual pensions.[44] Chapter 4 examines these data boundaries in greater detail.

Accumulation can therefore take place in both workplace and individually selected arrangements, and savings may move between them before retirement. When benefits are accessed, the options available depend on the scheme or product. Some savers can access their preferred option within an existing workplace or retail pension, while others may need to transfer to another arrangement. The following section describes retirement-access patterns across these different parts of the DC market.

[41] FCA (2025a)
[42] HMRC (2026)
[43] FCA (2025a)
[44] FCA (2026b)

## Accessing DC savings in retirement

DC savings may be accessed within an existing workplace or individually selected pension, but retirement options differ between schemes and providers. Some workplace schemes offer in-scheme retirement options, including drawdown in some cases, while other arrangements offer a narrower range. Where a preferred option is not available, the saver may need to transfer before accessing their savings.[45]

### Annuity sales have recovered but remain well below pre-pension-freedoms levels

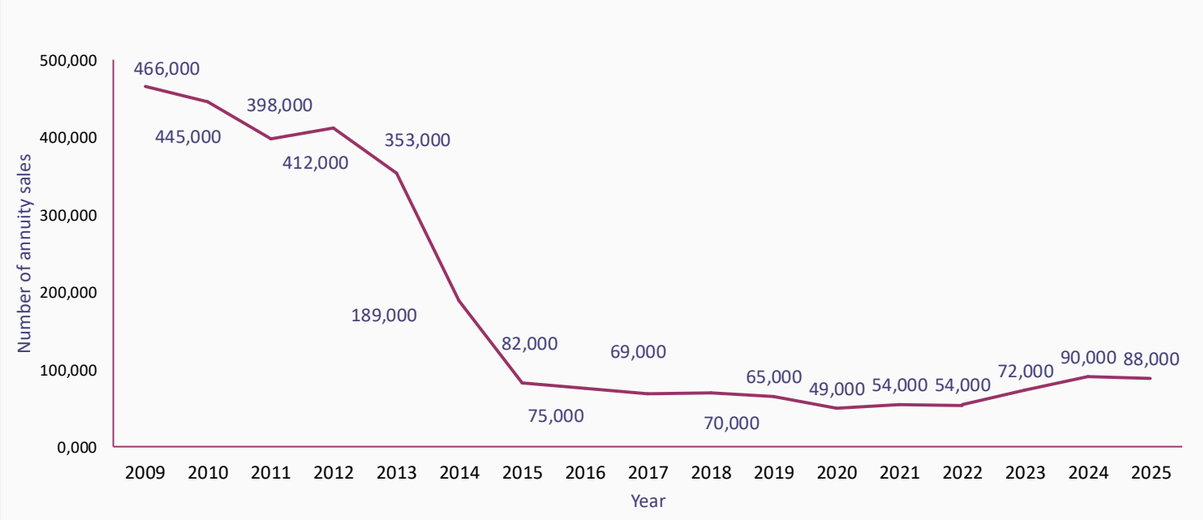
ABI member data show that annuity sales have recovered in recent years, rising from 49,000 in 2020 to 72,000 in 2023 and 89,600 in 2024. Sales fell slightly to 87,600 in 2025 but remained close to their highest level in a decade (Figure 2.14).[46]

This recovery follows a substantial longer-term decline. Annual sales peaked at around 466,000 in 2009, and annuities remained the main way of accessing DC savings before the pension freedoms.[47] The reforms introduced in 2015 widened access to alternatives, including drawdown and lump-sum withdrawals, after which annuity sales fell sharply. Despite their recent recovery, sales in 2025 were still less than one-fifth of their 2009 peak.

**Figure 2.14**

## Annuity sales declined slightly in 2025 following a seven-year high in 2024

**Number of annuities sold by ABI members by year, 2009-2025**




### Drawdown sales fell in 2025 but remain well above pre-pension-freedoms levels

ABI member data show that new drawdown contracts fell by around 12% in 2025, from approximately 140,500 to 124,000. Sales nevertheless remained above the 116,000 recorded in 2019 and substantially above the levels recorded before the pension freedoms (Figure 2.15.

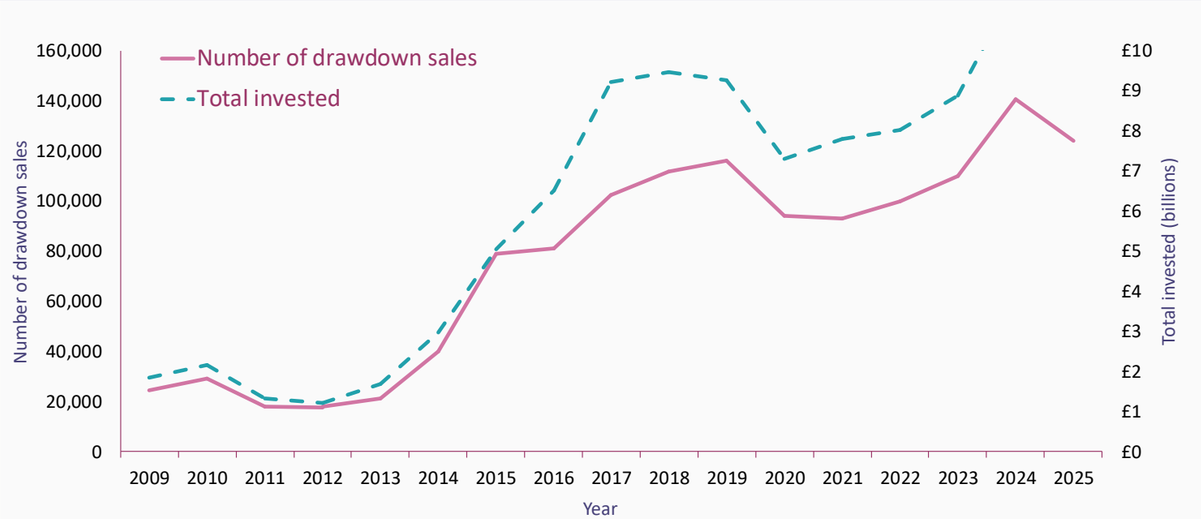
[45] The statistics in this section therefore cover different parts of the retirement market. ABI data describe sales or transactions reported by ABI members, while FCA retirement-income statistics cover FCA-regulated firms and count pension plans rather than unique individuals. The detailed interaction between workplace and retail arrangements at retirement is considered in Chapter 4.
[46] ABI (2015)
[47] ABI (2025)

Around 20,000 new drawdown contracts a year were recorded among ABI members between 2010 and 2013. Sales increased sharply following the announcement and introduction of the pension freedoms, which widened the ways in which savers could access DC savings. Although sales have fluctuated since then, including during the COVID-19 pandemic, drawdown has become much more widely used within the ABI member market.[48]

**Figure 2.15[49]**

## In 2025, around 124,000 drawdown contracts were purchased, with an aggregate value of £11 billion invested

**Number of new sales of drawdown contracts and value of sales by year, among ABI members, 2009-2025**




### Investment pathways provide a structured option for some non-advised drawdown customers

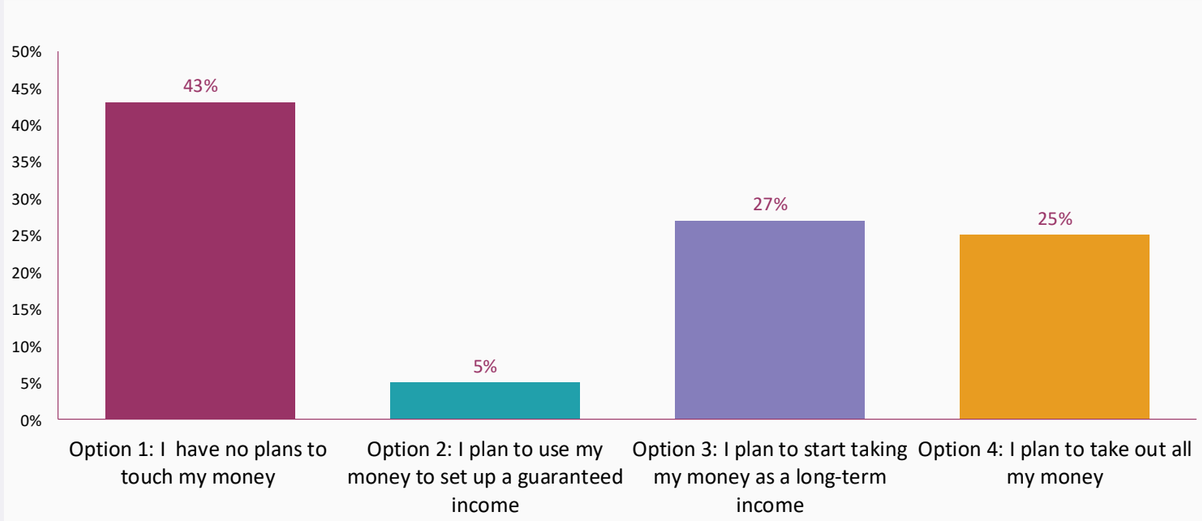
Investment pathways apply to relevant non-advised customers entering drawdown with FCA-regulated providers. Providers in scope offer four pathway options based on how the customer expects to use their pension savings over the following five years, with an investment approach linked to each objective. The requirements have applied since February 2021. They do not mean that equivalent pathways are available within every workplace scheme or retirement arrangement.

In the ABI member data for Q4 2025, 43% of relevant customers selected an investment pathway, while 52% remained in their existing investments and 4% chose their own investments. Among those selecting a pathway, most planned either to leave their pension invested without taking an income or to withdraw the full amount within five years. Around a quarter intended to begin taking a flexible income (Figure 2.16).

**Figure 2.16[50]**

## Only a quarter of investment pathway users said that they plan to start taking their money as a long-term income in the next five years

**Investment pathways options selected by non-advised drawdown consumers on intentions within the next five years**




### Lump sums

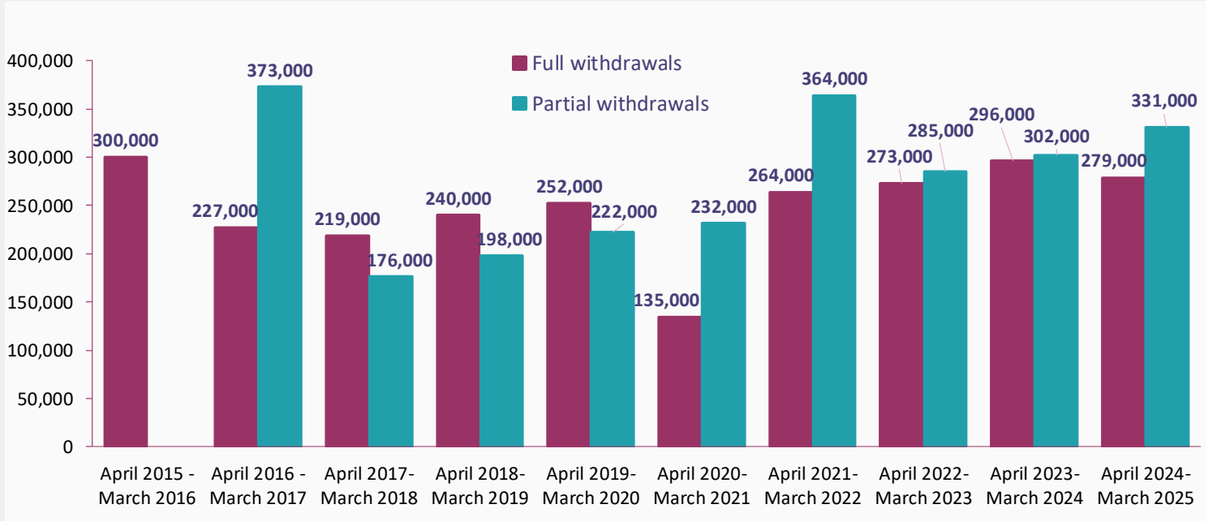
ABI member data show that full withdrawals fell by around 6% to 279,000 in 2024/25, the first annual decline since 2020/21. Partial withdrawals increased by around 10%, from 302,000 in 2023/24 to 331,000 in 2024/25. This was their highest level since 2021/22 and represents a shift in the balance of withdrawals recorded among ABI members towards partial rather than full access in the latest year. The data do not establish whether this resulted from changing consumer preferences, differences in pot sizes or wider economic circumstances.

[48] These figures use a different reporting basis from FCA retirement-income statistics, which cover FCA-regulated firms and include pension plans. They should therefore not be combined directly with the FCA series used elsewhere in this report.
[49] ABI data
[50] ABI data

Figure 2.17[51]

## Full withdrawals fell for the first time since 2020/21, while partial withdrawals rose over the past year

**Number of full and partial cash lump sum withdrawals made from ABI members by financial year**




### DB-to-DC transfers can provide access to DC flexibility but involve forfeiting DB benefits

Pension freedoms apply predominantly to DC pensions. Some members of DB schemes may transfer safeguarded benefits into a DC arrangement, with their entitlement converted into a Cash Equivalent Transfer Value (CETV). A transfer can provide access to the flexibility available within DC, but it also means giving up the income promise and other protections attached to the DB pension and transferring more investment and longevity risk to the individual.

FCA retirement-income data show that the number of DB-to-DC transfers received by regulated firms fell from 7,181 in 2023/24 to 6,418 in 2024/25.[52] These are transfers reported through the FCA retirement-income market returns rather than a measure of retirement access across the whole DC market.

Where safeguarded DB benefits are worth more than £30,000, the member must obtain appropriate regulated advice before the trustees or scheme manager can proceed with a transfer. Whether a transfer is suitable depends on the individual's circumstances and the benefits being forfeited.

## Advice, guidance and more structured retirement support

Accessing DC savings can involve decisions about investment, withdrawals, tax, eligibility for means-tested benefits and how long savings may need to last. Even a relatively small pension income or withdrawal can affect entitlement to some benefits, meaning that the interaction between pensions and the wider tax and benefits system may materially influence an individual's overall income. This can be particularly important for people with lower incomes, those accessing small pension pots and those making decisions before State Pension age.

The support available differs between pension arrangements. A saver may encounter scheme or provider information, digital tools, regulated financial advice, impartial guidance or, where applicable, more structured forms of support. These services perform different functions and are not equally available through every workplace or retail pension.

Regulated financial advice can make a personal recommendation based on an individual's circumstances, potentially taking account of their wider financial position, tax liabilities and benefit entitlement. Guidance provides information and explains options without making a personal recommendation. Provider or scheme support may help a saver navigate the options available within that arrangement but does not necessarily constitute regulated advice or consider the individual's wider financial circumstances. Clear signposting to appropriate guidance or advice may therefore be particularly important where accessing pension savings could affect means-tested benefits.

Within the FCA-regulated market, the Advice Guidance Boundary Review, undertaken jointly by HM Treasury and the FCA, examined how consumers could receive more help between general guidance and individualised advice. Its work led to the targeted-support framework, which took effect on 6 April 2026. Firms with the appropriate permission can make ready-made suggestions to groups of consumers with common characteristics, without providing an individual recommendation. For example, targeted support could identify customers who may be withdrawing from drawdown at an unsustainable rate and suggest an alternative approach. The framework is intended to narrow the support gap while retaining regulatory protections.[53]

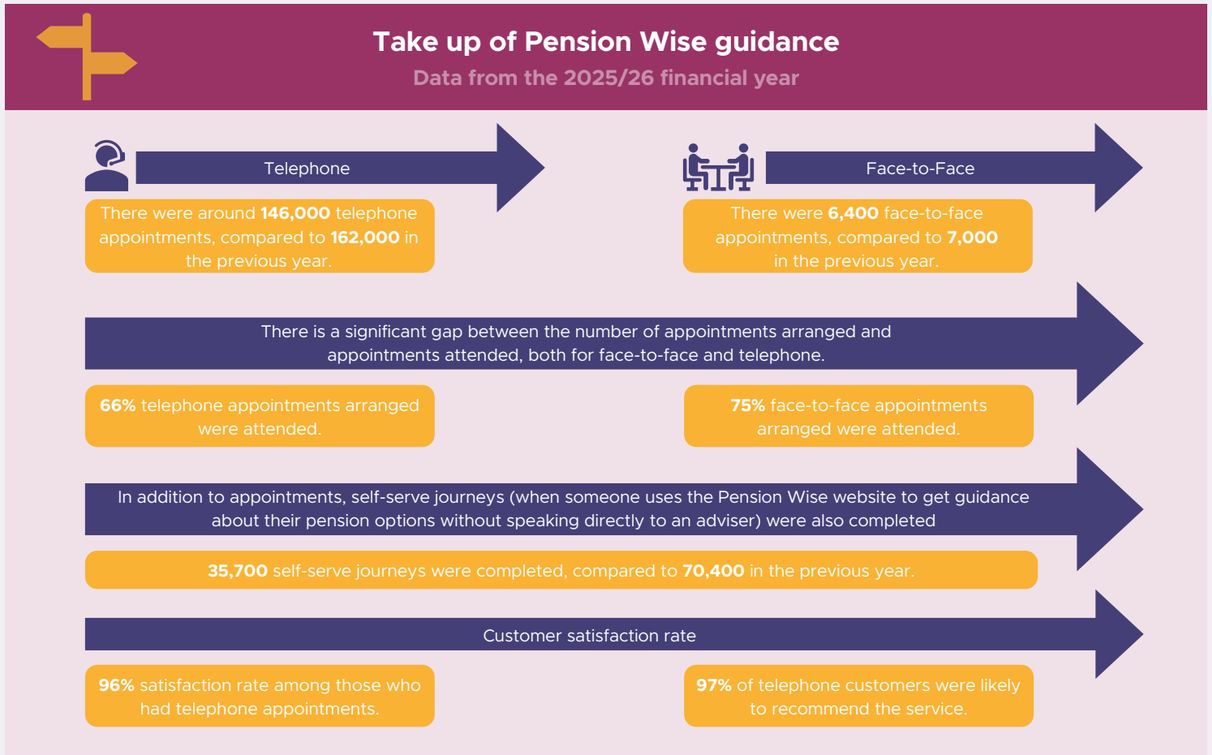
Other forms of support include:

- Pension Wise, part of MoneyHelper and delivered by the Money and Pensions Service (MaPS), provides free, impartial guidance on accessing DC savings, primarily to individuals aged 50 and over (Figure 2.18).
- Tax exemptions intended to help meet the cost of regulated advice. Employers may provide up to £500 of pensions advice to an employee tax-free each year. Where scheme rules permit, savers can also withdraw up to £500 tax-free from their pension to pay for regulated advice on up to three occasions.[54]

Guided Retirement is specifically a workplace-pension reform. The Pension Schemes Act 2026 establishes a framework under which workplace DC schemes will be required to provide default retirement-income solutions for members who do not make an active choice. Members will retain the ability to choose another option. Detailed requirements remain subject to regulations and FCA rules, with implementation expected to begin from 2029.[55]

[51] ABI data
[52] FCA (2025m)
[53] FCA (2026f)
[54] HMRC (2017)
[55] FCA (2025e, updated 2026)

**Figure 2.18: Take up of Pension Wise guidance**[56]




The 'stronger nudge' has formed part of the retirement-access process since June 2022. In the circumstances covered by the rules, trustees and pension providers must explain the purpose of Pension Wise guidance and facilitate access to an appointment before proceeding, unless the individual opts out or an exemption applies.[57] The requirement encourages engagement with guidance but does not mean that all consumers use Pension Wise.

The stronger nudge now operates alongside the targeted-support regime and the FCA has indicated that it will continue to consider how they interact with forms of retirement support.

### Advice use has developed differently across annuity and drawdown sales reported by ABI members

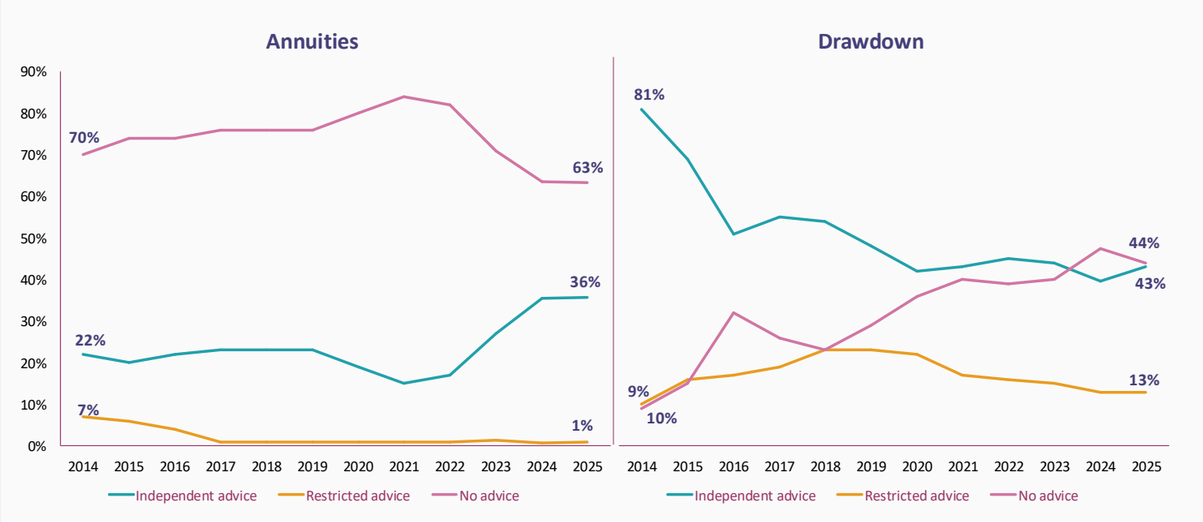
Patterns of advice use have developed differently across new annuity and drawdown contracts sold by ABI members since the introduction of pension freedoms. Among new annuity contracts sold by ABI members, the proportion purchased with independent advice increased from 15% in 2021 to 36% in 2024, and remained at this level in 2025. Most annuities continued to be purchased without advice, although this proportion fell from 84% in 2021, to 63% in 2025.

In contrast, the proportion of new drawdown contracts purchased with independent advice fell from 81% in 2014, to 43% in 2025, while the proportion purchased without advice rose from 10% to 44%. However, the most recent year saw a modest reversal: between 2024 and 2025, independent advice increased from 40% to 43%, while non-advised purchases fell from 47% to 44% (Figure 2.19).

**Figure 2.19**[58]

## The proportion of individuals using independent advice to purchase annuities has increased in recent years, however use of advice when entering drawdown has declined

**New annuity and drawdown contracts sold, by level of advice used, 2014-2025, ABI members**



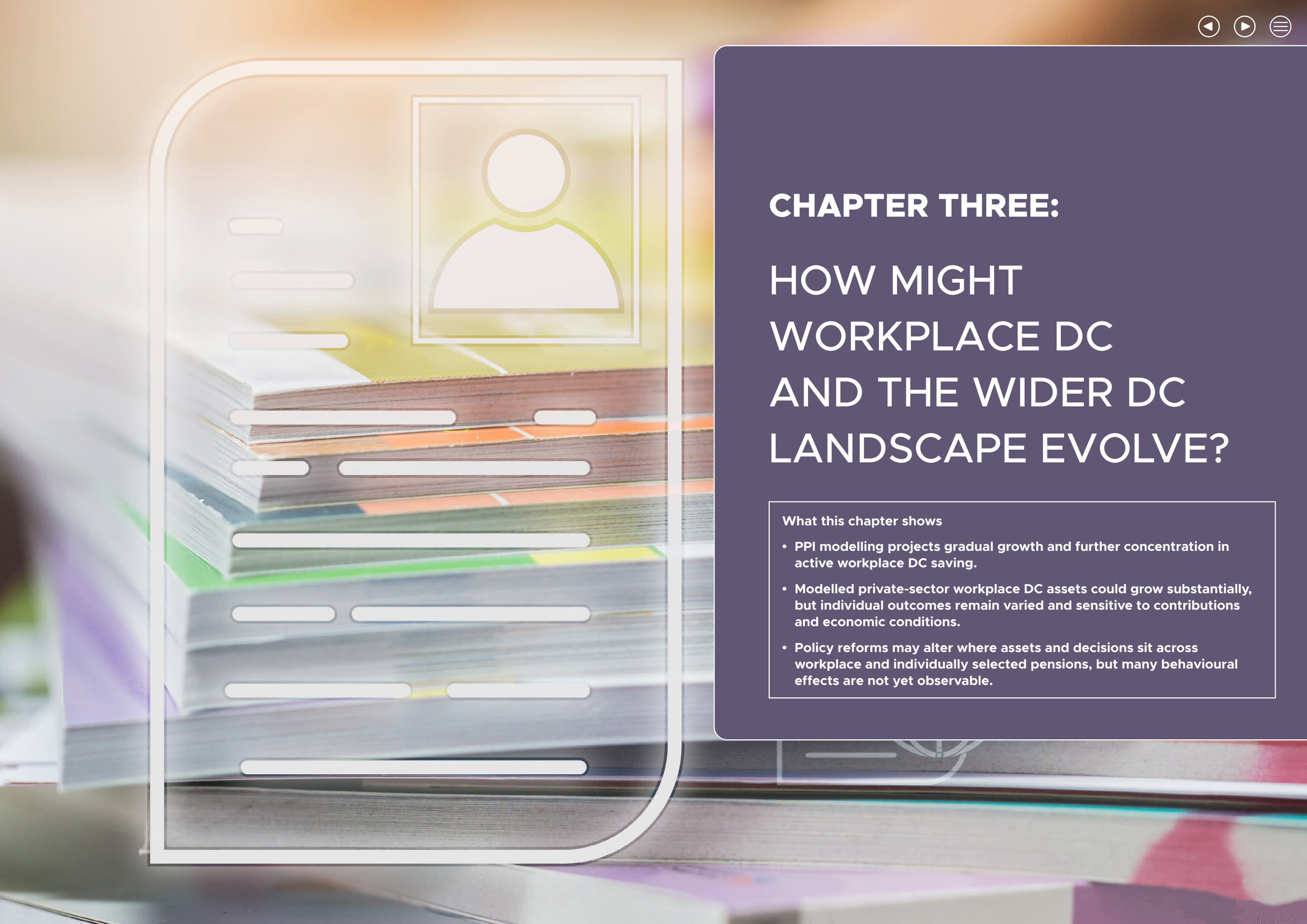

Where an individual has not taken regulated financial advice, choosing how to access DC savings can involve complex and potentially irreversible decisions, particularly when entering and managing drawdown. Pension Wise, targeted support and the forthcoming Guided Retirement framework provide different forms of non-advised support across different parts of the pensions system, but none is equivalent to a personal recommendation based on the individual's circumstances.

[56] https://maps.org.uk/moneyhelper-pension-take-up-dashboard/ Full-year data for 2025/26 were not available at the time of writing. The figures shown are estimates combining published data for Q1 to Q3 2025/26 with Q4 2024/25, which is used as a proxy for Q4 2025/26. Final 2025/26 figures may therefore differ.
[57] DWP (2022a)
[58] ABI data

# Conclusions

**The DC landscape combines widespread workplace saving with smaller but significant retail accumulation and varied routes into retirement**

- **AE has substantially widened workplace pension saving**, while DC now accounts for most active memberships in occupational trust-based provision. However, participation remains incomplete and many employees save at or close to minimum contribution levels, so wider coverage does not necessarily imply adequate retirement saving.
- **Accumulation also takes place outside workplace pensions.** Around 4.7 million UK adults reported holding a non-workplace DC pension in accumulation in 2024, while personal-pension contribution and transfer data show that savers may save independently, alongside workplace provision or consolidate savings between arrangements.
- **The self-employed remain an important example of the distinction between access to a pension product and participation in pension saving.** Some use non-workplace pensions, but they do not benefit from the AE, payroll deduction and employer-contribution mechanisms associated with workplace saving.
- **Retirement access spans workplace and individually selected arrangements.** Some savers can use their preferred option within an existing pension, while others may transfer to access drawdown, an annuity or another form of withdrawal. The options and support available vary between schemes and providers.
- **Advice, guidance and more structured support can help with retirement decisions, but their functions and coverage differ.** Regulated advice can provide an individual recommendation, Pension Wise provides impartial guidance, targeted support operates within the FCA framework and Guided Retirement is being developed for workplace DC.



## CHAPTER THREE:

# HOW MIGHT WORKPLACE DC AND THE WIDER DC LANDSCAPE EVOLVE?

**What this chapter shows**

- **PPI modelling projects gradual growth and further concentration in active workplace DC saving.**
- **Modelled private-sector workplace DC assets could grow substantially, but individual outcomes remain varied and sensitive to contributions and economic conditions.**
- **Policy reforms may alter where assets and decisions sit across workplace and individually selected pensions, but many behavioural effects are not yet observable.**

## Workplace DC is projected to grow and consolidate, while wider policy change may reshape the DC system

Chapters 1 and 2 described the development of the DC system and its current composition across workplace and individually selected pensions. This chapter looks forward in two distinct ways. First, PPI modelling illustrates how active workplace DC membership, DC pot sizes at State Pension age for selected cohorts, and aggregate DC assets within the modelled scope could develop if current patterns of participation, contributions and scheme allocation broadly continue. Second, it considers policy and regulatory developments that may affect the wider DC system, including the points at which workplace and individually selected pensions connect.

The results are illustrations rather than forecasts. They depend on assumptions about participation, contributions, charges, investment strategies, labour-market movement, and economic performance. The models do not separately project transfers between workplace and retail pensions, consolidation into personal pensions or Self-Invested Personal Pensions (SIPPs), product or provider selection, or withdrawal behaviour in retirement. They also do not quantify the effects of reforms whose detailed rules, take-up, or behavioural effects remain uncertain. The modelling appendix sets out the assumptions and limitations in full.

### Active workplace DC membership is projected to grow slowly and concentrate further in master trusts

In 2026, there are around 14 million active members in DC workplace pension schemes. Around 9.3 million of these are in master trusts, around 2.3 million are in DC schemes which existed prior to AE, and around 2.3 million are in new DC schemes created subsequent to AE (but which are not master trusts).[59]

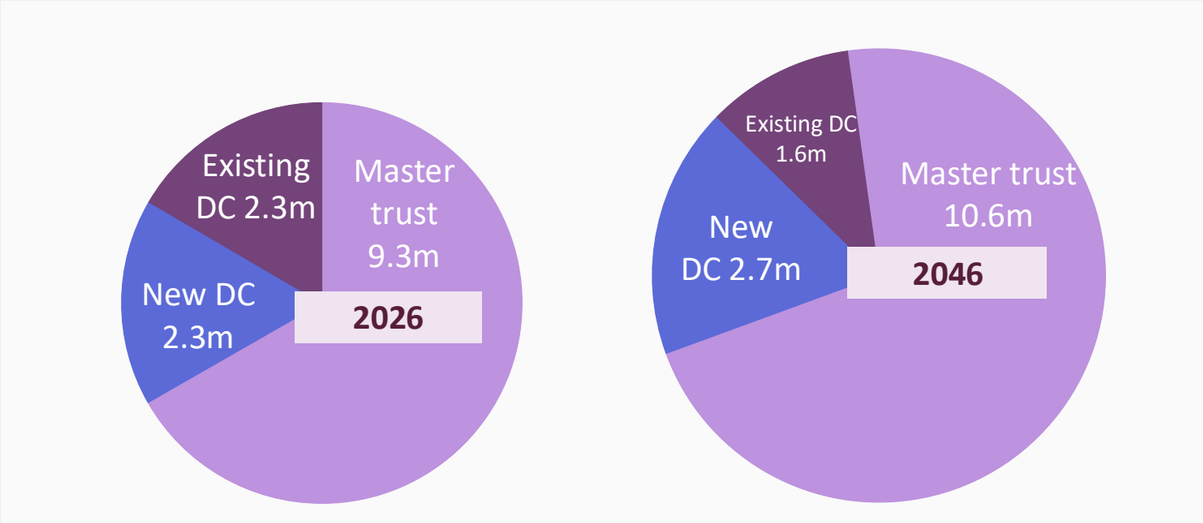
Assuming current trends in scheme allocation continue, by 2046 there could be around 14.9 million active members in DC workplace pension schemes, with around:

- 10.6 million in master trusts schemes,
- 1.6 million in DC schemes which pre-dated AE, and
- 2.7 million active members in other AE DC schemes (Figure 3.4).[60]

Figure 3.4[61]

### In 20 years, there could be around 10.6 million active members in master trust schemes

**Active workplace DC by scheme members in 2026 and 2046**




These projections concern active saving rather than the number of pension pots. Changing jobs can leave a deferred workplace pot even when a person becomes active in another scheme. The model allows for labour-market movement when allocating active savers between scheme types, but it does not estimate the resulting number of deferred pots or the proportion subsequently transferred to another workplace scheme, a personal pension or a SIPP. The results therefore indicate the likely institutional location of active workplace saving, rather than the future division of all DC assets between workplace and retail arrangements. This distinction follows naturally from Chapter 2, which showed that current DC accumulation already takes place through both workplace and individually selected pensions.

[59] PPI Aggregate Model
[60] PPI Aggregate Model
[61] PPI Aggregate Model

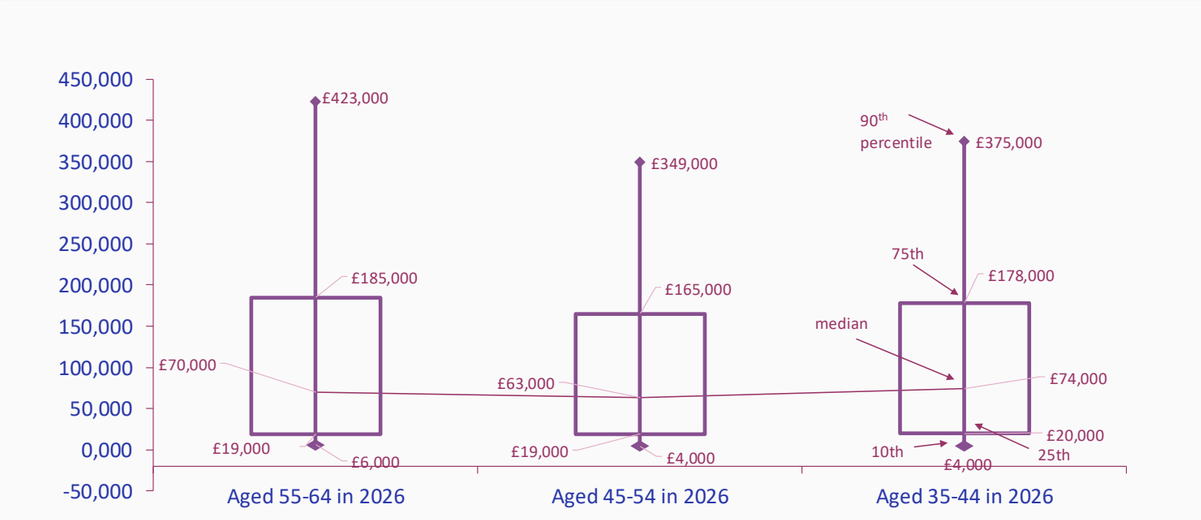
## The 45 to 54 cohort has the lowest median projected pot of the three cohorts modelled

Assuming that employees currently contributing to a pension through their employer continue to do so, the median DC pot at State Pension age for employees aged 45 to 54 in 2026 could be around £63,000. The corresponding modelled medians are around £70,000 for those aged 55 to 64 in 2026 and £74,000 for those aged 35 to 44, in 2026 earnings terms (Figure 3.7).

**Figure 3.7**[62]

## Current 45-54 year-olds could have smaller pots than people approaching retirement and the generation behind them

**Distribution of pension pot sizes at State Pension age for different cohorts (2026 earnings terms)**




The line within each box shows the median, the box represents the middle half of outcomes, and the lines above and below cover 80% of the cohort. The wide ranges reflect differences in earnings, contribution histories and investment performance.

These modelled outcomes are not predictions for every saver and do not represent total retirement resources. Individuals may also have State Pension entitlement, DB rights, other DC pensions, housing, ISAs and other savings, as discussed in Chapter 1. The modelling therefore illustrates differences in projected DC accumulation between cohorts rather than their overall retirement incomes.

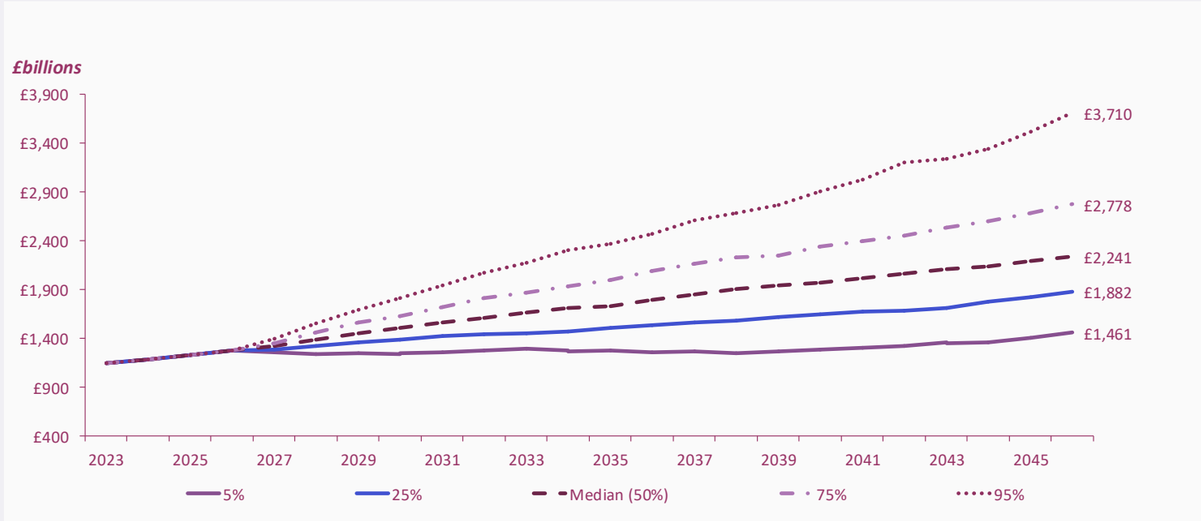
## By 2046, modelled private-sector workplace DC assets could grow to around £2.2 trillion

Assuming that current trends continue, the aggregate value of private sector workplace DC assets could grow from around £1.3 trillion in 2025 to around £2.2 trillion in 2046. The aggregate value of workplace DC assets is sensitive to economic performance. If the market performs very poorly, DC assets could stagnate, reaching around £2 trillion by 2045, but in a very positive market performance scenario, DC assets could grow to around £3.7 trillion by 2046 (Figure 3.10).

**Figure 3.10**[63]

## By 2046, total aggregate assets in DC schemes and personal pensions could reach around £2.2 trillion under the median scenario

**Aggregate value of DC assets in workplace and individual contracts in the UK, by year, under 1,000 randomly generated economic scenarios (2026 earnings terms)**




The projection covers assets in workplace DC schemes and individual pensions, and produces a modelled value of around £1.3 trillion in 2026. This is separate from the FCA estimate of almost £1.3 trillion cited in the Key Findings and Chapter 2.[64] The FCA figure covers contract-based workplace and individual pensions, including SIPPs and other non-workplace pensions, but excludes trust-based schemes. Although both figures round to approximately £1.3 trillion, they have different sources, coverage and purposes and should not be used interchangeably.

A larger aggregate asset pool does not necessarily mean that each saver is on course for an adequate retirement income. Aggregate growth can reflect saver numbers, contributions, investment returns and the length of time assets remain invested, and can therefore coexist with modest individual pots and substantial variation between savers.

Asset location also affects how the market is measured. A transfer from a workplace scheme to a retail pension may reduce assets recorded in the workplace segment without changing the individual's pension wealth, while consolidation into a workplace scheme may move assets in the opposite direction.

[62] PPI Aggregate Model
[63] PPI Aggregate Model: refer to the Technical Appendix for more details on the methodology
[64] FCA (2025d)

### Contribution choices, market structure, and retirement routes will shape outcomes beyond the central projections

Investment performance is only one source of uncertainty. Employee participation and contribution rates, employer contributions, charges, scheme design and the timing of retirement all affect individual pots and aggregate assets. Changes in the concentration of workplace assets may also affect the organisations responsible for investment, administration and retirement provision.

Decisions made where workplace and retail pensions meet sit largely outside these projections. Transfers and consolidation can change where assets are recorded and may also alter charges, investment options, guarantees, governance and support. Retirement decisions can determine whether savings remain within a workplace arrangement or move to an individually selected pension. Digital tools, targeted support and regulated advice may change how some individuals approach these decisions, but their effects on take-up, transfers and outcomes cannot be inferred from the modelling.

### Policy reforms may reshape both workplace provision and the workplace-retail boundary

The future DC landscape will also be affected by policy and regulatory changes that are not incorporated into the central modelling. The Pension Schemes Act 2026 establishes frameworks for Value for Money, small-pot consolidation, scheme scale, contractual override and Guided Retirement. Many of the operational requirements depend on secondary legislation, regulatory rules, and industry delivery. The Government's updated workplace pensions roadmap sets out a phased implementation programme through 2030 and beyond, but describes the dates as indicative and subject to change as regulations, regulatory rules and operational arrangements are developed.[65] Figure 3.11 therefore distinguishes legal or confirmed milestones from planned delivery dates and developments whose timing remains uncertain.

Some developments extend beyond trust-based workplace pensions. The FCA's targeted-support initiative took effect on 6 April 2026, allowing authorised firms to make ready-made suggestions to groups of consumers with common characteristics while remaining distinct from regulated personal advice. The FCA has also consulted on a new regime for interactive digital pension planning tools and a process to support non-advised decisions about transfers and consolidation. The consultation closed in February 2026, but the FCA had not published final rules at the time of writing.[66]

Separately, the FCA consulted during 2026 on simplifying pensions and investment advice rules. The proposals include consolidating suitability requirements and changing how ongoing advice services are reviewed. The consultation has closed but a policy statement had not yet been published. Any effects on the availability, cost or use of advice therefore remain uncertain.[67]

These developments may influence how workplace and individually selected pensions interact. Chapter 4 examines the retail-specific implications of changing product structures, distribution, digital tools, advice and support in greater detail.

[65] DWP (2026a)
[66] FCA (2025d)
[67] FCA (2026d)

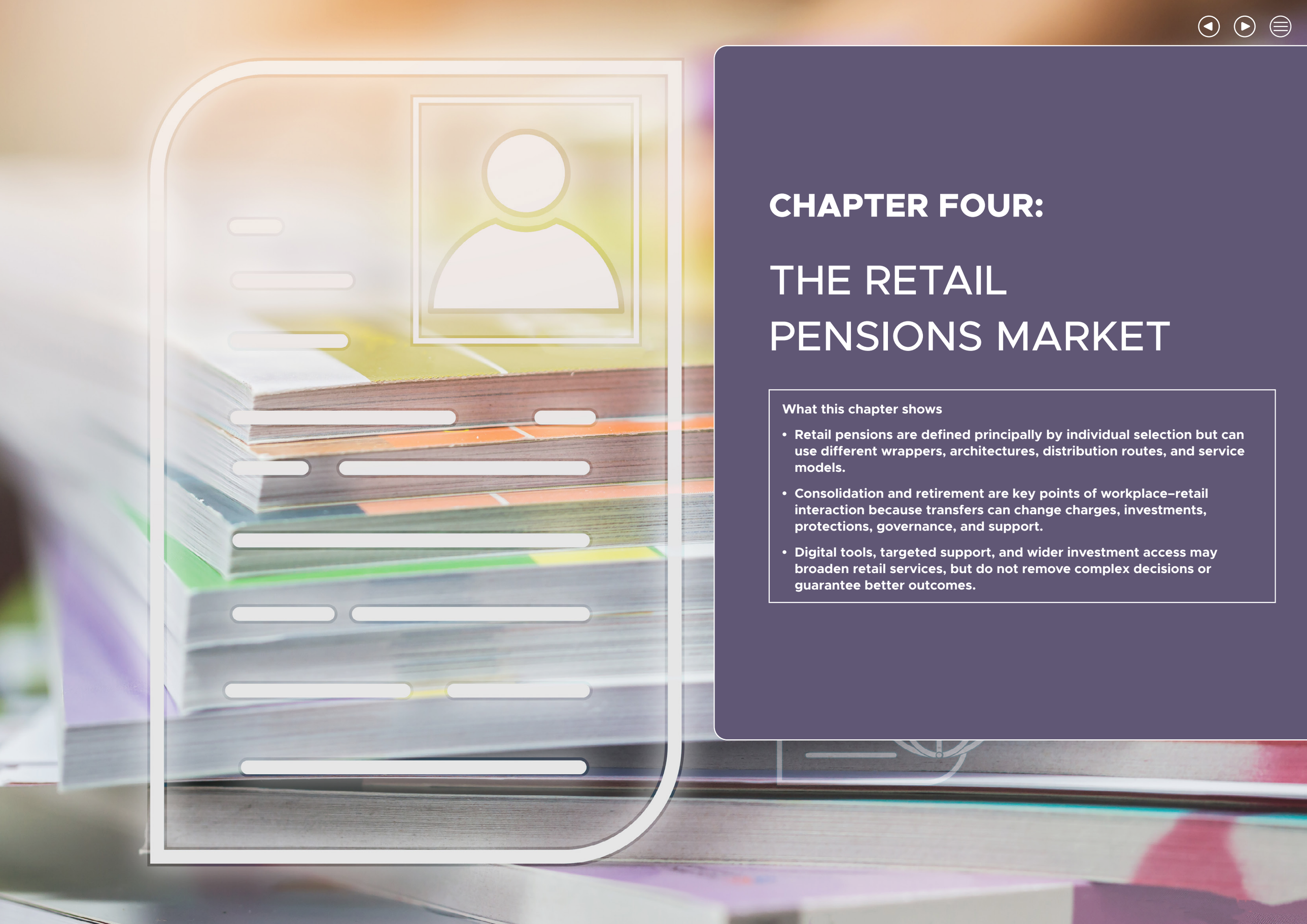
**Figure 3.11 Timeline of relevant policy changes, 2026 onwards**

| Date or period | Development and status | Relevance to the DC / retail landscape |
|---|---|---|
| 6 April 2026 | **Targeted support regime went live** | Authorised firms can make ready-made suggestions to groups of consumers with common characteristics. This may affect support offered by pension providers, platforms and advisers. |
| 29 April 2026 | **Pension Schemes Act 2026 received Royal Assent** | Creates the statutory framework for Value for Money, small pots, scale, contractual override and guided retirement. Most market effects depend on later rules and behaviour. |
| April 2026 to April 2028 | **State Pension age rises from 66 to 67** | Changes the age at which affected cohorts reach State Pension age and may alter the duration of workplace saving. |
| 31 July 2026 | **Regulations extend CDC to unconnected multiple-employer schemes** | Allows a further workplace DC model to develop. |
| 2026, final rules pending | **FCA work on interactive pension tools, non-advised transfers and consolidation, and simplifying pensions and investment advice** | Could change how consumers receive support and make decisions within FCA-regulated pensions. Consultation does not establish future take-up or outcomes. |
| 31 October 2026 | **Statutory pensions dashboards connection deadline** | Schemes and providers in scope must be connected. Dashboards may affect how savers find and consolidate pots, but connection is not the same as public launch, for which no date is confirmed. |
| October to December 2026 | **Planned consultations on guided retirement and retirement CDC** | Could reshape the boundary between workplace decumulation and retail retirement products. Policy detail and implementation remain subject to consultation. |
| 6 April 2027 | **Most unused pension funds and death benefits enter estates for Inheritance Tax** | May affect later-life withdrawal and bequest considerations in workplace and retail pensions. |
| Spring 2027 | **Second Pensions Commission plans to publish final recommendations** | Recommendations may address adequacy, contribution levels, or coverage. |
| 2027 to October 2028 | **Phased Value for Money rules and first assessments** | Comparable performance, cost and service data may affect provider competition, employer selection and consolidation. First assessments are planned for 2028 using 2027 data. |
| 6 April 2028 | **Normal minimum pension age rises from 55 to 57 for most savers** | Changes the earliest normal access age and may affect the timing of transfers, cash access and retail drawdown, subject to protections and exceptions. |
| March to December 2028 | **Contractual override and retirement CDC implementation planned** | Could facilitate transfers between contract-based workplace arrangements and create additional default retirement models. |
| July to September 2029 | **Guided-retirement compliance planned for master trusts and FCA-regulated workplace schemes** | May allow more savers to take a default income within workplace arrangements, potentially changing transfers into retail drawdown. |
| April to September 2030 | **Small-pot consolidation and £25 billion scale regime planned to begin; later guided-retirement compliance for other schemes.** | Could change the number and location of deferred pots, concentrate assets and alter provider flows. |
| Date not confirmed | **AE age reduction, first-pound contributions, and dashboards public launch** | The 2023 Act provides powers to lower the AE age and remove the lower qualifying-earnings limit, but no implementation date is settled, and there is no stated date for the launch of the dashboard. |

# Conclusions

**Workplace DC is projected to grow in scale, while wider reforms may alter where assets and decisions sit**

- **PPI modelling projects gradual growth and further concentration in active workplace DC saving.** Active membership increases from around 14.0 million in 2026 to around 14.9 million in 2046, with an increasing share in master trusts. These projections do not estimate the future size of the retail pensions market.
- **Aggregate growth does not determine individual retirement outcomes.** The 45 to 54 cohort has the lowest median projected DC pot of the three cohorts modelled, while economic uncertainty creates a wide range of possible aggregate asset outcomes. Contributions, charges and circumstances outside the model also remain important.
- **Transfers, consolidation and retirement choices can change where DC assets are held without necessarily changing an individual's pension wealth.** These movements between workplace and individually selected arrangements are not separately projected by the PPI models.
- **Policy change extends beyond the modelled workplace trends.** Small-pot consolidation, Value for Money, Guided Retirement, dashboards and changes to consumer support may affect how savers save, consolidate and access pensions, but many detailed requirements are still being developed and their behavioural effects cannot yet be observed.



# CHAPTER FOUR:

# THE RETAIL PENSIONS MARKET

**What this chapter shows**

- **Retail pensions are defined principally by individual selection but can use different wrappers, architectures, distribution routes, and service models.**
- **Consolidation and retirement are key points of workplace–retail interaction because transfers can change charges, investments, protections, governance, and support.**
- **Digital tools, targeted support, and wider investment access may broaden retail services, but do not remove complex decisions or guarantee better outcomes.**

## Retail pensions are a diverse part of the wider DC system

Chapters 1 to 3 establish that workplace pensions are the main route into private pension saving for employees, while DC accumulation also takes place outside workplace provision. Retail pensions become relevant at several points: some savers save independently or alongside a workplace pension, some consolidate existing pensions, and some move into retail pension arrangements when their investment, advice, or retirement needs change.

This chapter examines the retail market in greater detail. Its focus is not simply on the legal pension products available, but on how retail pension propositions are assembled and accessed. This requires separating the pension wrapper from the way it is distributed, the investments and services attached to it, and the organisations responsible for providing those services.

The term retail pension does not describe a single legal product or a market wholly separate from workplace DC. For this report, retail pensions are DC pension arrangements selected by an individual outside an employer relationship, either independently or following regulated financial advice. This includes individual personal pensions and Self-Invested Personal Pensions (SIPPs), together with the platforms, advice and other services through which those pensions may be accessed and managed.

The distinction depends principally on who selected or arranged the pension and the context in which it is used, rather than the name of the product. Group Personal Pensions, Group Stakeholder Pensions, and Group SIPPs can be used as workplace pensions where an employer selects or facilitates the arrangement. An individually selected personal pension or SIPP forms part of the retail market. Similarly, drawdown is a way of using pension savings rather than a separate legal wrapper: it can be available within some workplace schemes as well as through individually selected pensions.

This distinction is important because the same product label can conceal substantial differences in how the consumer experiences the pension. A SIPP may be stand-alone or administered through a platform, accessed with or without financial advice, and provide anything from a small number of ready-made investment choices to a much wider range of assets. Retail pensions are therefore better understood through several overlapping dimensions rather than as a single product category.

### The pension wrapper is only one part of the proposition

Four dimensions are particularly useful:

- **the pension wrapper**, such as a personal pension, stakeholder pension or SIPP;
- **the product architecture**, including whether the pension operates largely as a stand-alone arrangement or through a platform;
- **the distribution route**, including regulated advice, direct-to-consumer (D2C) or provider-direct access; and
- **the investment and service proposition**, including the availability of pre-built investment funds or portfolios, ongoing investment management and options for savers to select their own investments, alongside the administration, support and retirement services provided.

A fifth dimension concerns the commercial model behind the proposition. The adviser, pension provider, platform, asset manager, administrator and custodian may be separate organisations, or several of these functions may sit within one corporate group.

These dimensions overlap. Product architecture does not determine distribution route, and neither determines the level of investment complexity. An advised pension can be stand-alone or platform-based. A D2C SIPP may offer a ready-made portfolio or a large investment range. A platform can administer several tax wrappers, but the presence of a platform does not itself tell the consumer who is responsible for the investments or whether regulated advice is being provided.

**Figure 4.1: Retail pensions can be stand-alone or platform-based and accessed with or without advice[68]**

| | Stand-alone pension | Platform-based pension |
|---|---|---|
| **Advised** | An adviser recommends a personal pension or SIPP administered principally as a discrete pension arrangement | An adviser recommends a pension wrapper administered through a platform that may also hold ISAs, General Investment Accounts or other investments |
| **Non-advised** | A consumer selects a personal pension or SIPP directly, commonly from a pension provider | A consumer selects a pension through a D2C platform and may also administer other investment wrappers through the same service |

### New propositions coexist alongside a substantial stock of legacy pensions

The retail market includes products currently open to new customers alongside older policies closed to new business. Legacy status describes the age or business status of an arrangement rather than one legal type of pension.

Older pensions can differ from current propositions in charging structures, investment range, administration and digital functionality. However, an older pension should not automatically be assumed to offer poor value. Some contain guarantees, protected tax-free cash or other contractual features that may be difficult or impossible to reproduce if the pension is transferred.

The FCA's 2026 review of unit-linked pensions and savings covered around 17 million policies with approximately £500 billion of assets. Around half of the policies within the firms sampled were in legacy or closed products. The review did not publish a pension-only asset total and the £500 billion should therefore not be interpreted as another estimate of the size of the retail pension market. The FCA nevertheless identified complex charging structures, older product design and weaknesses in some firms' data as factors that could affect value for consumers in legacy products.[69]

This stock of older business matters because competition for newly opened SIPPs, platforms and personal pensions exists alongside the long-term administration of policies created under earlier charging, investment and service models. Decisions about whether to retain or transfer these pensions therefore require consideration of both their limitations and any valuable features that would be lost.

[68] This is a pragmatic explanatory framework rather than a formal or exhaustive segmentation of the market. Provider-direct propositions, legacy policies, specialist SIPPs and some retirement arrangements may not fit neatly within four boxes. The same underlying pension wrapper can also be distributed through more than one route.
[69] FCA (2026c)

### No single statistic captures the size of the retail pensions market

Chapter 2 sets out the principal statistics on retail accumulation. The central difficulty is that there is no official dataset whose population corresponds exactly to the definition of retail pensions used in this report. FCA and HMRC datasets measure different combinations of consumers, products, contributions, policies, plans, transactions and assets. The detailed limitations of the principal sources are set out in the report appendix.[70]

The FCA's Financial Lives Survey estimated that around 4.7 million UK adults, or 9%, held a non-workplace DC pension in accumulation in May 2024.[71] This is a survey estimate of adults rather than an administrative count of pension contracts or assets.

A different FCA exercise found approximately £567 billion of assets under administration in SIPPs across 5.3 million reported consumers in 2024. The SIPP figure should not be presented as the total value of the retail pension market. SIPPs represent only part of retail pension provision and the reported population can include employer-linked arrangements. The FCA's CP26/20 describes the £567 billion as roughly one-third of assets held in FCA-regulated DC pensions.[72]

The report also uses a separate FCA measure for the wider contract-based DC market. This includes contract-based workplace pensions as well as individual personal pensions and SIPPs, while excluding occupational trust-based DC. It is therefore not a retail-only measure.

### Savers enter retail pensions for different and sometimes overlapping reasons

There is no single retail pension customer or universal route into the market.

Some savers save through an individually selected pension because they are outside workplace pension saving. This includes some self-employed savers, although Chapter 2 shows that access to an individual pension product does not reproduce the employer contribution, payroll deduction, or AE mechanisms associated with workplace provision.

Some savers use a retail pension alongside workplace saving. Qualitative research commissioned by the FCA identified a desire to diversify investments or providers beyond the workplace pension as one motivation for holding a separate arrangement. Tax efficiency was also cited as a benefit of pension saving, while investment choice and contribution flexibility influenced some consumers' selection of non-workplace pension products.[73]

Others encounter the market through consolidation. Job changes can leave savers with several deferred pensions. A saver may leave those pensions where they are, move them into a later workplace scheme, or transfer some or all of them into an individually selected personal pension or SIPP.

Some consumers use a platform because they want to administer a pension alongside ISAs, General Investment Accounts, or other investments. This can give a more consolidated view of financial assets, although the pension remains subject to its own tax and access rules. For some consumers this forms part of a broader financial planning or wealth management proposition.

Regulated advice provides another route into the market. An adviser may recommend retaining an existing pension, transferring it, consolidating several pensions, or using more than one arrangement. Some advised propositions bring pensions and other investments together on a platform, but there is no universal requirement that all assets must be transferred to an adviser's platform.

Finally, retirement can bring a consumer into a new retail arrangement. Some workplace schemes offer in-scheme drawdown or other retirement services, while others provide a narrower set of options. A saver may therefore be signposted and transfer to an individually selected arrangement in order to obtain a preferred form of access or support.

[70] Further information is set out in Appendix Figure A.1.
[71] FCA (2025a)
[72] FCA (2026b)
[73] NMG Consulting (2018)

These routes can overlap and may occur at different times. An individual might, for example, contribute to a workplace pension, open a separate SIPP, consolidate an older workplace pot and later move part of their savings into a retail retirement arrangement. The retail market is therefore less a single destination than a set of products and services that individuals may use at particular points in their saving and retirement journeys.

### Product labels alone do not define the retail pension experience

A product label does not explain the consumer experience. Understanding a retail pension requires consideration of why the individual entered the market, how the arrangement is accessed, who makes the investment decisions, what services are provided and how it connects with existing pension savings.

## Product architecture and distribution shape how consumers experience retail pensions

### A platform can combine a pension with other investments, but not every retail pension is platform-based

A stand-alone pension is principally presented and administered as a pension product. The provider may offer a selected investment range, managed portfolios, ready-made investments or broader self-selection. Administration and digital access may be integrated within the provider's service.

A platform-based pension places the pension wrapper within an investment-administration service that can commonly support several types of account. Depending on the platform, these can include ISAs, General Investment Accounts and other investments. Platforms may provide dealing, valuations, reporting, cash administration, transfer functionality and digital tools

A platform does not necessarily manufacture the pension or the underlying investments itself. The pension operator, platform provider, investment manager, administrator, custodian and technology provider can be separate organisations. Equally, several of these roles can sit within one corporate group.

The distinction between stand-alone and platform-based products therefore helps explain architecture, but does not establish who selected the product or how much support the consumer receives. Both architectures can be used in advised and non-advised propositions.

### Distribution determines who selects the pension and where responsibility sits

Three distribution routes are particularly important for the retail market: regulated advice, D2C platforms and provider-direct arrangements.

#### Advice can reduce the decisions consumers make alone, but access and value vary

A regulated adviser assesses relevant information about a consumer's circumstances and makes a personal recommendation. Advice can cover whether an existing workplace or retail pension should be retained or transferred, provider or platform selection, investment strategy, contributions and retirement decisions.

Advice may be provided for a specific decision or through an ongoing service. The latter can include periodic reviews, investment monitoring, tax planning and support with withdrawals or changing circumstances.

Financial Lives 2024 found that 62% of adults who had recently paid for regulated financial advice paid an ongoing charge. Among fee-payers, 68% considered the price good value or about right, while around one fifth disagreed that they understood what they were paying.[74] These figures cover financial advice more broadly rather than pensions alone, but they illustrate why the value of ongoing advice depends on the scope and delivery of the service as well as its price.

Advice can be particularly relevant where decisions involve safeguarded benefits, several pension arrangements, complex tax circumstances or retirement-income choices. However, access is uneven. The costs of fact-finding, suitability assessment, compliance and ongoing servicing can make comprehensive advice less commercially viable for consumers with smaller amounts to invest.

An adviser can be independent, considering a sufficiently diverse range of relevant products, or restricted, operating within a specified range. Restricted advice remains regulated advice. The distinction should not be confused with vertical integration, which concerns the corporate relationship between the adviser and other firms in the proposition.

### D2C platforms increase choice but leave more decisions with the consumer

A D2C platform allows the consumer to select and administer a pension without receiving a personal recommendation. Services can include investment dealing, valuations, transfer facilities, fund information, retirement information and digital tools.

Some platforms provide very broad investment ranges. Others organise choices around model portfolios, risk-rated funds or ready-made investments. FCA rules for new non-workplace pensions include requirements for a default investment option for relevant non-advised customers, recognising that not every consumer wants or is equipped to construct an investment portfolio from a large range of funds.

Choice can benefit consumers with sufficient knowledge or clear preferences, but the availability of more investments does not necessarily produce better diversification or outcomes.

Financial Lives 2024 found that, among non-advised platform users, 62% identified low fees as an important factor when selecting a platform, 52% cited the investment range and 51% the usability of the website.[75] These findings include non-pension platform investments, but they show that competition is based on a combination of price, choice and usability rather than price alone.

### Provider-direct propositions can simplify selection but reduce the breadth of comparison

In a provider-direct route, the consumer obtains a pension from the provider without a separate financial adviser or multi-provider platform.

The provider may combine the pension wrapper, administration, digital interface and investment proposition. A narrower investment range or a ready-made managed solution can reduce the number of decisions presented to the consumer. Other provider-direct propositions can offer wider investment choice.

Existing relationships can influence this route. A provider may already administer a person's workplace pension and offer an individually selected pension or retirement product later. Financial Lives found that 80% of adults who had partially encashed a DC pension in the preceding four years used their existing provider, while 35% reported shopping around.[76] This does not establish whether staying with the provider was appropriate, but it illustrates the importance of familiarity, convenience and journey design.

Support varies between providers. It may include telephone assistance, online tools, managed investments, warnings or targeted support. Unless regulated personal advice is provided, however, the firm is not making an individual suitability recommendation on the basis of the consumer's full circumstances.

**Figure 4.2 Distribution routes allocate choice and support differently**

| Route | Who selects the pension? | Who selects investments? | Typical support | Main issue for the consumer |
|---|---|---|---|---|
| **Advised** | Adviser recommends; consumer agrees | Adviser, investment manager and/or consumer | Personal suitability assessment, potentially ongoing | Scope, cost and continuing value of advice |
| **D2C platform** | Consumer | Consumer or ready-made/model proposition | Information, tools, warnings and customer service | Choice, confidence and responsibility |
| **Provider-direct** | Consumer, often through one provider | Consumer or provider-managed proposition | Provider-specific digital or human support | Product range, service and ease of comparison |
| **Legacy pension** | Reflects an earlier purchase or workplace arrangement | Existing fund selection | May use older service model | Charges, guarantees, service and transfer consequences |

Distribution is therefore more than a sales channel. It affects who assesses needs, who selects and monitors investments, how much comparison takes place and which decisions remain with the consumer.

## Commercial models determine how services and responsibilities are divided between firms

A retail pension can involve a provider or operator, a platform, an adviser, one or more asset managers, an administrator, technology suppliers, and a custodian. The pension provider or operator is responsible for the wrapper, while the platform may provide investment administration, dealing, reporting, and digital access. Asset managers make decisions within funds or managed portfolios. Administrators process records, contributions, transfers and withdrawals, and custodians safeguard assets and cash. These functions may be outsourced or combined within one corporate group, but outsourcing does not remove the authorised firm's regulatory responsibility.[77]

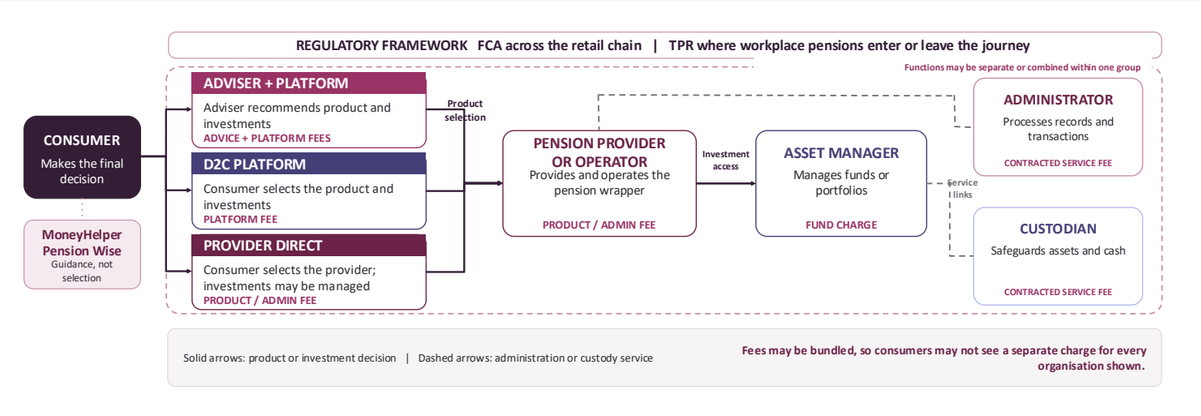
MoneyHelper and Pension Wise sit alongside the commercial value chain by providing free and impartial information and guidance. The FCA regulates personal pension providers, advisers, platforms and asset managers, while TPR regulates occupational schemes and AE. Their responsibilities meet when savings move between workplace and retail arrangements.[78]

[74] FCA (2025b)
[75] FCA (2025b)
[76] FCA (2025b)
[77] FCA (2018) & FCA (2025g)
[78] FCA & TPR (2014)

**Figure 4.3 Retail pension services may be vertically integrated or provided by separate specialist firms**

## Several organisations can contribute to one retail pension proposition

**The distribution route determines product and investment choice, the support provided and where fees flow.**




### Vertically integrated propositions combine several services within the same corporate group

In a vertically integrated model, advice, the pension product, platform or investment services may be supplied by firms within the same corporate group.

This can create a more integrated customer journey because data, administration, and communications can be shared across related services. It may also reduce the number of separate providers with which the consumer interacts.

However, vertical integration can create potential conflicts where a group provides the advice and also receives revenue from a product, platform, or investment service. Regulatory requirements around suitability, product governance, fair value and conflicts therefore remain important.

Vertical integration should not be described as inherently beneficial or detrimental. The relevant questions are whether the proposition is suitable for its target market, whether conflicts are identified and managed, whether consumers understand which services they are receiving and whether the combined price represents fair value.

### Specialised models divide responsibilities between separate firms

Under a more specialised model, an adviser can recommend a product or platform operated by a separate firm. Investment management, administration and custody can also be provided by different organisations.

This can allow each function to be provided by a specialist organisation and may widen the range of products available to an adviser or consumer. However, it also creates more interfaces between organisations. Responsibilities, data exchange and charging can therefore be less obvious to the consumer.

The distinction between integration and specialisation is consequently not simply whether there are more or fewer firms. It concerns how responsibilities are allocated and made visible.

## Retail pension products sit on a spectrum of investment and administrative complexity

The labels personal pension and SIPP do not by themselves show how complex a product is.

Historically, SIPPs were associated with consumers seeking greater control over investment choice, but the market has broadened considerably. Some current SIPPs provide ready-made investments and digital journeys designed for relatively broad consumer groups, while others retain extensive investment flexibility and specialist administration.

FCA CP26/20 provides a useful framework for explaining this diversity, and describes three broad product types:[79]

- **ready-made SIPPs**, which typically provide a limited range of pre-selected investments such as target-date funds or risk-rated model portfolios;
- **streamlined or simple SIPPs**, which generally provide access to a broader range of mainstream funds and are more commonly targeted at the mass market; and
- **bespoke SIPPs**, which can permit a much wider range of assets, including non-mainstream investments, and are generally associated with more engaged or experienced consumers.

These are useful descriptive categories, but the FCA expressly decided not to introduce formal categorisation of SIPPs, concluding that the market exists on a spectrum and that prescriptive segmentation could add complexity or reduce flexibility.

**Figure 4.4: Retail pensions range from ready-made to bespoke propositions**

| | Ready-made / limited-choice | Streamlined / mainstream | Bespoke / specialist |
|---|---|---|---|
| **Investment range** | Limited pre-selected range or risk-rated/model portfolios | Broad range of mainstream funds and exchange-traded investments | Wider range, potentially including specialist or non-standard assets |
| **Portfolio construction** | Provider or investment manager designs available options | Consumer, adviser or investment manager may construct portfolio | Consumer/adviser may make more individualised choices |
| **Administration** | Comparatively standardised | Mainstream platform/pension administration | Can involve specialist administration and third parties |
| **Liquidity/valuation** | Generally mainstream liquid investments | Depends on selected assets | Can include assets that require specialist valuation or are less liquid |
| **Likely support need** | Clear explanation of options and risk | Support with portfolio construction and monitoring may be relevant | Specialist advice or administration may be important depending on assets |

[79] FCA (2026b)

The spectrum is not a ranking of quality or suitability. A ready-made proposition can still expose the consumer to investment risk and may not suit every investor. A bespoke SIPP can be appropriate for someone with a legitimate need for specialist assets or administration.

Commercial property illustrates the distinction. CP26/20 notes that bespoke SIPPs can be used where a consumer wants to hold commercial property within a pension wrapper. Such arrangements may require specialist legal work, administration, and valuation and can involve several third parties.[80] Those additional functions affect both operational complexity and cost.

The FCA's current SIPP work is also principally about consumer protection and operational standards, rather than creating a new product hierarchy. CP26/20 proposes clearer due-diligence requirements and a new regime for the handling of pension scheme money and assets in relevant structures. The consultation closed on 1 June 2026, and final rules had not been published at this report's evidence cut-off.

### Legacy products create a different form of complexity

Product complexity should not be considered only in relation to investment choice. Legacy policies can be complex because of older charging structures, contractual guarantees, exit terms or administrative arrangements.

A consumer comparing a modern platform SIPP with an older personal pension may therefore face a trade-off between improved digital functionality or investment flexibility and features embedded in the older contract. Age alone is consequently a poor proxy for value. What matters is the combination of charges, investments, guarantees, administration, service and the consumer's current needs.

## Layered charging structures make value difficult to compare

### Consumers may pay for several distinct services

Retail pension charges can arise at several points in the value chain. A product or administration charge pays for operating the pension wrapper and maintaining records. A platform charge covers investment administration, dealing, and digital access. Fund or portfolio charges pay for investment management. Advised consumers may also pay initial and ongoing advice charges. Additional charges can apply to transactions, certain investments, transfers or drawdown administration. Legacy policies may contain older charging structures, exit terms, or charges linked to guarantees.

Not every consumer pays every charge. A provider may bundle the wrapper, platform, and administration into one price, while a vertically integrated group may receive income from advice, platform services and investment management. Unbundled disclosure shows the components separately, but can still leave the consumer to combine several documents and charging bases. Administration, technology and custody costs may be paid by the provider under commercial contracts rather than shown as separate consumer charges, but remain part of the economics of the proposition.

### The effect of a charging model depends on pot size and behaviour

Percentage-of-assets charges increase in cash terms as the pension grows. Flat monetary fees remain the same in cash terms but take a larger proportion of a small pot. Tiered percentage charges apply lower rates to higher bands of assets, while some products cap the platform or administration charge. Subscription models charge a regular amount for access to a service. Transaction charges depend on activity, such as trading, making certain withdrawals or using specialist investments.

Advice may be charged as a fixed fee, an hourly rate, or a percentage of assets, and may be one-off or ongoing. FCA rules require adviser charges to be agreed and disclosed, including an illustrative cash amount where the charge depends on the fund value.[81] The same headline percentage can therefore have different implications depending on the pot, expected growth and duration of the relationship.

Three broad consumer profiles illustrate why there is no universally cheapest model. A consumer consolidating several small pots may benefit from one account but face a flat fee that is high relative to the combined balance. A mid-career saver with a medium-sized pot may be affected most by the interaction between a percentage platform charge and the chosen fund cost. A larger-pot consumer using ongoing advice and drawdown may pay several layers in cash terms, but may also receive investment management, tax planning and withdrawal support. A meaningful comparison therefore needs both the annual cash cost and the service package, not a single headline percentage.

**Figure 4.5: Charging structures vary by distribution route**

| Route | Product or platform charge | Investment charge | Advice charge | Other possible charges | What may be included |
|---|---|---|---|---|---|
| Advised platform | Usually percentage, tiered or capped; may include wrapper administration | Fund, portfolio or discretionary management charge | Initial and/or ongoing | Dealing, specialist assets, drawdown or service fees | Suitability assessment, reporting, reviews and support, depending on the agreement |
| D2C platform | Percentage, flat, tiered, capped or subscription | Fund or managed-portfolio charge | None unless separately purchased | Dealing, transfers, certain investments or withdrawals | Digital account, investment tools, information and customer service |
| Provider-direct | Often bundled product and administration charge | Included or separate depending on the product | None unless advice is offered separately | Drawdown, transaction or service charges | Wrapper, administration, provider support and a defined investment range |
| Legacy personal pension | May include allocation, policy, bid-offer or other older structures | May be embedded or separate | Depends on the original sale and any later service | Exit terms or charges linked to guarantees | Existing contractual features and potentially valuable guarantees |
| Workplace default, reference only | Often a single member-borne charge within the statutory cap where applicable | Usually included within the disclosed charge | Normally no individual advice charge | Limited additional member charges | Employer or trustee selection, default governance and payroll contributions |

Workplace pensions may benefit from employer negotiation, institutional scale, and default governance, while retail propositions may include broader investment choice, individual administration, advice or retirement services. The 0.75% cap applying to the default arrangements of qualifying workplace schemes therefore does not establish what a retail product should cost or whether it offers value. It remains relevant as one point of comparison when a consumer considers transferring, particularly where the retail product adds charges for services the consumer may not use.[82]

[80] FCA (2026b)
[81] FCA (2026e)
[82] FCA (2015)

### Disclosure has improved, but comparability remains incomplete

Firms must disclose costs before sale and provide ongoing information. Platforms are expected to aggregate costs in cash and percentage terms and explain their effect on returns. Consumers who have accessed a pension receive annual information showing costs and charges in pounds and pence. Financial Lives 2024 found that 70% of non-advised platform users knew roughly or exactly what they were charged, and 66% of those who shopped around by price found total-cost comparison easy.[83] The findings relate to platform users, including non-pension investments, and are likely to reflect a more engaged group than the whole retail pension population.

Disclosure does not make products directly comparable where charges depend on future contributions, pot growth, investment choice, trading, and withdrawals. Firms may use different terms for similar charges or include different services within the headline price. The FCA's 2026 unit-linked review found that charge and investment-performance data were not standardised across firms, limiting straightforward comparison of legacy books.[84] This was a multi-firm review of pensions and savings rather than a market-wide estimate, but it illustrates the underlying data challenge.

### Price must be assessed alongside service and outcomes

Under the Consumer Duty, fair value concerns the relationship between the price paid and the benefits consumers can reasonably expect, rather than prescribing a single price or profit margin.[85] A higher charge may reflect advice, active investment management, specialist administration, broader support, or a more developed retirement service. Equally, the presence of additional features does not establish that they are suitable, delivered effectively, or used by the consumer.

Value can also change over time. A charging model that is proportionate for a small or medium pot may become expensive in cash terms as assets grow. An ongoing advice service may be valuable during a transfer or retirement transition but less relevant if the consumer's circumstances are stable and contact is limited. Legacy guarantees may justify retaining an older policy despite less competitive headline charges. Firms and consumers therefore need to consider continuing value, not only the price at the point of purchase.

### Different charging structures can make comparisons challenging

Where retail pensions and workplace schemes both use a single percentage charge, comparison may be relatively straightforward. However, retail pensions can combine platform, product, investment, transaction and advice charges, some of which may be fixed or depend on the individual's choices and activity. Comparing value therefore requires consideration of the total expected cost and the services, protections and governance received in return.

[83] FCA (2025j)
[84] FCA (2026c)
[85] FCA (2022c)
[86] FCA (2025a)

## Consolidation and retirement are the main points at which workplace and retail pensions interact

## Pension assets can move in both directions

A saver leaving employment may retain a deferred workplace pot, transfer it to a later employer's scheme or move it to an individually selected pension. A retail personal pension can also be transferred into a workplace arrangement where the receiving scheme accepts transfers.

Some savers save through a retail pension alongside workplace provision without transferring anything. Others first enter the retail market at retirement because a particular service or form of access is not available within their workplace scheme.

**Figure 4.6: Workplace and retail pensions connect at consolidation and retirement**

| Starting position | Decision point | Possible destinations |
|---|---|---|
| **Current or deferred workplace pension** | Job change or consolidation | Leave deferred; transfer to later workplace scheme; transfer to individually selected personal pension or SIPP |
| **Workplace pension plus other resources** | Additional saving or wider planning | Continue workplace only; add personal pension; use platform or advised proposition |
| **Workplace accumulation** | Retirement | Use available workplace options; transfer to retail drawdown; purchase annuity; combine approaches |
| **Retail pension** | Changing employment or service needs | Remain; move between retail providers; transfer into workplace provision where accepted |

### Consolidation can simplify administration while changing substantive pension features

The appeal of consolidation is clear. Fewer pension accounts can be easier to find, monitor and administer. Consolidation may also remove duplicated fixed charges and give access to a different investment range, digital service or retirement proposition.

The evidence suggests that convenience is particularly salient. Among consumers who had consolidated in the three years to May 2024, 78% cited keeping pensions in one place or easier access as a reason. However, only 32% said they considered charges, 21% investment choice and 7% whether guarantees or safeguarded benefits could be lost.[86]

A transfer can change considerably more than administration. An existing pension may contain guarantees, protected tax-free cash or other contractual rights. The receiving pension may have different charges, investment options and financial protections.

A transfer from a workplace pension can also change the governance environment. Workplace pension investments often include a default strategy selected and monitored by trustees or a provider. A retail pension may instead require the individual or adviser to make more explicit investment decisions.

This does not mean that retaining the workplace pension is always preferable. A retail arrangement may provide investment choice, consolidation, digital functionality or retirement services that are valuable to the individual. The relevant comparison depends on the pensions concerned and the consumer's needs.

Transfer processes also involve operational considerations. A FCA review highlighted more than three quarters of firms completed average pension-transfer requests within 20 days, while cases requiring additional information or protection checks took longer (FCA, 2025k). Delay can result from operational weaknesses, but can also reflect legitimate checks relating to scams, eligibility or safeguarded benefits. That distinction remains worth retaining.

Advice may assist with this comparison. A regulated adviser can recommend retaining an existing workplace or retail pension, transferring one or more pensions, consolidating, or using several arrangements. An advised consumer does not necessarily have to move everything onto an adviser platform.

The forthcoming workplace small-pot regime addresses a related but distinct problem. Automatic consolidation may reduce the number of very small deferred workplace pots without requiring each saver to select a retail pension. Larger pots excluded pots and voluntary consolidation decisions can continue to involve comparison between arrangements.

**Consolidation can change both pension outcomes and individual responsibility**

Consolidation is not just an administrative decision. It can change costs, investment strategy, contractual benefits, governance, support, retirement services and the amount of responsibility borne by the individual.

### Retirement is a particularly important point of interaction

Retirement combines several decisions that are largely absent from accumulation: when benefits are accessed, how much is withdrawn, whether savings remain invested, what investment risk is retained and how long the pension may need to provide income.

As Chapter 2 shows, retirement options vary between workplace schemes. Some provide in-scheme drawdown or other retirement options, while others provide a narrower range. A saver who wants an option not available within their existing pension may need to transfer.

Retail arrangements therefore play a substantial role in retirement, but they are not synonymous with retirement access. Annuities, drawdown, cash withdrawals, advice and guidance do not all operate in the same way or through every workplace and retail arrangement.

FCA retirement-income data show that 961,575 pension plans were accessed for the first time in 2024/25. The FCA also recorded 349,992 drawdown policy sales.[87] These are plans and transactions across the FCA-regulated retirement-income market rather than unique retail customers, so they should be interpreted as evidence of the scale of retirement decisions rather than the size of a distinct retail-drawdown population.

Drawdown keeps pension assets invested while withdrawals are made. This provides flexibility but retains investment and sequencing risk and introduces longevity and withdrawal-rate decisions. Tax consequences can also vary with the timing and amount of access.

Support can take different forms. Regulated advice provides an individual recommendation. Pension Wise provides impartial guidance about retirement options. Investment pathways structure investment choices for relevant non-advised drawdown customers. Targeted support can provide ready-made suggestions to groups of consumers with shared characteristics. These services operate under different regulatory frameworks and should not be presented as substitutes for one another.

Workplace Guided Retirement could alter this boundary by expanding access to structured retirement-income solutions without requiring the member to transfer to a retail pension.

### Workplace and retail reforms may redirect rather than remove decisions

The policy programme discussed in Chapter 3 could change where decisions are made.

- Pensions dashboards may make deferred arrangements easier to identify. This could support consolidation into either workplace or retail pensions, but better visibility does not determine which destination is appropriate.
- Small-pot consolidation may reduce the number of individual decisions involving very small pots. Guided Retirement may make it possible for more members to remain within workplace provision when converting savings into retirement income.
- At the same time, FCA reforms affecting targeted support, digital pension tools and transfers could make individually selected routes easier to navigate.

The result may therefore be redistribution rather than elimination of decision-making. Consumers may face fewer decisions in some parts of the system but more structured choices at other points.

## How the retail pensions market may evolve

The direction of change is not predetermined, new technology or regulation can lower some barriers while creating new implementation costs or risks. Greater investment choice can widen opportunity but also increase complexity. New support models can reach savers who currently receive little assistance but cannot reproduce full individual advice in every circumstance.

### Digitalisation can reduce friction without removing difficult decisions

The retail pension market is increasingly supported by digital onboarding, online transfers, mobile applications, real-time valuations and personalised communications. FCA analysis of the SIPP market identifies digital functionality, intuitive platforms and integrated planning tools as increasingly important competitive features.[88]

Digital processes can reduce paperwork and make information easier to access. They can also make it easier to compare investment values and initiate contributions or transfers. However, the underlying decisions remain substantive. A smoother transfer journey does not establish that a transfer is appropriate. A simple risk questionnaire cannot necessarily capture complex household circumstances or the value of guarantees in an existing pension.

Digital design can also change behaviour. Frequent valuations and easy dealing may increase the temptation to respond to short-term market movements. Digital exclusion can prevent some consumers from benefiting from the most efficient journeys. Cybersecurity, data protection and operational resilience become increasingly important as pension administration depends on interconnected systems

### Interactive pension tools may become more flexible

FCA CP25/39 responds directly to the growth of digital pension journeys. The FCA said that existing projection rules were designed before online engagement became commonplace and consulted on a separate regime for interactive digital pension-planning tools. It also proposed an additional process to support non-advised consumers considering whether and where to transfer or consolidate DC pensions.[89]

The proposals could allow tools to show consumers more interactively how contributions, retirement age or investment assumptions affect possible outcomes. They may also make trade-offs in consolidation more prominent. Their usefulness will depend on the assumptions used, how uncertainty is communicated and whether consumers understand when a tool is illustrating options rather than making a personal recommendation.

### Artificial intelligence may change how support and administration are delivered

AI could be used to tailor communications, identify likely support needs, assist administration or help firms organise information from several pensions.

These applications may reduce some operational costs or allow firms to identify consumers who appear to need intervention. However, their implications for pension outcomes remain uncertain.

Pensions involve long time horizons, incomplete information and potentially irreversible decisions. AI-assisted support therefore raises questions about data quality, explainability, bias and accountability, particularly if outputs influence transfers, investment selection or retirement withdrawals. The regulatory boundary also matters. A tool that becomes increasingly personalised can move closer to an individual recommendation depending on how it is designed and used.

Digitisation and AI should therefore not be treated as synonymous with improved engagement. They can make support more accessible for some consumers while creating new risks or leaving others excluded.

[87] FCA (2025m)
[88] FCA (2026b)
[89] (2025d)

### Targeted support creates a new form of regulated assistance

The FCA's targeted-support regime went live on 6 April 2026. Firms with the appropriate permission can provide ready-made suggestions designed for groups of consumers with common characteristics. The suggestion is not based on a full assessment of one individual's circumstances and remains distinct from regulated personal advice.

This creates a new point between generic information and comprehensive advice. A provider might, for example, identify a group of customers whose behaviour suggests a common pension need and offer a ready-made suggestion designed for that segment.

For retail pension firms, targeted support may be particularly relevant to contributions, investment choices and retirement withdrawals. It could provide more direction to consumers who are unlikely to pay for full advice.

However, the limitation is intrinsic to the model. The firm is making a suggestion for a segment rather than determining that the action is suitable for all aspects of the individual consumer's circumstances. Consumers therefore need to understand what information has and has not been considered.

Commercial incentives will also matter. Providers and platforms must ensure that targeted-support journeys are designed around consumer needs rather than primarily around retaining assets or increasing use of in-house products. Since the regime is new, evidence on take-up, behavioural effects and consumer outcomes remains limited.

### Advice reform may allow more varied forms of regulated advice

The FCA's CP26/10 consultation is intended to make it straightforward for firms to offer more proportionate forms of pensions and investment advice within the existing regulatory framework. The FCA is not proposing a separate formal "simplified advice" category. Instead, it proposes to consolidate suitability rules, clarify how firms can take proportionate approaches to the information required, and replace the annual suitability-review requirement with periodic reviews based on client need. If implemented, this could make limited-scope advice commercially viable for a wider set of decisions or consumers. It may also encourage tiered ongoing-service models.[90]

The potential effect on the advice gap is uncertain. Lower delivery costs do not guarantee that firms will serve smaller pension pots, and consumers' willingness to pay remains relevant. More limited advice will also need to be clearly distinguished from comprehensive financial planning so that consumers understand the scope of the recommendation.

### SIPP regulation is evolving as the market becomes more diverse

The growth and changing use of SIPPs has prompted further FCA work on consumer protection. As noted above, CP26/20 proposes clearer due-diligence rules for SIPP operators and a new Pension Scheme Money and Assets regime for relevant arrangements using unauthorised trustees. The FCA's objective is to improve consistency of consumer protection while retaining the flexibility and investment choice offered by SIPPs.[91]

The consultation is particularly relevant to specialist propositions because non-standard investments and more complex custody arrangements can involve several parties. FCA analysis notes that bespoke SIPPs may involve platforms, discretionary investment managers, stockbrokers and custodians, while assets such as commercial property can be held through more specialised structures.

### Wider investment choice does not guarantee meaningful diversification

Retail pension propositions can provide access to passive and active funds, multi-asset portfolios, target-date approaches, responsible-investment strategies, individual securities and, in some cases, specialist investments.

Advised and managed propositions can assemble these investments into model or discretionary portfolios. Provider-direct pensions may offer a smaller range of risk-rated or ready-made options. Availability and use should be distinguished. A pension with thousands of available funds does not establish that consumers build more diversified portfolios than a pension with a smaller governed range.

Broader choice can benefit consumers with specific needs, preferences or professional support. It can also lead to duplicated holdings, concentration in familiar markets or selection based on recent performance. Ready-made and managed propositions attempt to reduce these decisions by delegating more of the asset-allocation process. Their value depends on the portfolio design, charges, governance and whether the level of risk is appropriate for the consumer. The FCA's DP25/3 considers wider questions about expanding consumer access to investments and balancing informed risk taking with consumer protection.[92]

### Private-market access offers potential benefits but remains constrained for retail investors

Long-Term Asset Funds (LTAFs) can provide access to less-liquid investments such as infrastructure, private equity, private credit, venture and growth capital, and real estate. The FCA designed the LTAF to support long-term investment while applying requirements relating to governance, valuation, disclosure and redemption.[93] Potential benefits include wider diversification and access to sources of return that are not fully represented in public markets.

Retail access is permitted but subject to additional safeguards. Where an LTAF is recommended by an adviser, its suitability must be assessed against the individual's circumstances. Non-advised investors must complete an appropriateness assessment demonstrating that they understand the investment and its risks. These requirements can make it difficult to include LTAFs within direct-to-consumer platforms or ready-made retail propositions.

The underlying investments also present practical challenges. Valuations may be less frequent or more judgement-based, fees can be higher or more complex, and assets cannot always be sold quickly. Retail pensions must retain sufficient liquidity for transfers, switching and withdrawals, particularly during drawdown.

The governance context therefore matters. A workplace default can allocate a proportion to illiquid assets within a diversified strategy, manage liquidity across many members and negotiate institutional terms. An individual selecting an LTAF through a SIPP may not have the same diversification, bargaining power or oversight. Access should therefore depend on whether the investment is suitable, appropriately diversified and sufficiently liquid for its intended purpose, not on the private-market label alone.

### Figure 4.7: Productive finance presents paired opportunities and considerations

| Potential opportunity | Corresponding consideration |
|---|---|
| Wider diversification | Complexity, suitability, and the risk of concentration in a specialist asset |
| Long-term return potential | Illiquidity, valuation uncertainty, and the absence of guaranteed outperformance |
| Investment in infrastructure and growth businesses | Consumer outcomes cannot be inferred from the destination of capital |
| New structures for retail access | Fees, platform capability, governance, and redemption design |

Greater private-market access should therefore be assessed according to whether the product is suitably structured, diversified, sufficiently liquid for its purpose and capable of providing value, rather than by the asset label itself.

### Later-life planning can extend beyond pensions

The FCA's MS26/1 market study examines lifetime and retirement-interest-only mortgages and whether that market can adapt to consumers' changing later-life needs. The FCA has also said it intends to examine the wider customer journey and the role of different advisers in decisions about later-life lending.[94] Its relevance is that retirement planning can require decisions across several household assets and liabilities.

For consumers using comprehensive advice or wealth-management services, a pension may therefore be considered alongside housing wealth and other financial resources.

[90] FCA (2026d)
[91] FCA (2026b
[92] FCA (2025n)
[93] FCA (2023)
[94] FCA (2026)

### Retirement innovation can either reduce or reorganise the decision burden

Managed drawdown, investment pathways, guided withdrawal strategies, and blended products combining flexible access with guaranteed income are intended to support consumers through retirement. Tools may coordinate pension withdrawals with other savings and illustrate the effect of different income patterns. Later-life income products may also seek to address longevity risk after an initial period of flexible withdrawals.

These developments can make retirement support more responsive to individual needs, but they may also create additional products and parameters to compare. A withdrawal tool cannot know the consumer's complete household position unless sufficient data are provided, and a default pathway cannot remove the possibility that circumstances change. Innovation is most valuable where it reduces unnecessary decisions, makes trade-offs visible, and provides a clear route to human or regulated support when the consumer's situation is complex.

### The benefits of innovation are unlikely to be evenly distributed

Consumers with larger pots may be more commercially attractive for advice, managed portfolios, and comprehensive retirement services. Smaller-pot consumers may benefit from automation and low-cost digital support, but may have less access to individual assessment. Digitally confident users can make greater use of platform tools, while consumers with limited access, low confidence, some disabilities, or complex circumstances may need telephone or face-to-face support.

Innovation can lower administrative costs through scale and automation, but can also add charging layers for managed services, specialist investments, or data-driven tools. It may improve engagement among savers already inclined to act without reaching those with the greatest support needs. Firms and policymakers therefore need to assess not only whether a service works for its users, but who is able to access it, which risks remain with the consumer, and whether the service improves outcomes relative to simpler alternatives.

**Innovation can improve access and support, but does not guarantee better outcomes**

Innovation can improve convenience, support and investment access, but its value depends on product design, consumer understanding, cost, governance and the distribution of risk. New technology or asset access should not be treated as evidence of better outcomes in itself.

## Implications for industry

The retail pensions market is a diverse part of the wider DC system rather than a separate endpoint. Individuals may move between workplace and retail arrangements as employment, saving and retirement needs change. The significance of the market therefore lies not only in new individual contributions, but in how it receives, administers and supports savings accumulated elsewhere.

**Figure 4.8: Key findings and implications**

| Finding | Implication |
|---|---|
| Retail pensions cannot be understood through a single product label. | Wrapper, architecture, distribution, investment proposition and commercial model all affect the consumer experience. |
| Distribution determines where many decisions sit. | Advised, D2C and provider-direct routes allocate product selection, investment monitoring and support differently. |
| Product complexity varies substantially. | Ready-made, mainstream and specialist arrangements involve different investment, administration and liquidity requirements, but should not be treated as formal regulatory segments. |
| Charges cannot be assessed separately from services. | Total cash cost, charging structure and the services received need to be considered together and over time. |
| Consolidation can change more than administration. | Charges, guarantees, investments, governance, support and retirement services can all change when a pension is transferred. |
| Retirement is a major point of workplace-retail interaction. | Access to different options varies between arrangements and a preferred retirement route may sometimes require transfer. |
| Support is becoming more varied. | Targeted support, digital tools and potentially more proportionate forms of advice may fill some gaps, but their scope must remain clear. |
| Innovation may benefit consumers unevenly. | Access, capability, pot size and complexity can determine who benefits from digital, advised and investment innovations. |
| Wider investment access creates paired opportunities and risks. | Diversification and access need to be considered alongside liquidity, valuation, charges, governance and suitability. |

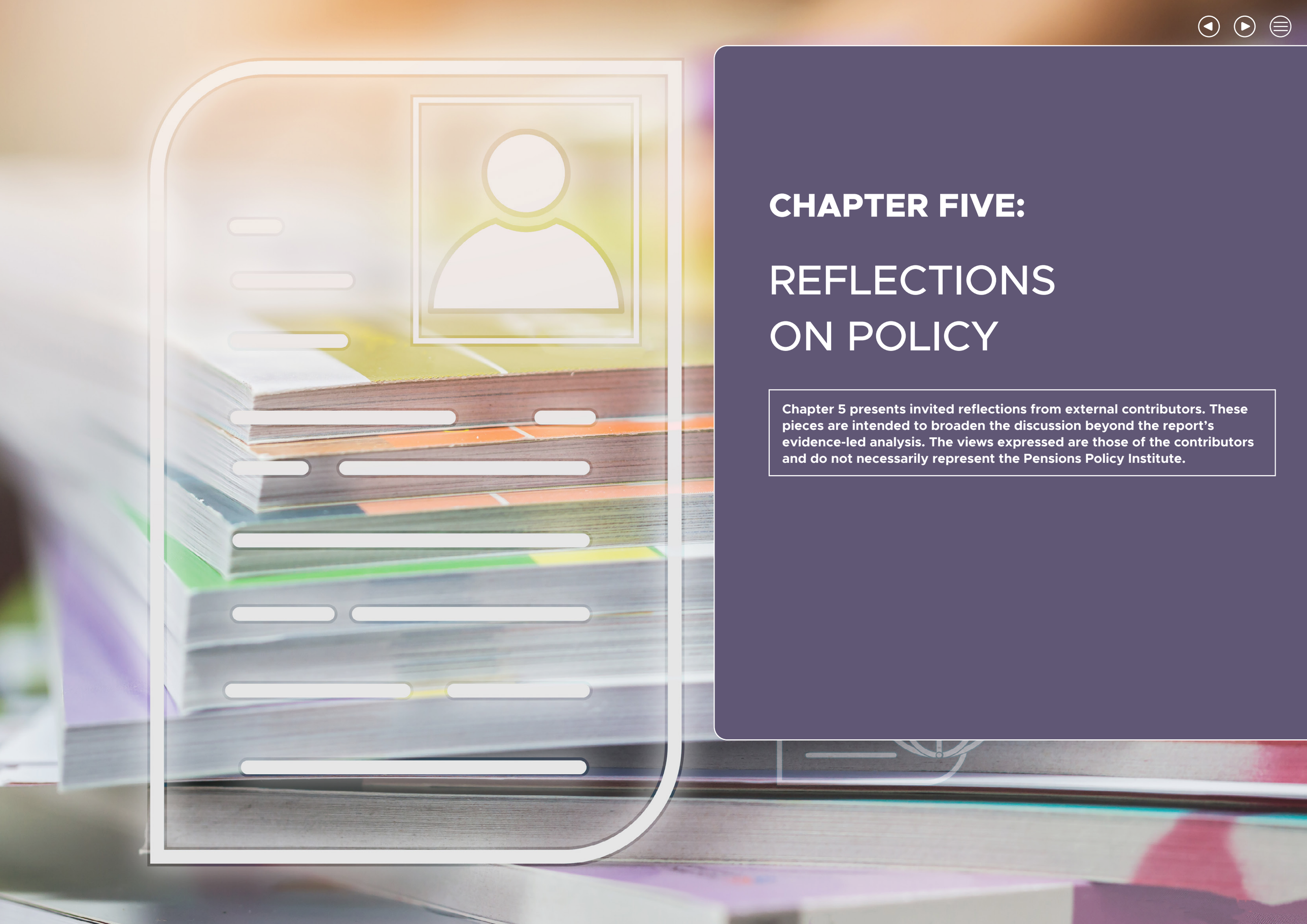
For consumers, greater flexibility is accompanied by more complex choices, and a greater need to understand who is responsible for decisions. For providers and platforms, competition increasingly depends on service, support, and demonstrable value as well as price. Workplace schemes face strategic choices about consolidation and retirement provision that will influence whether assets remain within workplace arrangements. Advisers continue to play an important role at complex decision points, but access remains uneven.

For policymakers and regulators, consumer outcomes increasingly depend on how effectively workplace and retail pensions connect. Rules applying within one part of the market can affect transfers, pricing and service models in the other. A coherent approach therefore needs to make the consequences of movement visible, support consumers who do not take full advice and preserve scope for innovation without assuming that more choice, more technology or wider investment access will necessarily improve outcomes. Chapter 5 presents invited external reflections on how workplace and retail pension provision may evolve and the policy questions this raises.

# Conclusions

**Retail pensions increase flexibility, but their value depends on how products, services and responsibilities are combined**

- **Retail pensions form a diverse part of the wider DC system rather than a single product market.** Personal pensions and SIPPs can be delivered through different architectures, distribution routes, investment propositions and commercial models.
- **The structure of the proposition matters as much as the pension wrapper.** Stand-alone and platform-based pensions can each be advised or non-advised, while provider-direct arrangements provide another important route. The same legal pension type can therefore produce very different levels of choice and support.
- **Commercial models affect how responsibilities and revenue are distributed.** Advice, pension provision, platform services, investment management, and administration can sit within one corporate group or be divided between separate firms. No one model determines better outcomes, but responsibilities, conflicts and charges need to remain clear.
- **Retail products range from ready-made arrangements to specialist SIPPs.** This spectrum affects investment choice, administration and cost, but product complexity should not be confused with whether regulated advice is provided. The FCA has considered descriptive SIPP categories but has not introduced a formal segmentation.
- **Charges depend on both distribution and product complexity.** Consumers may pay for the wrapper, platform, investments, advice, transactions, retirement services or specialist administration. Headline charges therefore need to be considered alongside pot size, expected cash cost and the services and protections received.
- **Consolidation and retirement are the main points at which workplace and retail pensions need to be compared.** A transfer may improve convenience, investment choice or access to services, but can also change charges, guarantees, governance and the amount of responsibility borne by the individual.
- **Greater investment access does not automatically lead to better outcomes.** Private-market and other specialist investments may provide additional diversification opportunities, while also creating considerations around liquidity, valuation, cost and governance.
- **Retail pensions increasingly need to be understood in the context of the wider DC system.** Savers may move between workplace and individually selected arrangements as employment, consolidation and retirement needs change. The central policy question is therefore not whether workplace or retail provision is inherently preferable, but whether consumers can understand the consequences when the allocation of choice, support and responsibility changes.

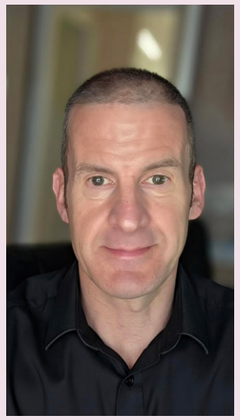


# CHAPTER FIVE:

# REFLECTIONS ON POLICY

**Chapter 5 presents invited reflections from external contributors. These pieces are intended to broaden the discussion beyond the report's evidence-led analysis. The views expressed are those of the contributors and do not necessarily represent the Pensions Policy Institute.**

# Retail Pensions and Workplace Pensions: Complementary, Not Competing



**Renny Biggins, Head of Policy at The Investing and Saving Alliance**

For much of the past decade, the focus of UK pensions policy has been workplace DC pensions and that is entirely understandable. Automatic enrolment has transformed pension saving, bringing millions into retirement saving and driving significant growth in Master Trusts and Group Personal Pensions. Consequently, policy discussions are dominated by issues such as value for money, scale and consolidation, small pots, guided retirement and CDC.

In a system built largely on inertia, regulators are right to focus on ensuring workplace schemes deliver good outcomes. However, while policy attention has increasingly centred on workplace pensions, another important part of the DC landscape continues to grow rapidly: the retail pensions market.

The FCA's survey of SIPP operators found that assets under administration increased from £330 billion in 2022 to £567 billion in 2024. This is not a niche market. It is a substantial and growing part of the UK's pensions system. Yet discussions about the future of pensions often portray workplace and retail pensions as competing models, with one focused on protection and guidance, and the other on freedom and choice.

This is the wrong way to view the market.

The future pensions landscape should not be defined by a choice between workplace and retail pensions. Instead, it will be shaped by how effectively the two sectors work together to meet the needs of different consumers.

### A Changing Workforce

Retail pensions remain a crucial component of the UK's retirement system because they serve groups that workplace pensions do not or cannot always reach effectively.

The self-employed are the most obvious example, with pension participation rates among the self-employed remaining concerningly low – just 4% according to the second Pensions Commission. However, this cohort is increasingly joined by individuals with multiple jobs, portfolio careers and those with non-linear working patterns.

Technology has fundamentally reshaped the labour market, enabling more flexible forms of work and creating opportunities for independent workers. This trend is particularly evident among younger generations, who are often more willing to embrace freelance and project-based work.

Advances in artificial intelligence could accelerate these changes further, supporting increasingly location-independent and flexible forms of employment. For a growing segment of the population, pension provision that sits outside traditional employer-sponsored arrangements will become increasingly important. Retail pensions are well positioned to meet this need.

### The Rise of the Investor Mindset

The growth of retail pensions is also being driven by changing consumer attitudes towards investing.

Younger generations face significant challenges around housing affordability, living costs and long-term financial security. Against this backdrop, many view holding cash as an insufficient strategy for building wealth over the long term due to the impact of inflation.

At the same time, technology has transformed access to investment markets. Digital platforms have removed many traditional barriers, providing low-cost access, improved user experiences and sophisticated investment tools. Investing is no longer seen as an activity reserved for the wealthy or financially sophisticated.

Government and industry initiatives are also seeking to improve financial capability and encourage greater engagement with long-term investing. Across the political spectrum there is support for creating a stronger investment culture and encouraging consumers to take a greater interest in their finances.

This trend should be welcomed. However, greater engagement alone does not equip individuals with the skills required to make complex decisions about potentially substantial pension assets. While policymakers must guard against poorly informed DIY investment decisions, increased engagement may encourage consumers to deepen their understanding or seek professional advice.

### Avoiding a False Choice

As workplace pensions continue to evolve, regulators are placing greater responsibility on schemes to support members throughout retirement. Guided retirement propositions, robust default investments and CDC are all intended to help consumers achieve better outcomes while reducing the burden of decision-making.

By contrast, retail pensions are often associated with flexibility, investment choice and individual control.

The risk is that these developments create an increasingly polarised narrative: workplace pensions become viewed as a system of defaults and guardrails, while retail pensions are seen as the destination for those seeking complete freedom.

This is a false choice.

Workplace pensions will continue to offer flexibility in both accumulation and decumulation while providing governance, oversight and proportionate consumer protections. For most savers, that combination is likely to remain entirely appropriate.

Similarly, retail pensions are not simply vehicles for highly engaged DIY investors. Increasingly, they offer sophisticated digital experiences, broader investment choice and innovative retirement solutions that appeal to different consumer needs and preferences.

The question should not be which model is superior. The question should be how both can contribute to better retirement outcomes.

### The Emergence of the Dual-Market Consumer

Much of the discussion around retail pensions focuses on individuals who are outside workplace pension arrangements altogether. However, there is another important and growing group: consumers who want both.

Many individuals will continue contributing to workplace schemes while also using retail pension products to meet additional needs. They may seek wider investment choice, access to specialist assets, enhanced digital tools or greater flexibility in retirement planning.

In these circumstances, workplace and retail pensions are not substitutes. They are complementary solutions serving different objectives.

Of course, safeguards remain important. Regulators will rightly want to avoid workplace members losing the associated protections by making ill-informed decisions. However, where consumers understand the trade-offs and are making informed decisions, there is no reason participation across both markets should not become increasingly common.

### Looking Ahead

The regulatory scrutiny on retail pensions remains firmly on radar as highlighted by a recent FCA consultation relating to SIPP due diligence and the safeguarding of scheme assets.

Looking ahead, there may be opportunities for greater convergence between workplace and retail market features. One example could be retirement CDC solutions. Consumers using retail pensions face many of the same longevity and decumulation challenges as workplace pension members. If RCDC proves successful in workplace settings, there is a strong argument for enabling access to retail consumers.

Perhaps the most significant long-term development, however, is the emergence of agentic AI. As highlighted in the recent Mills Review, pension providers may increasingly find themselves interacting not with consumers directly, but with AI agents acting on their behalf.

If AI agents begin comparing products, assessing options and making recommendations for consumers, the implications will be profound. Providers will need to rethink how they communicate value, design digital journeys and present information. Regulators, meanwhile, will need to determine what appropriate consumer protection looks like when financial decisions are increasingly delegated to artificial intelligence.

### Conclusion

The UK's pensions debate has understandably focused on workplace pensions and automatic enrolment. These reforms have transformed retirement saving and will continue to shape the policy agenda for years to come.

But the continued growth of retail pensions demonstrates that demand for flexibility, control and digital-first experiences remains strong.

Rather than viewing workplace and retail pensions as competing models, policymakers should recognise them as complementary pillars of a modern DC system. One provides scale, governance and well-designed guardrails. The other delivers largely for a different market and may also provide additional flexibilities and control, enabling some savers to benefit from workplace and retail.

The future success of UK retirement saving will not depend on choosing between them. It will depend on enabling both to evolve together.

## A More Connected Future for Workplace and Retail Pensions

**Peter Glancy, Head of Policy (Pensions and Investments) at Scottish Widows**

In as little as 10 years we could be in a world where everyone has a personal financial agent in the form of an avatar, sitting on their smart phone, overseeing and managing all of their personal finances. Pensions and retirement will be an integral part of that service.

How we get to there from here isn't certain, but we can see many of the building blocks taking shape. Pension Dashboards will effectively give us 'Open Pensions' to sit alongside Open Banking, whilst the FCA's Open Finance vision eventually brings these services together with all of the other personal finance products.

The FCA's work on its decision-making support continuum, through the Advice and Guidance Boundary Review, will provide a spectrum of services that consumers can choose from when faced with decisions ranging from small and simple to large and complex, moving up or down the continuum according to the nature of each decision. Technology will greatly reduce the cost of this support.

Technology will also transform the way in which the financial services industry interacts with its customers, with digital agents aggregating all your personal financial products, pro-actively monitoring performance alongside your changing needs and circumstances, making suggestions and recommendations, and instructing product providers to transact on your behalf.

The products that we know and love will continue behind all of this of course, but they will continue to evolve, partly to meet the changing needs of an evolving customer base and partly to reflect the more integrated way in which they will be accessed and utilised.

This journey will represent a major upheaval for the pensions industry which largely continues within its silos. Within Workplace DC, the Contract Based pensions are poorly understood by those on the Trust Based side and vice versa. Whilst no-one on the workplace side of the industry understands the retail side at all.

This report from the PPI is groundbreaking, as the first report which can be used across the entirety of the pensions industry to help those within one silo, understand what is going on in the others.

The report sets out a largely legislative programme designed to improve the performance of workplace pensions, and separately a largely regulatory driven programme designed to improve the performance of the retail sector. Across both sectors decumulation is relatively immature and we should expect further focus from Government and regulators as the 'DC Generations' bring ever larger pension accumulations into retirement.

It seems likely that a much smaller number of scale providers will support over 1 million UK employers in complying with their statutory AE duties, with most people starting to build retirement assets at the point they first join an employer. It's also likely that an equivalent of AE be developed for the self-employed to allow them to do the same, but it will be fundamentally different in its design.

AE was designed in a way which minimised the effort for payroll departments in onboarding new employees, but it means that people leave a pension behind every time they move job. Therefore, many people will quickly build up a number of different pension pots through both employments and periods of self-employment. Consolidation of those pots will become the norm.

It will be possible to consolidate all pots into a workplace pension from a current or a previous employer, or to consolidate into a retail proposition. The retail propositions come in two broad categories

1) Stand-alone Pensions

2) D2C Platforms

A platform is where your pension assets, ISA assets and other investments sit within a single product wrapper and service. D2C is a service which a customer can access themselves without needing to go through a 3rd party.

At present there is no support for those considering the best place to consolidate. Considerations can currently include whether you liked a current or former employer, or whether you are attracted to a brand which you trust. I expect services to evolve which will allow net investment returns to also inform decisions.

Those who are lucky enough to build more considerable amounts of wealth across pensions, ISAs, stocks and shares and housing equity will eventually seek the services of a professional financial adviser who can help them optimise investment performance, tax efficiency and make best use of their various assets in the round including inter-generational planning. These professionals use Adviser Platforms which collate customers initial and ongoing plans and needs, track product performance, produce reports for customers and record recommendations and transactions. To access the professional services of a financial adviser, customers will normally have to move their assets onto an adviser platform. Unlike D2C platforms, these are used by a professional adviser as opposed to the customer themselves.

Irrespective of whether wealth is built through workplace propositions, D2C propositions or Adviser Platforms, the decumulation experience will evolve. Those in Workplace who don't engage will be protected through new default arrangements, whilst those who choose to engage will benefit from decumulation propositions which are more holistic in terms of the assets which are incorporated including housing equity, and more personalised to each household's own retirement plans, priorities and circumstances.

Across all of this, scale will be increasingly important. Whilst scale is being imposed on the workplace sector, its likely to be driven by market forces in the retail sector. In a world of Open Finance, turbo charged by AI, those currently operating in the UK's financial services market will be facing competition from the global tech giants. Only those with the resources and capabilities to evolve the breadth and personalisation of their propositions will survive.

This new world needs to be underpinned by trust. With digital services combining the contributions of many product and service providers fronted up by a single gateway, a robust liability model is needed to ensure that each party is on the hook for sorting things out where the fault is theirs. Non-regulated services with no route to rectification or compensation need to be clearly distinguishable as such.

Whether we reach this destination in 10 years or 20 years is still uncertain, as are the steps which we will travel along the way. What is clear is that pension schemes and pension products are set to become an integral part of something much bigger and much broader. The first step for us in the pension industry is to step out of our own silos to better understand each other, as we all jointly prepare for our new place in an exciting new world.

## Guided Retirement could be the newest opportunity to evolve the retail decumulation market to meet savers where they truly are

**Olivia Wood, Senior Policy Adviser at Which?**

When Pension Freedoms were introduced in April 2015, they were expected to completely transform the UK retirement market. Before this, the path for most Defined Contribution (DC) savers was rigid, with most converting their pot into an annuity with their existing provider. Pension Freedoms gave consumers full choice over how to take their pension pot and a wider variety of ways to do this. For retail decumulation providers, this looked like a major opportunity. It was assumed that, given sufficient information and guidance, retirees would actively engage with their options, shop around, and drive a competitive decumulation market.

However, a decade on, the market hasn't quite thrived as envisioned. Financial Conduct Authority (FCA) data consistently shows that over half of non-advised pots moving into drawdown stay with their existing accumulation provider. In 2024-25, almost 70% of retirees accessed flexible options without financial advice and almost half of all DC pension pots were fully withdrawn as cash the very first time they were accessed.[95]

Given what we know already about consumer behaviour in pensions though, is this outcome really all that surprising? The reforms assumed that removing structural rules would naturally encourage people to confidently take control and compare options across the retail market. But that isn't reality. Many consumers find pension decisions overwhelming, and the weight of these choices can easily lead to paralysis and avoidance rather than engagement. In fact, Which? research found that one in eight people would rather go to the dentist than spend an hour planning their retirement, and one in four would prefer deep cleaning their bathroom.

The success of auto-enrolment is further proof that pensions policy is strongest when it works with consumer behaviour, not against. Auto-enrolment succeeds for millions precisely because it relies on structural defaults rather than active engagement. Currently, around 90% of auto-enrolled workers do not opt-out of their workplace schemes[96], and over 90% of auto-enrolled workers remain in their scheme's default option.[97] Expecting these same individuals to suddenly manage complex longevity, inflation, and investment risks at retirement, without equivalent structural support, was always unrealistic.

Savers shouldn't have to proactively engage, or be financial experts, just to get a decent retirement outcome. At the same time, flexibility must remain available for those who want it. We've seen some providers launch innovative solutions that look to bridge this gap - flex-then-fix solutions, for example. But the retail market alone cannot solve the decumulation challenge. Retail products inherently rely on active consumer choice, yet inertia means the vast majority of savers will never take that first step to shop around. Structural intervention is therefore needed to support the majority of retirees.

This is why we've welcomed the government's move to introduce Guided Retirement. Under the reforms, workplace pension providers will be legally required to design and manage default decumulation pathways that members can be automatically placed into without being forced to make complex financial planning decisions. Embedding these default pathways into workplace schemes will create a vital safety net, rebalancing risk away from the majority of savers, while preserving flexibility for those who want it. In practice, it will help ensure that even the least engaged have a clear pathway to a sustainable retirement income.

[95] FCA (2025) Retirement income market data 2024/25.
[96] DWP (2025) Analysis of Automatic Enrolment saving levels.
[97] PPI (2024) The DC Future Book 2024.

Some in the retail market may view Guided Retirement as a threat, seeing a risk that it will further lock in inertia, keeping assets within workplace schemes. We disagree. High levels of inertia already define the decumulation landscape, and the retail market was unlikely to ever overcome this on its own. Guided Retirement should simply help to ensure that already passive savers can reach better, safer outcomes than they do today

Guided Retirement instead gives retail providers a clear opportunity to refocus. Rather than trying to engage passive workplace savers, forward-thinking providers can innovate where standard routes fall short. This could mean focusing on designing tailored solutions for:

- The millions of self-employed and other non-traditional workers: Millions of self-employed individuals fall outside workplace auto-enrolment defaults and need simple, low-cost decumulation options built for their specific needs.
- Savers seeking consolidation: Workers accumulating multiple small workplace pots over their careers may benefit from friction-free consolidation paired with intuitive decumulation routes.
- Consumers wanting more optimal outcomes: Retail providers could step in where standard defaults cannot, by personalising decumulation options to the individual level. For example, offering solutions tailored to specific health and lifestyle factors.

The first decade of Pension Freedoms proved that choice without structured support leads to inertia and potentially poor outcomes. Guided Retirement will establish a necessary safety net for mainstream workplace savers. For retail decumulation providers, the real opportunity is now to focus on targeted decumulation solutions for the consumers who actually need and want them.

## Supporting People Throughout Their Pension Journey: A Consumer Perspective

**Anna Sharkey, Head of Policy and Propositions at the Money and Pensions Service**

For many people, pensions are one of the most important financial assets they will ever own, yet they remain one of the least understood. Consumers face difficult decisions throughout their pension journey, often at times when they are balancing competing financial priorities, navigating major life events, or making choices with long-term consequences.

From a Money and Pensions Service (MaPS) perspective, the question is not simply how to encourage greater engagement with pensions. It is how to create an environment in which people can access the right information, support and tools at the right time, enabling them to make informed decisions with confidence.

### Moving Beyond Engagement for Engagement's Sake

For many years, the pensions industry has focused on increasing engagement. While engagement remains important, consumers do not necessarily want to become pensions experts. Most people simply want reassurance that they are on track and confidence that they are making sensible decisions.

The focus should therefore shift from encouraging more engagement towards creating meaningful engagement. This means delivering clear, tailored and actionable information that helps people understand:

- What they have saved.
- Whether they are likely to achieve the retirement they want.
- What actions they can take to improve outcomes.
- Where they can access trusted support when needed.

Consumers are more likely to engage when information feels relevant to their circumstances and when the benefits of taking action are clear.

### Guidance Has an Increasingly Important Role

Defined contribution pensions have transferred more responsibility and risk onto individuals. People are now expected to make complex decisions about contributions, consolidation, retirement timing and retirement income, often without specialist knowledge.

Guidance can play a critical role in bridging the gap between information and regulated financial advice.

Many consumers do not require or cannot access comprehensive financial advice but still need support to understand their options and the implications of their decisions. High-quality, impartial guidance can help consumers:

- Understand the choices available to them.
- Avoid common mistakes.
- Recognise potential scams and fraud.
- Identify when regulated advice may be appropriate.
- Feel more confident in taking the next step.

As pension freedoms and retirement solutions continue to evolve, ensuring people can easily access trusted guidance at key decision points will remain essential.

### Building Confidence Is as Important as Building Knowledge

Research consistently shows that people often lack confidence in pensions. Even when information is available, consumers may delay decisions because they fear making the wrong choice.

Building confidence requires more than providing additional information. Consumers need:

- Clear and consistent communications.
- Plain language rather than technical terminology.
- Simple explanations of risks and trade-offs.
- Reassurance that support is available.
- Opportunities to take manageable next steps.

A more consumer-centred pensions system recognises that confidence and understanding are closely linked. When people feel informed and supported, they are more likely to engage with their pension and take positive action.

### Pension Outcomes Are Shaped by More Than Pension Saving

When examining pension outcomes, it is important to look beyond pension saving behaviour alone. Retirement adequacy is influenced by a combination of employment patterns, earnings, financial resilience and wider life circumstances.

Periods spent out of the labour market, caring responsibilities, self-employment, housing costs and unexpected financial shocks can all affect an individual's ability to save consistently throughout their working life. For many consumers, competing priorities such as managing debt, supporting family members or building emergency savings may understandably take precedence over increasing pension contributions.

This highlights the importance of viewing pensions within the context of overall financial wellbeing. Supporting people to build financial resilience and make informed decisions throughout their lives can have a significant impact on their retirement outcomes. A more holistic approach, which recognises the connections between day-to-day finances and long-term retirement security, is likely to be more effective than focusing on pension engagement in isolation

### The Transformative Potential of Digital Tools

Digital innovation has the potential to significantly improve the pensions experience for consumers.

People increasingly expect the same level of visibility and convenience from their pensions as they receive from banking, retail and other digital services. Technology can help make pensions more accessible, understandable and relevant.

The introduction of the MoneyHelper Pensions Dashboard represents a significant step forward. By enabling individuals to see information about their pensions in one place, dashboards can help address one of the biggest barriers to engagement: simply knowing what pension savings exist.

However, visibility alone is not enough. Future innovation should focus on helping consumers understand and act on the information presented to them through:

- Better use of behavioural insights.
- Personalised prompts and nudges.
- Accessible retirement planning tools.
- Improved modelling and forecasting.
- Seamless routes to guidance and support services.

Digital tools should empower people rather than overwhelm them. Good design, clarity and accessibility are critical to ensuring innovation delivers genuine consumer benefit.

### Creating a More Joined-Up Consumer Experience

Consumers do not think in terms of pension products, providers or regulatory boundaries. They think about their wider financial lives and future goals.

The pensions industry has an opportunity to create a more joined-up experience by bringing together information, guidance and support in ways that are simple and intuitive. This means working across industry, government and consumer support services to ensure people can move easily between:

- Information and understanding.
- Guidance and decision-making.
- Digital tools and human support.

Consumers should not need to navigate a fragmented system to get help.

### Looking Ahead

The future of pensions should be built around consumer needs rather than industry structures. Success should not be measured solely by how often people engage with their pension, but by whether they feel informed, confident and able to make decisions that support their long-term financial wellbeing.

The combination of trusted guidance, clear communications, innovative technology and a consumer-focused approach offers a significant opportunity to improve retirement outcomes. By helping people understand what they have, what it means, and what they can do next, the market can better support individuals throughout their entire pension journey.

For MaPS, the ambition is clear: to ensure that everyone can access the information, guidance and tools they need to make informed decisions and build financial confidence for later life.

# The future of the retail pensions market: why regulation is the foundation for growth

**Nike Trost, Head of Department for Wholesale Buy-Side at the Financial Conduct Authority**

The pensions market is entering the most significant period of change since the introduction of automatic enrolment. Regulation will play an important role in whether that change delivers for savers.

Thanks to auto-enrolment, over 22 million people now save into a workplace pension, 10 million more than in 2012[1]. But the question now facing the government, regulators and industry, is how those pension pots are turned into a retirement income. Savers need help with this because three-quarters of defined contribution pension holders over the age of 45 don't have a plan for taking their money at retirement [2].

### A shared agenda

The pensions industry has been tackling this challenge for some time. We've seen firms developing more modern retirement products, like 'flex and fix' which combines drawdown with a later-life annuity and continuing to innovate. Our role as regulator is to encourage these developments and help shape the support available alongside it. Investment pathways, introduced at the point a saver moves into drawdown, were designed to reduce the risk of savers sitting in cash by default and losing out on returns they could otherwise expect. Our work on targeted support goes further to create a framework that will fundamentally change what support is available to consumers.

Guided retirement is a key part of the government's pension reform agenda. It is intended to ensure people are offered a pension solution designed to provide a sustainable income without having to make complex decisions, unless they choose to do so. This is a significant change and sends a clear signal to the industry: a pension should be dependable, easy to understand and last throughout retirement, delivered through well-designed default options.

### Why getting defaults in retirement right remain a huge task

We need to be honest about the scale of the challenges for defaults in retirement. They are considerably more complex to get right than defaults in accumulation. This is because people's varied working lives and unpredictable circumstances means they arrive at retirement with different needs, resources and goals.

People's aspirations for retirement differ and many do not plan for their different needs at different stages of their retirement. For example, some will want to initially work part time, or seek to bridge the gap until they become eligible for the state pension. Some people may need to consider the needs and circumstances of their spouse or dependants, alongside their own. Health conditions and vulnerability become more significant considerations, especially in later life. Many may find themselves with a pot that is too small for the retirement they felt they worked so hard for.

This creates a huge expectation on firms and trustees to get defaults right, to know their members, and to have the right skills and capabilities to design these solutions. As new retirement products and defaults are introduced, firms will carry significant responsibility for making sure those products deliver good outcomes for the savers who rely on them.

### Going beyond defaults

In a varied market, firms will have to build meaningfully better support for consumers who want to engage more actively with their decisions. I am hugely encouraged by the targeted support solutions being developed, with the promise of more advanced offerings coming to the market.

We will help people see their multiple pension pots for the first time when the pensions dashboards are introduced, allowing tens of millions to see their pension wealth together in one place. We cannot predict exactly how this will change consumer behaviour; some will look once and move on. But experience suggests that when information becomes easier to see, engagement tends to follow. Firms need to prepare now for the questions greater engagement may generate.

### Pensions are just one part of people's financial lives

For many savers, what is in their pension pot may not be enough on its own and they will need help considering how other savings, investments and property might supplement their retirement income. The complexity of people's financial lives means we can't view pensions in isolation. Many people will retire drawing on a range of financial resources, with housing wealth often forming a sizeable part for many. That is why we are considering reforms to the later life mortgage market to allow more people to access the equity in their property.

We should prepare for the fact that consumers' expectations and behaviours are also changing. Consumers increasingly have much more modern and interactive experiences in other areas of financial services. In my view, pensions will need to keep pace and bring consumers' experience up to date if they are to remain credible and trusted.

It is becoming increasingly common for consumers to turn to AI for financial help. While some firms in the market are embracing AI, some take a more measured approach. That is understandable because much pension information remains scattered and hard to locate; no AI model can retrieve forgotten paperwork in someone's attic. But if pensions are to keep up with the changing landscape, firms and regulators need to start thinking now about how support is to be delivered. Consumers are already turning to the help that feels available to them, and as more pension information comes online, it's only a matter of time before that help progressively comes from digital tools.

What this points to, in addition to pension defaults, is the collective need to ensure a broad range of trusted support is available to help consumers navigate their choices. We need to give them the practical help they need to make the most of what they have saved.

### Looking ahead

None of this can be delivered by any one part of the system alone, as consumers engage with their pensions in ways many never have before. The partnership – between government, regulators and industry – will be crucial if we are to deliver a pensions market that delivers for consumers long into the future.

One that allows them to make the most of their savings and provides the comfortable retirement a lifetime of work should deliver.

[1] Source: Analysis of Automatic Enrolment saving levels - GOV.UK
[2] Source: Financial Lives 2024 survey | FCA

## Good outcomes depend on adequate saving and support

Workplace and retail pensions form connected parts of the DC system. Savers may use either or both as their employment, saving and retirement needs change. The comparison below brings together PPI's assessment of what these different arrangements mean for savers, particularly when consolidating pensions or accessing retirement income. Across both markets, the central consideration is whether the combination of costs, services, protections and support meets the saver's needs.

# Good outcomes depend on adequate saving and support

| Workplace DC | Retail pensions |
|---|---|
| **Saving** | |
| Employer selection, employer contributions and default investments support saving. | Individually selected pensions, outside or alongside work, with advice or ready-made options. |
| **Wider access and choice do not ensure adequate saving** | |
| **Consolidation** | |
| Retain existing pots or transfer into a workplace scheme that accepts them. | Consolidation into an individually selected personal pension or SIPP, with or without advice. |
| **Convenience must be weighed against changes in total cost, guarantees, governance and support** | |
| **Retirement** | |
| Some schemes offer drawdown. Guided Retirement is intended to expand default income solutions. | Individually selected retirement products offer varied options, costs and support. |
| Annuities, drawdown, cash or combinations may be used, depending on the arrangement. | |
| **Support needs to address income security, flexibility, tax and ongoing investment and withdrawal risks** | |

**Value depends on costs, services and the saver's needs.**

# Appendices

## Appendix A: Retail-market data boundaries

**Appendix Figure A.1: What the main market statistics do and don't measure**

| Source | Reference period | People, policies or plans | Assets or flows | Business included | Principal limitation |
|---|---|---|---|---|---|
| FCA Financial Lives survey (FCA, 2025a) | May 2024 | 4.7 million UK adults, or 9%, reported holding a non-workplace DC pension in accumulation | No asset measure | Non-workplace DC pensions identified by survey respondents | Self-reported rather than administrative data and does not cover every arrangement included in this chapter's definition |
| FCA contract-based DC market estimate (FCA, 2025d) | Estimate published in 2025 | Around 31 million accumulation plans held by approximately 13 million consumers | Almost £1.3 trillion administered by around 200 providers | All contract-based DC pensions, including workplace and personal pensions | Considerably broader than the retail market and does not provide a retail-only breakdown |
| FCA SIPP data request (FCA, 2026b) | 2024 | 5.3 million reported consumers across 98 firms with relevant permissions | £567 billion of assets under administration | SIPPs, potentially including group and employer-linked arrangements | Uses a different perimeter from other FCA datasets. Consumers may not be deduplicated across firms, and assets under administration do not necessarily represent assets managed by the operator |
| FCA unit-linked multi-firm review (FCA, 2026c) | Review published in 2026 | Around 17 million policies, approximately half of which were in legacy or closed products within the firm sample | £500 billion of assets | Unit-linked non-workplace pension and savings policies | Does not provide a pension-only split, and findings from the sample cannot be applied to the entire retail pensions market |
| HMRC private pension statistics (HMRC, 2026) | 2024/25 | 6.4 million contributing members, including 370,000 self-employed contributors | £15.9 billion of individual contributions, including £3 billion from self-employed contributors | Individual contributions to personal pensions, including basic-rate tax relief | Measures annual contributors and contribution flows rather than the stock of policies or assets. It may include personal pensions arranged through employers |
| FCA Product Sales Data (FCA, 2025d) | 2022 to 2024 | More than 400,000 new non-advised single-premium pension plans were sold in 2024, up from just over 250,000 in 2022 | Sales volumes only; transfer values are not reported | New non-advised single-premium pension plans, most of which the FCA considers likely to involve transfers | Counts plan sales rather than consumers and does not identify the value or origin of each transfer |
| FCA retirement income market data (FCA, 2025c) | 2024/25 | 961,575 plans were accessed for the first time, including 349,992 drawdown sales | Measures access and sales activity rather than total retirement assets | The wider FCA-regulated retirement income market | Plans are not equivalent to individual consumers, and the data do not isolate retail activity or measure the total stock of retail drawdown customers |

## Appendix B: Modelling methodology

The modelling for this report considers the projection of an individual using the PPI's Suite of Pension Models, and a stochastic approach of economic assumptions. The economic scenarios are generated using the PPI's Economic Scenario Generator. The models used are detailed below. Results are presented in 2026 earnings terms.

**The pensions system**

The pension system modelled is as currently legislated. The triple lock is assumed to be maintained. Individuals are assumed to be members of a Defined Contribution (DC) occupational pension scheme.

**General assumptions**

Investment returns are modelled stochastically with curves generated by the PPI's Economic Scenario Generator (ESG). 1,000 scenarios were produced providing values for equity returns, bond returns, cash returns, Consumer Prices Index (CPI) and earnings increases each year for each scenario.

**Other economic assumptions**

Other economic assumptions are taken from the OBR's Economic and Fiscal Outlook (for short-term assumptions) and Fiscal Sustainability Report (for long-term assumptions).

**Asset allocation**

Unless otherwise specified, asset distributions are assumed to be 56.7% invested in equities, 33.3% invested in bonds and 10% in cash. These assumptions are consistent with those used across the PPI Modelling Suite and are the result of consultation with the PPI's Modelling Review Board, which consists of a number of experts in the field of financial modelling.

Fund charges are assumed to be 0.75% for existing workplace DC schemes,[98] and 0.5% for other DC/master trust schemes set up for AE.[99]

Earnings growth and other economic assumptions are taken in line with OBR assumptions,[100] derived from their 2026 long-term economic determinants. The earnings band for AE contributions and minimum salary assumption are assumed to grow with average earnings.

**The Economic Scenario Generator (ESG)**

The PPI's ESG is used to produce randomly generated future economic scenarios based upon historical returns and an assumption of the median/long-term rates of return. It was developed by the financial mathematics department at King's College London. It is used to test how the distribution of outcomes is influenced by the uncertainty of future economic assumptions.

[98] Average charges for trust-based schemes are 0.71% and for contract-based schemes 0.95%, DWP (2012), and a 0.75% charge cap will be introduced for any DC default funds being used for AE from April 2015 onwards.
[99] Equivalent Annual Management Charge for multi-employer/Master trust schemes such as Legal and General's Worksave, NEST and The People's Pension.
[100] OBR (2026)

**Key results**

The Model generates projected future inflation rates, and earnings growth

- **Inflation rates**
  - Future CPI increases and earnings inflation rates
- **Investment returns**
  - Returns are produced for the major asset classes of equity, cash and gilts

This produces nominal returns which can be combined to produce investment returns for a more complex portfolio.

**Application of output**

The output of the ESG is a number of economic scenarios which are employed by the PPI's other models to analyse the distribution of impacts on a stochastic economic basis.

**Key data sources**

The specification of the model is based upon historical information to determine a base volatility and future assumptions to determine a median future return:

**Historical returns: Historical yields and returns, as well as inflation measures, are used to determine the key attributes for the projected rates.**

**Future returns: Future returns are generally taken from the OBR Economic and Fiscal Outlook (EFO) to ensure consistency with other assumptions used in the Model for which the economic scenarios are being generated. Volatility can also be scaled against historical levels.**

***Summary of modelling approach***

The six identified risk factors modelled are:

G Nominal GDP

P CPI

W Average weekly earnings

$Y^l$ Long-term yields

$Y^s$ Money market yields

S Stock returns

Using these variables, a six-dimensional process, $x_t$ is defined.

$$x_t = \begin{bmatrix} \ln G_t - \ln G_{t-12} \\ \ln(P_t - \ln P_{t-12} + 0.02) \\ \ln W_t - \ln W_{t-12} \\ \ln\left(e^{Y_t^l} - 1\right) \\ \ln\left(e^{Y_t^s} - 1\right) \\ \ln S_t \end{bmatrix}$$

Where t denotes time in months.

The development of the vector $x_t$ is modelled by the first order stochastic difference equation:

$\Delta x_t = \mathrm{A} x_{t-1} + a + \varepsilon_t$

Where $A$ is a 6 by 6 matrix, $a$ is a six-dimensional vector and $\varepsilon_t$ are independent multivariate Gaussian random variables with zero mean. The matrix $A$ and the covariance matrix of the $\varepsilon_t$ were determined by calibrating against the historical data. The coefficients of $a$ were then selected to match the long-term economic assumptions.

It follows that the values of $x_t$ will have a multivariate normal distribution. Simulated investment returns will, however, be non-Gaussian partly because of the nonlinear transformations above. Moreover, the yields are nonlinearly related to bond investments.

The first and third components of $x_t$ give the annual growth rates of GDP and wages, respectively. The fourth and fifth components are transformed yields. The transformation applied ensures that the yields are always positive in simulations. Similarly, the second component gives a transformed growth rate of CPI. In this case, the transformation applied ensures that inflation never drops below -2% in the simulations. This figure was selected to be twice the maximum rate of deflation ever found in the historical data. Mean rates of economic variables in the ESG are set to be consistent with Office for Budget Responsibility long term projections.

## PPI Aggregate Model

**Overview of Aggregate Modelling of Private Pensions**

The PPI Aggregate Model links changes in the UK population, the labour market and economic assumptions to project forward private (and State) pension savings. Population projections are taken from 2022-based figures published by the ONS.

Current distributions of individuals across pension scheme types are taken from the Lifetime Labour Market Database (LLMDB),[101] a panel dataset of 1% of UK National Insurance records. The workforce data includes numbers of individuals and average earnings split by age, gender and earnings band. The data are further split between public and private sector contracted-out schemes and those who are contracted-in to the State Second Pension (S2P).

**Initial Conditions**

In the base year of projection (2010), individuals with private sector pension arrangements are split between public and private Defined Benefit (DB) schemes and workplace Defined Contribution (DC) schemes. 17.5% of working individuals are assumed to be members of DC workplace pensions and 32.1% of individuals are assumed to be members of DB workplace schemes.[102] 73.2% of those in DB schemes are assumed to work within the public sector,[103] leaving 8.6% of the workforce in private sector workplace DB schemes.

The workforce not initially enrolled in public sector DB, private sector DB or private sector workplace DC, are considered as the eligible population for AE. This includes individuals not in workplace pension schemes who contribute to personal pensions.

Stocks of existing assets for DB schemes and workplace DC schemes are split across cohorts by contribution levels.

**Movement of individuals between schemes due to decline in DB schemes**

The proportion of individuals in each scheme is not stable over time: the proportion of the total workforce who are enrolled in a private sector DB scheme is assumed to decline by 80% between 2010 and 2030 and these individuals are moved into the existing DC workplace schemes.

[101] Data from LLMDB 2010-11
[102] ONS (2013)
[103] Average proportion of males and females employed in public sector COSR schemes according to LLMDB 2010-11

**Movement of individuals between schemes post AE**

From 2012, employees in the private sector without workplace DC provision are placed in a scheme to represent AE, which is split further into master trust schemes and other DC schemes, assuming 80% are automatically enrolled into master trusts and the remaining into other DC schemes. Individuals are enrolled in proportion to the likely number of employees becoming eligible each year due to staging of their employers. Similarly, during the staging period, employees in existing DC schemes who become eligible for AE either remain in the existing scheme or are moved to a new AE workplace DC scheme (again split into master trusts and other DC schemes in the same proportions as mentioned above). It is assumed that 80% of existing members remain in their current scheme, and 20% are expected to move to the new AE scheme. New members to DC schemes who have an employer with an existing scheme either join the new AE scheme (80%) or join an existing DC scheme (20%).

Overall, after 2012 the private sector workforce is assumed to contribute to either private sector DB pension schemes, DC schemes which were existing prior to AE, DC schemes which were set up for AE, or DC schemes set up for those that are eligible for AE that did not contribute before the implementation of AE. It is assumed that 14%[104] of the workforce change jobs from year to year, which causes individuals to shift from existing DC schemes into new DC AE schemes over time.

**Contributions**

Contributions are taken as a percentage of total earnings for employer-provided schemes (both existing schemes and those set up after AE) and are taken across band earnings for individuals automatically enrolled who previously were not saving. The earnings band is taken to be £6,240 to £50,270 with an earnings trigger of £10,000 (all in 2026/27 terms).

When automatically enrolled, individuals and their employers are assumed to contribute at the minimum levels required under AE legislation (phased in from a combined contribution of 2% of band earnings in 2012, rising to 8% of band earnings in 2019 in accordance with existing regulations) unless otherwise stated.

***Limitations of analysis***

Care should be taken when interpreting the modelling results used in this report. In particular, individuals are not considered to change their behaviour in response to investment performance. For example, if investments are performing poorly, an individual may choose to decrease their withdrawal rate and vice versa.

Monte Carlo simulation can be a powerful tool when trying to gain an understanding of the distribution of possible future outcomes. However, in common with other projection techniques, it is highly dependent on the assumptions made about the future. In this case, the choice of distribution and parameters of the underlying variables, the investment returns of equities, gilts and cash are important to the results.

[104] Average annual workforce churn. DWP (2010) p49

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**Contact:** Chris Curry, Director
**Telephone:** 07718 647 567
**Email:** info@pensionspolicyinstitute.org.uk

**Pensions Policy Institute**
Thanet House
231-232 Strand
Temple
London
WC2R 1DA

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# PPI

All enquiries regarding the Pensions Policy Institute's activities should be addressed to Chris Curry, Director at:
Pensions Policy Institute, Thanet House, 231-232 Strand, Temple, London WC2R 1DA

t: 07718 647 567
e: info@pensionspolicyinstitute.org.uk
w: www.pensionspolicyinstitute.org.uk

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