

Assessing megafund pension reforms: Insights from international experience



On Tuesday 2 June 2026, the Pensions Policy Institute (PPI) hosted the launch of its report, [Assessing Megafund Pension Reforms: Insights from International Experience](#). Sponsored by SEI and now:pensions (part of Mercer), the research explores the potential implications of UK megafund reforms, drawing on lessons from pension systems in Canada and Australia.

Hosted by SEI and chaired by Chris Curry, Director of the PPI, the event brought together around 60 senior representatives from across the pensions industry under the Chatham House Rule.

As with all PPI events, the session provided a forum for evidence-based discussion, enabling policymakers, industry leaders and other stakeholders to engage with the research findings, share perspectives and consider the opportunities and challenges associated with pension scheme consolidation and scale.

The event formally launched the report, presented its key findings and facilitated a constructive discussion on the relationship between scale, investment outcomes, governance, competition, innovation and member outcomes, and what these international experiences may mean for the future direction of UK pensions policy.

Steve Charlton, Managing Director, Defined Contribution EMEA and Asia (SEI), welcomed attendees to the event.

Research Findings

The research findings were presented by Melissa Echaliier from the PPI. The presentation outlined the context for the UK's proposed megafund reforms, including the Pension Schemes Act 2026 requirement for multi-employer DC schemes to manage at least £25 billion in assets by 2030. The reforms are intended to support greater scale in the DC market and are linked to wider policy objectives around investment in private markets and infrastructure.

International experience suggests that scale can offer potential benefits for pension schemes and members. These include economies of scale, lower administration and investment costs, and greater capacity to invest across a wider range of asset classes. However, the evidence also suggests that scale does not automatically lead to better member outcomes, higher investment returns or greater domestic investment.

The Canadian and Australian systems provide useful comparisons, although both differ significantly from the UK. In Canada, concerns around fiscal sustainability in the 1980s contributed to government and stakeholder interventions, with Canadian public sector funds now holding significant allocations to private assets and equities. In Australia, the introduction of the Superannuation Guarantee in 1992 and the development of institutions such as IFM Investors supported growth in the superannuation system and investment in private markets. Australian funds also have relatively high allocations to domestic equities, although this may partly reflect wider features of the tax and investment system.

The presentation highlighted that international comparisons should be treated with caution. The Australian DC market has a much larger pool of assets than the UK, and its system has developed under different policy, regulatory and market conditions. While Australia has around 75 superfunds, the UK has around 60 multi-employer schemes, with reforms potentially reducing this to around 30. The UK would therefore need significantly greater market concentration to reach the scale seen in Australia.

Evidence from Australia also illustrates some of the possible limitations of scale. Larger schemes have not always found it easier than smaller schemes to serve members effectively. Scale has also not consistently improved retirement-phase outcomes, and members may need to transfer out of their accumulation scheme to access their pension. There are also concerns that greater concentration could contribute to herding, reduce competition and limit innovation.

The presentation concluded that the central challenge for the UK is not simply to increase scheme size, but to ensure that any benefits of scale are captured in ways that improve member outcomes. This includes considering how consolidation interacts with existing positive trends in the UK market, and how potential risks around governance, competition and diversity of provision can be managed.

Panel discussion and Q&A

The panel discussion included Melissa Echalié from the PPI, Lizzy Holliday from now:pensions (part of Mercer), Richard Mosley from the Department for Work and Pensions, and Steve Charlton from SEI Investments. Discussion covered the policy, regulatory and practical implications of moving towards a more consolidated DC market.

A key theme was how megafund reforms interact with wider government policy. Participants noted that the reforms sit alongside other developments, including the Value for Money framework and guided retirement. These policy areas may complement each other, but they also add complexity to an already changing market.

Participants discussed the point at which larger schemes may require a different regulatory approach. The move from DB to DC means that regulators are adapting to a system in which DC schemes are increasingly large, complex and systemically important. The discussion also touched on the relationship between The Pensions Regulator and the Financial Conduct Authority, particularly in relation to trust-based member outcomes and Consumer Duty. Participants noted that the regulators continue to work closely together, although the boundaries between different regulatory frameworks may need to remain clear as the market evolves.

The discussion also considered the implications for Collective Defined Contribution schemes. CDC arrangements require scale and a diversified membership to operate effectively, raising questions about where government intervention may be appropriate and how far scale requirements could support or constrain the development of the CDC market.

There were contrasting views on the strength of the evidence linking scale to investment performance. Some participants noted that the evidence is relatively limited, particularly where it relies on small samples or anecdotal evidence. Others argued that, when viewed more broadly, there is support for the importance of scale, including through international evidence and consultation responses. Participants also raised the risk that well-run smaller schemes could be removed from the market despite delivering good outcomes for members.

The potential for diseconomies of scale was also discussed. Participants noted that scale is unlikely to be a single solution to all challenges in the DC market. Member outcomes are shaped by multiple factors, including investment strategy, governance, administration, engagement and retirement support. While members may ultimately focus on the amount in their pot, the route to achieving better outcomes is likely to involve a combination of measures rather than scale alone.

Several participants highlighted the importance of timing and implementation. The market is already responding to the scale agenda, but there remains uncertainty around the regulatory roadmap. If detailed regulations are not in place until 2027, schemes may face a compressed timeline ahead of the 2030 deadline. This could create operational pressures, particularly where consolidation involves complex business acquisition, default fund integration and asset transition. Participants noted that these processes can take several years, raising questions about whether schemes will have sufficient time to make decisions in an orderly way.

The discussion also explored whether a more concentrated market could lead to fewer, larger schemes and potentially better outcomes. Some participants saw this as a positive direction of travel, while others emphasised the value of provider diversity and the risk of reducing competition. There was concern that a narrow focus on size could encourage schemes to prioritise asset acquisition over effective integration, governance and long-term value for members.

International experience prompted a broader discussion about whether the UK should seek to replicate the Canadian or Australian models. Some participants argued that the UK could learn from systems that have already achieved scale, including through partnership or collaboration. Others cautioned against adopting a fixed scale target without sufficient regard to the UK's own market structure, regulatory framework and existing strengths.

The discussion concluded that the objective should be to support better member outcomes, rather than scale as an end in itself. A more consolidated DC market may bring benefits, but these will depend on how reforms are implemented, how governance and regulation evolve, and whether the UK can preserve the benefits of competition, innovation and provider diversity while capturing the advantages of scale.

Pensions Policy Institute
PPI

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

Kindly sponsored by:



sei®

now:pensions
Part of **MERCER**
A MARSH BUSINESS