Pensions Policy Institute

Launch Event Write Up

Assessing the UK Retirement Income Market

Overview

On 14 May 2025, the Pensions Policy Institute (PPI) launched its independent report: [Assessing the UK Retirement Income Market: Defaults, Active Choices, Innovation, and the existing gaps and challenges for Delivering VfM](). This report was authored by Mariana García Requejo, Senior Policy Researcher at the PPI, and sponsored by The Pensions Regulator (TPR).

This report, which is the first in a wider programme of work examining what an assessment of Value for Money (VfM) could look like in the decumulation stage of retirement, sets out a comprehensive picture of the retirement income market landscape. The report explores how Defined Contribution (DC) savers access and use their pension savings, and whether the products and support structures currently available meet their diverse needs.

The launch event was chaired by Chris Curry (Director, PPI), and included a presentation of the research findings by Mariana Garcia, followed by a panel discussion with Patrick Coyne (Interim Director of Policy and Public Affairs at The Pensions Regulator). The event was held under the Chatham House Rule and attended by representatives across government, industry, and regulation.

Chris Curry, Director, PPI welcomed everyone to the event.

Mariana García Requejo, Senior Policy Researcher, PPI presented the key findings from the report. Some key points that she highlighted include:

- Automatic enrolment and DC growth have increased saving, but retirement requires complex decisions that many savers are unprepared for. Pension Freedoms introduced more choice but also greater risk, especially for the disengaged.
- Over half of pots, especially small ones, are fully withdrawn without advice. Decisions are often made per pot, not per person, and many remain in accumulation-phase funds post-retirement.
- Around a third of people access pensions without advice or guidance. Providers are trusted but limited by regulatory uncertainty, and support varies across scheme types.
- There's no agreed definition of value for money in decumulation, and poor individual-level data limits outcome tracking and system design.
- Trust-based schemes often lack decumulation options, forcing transfers. Regulatory uncertainty and underused data reduce support continuity and impact.
- New products and digital tools show promise but need clearer rules and better alignment with the retirement journey.

Patrick Coyne, Interim Director of Policy and Public Affairs, The Pensions Regulator gave a response to the research.

- Welcomed the debate on decumulation, highlighting the importance of supporting people financially in later life.
- Praised automatic enrolment as a landmark success, with 11 million more savers and 94% remaining in defaults, but emphasised that this is only one chapter of the pensions story.

- Argued that the next phase must help people turn pension pots into retirement income, through better guidance and support.
- Emphasised the diverse and complex nature of retirement, meaning there is no one-size-fits-all solution. Retirement decisions depend on factors like health, housing, work, and personal preferences.
- Stated that while inertia worked well for saving, it is not sufficient for decumulation. People need active support to make informed decisions.
- Shared research showing three-quarters of DC savers aged 45+ lack a plan for accessing their pension and often don't seek advice or guidance.
- Described the shift from a 'train journey' DB world to a 'satnav' DC world, where people need help navigating an open and unpredictable retirement road.
- Noted government plans for a new 'guided retirement' requirement, where schemes must offer or partner with decumulation providers, offering clear communications, product options, and default pathways.
- Announced that TPR will launch Innovation Design Services to work with the industry on product design and communications, including a hackathon next month to test ideas in practice.
- Called for collaboration to create a broader range of retirement products, especially those offering regular, stable income.
- Proposed five regulatory principles for a good retirement system, starting with ensuring savers get value for money across the whole journey, not just in accumulation.
- Highlighted the need for metrics that assess post-retirement value, such as investment performance, retirement outcomes, and communication quality.
- Argued for schemes to use data to support decision-making, offering tailored guidance and default options for those unable to choose.

Q&A session

The Q&A session included:

- Mariana García Requejo (Pensions Policy Institute)
- Patrick Coyne (The Pensions Regulator)

The following points were raised during the Q&A session and the discussion was held under the Chatham House Rule

The complexity and fragmentation of the current retirement system is making it difficult to support savers effectively at decumulation, especially due to lack of data, multiple system "landscapes", and inconsistent product pathways.

Key sub-points raised include:

- Many savers are only accessing their tax-free cash without setting up a regular income, making it harder to track outcomes and provide ongoing support.
- The current system often leads to individuals being "rerouted" between regulatory frameworks (e.g. from trust-based schemes to FCA-regulated drawdown providers), breaking continuity in support.
- There's a need to evolve automatic enrolment's success into a system that now supports informed decision-making and long-term value at retirement.
- Improvements could include simplified choices, better visibility over total assets, and more system-wide coordination across providers and regulators.

- The importance of better data was emphasised, particularly to understand how people are using their retirement assets over time and to design better interventions.

Who should be responsible for supporting people in retirement, and how can the system balance structured guidance with respect for individual choice, especially when taking cash early may be a rational decision rather than a failure?

Key sub-points raised include:

- There's a regulatory and moral shift underway, from pensions as savings vehicles to pensions as a system that supports outcomes in retirement but acknowledges that behavioural and practical barriers for trustees remain.
- Someone reframed the idea that taking cash early is always a failure, suggesting instead that, for some, it's a rational and successful decision, e.g. using small pots to fund early retirement before State Pension age.
- Context and intent matter, and that current data limitations make it hard to assess whether decisions like early cash withdrawals are informed and beneficial, or risk-driven and detrimental.
- While it's not feasible to design personalised strategies for every saver, market-level and segment-level definitions of "good outcomes" are essential, especially for less-engaged savers.

How can a still-maturing DC pensions system deliver meaningful retirement outcomes, given current product, regulatory, and behavioural constraints, and what should default approaches look like in a post-pension freedoms environment?

Key sub-points raised include:

- The DC and auto-enrolment system is still relatively immature, with early cohorts having small pots insufficient for lifetime income. This questions the practicality of implementing ideal decumulation strategies and whether the system can currently support broad choice and flexibility. Nonetheless, waiting for pot sizes to grow before reforming risks failing to adequately serve current retirees.
- Pension freedoms shifted expectations away from income-focused retirement (e.g. annuities) to more flexible access but didn't come with clear infrastructure or guidance for members. There's concern that defaulting members into certain pathways (e.g. cash) might not serve everyone well, especially in schemes with many small pots.
- Some support the idea of robust guidance frameworks, like decision trees over hard defaults, to support informed decision-making.
- Later contributions highlight that current investment strategies (e.g. life styling or target date funds) may inadvertently signal or encourage full cash withdrawal at retirement. There is a need for "to and through" investment approaches that better support a longer decumulation journey, rather than treating retirement as a hard stop.

There is complexity and challenges surrounding delivering better (not necessarily perfect) retirement outcomes across different pension systems and regulatory regimes, focusing on:

- Pension regulators from different regimes (trust-based vs contract-based) should work closely together to narrow gaps and align outcomes, despite offering different products and serving different market segments.
- The challenge remains how to effectively segment savers by their individual needs and characteristics to provide tailored support and guidance during decumulation, balancing the practicality of trustee responsibilities with the need for personalised advice.

- Ongoing dialogue, secondary legislation, and new tools, such as pension dashboards, play an important role in supporting more informed decision-making and better navigation of retirement choices.
- The market has shifted from fewer, larger default accumulation funds to a more fragmented decumulation landscape, creating challenges for comparing value for money.

An INDEPENDENT Research Report by the

Pensions Policy Institute
PPI

This research report is kindly sponsored by:

The Pensions Regulator