

Welcome

Assessing
megafund pension
reforms: Insights
from international
experience

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PPI Launch Event

Tuesday 02 June 2026

Event Sponsors Welcome

Steve Charlton

Managing Director, Defined
Contribution EMEA and Asia



Pensions Policy Institute
PPI



Chair's Welcome

Chris Curry

Director

Pensions Policy Institute (PPI)

Pensions Policy Institute
PPI



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

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Event overview

The event today is the official launch of the report **Assessing megafund pension reforms: insights from international experience.**

This research project explores the UK Government's proposed megafund reforms, introduced through the Pension Schemes Act 2026, which aim to encourage consolidation in the Defined Contribution (DC) pensions market.



The PPI Pillars of Purpose



**We are the UK's leading independent authority on pensions and retirement policy.
We conduct rigorous, impartial, evidence-based research that shapes better retirement outcomes for everyone.**

OUR VISION

BETTER-INFORMED POLICIES AND DECISIONS THAT IMPROVE LATER LIFE OUTCOMES

OUR MISSION

WE PROMOTE INFORMED, EVIDENCE-BASED POLICIES AND DECISIONS FOR FINANCIAL PROVISION IN LATER LIFE THROUGH INDEPENDENT RESEARCH AND ANALYSIS

WE ARE A TRUSTED SOURCE OF INFORMATION

We balance the argument by providing objective and accessible information on the extent and nature of later life financial provision, and any associated implications.

WE LEAD THE DEBATE

Through contributing impartial analysis and commentary to the policymaking process.

WE ENCOURAGE RESEARCH

Both at the PPI and in collaboration with others, which in turn informs policy and decision-making.

WE MODEL IMPACT OF POLICY CHANGES

We analyse long-term outcomes under the current UK pensions system and the impacts of possible reforms.

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Key Findings

Melissa Echalier

Research Associate

Pensions Policy Institute (PPI)

Pensions Policy Institute
PPI



Assessing megafund reforms: recent developments

Pension Schemes Act 2026 requires multi-employer DC schemes to manage at least £25 billion assets by 2030

- Transitional arrangements for schemes with £10 billion assets
- Regulations for the scale test to take account of innovation, competition and improved member outcomes
- **Aim: to increase investment in private markets and infrastructure**

Increased investment in private markets and infrastructure

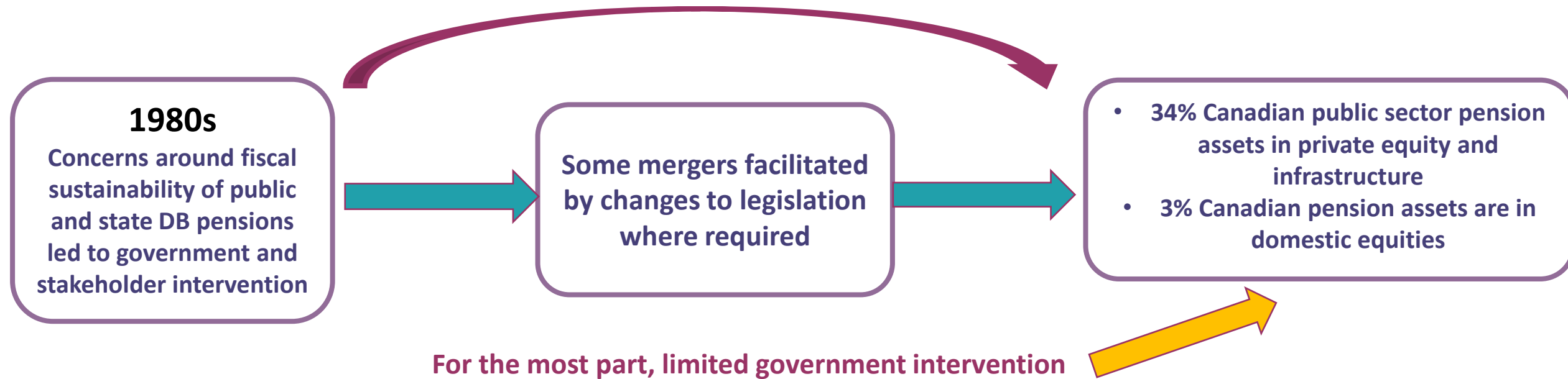
Investment diversification and risk management

Route to higher returns through price increases to assets

The Canadian Maple 8 pension funds are public sector and state DB schemes

The Canadian system is characterised by internal management of assets

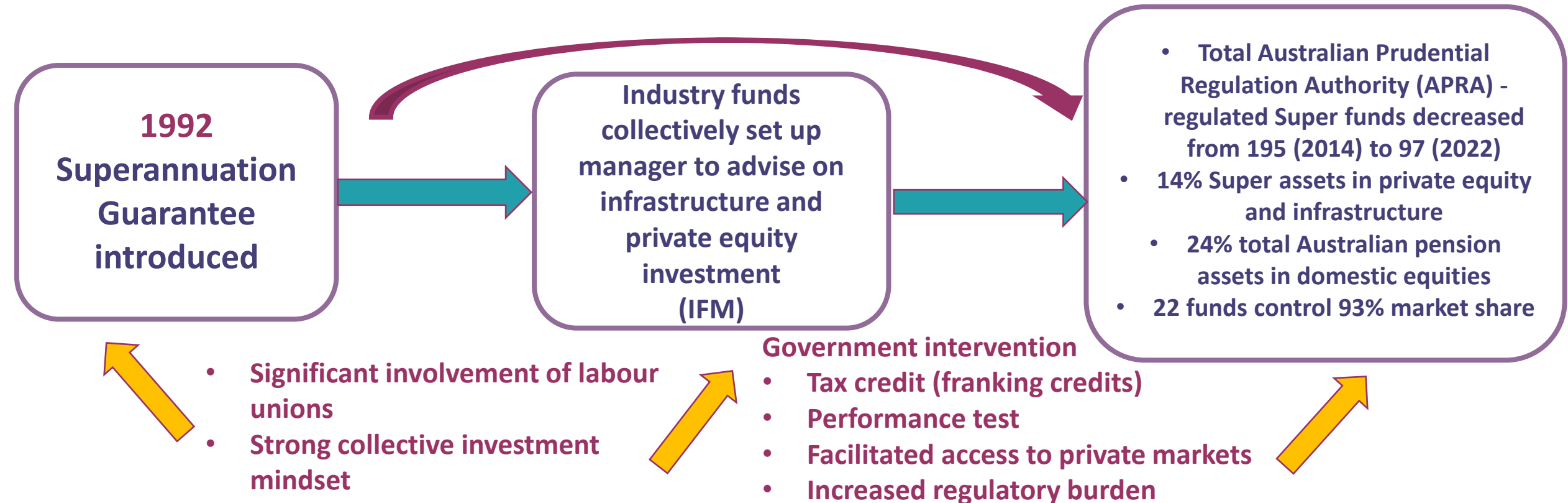
INCREASED USE OF BONDS TO MANAGE LIABILITIES ALONGSIDE INVESTMENT IN ALTERNATIVE ASSETS TO INCREASE RETURNS



The Australian system is dominated by large primarily DC industry funds

The Australian system is characterised by government's desire for investment in the Australian economy and commitment to exclude underperforming pension schemes

ORGANIC GROWTH IN PENSION FUND ASSETS



International and UK evidence suggests that scale can offer important benefits to members

Benefits to members include:

- Economies around governance and regulation
- Lower per member admin and investment costs
- Cost savings from managing investments in-house
- Scope to tailor member services more effectively
- Ability to invest more effectively in private markets
- Cost savings from greater bargaining power
- More effective governance and administration

But there were limitations to the recognition of benefits of scale among stakeholders around:

- Extent to which UK megafund reforms will address fragmentation, particularly legacy schemes
- Extent to which there is a correlation between size and value provided by schemes
- Questions around the level of the £25 billion threshold

“ So, the bigger you get, obviously, any business has got some costs that are fairly fixed. And so generally, as scale grows, the cost per policy, because there are at least some fixed costs, gets spread thinner and thinner.

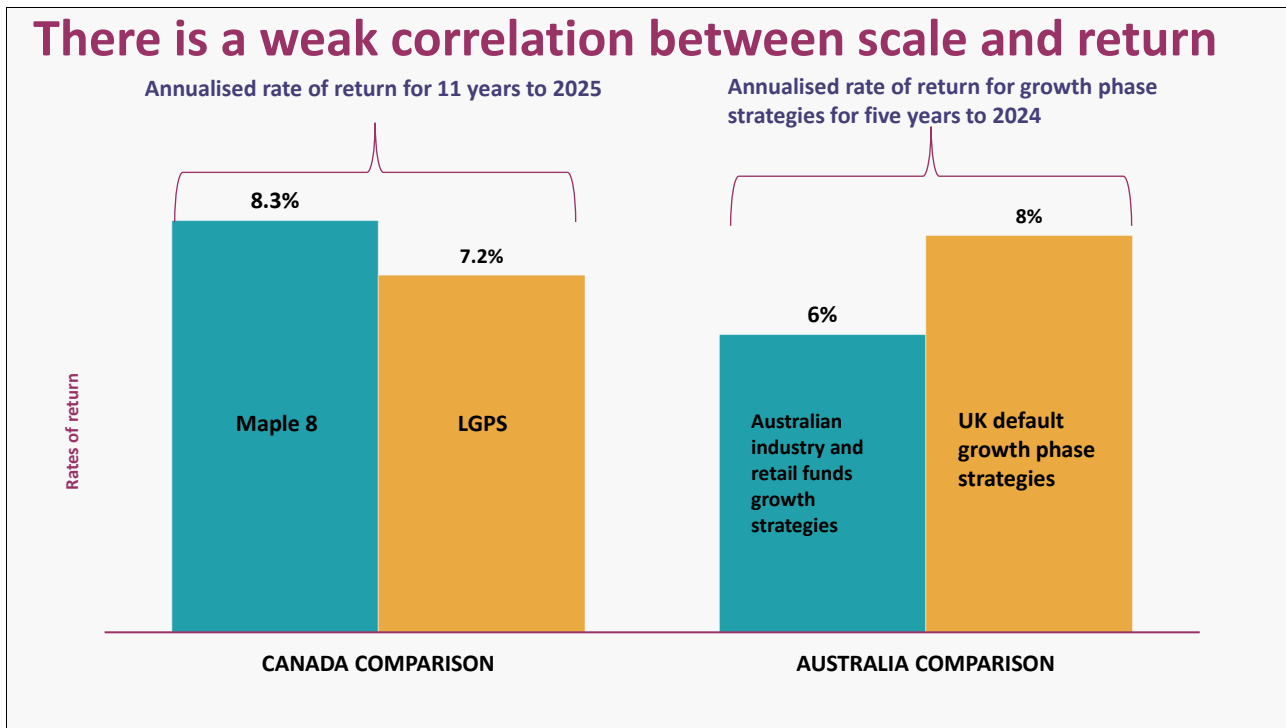
UK stakeholder

“ We need to ensure that we're delivering value for money and we're well governed, which felt like it was already a requirement. They're saying that a prerequisite of being able to do that is to have 25 billion. It feels like a kind of fairly artificial line in the sand.

UK stakeholder

Savings typically stem from cost reductions rather than higher returns

There is no guaranteed correlation between scheme size and investment returns



Pension scheme size (AU\$)	Annual operating cost per member (AU\$)	
	Lowest	Highest
Less than 10 bn	153	2,071
10 – 25 bn	182	846
25 – 50 bn	214	872
50 – 100 bn	79	840
100 bn +	103	394

- Comparison between countries is challenging because factors other than scheme size affect average returns.
- Broadly, larger schemes in Australia have lower operating costs per member than smaller schemes.
- Australian administration and investments fees paid by members remain, on average, higher than the UK charge cap of 0.75%.

Many benefits of scale remain unrealised in the Australian system

“ Administration part is somehow on a different plane from investment management fees or office rent or what have you. It just has always seemed to be a focal point. If we could drive down the admin costs just that little bit, everyone would be better off.

Australian stakeholder

Member servicing:

- Some larger schemes have found it harder than smaller schemes to service members effectively
- Concerns around schemes' operational infrastructure and their ability to protect members from scams
- Cybersecurity concerns, particularly as Supers increasingly rely on common service providers
- Downward pressure on administration fees leading to sub-optimal member servicing

“ It was a big DC pot of money, very well done, well invested, well managed, all the rest of it. But the retirement phase was just this big black void.

Australian stakeholder

Retirement phase:

- Scale has not consistently translated into effective management of member outcomes during the retirement phase
- Supers have not consistently developed retirement income strategies, or offered retirement income products

There are concerns around herding, and lack of competition and innovation in Australia

Australian Performance Test (Your Future, Your Super)

The test used by APRA assesses net returns over the past eight years rather than requiring a particular level of AUM. The following has been observed:

- This has led to reports of herding and a growth in uniformity of schemes.
 - Some schemes who have passed the test have subsequently increased their charges.
 - The test has changed pension schemes' behaviour
-
- Scale has **not** automatically translated into **higher levels of domestic investment** in Canada or Australia
 - Australia has **additional incentives** such as a franking credits that may encourage domestic investment
 - Much of the Australian system's strength may relate to **high mandatory employer contributions** rather than the scale of pension schemes
 - Evidence suggests that increased scale may **not** have translated into **improvements in governance**
 - There has been scrutiny of the levels of **expenditure** by Australian industry funds on **marketing**

UK megafund reforms have a different starting point to Australia and Canada

Between 2019 and 2025, master trusts decreased from 38 to 31

Fragmentation

- Several types of arrangements in UK pension system
- Long tail of both private and public DB pensions

Complex Arrangements

- Master trusts and GPPs
- Involvement of more than one provider in single pension scheme
- Role of advisers

Other Policy Interventions

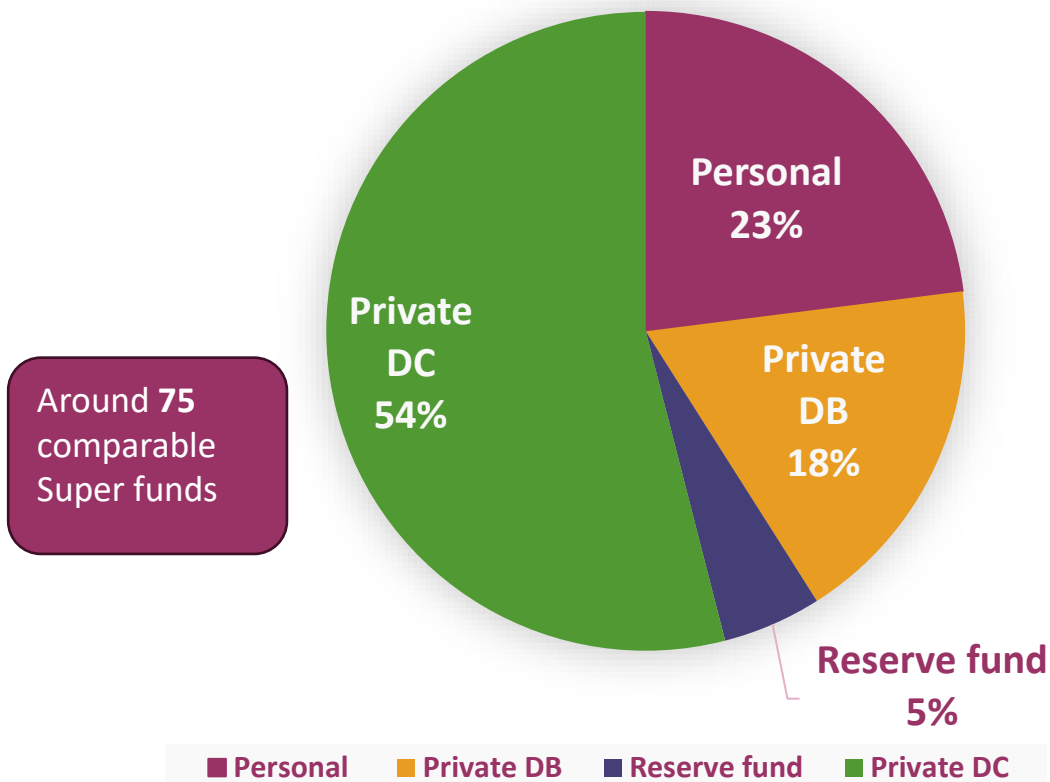
- Guided Retirement
- Mansion House Accord
- Value for Money framework

Further consolidation will entail trade-offs.

The maturity of the Australian DC pensions market means that it has a higher volume of assets in DC savings than the UK

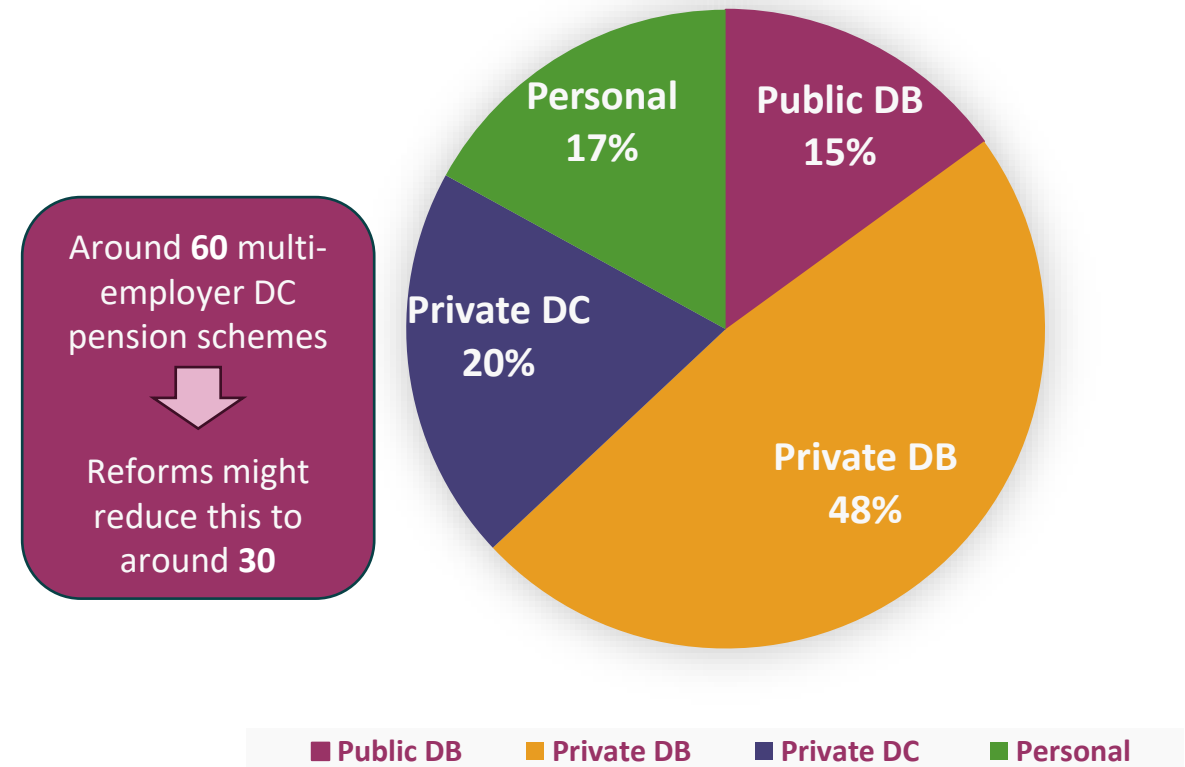
Australian total pension assets: US\$2,639 billion

US\$1,425 billion DC assets potentially available for consolidation



GB total pension assets: US\$3,139 billion

US\$627 billion DC assets potentially available for consolidation



Attributes of the UK system bring challenges to the effective implementation of the megafund reforms

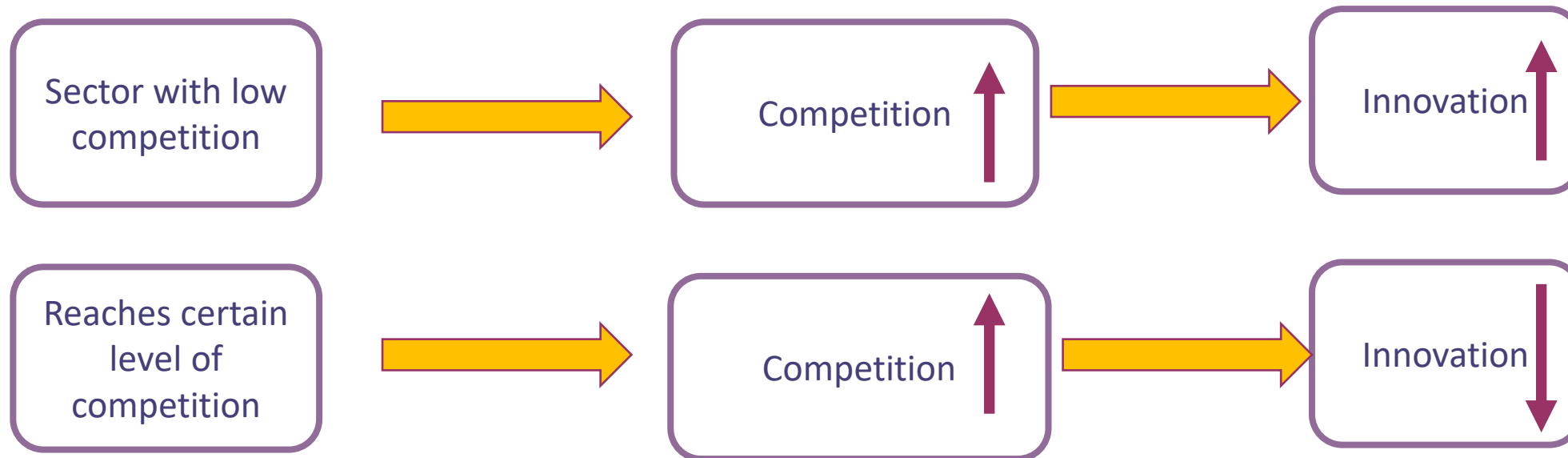
- Different UK models of pension provision make it difficult to identify where benefits of scale already exist in the system. This contrasts with Australian Industry Supers that are typically discrete entities without access to these wider resources
- There are concerns that advisers may not use providers where they believe that they will not reach scale. In turn, this leads to concerns that some providers who offer value will be forced to exit the market
- There is a risk that those providers who, in the absence of the megafund reforms, might have reached £25 billion AUM, do not reach this scale
- However, there are currently UK providers who do not harness the benefits of scale, such as appropriate defaults and common investment strategies, that are available to them
- The UK would need to have greater concentration of pension schemes to achieve the scale of the Australian system, with potential implications for competition, innovation and systemic risks
- Stakeholders held contrasting views around the extent to which consolidation would increase or decrease innovation

Different theories around competition and innovation help to understand the potential impact of megafunds

POSITIVE RELATIONSHIP



INVERTED U RELATIONSHIP



Conclusions

Challenge: Ensuring that the UK pension system captures advantages of scale to the benefit of members

International evidence highlights both the benefits and risks of scale in pensions, including cost savings and wider investment opportunities but also risks to innovation and competition

Important to determine how the impact of the entirety of government initiatives, including the scale reforms, will be measured

Important role for regulations around the design of a scale test that takes account of competition, innovation and improved member outcomes

Managing the trade-off between harnessing scale, and the risk of good value schemes exiting the market

Ensuring that scale requirements do not undermine existing positive trends



Opening Comments from report sponsors

Steve Charlton

**Managing Director, Defined Contribution
EMEA and Asia**



Lizzy Holliday

Director of Policy and Government Relations

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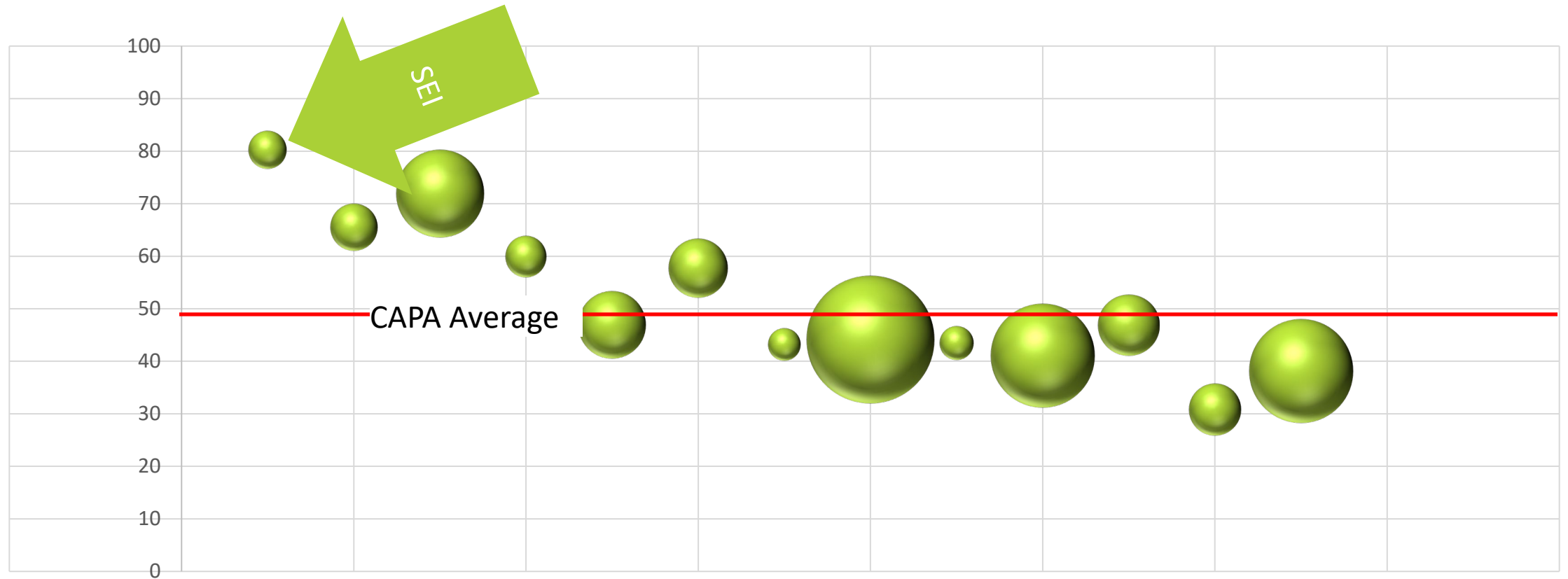
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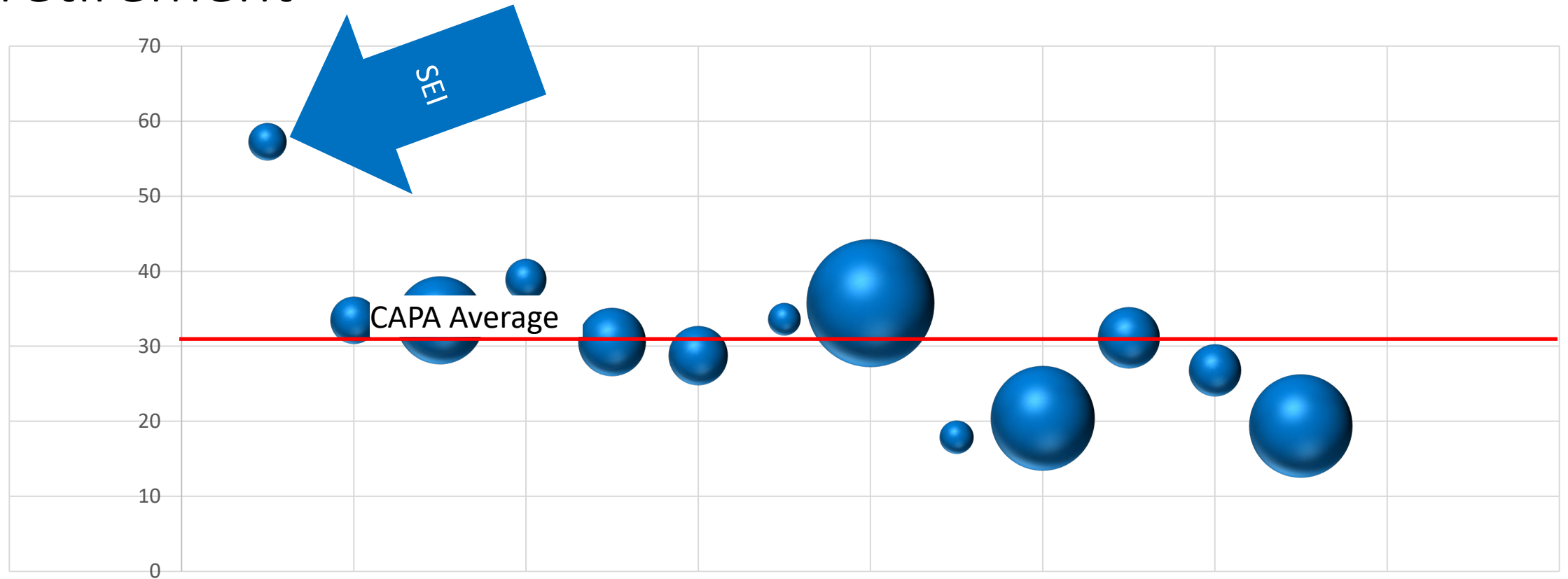


UK scale v member outcome - Growth



Source: [DC Master Trust League Table 2024 ~ H1 - Go Pensions](#) and Q1 2021 to Q1 2026 [CAPAdata](#)

UK scale v member outcome – pre-retirement



Source: [DC Master Trust League Table 2025 ~ H1 – Go Pensions](#) and Q1 2021 to Q1 2026 [CAPAdata](#)

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- ❖ Chris Curry for chairing the event
- ❖ Our panel, Steve Charlton, Lizzy Holliday and Richard Mosley
- ❖ Melissa Echaliier and Mariana Garcia Requejo, report authors
- ❖ The members of the project steering group
- ❖ SEI for hosting the event today

Thank you for attending today