PENSIONS POLICY INSTITUTE

PPI

PRESS RELEASE

UNDER EMBARGO - 0900 WEDNESDAY, 4 NOVEMBER

Higher pay not enough: 1 in 5 workers face retirement shortfall risks

The Pensions Policy Institute (PPI), the UK's leading independent authority on pensions and retirement policy, has today published its annual update to the UK Pensions Framework, with new modelling showing a fifth (20%) of the UK working population face retirement adequacy risks despite relatively high earnings.

The report, '**UK Pensions Framework: How Work Shapes Retirement Outcomes**', sponsored by Aviva, provides modelling of six representative worker profiles demonstrating that a relatively high earner, with a greater capacity to save (Profile A), may still have comparatively lower pension contributions to someone with lower earnings and reduced capacity to save (Profile F).[1] The research highlights employer contributions as one of the key drivers of contrasting pension outcomes between the two groups.

As the Second Pensions Commission prepares to make recommendations to the government on the broader questions of adequacy, fairness, and sustainability within the UK pensions system – and with a third State Pension age review also launched last year – the study challenges assumptions that the policy issue of retirement adequacy can be understood primarily through earnings.

The analysis explains that a comparably highly paid private-sector worker (Profile A) may build relatively less pension wealth than a lower paid public sector worker (Profile F), due to the former's employer pension provision being weaker, with contributions close to minimum levels, or remuneration including elements that are not reflected fully in pension contributions. The investigation notes Profile A workers therefore face the potential risk of not being able to maintain working life living standards in retirement, if they stay within Profile A throughout their careers.

Conversely, Profile F, just over a tenth (11%) of the UK working population, may have lower earnings that may constrain their capacity to save, but enjoy stronger employer pension provision and greater access to Defined Benefit arrangements that provide greater support for retirement adequacy.

The research concludes that policy on adequacy requires a more holistic perspective that considers where additional saving can realistically come from, how earnings and pension saving are unevenly distributed across the working population, and how institutional pension provision plays a critical role in retirement adequacy.

Further key findings include:

- **The balance between individual, employer, and State responsibility may need to shift,** as workers' capacity to build adequate private pension wealth changes.
- **Where people work influences the opportunity they have to build adequacy and security,** with some workers receiving substantially more support than others.
- **Current policy mitigates some inequalities but leaves important gaps,** particularly where workers have limited capacity to increase their own pension saving.
- **Different causes of low pension saving present different policy challenges**, meaning that a single policy response will not have the same impact across the workforce.

Continuing the Pensions Framework's three core objectives of adequacy, sustainability, and fairness for the UK pensions system, the latest edition of the PPI's UK Pensions Framework delivers independent insights to the evidence base at a critical juncture for pensions policy decision-making.

Lauren Wilkinson, PPI Senior Policy Researcher and lead author of the report, commented: "There is not one single adequacy challenge, and therefore no single policy response that will be equally effective across the workforce. People face different barriers to building adequate retirement incomes, shaped not just by their earnings, but also their capacity to save and the employer provision available to them. As the Second Pensions Commission develops its recommendations, our analysis highlights the need for a more nuanced, cross-cutting approach that considers pensions alongside housing and wider household wealth, as well as the

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respective roles of individuals, employers, and the State. At this pivotal time for UK pensions policy, the PPI is delighted to deliver fresh insights and analysis to the evidence base via our latest edition of the UK Pensions Framework, with particular thanks to Aviva for once again sponsoring this work."

Michele Golunska, Managing Director of Wealth at Aviva, added: "When we think about retirement adequacy, it's easy to assume that higher earners will inevitably achieve better retirement outcomes. This research challenges that assumption, showing that the pension support they receive from their employer and their ability to save consistently can be just as important as earnings. As the Pensions Commission considers the future of the UK pensions system, these findings highlight the need to look beyond income when considering adequacy.

"We're proud to once again support the Pensions Policy Institute's important research. By highlighting the differences in how people experience pension saving throughout their working lives, this report provides valuable insight into how the pensions industry, employers, and policymakers can work together to help more people build sustainable retirement incomes for the future".

ENDS

Note to editors

1. Details of the characteristics and outcomes for Profile A and Profile F are reflected in Figure 1.2 and Figure 1.7 (pp.11-13).

   To assess how retirement outcomes differ between profiles, a set of representative individuals were modelled across working life and into retirement using the PPI's Individual Model. These include individuals who spend their whole lives in one profile, as well as those who move between profiles. The specific outcomes modelled for each individual were fund size and contributions throughout working life, as well as income in retirement.

   Low, median and high earner profiles in the sample were separated based on percentile values from ASHE 2025 (Table 1.1a). If gross weekly pay fell below the 35th percentile, the observation was classed as a low earner; if gross weekly pay was above the 65th percentile, the observation was classed as a high earner. The sample consisted of observations from Round 8 of the Wealth and Assets Survey (WAS). Data was gathered from 2020-2022, and uprated to 2025 earnings terms.

   Low and high contribution profiles were divided based on the median total contribution rate in the sample. This was 10.05%. The average contribution rate of profiles with high proportions of DB holders, such as Profile F and Profile C, reflects the larger contributions made to these schemes.

   Assessments of adequacy were based on Pensions UK's Retirement Living Standards (RLS). For retirement income, the Minimum, Moderate and Comfortable thresholds for a single-person household outside of London were used. For total fund size, the midpoint of the range given in Pensions UK: How much do I need to save? was used.

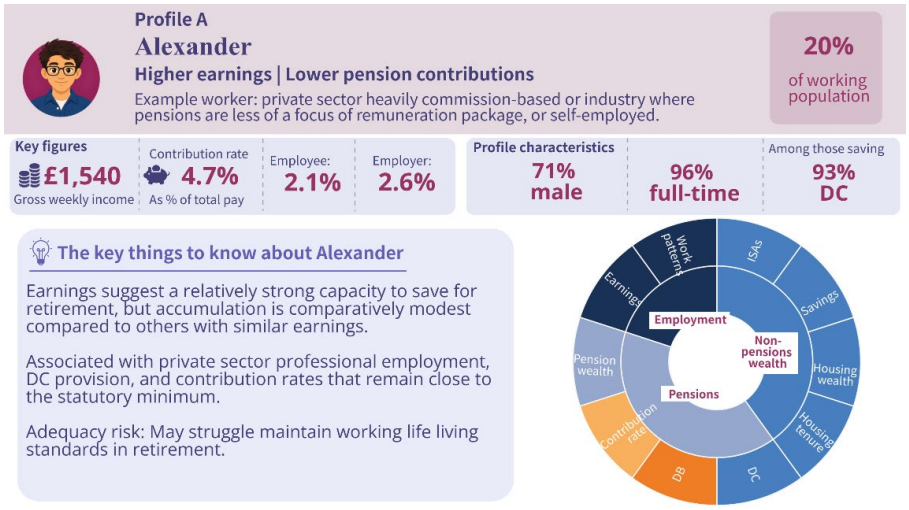
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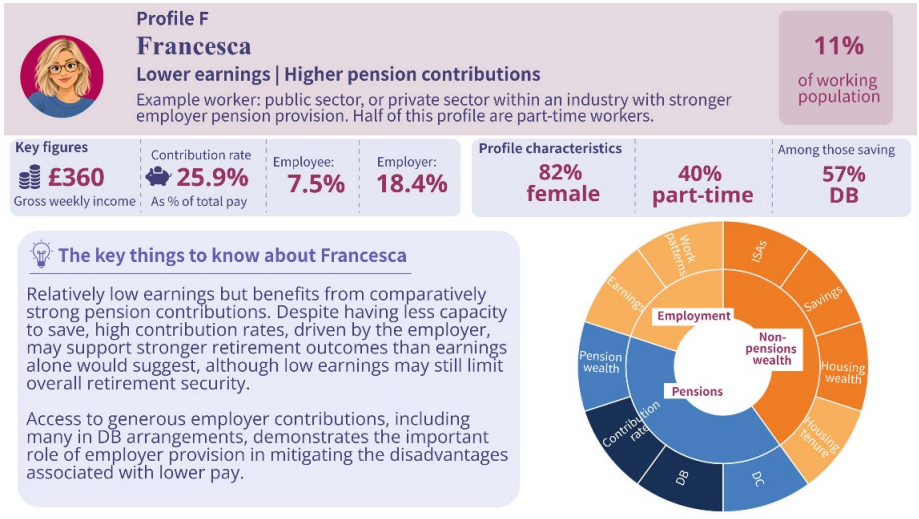
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Figure 1.2



A high-res version of Figure 1.2 can be found here.

Figure 1.7



A high-res version of Figure 1.7 can be found here.

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About The Pensions Policy Institute (PPI)

The Pensions Policy Institute (PPI) is the UK's leading independent authority on pensions and retirement policy. We conduct rigorous, impartial research to inform major policy decisions affecting millions of people's retirement security. Our evidence-based analysis is used by government and across Westminster – as well as industry and consumer groups - with extensive media coverage bolstering understanding of complex pension issues. Our work ensures that policymakers have the unbiased analysis needed to deliver better outcomes for those they serve.

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