



The Society of Pension Professionals (SPP) response to the Second Pension Commission's Interim Report

1. Introduction

- 1.1. The SPP strongly supports the Commission's conclusion that the UK pensions system has solid foundations but is not currently on track to deliver adequate retirement outcomes for all.
- 1.2. In particular, we believe that:
 - pension adequacy remains the central challenge facing the system, particularly when account is taken of housing costs, care needs and questions around the long-term sustainability of the State Pension settlement;
 - despite the success of Automatic Enrolment (AE), significant participation gaps remain and pension outcomes continue to vary considerably across different groups;
 - retirement outcomes are determined not only by how much people save and investment performance but also by how they access and use those savings, making decumulation a critical component of adequacy.
- 1.3. This response to the request for views therefore focuses on practical and deliverable measures that can improve retirement outcomes across the pensions journey, from saving through to retirement income.
- 1.4. In developing our recommendations, we have sought to balance adequacy, fairness and sustainability, recognising that all pension policy involves trade-offs between government, employers and individuals.
- 1.5. We have focused on proposals that are realistic, capable of implementation within the UK system and designed to support long-term confidence in pension saving.
- 1.6. *Guiding principles*
- 1.7. Our recommendations are informed by the following principles:
 - policy changes should be phased and predictable, allowing sufficient time for adaptation;
 - reforms should minimise cliff edges and unintended consequences for savers and employers;
 - policy should support earlier, more consistent saving, maximising the benefits of long-term investment;
 - pension outcomes should be fair across different generations, working patterns and life circumstances;
 - action should not be unnecessarily delayed, as postponing reform increases the scale of future challenges;
 - there should be broad political consensus on adequacy so that a clear long-term roadmap for pension reform is possible;
- 1.8. We also believe that effective pensions policy requires ongoing stewardship, a recognition of the links between pensions and wider economic and social policy, and a strong focus on practical delivery.
- 1.9. *Focus of this response*
- 1.10. Within this framework, our response concentrates on five areas where we believe further development is needed:
 - Establishing clearer and more practical measures of retirement adequacy.
 - Creating a credible pathway to higher levels of pension saving.
 - Extending pension participation to groups not well served by the current system.
 - Improving retirement outcomes through better decumulation solutions.
 - Strengthening financial education, engagement and trust in pensions.

2. Executive summary

- 2.1. **Pension adequacy measures should be at the heart of future pensions policy.**
The SPP supports the development of clear and agreed measures of retirement adequacy to guide policymaking, help individuals understand their retirement position and provide a framework for assessing future reforms.
- 2.2. **A three-pillar approach to measuring adequacy would better reflect the structure of the UK pensions system.**
The State Pension should be measured against a cash-based minimum income standard, AE against replacement rate targets that include State Pension income, and voluntary saving against additional aspirational income targets.
- 2.3. **Adequacy measures should reflect differing circumstances.**
Housing tenure and household composition have a significant impact on retirement income needs and should be recognised within any adequacy framework.
- 2.4. **Financial education and improved communications are essential to improving retirement outcomes.**
The SPP supports a long-term programme of financial education beginning in schools and continuing throughout working life, supported by employers, government and the pensions industry.
- 2.5. **The self-employed require an AE equivalent.**
Voluntary pension saving has not delivered adequate outcomes for many self-employed individuals and options for AE through the tax system should be explored, supported by suitable default pension arrangements.
- 2.6. **Targeted action is needed to address pension participation gaps.**
Reforms to AE, improved communications and greater flexibility in retirement saving arrangements could help improve outcomes for women, ethnic minority groups, disabled people and carers.
- 2.7. **AE remains the most effective tool for improving pension adequacy.**
The SPP supports extending pension saving opportunities to groups currently excluded from workplace pension provision, including younger workers and those working beyond State Pension Age.
- 2.8. **Stronger retirement income defaults are needed.**
Guided retirement solutions, pension consolidation, dashboards and measures that improve financial resilience can help individuals achieve better retirement outcomes.
- 2.9. **CDC schemes have an important role to play in both accumulation and decumulation.**
The SPP supports the continued expansion of CDC provision, including multi-employer, retirement-only and retail market arrangements.
- 2.10. **Access to financial guidance and advice should be improved.**
The SPP supports reforms that make it easier and more affordable for individuals to access support when making retirement saving and decumulation decisions.
- 2.11. **Pension adequacy measures should be subject to regular review.**
A statutory five-yearly review would help ensure pension policy remains responsive to changing economic and demographic circumstances.

3. SPP response to the Commission

Measuring Retirement Outcomes

- 3.1. Clear, agreed measures of pension adequacy are essential, not only as a starting point for pension policy, but also so that individuals can really understand their own position.
- 3.2. Although the first Pension Commission's replacement rates were based on a three-pillar pension system, this was a single blended rate varying only by pre-retirement incomes. The SPP therefore agrees that a hybrid adequacy measure would better reflect the needs of different earners and help anchor future public policy in this area. However, we would go slightly further and apply different pension adequacy measures to each pension system pillar.
- 3.3. The original band one earnings level, uprated to around £15,900 in 2023 terms, was associated under the first Pension Commission with an 80% target replacement rate, of which 80% would be achieved through public policy. For an individual on exactly £15,900 this would result in a retirement income of £10,176 (£15,900 x 80% x 80%) which is close to the 2023/24 State Pension of £203.85 a week or circa £10,600 a year.
- 3.4. This highlights a limitation of the replacement rate framework at lower earnings levels. In practice, adequacy here is driven less by a proportion of earnings and more by a minimum income floor, which the State Pension broadly approximates. The use of a high replacement rate therefore risks appearing circular: the target is effectively anchored to a socially acceptable minimum income, with the replacement rate used to express that outcome rather than determine it. Given that no one would expect someone on half the earnings to only need £5,088 (half of the £10,176 referenced above), the use of a target replacement rate for low earners appears to be somewhat artificial with the methodology derived from the desired answer rather than vice versa.
- 3.5. To address this, the first pillar, State Pension supported by means tested housing benefit, should therefore be an absolute cash amount designed to provide a basic adequacy standard for lower earners. This could be considered to be the minimum amount required to avoid poverty, purely subsistence or the minimum retirement living standard as being an amount which '*covers all your needs, with some left over for fun.*'¹ Whichever level is chosen, this is an amount which is likely to be the same for both pre and post-retirement. To help with public understanding, it should be clear that this state benefit should be part of individual pension planning. It may not be the amount which people would aspire to, but it can be considered as either a firm foundation or a safety net.
- 3.6. The second pillar, AE, is far more suited to a target replacement rate, provided this includes pension income provided by the first pillar. For example, using the revalued top of band two earnings of around £29,000 and a 70% replacement rate would give a target pension income of £20,300 of which approximately half would come from State Pension (in 2023/204 terms) and half from AE. This overlap with the first pillar is crucial as it is both clearer what AE needs to deliver and it also includes State Pension, framing it as far more achievable.
- 3.7. For those in higher earning bands, the proportion of retirement income delivered through public policy declines materially. Using a 50% target replacement rate for an individual earning £67,000 implies a target retirement income of around £33,500. Of this, the State Pension would contribute only c£10,600 (in 2023/4 terms), with minimum auto-enrolment (AE) provision delivering a relatively modest additional amount. The majority of the target income would therefore need to be met through saving above minimum AE levels.
- 3.8. This reflects a core feature of the Pensions Commission framework: as earnings rise, the system shifts from being state led to increasingly reliant on private provision. This effect is reinforced by the design of AE itself, where contributions are only required on earnings between the lower and upper qualifying earnings thresholds. Once earnings exceed the upper earnings limit, no further mandatory contributions are made, limiting the absolute level of income that AE can deliver. As a result, public policy provides not a fixed share of retirement income, but a diminishing one, with outcomes for higher earners increasingly dependent on additional voluntary saving. In summary, for those in higher earning bands there will be an ever-reducing proportion of retirement income derived from AE.

¹ Retirement Living Standards, Pensions UK, June 2026:
<https://www.retirementlivingstandards.org.uk/>

- 3.9. While the SPP would not support a means tested State Pension, it is also clear that there may naturally be an upper limit to the amount of pension which can be incentivised by public policy. These second pillar target replacement rates may therefore be capped, for example by a specified absolute cash income amount per annum.
- 3.10. The third pillar of voluntary saving is then expressed as an absolute cash income amount per annum in the same way as for the first pillar. This third pillar not only includes additional employer and employee pension savings and private pensions, but also non-pension savings and other potential sources of post-retirement income or wealth. This third pillar is not specifically designed to support government pension policy. Instead, it is there to express more clearly the amount of retirement income to which an individual may aspire.
- 3.11. For individuals who aspire to outcomes beyond those delivered by public policy and minimum AE, this third pillar provides a clear framework for setting more personalised targets. Benchmarks such as the Retirement Living Standards may offer a useful guide. For example, a single person targeting a “comfortable” retirement would be aiming for an income well in excess of that provided by the State Pension and minimum AE, highlighting the need for additional contributions and broader wealth accumulation. Combined with financial education and improved engagement, this creates an opportunity for individuals to move beyond default-based outcomes and instead anchor their saving to a clearly defined retirement income goal aligned to their own aspirations.
- 3.12. As stated above, the first Pension Commission noted that it is hard to choose a single default level of pension savings which suits both homeowners and renters. Measures of pension adequacy should therefore recognise these two factors.
- 3.13. These proposed measures of pension adequacy do not have the simplicity of the first Pension Commission’s banded replacement rates, however for individuals they are potentially easier to use.
- 3.14. An individual is likely to just use the figures that they consider to be most appropriate for their relationship and housing status, rather than every possible specific circumstance. There should be a number of levers to encourage employers to contribute more. For example, there could be a greater acknowledgement of employers who are able to make 12% or higher contribution rates. For example, via a nationally recognised, uniform kite mark/accreditation programme. If both target replacement rates and cash amounts are used to express future retirement income, then individuals can focus on which of the two figures works best for them. The pillar two percentage replacement rates act as a guide while making it clearer that the lower paid you are, the greater the proportion which will be State Pension.
- 3.15. When using these pension adequacy figures to determine pension policy it is also important that they accurately reflect existing complexity rather than being an oversimplification. Even if it becomes apparent that it is not possible to have a pension policy which achieves pension adequacy in all situations, making this explicit would at least provide some mitigation.
- 3.16. While differing career lengths will be a factor in achieving pension adequacy, the SPP does not consider that this should be a factor when considering how pension adequacy is measured. The same applies for others who miss out on pension savings and the impact that has on them achieving pension adequacy.
- 3.17. The SPP has not expressed a view on the income amount which should be provided by pillar one, the replacement rates in pillar two or the upper amount of state supported pension income. Nor have we commented on how state support for pensions should be targeted. Our October 2024 paper *Pensions tax relief: separating fact from fiction*² does set out SPP views on some of the options which might be considered.
- 3.18. These issues will always be for the government of the day to decide, based on both financial and political considerations but irrespective of government, clearly expressed adequacy measures should be at the heart of pension policy. Once published, these measures could be used to assess any future changes to pension policy even if they are no longer explicitly referenced by a subsequent government. A statutory quinquennial review of these measures and progress towards achieving pension adequacy will help allow pension policy to adjust to future uncertainties as they arise.

² Tax Relief: Separating fact from fiction, The Society of Pension Professionals, October 2024: <https://the-spp.co.uk/wp-content/uploads/SPP-Pensions-Tax-Relief-report-8-October-2024.pdf>

Accumulation and adequacy: the depth and growth of private pension saving

- 3.19. The SPP agrees with the Commission (at 3.2) that the UK pension system depends strongly on its 'second pillar' of workplace savings to deliver incomes in retirement and share the Commission's thinking (at 3.4) that current minimum contribution rates may not be sufficient to ensure adequate outcomes for large parts of the current working population. The overall level of savings needs to increase.
- 3.20. That said, higher contribution rates alone will not guarantee adequate retirement outcomes and should form part of a broader strategy encompassing investment performance, engagement, financial resilience and retirement income decision-making.
- 3.21. We also concur with the Commission's view (at 3.6) that the way forward needs to command a broad consensus, where that is achievable, and be both sustainable and durable. There has been considerable delay in policy making for pension saving over the past decade - the 2017 AE Review which outlined two landmark extensions to workplace pensions for which the core legislative expansions have still not yet been enforced. This suggests considerable political challenges in taking the necessary measures to achieve adequate outcomes.
- 3.22. In summary, it appears that many individuals and employers (and the Government) are reluctant to voluntarily make the necessary sacrifices to achieve adequate outcomes. There is continual pressure on any realistic proposal to increase the contribution rate (even in quite marginal ways) since individuals worry about the cost of living, employers are concerned about their financial situation, and the Treasury are focussed on immediate funding given a difficult fiscal environment. Together these approaches (and the lobbying engendered) lead to inadequate outcomes. The Commission's stark report is a useful starting point in setting out the path that the UK is on.
- 3.23. There is an interaction between the first and second pillars of the UK pensions system. We agree that the foundational role for the State Pension has been met for the time being, but we note that the cost of that foundation is set to grow with the changing old age dependency and so we cannot be sanguine about any assumption that it be able to continue to be as generous as it currently is. That stated we wish to underline that the State Pension is an essential part of the social contract. Those who have funded the State Pension through the payment of taxation and National Insurance contributions over the decades should not face any means testing of their right to a first pillar pension on the grounds that they have accrued a good second pillar pension. Otherwise, the incentive to contribute to the second pillar pension will be seriously undermined.
- 3.24. To those who question why the State should not seek to fund the State Pension from those with a higher pension income, the simple answer is that it does already through the application of income tax on pensions in payment.
- 3.25. We agree with the Commission's observation (at 3.16) that the key to success for AE is its relative simplicity. We believe that further steps should aim to be straightforward and relatively easy to communicate. They should also operate in a way that small businesses can manage without having to invest in expensive systems or advisers. They should also build on the existing structure rather than trying to complicate it or replace it.
- 3.26. Here the most obvious gain for simplicity would be in broadening the age bands. First, the 2017 Review recommended lowering the minimum age for AE from 22 to 18 and this is long overdue. Legislation already exists to facilitate such a step. We would urge the Commission to consider whether, for the purposes of simplicity, it might not be better to remove any age limits on AE for those whose earnings from employment are sufficient to justify enrolment. For the young the effects of compound interest can only facilitate a better retirement income, while for the old who are under pensioned the small extra will also help.
- 3.27. We would also suggest that a 'permissive' approach to some of the current regime's features on earnings would allow those employers who wish to be generous. For example, the legislation in section 4(1)(c) on the minimum earnings trigger could be expressed so that it would be the amount set by Government legislation "or such lower amount (including nil) as the employer may specify in writing to workers".

- 3.28. We agree that AE has not got people saving enough (as outlined in 3.32 to 3.47) and we seriously doubt that voluntary saving is likely to make up the difference for the great majority who do not have higher levels of earnings. We see the unfortunate belief that the AE levels of saving are “correct” as a significant contributor to this issue. In our judgement it is essential to move thinking away from such a conclusion and so recommend that a major initiative is launched to position more appropriate levels of savings as “correct.”
- 3.29. The public’s mind will need to be changed on this point, so that the labour market works to facilitate the policy objective. For this reason and because a voluntary approach has been shown to be ineffective, we believe that this reform should also be linked to a plan to raise the level of pension savings towards at least the lower and middle echelons of those illustrated savings.

A possible solution

- 3.30. One means of raising public awareness and confidence in their retirement savings being sufficient, might come in the form of our 2025 “Saving Retirement” paper recommendation that, *“There should be a number of levers to encourage employers to contribute more. For example, there could be a greater acknowledgement of employers who are able to make 12% or higher contribution rates. For example, via a nationally recognised, uniform kite mark/accreditation programme.”*
- 3.31. Building on this idea, the designation of Bronze, Silver, and Gold to grade the levels of saving could be introduced. Importantly the Bronze level would be a significant improvement on the current ‘Basic’ level. This should raise public awareness in a practical way.
- 3.32. In our view, a Bronze level of saving would be set at least 50% higher total contribution rates than the minimum level – so 12% of pensionable earnings (with qualifying earnings being the minimum level of pensionable earnings). There are a variety of views of how this 12% total should be split between employees and employers. However, if this is phased in (as suggested below) one view is that a member contribution of 5% is broadly enough without triggering excess opt-out elections, so that the employer contribution would migrate to 7% of pensionable salary but a popular alternative view is a 6% / 6% equal split.
- 3.33. A Silver level of pension saving of 15% pensionable earnings, perhaps with the with the employer contribution being 9% and the member contribution being 6%, or 10% employer, 5% employee but certainly not equal levels of member and employer contributions at this level.
- 3.34. It should not be policy to impose a Gold level of saving but rather an aspirational target level that good employers will want to provide where they can and the public understanding of the level could be an influence on the labour market. It would be entirely voluntary. The aim would be to change people’s psychology and expectations. Pension saving at 20% of pensionable earnings could qualify for a Gold level and suggest that employee member contribution would not be more than 7% of this total, it could be as little as 5%. The rest would be with the employer to fund if it voluntarily chooses this level of pension provision.
- 3.35. The above levels are designed with DC schemes in mind but equivalent levels for cash balance, DB and hybrid rights could be specified within the certification regime.
- 3.36. The next question is how to get there. We recognise the serious challenges employers face at the present time and the problem that any ‘cost shock’ could constitute, whilst also acknowledging the pensions minister’s recent observation that employers are now contributing materially less to their employees pensions than under the previous DB pensions regime. We are also naturally aware of the consequences of delay – millions more workers having an insufficient retirement income - and the political pressure to delay matters where cost issues arise. Accordingly, we recommend that certain steps start as soon as practicable but that the main cost elements only come in progressively. The interval is a great opportunity for public education.

Qualifying earnings

- 3.37. The qualifying earnings upper band level appears to be no longer appropriate due to inflation. This is particularly relevant for Generation X who are in the senior part of their career and will tend to be earning more. We suggest that it should be set at 100 x the hourly NLW for weekly-paid staff (so £1,271 a week) with £66,092 being the annual equivalent. Adjustments would follow automatically and the need for an annual order would be avoided, since these matters should not be political. It would also make pension saving much more predictable for employers.
- 3.38. We reiterate that these steps are necessary for the reasons pointed out at 3.39 – additional voluntary saving is not materialising outside the class of high earners.

- 3.39. We do recognise that contributions are not the only means to improve pot size given the contribution of investment growth. However, such growth operates most powerfully for the young who have time for it to work its magic. For older employees in the workforce contributions are particularly important. We also note that higher contributions for a given arrangement may be more cost effective since a contribution rate of twice the legal minimum will mean that the fixed costs can be spread over twice the asset base for those that charge on this basis.

Investment Growth

- 3.40. On investment growth we must again emphasise the importance of starting to save early and this suggests lowering the minimum age for AE (as argued earlier).
- 3.41. Here we note the comments about charges, value for money, and the alleged advantages of scale. As contribution rates increase, the importance of how those contributions are invested and the outcomes they generate becomes even more significant. So there may be a case for the Commission to give further attention to how the regulatory framework can support better long-term investment outcomes. For example:
- Value for Money (VfM) frameworks should move beyond a narrow focus on cost to incorporate net returns, risk-adjusted performance, sustainability of income, and overall member outcomes (see the SPP's recent paper "*Helping Savers Choose: VfM in action*"³);
 - Regulatory approaches should support investment strategies that are designed for long-term value creation, including appropriate exposure to a broader range of assets;
 - There should be continued focus on ensuring that scale and governance improvements translate into tangible improvements in member outcomes, rather than simply lower headline charges.
- 3.42. Furthermore, the £2,880 limit (on which pension tax relief is payable for non-taxpayers) has not increased for more than a quarter of a century. Increasing this might better encourage parents and grandparents to consider saving into a pension for the under 18s who are likely to be the greatest beneficiaries of investment growth.
- 3.43. The SPP hopes that pension dashboards do materially change the perception of pensions for many people. However, the expected revelation of the potentially stark shortfall in incomes in retirement may just as likely be a cause for complaint politically as it may be a cause of action in terms of pension saving.

Other Determinants of Retirement Outcomes

- 3.44. While the SPP has long argued that the UK needs a clear long-term framework and timetable for increasing AE contribution rates, we do not believe that contribution levels alone determine retirement outcomes.
- 3.45. The adequacy debate understandably focuses on contribution rates because they are visible, measurable and capable of direct policy intervention. However, industry experience suggests that retirement outcomes are also materially affected by a range of other factors, including investment decisions, periods of disengagement, consolidation behaviour and decumulation choices. There is therefore a risk that public policy concentrates disproportionately on the most visible determinant of outcomes rather than addressing the wider set of factors that influence retirement income. This was a central theme of the SPP's recent "Saving Retirement" paper, which identified a range of policy interventions extending beyond increases in AE contribution rates⁴.
- 3.46. The Commission's analysis necessarily relies on measures of adequacy that aggregate outcomes across large populations. While such measures are valuable for identifying broad trends, retirement objectives are often highly individual. Members rarely think in terms of replacement rates or adequacy thresholds; instead, they assess retirement preparedness against their own circumstances, expectations and financial priorities. Improving retirement outcomes may therefore require not only higher levels of saving but also greater support to help individuals understand and plan for their retirement objectives.

³ **Helping Savers Choose: VfM in action, June 2026:**

<https://the-spp.co.uk/document/spp-paper-helping-pension-savers-choose-value-for-money-in-action/>

⁴ **Saving retirement: Who is at risk and why? The Society of Pension Professionals, August 2025:**

<https://the-spp.co.uk/wp-content/uploads/SPP-Saving-Retirement-21.8.25.pdf>

- 3.47. The Commission rightly highlights the competing demands that many households face. Pension saving decisions often sit alongside housing costs, debt repayment and the need to build short-term financial resilience. This reinforces the case for policies that complement pension saving rather than compete with these objectives. Measures such as sidecar savings arrangements, improved payroll savings mechanisms and other approaches that strengthen financial resilience may ultimately support higher levels of long-term pension saving by reducing the likelihood that individuals opt out of pension saving when faced with financial pressures. Nest Insight's recent report, *'Balancing today and tomorrow'*,⁵ provides clear evidence for this. Their real-world testing of sidecar savings shows that when people have a dedicated space to build short-term emergency cash alongside their pension, it creates a vital safety net. Instead of competing with pension saving, having this liquid cash cushion actually protects it. It means when an unexpected bill hits, savers do not have to choose between immediate financial survival and their retirement future, which dramatically reduces the risk of them opting out of the pension scheme entirely.
- 3.48. The success of AE also demonstrates the importance of behavioural policy interventions. Participation rates have been driven far more by inertia and default mechanisms than by active financial planning. Similar behavioural approaches should be considered in areas such as contribution escalation, member engagement and retirement income solutions. Reforms that successfully harness behavioural tendencies are likely to prove more effective than those which rely on individuals repeatedly making complex financial decisions throughout their working lives.

The participation gap: who misses out on pension saving and why it matters

Education, Communication, and member understanding

- 3.49. The interim report provides extensive evidence as to the under saving - and in some cases a complete lack of pensions saving - that is commonplace among certain groups of working-age people. The SPP agrees that gaining a deeper understanding of the reasons for these participation gaps and working to address them will be a crucial factor in improving pensions adequacy in the UK.
- 3.50. Key to addressing these gaps should be an overarching drive and commitment to increasing pension awareness by providing comprehensive financial education and tools to help people better understand the long-term benefits of pension savings.
- 3.51. We feel that this should start with a systematic progressive programme of financial education starting at primary school - introducing for example key concepts like compound interest and as children get older, moving to include the tax advantages of pensions, and the "free" money that employer contributions essentially are. This must go well beyond the planned curriculum reforms due to come into force in 2028. Meaningful, consistent and age appropriate financial education would be likely to help people better understand how pensions operate and why an early start to pension saving is beneficial even if the amounts saved might be by necessarily small to begin with. Introducing these concepts from primary school age upwards, in bite size format, reinforced by frequent repetition and extension would mean that the public are more likely to enter the workforce with an understanding of any pension offering that is being made available to them and would therefore be more inclined to save and engage.
- 3.52. Once individuals have joined the workforce, employers should also play their part in providing information, support, and guidance to encourage greater workplace saving. To this end we reiterate the SPP's previous suggestion of introducing a requirement for all large employers (with 250+ employees) to offer some form of financial education (including pensions) to their workforce on an ongoing basis.⁶
- 3.53. That said, the SPP also notes that improved information and visibility, through financial education or pensions dashboards, will not always in itself translate into better decision-making or outcomes because many individuals struggle not with access to information, but with interpreting what it means for their own retirement prospects. One potential solution to this would be the addition of a Pensions Health Check, linked directly to the pensions dashboard. This would provide:
- A simple, personalised assessment of an individual's retirement readiness;
 - Clear, accessible benchmarks against adequacy measures;

⁵ Nest Insight, *Balancing today and tomorrow*, June 2026:

<https://www.nestinsight.org.uk/wp-content/uploads/2026/06/Balancing-today-and-tomorrow.pdf>

⁶ *Saving retirement: Who is at risk and why?* The Society of Pension Professionals, August 2025:

<https://the-spp.co.uk/wp-content/uploads/SPP-Saving-Retirement-21.8.25.pdf>

- Prompts for next steps, such as increasing contributions or seeking guidance.

- 3.54. This kind of intervention would help bridge the gap between information and action, ensuring that greater transparency leads to meaningful behavioural change.
- 3.55. As our “Saving Retirement” paper⁷ also recommended, generally speaking the government and industry should explore how best to improve pensions related communications to educate, help dispel mistrust and improve understanding of the protections and benefits offered by pensions.
- 3.56. Digital exclusion also needs to be considered. According to Ofcom, those without internet access in the UK equate to 5% of the population (2.8m people); over half of users who are offline are under 74, challenging the perception that age is the predominant factor in determining uptake of digital services. Furthermore, 8% who are using the internet lack confidence online.⁸ This is clearly an issue that should be brought into any initiatives around improving pension communications and education.
- 3.57. Furthermore, it is worth noting that whilst the SPP’s 2026 AI Survey showed that AI usage is now universal amongst pension firms⁹, YouGov¹⁰ recently revealed that around a third of the adult population in the UK say they never use AI tools such as ChatGPT and that nearly three quarters of the adult population does not trust AI to act on their behalf.
- 3.58. The SPP’s view that the roll-out of such a focussed program of education as a fundamental building block in reducing participation gaps and thus improving adequacy, is also reinforced by the evidence set out in the interim report around the high value that people place on pension contributions that they are already making when making financial decisions, and the reluctance to reduce these contributions or to opt out in response to adverse changes in economic conditions.

The Self-Employed

- 3.59. The SPP is aligned with the Commission in believing that self-employed participation in pensions saving is one of the most urgent challenges for the UK pension system. It is also notable that the disparity in pension savings between workers and the self-employed contributes to pension gaps for certain ethnic minority groups, women and the disabled, where self-employment is more common.
- 3.60. Voluntary pension saving alone is not sufficient to meet the needs of the self-employed. It is difficult to see how this problem can be adequately addressed without introducing an equivalent to the AE system for the self-employed. The success of AE for workers has proven the efficacy of inertia in boosting pensions saving.
- 3.61. The design of a “one-size fits all” system of AE for the self-employed would inevitably be complex, given the different forms of self-employment that exist (sole traders, workers in the gig economy, directors of limited companies). It is worth noting at this point that, while we may colloquially regard all these categories as “self-employed,” directors of limited companies are not self-employed for tax and national insurance purposes and will not be registered as such and some workers in the gig economy, while remaining self-employed for tax and national insurance purposes, already qualify for auto-enrolment.
- 3.62. Those employed as directors of limited companies often receive a combination of earnings from employment and from dividends as shareholders from their business. At present, they do not have to be automatically enrolled into a pension because of their status as a director. One option for this group would be to remove or restrict the exemption for directors in the current AE regime, although this would only capture employment earnings. However, once enrolled into a pension, it is more likely that this group would make additional pension contributions recognising their other forms of income, particularly if provided with well-designed communications on pensions adequacy.

⁷ Saving retirement: Who is at risk and why? The Society of Pension Professionals, August 2025:
<https://the-spp.co.uk/wp-content/uploads/SPP-Saving-Retirement-21.8.25.pdf>

⁸ Ofcom, Exploring how people in the UK are affected by ‘digital disadvantage’, April 2025:
<https://www.ofcom.org.uk/internet-based-services/technology/exploring-how-people-in-the-uk-are-affected-by-digital-disadvantage>

⁹ AI usage ‘universal’ across pensions – SPP” April 2026:
<https://www.pensionsage.com/pa/AI-usage-universal-across-pensions-SPP.php>

¹⁰ Brits are happy to use AI but still don’t trust it, YouGov, December 2025:
<https://yougov.com/en-gb/articles/53709-trust-in-ai-uk-2025>

- 3.63. For sole traders, more extensive reforms are essential. This group are registered as self-employed with HMRC and the simplest solution might be to look at deducting pension contributions as a percentage of profits through the mechanism of Self-Assessment. This would, of course, require an adjustment to HMRC's existing systems. A few issues would require careful thought, including:
- An opt-out mechanism to be administered by HMRC or a third party;
 - Whether the thresholds and contribution rates applicable to workers are appropriate for the self-employed and whether contributions should be phased in over time; and
 - Whether appropriate savings vehicles exist into which sole traders could be automatically enrolled, and how a default pension vehicle could be selected, perhaps on a "carousel" basis, while providing the ability for self-employed individuals to select a different pension provider if they wish to do so.
- 3.64. The task would be simplified if the government were willing to initiate a state-backed default pension scheme for the self-employed, likely as an extension to NEST.
- 3.65. It may also be desirable for the self-employed to have access to collective defined contribution (CDC) provision, to avoid the creation of further disparities in pension provision between workers and the self-employed. The focus on providing an income for life with no complex decumulation decisions could help support retirement planning, while CDC risk pooling could materially improve income levels for the same contributions in a whole-of-life model. As a first step, CDC could be made available to the self-employed through the development of a retail market, although this would require legislative change. A more ambitious step would be to establish a state-backed default pension scheme for the self-employed on a CDC basis.
- 3.66. A pension scheme with a sidecar savings option might also be attractive to the self-employed, given that their earnings tend to fluctuate and access to emergency funds in lower-income years is particularly important for this group.
- 3.67. Nest Insight's recent research¹¹ strongly backs up this approach for the self-employed. Because their income goes up and down, standard rigid pension structures often feel too risky or restrictive for them. By linking a pension directly with a flexible sidecar savings account, self-employed savers can have the confidence that their money is not entirely locked away if their employment situation becomes more challenging. Providing this liquid financial cushion is a practical way to help overcome any hesitation to save that many of the self-employed may have, helping them balance today's business realities with tomorrow's retirement security.
- 3.68. There are also those who operate through platform providers in the gig economy, some of whom are already categorised as workers for the purposes of auto-enrolment. These individuals already have access to "workplace" pension saving if they meet the auto-enrolment thresholds. The expansion of pension provision for this group could be through adjustments to the auto-enrolment thresholds but also by clarifying the definition of "worker" to ensure parity of treatment for all who operate through platform providers. The SPP would be agnostic about whether or not those operating through platform providers should be treated as workers for auto-enrolment purposes, provided that a system of auto-enrolment for the self-employed had been established.

The Gender Pensions Gap

- 3.69. The Interim report has identified that "*women are more likely to work part-time, step out of paid employment for periods of caring, earn less on average, and are more likely to work in roles or sectors with weaker access to pensions saving.*"
- 3.70. The key driver of the gender pensions gap is the gender pay gap, with discrepancies in annual income compounded over time by the impact of investment returns. A complete solution to the gender pensions gap would therefore require significant social change. This could be supported to some extent by government policies – access to affordable childcare, eldercare and flexible working policies that make it a genuine option for both partners in a couple to work part-time without prejudicing their long-term progression and earning capacity - but this will only happen if it is seen as a genuine priority by government and constructed in a way that promotes the health of family units as well as the UK economy. In the best-case scenario, achieving gender pensions equity will take decades.
- 3.71. Nevertheless, in addition to these long-term policies, there are steps that could be explored in the short-term to improve the situation.

¹¹ Nest Insight, **Balancing today and tomorrow, June 2026:**

<https://www.nestinsight.org.uk/wp-content/uploads/2026/06/Balancing-today-and-tomorrow.pdf>

- 3.72. At present, it is common for employee pension contributions to reduce while an employee is on maternity leave or shared parental leave because they are based on pay received rather than the earnings the employee would have received if working normally. Employer pension contributions continue to be based on normal pay, provided the employee is on paid maternity leave, but frequently stop after the 39th week of maternity leave when statutory maternity pay ceases to be available. While it is open to employees to pay more on their return from maternity leave to make good these gaps, this is generally only a realistic option for higher earners. These gaps could instead be addressed by requiring the employer to contribute throughout an employee's maternity or shared parental leave and by the government making good the deficit in the employee contributions over the same period up to an agreed limit.
- 3.73. As already highlighted, a review of AE thresholds is crucial for this group as the current thresholds exclude many women from automatic pension saving and receipt of employer contributions, because they work fewer hours than their male counterparts and/or work in multiple employments, causing them to fall short of the earnings trigger and limiting their qualifying earnings in a given employment. These thresholds were put in place, in large part to protect lower earners from unaffordable pension contributions but it also deprives them of the employer contributions they would receive if they qualified for AE. As the interim report notes, many of these lower earning women live in higher income households and could afford to pay contributions at the AE level. These protections are in any event arguably unnecessary given the ability to opt-out of pension saving. Requiring employers to automatically enrol and pay employer contributions for all workers from the first pound earned, regardless of whether member contributions are payable, would also go some distance to bridging the gender pensions gap.
- 3.74. Depending on how they are structured, CDC schemes could also assist in reducing the gender pensions gap. In the past, spouses and financially dependent partners often received protection from their partner's defined benefits scheme, which would pay a survivor's pension, typically 50-66% of the member's pension. While it is possible to secure joint life annuities in the DC space, this has become less common and the left-over drawdown funds are generally only used to secure an income for the wealthiest, otherwise typically being paid out in lump sum form on death. CDC schemes could easily replicate the concept of a survivor's pension and ensure a protected income stream for the longer-lived partner.
- 3.75. In addition, it is possible to set up CDC schemes to operate on a unisex basis. Under this approach there would be an underlying cross-subsidy towards female members given their higher life expectancy.
- 3.76. Returning to the DC environment, it is currently possible for a taxpayer to contribute to their partner's pension, in which case the contributions receive tax relief at the partner's marginal rate. However, this is not an attractive option for a higher rate taxpayer (unless they have exhausted their own annual allowance) if their partner would only be entitled to basic rate tax relief. If it were equally tax efficient for the higher earning partner to contribute to their lower earning partner's pension, this would encourage a more even distribution of pension saving between a couple. It is not realistic to expect a higher rate taxpayer to pay into the pension of partner who is a basic rate taxpayer (or who does not pay tax at all) in preference to their own pension if this increases their annual tax bill. Given the tiny number of taxpayers capable of exceeding the tax allowances for their own pension saving, it is unsurprising that the option to save into a partner's pension has exceptionally low take-up.
- 3.77. The SPP would also welcome exploration of the creation of a pension product that allows couples to save jointly for their retirement, akin to a joint bank account. There is a real logic to this approach given the availability of couple's metrics for target pension income. This could give both partners clearer insight into their pension saving position and facilitate good decision-making for retirement. Careful thought would be needed around structuring suitable decumulation solutions for such arrangements and whether there should be limits on amounts that can be crystallised before both partners are over normal minimum pension age. Similarly, thought would need to be given to arrangements in the event of divorce, early death and so on.

Ethnic Minority Groups

- 3.78. As evidence highlighted in the interim report shows, it is clear that some ethnic minority groups have significantly lower rates of pension participation than white British groups which will often lead to significantly worse pension outcomes for this demographic.
- 3.79. While some of this is undoubtedly driven by lower employment levels, more multiple employments resulting in individuals often not hitting the auto-enrolment threshold, lower earnings and more time out of the workforce (particularly for women), what is interesting here is that there are more complex factors at play that are important to understand if we are to improve the retirement outcomes for this group.

- 3.80. Research shows that economics alone does not explain why the people of ethnic minority backgrounds are less likely to be saving into pensions¹². There are a multitude of complex contributory factors including mistrust and lack of engagement fostered in part by cultural unfamiliarity with the concept of pensions and concerns about whether pension style savings are compatible with restrictions placed by certain faith systems as highlighted in the interim report in relation to concerns around the availability of Halal investments for Muslim savers.
- 3.81. What is also clear from the same research¹³ is that many ethnic minority groups have deeply embedded cultural approaches to money and savings which results in their preferred mode of saving for retirement being in alternative assets such as businesses or property or community saving schemes rather than pensions. In order to tackle this participation gap, we should first recognise that for many this may well be the right decision. However, it is apparent that the pensions industry may be falling short given many from an ethnic minority background do not feel equipped to place pensions on an equal footing with other more familiar options when deciding how and where best to save.
- 3.82. Looking at the gender and ethnicity gap together, it is also clear that the participation gap is exacerbated where gender and ethnicity intersect.¹⁴ However, while the linked research does highlight the issues that create barriers for this intersectional group of potential pension savers it does also highlight that there is not only an increasing likelihood that they will more often than not have funds available to save (into a pension or otherwise) but also an appetite for more information and education on how pensions work and what they can deliver in order to consider them as a viable option for saving for retirement.
- 3.83. For ethnicity pension gaps therefore, improved communication from both the state and industry, tailored to factor in likely misconceptions and cultural caution, are likely to dispel some of the more damaging myths associated with pension saving and help those (disproportionally from ethnic minority backgrounds) who are mistrustful or expectant that their retirement will be supported by other means, to better understand the framework within which workplace pensions operate and the many protections and benefits that are in place.

Disabled People

- 3.84. The evidence the interim report presents on the significantly higher risk of under saving that disabled people face, in particular that over half of disabled people at age 46 have no pension wealth at all, is stark, though not unexpected.
- 3.85. The SPP agrees with the assessment that the lower pension wealth accumulated by disabled people is largely due to lower employment rates, higher rates of interrupted or part-time work and labour market barriers that limit both access to and progression within paid work. It is also worth noting that those with a disability in employment are more likely to be self-employed¹⁵.
- 3.86. It seems to us that the key to improving the pensions experience for this group of savers is primarily to improve accessibility to work for those who are able to participate – be it by targeted support for home working or specialist software and training or requiring employers to be more flexible about employment conditions like working hours or job sharing.
- 3.87. Strategies we have suggested in section 3 above could also be considered here, for example the ability for a higher paid partner to contribute to the pension of a disabled partner who might earn less or the creation of a pension product that allows couples to save jointly for their retirement.

¹² **Just don't mention the pension: the ethnicity pensions gap, L&G Investment Managers, 2023:**

<https://am.landg.com/asset/4a7e00/globalassets/lgim/capabilities/defined-contribution/dc-retirement-solutions/the-ethnicity-pensions-gap-report.pdf>

¹³ **Ibid**

¹⁴ **A glimmer of light on the Horizon? January 2026:**

<https://lcpuk.foleon.com/gender-ethnicity-pension-gap/gender-ethnicity-pension-gap-report-2026/>

¹⁵ **The employment of disabled people 2024. 2025:**

<https://www.gov.uk/government/statistics/the-employment-of-disabled-people-2024/the-employment-of-disabled-people-2024>

Carers

- 3.88. The interim report highlights the significant pensions participation gap faced by carers, due to having to work part-time or taking time out of the labour market to accommodate unpaid caring responsibilities.
- 3.89. While acknowledging that the reforms made in 2010¹⁶ to entitle carers to national insurance credits will help to ensure that those who have to give up paid work (even if only temporarily) to care for someone else could maintain their entitlement to a full State Pension, the low take-up rate of these credits clearly mean they are not benefitting everyone that they could.
- 3.90. This again takes us back to our overarching theme of the need for a tailored communications programme targeting those in these circumstances. Strategies we would suggest include putting more information in places that carers would be likely to see them in the course of their caring role – GP’s surgeries for example or direct mailouts or targeted media campaigns.
- 3.91. As the interim report notes, this group will also be more at risk of accessing pensions early due to the inability to spend enough time in paid employment away from caring responsibilities. Tailored and targeted communications about factors to consider and the potential longer-term consequences of such actions could again help people in this position make more informed choices.
- 3.92. Caregivers are more often than not women and this intersectional participation gap therefore also contributes to the gender pension gap. Again, strategies we have suggested in section 3 above including the ability for a higher paid partner to contribute to the pension of a partner who earns less or the creation of a pension product that allows couples to save jointly for their retirement would be similarly effective here.
- 3.93. As the SPP’s “Saving Retirement” paper suggested last year, *“To help the 2.3m working as carers who currently receive no income, the Commission should explore the practicalities of introducing a carer’s credit and increasing the existing £2,880 limit on which pension tax relief is payable for non-taxpayers.”*¹⁷
- 3.94. Increasing the £2,880 limit (on which pension tax relief is payable for non-taxpayers (not increased for more than a quarter of a century), would not only help carers, but it might also better encourage parents and grandparents to consider saving into a pension for the under 18s and may be helpful for non-working spouses, helping to reduce the gender pensions gap.

Extension of Working Life and Pension Savings

- 3.95. The interim report recognises the need for people to work for longer. We agree that, alongside the importance of financial education, the development of flexible employment opportunities is key to retaining older workers in the labour market, helping to address their own health needs and facilitate their caring responsibilities.
- 3.96. While retaining older workers in the labour market might reduce the early drawdown of pension assets, the opportunity to accumulate additional pension assets should also be considered. We query why workers continuing to work beyond state pension age should not benefit from AE and employer contributions. If individuals are continuing to work beyond State Pension Age because they do not feel they can afford to retire, or because they want to save for a higher standard of living in retirement, they would benefit greatly from coverage by the AE system. As flexible retirement becomes increasingly common, the logic of categorising individuals by age, rather than working status, looks increasingly obsolete.
- 3.97. More could be done to provide flexible retirement options – allowing employees to have a phased retirement or part time work will allow older employees to continue earning while accessing pension benefits - a statutory override to scheme rules to facilitate partial retirement may be worth considering as rules that state an individual cannot access the pension unless they leave employment or that they have to take the whole pension remain common.
- 3.98. Earlier in this response, the need for financial education and advice was highlighted in relation to schools but to better facilitate later life working, employers offering mid-life financial “MOTs” and targeted pension guidance to help employees make informed decisions about their retirement savings would no doubt be welcome.

¹⁶ HMRC internal manual, updated June 2026:

<https://www.gov.uk/hmrc-internal-manuals/national-insurance-manual/nim41252>

¹⁷ Saving retirement: Who is at risk and why? The Society of Pension Professionals, August 2025:

<https://the-spp.co.uk/wp-content/uploads/SPP-Saving-Retirement-21.8.25.pdf>

- 3.99. Changes in the tax system could also incentivise people to remain in work. In particular, the normal minimum retirement age (currently 55 but increasing to 57 in 2028) is seen as a target by many. This is compounded by political risk which has created mistrust in the pensions system, with fears of the abolition of tax-free pension lump sums surfacing before every Budget, resulting in pension assets being drawn on unnecessarily early as members seek to avoid “regret risk.” One way of mitigating this issue would be to further increase the normal minimum pension age. If such an approach were taken, any increases must occur on a phased basis to avoid pension scheme members rushing to take benefits ahead of a cliff-edge change as is being experienced in the run-up to April 2028). A commitment from government to make no further changes to pensions tax-free cash within a prescribed period of time i.e. the lifetime of the current Parliament, would also be helpful.
- 3.100. At the other end of the spectrum, the young are also struggling to accumulate pensions wealth. The primary lever to deal with this is again the AE system. Reducing the age criteria for AE from 22 to 18 would give younger workers the opportunity to start accumulating pension assets at a younger age, and these assets would have longer to benefit from compound investment growth. Removal of the earnings trigger and/or reducing the qualifying earnings threshold would also have significant benefits for this group. So too would increasing the £2,880 limit on which pension tax relief is payable for non-taxpayers (not increased for more than a quarter of a century), which would almost certainly encourage parents and grandparents to consider saving into a pension for the under 18s.

Decumulation as a driver of adequacy

- 3.101. Traditionally, pension adequacy has focused on accumulation with contribution rates, investment returns and the length of saving being key components in delivering adequacy. However, two people with identical pension pots can experience quite different retirement outcomes depending on their decumulation strategy. As a result, the SPP recommends that the Commission consider the following to improve pension outcomes at the point of and throughout retirement.

Ensure the power of inertia is brought to bear

- 3.102. The Government has legislated for Guided Retirement requirements to be applied to workplace pension savings. While it would be difficult to unwind the introduction of the 2014 pension reforms, we agree with the Commission’s interim conclusions that stronger defaults are required as most pension savers are not skilled, informed, or engaged enough to make optimal decumulation decisions.
- 3.103. We believe that a good default should look to address the two key risks faced by individuals in retirement, namely longevity and inflation. While this may not be the best outcome for every individual, trustees/governance committees are well placed to provide a sensible starting point. This would also allow for improvements in investment strategy glidepaths that are aligned to the default decumulation option. Trustees/governance committees should be allowed to simplify communications to focus primarily on the default approach, while noting (but not having to explain in detail) that other options are available.
- 3.104. In implementing these changes, there is a critical need for clarity on Guided Retirement and Targeted Support.
- 3.105. A key priority now is ensuring that there is clear and timely articulation of how Guided Retirement and Targeted Support will operate alongside one another in practice.
- 3.106. Providers are already beginning to design the next generation of decumulation offerings. Without sufficient clarity on the regulatory framework, there is a risk that innovation is slowed, or that firms take a more cautious approach that limits the development of more effective retirement solutions. In particular, greater clarity would be valuable in the following areas:
- How the boundaries between Guided Retirement, Targeted Support and regulated advice will be defined in practice, and how firms can support customers within those boundaries;
 - How longevity protection can be incorporated within default or guided pathways, and the extent to which providers are expected or permitted to include mechanisms that pool or manage longevity risk;
 - The role of single points of consent, and how these can operate to allow customers to move more seamlessly through different stages of the retirement journey while receiving appropriate support.
- 3.107. Providing clarity on these issues at an early stage will be critical in enabling providers to design coherent customer journeys, invest in new solutions, and deliver at scale.

- 3.108. There is an opportunity to ensure that the emerging framework supports a system in which individuals are effectively guided through complex decisions, rather than being left to navigate them alone, while still retaining appropriate flexibility and consumer protection.

Reframing tax-free lump sums

- 3.109. The provision of a 25% tax-free lump sum benefit is both highly valued and a driver of decumulation decisions that do not always reflect sensible long-term planning, with disadvantages including the risk of spending the money too quickly, moving it into low-return bank accounts, making poor investment decisions, withdrawing more pension than they actually need and depleting their pot which results in considerably lower annuity or drawdown payments in retirement
- 3.110. The SPP therefore suggests that the Commission encourage the government to examine the advantages and disadvantages of amending the tax-regime to allow for the 25% tax-free allowance to be spread over time (e.g. applied to each monthly payment, rather than only in a one-off lump sum).
- 3.111. Such a change is likely to encourage retirees to focus on income needs rather than extracting capital; it reduces the premature depletion of pension savings, better aligns tax incentives with retirement income, is likely to improve investment outcomes and could reduce behavioural distortions.
- 3.112. This is also likely to be more politically and publicly acceptable than other changes to the 25% tax free cash sum available because it does not necessarily reduce the overall value of the tax relief. In principle, the individual still receives tax-free treatment on 25% of their pension benefits; only the timing changes.
- 3.113. That said, the value of the relief would become contingent on longevity. Those who live longer would receive more of the tax-free benefit. Those who die younger would receive less. That creates a distributional issue because life expectancy is strongly correlated with income and wealth. Lower earners are statistically more likely to die earlier, meaning they would disproportionately lose out from a pure "spread-over-time" model such as this. There are of course solutions to such a challenge. Perhaps the most obvious would be for any unused tax-free entitlement at death to be crystallised and paid tax-free to beneficiaries. Alternatively, the tax-free percentage could be front-loaded - higher proportions of withdrawals are tax-free in the first 10 years of retirement and the allowance is exhausted more quickly.

Collective Defined Contribution (CDC)

- 3.114. The SPP welcomes the introduction of Collective Defined Contribution (CDC) arrangements in the UK. CDC schemes have the potential to address one of the central weaknesses of individual defined contribution pensions: the requirement for individuals to manage complex investment, inflation and longevity risks throughout retirement. By pooling these risks across members, CDC arrangements can deliver more efficient and sustainable retirement incomes than can typically be achieved through individual decision-making alone.
- 3.115. We support the Government's decision to extend CDC beyond single-employer schemes to include multi-employer arrangements. This should enable a much wider range of employers and pension savers to benefit from collective risk-sharing and professional management. In time, multi-employer CDC schemes could provide a compelling alternative to traditional individual DC arrangements, particularly for employers seeking to improve retirement outcomes without assuming defined benefit liabilities.
- 3.116. From a decumulation perspective, we believe the next priority should be the introduction of Retirement CDC arrangements. One of the most significant challenges facing retirees is converting accumulated pension savings into a sustainable income that can last throughout retirement. Retirement CDC schemes offer the prospect of addressing this challenge by providing a regular income without requiring individuals to make complex decisions about withdrawal rates, investment strategy, inflation protection or longevity risk. While the transfer of assets from an individual DC arrangement into a Retirement CDC scheme will require careful governance, communication and consumer protection, these challenges are manageable and should not delay the development of what could become an important addition to the UK decumulation market.

3.117. More broadly, we encourage the Commission to consider whether the benefits of collective risk-sharing should be confined to occupational pensions. At present, CDC arrangements are being developed solely within an occupational framework, limiting access for many savers. Subject to appropriate regulatory safeguards, there is a strong case for exploring how CDC-style solutions could be made available within the retail market. Given the scale of the retirement income challenge facing millions of DC savers, policy should seek to expand, rather than constrain, access to well-designed collective solutions.

Improving access to guidance & assistance

3.118. The FCA Financial Lives survey shows that only 8.6% of UK consumers received regulated financial advice in 2024, 8.3% in 2022¹⁸.

3.119. Furthermore, according to the FCA, 75% of consumers, aged over 45, do not have a clear plan for how to take money from their pension or did not know they had to make a choice¹⁹.

3.120. The above is particularly worrying given access to high-quality guidance and advice can play a critical role in improving retirement outcomes, helping individuals select appropriate retirement income strategies, avoid unnecessary tax liabilities, manage longevity risk and make more informed use of the options available to them.

3.121. Existing mechanisms, including adviser charging and the Pensions Advice Allowance, already enable some individuals to use pension assets to pay for regulated financial advice. However, aside from the question as to member awareness, their scope and practical application remain relatively limited and may not adequately reflect the range of support individuals need as they approach retirement.

3.122. The Commission should therefore consider whether these arrangements could be made more flexible, enabling pension savings to be used more easily to fund appropriate support across the spectrum, from targeted guidance through to comprehensive regulated advice. Any such reforms should reflect the realistic costs of different forms of support and be accompanied by appropriate consumer protections and quality standards.

3.123. There may also be merit in reviewing the scope and delivery of publicly funded guidance services such as MoneyHelper and Pension Wise. While these services provide an important foundation of support, more personalised and practical guidance could help individuals better understand how the various retirement income options may apply to their own circumstances and identify when regulated financial advice would be beneficial. Given the government's interest in promoting financial resilience in later life and reducing future reliance on means-tested state benefits, there is a strong case for ensuring that individuals are equipped to make well-informed decisions about how best to use their pension savings to support sustainable retirement incomes.

3.124. Given the scale of the decisions involved and the potential cost of poor outcomes, spending a modest amount of pension savings on obtaining appropriate guidance or advice will often represent one of the highest-return investments a saver can make. A relatively small investment in better decision-making at the point of retirement has the potential to deliver substantially improved financial outcomes over the course of retirement while reducing the risk of avoidable detriment.

¹⁸ Key findings from the FCA's Financial Lives May 2024 survey, May 2024:

<https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf>

¹⁹ Millions of people could get more support with their pensions under new proposals, FCA, 12 December 2024:

<https://www.fca.org.uk/news/press-releases/millions-people-could-get-more-support-their-pensions-under-new-proposals>

4. About The Society of Pension Professionals

- 4.1. The SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees, and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry, and its stakeholders.
- 4.2. The breadth of our members is a unique strength for the SPP. Our membership of 90 corporate organisations employs over 20,000 pension professionals including actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists.

5. Further information

- 5.1. For more information about this SPP response please contact SPP Director of Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.
- 5.2. To find out more about the SPP please visit the SPP web site: <https://the-spp.co.uk/>
- 5.3. Connect with us on LinkedIn at: <https://www.linkedin.com/company/the-society-of-pension-professionals/>
- 5.4. Follow us on X (Twitter) at: <https://twitter.com/thespp1>

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