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What's Next for UK Pensions?

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Foreword

The UK pensions landscape is in a period of profound change. Demographic pressures, changing patterns of work, longer retirements, technological innovation and the transition to a more sustainable economy all present significant opportunities as well as substantial challenges.

At the same time, the policy debate is increasingly moving beyond the mechanics of pension schemes towards the broader question of how people achieve financial security throughout later life.

The following recommendations are intended to stimulate discussion across government, regulators, employers and providers. Some proposals could be implemented relatively quickly, while others will require sustained political commitment and broad consensus. Together, they provide a coherent vision of a pension system that is simpler, more resilient, more inclusive and better focused on delivering good retirement outcomes for future generations.

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Executive Summary

The UK pension system has made significant progress, particularly through Automatic Enrolment (AE), stronger defined benefit (DB) funding and the development of new approaches to retirement income. However, participation does not guarantee adequacy, and the shift from DB to defined contribution (DC) provision has placed greater responsibility on individuals to manage investment, longevity and retirement income risks.

Six priorities emerge:

1. Establish a clear retirement income framework

The State Pension, AE and voluntary private saving should form the basis of a stable three-pillar retirement income system. Government should also establish a formal definition of pension adequacy, combining minimum income, replacement rates and Retirement Living Standards. Tax, regulation and consumer policy should be aligned with the objective of delivering sustainable retirement income.

2. Make retirement income the focus of DC pensions

Greater support is needed when people move from saving into drawing their pension. Pension Wise should be expanded into a broader life-stage guidance service, while schemes and providers should adopt clearer default decumulation pathways. Collective Defined Contribution (CDC) arrangements, including Retirement CDC (R-CDC), should be developed further as a way of pooling investment and longevity risks. Pensions dashboards should evolve into planning tools that help individuals understand their likely retirement income and make informed choices.

3. Improve pension adequacy and close coverage gaps

AE should be extended to those aged 18 (currently 22) and above and contributions should be calculated from the first pound of earnings. Government should establish a clear timetable for increasing contribution rates once economic conditions permit. Behavioural approaches such as contribution escalation and matching should encourage higher saving, while policy should address gaps, including those affecting self-employed people, carers and those moving in and out of paid employment.

4. Deliver consolidation without sacrificing competition

Consolidation could improve member outcomes, efficiency and value without creating excessive market concentration. Value for Money requirements should encourage genuine innovation rather than a race to the middle, and scale should not be treated as synonymous with better outcomes. Transfer processes, small-pot consolidation and the emerging CDC market should be developed in ways that minimise costs and disruption for members.

5. Give DB schemes greater flexibility over their future

The immediate priority should be stability while the new DB funding and surplus frameworks become established. Thereafter, regulation should enable trustees to assess run-on, consolidation and insurance solutions on a consistent basis, with member security remaining paramount. DB schemes should be able to manage surpluses transparently and dynamically. This paper also proposes a safeguarded route for surplus to be transferred into authorised DC or CDC arrangements, enabling it to support wider retirement provision.

6. Give people better tools and support

Pension communications should be simpler, more personalised and focused on income rather than pot size. Digital technology and AI could provide more tailored guidance, but must be accompanied by strong governance, transparency and consumer protection. Retirement planning should increasingly connect pensions with other savings, investments and housing, while ensuring equivalent support remains available for people who cannot or do not wish to use digital services, as set out in the SPP's recent papers "Governance in the Age of AI"¹ and "Pensions in a Digital World: Embedding Inclusion".²

¹ SPP Paper - Governance in the Age of AI: A Practical Framework for Responsible Leadership, July 2026: <https://the-spp.co.uk/document/spp-guide-governance-in-the-age-of-ai-a-practical-framework-for-responsible-leadership/>
² SPP Paper - Pensions in a Digital World: Embedding Inclusion, September 2026: <https://the-spp.co.uk/wp-content/uploads/Pensions-in-a-Digital-World-Embedding-Inclusion-15.9.26.pdf>

These priorities should be pursued progressively. In the short term, the focus should be on establishing stability, removing unnecessary barriers and addressing immediate gaps in guidance, coverage and governance. Over the medium term, policy should develop effective retirement income pathways, improve adequacy and create a more efficient market. Over the longer term, the ambition should be a more integrated system capable of adapting to changing demographics, technology and economic conditions.

Achieving this will require political consensus, regulatory stability and clarity and sustained collaboration between government, regulators, employers, trustees and providers. The aim should not be another cycle of incremental reform, but a durable framework that can evolve while maintaining confidence, fairness and member security.

The ultimate test is straightforward - does the UK pension system enable and encourage people to achieve an adequate, sustainable and secure income throughout later life? Future policy should be judged against that outcome.

Introduction

The UK pension system has evolved through decades of incremental reform. AE has transformed participation, DB funding has strengthened, and developments such as pensions dashboards, new DB surplus flexibilities, the DC scale requirements, guided retirement, CDC schemes and Value for Money (VfM) reforms are reshaping the market. Yet many underlying challenges remain unresolved.

Too much policy continues to focus on individual products and regulatory processes rather than outcomes for members that those products are intended to deliver. Millions of people remain unlikely to achieve an adequate standard of living in retirement, while consumers face an increasingly fragmented savings landscape with many having pensions, as well as ISAs, housing wealth and other assets.

This paper proposes a long-term strategic direction. It identifies six interdependent themes that together provide the foundations of a modern pension system:

- > Guiding principles for a modern retirement income system.
- > Retirement income design and decumulation reform.
- > Pension adequacy.
- > Market structure, consolidation and value.
- > DB schemes, surplus and endgame evolution.
- > Consumer engagement, behaviour and financial empowerment.

Within each theme, recommendations are organised into short-term (0–1 years), medium-term (1–3 years) and longer-term (5+ years) priorities. Meaningful reform is often evolutionary rather than revolutionary. Some improvements can be delivered quickly, while others require legislative change, market development or cultural shifts in how pensions are viewed.

Taken together, these recommendations present a vision of a retirement system centred on outcomes rather than products, supporting individuals throughout their working lives and into retirement, making better use of technology while protecting consumers, encouraging long-term investment and sustainability, and delivering greater adequacy, resilience and fairness for future generations.



Millions of people remain unlikely to achieve an adequate standard of living in retirement.



Guiding Principles for a Modern Pension System

Short Term (0-1 years)

Reframe pensions as part of a broader lifetime savings and retirement income system

The first guiding principle of a modern pension system is to re-establish the main purpose of a pension as the provision of a sustainable retirement income. This does not require legislative change or restrict existing retirement options; it is primarily a matter of reframing.

The next step is to recognise that pensions are just one component of a broader lifetime savings and retirement system. Other components include emergency cash savings, diverse longer-term investments, and provision for long-term care. How these provisions are balanced will vary between individuals and change throughout their lives.

The expected benefits of pension dashboards are clear, and this principle could be extended to other financial products. Being able to see cash savings alongside future retirement income would reinforce the fact that they meet different needs but should be considered holistically. Including savings for a house deposit or an outstanding mortgage could similarly illustrate that a paid-off mortgage reduces required retirement income without eliminating the need for it.

Develop a formal definition of pension adequacy

As our 2025 “Saving Retirement” paper³ made clear, agreed measures of pension adequacy are essential, both for pension policy and so individuals can understand their own position.

There has been debate over whether adequacy should be defined by reference to a minimum income, a replacement rate or Retirement Living Standards. Each serves a different purpose, so a formal definition should include all three.

A minimum retirement income is the cash amount required to provide a basic standard of living. Once an individual is on track for this minimum, target replacement rates can be considered. Replacement rates are relatively easy to understand because they are expressed as a percentage of pre-retirement income, making it easier to relate the level of retirement income targeted to what an individual can afford to contribute during their working life.

Retirement Living Standards provide another way of measuring and illustrating different perceptions of how much someone will need in retirement. They also demonstrate how the projected requirement is calculated for each level. Retirement adequacy calculations should therefore ideally take account of whether someone expects to own their home or rent in retirement and the associated costs in each case.

Build political and regulatory consensus around a three-pillar retirement income framework

Since the first employers started automatically enrolling workers in 2012, there has been relatively little change to the AE requirements. This stability, built on political consensus, has been crucial to its success.

Political consensus does not require agreement on every detail. Instead, consensus should first be built around the basic principle of a three-pillar retirement income framework: State Pension, AE and voluntary saving. This would provide a stable foundation on which to build future reforms.

Medium Term (1-3 years)

Develop a coherent three-pillar plan retirement income model

The three-pillar model should help maintain political and regulatory consensus while allowing future governments to make changes. It should be designed to bend without breaking; be flexible enough to adapt without repeatedly requiring retrospective taxation, complex transitional provisions or major changes to public expectations.

> Pillar 1 - State Pension

The State Pension should provide a reliable foundation for retirement income. Its eligibility and value can change over time, but it is important that politicians from across the political spectrum recognise the importance of maintaining the State Pension as a meaningful, broadly universal and non-means-tested foundation.

Given its role in providing financial security in later life, the State Pension could also be considered alongside adult social care, recognising that both are important components of financial security in later life. This could tie in neatly with the Prime Minister's recent announcement of an NHS-style social care system in England.⁴

³ SPP Paper - Saving Retirement: Who is at Risk and Why?, August 2025: <https://the-spp.co.uk/wp-content/uploads/SPP-Saving-Retirement-21.8.25.pdf?v=3198>
⁴ Burnham proposes NHS-style social care system for England, 27 September 2026: <https://www.bbc.co.uk/news/articles/crwyzd3gv519o>

> Pillar 2 - AE

AE now forms the bedrock of workplace pension saving in the UK. It provides stability by providing minimum levels of pension savings for all eligible workers and because any changes to eligibility or contribution rates would only affect future saving rather than benefits already accrued. It also provides flexibility as employers are free to provide more than the minimum should they choose. Any changes should nevertheless be supported by broad consensus.

Changes to pension tax incentives should, wherever possible, apply to contributions rather than benefits already accrued or being taken. This provides greater stability and avoids retrospective disruption.

> Pillar 3 - Private Saving

It is important to maintain a vibrant private pension savings market for those who want to supplement their State and workplace pensions and for those not covered by one or more of these other pillars.

As noted in pillar two, it is equally applicable to pillar three that changes to pension tax incentives should, wherever possible, apply to contributions rather than benefits already accrued or being taken. This provides greater stability and avoids retrospective disruption.

The three pillars must be considered together. Changes to one will affect the others, so the overall objective should be a balanced system capable of adapting without repeatedly requiring fundamental redesign.

Align tax, regulation and consumer policy around consistent retirement income objectives

Regulatory initiatives such as Guided Retirement are increasingly focused on retirement income objectives, while some tax incentives can pull in the opposite direction.

The tax treatment of Pension Commencement Lump Sums (PCLS) provides one example of this – as it encourages people to take out a large proportion of their pension savings as a lump sum at an early age rather than using it to provide themselves with or secure an income for life in their retirement.

Rather than reducing the Lump Sum Allowance, a potentially revenue-neutral alternative would be to provide more favourable tax treatment where a PCLS is used to secure retirement income, such as through a Lifetime Annuity.

An annuity boost equivalent to some or all of the tax otherwise saved by taking the PCLS could provide an even stronger incentive, although this would create an immediate government cost which would be recovered over the lifetime of the annuity or scheme pension.

Alternatively, as the SPP highlighted in its response to the Pensions Commission,⁵ rather than allowing the 25% to be taken as a lump sum, it could instead be spread over time e.g. applied to each monthly payment which would encourage retirees to focus on income needs rather than extracting capital; 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. The SPP is not suggesting that retirees' access to a 25% tax free sum be abolished, not least because it acts as a strong incentive for many to save into a pension in the first place, but this would address the Pensions Commission's concerns about the impact of early access to tax-free cash on retirement adequacy. The Commission's interim report notes that tax-free cash is often used for savings, home improvements and one-off purchases, meaning that the money is no longer generating pension income, and illustrates the potentially significant impact of withdrawing even relatively small amounts early.

The above are just two examples of how tax policy could support a broader lifetime savings and retirement income system. The key principle is that future tax, regulatory and consumer initiatives should be assessed against consistent retirement income objectives.

Long Term (5+ years)

Create a pension system resilient to demographic change, technological disruption and climate transition

Demographic change, technological disruption and climate transition are known unknowns. They are certain to occur, but their precise effects are difficult to predict.

An ageing population will affect the balance within the UK pension system and, all else being equal, increase the cost of State Pension provision. Climate-related changes could initially have limited effects before producing more significant disruption as set out in our recent paper, "Pensions in a Warming World".⁶ The same could be said for some technological changes.

The system therefore should not attempt to remain unchanged in the face of all possible developments. Instead, a lifetime savings and retirement income system should be designed with stability and flexibility built in, allowing it to adapt as circumstances change.

5 The SPP response to the Second Pension Commission's Interim Report, July 2026: <https://the-spp.co.uk/wp-content/uploads/Pensions-Commission-08.07.26.pdf>
6 SPP Paper - Pensions in a Warming World, June 2026: <https://the-spp.co.uk/document/spp-paper-pensions-in-a-warming-world/>

Retirement Income Design and Decumulation Reform

The shift from DB to DC pensions has transferred longevity, investment and inflation risk from institutions to individuals. Pension freedoms have increased flexibility but also require individuals to make complex decisions with, in many cases, limited support.

The Pensions Commission recognises that decumulation choices now decisively determine retirement outcomes.⁷ The current system recognises a much greater degree of engagement at retirement than during the accumulation phase. This section therefore sets out reforms to improve decumulation outcomes.

Short Term (0-1 years)

Expand Pension Wise into a broader guidance service

Pension Wise, a guidance service currently available for over 50s, is well regarded by those who use it, but engagement could be increased.⁸ DWP research found that many people viewed pensions as something operating in the background until retirement decisions became more immediate.⁹

Expanding Pension Wise into a broader life-stage service would embed pension engagement within wider financial planning. The Money and Pensions Service's latest annual MoneyView survey found that half of working-age adults have no retirement plan.¹⁰

Engaging people earlier, with simpler information tailored for different life stages, could reduce reactive decisions when individuals first access their pensions.

Shift policy and communications towards an income-first retirement mindset

For many pension savers reaching retirement today, there is no clear link between saving into a pension and receiving an income from it. Too few pension pots ultimately become sustainable retirement incomes.

The widespread use of "tax-free lump sum" terminology, and what now seems like annual pre-Budget speculation that the option may be withdrawn, can also steer people towards withdrawing 25% of their savings upfront as soon as eligible when more gradual withdrawals may be appropriate and help boost their income in retirement.

DWP's Guided Retirement principles seek to ensure that, in future, default pensions will provide a sustainable income for life without individuals needing to make complex decisions. Schemes and providers should embed this ideal across communications, statements and digital tools so that members expect their pension savings to deliver an income rather than viewing them primarily as a pot to withdraw.

Develop clearer default decumulation standards

The current landscape is fragmented across trust-based and contract-based schemes, with different regulators, legacy arrangements and market practices.

Minimum standards and regulatory expectations should apply consistently across both regimes, particularly in relation to decumulation, VfM and scale. Greater co-ordination would reduce the risk of members receiving materially different outcomes simply because of the type of scheme in which they happen to be invested as well as improving trust in the system.

Medium Term (1-3 years)

Establish retirement income pathways as the default for most DC savers

New decumulation solutions should be a genuine default for those who do not or cannot engage.

DWP's Guided Retirement principles¹¹ allow flexibility in how this is delivered, including approaches such as "flex then fix", where individuals have greater flexibility earlier in retirement before moving towards arrangements offering greater longevity protection.

Default pathways should retain meaningful flexibility to cater for individual circumstances, including around health, other savings and wealth (such as DB pensions) and joint arrangements. Schemes should clearly communicate how members can opt out and make an alternative choice so that defaulting does not remove meaningful and informed decision-making.

⁷ Department for Work and Pensions, Pensions 2050: evidence and future priorities – interim report, May 2026: <https://www.gov.uk/government/publications/pensions-2050-evidence-and-future-priorities-interim-report>

⁸ Financial Conduct Authority, Financial Lives 2024 survey - Pensions: Selected findings, May 2025: <https://www.fca.org.uk/financial-lives/financial-lives-2024>

⁹ Department for Work and Pensions, Pension Decumulation & Decision-making, July 2026: <https://www.gov.uk/government/publications/pension-decumulation-and-decision-making>

¹⁰ DWP Research, Planning and Preparing for Later Life 2024, August 2024: <https://www.gov.uk/government/publications/planning-and-preparing-for-later-life-2024/planning-and-preparing-for-later-life-2024-willingness-to-pay-for-pension-products-and-services>

¹¹ Department for Work and Pensions, Pension Schemes Act 2026: Guided Retirement guiding principles, July 2026: <https://www.gov.uk/government/publications/guiding-principles-for-default-pensions/pension-schemes-act-2026-guided-retirement-guiding-principles>

Encourage wider use of CDC for decumulation and address pension gaps

The DWP's updated workplace pensions roadmap aligns Guided Retirement with legislation enabling R-CDC. This reflects the potential benefits of pooling investment and longevity risk in retirement.

The industry now needs to consider how whole life CDC schemes and R-CDC designs can reach a wider population. Practical issues around administration, cost and governance must be addressed to make CDC accessible and trustworthy.

CDC may also help address existing pension gaps. Women's median uncrystallised private pension wealth at ages 55–59 was 48% lower than men's between 2020 and 2022.¹² The gender contribution gap widens significantly following the birth of a first child and never fully recovers.¹³

Pooling longevity risk may be particularly beneficial for women, who on average live longer and therefore face greater longevity risk when managing individual DC pots.

There could be a role here for the Pension Protection Fund (PPF) as Retirement CDC could be provided through a universal provider. This has the advantage of opening CDC income in retirement to everyone, including the self-employed.¹⁴ However, there may be some challenges to address first, as the SPP noted in its recent paper on the PPF's £14bn reserves, "From Lifeboat to Legacy",¹⁵ a universal CDC scheme is likely to improve retirement income stability, would help achieve scale quickly (key for CDC success) and supports the general policy direction of encouraging alternative approaches to traditional DB/DC options. This may be seen as "unfair" given DB derived funds would be utilised for a broader population; would be complex to design; and there may not be universal political support. In terms of practicalities, it would require new legislation and a new governance structure. This would also need to be ringfenced from PPF core funds.

Improve pensions dashboards so they become planning tools

Pensions dashboards will provide individuals with a single online view of their pension savings, including the State Pension. This is particularly valuable given the number of pension pots most individuals accumulate during their working lives.

International examples show how dashboards could evolve into broader planning tools.¹⁶ DWP's decumulation research found respondents consistently wanted personalised guidance relating to their "*specific pension pots, contributions, and projected outcomes*" rather than generic information.¹⁷

In relation to DC schemes, additional functionality could allow individuals to model how different retirement ages and withdrawal rates affect their income or make it easier for them to consolidate their pension savings. For DB schemes, the SPP acknowledges that such modelling would probably not be practical as it would require member and scheme specific information so could be very costly and most importantly could result in inaccurate information, thus potentially misleading the saver.

Commercial dashboards should also provide opportunities for innovation beyond the Government's MoneyHelper dashboard. It is important the government makes clear how soon these can be made available after the Moneyhelper dashboard has been launched.

As the SPP highlighted in its recent response to the Ministry of Justice consultation on a fairer end to relationships,¹⁸ many individuals have multiple pension arrangements built up over their working lives, and incomplete disclosure can undermine fair outcomes. The continued rollout of Pension Dashboards presents an opportunity to improve the completeness of pension information available to separating couples and the courts. In time, requiring parties to provide a verified Pension Dashboard record, or equivalent evidence of all pension entitlements, could support more comprehensive disclosure while reducing administrative burdens on pension schemes and providers.

¹² Gender Pensions Gap in Private Pensions: 2020 to 2022, July 2025: <https://www.gov.uk/government/statistics/gender-pensions-gap-in-private-pensions-2020-to-2022/gender-pensions-gap-in-private-pensions-2020-to-2022>

¹³ Ibid

¹⁴ SPP Paper - The Missing Millions: Rethinking Pensions Policy for the Self-Employed, September 2026:

<https://the-spp.co.uk/document/spp-paper-the-missing-millions-rethinking-pensions-policy-for-the-self-employed/>

¹⁵ SPP Paper - From Lifeboat to Legacy: What next for the PPF's £14bn reserves, May 2026:

<https://the-spp.co.uk/wp-content/uploads/SPP-Paper-PPF-From-Lifeboat-to-Legacy-May-2026.pdf>

¹⁶ OECD, Pensions Outlook 2024: improving asset-backed pensions for better retirement outcomes and more resilient pension systems, December 2024:

https://www.oecd.org/en/publications/oecd-pensions-outlook-2024_51510909-en.html

¹⁷ Department for Work and Pensions, Pension Decumulation and Decision-making report, August 2026:

<https://www.gov.uk/government/publications/pension-decumulation-and-decision-making/pension-decumulation-and-decision-making-report>

¹⁸ The SPP response to the Ministry of Justice consultation, "A fairer end to relationships," August 2026:

<https://the-spp.co.uk/document/spp-response-to-the-ministry-of-justice-consultation-a-fairer-end-to-relationships/?v=4766>

Long Term (5+ years)

Deliver largely automated retirement journeys

The industry should aim to provide smoother transitions from saving into a pension pot to taking an income in retirement from it.

The DWP's Guided Retirement principle that the pensions industry should "do the heavy lifting"¹⁹ for members is a crucial goal, with most savers needing to decide primarily when to access their pension and whether to remain in the default.

This will require greater integration between defaults, guidance and targeted support or advice. These interventions should form part of a combined journey, with well-designed defaults and prompts towards more personalised support where required.

Decumulation should not require detailed financial knowledge, digital expertise or expensive advice and must remain robust in the face of potential cognitive decline in later retirement.

Pension Adequacy

The Pensions Commission is grappling with three foundational questions:

- > **What is an adequate income in retirement?**
- > **How much do individuals need to save to achieve it?**
- > **How should the system encourage everyone to save enough?**

The answers will determine whether the UK pension system remains fit for purpose through the middle of this century.

Short Term (0-1 years)

Define Adequacy

A stronger political and societal consensus is needed around what constitutes adequate retirement income and how this should be measured for different groups. This establishes the target towards which the pension system should be directed and agreeing upon this should be a priority for policymakers promptly after publication of the Pension Commission's final report in 2027.

The target will vary according to income, housing costs, household circumstances, health, life expectancy and desired living standards. No single measure is sufficient so, as we recommended in the first section of this paper, policy should use a combination of minimum income, replacement rates and retirement living standards.

Enable real-time retirement income management across pension assets

The proliferation of pension pots remains a structural challenge in the UK system. Without greater visibility across pension assets, providers can only design default products around the pot they administer.

Consolidation of small pots, new scale requirements and pensions dashboards should help reduce the number of pots and support schemes and savers in taking a more holistic approach to saving for retirement and turning this into a retirement income. Greater regulatory alignment between The Pensions Regulator and Financial Conduct Authority, data standardisation, clearer retirement income pathways and better digital tools would help bridge the gap between how pensions are accumulated and how they deliver income.

Implement existing AE review recommendations

The need to increase pension saving was recognised in the 2017 Review of AE. It recommended removing the lower earnings limit so that contributions are calculated from the first pound of earnings and lowering the AE age to 18. These recommendations were accepted by successive governments but have not yet been implemented. They should be delivered as soon as possible.

¹⁹ Department for Work and Pensions, Pension Schemes Act 2026: Guided Retirement guiding principles, July 2026: <https://www.gov.uk/government/publications/guiding-principles-for-default-pensions/pension-schemes-act-2026-guided-retirement-guiding-principles>

Medium Term (1-3 years)

Promote, encourage and facilitate greater pension saving

In advance of any increases to minimum AE rates, government should promote behavioural approaches that encourage saving, including contribution escalation, matching incentives and targeted defaults, alongside recognition for employers that contribute more than the statutory minimum.

This could include a nationally recognised accreditation programme with Bronze, Silver and Gold ratings based on employer contributions as the SPP recommended in its response to the Pensions Commission's interim report,²⁰ or perhaps a 1-5 style rating system as successfully used for energy performance certificates and food standard ratings in the UK and recommended by the SPP for the new VfM framework.²¹

Address pension gaps

The Pensions Commission highlights that almost half of working-age people are not saving into a pension in a typical month.²¹

Key gaps highlighted by the Commission²² include:

- > 14% of employees, around four million people, are not eligible for AE because of current age and earnings thresholds.
- > AE does not cover millions of self-employed workers.
- > The system does not adequately cater for gaps in paid employment, including carers, people who are long-term sick and unemployed people.
- > Participation rates are lower among some ethnic groups.

These gaps need to be addressed if the benefits of the pension system are to be shared more widely. The SPP has already highlighted various potential solutions in its Saving Retirement paper,²⁴ Missing Millions: Rethinking Pension Policy for the Self-Employed paper²⁵ and its 2026 response to the Pensions Commission.²⁶

Long Term (5+ years)

Ensure a sustainable state pension

How much people need to save also depends on the future of the State Pension, which currently provides a clear and predictable baseline income and should remain universal, non-means-tested and meaningful for those entitled to receive it.

It is vital it remains credible, particularly, for those with lower-than-average life expectancy and for younger people who are concerned about its long-term sustainability.

Increase the minimum AE contribution rate

Over 15 million people in the UK are not currently saving enough for retirement.²⁷ AE has largely addressed the participation problem but has not solved the adequacy challenge.

The minimum contribution rate will need to increase. Targeting a 12% total contribution, split equally between employers (6%) and employees (6%), would provide a balanced framework for closing the adequacy gap. A shared approach recognises that adequate retirement income is a joint responsibility and avoids placing the full cost of reform on either employers or workers.

The SPP recognises the current pressures on employers, workers and the economy, and the continual trade-offs for employers and workers between current needs and long-term savings but failing to address contribution levels risks leaving a generation without sufficient retirement savings.

The Government has ruled out increasing AE contribution rates during this Parliament. As the SPP has detailed in its recent response to the Work & Pensions Select Committee on this issue,²⁸ the government should nevertheless set out a clear timetable for future increases and explain how these would be shared between employers and employees. The timetable could phase in the changes over period of 5 years+ and detail exemptions and transitional support, but both employers and employees need certainty, and so the government should quickly confirm a timetable for action once it has considered the Pensions Commission's final report.

²⁰ SPP response to the Second Pension Commission's Interim Report, July 2026: <https://the-spp.co.uk/wp-content/uploads/Pensions-Commission-08.07.26.pdf>

²¹ SPP Paper – Helping Pension Savers Choose: Value for Money (VfM) in action: <https://the-spp.co.uk/document/spp-paper-helping-pension-savers-choose-value-for-money-in-action/>

²² Department for Work and Pensions, Pensions 2050: evidence and future priorities – interim report, May 2026: <https://www.gov.uk/government/publications/pensions-2050-evidence-and-future-priorities-interim-report>

²³ Ibid

²⁴ Saving Retirement: Who is at risk and why?, August 2025:

<https://the-spp.co.uk/document/spp-paper-saving-retirement-who-is-at-risk-and-why/>

²⁵ The Missing Millions: Rethinking Pensions Policy for the Self-employed, September 2026:

<https://the-spp.co.uk/wp-content/uploads/The-Missing-Millions-Self-employed-22.9.2026.pdf?v=6568>

²⁶ The SPP response to the Pensions Commission Interim Report, July 2026:

<https://the-spp.co.uk/wp-content/uploads/Pensions-Commission-08.07.26.pdf>

²⁷ DWP Official Statistics, Analysis of future pension incomes, published July 2025:

<https://www.gov.uk/government/statistics/analysis-of-future-pension-incomes-2025>

²⁸ The SPP response to the Work & Pensions Inquiry into Pensions Adequacy, October 2026:

<https://the-spp.co.uk/document-category/consultations/>

Market Structure, Consolidation and Value

As the SPP has often highlighted, there is much to welcome in the reforms introduced by the Pension Schemes Act 2026. Better value, small-pot consolidation, Guided Retirement and simpler regulatory oversight should all improve member outcomes.

However, consolidation must not weaken competition, innovation or employer and trustee governance. The objective of delivering better member outcomes should remain paramount.

Small-pot consolidation, alongside pensions dashboards, should help members recognise that their pension pots are valuable assets. Providers should also benefit from lower long-term operating costs.

There are, however, important risks.

For very small pension pots, the potential commercial margins may be too low to support a genuinely competitive consolidation market. In addition, transfer costs (typically around 80bps) could become significant when multiple small pots are consolidated, potentially reducing or even outweighing the benefits of consolidation.

Consolidation can also result in different investment strategies, Target Retirement Ages, de-risking approaches and decumulation options. These differences can be difficult for members to understand and may undermine the objective of greater engagement and empowerment.

VfM requirements will accelerate the movement from single-employer trusts to bundled solutions such as Master Trusts. The principal constraint is likely to be market capacity. A seamless transition requires time and expertise across consultation, provider selection, data cleansing and asset transition, placing existing expertise under considerable strain.

Consolidation also carries risks. These include members bearing more transition and operational costs, disruption during investment or administration blackouts, loss of employer and lay-trustee oversight, reduced consultancy and provider competition, the irreversible loss of institutional expertise, potential conflicts for concentrated professional trustees, greater reliance on third-party evaluators and the risk that subjective VfM assessments become inconsistent or open to manipulation.

CDC consolidation requires particular attention. Efficient bulk and individual transfer mechanisms and appropriate treatment of trustee liability will be essential if a competitive CDC market is to develop.

Master Trust consolidation is the final piece of the consolidation jigsaw. This too needs to be handled with care, particularly given the central role Master Trusts now play in the UK's workplace pension system. Many Master Trusts unable to meet the scale threshold offer strong value, administration and digital solutions. As the SPP has warned on numerous occasions elsewhere, setting a high scale threshold risks eliminating viable providers without necessarily establishing that greater scale produces better outcomes.²⁹

The risks of a consolidated market are therefore significant. VfM regulations must not encourage a race to the middle in which providers avoid innovation simply to remain within the pack.

Short Term (0-1 years)

Remove barriers and increase transparency

In the short term, unnecessary barriers to pension consolidation should be removed, including through wider use of dashboards and a review of the £30,000 independent advice threshold for DB-to-DC transfers.

Transfer pathways between DB, DC and CDC should be simplified where appropriate, including through income-to-income comparisons in DB to CDC transfers, with relevant risk warnings about guarantee protections, and proportionate risk warnings for DC to CDC transfers.

In addition to commercial Master Trust consolidation, the government should explore the potential advantages of repurposing the PPF's scale and operational infrastructure to act as a public consolidator or aggregator for small or stranded DB schemes. Leveraging the PPF's existing asset management framework could reduce transition costs and fees while preventing unnecessary scheme failures. This suggestion is explored in more detail in the SPP's recent paper, "From Lifeboat to Legacy: What next for the PPF's £14bn reserves".³⁰

²⁹ The SPP response to the Pensions Investment Review 2024 (Call for Evidence), September 2024:

³⁰ <https://the-spp.co.uk/document/spp-response-to-government-call-for-evidence-on-pensions/>
SPP Paper - From Lifeboat to Legacy: What next for the PPF's £14bn reserves, May 2026:
<https://the-spp.co.uk/wp-content/uploads/SPP-Paper-PPF-From-Lifeboat-to-Legacy-May-2026.pdf>

Digital presentation of transfer risks and benefits should also be explored as a means of reducing unnecessary reliance on costly IFA intervention without weakening consumer protection. At the same time, the subjective elements of VfM assessments should be strengthened to limit gamesmanship, the notifiable events regime simplified, and governance expectations for outsourced administration and investment services improved, particularly in relation to the opportunities and risks presented by AI.

Medium Term (1-3 years)

Leverage member data, empower employer VfM reviews, streamline transfers and align investments with climate risks

Over the medium term, member data should be used to assess whether AI is changing behaviour and impacting outcomes, while employers should take greater responsibility for periodic scheme value reviews and be able to act on provider VfM information without disproportionate reliance on costly professional advice.

More efficient bulk transfer processes should be developed, including coordinated transitions where these can reduce costs. Transparency in the secondary Master Trust market should also be improved, covering transfer rights, deferred assets, termination, data and asset transitions, and trustee responsibilities, with relevant secondary-market information incorporated into employer VfM assessments. Investment strategies should increasingly balance member outcomes with productive finance and the management of climate-related financial risks.

Long Term (5+ years)

Regularly review consolidation outcomes

The objective should be a highly efficient, well-governed consolidated DC market that encourages innovation rather than a race to the middle.

Scale should not be treated as synonymous with better outcomes. Government should remain alert to the risk of quasi-monopolisation and remain open to alternative approaches if consolidation fails to deliver competition and value. There should be regular reviews of the consolidation elements of the Act, with continued dialogue between government and industry representatives outside the influence of the largest providers.

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Scale should not be treated as synonymous with better outcomes.

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DB Schemes, Surplus and Endgame Evolution

The long-term vision is for a modern DB retirement system that is flexible, outcome-focused and resilient. Trustees should be empowered to compare credible endgame solutions, surplus should be managed productively and transparently, open schemes should remain viable and member outcomes should remain central.

Short Term (0-1 years)

Prioritise DB regulatory stability, avoid prescriptive governance rules and support risk-based trustee oversight

In the short term it is important to recognise that DB schemes have experienced significant changes in their financial and regulatory environment. The Pension Schemes Act 2021 and TPR's consequent 2024 DB Funding Code represented a major change in requirements for funding and investment strategies. New endgame strategies and solutions have also emerged.

Improved market conditions have moved many schemes from deficit to surplus. This has shifted the focus from deficit management towards new metrics and strategies for settlement, run-on and surplus management and distribution.

This new framework is therefore likely to require considerable adjustment. The introduction of surplus release from 2027 will also create additional strategic and governance considerations.

The immediate priority should therefore be stability. No further material changes should be made to the DB landscape until schemes have had time to complete their first triennial valuation under the new funding Code and the regulatory framework for surplus release is established.

Trustees will also need to manage the launch of pensions dashboards and the extension of inheritance tax to unused pensions and death benefits. Many are still grappling with the challenge of implementing GMP equalisation and addressing the impact of the decision in *Virgin Media v NTL Pension Trustees*. All of these may increase member activity at a time when experienced administration resources are limited, and many are investing in AI and technology to improve efficiency and the member and trustee experience.

The DWP's response to its consultation on trusteeship and governance³¹ should therefore avoid prescriptive rules and burdensome regulation that could increase costs, reduce competition or weaken innovation. Higher standards should instead be supported by evidence-based safeguards and risk-based oversight.

Medium Term (1-3 years)

Modernise DB regulation, governance and surplus sharing

DB schemes should operate within clear regulatory guardrails that permit and encourage innovation where it improves outcomes.

Recent transactions demonstrate that innovation can deliver positive outcomes where robust governance and appropriate advice are in place. Industry participants should therefore be able to innovate without fear of unpredictable political or regulatory intervention.

Rationalisation

A review should rationalise the patchwork of tests and benchmarks that has developed over the last two decades. Different actuarial funding metrics and covenant tests arising from the Pension Schemes Acts 2004, 2021 and 2026 can create uncertainty and scope for regulatory arbitrage.

Streamlining these overlapping requirements would create a clearer and more predictable framework while maintaining member protection.

Any reforms to administration standards should build on existing frameworks such as the General Code. They should be principles-based and outcome-focused rather than overly prescriptive.

Trusteeship and governance must support schemes that are running on, open to accrual or approaching settlement.

Trustees need the skills and capacity to govern schemes effectively. Tenures should not be subject to hard limits where this would undermine succession planning and transfer of knowledge.

Professional trustees and professional corporate sole trustees can provide valuable expertise, but clear expectations are needed around member representation, managing conflicts and independence. Boards combining professional and lay trustees should continue to be supported, bringing together professional expertise, scheme-specific knowledge, non-commercial affiliation and a strong member perspective.

Unlock DB Surplus for DC and CDC Savers

Current DB surplus reforms may make it easier to return funds to employers or enhance DB benefits but lack a simple mechanism to retain surplus within the broader pension system to benefit DC or CDC savers.

To address this gap, legislation should establish a clear statutory route to enable DB schemes to transfer surplus to authorised DC master trusts or CDC arrangements. Subject to appropriate actuarial oversight, trustee approval, and DB security protections, this would give schemes and employers a third option alongside repayment to the employer and member enhancements or lump sums. Crucially, it redirects surplus into modern workforce retirement provision while furthering government goals for market consolidation and improved outcomes for DC and CDC members.

...legislation should establish a clear statutory route to enable DB schemes to transfer surplus to authorised DC master trusts or CDC arrangements.

³¹ Department for Work and Pensions, *Trust-based pension schemes: Trustees and governance, building a stronger future*, December 2025: <https://www.gov.uk/government/consultations/trust-based-pension-schemes-trustees-and-governance-building-a-stronger-future>

As the UK DB landscape has shrunk and improved (fewer insolvencies, better funding), the government should consider transitioning the PPF from a strict "lifeboat" for failed schemes into a broader "legacy institution" for the UK pension framework that balances prudence, member security, and innovation across the UK pension system. As the SPP's recent paper on the subject concluded, the PPF's, *"...£14bn in reserves presents both a responsibility and an opportunity: a responsibility to protect current and future PPF members, and an opportunity to consider how the PPF can evolve from a lifeboat into an entity providing a broader legacy that could be used to benefit members, levy payers and the wider UK economy."*³²

Long Term (5+ years)

Government should build understanding and consensus now around the longer-term changes required to establish a mature endgame market and effective scheme governance.

Build a flexible endgame market

Schemes should review their position as circumstances change, and regulation should allow them to move flexibly between endgames.

Buyout will remain important, but well-governed run-on strategies, superfunds, DB Master Trusts and future hybrid models should compete fairly as legitimate destinations for DB schemes and their members.

Trustees should have consistent frameworks for comparing options based on member outcomes, affordability, security and flexibility. Regulation and advice should support trustees in balancing these factors rather than focusing predominantly on downside risk.

The long-term success of DB schemes should be measured by whether they deliver secure, flexible and sustainable outcomes for members while supporting wider economic prosperity.

Future policy should encourage trustees to consider benefit security, member experience, modern digital services, benefit flexibility and potential discretionary improvements where surpluses emerge.

The regulatory environment should support Trustees to move from static endgame plans towards dynamic strategic planning. Schemes should have a primary endgame objective but also a credible contingency strategy, recognising that funding positions, sponsor strength, insurer pricing, market conditions and member priorities change.

The most successful schemes will therefore be capable of moving between run-on, consolidation and insurance solutions as circumstances evolve.

Trustees should have the flexibility to invest in line with strategic plans. DB schemes can then set clear and transparent surplus policies balancing member and sponsor interests while maintaining appropriate security. Strong funding positions and well-managed surpluses can support productive investment and reinvestment in sponsor businesses without compromising member security.

Member security remains paramount. However, there is an increasing opportunity to invest selectively in illiquid assets, real assets, higher-yielding fixed income, UK infrastructure and transition to a sustainable economy where these investments provide appropriate long-term risk-adjusted returns.

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³² SPP Paper - From Lifeboat to Legacy: What next for the PPF's £14bn reserves, May 2026: <https://the-spp.co.uk/wp-content/uploads/SPP-Paper-PPF-From-Lifeboat-to-Legacy-May-2026.pdf>

Engagement, Behaviour and Consumer Empowerment

The long-term success of the UK retirement system depends not only on pension design and regulation, but on how confidently people can engage with their finances.

AE has increased participation, but participation alone does not guarantee good outcomes. Many people remain uncertain about whether they are saving enough, how pensions fit alongside other assets and how accumulated wealth can become sustainable retirement income.

Technology, including pensions dashboards and AI-enabled services, has the potential to transform engagement, but innovation must be accompanied by simplicity, trust and strong consumer protection and, as the SPP's recent Pensions in a Digital World paper³³ explains - an understanding that some members will need to engage differently.

The debate should also move beyond pension saving towards a broader understanding of financial security in later life. Successful retirement outcomes depend not only on income and assets but also on health, wellbeing, social connection and purpose.

Short Term Priorities (0-1 years)

Simplify communications, expand life-stage guidance and encourage intergenerational saving

Pension communications need to be simpler, clearer, more relevant and easier to act on. Information should be designed around consumer outcomes, acknowledging diverse membership and using straightforward language and clearer calls to action.

There is also a significant gap between information and affordable support. Many people struggle to understand how pension savings fit within their wider financial circumstances and how today's income relates to future income.

The priority should therefore be to expand guidance and targeted support throughout working life rather than concentrating engagement at retirement. It is also important that trustees are empowered to provide support equivalent to targeted support to their members and that there is clear guidance to give trustees comfort on how far they can go in doing this.

Greater intergenerational engagement with long-term saving should also be encouraged. Families frequently support financial resilience throughout an individual's life, and there may be opportunities to make it easier and more tax efficient for parents and grandparents to contribute towards younger generations' financial security.

Medium Term Priorities (1-3 years)

Focus on projected income, holistic wealth planning, and responsible AI guidance

Retirement outcomes should be communicated primarily in terms of income rather than pot values. Pensions dashboards can support this by showing projected retirement income alongside accumulated savings.

Communications should illustrate the income current savings are likely to generate and how this relates to living standards in later life.

Financial decision-making should also become more joined up. Consumers do not make pension decisions in isolation. Retirement outcomes are shaped by pensions, ISAs, other savings and assets and housing costs.

With more people entering retirement as renters, housing will become increasingly important to retirement planning – a subject explored in detail in our recent “Home Truths” paper.³⁴ Policy should therefore support a holistic approach that helps individuals understand how different sources of wealth and income interact.

AI and other technologies could deliver more personalised guidance and communications, reflecting individual circumstances and goals. This must be supported by strong governance, transparency and consumer protection.

³³ SPP Paper – Pensions in a Digital World, September 2026:
<https://the-spp.co.uk/document-category/guides-and-reports/>

³⁴ SPP Paper – Home Truths: Rethinking Retirement Wealth, August 2026:
<https://the-spp.co.uk/document/spp-paper-home-truths-rethinking-retirement-wealth/>

Long-term Priorities (5+ years)

Embed lifelong digital planning, ensure inclusive access and support multi-stage retirement transitions

Retirement planning should become an ongoing part of financial planning rather than a one-off or later life only event.

Technology has the potential to bring retirement planning into one place, making it easier to view information, carry out transactions and access personalised guidance.

Connecting pensions dashboards, guidance tools and regulated advice could significantly improve people's experience and support better decision-making.

The system must nevertheless remain inclusive. People who are less comfortable online, vulnerable or unable to access digital tools should receive equivalent support through alternative channels. Technology should empower rather than create new disadvantage – as the SPP's, Pensions in a Digital World paper highlights in some detail.³⁵

Retirement should also be recognised as an increasingly multi-stage transition. For many people, this may involve reducing working hours, pursuing new careers, retraining, volunteering, caring for family members or applying existing skills in new ways.

Preparing for retirement should therefore involve more than financial planning. Individuals should be encouraged to consider how they will spend their time, maintain social connections, develop skills and sustain a sense of purpose.

Ultimately, a successful retirement system should help people think not only about how they will fund later life, but how they want to live it. Financial security is about more than money – it provides the foundation for independence, wellbeing and fulfilment, supporting people to lead longer, healthier and more purposeful lives.



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³⁵ SPP Paper – Pensions in a Digital World: Embedding Inclusion, September 2026: <https://the-spp.co.uk/document-category/guides-and-reports/>

Conclusion

A Roadmap for Lasting Retirement Security

The UK pension system stands at a critical juncture. Incremental fixes are no longer sufficient to address demographic change, evolving workplace dynamics and systemic under-saving.

This paper sets out a strategic framework to move the UK from a fragmented landscape of individual savings products towards a resilient, outcome-driven pension savings and retirement income system.

As we have set out in this paper, meaningful reform requires a focus on six priorities:

1.) Reframing pensions as income

Re-establish regular, lifelong income as the primary objective of pension accumulation and decumulation, positioning pensions alongside other savings and sources of wealth within a broader lifetime savings framework.

2.) Embedding default decumulation

Implement well-governed Guided Retirement pathways, including wider adoption of CDC and RCDC schemes, to help protect individuals from longevity and investment risk in later life.

3.) Securing pension adequacy

Expand AE by lowering the eligible age to 18 and removing the lower earnings limit, while setting a clear long-term timetable for increasing minimum contribution rates to 12%.

4.) Driving effective consolidation

Harness scale across workplace pension schemes while ensuring VfM frameworks foster genuine innovation and competition rather than a race to the middle.

5.) Evolving DB endgames

Rationalise regulatory guardrails to empower trustees to navigate surpluses dynamically, enabling sustainable run-on strategies and productive investment alongside more traditional de-risking solutions.

6.) Genuinely empowering savers

Combine pensions dashboards, AI-enabled digital guidance and life-stage financial support to bridge the advice gap and help consumers transition smoothly into a multi-stage retirement.

Delivering this vision demands sustained political consensus, regulatory clarity and industry-wide collaboration. By acting on the short, medium and long-term priorities highlighted in this paper, policymakers and industry leaders can build a simpler, fairer and more resilient pension system that delivers genuine financial security for future generations.

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About The Society of Pension Professionals

Founded in 1958 as the Society of Pension Consultants, today SPP is the representative body for a wide range of providers of pensions advice and services to schemes, trustees and employers. These include actuaries, accountants, lawyers, investment managers, administrators, professional trustees, covenant assessors, consultants and pension specialists.

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Further information

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