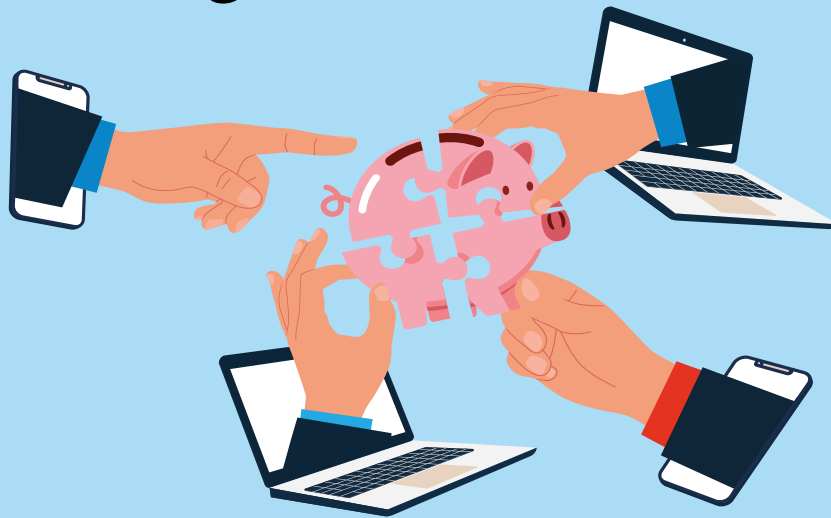


## Summary

- Targeted support launched in April to bridge the gap between advice and guidance, allowing firms to offer tailored recommendations to groups of consumers with similar characteristics.
- Pension professionals have suggested that targeted support should be expanded beyond Financial Conduct Authority (FCA) remit products so workplace pension savers in trust-based schemes can access similar support.
- The biggest opportunity lies in retirement decisions, where many savers struggle with complex choices around drawdown, annuities and income planning.
- Challenges remain around governance, data and regulation, with experts warning expansion must be carefully designed to avoid confusion and protect consumers.

# The right connection



## Targeted support currently only falls under the Financial Conduct Authority's remit with DC schemes. Paige Perrin investigates if there could be space to explore expanding the regime to The Pensions Regulator's jurisdiction of DB schemes and beyond

**T**argeted support is set to become one of the most important developments in pensions in recent years. Introduced in April, the service was designed to bridge the gap between guidance and advice, allowing firms to provide tailored recommendations to groups of consumers with similar characteristics.

With the first pension providers now receiving Financial Conduct Authority (FCA) approval, the service is beginning to roll out and will reshape how people engage with their pensions.

Research from KPMG UK found that despite 58 per cent of adults having never sought professional advice on pensions or long-term savings, 53 per cent said they would welcome being offered targeted support.

Despite the wide-reaching impact predicted for the service, it is currently limited to FCA-overseen products, which could limit its overall potential.

The UK pensions landscape is split

across two regulatory regimes: FCA-regulated contract-based pensions and The Pensions Regulator (TPR)-regulated trust-based workplace schemes. While individuals often move between the two throughout their working lives, the systems remain largely separate, creating a disconnect at the point where savers most need consistent support.

Within this scope, targeted support is likely to be most impactful in TPR's DC arrangements, particularly single-trust DC schemes and master trusts, where members face complex retirement decisions. This is not to say that DB members would not necessarily benefit from the service, but any benefit is likely to be more limited and focused around areas such as retirement timing and transfers given their predefined income structure.

As the industry moves into the adoption stage of targeted support, this is arguably the right time to consider

further improvement and expansion.

### The size of the problem

The biggest gaps in support for pension savers today, according to pension professionals, are in the decumulation phase. As customers approach retirement, they are often presented with a set of technical options such as drawdown, annuity, and cash, but these can be confusing due to low financial literacy and limited engagement.

Royal London CEO of advice, Ben Hampton, says that although auto-enrolment has been a success in getting millions of people saving, he argues that it has its drawbacks and "was never designed to solve the retirement income challenge on its own".

"Many struggle to understand if they have a viable plan or not. That creates inertia, disengagement, poor timing decisions, and, in some cases, avoidable

harm. Some people take too much too soon. Others hold back because they are worried about running out of money," he continues.

"Too often, support still stops at warnings or generic information, when many savers need clearer, more relevant help to understand their options, manage risks and take the next step towards a sustainable income in retirement," Legal & General (L&G) DC & Workplace Savings CEO, Paula Llewellyn, adds.

It is in these gaps that targeted support could arguably have the greatest impact.

Hampton describes its potential as shifting the industry from "you could do one of these things" to "based on what we know, people in your position will be better served by this solution – and here is when you may need full advice".

As the policy moves into implementation, attention is turning to how widely it can be applied and whether it can meaningfully improve outcomes at scale. Many savers accumulate retirement wealth across multiple schemes due to frequent job changes, with a significant proportion held in workplace pensions.

Llewellyn argues that "pension savers should be able to access a consistent level of support regardless of the type of scheme they belong to. Many people now hold savings across multiple schemes, and they should not be disadvantaged by differences in regulatory approach".

She emphasises that a more aligned framework could therefore widen access to support and create a more consistent experience for savers.

However, she warns that any expansion "must reflect the fact that FCA-regulated and trustees operate under different duties, governance frameworks and data constraints".

Meanwhile, Hampton believes the industry should be ambitious about extending the benefits of targeted support across the pensions system, including trust-based occupational schemes.

He argues that from a saver's

perspective, the distinction between an FCA-regulated pension and a TPR-regulated occupational scheme is not intuitive.

"They have pension savings, they need help, and they expect the industry to support them. If we only solve this for one part of the market, we risk creating an uneven experience and leaving many workplace pension savers without the support they need," he states.

**"The question should not be whether we can keep [targeted support] narrowly contained, but how we can extend its benefits responsibly, with strong consumer protections, across the places where pension savers most need help"**

TPT Retirement Solutions DC director, Phillip Smith, suggests that extending targeted support to trust-based schemes could improve outcomes by providing more accessible, timely support.

"However, it must be carefully designed as trustees will need clear boundaries, robust governance and transparency to avoid blurring the line between guidance and advice, and to maintain strong member protection," he emphasises.

The benefits of expanding targeted support could be significant, according to Hampton, possibly resulting in more consistent help across contract-based and trust-based pensions, better engagement with retirement choices, more confidence in default pathways, and a stronger connection between targeted support and guided retirement.

Broadstone head of policy, David Brooks, argues an opposing view, that although "extending targeted support

into occupational pensions is often framed as a way to close the advice gap and improve engagement ... there is a real risk this simply expands a model that is already not hitting home, is overly cautious, heavily mediated by regulatory boundaries and limited in its practical impact".

Instead of stretching it across regimes, he suggests there is a case for either centralising provision to create consistency and scale or placing greater reliance on fiduciary duty. This would mean "schemes can do what they judge to be in members' best interests without operating through such constrained frameworks".

Yet, Hampton says that the "drawbacks are not reasons to avoid it, but they are reasons to design it carefully".

"Trustee duties, FCA permissions, TPR oversight, financial promotions, data use, redress and member communications all need to fit together," he suggests. "We should not simply copy and paste the FCA regime into occupational pensions. But the direction of travel should be clear: savers need more support, not less."

### Challenges

But nothing comes without its challenges, and tackling a mammoth task like increasing the scale of targeted support when the first couple of firms have only just received approval to offer it presents its own unique challenges.

Lumera commercial director of data and dashboards, Maurice Titley, suggests that the biggest challenge in scaling targeted support will be data quality, integration and consistency.

"Delivering personalised support across millions of members will require high-quality, connected data, but many providers are still operating with fragmented legacy systems and incomplete member records that will make implementation challenging," he continues.

"The challenge at the heart of this

is how best to decide which groups of members should be targeted with which nudges. To do this, trustees and providers need to use the data available to them to predict member needs, and to do this in a defensible and robust way.”

Meanwhile, Llewellyn suggests the main risks are fragmented data, inconsistent messaging, and unclear accountability, particularly where people hold multiple pots.

“Scaling targeted support effectively will require strong governance, clear oversight, and the right technology and skills, which may be more challenging for smaller schemes and their service providers,” she argues.

She also highlights the importance of measuring the success of targeted support not by clicks alone but also by whether people take meaningful action.

Communication was also a key challenge highlighted by EY UK Life pensions and personal lines leader, Alistair Brannan. He warns that when expanding targeted support, the communication journey needs to be mapped effectively, combining digital tools with access to human support, and ensuring a clear pathway to full advice is accessible.

### Getting the timing right

But is this the right time to address such a major change, and is it truly realistic?

In this era of increasing consolidation and with a Pensions Minister at the helm who has a foot in both the Department for Work and Pensions (DWP) and the Treasury, it is natural to question whether other areas of policy across the pensions landscape



could become more joined up in ways that improve member outcomes.

The value for money (VFM) framework provides a strong example of this approach in practice. As a joint initiative between the DWP, the FCA and TPR, it demonstrates how coordinated policymaking across regulators can drive meaningful industry change.

If this level of collaboration is possible on a major initiative such as VFM, there is a compelling case for applying the same joined-up thinking to areas such as targeted support, which could have an equally significant impact on member outcomes.

And Hampton argues that “now is exactly the right time to explore alignment”.

“Access to effective retirement decision-making support should not depend on whether a member is in a trust-based or contract-based arrangement,” he argues.

“We must avoid divergence in customer retirement outcomes due to an arbitrary choice their employer made in pension provider.

“Targeted support, guided retirement, dashboards, VFM reforms and potentially collective defined contribution CDC-style retirement solutions are all part of the same bigger question: How do we help people turn pension saving into better retirement outcomes? If these reforms are designed in silos, we risk missing the opportunity to create a coherent customer help experience that people can understand and have confidence in.”

Putting forward a similar sentiment, Llewellyn says: “With the Pension Schemes Act 2026 now having received Royal Assent, the framework for introducing default pension benefit solutions is a step closer.

“That makes it increasingly important that government and regulators deliver these reforms in a consistent and effective way, so that all savers, irrespective of the type of scheme they belong to, have the right support in place to help achieve

better retirement outcomes.”

However, Hampton stresses that just because now is the “right time”, this doesn’t mean everything has to move at the same pace.

“It is sensible that the FCA-regulated targeted support regime has moved first,” he continues. “We need to learn from early implementation, gather evidence, and see what works in practice. But we should be designing with the future in mind, where support can operate more consistently across the whole pensions market.”

Smith adds that there is a case for greater alignment across regimes but suggests that it should be done in a “phased and evidence-led, building on existing initiatives and ensuring both regimes retain appropriate safeguards while working toward a more coherent, joined-up framework over time”.

Targeted support represents an attempt to modernise how individuals engage with pensions in an increasingly complex retirement landscape.

The recent approval of firms like Quilter, Royal London and L&G suggests momentum is building, but the bigger question remains unresolved: Whether the UK’s regulatory framework can evolve fast enough to support a more unified approach to retirement planning.

If targeted support remains confined to FCA-regulated products, it may improve parts of the system without addressing its fragmentation. If it expands into trust-based pensions under TPR, it could mark a more fundamental shift in how retirement support is delivered.

As Hampton puts it: “Targeted support is a once-in-a-generation opportunity to help close the advice gap. The question should not be whether we can keep it narrowly contained, but how we can extend its benefits responsibly, with strong consumer protections, across the places where pension savers most need help.”

 Written by Paige Perrin