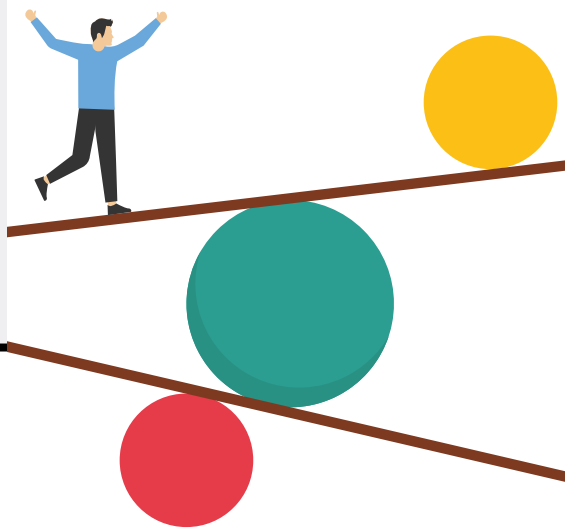
Summary
- Pension freedoms shifted greater responsibility onto individual savers, raising concerns about whether members have sufficient knowledge and support to navigate complex retirement decisions.
- Targeted support and guided retirement could help schemes strike a better balance between providing greater protection and guidance while preserving individual choice.
- Industry experts argue that schemes must move beyond simply improving member engagement, focusing instead on well-designed defaults, tailored support and delivering better retirement outcomes.



Finding the balance

As targeted support and guided retirement reshape the pensions landscape, the industry is reconsidering how much responsibility schemes should take for their members' decisions. But after a decade of pension freedoms, how can schemes provide proper support for savers without undermining individual choice

Pension freedoms, introduced in 2015, were intended to give savers greater control over their retirement, but more than a decade on, questions remain over whether the industry has placed too much responsibility on individuals.

While the reforms offered greater flexibility and choice, they also left many defined contribution (DC) savers facing complex decisions about how to manage their retirement savings, often without the knowledge or confidence to do so.

Now, with developments such as targeted support and guided retirement, the balance appears to be shifting back towards greater involvement from pension schemes and providers.

But as the industry looks to provide more meaningful support, how far should schemes go in helping members, and could the upcoming reforms signal a return to pension paternalism?

A return to paternalism?

More than a decade on from the reforms, Van Lanschot Kempen Investment Management UK chief executive officer, Michelle Darracott, argues that the industry must recognise the extent to which responsibility for retirement decisions has shifted onto individual savers.

"Pension freedoms gave people valuable choice, and it is important to ensure that remains, and it is not taken away. However, choice and pensions expertise are not the same thing," she notes.

"We should not design the system around an assumption that every pension saver wants to become a pension expert. Most do not, and they should not have to."

TPT Retirement Solutions head of policy and external affairs, Ruari Grant, agrees, warning that DC savers are now expected to manage longevity, investment, inflation and tax risks themselves.

"For members more inclined and able to engage in complex decisions, more support has been available. The gap has been for those members needing more help," he argues.

However, with the Pension Schemes Act 2026 placing greater emphasis on scheme responsibility for retirement outcomes, questions have emerged about whether the industry is moving back towards the paternalistic approach that pension freedoms sought to move away from.

Hymans Robertson head of DC corporate consulting, Hannah English, argues that targeted support and guided retirement do bring back an element of paternalism, but suggests this is not necessarily a negative development.

"So perhaps this is a new form of paternalism, but it is softer and more flexible," she says.

"It's not saying 'we know what is best for you'. It's saying 'you shouldn't have to become a pensions expert to achieve a decent retirement outcome.'"

However, English also warns that increased scheme responsibilities bring additional governance and regulatory challenges, particularly around the boundary between guidance and regulated advice.

"There are questions around where guidance ends and regulated activity begins, how schemes evidence that a default or pathway is appropriate for

the population it serves and how that is monitored as member needs change.

"Doing nothing isn't risk free either. A member can save sensibly for 30 or 40 years and still make a poor decision at retirement that materially affects their outcome if good support isn't in place."

Moving beyond engagement

For years, pension schemes have focused on improving member engagement, with providers investing in communications, financial education and digital tools to encourage savers to take a more active role in their retirement planning.

However, persistent low engagement has raised questions about whether this approach can deliver the support members need.

Darracott argues that more information will not necessarily lead to greater engagement or better decisions.

"The challenge is not simply how we make members engage more. It is how we design pensions that still work when they do not," she suggests.

This challenge has become particularly apparent as automatic enrolment (AE) savers approach retirement.

While AE has successfully brought millions into pension saving without requiring active decisions, the same approach has not historically extended into decumulation.

The People's Pension product and proposition director, Kirsty Ross, highlights this disconnect.

"While AE has helped millions of savers build pension savings without needing to engage with complex pension decisions thanks to inertia, it's also unrealistic to expect those same people to become pension income experts when they reach retirement," she explains.

Echoing this, Grant highlights the limits of relying on engagement alone, citing government research suggesting that 77 per cent of DC savers who had not accessed their pension lacked a clear plan for how they would do so.

"That's why the move towards offering a well-designed 'do-it-for-me' option is the right one," he adds.

Meanwhile, IGG trustee director and head of DC, Priti Ruparelia, describes the mixed messages members have received.

"When AE came in, members were told not to worry, as the professionals would look after everything from default contributions to investment," she explains.

"Now, those same people are being asked to review their savings and make potentially life-changing decisions."

For Ruparelia, the answer lies in establishing a clearer understanding of when members can rely on their scheme and when they need to take an active role in decision-making.

> **"We should not design the system around an assumption that every saver wants to become a pension expert"**

A more targeted approach

The introduction of the Financial Conduct Authority's (FCA) targeted support regime earlier this year represented a significant development in addressing the gap between generic guidance and regulated financial advice.

By enabling authorised firms to offer suggestions to groups of consumers with shared characteristics and financial support needs, the regime creates an opportunity to deliver more relevant, timely interventions.

Legal & General (L&G) CEO, DC and workplace savings, Paula Llewellyn, argues that targeted support could help address one of the industry's longstanding challenges.

"While guidance can help members understand the range of options available, it is limited in helping people to identify which options may be most relevant to them," she explains.

"Targeted support helps bridge that gap by providing more relevant support based on people in similar situations."

However, Llewellyn acknowledges that group-based suggestions cannot capture every aspect of an individual's circumstances, meaning personalised financial advice will remain important for those facing more complex decisions.

Questions also remain about how providers can ensure targeted support genuinely focuses on member outcomes.

"The purpose of targeted support should be to help people make better-informed decisions, not steer them towards products," Llewellyn stresses.

For Ruparelia, the effectiveness of targeted support will also depend on schemes making better use of member data to understand individual needs.

"It comes down to personalisation and accessibility," she says.

By using accurate data to segment members into relevant groups, Ruparelia argues that schemes can provide more tailored support to those who need it, while avoiding unnecessary communications that could contribute to member fatigue.

Guiding members into retirement

While targeted support could help savers make more informed decisions, guided retirement represents a potentially more fundamental shift in the relationship between schemes and their members.

By introducing a framework for retirement solutions designed around members' needs, the reforms seek to address the lack of structured support when savers begin drawing on their pension savings.

Nest chief customer officer, Gavin Perera-Betts, describes their potential impact: "We see guided retirement as a significant opportunity to improve retirement outcomes for millions of people with the potential to deliver the balance by helping members navigate retirement with greater confidence, without requiring them to become pension experts."

Grant adds: "AE shows the power of getting the default right during the saving phase.

"We should apply the same thinking at retirement by combining choice with well-designed pathways that work for people who don't want to become pension experts."

Echoing this, Nuveen head of UK institutional, Sophie Ballard, highlights the potential benefits of integrating lifetime income products into retirement pathways.

"Schemes and providers need to take a more active role in helping members convert accumulated savings into lasting retirement security, rather than leaving the retirement journey without a structured pathway."

Nuveen's research suggests that international approaches could offer useful lessons, with Switzerland and Chile achieving annuitisation rates of 55-60 per cent among eligible retirees without making annuitisation compulsory.

Ballard suggests that "integration rather than a mandation approach should work best for the UK, as when unnecessary friction is removed, people appear to make sensible decisions appropriate to their circumstances."

Such approaches could offer a middle ground between the security associated with traditional pension arrangements and the flexibility introduced by pension freedoms.

Where does responsibility end?

As schemes take a more active role in supporting members, questions remain about where their responsibilities should begin and end, particularly where retirement decisions could have irreversible consequences.

For trustees and providers, greater involvement in member decisions brings additional governance and regulatory considerations.

Ruparelia highlights this challenge: "Ultimately, trustees can't provide direct advice and don't automatically have sight of a member's wider financial circumstances.

"If implemented correctly, the new targeted support regime and well-designed guided retirement regulations should help with this to an extent.

"The key is to make sure the support is coming from somewhere and that we meet members where they are."

She also stresses the importance of keeping support relevant to members' changing circumstances, particularly when investment strategies automatically de-risk pension savings as retirement approaches.

Ross agrees that schemes should use available information to protect members against foreseeable harm, while preserving their ability to make their own decisions.

"Member consent remains essential for decisions with irreversible consequences, such as triggering tax liabilities or entering products that include longevity insurance," she warns.

For Darracott, the industry needs to be more ambitious about the support it provides at retirement.

"Schemes cannot and should not make every personal decision. But there is a very large space between doing that and simply presenting members with information and saying the decision is theirs," she argues.

Grant also points to the need for appropriate safeguards, including cooling-off periods, where members face decisions that could be difficult or impossible to reverse.

Measuring success

Ultimately, the success of these reforms will depend on whether they deliver better retirement outcomes, rather than simply increasing the amount of support available.

Darracott says this means moving away from judging schemes on the volume of communications or services they provide.

"Activity is not the same as outcome," she stresses.

"Good member support should ultimately be judged, at least in part, by whether it changes what happens to people."

English agrees that schemes should focus on outcomes rather than simply meeting compliance requirements, arguing that the industry needs to look beyond traditional engagement measures, such as email openings or website clicks.

Instead, she suggests providers and regulators monitor behaviours such as withdrawing savings too quickly, holding excessive cash or underspending because members worry about running out of money.

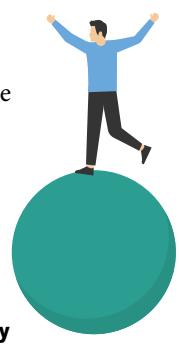
Meanwhile, Grant emphasises that outcomes must be assessed in the context of members' circumstances, given that factors such as earnings and contribution levels are outside schemes' control.

The real test

The introduction of targeted support and guided retirement suggests a growing recognition that pension freedoms, while offering greater choice, have also left many savers facing decisions they are neither equipped nor willing to make.

However, greater scheme responsibility does not necessarily mean a return to the paternalism of the past.

Instead, the challenge is to develop a system that provides effective support for those who need it, without restricting the choices of those who want to take a more active role.



As the industry looks to put these reforms into practice, the real test will be whether they can translate greater support into better retirement outcomes, rather than simply adding another layer of complexity for members.

Written by Callum Conway