

Self-employed

What is needed to improve the retirement saving levels of the self-employed?

DB endgames

As the number of endgame paths increases, how do DB schemes decide which route to take?

Net-zero

The widening gap between large and small schemes' approach to net-zero

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June 2026

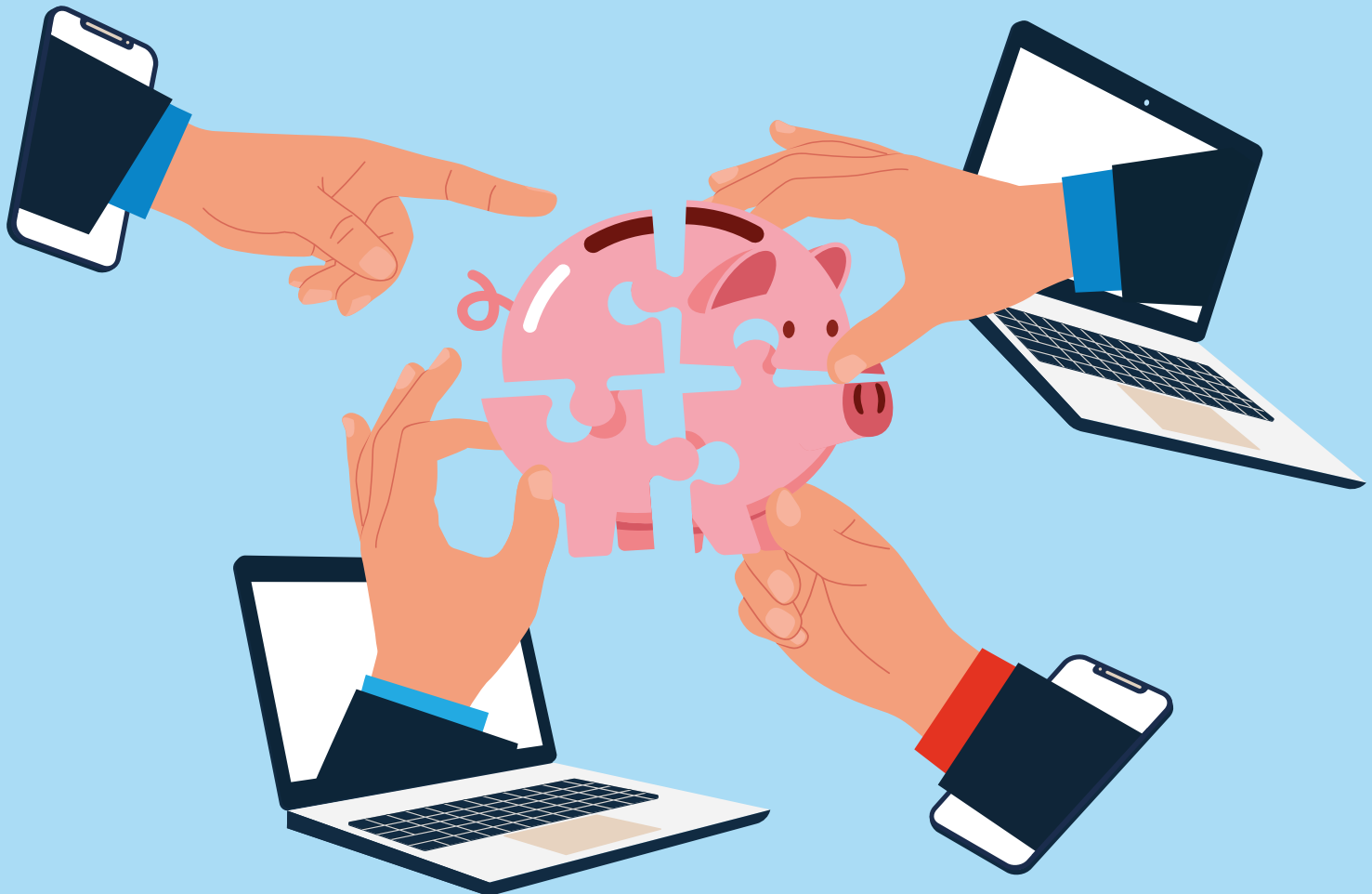
PENSIONS **Age**

The leading pensions magazine

Member choice: *Whether pension schemes should prioritise preserving member choice or designing better defaults*

Interview: *Pensions Policy Institute discusses the future of the UK pension system*

The right connections



Should targeted support apply to trust-based schemes?

Case study: How collaboration can empower small schemes to drive meaningful corporate change

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Editorial Comment

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Is Britain broken? It can certainly feel that way. Just this past month saw the current ruling political party take a hammering in the local elections, resulting in cries to oust the Prime Minister – but doubt over who would make a viable replacement dampening that momentum, for now at least. This has generated much discussion over whether Britain is now ‘ungovernable’, having had five Prime Ministers in seven years, none of whom served a full parliament, along with seven Foreign Secretaries, six Chancellors of the Exchequer and four Cabinet Secretaries, the BBC noted.

A gloomy picture was also painted of the nation’s young recently, with new figures from the Office for National Statistics showing that the number of 16- to 24-year-olds not in education, employment, or training (Neet), reached 1.01 million in the first quarter of 2026.

A report authored by former Health Secretary, Alan Milburn, has warned that one in six young people could be Neet in the next five years if action is not taken.

And it’s not just the young’s future that’s a cause for concern. The Pensions Commission’s interim report, published last month [*see p10*], highlighted Generation X as a priority group for needing their pension prospects improved.

Another cohort with major cracks, the Pensions Commission notes, are the self-employed. According to its report, just 4 per cent of wholly self-employed workers are saving for retirement.

Our feature on p68 explores what the industry can do now to engage with the self-employed, such as the use of digital tools and more flexible product development, while awaiting tangible and realistic suggestions from the Pensions Commission.

It seems the UK pensions industry is on a cliff edge, teetering between being a ‘broken’ concept for the nature of today’s workforce, or innovating to truly meet the needs of today’s savers.

But just how involved the saver should be with the pensions sector, now or once reformed, is up for debate.

In our ‘choices’-themed issue this month, our feature on p35 explores whether pension schemes should prioritise preserving member choice or designing better defaults as the industry grapples with disengagement, decumulation and increasingly complex retirement decisions. Our article on p70 also debates just how engaged with the pensions sector we want savers to be.

No matter their level of engagement, helping savers make optimal decisions for their unique needs will be a vital component of a pensions system that is fit for purpose. This is why targeted support, launched in April to bridge the gap between advice and guidance by allowing firms to offer tailored recommendations to groups of consumers with similar characteristics, is expected to make a positive impact.

So much so that there have been suggestions that targeted support should be expanded beyond the FCA’s remit, so that those in trust-based schemes can access similar support, as our cover feature on p32 explores.

Some serious patching up of the cracks within the industry is urgently required. However, if the latest Pensions Commission – and Pension Schemes Act – actually manages to build momentum for bold, and timely, change, at least the UK pensions system should not become part of ‘broken Britain’.



Laura Blows, Editor



Accounting for Pensions:

Surplus in the spotlight

Pension surpluses persist despite continued economic uncertainty. This, combined with a wave of regulatory reform and innovation across the market, means companies now have more opportunities than ever to unlock value from their pension schemes.



Discover the report

Explore how regulatory reform, expanding endgame options and changing corporate risk priorities may reshape how companies manage and unlock value from their DB schemes.

Inside the report:

- Surplus in the spotlight
- Accounting for the endgame
- Changing corporate risks
- IAS19 assumptions benchmarking

Theme: Choices

COVER FEATURE

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

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Callum Conway explores whether pension schemes should prioritise preserving member choice or designing better defaults as

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Creating value while navigating change

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With so much change on the DC/master trust agenda, our panel of experts explores topics including default retirement solutions, private markets, targeted support and more

retirement solutions, private markets, targeted support and more

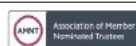
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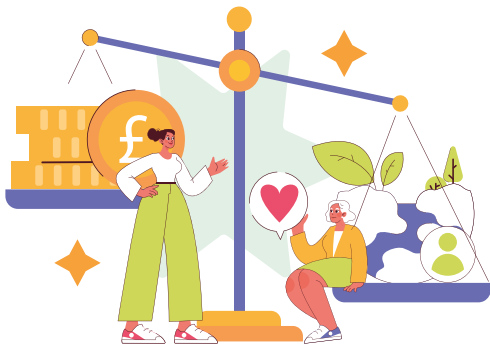
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Pensions Policy Institute director, Chris Curry, sits down with Paige Perrin to discuss the organisation's latest work, ongoing adequacy challenges and the future of the UK pension system



Self-employment and pension saving: Navigating the challenge 68

Greater policy attention is being given to the self-employed retirement savings gap, but what is realistically needed to help close this?

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Dateline - May 2026

➤ Rounding up the major pensions-related news from the past month

➤ **6 May The Pensions Regulator (TPR)** said that it expects most defined benefit (DB) pension schemes to continue shifting their focus from deficit recovery to endgame planning, after its latest Annual Funding Statement confirmed that around 90 per cent of schemes are now in surplus.



➤ **6 May The Pensions Ombudsman** is set to expand its frontline casework teams and accelerate efforts to reduce its longstanding backlog after securing a new three-year funding settlement from the Department for Work and Pensions (DWP).

➤ **6 May TPR** chief executive, Nausicaa Delfas, said the UK workplace pensions market could look “very different” by 2036, with a smaller number of large pension megafunds, greater consolidation and more scheme-led retirement solutions becoming the norm.

➤ **8 May TPR** director of defined contribution and master trust supervision, Kim Goodall-Brown, said the watchdog remains focused on improving member outcomes as the defined contribution (DC) market matures, speaking at the DC and Financial Wellbeing Conference.

➤ **8 May** While economies of scale could deliver benefits for DC scheme members, these gains are not guaranteed, analysis by **TPR** found, warning that the market must remain alert as consolidation continues.

➤ **11 May TPR** published a consultation on its updated five-year Corporate Strategy, outlining six member and market outcomes that will drive the regulator’s work in the coming years.

➤ **12 May** The aggregate surplus of DB pension schemes fell by £5.3bn in April to £258.5bn, according to the **Pension Protection Fund’s** 7800 Index.

➤ **12 May The Financial Conduct Authority (FCA)** fined and banned former Bluesky Wealth Management

Limited sole director and joint owner, Frank Breuer, for serious misconduct relating to DB pension transfer advice.



➤ **12 May HMRC** published further details on how the new regime for pensions and inheritance tax (IHT) will operate from April 2027, although concerns have been raised that schemes are being left with too little time to prepare *[read more on p15]*.

➤ **13 May** Almost a third (31 per cent) of UK adults – an estimated 12.2 million people – are at risk of pension poverty in retirement, according to **Scottish Widows**, although this marks an improvement from 39 per cent (15.3 million people) in 2025.

➤ **14 May EY** urged DB pension scheme sponsors to take a more strategic and proactive approach to funding valuations under TPR’s new DB funding code, warning that pension funding should now be treated as a “core business issue”.

➤ **14 May TPR** launched a new regulatory initiative targeting DB and hybrid pension schemes to assess how they are preparing their data for connection to pensions dashboards.

➤ **18 May Pensions UK** set out practical steps to enable schemes to invest more in UK growth assets, as it emerged that almost half (48 per cent) of the trade body’s members believed the government was doing ‘a little’ to facilitate a pipeline of investable opportunities.

➤ **18 May** Automatic enrolment alone cannot eliminate differences in pension saving between groups while significant disparities in labour market participation remain, according to a new report commissioned by the **DWP**.

➤ **18 May HMRC** published a consultation on draft secondary legislation for changes to the information sharing regulations relating to imposing IHT on unused pension pots.

For more information on these stories, and daily breaking news from the pensions industry, visit [pensionsage.com](https://www.pensionsage.com)



🔍 **19 May The Pensions Commission** warned that the pension system needs to evolve to meet modern working lives, with 15 million people in the UK currently undersaving for retirement, according to its interim report. The report highlighted that the issue was particularly evident among low and middle earners, the self-employed, and women, and the number undersaving could reach 19 million people without action. Its interim report assessed why adults were on track to be poorer than today's retirees, with a final report including recommendations to follow in early 2027 *[read more on p10-11]*.

👉 **19 May** The pensions sector broadly welcomed the interim report from the **Pensions Commission**, with industry figures warning that urgent action is needed to tackle widespread undersaving and improve retirement outcomes for future generations.

👉 **19 May** The state pension triple lock is unsustainable, unpredictable, and intergenerationally unfair, and reform could save around £19bn a year by 2035/36 while still protecting the poorest pensioners through targeted support, a report by the **Intergenerational Foundation** argued.



👉 **20 May TPR** outlined its expectations for the responsible use of AI in workplace pensions in its new AI plan, warning that trustees and scheme managers must act now to protect savers from emerging AI-driven risks *[read more on p15]*.

👉 **20 May The Pensions Policy Institute (PPI)** warned that no single automatic enrolment reform would improve retirement outcomes for all low earners, after new modelling revealed that different groups could benefit from 'opposite approaches'.

👉 **22 May The Financial Reporting Council** issued finalised guidance to support pension scheme actuaries providing retrospective confirmation for historic rule changes, following the Pension Schemes Act 2026 receiving Royal Assent *[read more on p13]*.

👉 **22 May Pensions UK** warned that there are gaps in regulatory clarity and alignment in the FCA's consultation on simplifying pensions and investment advice rules, which could limit their real-world impact.

👉 **22 May** The government published the outcome of its **Local Government Pension Scheme Fit for the Future** consultation and laid final regulations to overhaul investment and governance arrangements across the scheme *[read more on p12]*.

👉 **26 May** Average simple pension transfer times have fallen to 10 days for the first time since 2024, according to the latest figures from the **Origo Transfer Index**.

👉 **27 May** Surplus extraction from DB pension schemes is likely to fall short of sector expectations, despite improving funding levels across the market, according to a report from the **PPI**.

👉 **28 May** More than 70 million pension records are now connected to the pensions dashboards ecosystem, according to the latest update from the **Money and Pensions Service**.

👉 **28 May Pensions UK** appointed Smart UK chief executive, Jamie Fiveash, as the new chair of the association. Fiveash will start a three-year term on 1 July 2026. He succeeds Emma Douglas, who is stepping down to take up her new position as chair of TPR.

👉 **29 May** A report by former Health Secretary, Alan Milburn, highlighted that an increasing number of 16–24 year olds are not in education, employment or training. Recent figures from the **Office for National Statistics** showed the number had increased to 1.01 million in the first quarter of 2026, sparking concerns about the knock-on impact this could have on saving for retirement.

Pensions Commission calls for system evolution amid widespread undersaving

✓ The report has sparked industry calls for urgent action on retirement adequacy



The Pensions Commission has warned that the pension system needs to evolve to meet modern working lives, with 15 million people in the UK currently undersaving for retirement, according to its interim report.

The report highlighted that the issue was particularly evident among low and middle earners, the self-employed, and women, and the number undersaving could reach 19 million people without action.

Its interim report assessed why working-age adults were on track to be poorer than today's retirees, with a final report including recommendations to follow in early 2027.

The commission was established by the government in July 2025, and aims to address a pension saving 'challenge' it said had been building for decades.

The interim report warned that low and middle earners were most at risk, with around half only saving at minimum auto-enrolment (AE) contribution levels, and employers contributing the minimum level were largely benefiting higher earners.

It also found that 45 per cent of working-age adults were not saving into a pension at all, despite nearly half of them being in work, while just 4 per cent of wholly self-employed workers were saving for retirement.

Meanwhile, around three in 10 private pension pots were being accessed at the earliest opportunity and around half were taken out in full.

Nearly half of these were spent on large expenses, such as a car, holiday, or renovations, rather than providing an income in retirement.

In its final report, the commission will outline the roadmap to improving future outcomes while ensuring the system is fair and sustainable within and between generations.

It added that there was much for public policy to do to shape the future of pensions while maintaining a broad political consensus, and any changes must be implemented gradually.

The government has ruled out any changes to AE contributions this parliament.

Over the next year, the commission will seek views from a range of stakeholders before presenting its final report and recommendations in early 2027, with a call for views also being launched.

"Over the past two decades since the Turner Commission, there is no doubt pensions reform can be described as a success," commented Pensions Commissioner, Baroness Jeanie Drake.

"Yet the second Pensions Commission is looking forward and seeing many

people not saving enough and millions not saving at all. This demands a renewed national settlement on pensions.

"Achieving this will require clarity of purpose, but it also offers a moment of opportunity; to renew a social contract that commands confidence across the country.

"The recommendations we present in our final report will address the need to secure adequate income in later life and a pension system that is fit for decades to come."

Pensions Minister, Torsten Bell, added: "Britain has got back into the pension saving habit, but the job is only half done with tomorrow's pensioners still on track to be poorer than today's.

"The Pensions Commission sets out clearly the scale of the challenge: not enough people are saving for retirement, and many of those that are aren't saving enough."

The pensions sector has broadly welcomed the interim report from the Pensions Commission, with industry figures warning that urgent action is needed to tackle widespread undersaving and improve retirement outcomes for future generations.

Reacting to the findings, The Pensions Regulator (TPR) chief executive, Nausicaa Delfas, said the pensions system remained "unfinished business".

"That is why we welcome the Pensions Commission report, and look forward to continuing to work with the commission, government and industry to create a system which delivers what matters most: a sustainable income in retirement for everyone," she added.

The Pensions Management Institute

(PMI) chief strategy officer, Helen Forrest Hall, described the report as a “wake-up call”, warning that “incremental change will not be enough”.

“The Pension Schemes Act is a strong start, but the industry needs bold and innovative solutions on the scale of automatic enrolment to deliver adequate retirement incomes,” she said.

Similarly, Standard Life CEO, Andy Briggs, warned that the UK was “edging ever closer to a pensions adequacy crisis”.

“It is hard to see how any independent review could conclude that auto-enrolment contributions set at 8 per cent are sufficient,” he stated.

“While change cannot happen overnight, we should be setting a clear path towards increasing contribution rates to 12 per cent gradually over time.”

Pensions UK chief executive, Julian Mund, also said the industry shared the commission’s view that systemic reform was needed to deliver sustainable retirement incomes.

“Evidence presented in the report clearly strengthens the case for more pension saving over longer working lives, alongside systemic change that delivers sustainable incomes – building on welcome reforms in the Pension Schemes Act,” he added.

Pressure grows for higher contributions

Several industry figures suggested the report signalled future policy changes around contribution rates and retirement saving rules.

LCP partner, Steve Webb, argued that it pointed towards higher contribution rates in the future, alongside tighter rules around accessing pension savings.

“The report makes a lot of the way in which previous increases in contributions, both in the UK and Australia, have happened gradually and with many years for people to prepare,” he explained.

“This is a strong signal of higher

contribution rates in the 2030s, possibly on a wider band of earnings.”

People’s Pension chief executive officer, Patrick Heath-Lay, said the next phase of the commission’s work would need to build consensus between employers, trade unions, the pensions industry and the public.

“The progress on pension reform that the UK has made in the past 20 years shows the value of a consensus that survives multiple parliaments and changes in government,” he stated.

“However, the economics of reforming the system are more difficult now than in the early 2000s. People need to save more, but forecasts for household income growth are challenging.”

“The recommendations we present in our final report will address the need to secure adequate income in later life and a pension system that is fit for decades to come”

Focus on inequality and later working lives

Several organisations stressed the importance of tackling labour market inequalities and supporting older workers as part of any long-term pensions solution.

Centre for Ageing Better deputy director for work, Dr Andrea Barry, noted that the report rightly highlighted how labour market inequalities translated into pension inequalities later in life.

“Early, abrupt and often unplanned ends to people’s working lives in their 50s and early 60s are a major risk to pension adequacy,” she warned.

“The government needs to ensure that fewer people leave the labour market with years to go before state pension age and without the necessary financial

resources for an adequate retirement.”

Barry also pointed to the wider economic importance of supporting older workers to remain in employment for longer, arguing that this would become increasingly important as the population ages.

L&G Retail CEO, Laura Mason, meanwhile, welcomed the commission’s focus on Generation X savers.

“The commission is right to highlight ‘Gen X’ or ‘midlifers’ as a priority,” she said.

“We found that this group is among the least engaged with their pensions, despite time running short.”

Self-employed and excluded groups remain key concern

Industry commentators also highlighted the need to improve pension participation among groups currently underserved by the system, particularly the self-employed.

Scottish Widows head of pension policy, Pete Glancy, said there was an “urgent and pressing need” to improve retirement saving among self-employed workers.

Broadstone head of policy, David Brooks, described the findings as a “stark reminder” of the UK’s pension savings challenges, particularly for lower earners and the self-employed.

“Too many people are either saving too little or not saving at all, which will create a significant financial issue at retirement,” he stated.

Aegon head of pensions, Kate Smith, also warned that millions could face poverty in retirement without urgent action.

“Working lives and employment have changed dramatically since the first Pensions Commission recommendations 20 years ago,” she stressed.

“Policies need to evolve to reflect people’s often disjointed working lives.”

 Written by Jack Gray and Callum Conway

Govt publishes LGPS consultation outcome and lays final pooling regulations

✔ **The regulations will make asset pooling a legal requirement for the first time for the LGPS**



The government has published the outcome of its Local Government Pension Scheme (LGPS) 'Fit for the Future' consultation and laid final regulations to overhaul investment and governance arrangements across the scheme.

The new regulations, laid before parliament on 21 May and due to come into force on 30 June 2026, will make asset pooling a legal requirement for the first time for LGPS administering authorities in England and Wales.

Alongside the regulations, the Ministry of Housing, Communities and Local Government (MHCLG) published its technical consultation response and draft statutory instruments setting out how the reforms will operate in practice.

The government said the reforms are intended to fully consolidate the scheme into asset pools, introduce minimum operating standards, strengthen governance arrangements, and support increased local investment.

Under the new framework, administering authorities will be required to participate in an asset

pool, delegate the implementation of their investment strategy to the pool, and ensure that all assets are managed under the pool's oversight.

The reforms also introduce new governance requirements, including mandatory governance, training, and conflict-of-interest strategies; the appointment of senior LGPS officers and independent advisers; and regular independent governance reviews.

"The reforms are a major milestone that will release the untapped potential of the local government pension scheme"

The MHCLG said the measures build on progress made since pooling was introduced in 2015, with around 80 per cent of LGPS assets already pooled and £870m in savings achieved to date.

The government also confirmed that implementation timelines had been adjusted following industry feedback, giving funds more time to transfer assets, publish investment strategies and fill new governance roles.

Minister of State for Local Government and Homelessness, Alison

McGovern, claimed that the reforms would deliver "better returns, putting money back into local communities, and driving economic growth that people can actually feel".

Meanwhile, Pensions Minister, Torsten Bell, added: "The reforms are a major milestone that will release the untapped potential of the local government pension scheme, ensuring its £400bn of assets are managed effectively on behalf of members and driving economic growth across the country."

Meanwhile, analysis from Pensions UK found that employer contribution rates for LGPS funds have fallen by around 22 per cent since 2022.

The research, based on 2025 valuation reports published by all 86 LGPS funds in England and Wales, found that the average employer contribution rate fell from 21.3 per cent in 2022 to 16.6 per cent in 2025 – a reduction of 4.7 percentage points.

According to the analysis, 85 funds recorded lower contribution rates in 2025, while only one reported a marginal increase.

The findings also showed a significant improvement in funding levels across the scheme.

Average funding rose from 105 per cent in 2022 to 122 per cent in 2025 across 87 LGPS funds in England and Wales, while the number of funds above full funding increased from 61 to 79 over the period.

By 2025, just eight funds remained below 100 per cent funding, with 79 funds improving their funding position since 2022.

Pensions UK said valuation reports attributed the stronger funding position primarily to lower liability valuations as discount rates rose, reflecting higher gilt yields and updated long-term return assumptions, alongside resilient asset performance.

✔ **Written by Callum Conway**

FRC issues finalised guidance for pension actuaries on *Virgin Media* ruling

✓ **The guidance is designed to help scheme actuaries provide retrospective confirmation under the Pension Schemes Act “in a proportionate manner” and to promote consistency across the industry**

The Financial Reporting Council (FRC) has issued finalised guidance to support pension scheme actuaries providing retrospective confirmation for historic rule changes, following the Pension Schemes Act 2026 receiving Royal Assent.

The guidance is intended to help schemes address uncertainty arising from the *Virgin Media v NTL Pension Trustees* judgment, which raised concerns about the validity of certain historic amendments for which evidence of actuarial confirmation could not be produced.

Originally published in draft earlier this year, the finalised guidance includes minor amendments to wording and references to align with the enacted legislation.

The FRC said the guidance was designed to assist scheme actuaries in considering whether to provide retrospective confirmation under sections 102 and 106 of the Pension Schemes Act 2026 “in a proportionate manner” and to promote consistency across the industry.

Under the legislation, trustees or managers can ask the current scheme actuary to assess whether a historic alteration would have prevented the scheme from continuing to satisfy the statutory standard relevant to contracting-out.

If the actuary concludes it is reasonable to determine that the scheme would still have met the reference scheme test, the amendment can be treated as valid for the purposes of regulation 42.

Meanwhile, the guidance stresses that actuaries are not expected to recreate the exact position of the original scheme actuary or obtain complete historical data in every case.

Instead, it encourages a “proportionate approach” based on readily available information.

It also outlines examples in which no additional evidence may be required, such as amendments that did not reduce benefits or changes that mirrored statutory reforms, as well as more complex cases in which indirect evidence or individual member data may be necessary.

The guidance further notes that scheme actuaries may rely on assumptions or presumptions where appropriate and may use indirect evidence, such as trustee meeting minutes, actuarial valuation reports, reference scheme test certificates, and employer statements on historical earnings patterns.

Broadstone head of policy, David Brooks, said the publication of the finalised guidance, alongside separate guidance from The Pensions Regulator (TPR), meant the industry now had “a complete framework” for dealing with the fallout from the *Virgin Media* ruling.

“The legislation enables schemes to retrospectively validate historic amendments through actuarial confirmation, while the accompanying guidance sets clear expectations on both methodology and governance,” he stated.

“The focus now shifts from theory to



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implementation. TPR has made clear that trustees are expected to take active steps – assessing exposure, taking advice and formally instructing actuaries – rather than adopting a wait and see approach.

“However, some trustees may still come up against challenges around data gaps, evidential standards and the exercise of judgement in borderline cases. The framework is now in place; the key test for schemes will be how efficiently they can execute it.”

A recent poll by Sackers found that a third (33 per cent) of pension schemes are ‘highly likely’ to make use of the *Virgin Media* remedy as it becomes law in the Pension Schemes Act.

According to the webinar poll, a further 37 per cent of respondents believed it was possible to use the remedy and were investigating.

In terms of timescales, of those expected to proceed, 5 per cent planned to do so immediately and 37 per cent within the first year.

➤ **Written by Callum Conway and Ellie Carric**

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HMRC has published further details on how the new regime for pensions and inheritance tax (IHT) will operate from April 2027, although concerns have been raised that schemes are being left with too little time to prepare.

In a technical note, HMRC confirmed that most unused pension funds and pension death benefits will be brought within the value of a deceased person's estate for IHT purposes from 6 April 2027.

The note also outlined the expected implementation timetable, including plans for further consultations and draft regulations later this year, while final guidance and supporting materials are not expected until spring 2027.

Under the new regime, a personal representative (PR) will be required to identify all of a deceased member's pension arrangements and contact each scheme or provider to obtain details of the value of the pension rights and the intended beneficiaries.

The PR will then combine this information with the rest of the estate and use a new HMRC online tool to determine any IHT liability.

Pension schemes may also be instructed to withhold up to 50 per cent of pension benefits until any tax due has been settled.

The HMRC note stated that withholding powers should only be used where the PR has "reason to believe" IHT may be due, although HMRC expects notices to be often issued early in the process.

The technical note also confirmed that death-in-service benefits will remain excluded from IHT, although schemes will still need to report them to HMRC.

In addition, HMRC said it would be for employers, schemes and sponsors to determine whether members on career breaks, long-term sickness absence or supported redundancy periods qualify

HMRC publishes pensions IHT update; final guidance not expected until spring 2027

HMRC has also published a consultation on draft secondary legislation for changes to the information sharing regulations for inheritance tax (IHT) on unused pension pots



welcome, but time is running out for HMRC to give schemes the detailed information that they will need to implement a new system which starts in less than a year's time."

HMRC has also published a consultation on

for death-in-service treatment.

LCP principal, Tim Camfield, said the latest update provided some reassurance for bereaved families.

"There is helpful clarity here for bereaved families that half of the pension should generally be able to be paid out quickly," he stated.

"Pensions have often been a vital source of income for families following a death, as they are outside the estate, so that they can be accessed quickly.

"The estate – and from April 2027 the other half of the pension too – can often be in limbo for far too long for beneficiaries."

However, Camfield warned that schemes may struggle to implement the changes in time for the April 2027 deadline.

"But we have concerns about the impact of further guidance being issued in spring 2027, just weeks before actual cases begin to arise," he continued.

"HMRC's consultative approach is

draft secondary legislation for changes to the information sharing regulations relating to imposing IHT on unused pension pots.

The draft regulations will update the pensions provision of information regulations following the passage of the Finance Act 2026, which brings unused pension and death benefits into a deceased individual's estate for IHT purposes.

The changes will require pension providers and personal representatives to share information with one another, as well as pension beneficiaries and HMRC, in respect to relevant pension assets.

HMRC's consultation confirms that the regulations will come into effect in relation to deaths on or after 6 April 2027.

The consultation outlined the information that would be required from each party when dealing with an estate's pension assets relevant to IHT.

Written by Callum Conway and Jack Gray

TPR sets out AI governance expectations for pension schemes

✓ **The regulator warns that trustees and scheme managers must act now to protect savers from emerging AI-driven risks**



The Pensions Regulator (TPR) has outlined its expectations for the responsible use of artificial intelligence (AI) in workplace pensions in its new AI plan, warning that trustees and scheme managers must act now to protect savers from emerging AI-driven risks.

The regulator said AI had the potential to “transform pensions for the better” by improving administration, member engagement and decision-making, but stressed that accountability for outcomes would remain with trustees and scheme managers, even where AI systems are used.

As part of the plan, TPR confirmed that it will publish more detailed guidance later in 2026 following engagement with the industry over the summer.

TPR highlighted several opportunities associated with AI adoption, including personalised member communications, improved fraud detection, faster administration processes and enhanced risk monitoring.

The regulator said schemes and

providers were already using AI-powered tools to automate routine tasks and provide more tailored support to members.

However, it also warned of growing risks linked to AI use, including AI-generated scams, increased cyber threats, bias in decision-making and concerns around members relying on unregulated AI tools for financial planning and retirement guidance.

“Our message to trustees, administrators and scheme managers is clear: Act now”

TPR chief executive, Nausicaa Delfas, argued that AI could improve how schemes are run and how members are supported, but stressed that trust in the pensions system depended on safe and responsible adoption.

“Our message to trustees, administrators and scheme managers is clear: Act now,” she said.

“Put strong governance in place, invest

in data quality, understand where and how AI is being used in your scheme, and protect your members from AI-driven fraud.”

Under the plan, TPR said trustees and scheme managers should establish clear governance and accountability structures for AI use, ensure robust testing and ongoing monitoring of AI systems, and regularly review risks and controls.

The regulator also urged schemes to improve data quality, maintain clear data strategies, and ensure compliance with data protection legislation on automated decision-making.

TPR outlined four priority areas for its own work on AI, including strengthening governance standards across schemes, improving data foundations, supporting responsible innovation, and using AI internally to become a more effective regulator.

As part of this, the regulator said it would continue working with the Financial Conduct Authority (FCA) to ensure regulatory alignment across the pensions sector and pension supply chain.

The regulator also confirmed that it has already been using AI-enabled processes to identify potential pension scam websites.

According to the plan, more than 2,000 websites have been assessed using the technology, leading to the removal of 29 high-risk sites while reducing manual scanning and triage work by around two hours a day.

TPR said it would report annually on progress relating to AI adoption and innovation within the pensions sector, including barriers to adoption and lessons learned.

✓ **Written by Callum Conway**

News in brief

Pensions Age summarises some of the latest news in the pensions industry, including new key pieces of research, the latest changes in the market and the continued activity in the de-risking market

A changing market



There have been several acquisitions and shifts in attitudes in the landscape within the UK pensions

market in May:

- WBR Group bought the small self-administered scheme book of business from Carpenter Rees for an undisclosed sum.
- WTW announced the completion of its acquisition of fintech workplace pensions and savings provider Cushon

for an undisclosed amount, following regulatory approval from the Financial Conduct Authority (FCA).

- LCP suggested that the defined benefit (DB) pension superfund market is set for a pivotal year, with several key factors meaning that 2026 will prove to be a turning point for the sector.
- Isio announced the acquisition of Collidr, an artificial intelligence solutions and investment management company, subject to approval by the FCA.
- The Governance for Growth Investor Campaign expanded its membership

with the addition of Nest and Pi Partnership, taking the collective assets managed and overseen by its members to more than £200bn.

- Aegon UK streamlined how money is transferred onto its Aegon Retirement Choices platform, aiming to reduce manual steps for advisers consolidating pensions and investments.
- Research from WTW's *Endgame Report 2026* found that 35 per cent of DB schemes on average are considering run on, with 50 per cent with over £1bn in assets are targeting run on.

De-risking momentum continues



The momentum in the de-risking market continued in May:

- Bakkavor Pension Scheme finalised a £160m full scheme buy-in with Rothesay, securing the benefits of all 2,216 scheme members.
- Safe Computing Pension Fund completed a £4.5m full scheme buy-in

with Just Group, securing the benefits of 16 deferred and 24 pensioner members.

- The Leeds Building Society Staff Pension Scheme completed a £66m buy-in with Royal London, securing the benefits of 590 members.
- The Abbey Life Assurance Company Limited Staff Pension Scheme completed a £200m buy-in with Standard Life, who is also the scheme sponsor, securing the benefits of over 1,500 members.
- The Scandinavian Airlines System

(Investments) Limited Pension and Assurance Scheme – SAS Section – completed a £61.8m buy-in with Just.

- The F. Hinds Pension Fund completed a £42m bulk purchase annuity transaction with Royal London, securing the benefits of 485 members.
- HSB Engineering Insurance Services pension scheme completed a £36m full-scheme buy-in with Canada Life, securing the benefits of 191 pensioner and 128 deferred members.

New products



Over the past month, there has been a surge in

new products launching. This included:

- Broadstone launched a new service, Broadstone CARE, to help trustees and sponsors of DB schemes that remain in legacy insured contracts to evaluate their options and maximise value.

• XPS Group launched an integrated DB run-on solution designed to support trustees and employers.

- BlackRock launched a new long-term asset fund aimed at broadening access to private markets for DC pension schemes.
- Legislation enabling Nest Pensions to offer flexi-access drawdown and related retirement and death benefit options to its more than 14 million members has now come into force.
- Standard Life, Verity Trustees and

Franklin Templeton announced expansions to their Shariah-compliant investment ranges.

- Smart Pension launched a new guided retirement journey through its Smart Retire solution, aimed at helping savers prepare for retirement from 45+.
- National LGPS Frameworks and the Scheme Advisory Board partnered to launch the first iteration of the Cost Transparency and Benchmarking Services Framework.

Appointments, moves and mandates



Calum Cooper

► **The Society of Pension Professionals (SPP) has announced the election of Hymans Robertson partner and head of pension policy innovation, Calum Cooper, as its president.**

Cooper's two-year term began on 1 June 2026, succeeding XPS partner and head of DC, Sophia Singleton, who had held the role since 1 June 2024. During Singleton's presidency, the SPP worked with the Association of Pension Lawyers (APL), the Association of Consulting Actuaries (ACA) and the Department for Work and Pensions (DWP) on solutions to issues arising from the *Virgin Media* case, while also helping secure the abolition of the Pension Protection Fund's (PPF) administration levy.



John Parker

► **Origo has appointed John Parker as head of master trusts.**

Parker brings over 20 years of experience to his new role, spanning pensions, wealth and financial technology. He has held several senior positions at organisations such as Pension Lab, Moneyhub, CTC and iPipeline. In his career, Parker has worked with pension providers, master trusts, advisers and fintech firms to modernise customer journeys, improve operational efficiency and deliver better consumer outcomes. In his new role, he will support the development of digital pension automation and transfer capabilities across the UK market. In addition to his new role at Origo, Parker is also a practising financial adviser.



Chris Roberts

► **SEI Master Trust has appointed two trustee directors and a new chair.**

Chris Roberts and Azka Ali have been appointed to the SEI Master Trust Board of Directors, with Roberts to serve as chair of the trustee and Ali as trustee director. Roberts took over this position on 1 May from Allan Course, following his retirement. Course first joined the SEI Master Trust as a director in 2007, holding this position from 2007 until 2011, and has served as chair of the trustee since 2016. Commenting on the news, SEI Master Trust head, David Snowdon, said: "We are thrilled to welcome Chris as the new chair and Azka as a trustee director. They bring extensive pensions expertise and experience supporting a wide range of schemes."



Jennifer O'Brien

► **Lothian Pension Fund has appointed Jennifer O'Brien as chief financial officer (CFO).**

She succeeds Alan Sievwright, who has moved to a new role. O'Brien brings over 20 years of experience in financial leadership across regulated and complex financial services organisations. She has held senior roles in both smaller businesses and large corporates, including Aegon, RBS, and M&G, where she served as divisional CFO and led finance strategy, transformation, and M&A integration. Commenting on her appointment, O'Brien said she is "delighted" to be joining Lothian Pension Fund and looks forward to contributing to "its strong track record of prudent financial management and governance".



Joanne Segars

► **The Department for Work and Pensions (DWP) has announced that Joanne Segars has been appointed as the new chair of the Pension Protection Fund (PPF) for a five-year term, effective from 1 July 2026.**

Following the appointment, Segars will succeed Kate Jones, who has been PPF chair since July 2021. Segars brings nearly 40 years of executive and non-executive experience in UK pensions and financial services to the role. She currently holds several board positions, including chair of trustees at Now Pensions and chair of the independent governance committee at Legal & General. She previously held senior leadership roles at the Pensions UK and the Association of British Insurers. Pensions Minister, Torsten Bell, commented: "Joanne Segars brings a wealth of experience and expertise to this role at a pivotal moment for the PPF as we undertake the biggest pension reform in a generation. I look forward to working with her to ensure the PPF continues to deliver for the millions of people who depend on it, and to protect the retirement savings of workers across the UK." Segars added she was delighted to be appointed to the position and was looking forward to working with the PPF board, CEO, executive and wider teams to support the organisation as it "continues to develop and evolve in the long-term interests of those it serves". She continued: "With the PPF's strong foundations and clear sense of purpose, I am committed to ensuring we continue to deliver for members, strengthen long-term resilience, and help shape the future of the pensions landscape."



Jamie Fiveash

► **Pensions UK has appointed Smart UK chief executive, Jamie Fiveash, as the new chair of the association, starting a three-year term on 1 July 2026.**

He succeeds Emma Douglas, who is stepping down to take up her new position as chair of The Pensions Regulator. Fiveash has over 30 years of experience across financial services and over 15 years of c-suite and board-level leadership. As chief executive of Smart UK, Fiveash leads the £9.5bn Smart Pension master trust with two million customers. Previously, he was chief operating officer at The People's Partnership. Fiveash began his second term on the Pensions UK board in October 2023. Commenting on the news, Fiveash said he was honoured to be appointed at "such a pivotal time for the industry". "The sector is transforming rapidly, with significant momentum from government and industry towards improving saver outcomes following the Pensions Commission's interim report and the Pension Schemes Act," he continued. "My focus will be on strengthening our collective voice across our membership base to drive forward policy and innovation that delivers the best possible retirement outcomes for savers across the country." Pensions UK chief executive, Julian Mund, added: "Jamie is widely respected across the pensions sector for his leadership, technical expertise and unwavering focus on savers' long-term interests. His experience at Smart Pension, coupled with his deep understanding of the wider policy and regulatory landscape, makes him an exceptional choice as chair." Mund also thanked Emma Douglas for her outstanding contribution to Pensions UK.

► **The Crown Estate Pension Scheme has appointed Zedra as chair of trustees, following a competitive selection process managed by Aon.**

The Crown Estate Pension Scheme, comprising a £46m defined benefit (DB) section and a £43m defined contribution (DC) section, has a diverse £15bn portfolio, including urban centres and development opportunities. It also manages the seabed and much of the coastline around England, Wales and Northern Ireland, playing a role in the UK's offshore wind sector. Commenting on Zedra's appointment, the Crown Estate, director of reward and pensions, Sarah White, said: "Our scheme's unique structure and strong covenant require thoughtful governance and a continued focus on delivering for members."

► **Local Pensions Partnership Investments (LPPI) has onboarded 25 new joiners, including 15 from Brunel Pensions Partnership.**

The new hires will work across LPPI's investment, legal, compliance and operations teams. Brunel Pensions Partnership chief operating officer, Joe Webster, is also joining LPPI's Executive Committee, where he will lead the pool's technology and data teams as it develops new solutions for partner funds. The new hires will be spread across LPPI's London offices and its new Bristol offices. Three of the new roles are in client management to support LPPI's increase in partner funds, specifically: senior manager, Chris Crozier, manager, Bethan Jones, and senior associate, Alice Spikings.



Matthew Swynnerton

► **Matthew Swynnerton has joined Arc Pensions Law as a partner in its London office.**

Previously at DLA Piper, Swynnerton boasts three decades of experience advising on all aspects of pensions law. He is also the current elected Chair of the Association of Pension Lawyers and has served on its main committee since 2022. Swynnerton has advised on several significant transactions in the pensions risk transfer market and has developed expertise in relation to advising gig economy sector entities on their pensions duties and negotiations with The Pensions Regulator. He is also a long-standing judge on the Pensions Age Awards judging panel.



Rob Groves

► **Legal & General (L&G) has appointed Rob Groves as chief investment officer of its Institutional Retirement business.**

Groves brings nearly three decades of investment experience delivering for pension clients across market cycles. He joins from Pension Insurance Corporation, where he was chief investment officer and an Executive Committee member, leading investment strategy, asset-liability management and portfolio construction. In his role, Groves will lead global investment strategy and portfolio management for L&G's institutional retirement business. He will support secure, long-term outcomes for customers and help trustees and sponsors access scale, strong governance and dependable delivery.



ACTUALLY, SIZE MATTERS.

Hands-on experience with **100,000+**
employers and **millions** of savers

Using scale to build stronger financial futures



Modernising stability in an age of pension freedoms – free annuity guidance for People’s Pension members

📌 **The popularity of annuities took a nosedive following the introduction of pension freedoms in 2015. But like baggy jeans and every boyband from the noughties, they are making a comeback, just not as we remember them.**

People’s Pension have recently introduced a new annuity guidance service, teaming up with Retirement Line. We caught up with People’s Pension proposition director, Kirsty Ross, to find out more about the service, and why now is the time to be bringing annuities back into the conversation

Pension freedoms transformed the way people access their retirement savings. The default solution of buying an annuity, possibly without properly scanning the market for the best deal, is no more. But more than a decade on, all of our collective intelligence has told us that giving people choice does not automatically give them confidence or good outcomes.

At People’s Pension, our decade of *New Choices, Big Decisions* research has consistently shown that retirement decision-making is far more nuanced than the industry often assumes. A good example of this is that most people draw on average life expectancies when weighing up the value of annuities. Currently, it is reported that UK savers may be underestimating their lifespan by up to seven years¹. This underestimation of longevity risk can leave savers financially vulnerable in old age and make annuities feel like a gamble, rather than an option which provides security.

There is certainly still a loyal fan base for annuities, such as the ‘secure Stan and Sue’ cohort highlighted within our research, and we are seeing their

figures increasing. These individuals value certainty and simplicity above all else, and are not confident to manage investments themselves. Better framing of longevity risk is needed to help these and other pension savers understand the real risks they face in older age. Savers require more information and support to make an informed assessment as to whether some form of longevity insurance offers them value for money.

In response to this, and as conditions around us change (higher interest rates, for example) we are focused on building a more guided retirement experience. One that recognises and reflects the realities of the world we live in. That’s where our guidance service, in collaboration with annuity experts Retirement Line, comes in. Through giving our members access to free expert guidance on all things annuity, we are ensuring that members can get a true picture of the various trade-offs involved, ultimately helping them make a decision that is right for their situation. The service will explain the specific options available, whether that’s an individual, joint life or another option. Members will then be supported through the

whole process of purchasing the annuity. It’s a fully guided journey that informs and educates our members from consideration to purchase.

This move reflects a broader shift in thinking, though. We are dedicated to driving better alignment between real member behaviours and the solutions we design. We know annuities will be right for some, but not others. We also know that the concept of mixing drawdown and annuities, either proportionally or sequentially, has gone largely unnoticed by the general population. It’s great to see the industry starting to offer more flexible solutions along these lines and we are proud to be a part of that. We see a huge opportunity to leverage this new element of our own retirement proposition to give our members confidence that the retirement decisions they are making are the ones that are right for them.



Written by People’s Pension proposition director, Kirsty Ross

In association with

people's
pension

¹ UK savers underestimating lifespan by up to seven years - Pensions Age Magazine

Diary: June 2026 and beyond

✦ Pensions UK Local Authority Conference

15-17 June 2026

Wyboston Lakes, Bedfordshire

At a defining moment for the LGPS, this is the only Local Authority pensions conference built around the full breadth of LGPS delivery. This year's event brings together administering authorities, pools and employers to tackle the big structural shifts facing the scheme: governance reform and employer exits, local growth, pooling relationships and public pressure. pensionsuk.co.uk/events/conferences

✦ European Pensions Awards

2 July 2026

London Marriott Grosvenor Square

Now in its 19th year, the European Pensions Awards were launched to give recognition to investment firms, consultancies and pension providers across Europe that have set the highest professional standards to best serve European pension funds over the past year. The shortlist for the awards has now been announced and table bookings for the ceremony are now open. More information available at: europeanpensions.net/awards

✦ Pensions Age Autumn Conference

17 September 2026

The Waldorf Hilton, London

The Pensions Age Autumn Conference returns to London, bringing together the pensions industry for a day of insight. The conference will explore a variety of topics that are prevalent in the industry through expert presentations, panel discussions and interactive Q&A sessions with those shaping the future of UK pensions. Join us in London to hear from regulators, industry bodies and leading experts, and to reconnect with peers from across the pensions community. pensionsage.com/autumnconference/

✦ Irish Pensions Awards

4 November 2026

The Round Room at The Mansion House, Dublin

Now in its 15th successful year, the Irish Pensions Awards continue to go from strength to strength, giving well-deserved recognition to those pension funds, providers, advisers and professionals who strive to maintain the highest standards of excellence and professionalism in everything they do, despite the challenging economic and political landscape they find themselves operating in. europeanpensions.net/events

Visit www.pensionsage.com for more diary listings

Don't forget...

HMRC IHT consultation closes

11 June 2026

HMRC technical consultation on inheritance tax on pensions – information sharing regulations closes.

www.gov.uk/government/consultations



VIEW FROM THE SPP: Investing through heightened uncertainty

Periods of heightened uncertainty are not new for pension schemes, but they feel particularly uncomfortable when geopolitical risks, inflationary pressures and policy changes overlap. Recent experience shows markets can appear remarkably calm even when global news is anything but. This can tempt fiduciaries to overreact to short-term risks or, conversely, dismiss them altogether.

Behavioural finance reminds us that investors overweight immediate events whilst underestimating slower-moving but more powerful forces. History also

shows that reacting to every headline can lead to poor outcomes, locking in losses or missing recoveries.

For trustees and investment committees, the focus should be on preparation rather than prediction. A well-designed strategy should reflect a range of plausible scenarios, including periods of stress. This includes recognising long-term structural trends, such as demographics, inflation and asset returns over decades rather than months. Genuine diversification of assets remains essential.

Good governance is critical. Clear

objectives, agreed risk tolerances and delegated frameworks help keep decision-making calm and proportionate. Uncertainty is not a reason to abandon strategy, but a reminder of why long-term discipline matters most. For trustees, the task is not to predict issues, but to ensure investment discipline, diversification and robust governance remain firmly in place when they arise.



**SPP investment committee member,
Dean Wetton**



VIEW FROM TPR: Members are ready for dashboards, are you?

Just over 80 per cent of UK adults say they would use a dashboard, according to the DWP. But is the industry ready?

We are urging schemes to take action now – by getting their value data ready and bolstering their operations, so they can meet their duties on an ongoing basis.

A successful launch depends on schemes returning accurate, timely information to members. Whether approaching retirement or planning for the future, members need reliable figures to make informed decisions.

Ensuring values are accurate must be a priority.

We are currently in a user testing phase, providing a good opportunity for schemes to test their processes. As the first dashboard is expected to launch in 2027/28, operational readiness is another priority for schemes, as is ensuring you can maintain the quality of your data.

We will continue to engage with schemes, administrators and providers to help them make the right progress at the right time. Where deeper insight is needed, we will carry out regulatory initiatives, like the one we recently launched on value data in defined benefit and hybrid schemes. We

will continue to share insights on emerging trends, challenges and practical learnings.

More than 75 per cent of member records are connected but connection is just the start. Join us on 8 July for our final webinar before the 31 October deadline and put questions to experts in a live Q&A. Register: <https://ow.ly/VKIJ50Z2mRN>



TPR pensions dashboards lead, Lucy Stone



VIEW FROM PENSIONS UK: Retirement adequacy should be more than a dream

The UK pensions system has been in a period of significant change for years, with successive waves of reform reshaping how it operates. But the next phase of reform must go further, shifting to a more fundamental question: Will the system deliver adequate retirement outcomes?

The Pensions Commission has brought that challenge back into sharp focus. Its latest work highlights a system that has succeeded in expanding participation but still leaves many savers on track for incomes that fall short of expectations.

That is where the Retirement Living Standards provide a vital anchor. By setting out what different levels of retirement actually cost, they give the industry, government, policymakers, and inevitably savers, a shared way to judge whether outcomes are truly sufficient. They help shift the conversation from inputs, such as contribution rates, to outcomes that people can understand and plan for. What is increasingly clear is that adequacy gaps do not suddenly appear at retirement. They build early, through

minimum contributions, inconsistent saving patterns and limited engagement, and grow over time.

If we are serious about improving outcomes at scale, we need a more outcomes-focused system. One that starts with what a good retirement looks like and aligns policy, design and communication around delivering it.



Pensions UK head of DC, master trusts and lifetime savings, Philip Brown



VIEW FROM THE PMI: Why supporting TAP will help protect savers of tomorrow

At the Pensions Equity Group (PEG), we believe widening access, strengthening governance and bringing more diverse voices into decision making is critical in the future of trusteeship.

That's why we're proud to support the Pensions Management Institute's Trustee Accelerator Programme (TAP) and why we want to encourage others across the industry to do the same.

TAP is building a more diverse and capable pipeline of future trustees by opening up trusteeship to people who may not previously have seen it as

accessible. Strong governance delivers better outcomes for members, and governance is strongest when trustee boards better reflect the people they serve.

The programme relies on active industry support. One of the most valuable ways to get involved is through mentoring. By sharing professional experience and lived perspective, mentors help participants build confidence, develop judgement and understand the realities of trusteeship.

Industry professionals can act as trainers, employers can champion the programme internally, and organisations

can encourage colleagues to apply or explore trusteeship as a future role.

TAP is a collective effort. By supporting it, the industry can help strengthen governance, improve decision making and shape a pensions system that works better for everyone. For more information, visit the PMI website.

Guest columnist, Pensions Equity Group co-chair of communications and awareness, Molly Handley





VIEW FROM THE PPF: Delivering change – the year ahead for the PPF

The year ahead promises to be a busy one for the wider pensions industry and the PPF.

For the PPF, after a period of preparation, 2026 is firmly a year of delivery. Over the last year, we laid the foundations for delivering our three-year strategy. That work matters because the scale of delivery now facing the PPF is significant.

The Pension Schemes Act, with its suite of PPF and FAS specific measures, represents the most substantial package of changes for us in years. We thank DWP colleagues

for their diligent work developing and stewarding this important legislation through parliament.

The introduction of pre-1997 indexation for eligible PPF and FAS members is a major operational priority. This is complex, detailed work but we're making good progress. Other changes include those to terminal ill-health rules, readiness for pension dashboards, and transitioning to a zero-levy world.

Alongside legislative change, we remain focused on maintaining our high levels of customer service. Technology and

innovation, including the thoughtful use of AI, will support that ambition by helping us deliver better outcomes for members over time.

Delivery does not happen by accident. It depends on people, capability and a culture that values steady progress. As we move from preparation to delivery, that culture will be critical to success.



PPF acting chief executive officer, Richard Beaven



VIEW FROM PASA: 15 years – a time to reflect, reassess and reinvigorate

Some of Rudyard's words are more memorable than others. "If you can keep your head when all about you are losing theirs..." As I reflect on 15 years of PASA at our recent annual conference, some of his lesser-known words returned to me.

'If you can think, and not make thoughts your aim.'

We have been accrediting pensions administration teams of all shapes and sizes for 15 years and have recently reassessed the underlying standards to ensure they evidence compliance with the

TPR's General Code.

Beyond standards, we have grown to include working groups, volunteering to make administration better and deliver for members. The golden thread running through all our work is 'practicality'. We don't sit back and admire work for work's sake. The collaborative guidance needs to be implementable and shine a light on what good looks like, and then how to get from good to great.

'If you can talk with crowds and keep your virtue.'

Amidst a lot of loud voices in our industry, PASA's output and collaboration has led to greater influence. Allowing PASA to stand up for admin: The people who make a difference to members.

Fifteen years of a marriage is celebrated, traditionally, with crystal. Here's to the next 15 years, reinvigorated standards wedded with crystal clear guidance... to improve member outcomes.



PASA director, Chris Connelly



VIEW FROM THE ACA: Four areas of focus for the next two years

I'm honoured to be taking on the role of ACA chair at such a pivotal moment in UK pensions. We face serious challenges on adequacy, fairness and sustainability – but equally big opportunities to build a system that delivers secure incomes, supports a sustainable economy and commands real public confidence.

Over the next two years the ACA will focus on four areas: tackling DC adequacy and the needs of under-pensioned groups through sensible, phased changes to automatic enrolment; realising the promise of CDC and stronger default retirement

options so more savers can enjoy an income for life without having to make complex decisions; helping shape a clear and workable framework for the safe release of DB surpluses to support today's workers; and continuing to argue for stability in the pensions tax regime, a fair and sustainable state pension, and a social care system that works in lockstep with pensions so people can plan realistically for later-life risks without being penalised for saving.

Reflecting on the ACA's priorities over the period, success for me means making tangible progress towards a UK pensions

and long-term savings framework where people can expect good and fair retirement outcomes, and where they can trust the system so that engagement with pensions becomes the norm rather than a source of anxiety. If we can move meaningfully in that direction across DC, DB and CDC, we will have used this pivotal period well.

ACA chair, Chintan Gandhi



Three steps to smarter risk management for boards

David Burwell explores how boards can identify and manage the top risks facing their pension schemes

Let's face it, the role of the pension scheme trustee is becoming more and more challenging. Boards have too much to do just keeping 'business-as-usual'; running smoothly, without adding multiple complex projects, such as GMP equalisation, guided retirements and strategic endgame planning, as well as increased governance requirements. There are simply too many demands on boards, pension executive teams and precious meeting agenda time.

And in case you had not noticed, we are in a rapidly changing risk environment. Artificial intelligence (AI) is already disrupting established working practices and the way we engage with members and therefore introducing new risks for schemes. Operational disruptions from climate-related events or cyber-attacks are an increasing threat and if that is not enough, the geopolitical landscape is more unstable than it has been for decades. We are seeing significant volatility in investment markets, increased political risk and more complex scheme ecosystems to manage.

Alongside this, The Pensions Regulator's expectations for risk management have increased, with the introduction of the Risk Management Function and the need for most schemes to prepare an Own Risk Assessment. So, how can boards respond to the increased expectations of the regulator, alongside competing demands on agendas and a rapidly changing risk landscape?

Effective risk management for boards

in 2026 requires a deliberate change in approach to support them in using a forward-looking lens and to focus their risk management activity in the right areas. Here are our three top tips for effective risk management, based on our experience of working with boards:

1. Access specialist expertise

Many boards are benefitting from specialist risk management expertise appointed to support them with their ongoing risk management. This mirrors what we have already seen in Europe where the IORP II Directive requires pension schemes to formally appoint a Risk Management Function. An appointed risk specialist can provide expertise, oversight of existing and emerging risks and reporting to support the board with meaningful and focused risk discussions, leading to more informed decision making.

Aon's team of risk consultants are already supporting many boards in the role of Risk Management Function.

2. Focus on top risks

Spending time establishing your risk tolerances and metrics will support the board with concentrating their time on the key risk areas. Your top risks will change over time and need to remain relevant to your scheme, its long-term objectives and the current risk environment. For many schemes, non-financial risks such as cyber, AI and operational outages are now top risks, rather than financial risks that are typically now well managed and

mitigated. Boards need to understand their top risks and take a targeted approach to their risk discussions and actions. Focusing on top risks will ensure that trustees' valuable time is spent wisely.

3. Risk management tools

As with many things in 2026, there are technological solutions to help boards with risk management. Running through a few risks on an Excel spreadsheet every quarter can no longer be described as 'best practice'. But boards do not need another 100-page report added to an already bulging meeting pack. Online risk management platforms allow risk metrics to be set and measured in a consistent manner and produce clear, dashboard-style reporting. This allows boards to understand, at a glance, what the critical issues are and to manage risk in real time.

Aon's online risk management platform Aon Risk Manager, developed in partnership with Diligent, supports clients with the increased burden of risk management in today's environment.

Risk management is a critical function for boards, cutting across almost everything trustees do and can no longer be seen as 'just another piece of compliance'. Effective risk management ensures that the board's aim is squarely on key areas of risk and that strategic objectives remain on track.



Written by Aon associate partner & risk consultant lead, David Burwell

In association with

AON



VIEW FROM THE AMNT: Guardians of trust

The MNT role has undergone a quiet revolution. Once a defensive shield, today's trustee is a sophisticated strategic steward, the human heart of trust and guardian of the scheme's soul, ensuring its moral promise is kept.

MNTs were introduced to provide a democratic emergency brake, a necessary check against corporate malfeasance. However, the role has transcended its origins. Today's MNTs are often self-driven experts, pursuing rigorous accreditations in their own time to match technical proficiency with a deep-rooted care for the scheme. This isn't

just 'alignment'; it is a profound dedication to the community they serve. The MNT possesses a unique institutional affinity, understanding the business's heritage, its evolution, and the specific culture of its workforce.

As schemes become larger and more complex, MNTs bring essential diversity of thought to boards that might otherwise be dominated by 'professionals'. They view high-level board decisions through the eyes of the member to ensure corporate strategy aligns with member needs.

While consolidation aims for efficiency,

MNTs acts as a safeguard for quality control, ensuring that scale never comes at the cost of member service levels. This is why the AMNT is calling for mandatory member representation in all trustee pension schemes – especially in DC and CDC schemes – where members are the only significant risk holder. This helps to prevent 'groupthink' and ensures that problem-solving remains as multifaceted as the membership itself.



AMNT committee member, Natalie Waller



VIEW FROM THE ABI: Securing and delivering benefits

TPR's new draft Corporate Strategy includes a simple member outcome: "benefits are secure and delivered as promised".

Our members provide this security. In 2024, insurers paid £10 billion to 2.3 million pensioners, for bulk annuities alone, with billions more paid to millions of customers through individual annuities and drawdown. To fulfil these obligations, our members draw on their operational and financial strength, and scale.

Furthermore, good outcomes are secured

not just by paying scheme members, but by supporting them. Our members share good practice and hear from experts via our Customer Vulnerability Network, on topics including mental capacity, bereavement, economic abuse and maximising income.

'Consumer support' is one of the pillars of the Consumer Duty, and FCA is reviewing firms' implementation of its customer vulnerability guidance, but this focus is not currently replicated in the occupational sector.

As TPR adopts prudential style

regulation to oversee larger, more commercial entities, and treats pension admin as a strategic function, it can learn from other regulators. For example, FCA and PRA set clear expectations about operational resilience, cyber security, and helping scheme members make decisions. With regulatory coordination a priority, further alignment on these aspects of security is needed.

TheABI ABI head of long-term savings, Rob Yuille



VIEW FROM THE PPI: The difference a quarter century can make

2026 marks a major milestone for the Pensions Policy Institute as we celebrate our 25th anniversary.

One of the PPI's first discussion papers, *Raising State Pension Age (SPA): Are We Ready?*, explored the implications of increasing longevity and questioned whether the UK would eventually need people to work longer and retire later. More than two decades on, increases in SPA have become a central feature of pensions policy, demonstrating how the long-term demographic and fiscal

challenges identified in the PPI's early work continue to shape pensions debate.

The pensions system has seen significant reform over the past 25 years, including automatic enrolment, pension freedoms, and the role of pension schemes in driving productive finance.

Throughout this period of change, the PPI has grown to be the UK's leading independent authority on pensions and retirement policy. From early work examining the long-term cost of pensions and demographic change, to more recent

research on CDC schemes, decumulation, and pension adequacy, the Institute has sought to provide impartial insight at key moments for the sector.

As the PPI enters its next chapter, the need for independent research and informed debate remains as important as ever, as policymakers and industry navigate the challenges and opportunities facing the UK pensions system.



PPI head of external relations, Danielle Elliott

Soapbox: Commission confirms need for ‘urgent change’ – can the government deliver it?

The second Pensions Commission’s interim report paints a stark picture of retirement preparedness in the UK.

For the most part, it confirmed what many across the industry have known for some time.

The commission warned that the pensions system must evolve to reflect modern working lives, with 15 million people in the UK currently undersaving for retirement.

The report highlighted that the issue was particularly acute among low and middle earners, women and the self-employed, noting that the number of people under-prepared financially could rise to 19 million without intervention.

Notably, it found that 45 per cent of working-age adults were not saving into a pension at all, despite almost half of them being in work, while just 4 per cent of wholly self-employed workers were saving for retirement. These figures are alarming but hardly surprising.

Just a week earlier, Scottish Widows’ *Retirement Report 2026* revealed that almost a third (31 per cent) of UK adults – an estimated 12.2 million people – are at risk of pension poverty in retirement.

Over the past 18 months of reporting on pensions, I have covered countless reports, research papers and industry warnings highlighting the same trends: low levels of pensions understanding, growing adequacy concerns, and persistent savings gaps among the self-employed and other underserved groups. The question is no longer whether there is an undersaving crisis; it is what the government is prepared to do about it.

The first Pensions Commission, established in 2002, concluded that participation in defined benefit

(DB) pension schemes had collapsed far beyond expectations over the preceding decade.

Its recommendations reshaped the UK pensions landscape: the introduction of automatic enrolment (AE) into workplace pensions, the creation of a low-cost pension vehicle that became Nest, reforms to the state pension system, and gradual increases to state pension age in line with rising life expectancy.

Successive governments implemented those reforms, delivering tangible progress. AE transformed workplace pension participation, while the new state pension provided a simpler and more predictable foundation for retirement planning.

However, the political landscape today looks very different.

Although the commission’s final report and recommendations are not expected until spring 2027, the interim findings reinforce the need for higher AE contributions from both employers and employees, alongside broader action to tackle labour market inequalities and improve pension participation among gig economy and self-employed workers.

Yet the government has already ruled out increasing AE contributions during this parliament, citing fiscal pressures.

Those same pressures are also likely to constrain wider reforms aimed at tackling the structural inequalities driving pension savings gaps.

At the same time, this government has not developed a reputation for swift or radical change, and political uncertainty and speculation over future leadership contests may also make ministers more cautious about pursuing ambitious pensions reform.

That is not to say there has been no



TIME FOR CHANGE

progress. The Pension Schemes Act has (finally) passed into law, and the government continues to push ahead with aspects of its pensions reform agenda.

But many within the industry argue that incremental change will not be enough.

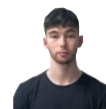
As The Pensions Management Institute chief strategy officer, Helen Forrest Hall, warned: “The Pension Schemes Act is a strong start, but the industry needs bold and innovative solutions on the scale of AE to deliver adequate retirement incomes.”

Similarly, Standard Life CEO, Andy Briggs, stated that the UK was “edging ever closer to a pensions adequacy crisis”.

Meanwhile, Pensions UK chief executive, Julian Mund, said the industry shared the commission’s view that systemic reform was needed to deliver sustainable retirement incomes.

The challenge is clear and the need for action is urgent.

But the jury is still out on whether this government can – or will – deliver reform on the scale required.



Written by Callum Conway

FOR PROFESSIONAL, QUALIFIED CLIENTS AND INVESTORS ONLY

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed.



BlackRock.

Sophie Dapin
Director, Institutional Solutions EMEA
BlackRock

Laura Blows
Editor
Pensions Age

CDC in the UK pensions market

➤ ***Pensions Age* editor, Laura Blows, talks to Sophie Dapin, Director, Institutional Solutions EMEA at BlackRock, and host of BlackRock's *Rewiring Retirement* podcast, about the growing interest in collective DC in the UK pensions market**

➤ **Collective DC (CDC) has been a long-established solution in other European pensions markets, but in the UK it is only just gaining traction now. Why is that the case? What issues are we hoping it may solve for the UK pension sector?**

In the UK retirement market, it is widely recognised that there is a growing need for pensions that can provide an adequate retirement income for life in a way that people feel confident and comfortable with their retirement savings.

If we look at defined contribution (DC) and defined benefit (DB) pension schemes, with DC you get a lot of flexibility, but there are concerns about how easily that transfers into an income for life. With DB you do get that guaranteed income for life, but at a cost and risk level that a lot of employers are not happy to support anymore.

Collective defined contribution sits somewhere between the two. For employers, the contributions are fixed, but members in a CDC scheme do

receive an income for life, albeit it is a target income for life rather than a guaranteed income for life. It also means that individuals do not need to take on the responsibility to manage and plan that themselves.

➤ **I imagine the regulatory backdrop is also feeding this demand?**

Absolutely. In the UK, if we think back a few years, it was only possible for single employer schemes to set up CDC – for example, the Royal Mail's CDC scheme. As of this summer, authorisations begin for multi-employer schemes. That is increasing both the discussion and the demand for this.

➤ **With collective DC now entering the UK market, can we clarify exactly what is meant by the 'collective' element?**

There are two key collective elements to pull out: Investment pooling and longevity pooling.

Investment pooling means that contributions are invested collectively

rather than in individual pots. That collective structure allows schemes to invest in growth assets for longer, because they are designed around the membership as a whole rather than individual retirement dates.

The collective nature of the investment means the members 'keep' risk for longer and can stay invested in growth assets for longer.

Over time, that compounds and can provide a stronger overall retirement income. If you are an individual managing your own pot, you are naturally going to de-risk your asset allocation more as you approach retirement than if you are in a shared pool.

With longevity pooling, instead of each individual having to plan for how long they might live, the scheme pays pensions from a shared pool. Members who live longer continue to receive an income, while assets from those who die earlier remain in the scheme. This removes the risk of individuals running out of money in retirement.

➤ It sounds great to be able to do that, but surely there must be some trade-offs?

Absolutely, there are definitely trade-offs.

One of the really key things with CDC is that, yes, it provides an income for life. However, it is not a fixed amount guaranteed for life. It is a target that can go up and down.

Every year there is a valuation process where the CDC scheme looks at the amount it has, the amount projected to be paid out in the future, and then makes adjustments to the members

income depending on performance and assumptions.

It is therefore important that it is communicated to members that this amount may change over time.

➤ We have been talking generally about CDC, but there are actually two versions: Retirement-only CDC and whole-of-life CDC. What would be a simple explanation of the difference between the two?

They do what they say on the tin.

Whole-of-life CDC is a pension scheme that you join and contribute to while working. Then, when you reach retirement, you stay in the CDC scheme and receive your pension for life.

A retirement-only CDC product is something that you enter when you hit retirement. You may have accumulated your pension savings elsewhere, but you then move into a collective pot to receive a pension for life.

➤ In countries where CDC is already established, which model do we tend to see more of – retirement-only or whole-of-life CDC?

From international experience, we typically see whole-of-life CDC.

Ultimately, the benefits you get from pooling, which I described earlier, are available for longer in a whole-of-life CDC scheme. In theory, the overall improvement in outcomes should therefore be greater.

What is really interesting in the UK at the moment, for retirement CDC, is that there is clearly a huge conversation around what happens when people get to retirement. How do we make sure that people can be guided into the right

retirement income for life?

There is something unique here in that retirement CDC fits neatly into the menu of options alongside annuities and drawdown.

➤ Looking ahead, what would you consider a well-designed pension ecosystem to look like, which incorporates whole-of-life CDC, retirement-only CDC, and the traditional DB and DC offerings?

I think it is a great thing for the UK pensions market that CDC is going to become an option for multi-employer schemes.

There are very few instances where you can offer a really demonstrable improvement to end outcomes without a significant increase in cost. That is really important, and something employers will find very attractive.

It is hard to tell exactly how this will evolve at this stage because it is still early, but I think it is important that CDC is not seen as a replacement for DC. Rather, it is another expanded type of pension offering, which is a great thing.

It is particularly valuable because it targets two of the key issues currently facing the pensions industry: adequacy and providing people with an income for life.

This is an edited summary. To watch the full video, please visit pensionsage.com

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Work/life balance

➤ **Legal & General (L&G) global head of defined contribution (DC), Lesley-Ann Morgan, sits down with *Pensions Age* to discuss her time at British Aerospace before starting in pensions, her sewing projects and a typical week in her life**

Work:

➤ **What was your dream job as a child?**

When I was very young, I wanted to be a TV presenter on *Blue Peter* because I love making things, travelling, meeting interesting people and talking about it. By the time I was 15 or 16 and had to pick somewhere to do a week's work experience, I had decided I wanted to be an actuary, so I went to a local insurance company and was hooked.

➤ **Do you have any unusual job experience outside of working in the industry?**

Despite the early plan to be an actuary, I was sponsored through university by British Aerospace, where I spent every holiday from university working in various divisions. Most unusual was working alongside the teams making the Airbus wings – I was terrified of the huge acid tanks where the wings are dipped.

➤ **How did you end up working in the pensions sector?**

After British Aerospace, I moved to Australia with little intention of coming back to the UK. But I did come back (with a slightly Aussie accent) and went to train as an actuary with Watsons.

➤ **What path did your pensions career take, that led you to your current role?**

Within a few months of starting at Watsons, all the new graduates were told that they had to choose an office to move to. I researched all the departments and realised that investment was my natural home. Thankfully (with a bit of behind-the-scenes navigation), I landed the role in the investment consulting team. I have been involved in pension investing for 33 years.

➤ **What's one thing about your job that you particularly enjoy or are proud of?**

Two things: I love working with clients

to help solve their investment problems alongside my creative L&G colleagues, and second (going back to that early desire to be a TV presenter) doing vodcasts for L&G.

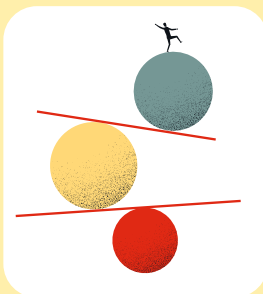
➤ **If you weren't working in pensions now, what would you be doing?**



I worked in a dive school in Thailand many years ago. I loved the diving but not the monotony of teaching students the same techniques every few days when a new class came through. I would probably be scuba diving somewhere exotic, most likely volunteering on a marine conservation project.

➤ **What's the best piece of career wisdom you've been told, or acquired yourself?**

From *The Squiggly Career*: "Challenge your limits, don't limit your challenges" and "there is no such thing as a straight line to success".



➤ **Monday**

I start the day running through activity for the week ahead with my teams, which will likely include meetings with consultants and trustees (including the master trust), new business pitches and seeing existing clients to discuss all aspects of our DC investments.

The defaults are often a focus – these include a wide array of impactful assets such as affordable housing and clean energy, making a tangible contribution to the UK economy.

➤ **Tuesday**

I spend at least one day of the week with our clients to understand their needs and what matters for the members, ensuring our offering aligns with what they expect from their pensions manager. That might be in 1-2-1 meetings or attending a conference.

➤ **Wednesday**

Expanding L&G's DC offering beyond the strong base we have in the UK is a priority for me, and this will often involve meeting with potential clients and industry stakeholders in new markets overseas. I'm currently preparing for a trip to Asia and Australia, where I'll meet with pensions leaders,

Life:



➤ What do you like to do in your spare time? Any hobbies?

When at home I love to make clothes, spend time with my family and dog, and playing pickleball. When I am on holiday, I love scuba diving, travelling to new places.

➤ If you had to choose one favourite book, which would you recommend people read?

I read a lot of books so it's hard to put my finger on one. My taste is quite varied – I love Thomas Hardy (I grew up in the West Country), murder mysteries, comedy, satire, romance, contemporary. I often have a 'worky' book and a fiction on the go at the same time. I just finished *Die with Zero* and I am currently reading *Remarkably Bright Creatures*.

➤ What film/boxset do you most enjoy?

Despite not loving football, I loved *Ted Lasso*. I love Ted's genuine care for others, Hannah Waddingham (as Rebecca) for being a resilient female

boss with authentic support for Ted, and the overall sense of personal growth that runs through the series.

➤ Do you have any music/band/song suggestions?

My desert island discs playlist on Spotify is long. Picking one song is really difficult. It would have to be one from INXS's *Kick* album (one of the best albums ever) – probably *Never tear us apart*, *Need you tonight* or *Devil inside*. It evokes memories of starting a new 'grown up' life at sixth form college.



so it would have to be Machu Picchu.

➤ What's one of the most interesting places you've travelled to?

I dragged my children to lots of countries when they were small,

➤ What's your go-to comfort food?

Cauliflower cheese.

➤ Who would be your dream dinner party guests?

It's a cliché, but George and Amal Clooney.

➤ If you could meet any historical figure, who would it be and why?

Thomas Cromwell. He was a brilliant politician and was massively influential in the transformation of England's religious and political landscape over many years. But he was complicated – spurred on by money and power, he was both corrupt and brilliant. And how ironic that his ultimate downfall came because he picked an unsuitable bride for Henry VIII.



➤ Do you have a favourite quote or saying?

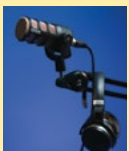
Michelle Obama provides so many quotes that resonate with me. If

I was to pick one, it would be: "When you've worked hard, and done well, and walked through that doorway of opportunity, you do not slam it shut behind you. You reach back, and you give others the same chances that helped you succeed".

➤ Finally, what's the most random fact you know?

Heard recently on Professor Hannah Fry's podcast, *The Rest is Science*: "There are more raindrops in clouds than data in the cloud". Probably by a factor of about 1,000 times.

sharing lessons from the UK and learning what we might apply in the UK. We'll also discuss how we can help them solve the issues they are facing in their DC markets.



➤ Thursday

Communicating what we do to our audiences is an important part of the job, and I enjoy demystifying pensions for the savers we ultimately serve. This will involve creating

video content (I am the host of our vodcast called *DC Close Up*), overseeing research, and speaking to government, regulators, media and industry partners.

➤ Friday

I'll typically spend Fridays reading research, thinking about

our longer-term investment strategy and reviewing papers. I'll also review progress with overseas target prospects by providing support on product innovation. Friday night is exercise night – two hours of pickleball with my husband at our local sports centre.

➤ Saturday

My husband loves to windsurf so if it's a windy day, we spend it at the beach with our dog.

➤ Sunday

I always have a sewing project on the go – so I'll spend a few hours on this (I love making an original garment and sewing is also great for your mental health). Inevitably I'll do some work to prepare for the busy week ahead.

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

Targeted 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

From what toppings to get on your pizza order to whether to bail on that social event you've been dreading, choices are a constant in all our lives.

Without even realising it, we make hundreds of small decisions every day; insignificant individually, but combined, they paint the canvas of the next day, week or year of our lives – a concept often referred to as the butterfly effect.

And when it comes to choice, pensions are no exception.

Pension freedoms came into force in April 2015, revolutionising retirement. They placed unprecedented control in the hands of savers and fundamentally shifted how the industry approached retirement planning.

The intention was to give defined contribution (DC) savers greater flexibility and control, enabling them to pursue better outcomes and tailor retirement planning to their individual needs.

But a decade later, that flexibility has also brought greater complexity and responsibility.

Now, many in the industry are questioning whether the sheer scale of choices available risks overwhelming members rather than empowering them.

As schemes increase member flexibility and personalise retirement journeys, the central debate is whether the industry should prioritise preserving freedom of choice or focus on designing better defaults for stronger long-term outcomes.

The power of defaults

In many ways, the industry's greatest success story – automatic enrolment (AE) – was built on members doing very little at all.

Introduced following the Pensions Act 2008, AE was intended to address declining workplace pension provision in the early 2000s.

XPS Group head of DC, Sophia Singleton, argues that it has



Summary

- Automatic enrolment has demonstrated the effectiveness of defaults, but pension freedoms has significantly expanded the number of decisions members face.
- Industry experts warn that excessive choice can create confusion, disengagement and poor outcomes, particularly at retirement.
- Guided retirement, targeted support and smarter default pathways are increasingly seen as key to improving long-term member outcomes.

The burden of choice

Callum Conway explores whether pension schemes should prioritise preserving member choice or designing better defaults as the industry grapples with disengagement, decumulation and increasingly complex retirement decisions

demonstrated both the strengths and limitations of relying on defaults.

“AE has been a huge UK success, bringing over 11 million people into workplace pensions,” she says.

“But the inertia that got people saving could now hold them back from adequacy.”

Singleton says that the next phase of pension policy will require schemes to balance automation with stronger member engagement at retirement, particularly as members face increasingly

complex decisions around decumulation.

That tension between engagement and simplicity is becoming increasingly central to the debate over member outcomes.

For many schemes, defaults remain the cornerstone of pension saving, with most DC savers staying invested in default arrangements throughout their working lives, relying on trustees and providers to make decisions on their behalf.

XPS Group head of DC investment,

Mark Searle, says that this should not necessarily be viewed negatively, as it “reflects the power” of AE inertia.

“For the vast majority of savers, the main default fund is likely to be the better option, benefiting from scale, governance and expert investment design that evolves over time, compounded by the growing use of private assets, to target stronger long-term outcomes.”

Meanwhile, highlighting the risks of too much choice, AllianceBernstein portfolio manager, David Hutchins, says, “The new freedoms introduced dangers such as making suboptimal investment choices and over-optimistic drawdown rate assumptions”.

“Our research shows that most DC savers facing retirement don’t have, and can’t access, the necessary resources to strategise for themselves,” he continues.

“We believe a default strategy can make better investment decisions for them for a lifetime.”

Echoing this, Singleton concludes: “The key is choice at the right time, underpinned by robust defaults in both the saving and retirement phase.”

Guided retirement gathers pace

The recently passed Pension Schemes Act represents a significant shift in thinking when it comes to retirement choice.

For the first time, DC trustees will be required to provide a “default pension benefit solution”, also known as guided retirement, rather than simply delivering a savings vehicle.

A growing focus on default decumulation solutions reflects wider concerns that the industry may have overestimated members’ willingness or ability to engage actively with pensions.

People’s Partnership proposition director, Kirsty Ross, says the provider’s research highlighted how real-world saver behaviour often differs significantly from policymakers’ assumptions.

“While members often say they value choice, the reality is that the majority don’t actively engage with their pensions,”

she explains.

Instead, Ross suggests that many members feel overwhelmed by the scale and complexity of retirement decisions, meaning engagement alone is not a sufficient solution.

“The opportunity now is to extend that thinking across the member journey, combining well-designed defaults with flexibility for those who do want to engage,” she says.

Similarly, TPT Retirement Solutions DC director, Philip Smith, warns that many savers remain poorly prepared for retirement decision-making.

“Pensions already feel complicated to most people, so when you add layers of choice on top of that, some people will freeze”

“Our own research revealed that just 35 per cent of pension savers felt confident making basic retirement decisions, such as how to access their pension. If schemes offer a decumulation pathway for members, it could make it easier for savers to transition into retirement,” he explains.

However, Lumera commercial director for data and dashboards, Maurice Titley, warns that the legislation intended to address this represents a major shift in trustee responsibilities.

“Assigning a default pathway is not just about presenting an option at the point of retirement – it defines the end-to-end asset allocation glidepath so has a very real effect long before retirement, meaning this assignment process will need to be justifiable, using evidence from membership characteristics and behaviour.

“For providers and administrators, maintaining this evidence creates a demand to get more from the data they hold than ever before,” Titley adds.

The problem with too much choice

From a behavioural perspective, experts warn that increasing optionality can often lead to decision paralysis rather than better-informed decisions.

Quietroom senior writer and content designer, Maddie York, says “choice overload” remains a major challenge across pensions communications.

“Pensions already feel complicated to most people, so when you add layers of choice on top of that, some people will freeze,” she states.

York argues that the industry often designs communications around idealised saver behaviour rather than how people actually make decisions in practice.

“You see journeys designed for a person who reads everything, weighs up every option and makes a calm, informed choice – that person doesn’t really exist.”

This is a concern echoed by Oxford Risk head of behavioural finance, Greg Davies, who argues that pension communications and retirement solutions often fail to account for how differently individuals behave.

“I could take two individuals who have absolutely identical financial situations, but if one is highly impulsive and one is not, it completely changes the right advice to give them and how it should be communicated,” he explains.

“The impulsive person is less likely to stick to their spending plans, so they face greater longevity risk and sequencing risk problems.”

With this in mind, York believes schemes need to focus more heavily on behavioural design, clearer communication and guided journeys that simplify complex decisions.

“The way to do it is to give people a clear, well-designed default path and then make it easy to step off that path if they want to,” she says.



Supporting better decisions

Many across the industry argue that pension choice should not become a binary debate between preserving flexibility and protecting members.

My Pension Expert policy director, Lily Megson-Harvey, argues that the real challenge lies in ensuring members are properly supported to navigate their options.

“Choice has an important role to play in pension planning; however, people must be properly supported to understand the options available to them and which best suit their needs.”

Megson-Harvey also challenges the idea that members are inherently unwilling to engage with pensions.

“In many cases, savers have not been given enough meaningful opportunities to do so,” she explains, arguing that communications and education need to become more proactive and accessible earlier in people’s working lives.

Similarly, Wedlake Bell senior associate, James Newcombe, suggests that trustees increasingly need to focus less on maximising optionality and more on delivering outcomes.

“Choice is only valuable where members are equipped to make an informed decision. Otherwise, more choice can create confusion, inertia or poor decisions.”

This growing emphasis on support is increasingly being reflected in both regulation and retirement product design.

The Financial Conduct Authority’s investment pathways regime was introduced to support non-advised drawdown consumers following concerns that many members were drifting into unsuitable retirement arrangements after accessing pension freedoms.

Meanwhile, from April this year, banks, pension providers and other authorised firms have been able to provide targeted support suggestions to groups of consumers with common characteristics, helping bridge the gap

between generic guidance and regulated financial advice.

According to Newcombe, these developments reflect growing recognition that many savers require more structured support when navigating retirement decisions.

“Simply presenting more options is not enough,” he stresses.

“Many savers need structured help, prompts and ‘ready-made’ suggestions tailored to groups of consumers with similar characteristics.”

The picture is further complicated by increasingly sophisticated investment options, including ESG-focused funds, private market exposure and personalised fund ranges.

XPS Group head of DC investment, Mark Searle, warns that schemes risk overwhelming members if fund ranges become too broad.

“There is a balance to be struck: enough choice to meet genuine needs, without turning pensions into a bewildering menu.”

However, he argues that sustainability considerations should increasingly be embedded within default arrangements themselves, with only a limited range of additional options for members with stronger preferences.

“The priority should be a high-quality default strategy that already reflects material sustainability-related risks and opportunities,” he adds.

Despite the development of digitalised pension support, Aptia head of UK administration, Sue Doughty, stresses that human communication remains equally important, particularly at the point of retirement.

“Retirement is a major life stage, and for many people, confidence comes from being able to talk decisions through with someone.”

Doughty notes that when people are helped to better understand their options, they are “far more likely to make decisions they feel comfortable with”.

Conclusion

Ultimately, while the industry continues to expand flexibility, personalisation and member empowerment, many believe the future of pensions will increasingly centre on smarter defaults, guided journeys and structured support rather than simply providing more options.

After all, while the dozens of everyday choices we make may carry relatively small consequences in isolation, a single pension decision can shape someone’s financial wellbeing for decades.

And unlike many of life’s smaller choices, retirement decisions are often irreversible.

As DC pensions become an increasingly important component of retirement income, schemes are recognising that preserving member choice alone may not be enough to deliver strong long-term outcomes.

Instead, the challenge for trustees, providers and policymakers may now be to build pension systems that work effectively for the disengaged majority, while still preserving flexibility for those who want to take a more active role in shaping their retirement journey.

 **Written by Callum Conway**

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CHAIR



Andy Cheseldine, Professional Trustee, Capital Cranfield

Andy joined Capital Cranfield in 2017 after a career as an adviser to trustees and employers at Watson Wyatt, Hewitt Bacon & Woodrow and latterly as a partner at LCP. Using his experience of over 30 years in consulting on both DC and DB pensions and liaising with regulators, he is able to use his wide knowledge for the practical benefit of trustee boards. He has served on the Pensions UK DC Council since 2013 and has a successful record of advising on regulatory, governance, change management, investment, provider selection and communication issues.

PARTICIPANTS



Michael Ambery, Retirement and Savings Director, Standard Life

Having joined Standard Life at the end of February 2024, Mike

is retirement and savings director across the group business. He is responsible for the broader platform of thought leadership, taking learnings from a global perspective to help shape the development of pension service and proposition. A seasoned commentator, Mike frequently speaks on pension industry issues and has a particular interest in developing understanding of productive capital in the UK's retirement system.



Mike Birch, Client Director, Vidett

Mike is a professional trustee with a spread of DB and DC pension schemes including membership

of the Scottish Widows Master Trust trustee board. He joined Vidett in 2024 from The Pensions Regulator (TPR), where his position as director of supervision gave him responsibility for all of TPR's engagement with schemes of all types other than formal enforcement. Prior to TPR, Mike's career was in banking. He is accredited as a professional trustee by the APPT and is a member of the APPT legislation and regulation sub-committee.



Philip Brown, Head of DC, Master Trusts and Lifetime Savings, Pensions UK

Philip joined Pensions UK in

February 2026. With over 38 years of experience in financial services, most in pensions and retirement income products, he has held various roles, including independent consulting, director of policy and external affairs at Nest and People's Partnership, head of policy at LV=, and senior policy associate at the FSA. He also managed the vesting process for a large pension and life product portfolio and won The Public Affairs Awards 'Corporate Campaign of the Year' 2016.



Geoff Marchment, Head of Master Trust Development, Aviva

Geoff is accountable for the sustainable growth of the Aviva

Master Trust, now the UK's third largest commercial multi-employer scheme, supporting over 600,000 members and £19bn in assets. Geoff leads the Aviva team on the member experience and communications committee, shaping strategy to improve engagement and long-term member outcomes. He has helped deliver major workplace pension change programmes across both contract and trust-based schemes.



Jacqui Reid, Partner, Sackers

Jacqui is a specialist pensions lawyer with many years' experience advising trustees and companies

on all aspects of UK pensions law, regulation and industry best practice. Her clients include trustees/providers of master trusts, DC and DB occupational pension schemes, personal pension providers, IGCs, and international/FTSE 100 and 250 companies. She is passionate about eliminating the gender and ethnicity pensions gap and also chairs and coordinates cross-industry initiatives on VFM, aimed at improving member outcomes.



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Chair: There is so much happening in the DC/master trust space, but let's start with an important evolution – default retirement solutions. With legislation on default retirement solutions still to be brought forward, how are DC/master trust providers preparing their propositions now to ensure they can genuinely support good member outcomes particularly for disengaged members?

Michael Ambrey: It's a key issue as many pension savers in the UK aren't actively engaged with their pensions, opting for the default provided by their employer's scheme. With low engagement, it can be difficult to know what individuals' expectations are at the point of retirement. Are they looking to achieve the Pensions UK Retirement Living Standards? I suspect the majority are purely of the mindset that their pension is going to deliver something at a point in time, and probably won't have a reference as to whether this income is good or bad, but will have an expectation that the pension provider will produce a good outcome.

So, as providers we need to make sure that we look at the asset components, at the growth phase and the income phase, across the entire lifecycle of that strategy, while being mindful of delivering good outcomes. By considering two things in terms of the value for money (VFM) framework – around what is past performance, and what's a future projection, and then how we balance the required asset classes based on need, we can achieve these good outcomes.

We are also looking forward to more data being available. The more data we have, the more personalised we can make the customer journey. Saying that, it is



Creating value while navigating change

▶ **With so much change on the DC/master trust agenda, our panel of experts explores topics including default retirement solutions, private markets, targeted support and more**

difficult for an industry to personalise everything. You need to have a 'one-size-fits-all' objective until we have enough data available.

We're also in the midst of a lot of regulatory change. How do we balance that regulatory change to personalise things?

Finally, people's income needs vary, with some more reliant on DC than others. While a one-size-fits-all approach works generically, there's an advantage to it being personalised and we are evolving our propositions to deliver that.

Jacqui Reid: With default retirement solutions, I was pleased to see that the requirement is around 'one or more' default solutions, not just one, for that very reason – because retirement is individual and, therefore, providing a one-size-fits-all solution isn't appropriate.

Also, you can only do so much, with the best will in the world, with pots. Adequacy and encouraging contributions in is the way to make the retirement

solutions piece work even better. I'm a big supporter of doing more for members to and through retirement, there's very little that's been done to date there, but, again, it's not a one-size-fits-all solution.

Finally, the word 'default' doesn't reflect the nature of what is being proposed, because it's actually a 'help me do it' solution. Members have to make decisions at some point so the solution can't be a true default, whether that be how much tax-free cash they want to take, what their bank account details are – basic things. It must go glove in hand with support, so the targeted support piece is important.

Philip Brown: This is a challenging subject. Having a one-size-fits-all default in retirement sounds like it introduces interesting challenges to the market. But, as has been said, the DWP legislation refers to multiple. So, they're thinking, how do you cohort up your book into slightly different solutions for different people that have similar characteristics?

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And we're on a journey of getting access to the data to do that kind of work. So, it's important that we remember it's not about a single soft default.

But there are still lots of challenges that we don't have answers to now. We've got a framework in the new Pensions Schemes Act 2026, and we are expecting a lot of secondary legislation over the rest of this year.

The other area that we need to get a grip on is how this interacts with targeted support and how it will interact with simplified advice when that comes through in the fullness of time, because that's being consulted on. We keep layering pieces of legislation without necessarily looking back and asking how it interacts with existing pieces of legislation. So, we really need to see the secondary legislation before we can get into the detail.

Mike Birch: Key to this is understanding your membership – that's a varied group and it's one that's changing. The big change also that's coming is that greater reliance on DC pots rather than it being an additional part of what's underpinned by DB. So, it's key to understand your members, but those members are quite varied, and you only see a small part of their pensions provision – therefore getting the trust and the communication for them to share with you more is important.

Also, it's important to do more earlier because, by the time you get to your retirement decisions, it's too late to make sure you've got a basis for a good

retirement. And it's really important that, if there are defaults, they are at the end of a good communication journey where you've built understanding, you've built trust and people can make an informed decision on what's right for them, particularly if your default is – as it's going to be for some master trusts – something like collective defined contribution (CDC), which is a final decision. It's like buying an annuity and you don't want that to just be something people fall into; you want them to have made that decision and have enough communication around that.

Finally, getting the ability to have no or low-cost advice is going to be important. Artificial intelligence (AI) will help, but it's going to be important to have that because, whilst what to do at retirement is a very big decision for people, they don't want to pay for advice, other than those with large amounts. So doing something that ideally is no cost, or very low cost, is going to be important so that you can look holistically at what people have and what's appropriate for them, and talk to them in their own terms about what they are trying to achieve rather than in financial terms.

Geoff Marchment: Aviva is in the strong position of having a solution, Aviva Guided Retirement, which we can offer to members within our master trust ahead of the default, and it's really for Aviva to then have the interactions with the Aviva Master Trust Trustee and understand whether that is going to be something that will play a role within a default retirement solution. We think it absolutely will.

On the data point, we've got information already on our membership, built up over the duration of their time with us. We will likely need to ask members at the point of retirement some simple questions and that immediately

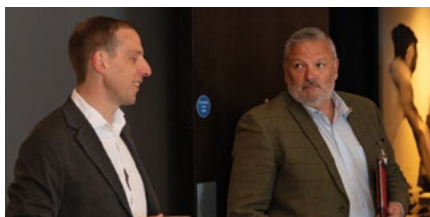
takes it out of the true default space.

Then we'll be looking at how you cohort that membership – again aiming to keep those cohorts relatively simple. We're not expecting 12 different cohorts. We are hoping it will be three or four. There's likely to be a de minimus level, where perhaps it might be a return of fund, through to those with very large pots who may need to take full financial advice. A default retirement solution is really supporting those members in that middle space.

In terms of outcomes for those members, this is not about the best possible outcome – it's about ensuring they achieve a better outcome than doing nothing. Because, ultimately, what we're here to do as providers is get people into a better place, and also to help them avoid making bad choices at retirement. Catastrophic decisions at retirement, such as moving into something that is entirely unsuitable or placing their whole of life retirement savings with an unsuitable provider, may not be reversible.

Chair: People around this table mostly represent schemes that have the full range of members. But if you look at some of the other master trusts, the average pot sizes are smaller, so they're in a very different position.

Marchment: That's true. Right now, even at Aviva, we do see members retiring with small pots and just taking full cash. Though that is quickly changing and, even those on relatively modest salaries, with modest contributions coming in – auto-enrolment minimums – in their 40s, we're projecting that in 20 years' time, they'll be coming up to retirement with pots close to £150,000 to £200,000. This is going to be a sum of money that potentially these individuals will never have seen in one place – it's almost a windfall at that point. So, the





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time is right for a default retirement solution to be coming through.

Chair: We have talked about the positives here – what are the potholes?

Reid: With some structures, the risk is that the member runs out of money before their annuity is payable at 80 – even where you have guardrails in place.

In other structures, you might get a complaint from members that the annuity at 65, for example, is expensive and that they've been ripped off, even though it does provide an income from the beginning of their retirement.

If you're an own trust scheme, you are more likely to partner with a master trust to provide this default retirement solution. For those own trust schemes, it's unclear where the liability for that member's benefit stops and passes to the master trust, noting the new requirement 'look through' to the member's needs and characteristics.

Finally, one of the most important things will be the questions you ask at retirement, for example: Is there someone else in your family that brings in income? Do you have a mortgage or are you a renter? It's not just about pot size; those questions are important and, ideally, will dictate the investment solution that your members might put in.

Also, my personal view is that to make solutions more effective for members, these questions need to be asked not only at retirement but earlier, although I appreciate the complexities with that.

Birch: For regulators, this is going to be tricky to get right, and easy to ruin! Default solutions need to be good, but they don't need to be perfect, because you're dealing with big groups of people. Also, for targeted support, the regulators are going to need to give enough leeway for these to actually work, and for

providers to get involved and use them actively without putting pages of legal get-outs on everything that stops people reading anything. If it's going to work, it's got to be about communicating clearly in a way that people understand and engage with, and that can leave you open to lots of hindsight and, in five/ten years' time, big penalties from regulators.

If there's any expectation of that, then the response and the protection against that will kill a lot that's good within all of what we're developing at the moment, because it has to work as a suite; but it has to be based on a bit of trust that the regulators will be practical and realistic in terms of it being good enough – better than not doing anything, but not perfect.

Brown: I completely agree that the challenge is a communication one, but the current wording which deals with guided retirement solutions doesn't deal with communication. Communication has been carved out for a separate piece of activity. That might mean it's challenging at first, because we don't know how quickly that will come. Then, how will that interplay with all the things that the FCA is consulting on?

So, I could look at targeted support and say, there's a continuum from information through guidance to holistic advice and, at the moment, targeted support is sat on the other side of the advice boundary with basically a safe harbour.

Logically, though, surely it should go: information, guidance, targeted support, then an advice boundary which brings you into simplified advice, and then a further boundary which brings you into holistic advice? But they have made it more complicated than it needs to be.

Ambery: On the data side, it boils down to what our roles and responsibilities are within the industry



– the role of an employer, a provider, an individual. That's been changing within the UK over the past 40 years. The paternalism offered by employers has rapidly changed towards individuals having to look after themselves.

I also agree that there are certain pieces of customer data required to build a picture, such as: What are you going to get from the state system? How much do you need at the point of retirement? What are your spending levels? With this information, then a range of solutions can be offered based upon that data.

We also have other issues to solve. For example, fragmentation with people having ranges of pots from multiple employments.

We also have the issue of financial literacy. Whilst everyone in this room is trying to educate people, we have financial literacy that is secondary school level at best, and addressing that is part of what we must do as an industry.

There's a member engagement problem as well, and that is solved by advice and, to some extent, is solved by guidance, and is solved by some media, (whether it's trusted or not, because there's still a lot of non-trusted opinions that are becoming more prevalent). AI will also play a part in that, but AI also sadly opens the door for scammers.

The role of private markets

Chair: How important a role should private markets play in DC schemes/master trusts? What approaches are

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available in the market for incorporating private markets within default funds?

Marchmont: Aviva launched My Future Vision, our private markets default, in Q3 last year. It has a 25 per cent allocation to private markets – so a high conviction, multi-manager approach – and early signs are that it's outperforming our standard default, My Future Focus.

I think private markets are likely to play an essential role within master trusts and the DC landscape going forwards. One question for this room, and the industry as a whole, is how the government legislation intersects with member outcomes. There is a clear direction being set under Mansion House and providers are responding to that by delivering solutions including increasing allocations to private markets.

We have had a concentration of private markets within our standard default for many years – 10 per cent in UK commercial property, which is now being diversified into other asset classes. So that's already within our standard default, but we are also pleased to be introducing a new solution with a higher allocation to our clients.

The question we'll need to consider over the next few years is how those multiple default solutions, where providers have more than one, potentially amalgamate into a single best default.

Birch: There's big potential for private markets to help underpin better long-term returns, which ultimately is going to

drive better pensions. It's an area towards which the market generally is moving and that's positive, but I have always had my concerns about mandation which I know has been addressed in the new Pension Schemes Act.

So, it's a good area for government to encourage (but not force), and a good area for trustees and providers to develop. It's also seen a lot of enthusiasm from ECBs, which will also drive providers to look at it. So, it is all focusing in the right direction to make a more sophisticated offering for members.

Brown: It's an interesting subject. There are a number of schemes that have been on this journey for some time. There are lots of other schemes that are on that journey now. And you can see from the schemes that have been in this market for a long time with private market holdings, that they've produced returns which can be above general market returns.

If we look at other jurisdictions, it is interesting what you find (although you've got to be careful when comparing the UK with Australia or Canada, because you have different tax situations). In private holdings in pensions in Australia, it's not unusual to have 30 per cent in private markets. But you've got to factor in there the maturity of the scheme, the age profile of the members, know what risks you're taking on behalf of members.

As an organisation, we're supportive of it, and this is a big underpin for the government's push for scale; and if you want to get to a place in private markets where you have a diverse range of access points to private markets, scale's the thing you need if you want to have direct holdings.

Reid: I'm supportive of investment strategies which incorporate allocations to private markets if it's in the interests of the members and the trustees have

fiduciary control over that investment strategy. My worry is that mandating an investment allocation does not always have members' interests front and centre.

I think care needs to be taken with private markets in the context of own-trust DC if the agenda is to consolidate, because these are long-term investments. I suspect the providers could take some private market investments in specie on a DC transfer, but I think it becomes problematic because they're longer-term investments. So, something for own-trust trustees to think about.

I have also observed that the Pensions Schemes Act has a number of policy objectives in it, some of which don't necessarily fully align on the face of the drafting. An example of this is how private markets play into the VFM framework. I know there's some forward-looking metrics in there, but the VFM framework is predominantly backward-looking – one/three/five years, and investment performance is key. However, private markets is forward-looking, longer term and more expensive. So, you've got that slight juxtaposition in the Pension Schemes Act with noble policy objectives but there's not always an alignment.

Ambery: At Standard Life, we've also launched a premium default with conviction to around 20-25 per cent in private markets. I agree there is no need for mandation, especially if the incentives are there for investment. I believe an aligned strategy between government and industry can give the incentives that are required.

I could go through a whole range of things that the UK needs – infrastructure, energy, housing, food transition – these are things that the UK needs for better outcomes; and better outcomes isn't always about financial performance. I know other regulation



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will come through over the course of the year to say ‘what does it mean in terms of net zero transition, what does it mean in terms of climate’ and so on, these are all factors of where money should be invested and be trusted to be invested. So, our default solutions have different factors of that percentage of private market investment.

What I’d encourage any government to do is to say what are the incentives to be able to deliver those, particularly within the UK. Part of our commitment, our delivery, is two LTAFs. One is UK based as part of Future Growth Capital with Schroders, the other is overseas.

Coming back to Australia, I do believe they deliver better returns because they’ve got the conviction, but it’s also incentivised. There’s an ‘Australia first’ principle. Similarly, if you go to Canada, there’s VC conviction and rebates given. So, we need to work out what that looks like for the UK. There have been decisions made to decrease investment in the UK. We’re not incentivised to invest in public markets within the UK as much as we were. Should we? How do we facilitate that? How do we grow the UK market? Because the vast proportion of customers for us are retiring in the UK and want to have a sustainable world to live for in the UK.

VFM

Chair: We have already touched a little on the proposed VFM framework, but what are the panel’s thoughts on how it will work in practice?

Brown: VFM in principle is the right thing – thinking about the value of the product rather than the cost of the product makes sense. We’ve been through three consultations now and we’re waiting for a rules consultation later this year.

There are still several areas of the consultation that are challenging. We haven’t answered the question of data standards, for example, making sure we’re all comparing apples with apples. You can look at the Pound for Pound (£4£) initiative that ran last year – that had significant challenges in data standards between different providers. So, we’ve got lessons that this isn’t an easy thing to do.

I would go further and say that we welcome the increased granularity in the proposed framework, going from three traffic lights to four. But, at Pensions UK, we still have real concerns about the amber rating and how they have proposed it for the UK.

In the Australian version of VFM, if you become amber, you have to build a plan for a route back to green, and you’ve got to tell your members what you’re doing and why you’re doing it. If you’re amber again in a second test a year later, then you start stopping schemes taking additional new employers and contributions.

In the UK, we’ve defined it as that happens immediately. So, I question how a scheme that is given an amber rating can recover? If you’re rated amber, you’re basically on a slope towards red and it’s very difficult to go in the opposite direction. So, that needs to be challenged.

Reid: I agree the amber rating is commercially very damaging. Whilst I appreciate they are a starting point, I also have concerns that the ratings are too basic, and that we are going to herd towards different shades of green. In practice, I think it will be difficult for master trust trustees or IGCs to rate their provider as anything other than a shade of green.

In addition, because of the way that the default has been defined, the contract-based industry is going to

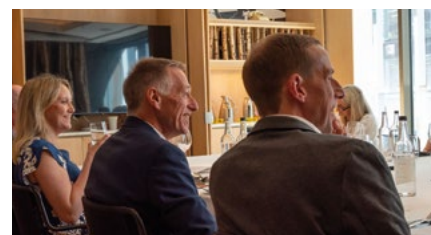
have to put information into the TPR database about a large number of defaults because they will have many more bespoke arrangements for their employer clients. This is different from the trust-based market and will result in a huge number of data points potentially being submitted to TPR’s database. It will be really important to understand the way in which data which is submitted will be verified – will that be by TPR or publicly available and therefore able to be scrutinised by the industry?

So, with this in mind, I am keen that regulators consider introducing this on a phased basis. I know that delivery is extremely important to the regulators and they’re in a difficult position as well, but I’m a big advocate of a phased basis, maybe just starting with the main defaults, for example, and seeing how that goes.

I’d love to see a dry run and, actually, if you have that dry run and contractual override comes in, and you’ve got people looking towards consolidating their main scale defaults and so on, that means that less data goes into that database, and you have more chance of the data being more accurate leading to more meaningful comparisons.

I know others in the industry are lobbying for these kinds of changes, and I think they are really important, because the consequences of an amber rating are so severe so the industry needs to have confidence in the database.

Brown: We’ve echoed that in our



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response – we think it should be a light touch in the first year without necessarily publishing the outcomes, so we can learn from all the data that goes in. Dry runs would be fantastic.

Ambery: We are largely supportive of VFM, but what's the purpose of it? It should be about delivering better outcomes for members, full stop. It achieves other things too, consolidation being one of those. The industry is doing well. Scale tests and otherwise could be methods of achieving consolidation.

Why was it introduced in Australia? Two reasons. Performance ratings i.e. measuring levels of investment performance; and that's what comes through for me from VFM – what's your level of investment performance relative to others within the market? Because that sets what colour code you are. The other things are less important. If you don't achieve the colour code on investment, it doesn't really matter what your member engagement, or quality of services are. That's the problem of what we have there.

In Australia, other than that, it was around consolidation.

With the traffic light system, red and amber are warning signs. What do we do with it? What do we say to the members? How do you communicate that? That's a massive issue in Australia to be able to do that. So how do we get consolidation in the right way?

The major aspect for me then is on investment performance. Is it purely about metrics? If you're purely about

investment performance, it's about the returns. It's not about other factors that we consider – sustainability, net zero, or otherwise. Is it just about what's the maximum amount of return? And then how do we judge it?

Also, we are looking back over one/three/five years, how do we start to introduce private market solutions that haven't existed or have existed in different fields over a period of time and bring those in?

So, I do believe certain objectives are great around this. How it's delivered, how it's performed, is the true factor, because I think we're going to look to the VFM that actually looks at investment performance.

Marchment: We do have the opportunity under the Pension Schemes Act around non-consent transfers, potentially for providers to use that legislation to tidy up some of the challenges that VFM is aiming to address. So we, along with other providers, will have, certainly in the consent world, a significant volume of defaults operating on a range of schemes from the very small to the very large. And there's an opportunity under non-consent transfers to look at that ideally ahead of VFM, but timing again is going to be a challenge.

So, the intersection of policy with ambition, with when we're actually going to get the legislation brought forward and for IGCs to be able to take that kind of action that would be needed, is going to be an area to keep an eye on.

But Jackie [Reid] highlighted another problem – there are essentially thousands of defaults within the provider space, so this is a massive exercise for contract-based providers.

One final point, when we've looked at assessing VFM across multiple providers, we all have different terminology, we all have different underlying administration

systems, and being able to have consistent definitions that work across the industry is going to be challenging, though I hope not impossible.

Birch: Typically for regulators and legislators, once a powerful instrument is thought of, it gets lots of potential uses and there are a multitude of things that are trying to be done with VFM.

So, at its simplest, it's about value, not cost – which is great. It's about driving value in the market – great. Then you have to adjust it to what you want to happen in terms of change in that market. Private markets is the obvious one, and that drives you to have future looking metrics which give you the risk of manipulation. That becomes difficult but probably necessary because it's a blunt instrument that could damage the development of the market.

But the key one for me is it's looking at sole trusts and master trusts and, for sole trusts, TPR very much has a view (and I think at a high level this is right) that master trusts or GPPs offer a much more sophisticated offering in terms of communication, investment and governance than most sole trust schemes. And this is a blunt instrument to drive that consolidation in a way that the previous VFM regimes haven't.

So, it's looking to drive consolidation, but that same stick will also be used to hit the master trust and GPPs. That's where it's going to get tricky and where you'll have the problem of very blunt outcomes – moving between green and amber is pretty terminal for the fund that's being measured. EBC ratings, in comparison, are much more nuanced and can take into account forward-looking metrics as well as backward looking metrics, and do so in a more nuanced way. So, it's created a complicated thing for TPR.

Chair: As a trustee, could you see





an environment where those cliff-edges between green and amber, or certainly into red, are so important that there's a lot of pressure brought to bear?

Birch: That could be a risk, but on most things where you could take a subjective view it won't influence the outcome. The one area where it could be a risk is expectations of future return, where there could be pressure to take optimistic views. Everything else is second order because, if you've got a bad investment approach, you fail and, however fantastic everything else is in terms of governance and communications and so on, it won't change that. So, I don't think those bits which are subjective will create pressure. But there could be pressure on the forward-looking parts.

In my role, we have a very strong relationship between trustee and provider where we can have those conversations and we can take the right decisions. But I can see that across the industry there will be that pressure particularly on the forward-looking metrics.

That puts a lot of onus on the regulators to have a way of policing that and making sure that the assumptions people make about the future are reasonable.

Reid: There's been a lot of debate about the backward-looking metrics and whether or not they reflect the member experience. There's been quite a lot of challenge that the revised proposals are a kind of academic, theoretical assessment of value. I know not everyone subscribes to that view, but there is that challenge; and putting the forward-looking metrics in that initial step one of the assessment has also been questioned by some.

So, there's a lot of work to do on the investment metrics to get them right, and the difference between previous

consultations is that there's so much more importance on the investment metrics.

Targeted support

Chair: The FCA's targeted support regime came into effect on 6 April. Will this be a successful way to bridge the gap between advice and guidance, and what are the challenges?

Birch: It does come down to having that trust that there's not going to be a backward-looking benefit of hindsight, where providers suffer for having provided reasonable guidance at the time but which turns out not to have been optimal. Because I do think this has a real potential to be useful, albeit as part of a bigger picture. I don't think it does anything on its own, but as part of a bigger picture, these useful nudges can be effective in getting people who are disengaged to do things that are useful for them.

Marchment: We have wholehearted support for the ambition. From a master trust perspective, however, the dual regulation of FCA and TPR, with targeted support being a purely FCA initiative, means that we are left with a question mark about what's the equivalent in the TPR-governed section of the industry? So, for an organisation such as Aviva where we have a contract book and have a trust-based book, we have dual regulation, and there's an opportunity there to have some read across.

But in terms of the actual ambition, we highly support any initiative that's going to help the member to make a choice. So, we see lots of positives here, but it's just about how in the implementation we can see that work in a master trust environment.

Ambery: Does it bridge the gaps? We've still got an advice gap – only one in



ten consumers in the UK will take advice. So, we support something being targeted – support is the right way of giving indicative ways.

Saying that, are we able to be sure that people understand that? When they need advice, whether it's simplified advice or a full version of advice, those are still the issues, and what's the cost challenge around that at the right point in time. So, I believe it solves an issue that brings a broader population to understand what's their opportunities, what's their choices at the point of retirement, but it doesn't solve some of the issues that have built up over 20, 30, 40 years for individuals, no matter what we do in the industry.

Reid: I think it's a great start. It's a shame it was directed at the FCA contract-based piece when the government's drive is for everything to go to master trust. There is this grey area as to what master trust trustees can do, but I think trustees can provide elements of targeted support as things stand, but they can't provide targeted support. So, then we're going to get into nuances: Is it targeted support? Is it trustee support?

Also, it comes down to what type of targeted support you're looking at, because there are some parts of targeted support that are quite straightforward, that trustees can do already in the form of trustee support and it's not targeted support because it sits within the scheme wrapper – nudges around contribution support, for example; perhaps it's taking it a bit step further. But when you're looking

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at a blended form of retirement solution, for example the 'flex and fix' solutions in the market that combine drawdown and annuity, it becomes more difficult because elements of those solutions cannot form part of targeted support.

Brown: I agree. There are several challenges here that we regularly stick in that bucket we call 'regulatory arbitrage' because we've got two different sets of rules, and I would love to see an environment where you have read across in the rules. But I don't see how that's possible when targeted support is built on the other side of the advice line. You need to be FCA regulated to give advice to then get the carve out, which gives you a safe harbour, so there's a kind of discrepancy in how it's been defined. I come back to that point I made earlier, that we should be looking at the continuum between information and advice and putting the other solutions in between information and advice, not on the other side of the advice line. That's creating several challenges.

Also, if you look beyond targeted support, that's simplified advice – you can give what we used to call 'focused advice', but it still carries all the same liabilities as if it was full advice. Again, that doesn't feel right. So, we've got a number of regulatory challenges to work through there. I'm not sure what the answer to that is because the regulators are working together on several things, but on this one, it's definitely FCA-led.

Finally, I would point to the research

document that comes with targeted support – according to the document, when it was tested with consumers, the tester said it made no discernible difference to the outcome of whether that consumer would do something different to what they were going to do before they'd had the targeted support. Then I'd go a step further back and say, if you look at investment pathways, the original behavioural insights report that came with it could be summarised as 'don't do this, it doesn't work'. So why do we do behavioural testing and then ignore it?

Ambery: I don't think behavioural science is easy to look at. Part of the decision at the point of retirement comes with the fact that (a) there's a big change in life – you're going from saving to actually spending, depleting your pot and depleting an income; and (b) you're stopping working – you might go back to work, which one in seven do, maybe because they've run out of funds, maybe because they're missing the interaction with people.

There's also behavioural sense of what do you need to provide as well for yourself, your family, others, future generation of wealth and otherwise.

So, 'behavioural' probably gets put in a box because it's too difficult in the same way that we don't get much engagement from 20-year-olds in relation to pensions because they don't want to think further than what's on Netflix that evening, never mind what they're doing in 40 years! So, the behavioural point is a key issue which I don't think we've really explored in a non-advised community or intermediated sense.

Marchment: We did some work with Age UK last year looking at financial confidence in retirement, and it showed only two in five mid-retirees feel confident in their financial position.

From a gender perspective, that drops to one in five for females.

So, we've got a real challenge as an industry to build that confidence so that people do feel in retirement more financially secure. That's what we're aiming to address.

Also, when we're looking at couples in retirement in particular, typically there is one person who has taken a financial lead. There then tends to be an unequal yoke in that financial confidence. And what happens when one or other of those people die? It matters the order in which they die, because if it's the person who isn't taking those financial decisions, where are they then going to get that support from? Everyone's financial and family circumstances are different. We're aiming to try and solve these challenges holistically and for everybody all at once.

CDC

Chair: What are the panel's views on the suitability of CDC as a default decumulation approach within DC schemes/master trusts?

Reid: The government is pushing CDC quite hard. For me, the jury is out on whether whole of life CDC is the right thing for members, but I am open to being persuaded and I can see it absolutely has a place in retirement.

Saying that, I've seen very little appetite from some of the big providers that I work with to put in retirement CDC now, because it is arguably for a very specific type of populace.

Also, there is so much else going on now – the government wants us to look at VFM, targeted support, default retirement solutions. The industry is having to prioritise for the short term. But I can absolutely see a market for CDC in the future. So we are watching this space with interest.



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Finally, the messaging around CDC is critical as it is extremely difficult to explain.

Brown: I agree with the comments on CDC as a 'whole of life' product. One can see, if DB is no longer the right solution, why you might move down to a CDC. It's quite a difficult decision though to take individual DC up to a CDC.

But with retirement-only CDC, you can see an application for it. However, we're still awaiting regs, so it's difficult to make that decision right now without knowing exactly what that legislation will say when it comes through. The Pension Schemes Act is quite skeletal in its makeup, and all the flesh is coming in secondary.

The challenges, I agree, are around the communication, and if you refer back to the days when we had the Financial Services Authority in play, they were looking at research done on their high/medium/low illustrations, and the one thing that kept coming back in that research was that the only number consumers remembered was the high number, because human beings are generally quite optimistic. They want the good outcome. So, they had a real challenge with that. That's my concern with CDC – that, what is explained to you as an ambition or an estimated income is something you remember as an income, and when it doesn't happen or it needs to change, it becomes a very different conversation.

Birch: I like a lot about CDC, but I think where it meets the real world, there are some issues. Whole of life CDC has some advantages if you've got the right membership, but there are not that many schemes where you've got a stable enough membership that's going to be in it for life or at least for a big part of it.

Decumulation-only CDC has

benefits in that it offers some certainty that members are not going to run out of money, certainty that they know what they can spend, and that they can spend enough but not too much; and also having a basis to invest to and through retirement. But you can do those things in other ways – 'flex and fix' type approaches do that in terms of allowing you to invest to and through.

Also, having CDC as a default can have challenges because, by definition, the people who go into a default are going to be people who haven't made a decision; and ending up in something that's irreversible is not necessarily a good thing when you haven't had the engagement to know whether it's the right thing.

Marchment: We've just got to focus on the member outcomes. Focus on what is good for the members. Once the regs are here, providers will be looking at the opportunity that retirement CDC will bring.

It feels as though the table here today is generally leaning towards retirement CDC being possible, but 'whole of life' being slightly more challenging, and I agree with the challenges raised.

Also, to build on one of the opportunities that you have with a 'flex and fix' model, you can, in your mid-60s, set your overall retirement direction without entirely setting it in stone. So as your circumstances/your family can change, your outcomes can change around it.

What we're finding with our research is that members value being able to educate their family about the outcomes that they have in mind at an early point. If we think about our own families, just knowing our parents plan to go into a 'flex then fix' model and are intending to take an annuity at age 80 is helpful for

family to understand, so that they can start preparing for that.

Ambery: I don't think it's a good thing as a default decumulation approach. It's one approach that can be offered and it's got to be suitable. It comes really to me about what are the roles and responsibilities for us as an industry and whose roles and responsibilities are they. Ownership of a DC scheme is predominantly with the individual. We've already explored why an individual may not be engaged enough, may not be financially literate enough to make that decision. I don't agree with some of the outcomes that are provided for individuals through modelling what a CDC solution actually gives. I think they're over inflated. I think they're also based on historic assumptions some years ago.

It important we remember this should be about outcomes – it's about giving security and it's about giving protection. There's a 'fix and flex' positioning in there that can be flexible and to enable people to make the decisions that suit their personalised decisions at certain points in life.

I also think it's introducing complexity where we've got a lot going on already – we've got a Pensions Commission, we've got a review of the state pension, we've got a review of adequacy, and targeted support. Those are way more important than introducing a further factor that breeds more complexity.



Small schemes, powerful voices

✔ **Francesca Fabrizi speaks with ShareAction CEO, Catherine Howarth, and Trustee Sustainability Working Group Chair, Bobby Riddaway, about how collaboration can empower even small pension schemes to drive meaningful corporate change**

Catherine, please provide an overview of ShareAction and its mission?

Catherine Howarth: ShareAction is a non-governmental organisation working to shape a world where the financial system serves our planet and its people. For two decades, we have worked to raise the bar for responsible investment by setting ambitious standards for financial institutions and mobilising institutional investors such as pension funds to use their power and influence with companies to support an orderly energy transition, protect nature, protect people's rights and welfare at work and improve public health.

✔ **Bobby, please tell us about the Trustee Sustainability Working Group (TSWG) and its role?**

Bobby Riddaway: The TSWG is a group of professional and member-nominated trustees formed in a bid to accelerate the implementation of good sustainability investment practice across the UK pensions industry. It contains



representatives from most of the large professional trustee firms, and is chaired by me, its founder. It also has the two co-heads of the Association of Member Nominated Trustees and two other independent sustainability trustees.

The TSWG was formed at the end of 2024 after I, alongside a fellow climate actuary, identified a gap in the sustainability voice. While many of the top sustainability trustees participated in other asset owner groups, there was no group representing all UK pension schemes. Also, most of the discussion was centred around large schemes, so the voice of smaller and mid-sized schemes was missing. The TSWG represents all types of trustees and all sizes of schemes.

✔ **To offer an example of the power of collaboration, please explain how ShareAction, supported by the TSWG, paved the way for significant changes in Nestlé's reporting approach?**

Howarth: In late 2023, ShareAction circulated amongst investors a potential shareholder resolution for Nestlé's 2024 AGM. The resolution proposed new

dedicated annual reporting on the health impact of the company's food products and that Nestlé set a target to improve its health impact. The resolution wording was initially supported by a wide range of institutional investors and looked set to be successfully filed.

However, in early 2024, it became

clear that LGIM might back away from co-filing the resolution. ShareAction contacted Bobby to see if there was any engagement that he, and the schemes that he and colleagues were trustees on, could have with LGIM to influence their decision. A few supported this on their individual schemes –

Bobby was chair of a £7 million scheme, Haseltine Lake, and approached them too. He realised that, as they were on the Mobius Institutional Platform, if he could get them onside, it would be a much stronger voice. Bobby spoke to Mobius, and they agreed to engage LGIM.

This interest and pressure from schemes led to LGIM co-filing the resolution, alongside other investors such as Candriam, and La Francaise Asset Management, collectively representing \$1.68 trillion in assets under management. When it went to a vote at the Nestlé AGM, the resolution was supported by 11 per cent of the shareholder vote so it didn't pass, but it demonstrated that coordinated engagement, particularly when directed at asset managers, can shift the position of major market actors.

ShareAction continued to engage Nestlé after the vote. Investors met the company's CEO in December 2024 and again in 2025. In response to this sustained pressure, Nestlé committed to adopting a leading transparency standard on health.

In 2026, Nestlé began reporting on the healthiness of its sales using this new guidance. ShareAction continues to push the company to set a meaningful target to improve the nutritional profile of its portfolio.

➤ What challenges did you encounter along the way?

Howarth: The Nestlé engagement surfaced several structural challenges across the pensions industry:

- **Underestimation of small schemes' influence:** Many assume they lack stewardship power. This case showed that when small schemes engage their asset managers rather than attempting to influence companies directly, they can have an outsized impact.

- **Health as a material financial issue:** A central challenge was demonstrating to pension savers and trustees that companies' impacts on public health are financially material. Nestlé's failure to address nutrition risks exposes investors to regulatory, reputational, and litigation risks. Health deserves far more attention within stewardship, which is often dominated by climate.

- **A system built around large schemes:** Industry discussions and stewardship frameworks often assume the resources and structures of large schemes. Smaller schemes face barriers including limited consultant capacity, and time poor trustees.

- **Limited innovation in stewardship:** Not many professionals think outside the box on stewardship, and few believe regulatory change is possible. The Nestlé case shows that innovation is both possible and necessary.

Riddaway: To expand on that:

- **Lack of understanding of how small schemes operate:** Many pension professionals who contribute to industry discussions work on big schemes or for big firms and may not understand how small- and medium-size schemes work. Many consultants at these firms do, but

they are generally very busy and/or career professionals that are not given the time to contribute.

- **Trustee overload:** Most of the trustees who have a keen interest in sustainability or stewardship are busy with bigger schemes, so don't have the time to work on industry initiatives for small schemes.

- **Consolidation pressures:** The constant talk about consolidation and end game has led to an assumption that it's not worth working with smaller schemes as they will either buy out or be consolidated. There are going to be significant billions invested in UK DB pension schemes for many years to come – if you extrapolate the £50 billion a year in bulk annuity transactions it takes 30 to 40 years to absorb the £1.2 trillion of DB assets.

➤ What key lessons can the pensions industry take from the Nestlé example?

Howarth: Several lessons emerge from this case.

First, that small schemes can have real influence – when they focus on asset managers. The Nestlé example demonstrates that small schemes, acting collectively and engaging their asset managers, can shift the position of major market players.

Also, stewardship needs clear priorities. Schemes benefit from identifying two or three issues each year where coordinated engagement can drive meaningful change.

Additionally, health must be recognised as a core stewardship issue. Companies whose business models undermine public health create long-term financial risks for pension savers. Health should be embedded in responsible investment policies.

Bringing health into stewardship matters isn't just about mitigating financial risks. Pension funds have a responsibility to act on the key issues that materially shape their members' life outcomes.

Finally, industry structures must

evolve to support all schemes. If stewardship is to be effective across the system, smaller schemes need accessible pathways to participate, not parallel structures that imply endorsement before they are fully developed.

The Nestlé case shows what is possible when the industry thinks differently. If we want a pensions system that genuinely serves people and planet, we must empower every scheme not just the largest to play its part.

Riddaway: I agree – this example demonstrates how, collectively, small schemes can have a voice.

You need a forum to decide which two or three issues to go for each year. You also need to give schemes time/money and small schemes don't have that. They currently pay £2,000 to £3,000 per year for generic implementation statements. TSWG is proposing a small scheme stewardship initiative which, if offered as a replacement for implementation statements, can run for a fraction of that, as long as all schemes sign up. It will also provide regular reporting.

➤ Could you tell us more about this small schemes initiative from TSWG?

Riddaway: The current proposal is for small schemes to sign up to a transition plan that covers how they deal with ALL sustainability and stewardship. This, for schemes under £100 million, will be 90 per cent generic but will have two or three actions small schemes can take. They could cover all of their stewardship responsibilities by signing up to the initiative as part of that transition plan. This would cost schemes under £1,000 per year in total and replace the generic implementation statement plus the other generic stewardship statements in chair statements and statements of investment principles.

If the whole industry backs the small schemes initiative, we can truly drive change.

Written by Francesca Fabrizi

Summary

- All exposure to global equities will involve exposure to US equities.
- US stocks make up almost three-quarters of the MSCI World Index, and all the top 10 firms listed are American.
- Tariffs on trade and geopolitical turbulence have created volatility and some nervousness in the markets.
- Institutional investors have reduced their US allocations to some degree, as a step towards improved diversification.
- But the US continues to dominate conversations and capital markets and US equities will continue to have a place in UK pensions – the question is how to get the balance right.



Born in the USA

► **Sandra Haurant explores why, despite growing concerns over concentration risk, tariffs and AI-fuelled volatility, US equities remain an unavoidable cornerstone of UK pension investment strategies**

The 4 July 2026 marks the 250th anniversary of the Declaration of Independence of the United States of America. It was only a little more than 100 years later, in 1890, that the US became the largest economy in the world. With such a speedy ascension, it's not surprising perhaps that the country's equity market has what Gen Z might call 'main character energy'.

Today, US equities make up a sizable 71.9 per cent of the MSCI World Index, while the second largest chunk is Japanese stocks, at 5.68 per cent of the index. (The UK is third with 3.68 per cent.) And a quick look at the top 10 companies on the MSCI World Index confirms America's position; at the time of writing, every one of them is an American firm, including, of course, the much discussed 'magnificent seven' companies.

We have Nvidia leading the pack, followed by Apple, Microsoft and Amazon. Alphabet, Google's parent company, gets two spots in the top 10 (at number five and number seven) as it has two separate listings. Broadcom, the semi-conductor firm, is at number six, Mark Zuckerberg's Meta is at number eight, followed by Tesla at number nine. J.P. Morgan Chase & Co, at number 10,

stands out as the only financial services company at the top of the list.

Unavoidable assets

For UK pension funds, exposure to American equities is quite simply inevitable, says Isio chief investment officer, Barry Jones: "The US stock market *[and economy]* represents such a large proportion of global markets and *[the global economy]* that it is simply too big to ignore. As a result, any UK pension scheme with a meaningful allocation to equities will, by definition, have material exposure to US equities." Jones continues: "In terms of positioning, most investors have historically followed a market capitalisation-weighted approach. As the US market has outperformed other regions, its weight in global benchmarks has naturally increased."

Different approaches to equity investment in general, and therefore US equity exposure, exist within different types of pension scheme. Jones explains: "In UK private sector defined benefit (DB) schemes, equity allocations have

reduced significantly over time as schemes have de-risked and moved towards liability-matching assets. As a consequence, while US exposure may exist in a small allocation, it is less central to overall portfolio risk and governance discussions," he says. "By contrast, the largest concentrations of equity exposure sit within Local Government Pension Schemes (LGPS) and UK defined contribution (DC) arrangements, where growth-orientated strategies mean equities, particularly global equities, remain a key return driver." Indeed, according to the Pensions Policy Institute (PPI), private sector DB schemes hold 12.4 per cent of their portfolios in equities, compared with 69.3 per cent in bonds. Public sector DB schemes, on the other hand, have 22.7 per cent in equities. And in workplace DC schemes, more than half (54.4 per cent) is held in equities.

Tariffs and trade

While US stocks continue to play an important role in UK pension schemes'

strategies, things have been changing recently. L&G co-head of asset allocation and head of macro, Chris Jeffery, says that the Stateside markets have a lot to offer for a variety of reasons.

“In terms of what investors in the UK seek from them, US equities offer an appealing diversification from the UK home market of faster growing, AI exposed companies, in contrast to the lower multiple, old economy companies which dominate the UK market,” he says.

However, he adds, there have been shifts in focus in recent times: “Over the past year, UK investors have slightly reduced their US equity holdings, pivoting instead into emerging markets, and beyond equities, money market funds.”

The reasons for this shift are multiple and varied, and include the tariffs imposed last year by the Trump administration.

Indeed, research carried out among institutional investors around the world by the asset management firm Nuveen, and published in February this year, showed that some 91 per cent of respondents had made portfolio changes due to trade, tariff and geopolitical issues in 2025. More than a third of those investors who reallocated capital by region increased their exposure to Europe.

Commenting on the report, Nuveen global head of institutional distribution, Harriet Steel, said: “Institutional investors are navigating a pivotal moment shaped by three transformative megatrends: the AI revolution, the energy transition, and the forces of deglobalisation.” She added: “These aren’t just abstract concepts; they’re driving concrete portfolio decisions. We’re seeing institutions invest heavily in AI infrastructure and energy production, recalibrate regional exposures in response to trade disruptions, and significantly expand their private market allocations. The common thread is that investors are moving decisively to position portfolios for a new investment landscape.”

While the research showed that three-quarters of respondents said 2025 had brought “more upside than downside to portfolios,” 4 per cent said that they thought US tariff and trade actions would have “long-lasting repercussions on investment strategy” and almost half (48 per cent) said they expect that the long-standing capital market dominance of the US will decline over the next decade.

“The US will remain a core component of pension portfolios long-term growth strategies. Its equity and bond markets are simply too large and too influential to avoid”

Blowing bubbles

The American market is big, but it’s also volatile. What’s more, to return to those top 10 MSCI World stocks, its biggest names are very much concentrated in a small number of sectors, namely technology, communications and discretionary consumer, raising concerns that investors could get caught up in the fall-out should a potential bubble burst.

Indeed, says Jones, a high level of exposure to US has “two related challenges for investors”.

“First, the overall level of US exposure, and second, the concentration risk within that exposure, particularly the dominance of the so-called ‘magnificent seven’ stocks,” he explains.

Some of the larger geopolitical events, such as the conflict in Iran, have had a relatively low impact on US markets, Jones argues: “On geopolitics, including the situation involving Iran, markets have so far remained resilient. US equities continue to reach new highs. That appears to reflect either a degree of ‘fear of missing out’ keeping investors engaged, or a market view that

current geopolitical tensions are unlikely to have a lasting impact on corporate profitability,” he says.

But, says Jeffery, data from the first quarter of 2026 suggested that there was a continuing trend in reduction of US exposure which, he says, was “predicated on concern around returns on heavy artificial intelligence (AI) investment, and disruption of the software sector by AI.”

Jeffery adds: “Over the past year, it is the emerging markets (EM) [sector] that has filled this gap in terms of net fund flows, offering high tech exposure and market leading companies (particularly in Taiwan and Korea) at lower multiples than on offer in the US.” However, he says: “More recent performance suggests there has been an enthusiastic re-embracing of US tech stocks through April and into May, though the data covering this period isn’t out yet.”

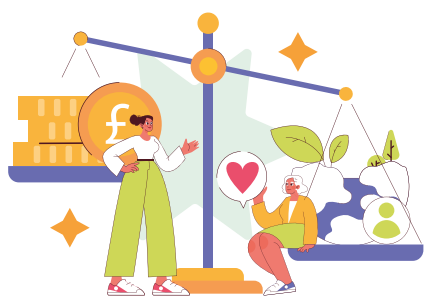
Balancing act

“Global equity investors have tried, over the last year or so, to pursue greater global diversification,” says Jeffery. “That drove some outperformance of European, Japanese and EM assets through the third and fourth quarters of 2025, but there’s no escaping from the profit and economic outperformance delivered by the US over the past three months. This has served to undermine the performance of some of these diversification trades.”

Simply put, it’s about that main character energy. Jones says: “Overall, the conclusion is clear: The US will remain a core component of pension portfolios long-term growth strategies. Its equity and bond markets are simply too large and too influential to avoid.

“The key question for investors is not whether to be exposed to the US, but how best to manage that exposure, balancing opportunity with concentration and geopolitical risks.”

Written by Sandra Haurant, a freelance journalist



Summary

- Research highlights an emerging divide in climate ambition between larger and smaller schemes.
- Smaller DB schemes often face resourcing constraints and practical challenges to setting net-zero targets.
- For schemes nearing buyout, climate-aligned targets may be seen as less relevant to their investment horizon.
- ESG sentiment is also shifting in the global political landscape, while some commentators suggest policymakers could do more to support smaller schemes.
- Trustees can take practical steps now, supported by emerging initiatives and an evolving UK sustainability reporting framework.

It has been more than a decade since the Paris Agreement was adopted by countries across the world, in a bid to limit global temperature rises and reduce the worst consequences of climate change.

Since then, temperatures have continued to rise. 2024 was crowned the hottest year on record globally, and in the UK, 2026 has already seen the highest-ever May temperature surpassed on two consecutive days.

As the risks of climate change have become more apparent, pension funds have increasingly sought to align their portfolios with global temperature goals, including net-zero targets.

However, research by XPS Group – which analysed a sample of UK pension schemes’ Task Force on Climate-related

Behind the net-zero divide

► **A widening gap is emerging in UK pensions’ climate ambition. While the largest schemes push ahead with net-zero targets and delivery plans, smaller DB funds are struggling to keep pace. Is this down to limited resources and regulatory reach, or a deeper question of relevance as many schemes edge towards their endgame?**

Financial Disclosures (TCFD) reports – has signalled an emerging divide between the climate ambition of larger and smaller schemes.

The review found that while just over half (54 per cent) of the smaller schemes in the research (£1-5 billion) are now targeting net-zero, almost all (96 per cent) of the largest schemes (£5 billion plus) have a net-zero target in place.

Smaller schemes are also lagging in implementation, with just 33 per cent having a credible net-zero implementation strategy, compared to 88 per cent of the larger cohort.

All the schemes in the report have been reporting under TCFD requirements since at least 2022, while the larger schemes began a year earlier. Meanwhile, schemes with less than £1 billion in assets do not currently fall under the scope of the requirements.

Commenting on the findings, XPS Group head of ESG research, Alex Quant, says: “TCFD reporting has undoubtedly brought climate risk into the mainstream for pension schemes, and parts of the market have fallen into a steady-state pattern.

“Larger schemes are increasingly translating targets into investment strategy, while many smaller schemes are yet to take the practical steps required.”

Barriers for smaller schemes

But what is stopping smaller defined benefit (DB) schemes following in the footsteps of the first movers?

In many ways, these results are unsurprising, given that the biggest schemes have greater resources and governance budgets to address climate-related risks.

There are also practical constraints on smaller schemes’ ability to implement a net-zero target, including aligning their investment portfolio, explains LCP head of responsible investment, Claire Jones.

“Smaller schemes are more likely to invest in pooled funds and need investment managers to offer suitable funds that are net-zero aligned,” she says.

“Conversely, larger schemes are more likely to use segregated mandates, so have more flexibility in the instructions they give to investment managers,” Jones adds.

Nuveen head of UK institutional, Sophie Ballard, adds that there is also an “access gap when it comes to private real assets, which is one of the most effective ways of making a real-world impact but has historically been harder for smaller schemes to reach”.

There is growing interest in structures that combine liquidity with exposure to private real assets, she says, offering smaller schemes a more practical way to turn net-zero ambitions into reality.

Road to endgame

For many smaller DB schemes, the issue is less a lack of commitment to climate goals and more a question of relevance and practicality, acknowledges Hughes Price Walker director and actuary, Ray Hughes.

“A large proportion are already focused on securing member benefits through buy-in and buyout over the next few years because running on independently may not be viable at their scale.

“In that context, setting formal net-zero targets for 2030 or 2035 can feel somewhat disconnected from the scheme’s actual investment horizon, particularly where assets are expected to transfer to an insurer well before then,” he says.

Similarly, smaller DB schemes are more likely to be closed than their larger peers, and therefore inherently more risk averse in their investment strategies.

Although Pensions UK head of DB, LGPS and investment, Tiffany Tsang, points out the release of DB surplus may be an “interesting game changer” in what DB schemes can do with their endgame options in future years, including investing in more climate change opportunities.

Anti-ESG backlash

There have also been significant setbacks for the low carbon transition at a government and industry level over recent years, most notably in the US where President, Donald Trump, withdrew from the Paris Agreement and pulled back on green policies, and many large US investment managers withdrew from net-zero initiatives.

In the UK, political consensus on net-zero has become more fragmented, and although it is still early days, changes in the makeup of Local Government Pension Scheme (LGPS) Pension Committees, following the arrival of Reform UK councillors in certain areas, may lead to increased scrutiny on these issues.

“Many schemes are taking pause given the lack of progress at the government and policy level, explains Quant. “Trustees are sceptical of setting strong climate commitments that may be out of line with the wider pace of the transition.”

Policy-led change

UKSIF head of policy and regulatory affairs, Oscar Warwick Thompson, argues that the imbalance among schemes, demonstrated in the report, supports the case for why policymakers should go further in addressing the challenges holding back some smaller schemes from setting and progressing towards net-zero goals.

“We have advocated for regulators, including The Pensions Regulator (TPR), to evolve their guidance on sustainability-related risks and opportunities over time to support trustees in fulfilling their duties,” he says.

UKSIF has also recommended, “certain types of streamlining measures to the UK’s sustainable finance reporting architecture for pension schemes, particularly for smaller schemes,” he adds, which could promote “longer term strategic thinking and sustainable investment approaches”.

Warwick Thompson says he hopes the forthcoming DWP guidance on fiduciary duty for trust-based schemes positively impacts smaller schemes’ engagement on climate change and other systemic risks.

Practical steps and support

Trustees of smaller schemes have a role to play in responding to climate risks and supporting the UK’s transition, and there are practical steps they can take.

“Climate risk is not going away,” says Quant. “Recent geopolitical tensions have reinforced that the transition will be shaped by energy security and inflation resilience as much as climate objectives.”

He says trustees should focus on practical action: understanding their highest risk holdings, making greater use of forward looking metrics, and challenging managers on how they are engaging with companies that are misaligned with the transition.

Pensions UK head of strategic policy, George Dollner, highlights some initiatives to support smaller schemes,

such as the association’s Stewardship and Voting Guidelines, which provides a framework to drive responsible investment and influence positive corporate behaviour globally. And the Vote Reporting Template, that provides standardised information on how asset managers are voting on certain issues and how they are enacting schemes’ views on sustainability.

Pensions UK also participated in TPR’s Transition Plan Working Group to develop and test a voluntary net-zero transition plan template for occupational pension schemes.

“For a pension scheme, having centralised reporting solutions, like a template, that you can use and fill in is much easier than having to do all that thinking independently,” Dollner says.

Reporting system changing

Looking ahead, an important consideration for schemes of all sizes is that the UK’s sustainability reporting system is changing.

The UK is moving beyond TCFD-style disclosure towards a system focused on driving real-world decarbonisation. The government is reviewing pension scheme sustainability reporting, including whether to update existing climate disclosure rules and how UK Sustainability Reporting Standards (SRS) could be incorporated. It is also exploring the introduction of mandatory transition plans, which set out how net-zero commitments will be delivered.

Dollner says: “The challenge will be how larger schemes adapt the way they report, and how smaller schemes recognise that the system is changing and that they need to adapt as well.

“It’s an opportune moment to ensure that when UK SRS/transition plans are rolled out, they are done in a way that has support bedded in from the start.”

 **Written by Ellie Carric, a freelance journalist**

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CHAIR



Lara Edmonstone-West, Head of Solutions Distribution, L&G

Lara is responsible for L&G's solutions distribution, leading the development and delivery of a sales strategy to drive L&G's global solutions business for institutional clients. Lara joined L&G in 2025 from BlackRock.



Tim Dougall, Head of Delegated Solutions, L&G

Tim is responsible for providing holistic portfolio management services to a range of institutional investors. He works with clients across a broad spectrum of investment issues, governance, strategy, portfolio construction and implementation.



Sophia Harrison, Client Director, Vidett

Sophia is a client director, qualified actuary and professional pension trustee with extensive experience advising DB pension schemes. She works closely with trustees and senior stakeholders on funding strategy, investment strategy and governance.



Sam Seadon, Head of Investment Strategy, PwC

Sam works with corporate sponsors and pension scheme trustees on pensions strategy and investment implementation. He has been in the UK pensions industry for 20 years as an adviser to trustees and sponsors, around eight of these at PwC.



Mathew Webb, Head of Insurance & Endgame Solutions, L&G

Mathew specialises in helping pension schemes achieve their endgame objectives, whether that is buyout, run-on or both. He has over 25 years' experience in pensions, insurance, and banking markets.

PARTICIPANTS



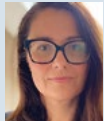
Alison Bostock, Director, Zedra

Alison is a director at Zedra and an experienced accredited professional trustee. With over 30 years of pensions experience, she now works with schemes of all sizes, open and closed, DB and DC, including master trusts. She is a regular commentator in the pensions press.



Tim Giles, Trustee Director, IGG

Tim is a seasoned professional with 35 years of experience and a comprehensive background in pensions and investment. He has advised some of the largest UK pension schemes and financial institutions; and previously led Aon's investment business in the UK and EMEA.



Michele Hirons-Wood, Professional Trustee Chair, Capital Cranfield

Michele joined Capital Cranfield in 2020 with over 30 years in the pensions industry. She specialised in executive pensions management and has a real-world insight into the challenges faced by both pension schemes and sponsors.



Tiffany Tsang, Head of DB, LGPS and Investment, Pensions UK

Tiffany joined the governance & investment team at Pensions UK in 2018. She is an economist and pensions policy specialist with over 15 years of public policy experience. Previously, she was a policy adviser for the Association of British Insurers.



Fraser Weir, Senior Investment Consultant, XPS Group

A senior investment consultant, Fraser joined XPS in 2020 as an investment consultant from Buck, where he was a senior investment analyst. Prior to this he was a valuations analyst at Legal & General Investment Management.



Charles Cameron, Partner and Head of Pensions, Slaughter & May

Charles' practice extends to trustees, sponsors, insurers and investors and both on a project or consultancy basis, and as long term adviser to plans and sponsors. He is also a regular contributor to the pensions press.



Tom Greeves, Actuarial Manager, EY

Tom is a manager in EY's pensions consulting practice. He works on a variety of investment consulting and governance projects across the UK and North America. He is a regular contributor to the pensions press.



Emma Pittaway, Professional Trustee, Law Debenture

Emma joined LawDeb from PwC, where she was head of fiduciary and OCIO research within the investment team, responsible for pension-scheme related investment advice and support to corporate clients and UK DB pension schemes.



Anthony Webb, Director, and Head of Fiduciary Management Advice, Isio

Anthony has been with Isio since its inception in 2020, coming from the KPMG investment advice practice. A qualified actuary with 20 years' experience, he advises on investment governance, and reviewing or selecting fiduciary managers.



Ken Willis, Investment Partner, LCP

Ken has been helping his clients to understand risk, improve their investment returns and better secure members' outcomes for over three decades. He advises a range of £billion+ clients, across a range of industries, with very different objectives.



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Chair [Lara Edmonstone-West]: I would like to begin today's discussion by looking at governance in relation to size of pension scheme. I know governance is important to everybody around this table, but what does a good governance and decision-making framework look like today for small, medium and large defined benefit (DB) pension schemes?

Tim Giles: Rather than be related to scheme size, it's about ensuring the right expertise is brought at the right time, information is available at the right time, and decision-making rights are clear.

If you go back several years, there were very distinct roles and, gradually, we are seeing providers do broader roles in different ways to suit the circumstances. But then it comes back to expertise, clarity of decision-making and the information that is available to make good decisions. Governance is about making good decisions in light of what's there.

Alison Bostock: For me, it's also not so much about size – it's about having the right governance model and set-up for where the scheme is in its journey. If you need a lot of return, for example, fiduciary management can work quite well because you need to aim for a lot of return but in a risk-controlled way. Whereas, if you're de-risked and things are straightforward, that's a different set-up that you need. So, it's more about where you are in the journey, the return that you need and your risk budget, than necessarily just about big versus small.

Emma Pittaway: It's also about providers tuning into the governance bandwidth that different schemes have. The larger schemes may want complexity and a bespoke approach, but how do we



Investment governance: Striving for excellence

▶ What are the investment governance challenges for small schemes? Are today's operating models fit-for-purpose? Where does AI fit into the governance framework? These are just some of the questions our governance panel addresses this month

bring that value and those options to the mid- and smaller-sized schemes that are perhaps governance constrained, in a way that's not going to give them decision fatigue? That's an additional challenge.

Chair: I like the phrase, 'decision fatigue', and it's good that providers are thinking more about what's right for the scheme.

Ken Willis: Also, sometimes people don't do a good enough job of looking at all the decisions they can make and deciding which ones to keep and which ones to delegate. You need to make a list of what you want to keep, and what you want to go away. Trustees are good at making decisions but they also don't always want to be bogged down with the detail of making things happen after those decisions have been made.

Tim Dougall: There are points there

around delegating decisions, but the other piece is the coordination across the whole. Because, if you've got different decisions being made in different work streams, then yes, you might have a clear decision framework for the individual decisions, but it might not work when you view it across the whole.

With the very large schemes, that can be an issue if individual in-house teams are working independently – an equity team, a credit team, a real assets team, and so on. Some of those schemes are now working to adopt more of a Total Portfolio Approach. That's actually been more straightforward for some mid-sized schemes in the past because, with less complexity and fewer stakeholders, it's been easier to ensure consistency.

Chair: How do you work with people to make sure that their governance

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framework is in place, is robust and working to purpose?

Fraser Weir: To some extent it depends on where the work is needed at any one time – you might need a lot more governance at some points in the journey and, at other times, a lot less.

But the most important thing at the outset is to see what is needed and define the roles and responsibilities. With the trustee board, however the set-up – whether it's sole trustee or otherwise – there is so much opportunity to get it right at the outset in terms of recognising what skills everyone brings to the table. You can't have 11 left-backs in the same team! It's just not effective. You need to be able to bring in everyone's different skillsets to make it effective governance.

In terms of the big scheme/small scheme difference, whilst big schemes probably get more options at the outset in terms of what they can do, the narrative around small schemes is that the opportunities are limited, but actually the small schemes can take advantage of the bigger schemes being the guinea pigs. You have the opportunity as a small scheme to look at what the bigger schemes are doing, see what really works, challenge it and pick and choose from what those big schemes have done.

Chair: There are also some smaller schemes pushing the boundaries and doing things that others would consider innovative.

Sophia Harrison: It also very much depends on the trustee model that you've



got in place. Sometimes it's easier for small schemes with a sole trustee or experienced board to be able to push those boundaries.

That highlights the importance of having a professional trustee on a board. Whilst it's a minority of schemes that don't have one now, to have that view of what other schemes are doing, what the bigger schemes are doing, enables professional trustees to bring that broader knowledge and innovations to the smaller schemes. Also knowing where providers' strengths lie is crucial.

Tiffany Tsang: In terms of the view from Pensions UK, when we have conversations with our members around fiduciary duty, two key things come up repeatedly – advice and support. We had a roundtable with the Pensions Minister, for example, on fiduciary duty earlier this year, and a message that came through strongly was how trustees want to change the culture of the relationship between trustees, particularly from small- and medium-sized schemes, with the advice that they're getting.

Some trustees expressed a sense of not being heard or wanting to pursue an approach that wasn't supported and they didn't know how to push back. There's a culture point around the advice and support that they get.

The other point that came through strongly from trustees was the importance of investing in the right internal executive team – the operational capacity overload came up again and again. So, this point of 'take the resource, take the time to choose the right people to help support you internally with the operational overload' was a key message.

Chair: What's the lawyer's view here?

Charles Cameron: I feel there is not enough thought being given as to how trustees go about their decision-making. If you look at the Competition

and Markets Authority's (CMA) report from 2019, it talks a lot about trustee bandwidth and capability, but nowhere does it talk about how trustee boards should go about their decision-making in a granular way.

If you look at the parallel of corporate boards, it's easier for them because the board is mainly made up of non-execs and they set the strategy and monitor what the executive does, but they're not themselves making the management decisions – someone else is.

If you plug that into a pension scheme, it's often quite fudged when you're having any board interaction as to what exactly is happening in that moment. Is the board talking about setting strategy? Is it making an executive decision? This is all going to become more the case with the very large decisions and options that are available to trustees under the new Act. It's going to be important for boards to be able to step back and think about who's performing what role in a board meeting amongst the members of the board and the advisers and so on, and which bit of the meeting is dealing with which things. I agree with Tiffany [Tsang] that, in a paradigm world, you would have an internal executive, and you could copy the way corporate boards do it, but most schemes don't have that, so you have to internalise the executive bit of it.

Operating models

Chair: Are scheme operating models still fit-for-purpose for mature schemes in today's complex world?

Michele Hiron-Wood: It is mixed in my experience. I work with some schemes that are coming towards their end and others where we haven't got an end game in sight, and you've got to make sure that when you're thinking about your governance framework,



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it's not just focused on operational governance but also the strategic consideration of what you're looking to achieve, which is sometimes missing.

Also, you've got silos, different advisers thinking about their little bit. The trustees' job is to take a step back and think about 'where are we going?'

In terms of different approaches that I've taken with different schemes, some are in a fiduciary management/OCIO arrangement, and sometimes, in those arrangements, trustees make assumptions that what worked when you were driving for return will also work when you're moving into de-risking and potentially an insurance scenario when that's not always within the bailiwick of that provider. That can cause real problems if you don't anticipate that.

So, you need to consider where you are going and whether your partner can provide the service that you're looking to achieve. Can they provide the advice that you need as you navigate your way through that particular transaction?

The other thing schemes need to ask themselves is, while they may have been striving for a specific objective, does that still make sense, given the current risks that are present and the proximity to what they're looking to achieve?

And are they asking the right questions of their advisers as a team? There have been several instances where I've come onto boards and nobody's asked those questions. If trustees are not asking those questions, and the advisers aren't bringing those questions to you, then something is going to get missed.

Essentially, if the right questions are not being asked you are relying on your operational framework or your governance framework being fit-for-purpose to ensure it caters for the challenges you face along the scheme's journey.

In summary, not all delegated mandates are made equally, and not all investment consultants are made equally, so trustees need to kick the tyres on those things rather than assume that somebody's doing that thinking for them.

Pittaway: Building on that assumptions point, there is often an assumption among the mature schemes heading towards buy-in that there is no point in using delegated services, whereas I think there's quite a big gap where delegated frameworks can help in the run-up to that sort of end solution. As an industry we don't talk enough about that.

Harrison: My challenge to that is that I have struggled to find delegated solutions that understand the requirement of adjusting from being more growth-driven to dialling down the risk and having more of a credit-focused portfolio that can be tailored for the needs of the scheme. It feels like there hasn't been enough thought put into those solutions in the market.

Hirons-Wood: Again, I think it's mixed. I've got some which are great partners and others less so.

So, importantly, it's about understanding the capabilities of the firm you're partnering with, and then taking a decision through your risk-based governance approach around what's the best thing for your scheme.

Harrison: Also, the cost of moving puts people off. If you've been with a great provider for a growth-driven strategy, people feel that it's expensive to move, particularly when you're looking at de-risking and therefore not being in a strategy where there's an opportunity to earn back those costs quickly.

Willis: I would take a step back then and argue that the question is not just, 'are the operating models fit-for-purpose today?' but 'do they have the flexibility to adapt to your changing needs?' In



the past, most schemes wanted growth. They were underfunded, they needed growth, and therefore the operating models were probably fit for that purpose then. But now, with de-risking, things are changing.

So, you need to ask the hard questions today otherwise you could end up locked in an operating model that won't work for your changing needs.

Anthony Webb: To the question of whether the right range of operating models exists for our needs, I think that is improving. Now, when we look across the market, there's probably a representative sample of most strategies, most options. That's positive. But it does go back again to the point of governance – how do you work out what's out there, how do you work out what's suitable for you, and who do you listen to?

I've seen examples where there's a fiduciary manager (FM) in place and trustees are talking about a lower return run-on strategy, so the fiduciary manager will just roll out what they happen to have in their cupboard, which may or may not be fit-for-purpose, and there's not necessarily someone to challenge them.

A good example is you might want a CDI strategy – a credit-focused strategy, delivering income. They might say, no problem, we'll stick it all in evergreen corporate bonds. If you stop there, stop asking any further questions, you'll end up somewhere suboptimal compared to if you went out to the rest of the market.

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Harrison: I think trustees have a responsibility as part of their role to talk to consultants and FMs about the issues they face and the types of solutions they are looking for, and be specific.

A. Webb: The analogy I would use here is juggling balls. If I need more juggling balls, I need a more complicated system to keep all those balls in the air. If I need fewer juggling balls, then my governance model could be simpler and more streamlined.

Reassessing how many balls you need in the air to achieve your ultimate objective, pay benefits in a certain timeframe, should be on the trustee agenda every year – which it isn't always.

Flexibility

Chair: Flexibility is important. Can trustees, though, demand too much flexibility, which can create challenges for providers?

Willis: It's about having a list of priorities and asking the hard questions on the way in. If you want it all, you're going to be disappointed at some point – if you want a large scheme strategy for your small scheme, for example, or you want illiquids, but don't want illiquids if you change your strategy. And so on.

Sam Seadon: As has been highlighted, we were in a world where most schemes wanted return because they were in deficit, but now you've had a bifurcation of that objective, maybe

even a trifurcation. The small schemes want to buy in, the big schemes might want to run on or do something else, depending on what the government says in that regard. So, it feels reasonable that, at some point, there's a decision to be made and you might need to change something. I don't think there can be continuous endless flexibility to do absolutely anything.

There are now at least several well signposted routes that you can go down, so I think it's fair to say, at some point, we need to make a strategic decision about what we're doing and we should have a provider that is able to do that for us.

Mathew Webb: Can you not have a plan to do both, though? Can you not have a plan A to run on for the moment and then a plan B as a separate governance question to know how to buy out? Because the switch between the two itself is valuable. One of the challenges I find talking to clients is that, if they make the decision and say categorically where they're going, then it puts them in a pen – they've got to do that. Whereas we want flexibility, we want them to be able to do both.

Harrison: In all the 'intentional run-on' research that I've been doing, 'pivot' is the word that comes up most – to be prepared to pivot; and one of the big debates I'm having is around illiquidity.

If you're looking to capture an illiquidity premium – say, targeting gilts plus 1.5 per cent, which seems to be the middle-ground 'run-on' strategy – many investors are turning to semi-liquid assets because they want the flexibility to pivot if needed.

But that raises the question: are you still earning enough premium to justify giving up some liquidity in the first place? Or does the semi-liquid approach end up being a compromise on both fronts – sacrificing liquidity without

fully capturing the returns available from genuinely illiquid assets?

Seadon: It might be useful in that situation to have the sponsor on board with what you want to do as well, albeit at the moment we don't know what the regulatory regime is going to look like. But assuming we did know, then having the sponsor on board with an illiquidity approach feels like it might be important.

Giles: The sponsor should always be involved in a governance model – they are one of the key stakeholders within it and, particularly as schemes get better funded, that alignment becomes even more important.

To the point around flexibility, you build your model for your current circumstances but understand how it's going to change as well. If you say, I might want to buy out next year/the year after/the year after that, but I'm running on for now, you build a strategy to accommodate that. If you're going to run on for 10 to 15 years, you can afford to go for illiquids.

The role of the trustee

Tim Dougall: The professionalisation of trustees is also a trend we have seen – we've talked a lot today about investment providers but, actually, a big part of governance is the trustee piece itself, and the increasing professionalisation of the trustee body is key. I would say we've come quite a long way there.

Chair: To build on that, is it the professional trustee's role to drive innovation and drive change? Or is it the consultant's or the manager's role?

Giles: I don't think it's our role to drive innovation. It's our role to understand the objectives of the scheme and figure out how innovative solutions might better meet those objectives. Providers should be bringing forth innovation, making sure that, as the



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world changes, their solutions fit with the evolving objectives. If you ask the trustee firms to come up with innovation, you're less likely to find it. Providers have bigger research teams.

Pittaway: Professional trustees though do support the spread of innovation, sitting across multiple schemes, where they can then raise new ideas to other relevant schemes; so, they help spread that value around to more schemes which maybe wasn't as widespread before.

Chair: What about the consultant's role here in driving innovation?

Weir: Consultants should be using their expertise to see what is possible in order to meet the demands of the market. So, the trustees drive the demand, knowing what is needed, and the advisers should be able to come back and say, 'this is what can be done to meet those demands, these are your options.'

It's also about making sure that your advisers really listen to what you need and are not going to get something out of the cupboard that they think will do. The advisers need to actually listen and never forget that the point of being an adviser is to answer the problem, not have something already made-up that will just fit it. Advisers need to stop trying to put a circle into a square hole.

Everything should always be about answering the question. It's sad to hear that takeaway from Pensions UK that some members feel they aren't being heard. We should, as a whole industry, be really worried about that, because if we're not helping answer these problems, then where have we got to?

So, it's about the trustees picking the right advisers, making sure they've got the skillset to actually listen to the trustees' demands, and that they have the capability to go away and find a solution to whatever problems the trustees are faced with.

Giles: I'm worried we're carving the line between advisers and providers and delegated spaces and non-delegated spaces. I don't think that line is clearly defined. Also, we're talking a lot here about investments, whereas a lot of the risks are potentially outside the investment world. So, risk transfer providers, fiduciary managers, managers, advisers – all those can be used as access to innovation and all of them are coming to the table to do it. If you rely on one party, you tend to be governed by their potential conflicts.

Hirons-Wood: Also, their level of capability, experience and expertise. Looking at it through a trustee lens, I think we get the best outcomes when we're working with all our advisers – getting input from all of them and then testing it. If not, you don't know what you don't know.

If an adviser comes up with what they say is a fantastic idea, how do you know it's the best idea out there? A professional trustee that sits across multiple schemes, and works with other advisers, is in a better position to be able to assess that, compared to perhaps a lay trustee.

Tom Greeves: As a consultant, I see two key roles when working with OCIOs or fiduciary managers.

First, it is about ensuring schemes get the best from their appointed provider. OCIO and fiduciary management firms are typically large, scaled organisations. While this brings significant resources and expertise, their size and complexity can mean it is challenging to sometimes align the right solutions for clients in today's climate of rapidly evolving markets and industry positioning. For example, we have seen instances where approaches still reflect legacy, growth-oriented thinking from a deficit environment.

A key part of our role is therefore to provide constructive challenge, testing whether proposed strategies remain aligned with the scheme's current objectives and circumstances, and whether they represent the manager's best and most up-to-date thinking. Where they do not, we work collaboratively with both the trustee and the manager to refine and modernise the approach.

Second, our role is to support clarity around responsibilities and operating models. The industry is not always consistent in how key models, such as fiduciary management and OCIO are defined and implemented in practice.

While these labels provide a useful starting point, there can be significant variation between providers in terms of scope, discretion and accountability. A professional trustee could appoint two providers across different schemes under the same OCIO label yet receive materially different services. We therefore see it as an essential part of our role to help trustees clearly define and agree responsibilities upfront, ensuring alignment of expectations and a governance framework that is fit for purpose and free of any gaps in governance.

M. Webb: On that note, do we not think that the regular retendering of fiduciary or OCIO services is a good idea because it forces you to think whether or not your current incumbent is fit-for-purpose for the current objective?

Hirons-Wood: Yes, for sure, but



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that's across all of your advisers. It's a big part of new General Code – making sure that you're re-visiting and testing. And even if you don't tender it, you're going through a process to assess. I think most professional trustees work with an oversight provider, whether it's annually or tri-annually depending on what's going on, to ensure they get that independent assessment coming in.

Weir: I guess it's the balance between mandating it and whether it becomes then a box-ticking exercise because of compliance, versus using it when it is really needed. The CMA order definitely did a good thing in terms of coming in and forcing the tenders and selections. Because, in hindsight, who won out of that process? The trustees and schemes. The market became much more competitive and better solutions were developed for schemes.

Pittaway: On the innovation point, while innovation is great, it is key to always have in mind what the scheme's objectives are. It's very easy to go down an academic rabbit hole and come up with something whizzy, but complicated, which might only be 1 per cent better than doing it the standard way. And as much as we're all very interested in learning about new ways of doing things, we do have to bear in mind that there can be limited bandwidth from trustees and we do need to focus on our objectives.

Weir: Yes, and in some cases, things have become too complicated for some schemes and what they're trying to



achieve, so we need to make sure we get the right balance.

Willis: I take a positive view on innovation. But trustees shouldn't be the ones necessarily driving innovation. Trustees are part of the industry – if everyone worked together, had good conversations, you never know what might come out of it. I don't think it's always about more investment products per se, but it might just be that some trustee will say, I would really love to do x,y,z, and the light bulbs could go off around the table. So, they shouldn't necessarily be driving innovation, but they should be a part of it.

Bostock: That's a good point. One of the things I find myself saying a lot is, 'yes, don't worry, I've seen this before, it's fine' when you've got something that feels a bit wacky to some other trustees on the board. But equally it's really important that we're open to new ideas.

Another thing that professional trustees can help to bring is a different perspective on things – saying, perhaps, 'yes, I know you've always done it like this, and you've always seen an investment manager every quarter, but actually, with these funds you've got now, do you need to see them every quarter? Would once a year be fine?' Helping them understand ways in which they could spend their time more effectively, perhaps on the more strategic matters.

Strategic partnerships

Chair: We see lots of people asking us about strategic partnerships. What does strategic partnership mean to you?

Weir: Where I see value in a strategic partnership is where you've got a party advising on very high-level elements of, perhaps, the investment strategy, or the level of hedging.

But it all relates back to the question of what do schemes or trustee boards

really need? Why would you have two parties, one being delegated to the investment arrangements and implementing them, and another doing strategic advisory, when one can do both?

It's good if you're comparing one firm to another, or if you're getting a third-party opinion on strategy. But the downside is that it's going to be more costly because you're bringing in another party. I've seen arrangements where there are strategic advisers and implementation managers working alongside each other resulting in more costs for the scheme.

Giles: Strategic partnership is broader than that for me. If you contrast it to an OCIO or a FM, which are fairly defined relationships, a strategic partner is somebody you would share your problem with, be it an investment manager, be it a consultant, be it anybody else, and they will look at ways of solving that. They'll bring their arsenal to bear. So, rather than just seeing an asset manager as somebody who delivers a return against a mandate, they bring their intellectual capital to your discussions and help you by suggesting new aspects as to how you might solve them. A strategic partner is somebody who works with you to help you solve your biggest challenges.

Chair: Could that be a law firm?

Cameron: Yes. You've got somebody who doesn't have skin in the game in terms of getting a fee benefit out of the decision, they're just getting a consultancy fee and then making a proposal to the board, which the board can then agree or not with. It's not a bad idea.

Dougall: I particularly agree with the problem-solving aspect. I see OCIO or fiduciary management as a form of strategic partnership and there are differences between them. But fundamentally, what you are getting access to is a team of problem solvers.



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That looks different for different institutions of different sizes but that is the key thing for me that people are looking for in a strategic partnership.

Willis: The key word is ‘partner’ – working with a partner that has knowledge and views about the market that they can bring to bear in a trustee meeting. Someone you can go to and say, ‘I’ve got a knotty problem, how can I deal with it?’ But it’s someone that you trust, it’s not someone that is trying to sell you A,B&C because that’s not a strategic partner.

M. Webb: Partnership is the key word, as that suggests an alignment (as compared to when you are just providing a service) – you can both win somehow.

Harrison: Thinking about this in relation to run-on, and the advisers involved there, run-on draws on your investment portfolio, your covenant, the actuarial aspect, plus you have to work with the sponsor to get the best outcome for the members in any situation. Run-on again highlights the importance of collaboration between sponsor and trustees, and the corporate advisers can be an important part of that relationship. You do need a lead adviser to drive the project forward and agree the run-on framework, but it could potentially come from any of those places, including, dare I say it, the corporate.

Chair: Yes, someone needs to drive but it could be one of many parties that drives it. Following on from there, how can a strategic partnership with an asset manager add value for a pension scheme? How can it reduce risk?

Seadon: It does feel like there’s a need for an independent strategic adviser, and that person needs to acknowledge that there are a number of providers; and what we want to do is get the best out of those providers. Also, we need to,

on an ongoing basis, ensure that there remain competitive tensions. So, in order to make the best strategic decision, it feels like you need somebody who is an independent strategic adviser.

Hirons-Wood: I see that as my job, as chair of the board – I see it as my job to be bringing together the people that I need, for whichever problem I’m trying to address. I build the team to get the best outcome. And in terms of driving it forward, in terms of delivery, in terms of knowing what we need to do for the members, that’s my job.

The one thing I can’t get past is that the buck stops with me and any other trustee around the table – it rests with us (apart from when you delegate, for example, under a fiduciary mandate and so on); so for me it’s about building the best team for what I need to deliver at whatever stage.

Bostock: But especially when it comes to end game, it includes really productive engagement with the sponsor, and if you’ve got a situation where the sponsor isn’t as familiar with pensions, then it can be quite difficult. You’re taking the scheme, you believe, in a sensible direction and then you get a left field from the sponsor, or indeed even no engagement from the sponsor sometimes!

Giles: The word that I struggle with from time-to-time is ‘independent’, particularly when you put it in front of the words ‘strategic adviser’. Because most advisers ultimately have conflicts.

Harrison: I agree it is so important to build the right team. Sometimes trustees can silo their advisers too much; and with a project like choosing to run on versus when to buy out or consider a consolidator, you need to make the most of the broader skillset and knowledge that each advisor can bring.



Weir: In terms of conflicts, everyone’s got conflicts, and I’d like to see more parties when they’re starting arrangements being clear about what their conflicts are; then it means that anyone who’s actually making decisions, as long as they’re aware of what the conflicts are, can be clear about those decisions and make the decisions with those conflicts in mind. That makes it a fairer playing field and clearer for everyone making those decisions.

We’ve all got commercial focuses, but we all, hand on heart, also want to make members secure in their pensions, and being open and honest about your conflicts up front is always going to be a better way forward.

Tsang: From a Pensions UK perspective, the way we think about strategic partnerships internally is more from an operational side. The key points that were raised here about problem solving, partnership versus providing a service, I know these are fine lines sometimes, but for us it often comes back to, how can schemes/trustees outsource to help better support themselves operationally?

We see this a lot in the Local Government Pension Scheme (LGPS) as well, where there isn’t enough administrative and governance support to manage the execution of all the regulatory stuff coming down the track, of which the volume is tremendous.

In the LGPS, while the next steps of consolidation in pooling is exciting

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in some ways, it also throws up its own governance challenges. Finding the right independent person to support the new changes will be one of the next big issues for our fund members in this space.

In the DB world, it's about which aspects of the trustees' jobs do they not have enough time or enough of the skills to manage internally, and how can they outsource that in the right way, to make room for their key objectives?

More widely, we are part of a technical working group with DWP on fiduciary duty guidance. The goal of this is to develop a guide on how investment decision-making can be done, how it can be evidenced, so trustees can feel secure in the steps that they're taking in an ever-changing politicised environment, where pressure mounts to invest, or not invest, in specific ways. This should in theory help with overall investment governance.

Dougall: The LGPS is undertaking a massive governance review in a very compressed time scale – effectively, the pools are setting themselves up as full-spectrum asset managers or OCIO providers. We talk to some of those providers and it's interesting to see how they're thinking about everything from top-level board decision making all the way to operations and systems. That does link back to the strategic partnership point, because when these large organisations have an in-house team that has some capabilities, but not all, they are often looking to partner with a third-party to ensure they can access the full benefits of scale.

Tsang: Something that is very encouraging to me in watching how our members in the LGPS space work is that the funds within the LGPS really pride themselves on their collaborative nature and already a lot of systems exist for them to work together. They would of course prefer not to have to do all of this in such a condensed period, but they have infrastructure they've created themselves to make this work and make this happen. It's quite inspirational to see.

Chair: When you're working with somebody in a strategic partnership, how can providers help trustees make sure it is being effective? Are there key performance indicators (KPIs) that they need to be working to? How do you know whether that strategic partnership's effective or not?

Giles: It always comes back to, why are you doing this? Why have I got this relationship with these people? What am I asking them to do? Then you need to have some way of monitoring that. Then, every now and then, you need to challenge yourself and ask, 'is this still right in the circumstances?'

A. Webb: Again, it's all about clarity of roles. If your governance is going to work, you need to be clear on who is doing that. If it's clear what you're trying to do and how that fits into the objective, then you can measure it. Then you figure out what is the most effective way of making that measurement. So, clarity of roles is key.

Pittaway: From the strategic partner's perspective, it's also about being open to ask how it's going. What could be better feedback than having that open communication loop? You can have KPIs, but some parts are less measurable.

Regulatory change

Chair: Looking forward, regulatory change is going to a big consideration

for trustees. How can we help trustees to future-proof governance frameworks against what feels like constant change?

Cameron: It's all about having the right framework, and the problem with the CMA is that they've got a particular lens. They want competition in the market. They're not looking at it from the broader perspective of what's right from a trustee view. So, I would encourage trustee boards to spend more time coming up with a framework to set strategy and objectives and revisit that from time-to-time; and that is not typically how trustee agendas are set. Trustee agendas are blown with the winds of regulatory and guidance changes. So having the time to step back and do that could help schemes future-proof their governance arrangements.

Bostock: Also, a lot of regulatory solutions that are being put in are fixing somebody else's problems – you were already doing things more or less in the right way, but then some really specific regulatory requirement comes in that makes you have to change what you're doing, even though what you were doing was perfectly fit-for-purpose. That's what I find frustrating about a lot of regulatory change that we see.

M. Webb: Can I ask about surplus extraction – giving money back or letting it out of the scheme is quite a significant decision. Is it just the reverse of what we already do, so recovery plans in reverse? Or do we need new governance controls to try and balance that?

Willis: You need to think it through really hard, and in advance. When you're underfunded, it's almost an easier decision. Now you're on the other side, it can become very emotional and challenging. You may think the sponsor is aligned, and then you discover perhaps they're not. So having those conversations upfront is key. Giving



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money out of the scheme is hard but keeping it in the scheme and not doing anything with it can go against the interests of members who might not be around anymore by the time a decision on it has been made. The hard stuff can be considered with some scenario planning. That's how you future proof your governance.

Artificial Intelligence (AI)

Chair: Does AI have a role to play in pension scheme governance?

Pittaway: I asked AI what it thought the answer was to this question. It said: 1) AI can sharpen oversight, but it doesn't change where accountability sits. 2) In a delegated framework, AI raises the bar on mandate clarity and reporting standards. When I dug a little deeper there, it said it meant in terms of providers being fully clear where AI is being used, particularly in reporting and investment processes. 3) The biggest near-term opportunity is trustee side, not manager side.

Bostock: I guess there they are referring to time saving, summarising papers, recording calls and meetings, preparing minutes and so on.

Bostock: That again, comes back to my point of you've got to use that time you've freed up to do something more useful instead.

Weir: Yes, AI will be good at freeing up the trustees' time to focus more on the objectives of the scheme – free us up for the more important thinking.

Tsang: Going back to the strategic partnership angle, we would say that AI features quite heavily in the future of strategic partnerships, helping to lift some of the load off of trustees so they can focus on the strategic matters.

M. Webb: Someone described AI to me as being like the new version of Excel. It gives you the ability to

analytics and test models efficiently, but it only really works if you've got the data to start with. If you can't see the information, it doesn't give you any extra point of view. It is exciting but you still need to have the expert to give a sense check as to what it's doing, to know that it's not hallucinating and it hasn't done something wrong.

Also, we don't need to have an infinite number of AI models. What we need to do is use it as a tool to make things more efficient, to remove some tasks that it can do more efficiently than us. That should allow us to innovate.

Willis: It saves time, and in a UK productivity sense we need to spend that time doing something else. But it's not just about data – it's also about how you communicate with members and so on. There is so much else it can help with.

Dougall: It's also helpful for strategic thinking, because you can treat it as an extremely well-read person that you can ask to challenge you and give you different perspectives. You can say to it, for example, 'I'm thinking of doing this, what haven't I thought of?' For trustees, that's a powerful tool.

Giles: AI is great at changing perspective – it gives you the ability to look across the whole industry at once and look for similarities to the position you're in and see where you might be doing something different. You can use it then to dig in and say, 'I need the answer to this specific question for this situation.' It might not always get it right, but it's highlighting 'have you thought about this, this, or this?' Governance is about effective challenge and if AI can add to that, that is fantastic.

A. Webb: To take an opposite view, one thing we don't think about enough is the inherent bias within AI. There is an inherent bias already, of course, but later there'll be a commercial bias

when all these companies actually have to make some money. All of a sudden, you'll find the answer to your problem lies in whichever company, for example, sponsors a particular topic. So, you have to be careful about the dependence on it.

Weir: And the risk of homogenous thinking as well. If we all continue to use it, will it get to the point where it all gets quite similar, in terms of thinking? Is there a risk to diversity of thought? Even if that's perhaps a long way off.

Let's also not forget the data risk as well. Cyber risk, is quite rightly, so important. We are concerned about what can potentially get into our data via hacking, we should be just as concerned about what can potentially get out. We've all got our own internal AI tools. How are we going to trust those AI tools to talk to one another as different parties and not release data?

Greeves: AI presents both significant opportunities and risks. It represents another evolution in the industry that requires the bar to be raised on the quality of investment governance, as the use or misuse of AI will amplify both good and poor decision making depending on how it is applied. While AI can provide insight and inform decisions, robust governance frameworks remain essential to interpret AI outputs and exercise judgement on the best course of action for a scheme's specific circumstances.

Chair: I love the passion around AI. It will be fascinating to see how it develops from here on.





Which way to turn



▶ **As the number of endgame paths increases, Gill Wadsworth explores how those managing DB schemes are deciding which route to take**

Summary

- Large surpluses in UK defined benefit schemes have created more endgame options for trustees.
- Picking the optimum route depends not only on size but appetite for risk, opportunities to buyout, and enthusiasm for running the scheme on.
- Legislative reform and wider geopolitical and economic factors are increasingly influential in informing DB's future.

The dark days of defined benefit (DB) pension deficits left an indelible scar on many trustees, corporate sponsors and members. So destructive were the holes in final salary scheme funding that swathes of legislation, reform and major investment rethinking swept across the landscape transforming it into one that boasts a £258.5 billion surplus today.

While this is cause for celebration, sitting on great piles of assets has presented those at the coalface of pension fund decision making with something of a quandary, especially since the government is making it easier for well-funded DB schemes to release surplus when 'safe to do so'.

Rather than simply moving to buyout with an insurer, the possibility of accessing a potential £170 billion DB surplus over the next decade is driving boards to consider keeping the scheme on the books.

A March 2026 survey from XPS

Group covering medium to large DB schemes reveals 41 per cent are exploring running on as a potential endgame strategy, compared with 38 per cent targeting buyout as soon as practicable.

And there is a third option on the table: consolidation. The Pensions Schemes Act 2026 establishes a permanent framework for superfunds, which are commercial entities designed to take on, manage and consolidate DB schemes.

In its May Annual Funding Statement, The Pension Regulator (TPR) made clear expectations that trustees "maintain their focus on long-term planning and ensure their scheme has a clear and well-evidenced endgame strategy", with executive director of market oversight, Ben Gunnee, noting that whether schemes opt for run-on, superfund consolidation or buyout "the decisions [trustees] make now will shape members' futures".

Barnett Waddingham partner and head of DB endgame strategy, Ian Mills, says: "Until recently, most DB pension schemes had a clear goal to buyout and wind-up as soon as it became affordable. Most corporates viewed their schemes simply as liabilities to be risk-managed and then transferred away. However, the new surplus flexibilities and the current strong position are changing this mindset for many. A DB surplus is now often viewed as an asset and the question becomes more about getting value from it in the most efficient way rather than offloading it, so some are instead looking

to run on. This is a complex, multi-faceted decision, so a detailed financial analysis is the place to start."

Size matters

Clearly in a universe comprising 5,000 schemes, ranging from many billions in assets under management to just a few million, choosing the right path is dependent on a myriad of factors.

Cartwright Pension Trust head of investment, Yona Chesner, says: "Not every option is open to every trustee or every scheme. The larger funds with bigger surpluses have more options. Consolidation is only really viable for £20 million schemes and above."

And when considering whether to buy out or run on, size remains relevant.

Aon's 2026 *Endgame Survey* finds that 54 per cent of schemes over £500 million intend to insure, with 46 per cent intending to run on. In contrast, among sub-£100 million schemes, 85 per cent intend to buy out once it is achievable.

Aon partner in the consultancy's UK endgame strategy team, James Patten, says: "When comparing buyout with running-on, we often find some scheme stakeholders have strong views – sometimes with the aim to remove the DB headache through a buyout, or showing a desire to put the scheme to work, generating a surplus via a run-on."

Patten continues: "In other situations, the position is more nuanced. While they are not the only factors influencing the decision, there will often be a balance to be struck between the potential

reward of run-on to generate additional surplus, along with the governance costs, management time and risk involved, and how this compares with buying out.”

Timing is key

If choosing the right endgame was not complex enough, trustees and sponsors must also contend with the vagaries of the political and economic environment.

Standard Life managing director for pensions risk transfer and individual retirement, Claire Altman, says: “Timing has become increasingly important. While improved funding positions have created new opportunities, the regulatory pathway for surplus extraction is still evolving, with further detail expected from TPR in the coming months. This leaves trustees balancing the benefits of waiting for greater clarity against the option of acting now to secure member benefits.”

Altman notes that recent gilt volatility is a reminder that today’s conditions are markedly different from those on which many long-term strategies were built, with higher interest rates and more persistent inflation.

“Uncertainty comes in many forms, not least from markets, politics – both local and international – and technological developments. Against this backdrop, trustees will need to weigh the potential upside of delay against the risk of market shifts eroding funding gains and of potential for negative impacts to the sponsor covenant leading many to be focused on securing gains and ensuring long-term protection for members,” Altman says.

The Association of Consulting Actuaries’ chair [*at time of writing*], Stewart Hastie, says that while DB investment strategies are “significantly more robust than they have been over the past few decades”, those schemes that are less resilient and with weaker covenants should consider reviewing their investment strategy at the same time as considering endgame options.

“Fundamentally these are long-term strategy decisions and trustees with their sponsors need to consider the options properly and completely, particularly before making irreversible decisions,” Hastie says.

Under pressure

Where schemes choose to run on with a view to extracting – or as Minister for Pensions, Torsten Bell, says “releasing” – surplus from a DB scheme, those on the frontline can expect to navigate a minefield of complexities on how to access the money and to whom it belongs.

The surplus provisions in the Act are not due into force until late 2027 and TPR is yet to issue a statement outlining its position.

“With the new world of high funding, there is not just one endgame in town, and the trustees and sponsor need to decide which is the right one for them”

Sackers’ partner, Janet Brown, says this uncertainty is not preventing boards from already planning endgames, but she urges caution.

“Acting in members’ interests is the issue of how surplus release is going to be decided in any given scheme. It has to be scheme-specific on the facts of how that surplus arose, the size of the scheme and materiality of the surplus, whether members contributed, the long-term security of members’ benefits, the covenant backing the scheme, and whether the legislation has been amended to allow those one-off lump sum payments to members over normal minimum pension age,” Brown says.

Trustees may also find they are under pressure to return any surplus to sponsors that, in many cases, were obliged to shore up members’ benefits to

the tune of millions of pounds in extra contributions often during times of significant financial stress.

Chesner says: “Should the upside go back to the members? The scheme rules will have something to say about that but so will the sponsors. When schemes were underwater, sponsors put in a lot of cash, which was the right thing to do, but they may be asking that now the schemes don’t need it, can they have it back?”

Patten says he has seen no evidence of sponsors coercing trustees to hand over surpluses, adding: “Practice to date has been consistent with TPR’s endgame guidance, encouraging collaboration between trustees and sponsors but seeking to ensure that undue pressure is not placed on trustees. We expect this will remain an area on which TPR keeps a watchful eye once the new surplus flexibilities are introduced.”

Early engagement


With so many endgames to choose from and multiple factors informing those choices, trustees might be forgiven for falling into a state of inertia.

However, as Gunnee says, “staying still won’t keep you ahead”, and decisions must be made.

Zedra client director, Dan Walsh, recommends trustees action early engagement with sponsors to establish alignment around long-term objectives and support more effective decision-making as schemes assess potential endgame strategies.

“In addition, the development of a Statement of Strategy under TPR’s Funding Code can help formalise a scheme’s objectives and provide a clearer framework for assessing future options,” he says.

Ultimately deciding on the right endgame will come down to open channels of communication and a willingness to collaborate.

 **Written by Gill Wadsworth, a freelance journalist**



Chris Curry

What is the Pensions Policy Institute (PPI) currently working on, and which key themes or questions are currently driving your research agenda?

It's busy at the moment, perhaps unsurprisingly, because a lot is coming out of the Pension Schemes Act.

One area of interest is megafunds. The government is very keen on evolving scale, especially in the defined contribution (DC) space. We are conducting international comparison work, in particular with Canada and Australia. There's a quite fundamental question: Does scale automatically lead to better investment returns? The research examines whether this is always the case or if other factors are just as important in determining outcomes for people from big funds.

We are also looking at defined benefit (DB) surplus, particularly in the release of DB surplus. I have been interested in this topic for a while. What we want to do is help schemes understand their own position because every scheme is unique. They're all going to have their own factors, their own relationships with sponsors, their own covenants. Given

Adapting to change

Pensions Policy Institute director, Chris Curry, sits down with Paige Perrin to discuss the organisation's latest work, ongoing adequacy challenges and the future of the UK pension system

this, the PPI wants to help equip people to ask the right questions.

For example, if they are in a situation where they are fortunate enough to have a surplus, what are their options, and what are the risks involved with each of those different options? What do they need to be aware of before they make that decision? That's another big piece of work at the moment.

Finally, the piece that might have the longest-lasting impact, arising from the Pension Schemes Act, is guided retirement. The Act is quite light on detail. It sets out a high-level framework, but the important information will be in the regulations and rules from The Pensions Regulator and the Financial Conduct Authority.

We are working with a group of stakeholders in this space to understand exactly what will influence whether people achieve a good outcome or not, and how we might take account of that in the guided retirement space.

When we are looking into that, we consider the information schemes hold and the objectives and principles of a good retirement.

This is an area, I think, we will be spending a lot of time on in the future. Having had 10 years of freedom and choice, and flexibility in that space and with DC only continuing to grow, it is going to be important. It's also ensuring that all the advantages we are giving people through value for money and charge caps, for example, in the buildup to retirement, are not wasted by having poor outcomes when people get to make

that decision at the end.

Then, we've got the normal research themes that we are working on. The next iteration of our *DC Future Book* will be released later this year, and we are also exploring the Pensions Framework.

What the PPI is trying to do with a framework this year is tie it in with the work of the Pensions Commission. Following the release of the interim report, we'll explore the implications and how we can use the Pension Framework to help answer questions on the topics of adequacy and, potentially, intergenerational issues.

We are also carrying out work, which feeds into the Pensions Commission as well, particularly around adequacy. There is a lot of work happening; it is a really busy time, which is great as we approach our 25th anniversary year.

The PPI recently launched its 2026 *Lost Pensions* survey, and you expanded it to include DB schemes for the first time. What prompted that expansion?

We're delighted to be working on *Lost Pensions* again. It has been a couple of years since we last conducted the research, but it is an important piece of work.

The reasons we are expanding into DB are that, although there are particular issues in the DC space with people changing jobs, new schemes, and automatic enrolment, meaning that people are not always aware they are in a scheme or who their schemes are with, there are also issues in the DB

space. DB schemes tend to be older, so administration can at times be challenging. For example, people are likely to have moved addresses more or changed names more often.

The administration of the DB schemes, because the schemes are older, sometimes needs to be brought up to date, and a lot of that has been happening because of the work with pension dashboards.

In terms of the results of the expansion, we haven't really got any findings yet, as we are still in the early stage of asking for the schemes to send in their information. It will be interesting to see whether there's as big an issue in DB and if it is more manageable.

➤ As the UK moves further toward a predominantly DC system, what do you see as the most material systemic risk, particularly around retirement adequacy, decumulation and member outcomes?

One of the big challenges is that, although the pension system is going predominantly DC, it's not completely DC.

That mixture and overlap between people having both DB and DC pensions is an important one. And it's not going to change for quite a long time because DC is still relatively immature in the UK. It's still very much in its growth phase with contributions and hasn't really reached the payout phase yet. Although there's not as much DB in the private sector as there used to be, it's still prevalent in the public sector, and anyone who has worked in the public sector will have some DB pension alongside their DC pensions.

I think that is one of the big challenges with guided retirement because providers will only know in detail about the pot the individual has with them; they're not necessarily going to be aware of what other pension arrangements people have. They might have DB schemes elsewhere, or they

might have multiple DC pots, as well as a state pension.

Although there is a lot of merit in the government's aim to ensure people have a secure income throughout retirement, doing it on a pot-by-pot basis is quite a challenge in a DC world.

In all these things, information is key. That is information for the provider, but also information for the individual.

Hopefully, over time, as the complexity of the system starts to roll out and things become clearer cut for individuals with fewer types of benefit and pensions, it might become easier for them to understand and engage a bit more themselves.

"Although there is a lot of merit in the government's aim to ensure people have a secure income throughout retirement, doing it on a pot-by-pot basis is quite a challenge in a DC world"

➤ Your research highlights persistent pension adequacy challenges for low and median earners. In your view, are these gaps the result of insufficient contribution rates, or do they reflect broader structural issues in how adequacy is defined and measured?

Trying to define adequacy is always a real challenge because it means different things to different people.

The last Pensions Commission were very keen on looking at replacement rates, and the idea behind that was to ensure that people have a similar standard of living in retirement to that which they had when they were working. But that's where it gets really challenging, particularly now that we are in a system where people don't necessarily convert their pensions into income, so trying to understand how adequacy works, where

people have a choice between a lump sum and an income, and how they want to do that. So how you measure that is a real challenge. Do you measure what they could achieve, or do you measure what they are achieving?

➤ Looking ahead, which proposed policy reform or structural change do you believe could have the most significant impact on improving the resilience and fairness of the UK pensions system?

I don't think there is a single reform or a structural change that will necessarily achieve this.

I think it's more of an overall approach, and I hope the Pensions Commission can take it forward.

It's taking that more holistic view of the system. Even with the Pension Schemes Act, it covers so many different parts of pensions, but it looks at them all individually.

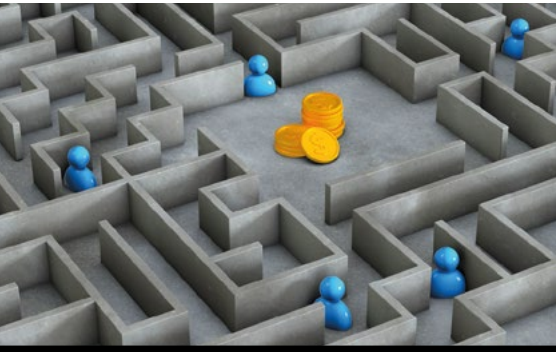
The real challenge is how to make sure everything is working in the same direction and to create a consistent, coherent approach.

You need to make sure that all these things are being done consistently and you're not trying to set up challenges in one place by creating solutions in another.

That is difficult, and sometimes it might mean outside of departments as well. We already know that the Department for Work and Pensions and the Treasury are working very closely, and having a Pensions Minister in both departments is helpful. Healthy life expectancy also involves the Department for Health, while engagement and understanding of the pension system factor into the Department of Education.

The area where we can make the biggest gains is by bringing all those things together and starting to look at them through a single lens rather than having them all quite siloed.

➤ Written by Paige Perrin



Summary

- Self-employed workers are at risk of falling behind full-time employees' retirement savings. This is hampered by irregular income patterns and the time-poor nature of the self-employed.
- The industry is taking comfort from the Pensions Commission's attention to the self-employed issue, but wants this to translate into tangible and realistic solutions.
- There are things the industry can do – better education, use of digital tools, more flexible product development – to better engage with the self-employed.
- Experts want auto-enrolment to be extended to the self-employed but acknowledge there are significant logistical challenges in the way.

Self-employment and pension saving: Navigating the challenge

Greater policy attention is being given to the self-employed retirement savings gap, but what is realistically needed to help close this?

The statistics make for grim reading, with only 4 per cent of people whose income comes solely from self-employment saving into a pension. This means approximately 15 million UK workers are under-saving for retirement. Figures like this from the Pensions Commission's interim report demonstrate a greater recognition by policymakers but it remains to be seen what the final recommendations will hold. The inclusion of self-employed pensions in the commission's work has been applauded, but many now want this to move on to real, practical solutions. For AJ Bell senior pension and savings expert, Charlene Young, this includes adopting the right attitude.

"This opportunity will be lost if [the commission] falls into the trap of simply repeating the issues and drawing simple conclusions from data," says Young. "There's a danger that doomsday figures and political soundbites perpetuate the myth that pensions are

something to put off for another day, or worse still, are something to fear."

Like Young, Fidelity International head of platform policy, James Carter, welcomes the commission's work but hopes it appreciates the complexity of the issue in its work.

"This is a complex challenge without a single solution," says Carter. "For many self-employed individuals, wealth is held across a mix of assets, including property and their business, so improving outcomes means taking a more holistic view of long-term financial resilience and how these elements come together to fund retirement."

Self-employed issues

Given the UK's self-employed population falls outside auto-enrolment, there is a danger this cohort is left behind when it comes to retirement provisions. This challenge is exacerbated by the complex and varied nature of self-employed work, which Aviva head of savings and

retirement, Alistair McQueen, points out is anything but homogenous.

"Self-employed workers range from high-earning professionals to those with very low or highly variable incomes," says McQueen. "That diversity sits at the heart of the perceived challenge when it comes to saving into a pension. Irregular earnings can make it difficult to commit to consistent, long-term pension contributions, which is why flexibility is key."

Not only can self-employed income be irregular and hard to predict, but these individuals are often having to take the responsibility of retirement planning in addition to everything else. Pension contributions may be handled in a PAYE fashion for traditional employees, but PensionBee chief business officer UK, Lisa Picardo, points out such convenience is lacking for others.

"For the self-employed, the pension sits alongside everything else they are managing alone, such as their tax returns, business costs, irregular cashflow, lack of sick pay, lack of parental leave or paid holiday, with little or no safety net," says Picardo. "Set against that context, then asking them to prioritise long-term saving today for tomorrow, without addressing the wider pressures, is asking a lot."

The 'wider pressures' for self-employed can't be ignored, especially when pensions can sometimes be guilty of being tackled in isolation. A growing narrative has been that pension reform needs to be part of a bigger picture, taking into consideration issues such as financial education, and Scottish Widows

head of pension policy, Pete Glancy, is in favour of changing the conversation for the self-employed.

“Parts of the workplace pensions industry have a tendency to be very isolationist and consider pensions in a vacuum within the wider challenge of preparing for retirement,” says Glancy. “The retail pensions industry tends to look at things more holistically, where pensions sit alongside ISAs and other investments within a single proposition (known as a platform). The challenges around self-employed workers’ retirement savings need more of that mindset.”

Filling the gap

One way to help tackle the retirement shortfall faced by the self-employed is to better reflect the fundamentally different ways these savers generate income.

“For the industry, this means thinking more creatively about how to engage the self-employed, who lack the natural touchpoints that exist in the workplace,” says Carter. “The implementation of targeted support creates an important opportunity to provide prompts that support decisions about pensions and retirement, which may help to support this engagement.”

Pension awareness is also an issue – Aviva research shows that only 24 per cent of self-employed workers and 22 per cent of freelancers know about SIPP and stakeholder pensions. This requires a concerted effort but, as the pension industry tries to improve awareness and understanding of retirement saving in general, the approach could require tinkering for nuances of self-employment.

“In practice, this could mean solutions that allow individuals to build short-term savings first, before gradually increasing contributions into pensions over time,” says McQueen, who sees the use of apps and digital solutions as being of help. “There is an opportunity to embed nudges, prompts and defaults into the tools self-employed people

already use to manage their finances, making it easier to save consistently and build towards retirement.”

Additionally, given self-employed people have to sort their own taxes, Picardo sees self assessment as an “obvious” place to target.

“It’s the one moment in the year when the self-employed are forced to look at their finances in the round,” she explains. “Embedding pension education, tax relief information and contribution prompts at that point would make better use of a key moment of reflection and business planning that already exists in the calendar every year.”

“There is an opportunity to embed nudges, prompts and defaults into the tools self-employed people already use to manage their finances, making it easier to save consistently and build towards retirement”

The auto-enrolment solution

Full-time employees have been able to benefit from auto-enrolment, arguably one of most significant policy changes to encourage retirement saving in recent years. Many see extending this to somehow include self-employed workers as a priority for the commission. Doing so, however, is easier said than done.

Experts point to the absence of an equivalent infrastructure or ‘free money’ in regard to employer contributions, but there are potential solutions to bridge the gap and help extend auto-enrolment to the self-employed. Young points to a potential opportunity arising from the way in which tax is reported and collected from these workers.

“Self-employed people are now part of ‘Making Tax Digital for Self

Assessment’, which requires them to submit quarterly updates to HMRC where income is over £50,000 per year,” explains Young. “This gives us a new source of information and a potential link up to ‘default’ pension saving that we’ve not had before.”

Likewise, Picardo sees a way to sync up automatic contributions for those self-employed workers who run their own limited companies with payments automated from these entities instead of their personal salary.

“These contributions count as a business expense, reducing your corporation tax bill, and saving on National Insurance,” says Picardo, who argues the combined saving could be as much as 40 per cent, depending on the company size. “The personal pension product exists and caters for the self-employed, but there really needs to be a greater nudge and better education to get people started for themselves early, and fully engaged with how they can change their outcome.”

Others aren’t as convinced. Glancy points out that auto-enrolment only worked because of its default nature, with same mechanism having to be somehow replicated for the self-employed.

“A pension as we currently know it won’t be the right solution,” adds Glancy. “Pensions will either need to be integrated with other savings and investment products, or a new type of retirement savings product specifically for the self-employed would need to be developed.”

It remains to be seen what recommendations come from the commission, due in early 2027, or what innovations will be unveiled by the industry in the meantime. But it’s clear that tackling retirement savings for the self-employed population is an even more complex issue than the challenge traditional employment already poses.

Written by Jon Yarker, a freelance journalist



A public voice

➤ **Following the recent call for a 'citizens' assembly', which would allow the public to have a greater voice in pension policy reform, *Pensions Age* asks: Just how engaged with the pensions sector generally do we want savers to be?**



'To be or not to be' involved in pensions policy? That is increasingly becoming the *Hamlet*-like question facing the UK pensions industry.

For decades, pensions policy has largely been something done to people rather than with them. Yet pensions ultimately belong to savers and pensioners, so it is right that they should have a stronger voice in shaping a system that directly affects their financial futures. A citizens' assembly could help policymakers better understand public concerns and rebuild trust in a system often viewed as distant and overly technical.

However, pensions are also an exceptionally complex area of public policy. Decisions around funding, investment and long-term sustainability require specialist expertise and careful analysis. There is therefore a risk that public opinion alone could support reforms that appear attractive in the short term but prove unsustainable over time.

That is why the value of a citizens' assembly lies not in replacing expertise but in complementing it. Deliberative forums can allow representative groups to hear evidence, weigh trade-offs and contribute meaningfully to major policy decisions.

Perhaps the answer lies in balance: listening more carefully to savers without losing sight of the technical judgement required to protect them. After all, as Shakespeare wrote in *Hamlet*: "Give every man thy ear, but few thy voice."

➤ **Hughes Price Walker pensions consultant, Georgia Carpagnano**



Engagement can be a double-edge sword; the wrong type of engagement could lead to poorly informed decisions, unless the right nudges and support are in place. The reality is that more people need to be engaged at least some of the time, for example, in deciding how much to save, how and when to take the retirement option that best suits their financial and personal circumstances.

We shouldn't forget that defaults can also be a double-edged sword, leading to double or even triple defaulters – those who are defaulted into the minimum pension contribution level, the default fund, and/or default guided retirement solutions where no engagement is needed. This might work for some, but not for all pension savers all the time. It could lead to under saving, and to people not being given the opportunity, support and tools to build up pension and saving knowledge, so when the time is right, they are in a better position to make informed decisions.

➤ **Aegon UK head of pensions, Kate Smith**



It's pivotal that we give people more of a voice in the future of pensions, but that has to be driven by education. People should be given a foundation of understanding and learn from a young age about the benefits and risks of being proactive with their pension. The government is the reason I have my career in pensions, as the 2015 pension freedoms was the opportunity for me to join the sector, but before then, despite being a well-educated and financially savvy young man, I was naïve to the importance of pension provision and the impact it can have later in life. If we want the next generation to be successful in their retirement endeavours (which in turn eases any burden on public funds), they need to know and want to be involved. The best way to do that is with numbers, live examples, and showing what retirement looks like in different relatable scenarios. And include the negatives! It's not scaremongering, it's an opportunity. Once people understand, then they care, and then they can make a difference.

➤ **Trafalgar House business analyst, Kyle Brookes**

It is accepted that we need to see an increased level of engagement and saving into pensions for most people. By giving employees an increased say in how their retirement savings is looked after could help shift the dial amongst people. There is some autonomy in what employees can invest in, however. They can already move their money out of the default fund into funds geared towards ESG investments or Sharia investments, for example.

One could argue that some of the lack of engagement could be attributed to a low understanding of a pension. By having a wider group of people involved from differing backgrounds could also help ensure the language used to articulate how a pension operates is as plain/simple and relatable as possible. This could then boost engagement. I also think that when people have lives outside of work, are they really going to be studying their pension regularly? Probably not, however they do not need to. What they do need to understand is the amount they are putting into their pension against what type of lifestyle they expect to be able to enjoy in retirement.

It is good to explore new areas for reform and whilst the results from these assemblies do not need to be mandatorily implemented, it can create a new framework for development.

▶ Cartwright Employee Benefits group risk and healthcare consultant, John Mullally



One of the exciting things about deliberative research and citizens' assemblies is that by presenting participants with much more in-depth information about a subject, you can get more sophisticated views from the public about complex issues. It's a natural fit for a subject like pensions policy, where we need informed public opinion to help guide policymakers.

▶ People's Pension public affairs director, Victoria Jonson



We want people to be engaged. In business, customers help shape product design. For too long, pensions have been something done to people rather than with people, despite the fact that responsibility for retirement outcomes increasingly rests with the individual saver.

That disconnect exists partly because workplace pension providers are chosen by employers rather than savers themselves, creating distance in both engagement and responsibility. Many people do not see themselves as customers of pension companies at all, but changing that mindset could improve outcomes across the market.

Bringing people into the conversation around how pensions are invested and communicated could be hugely instructive for an industry that has often operated on the basis of what it believes is best for the majority, without consistently asking savers what matters most to them.

The Australian superannuation system offers a useful example. Stronger member engagement has helped create a culture where savers compare funds, scrutinise fees and switch providers when performance disappoints.

Collective pensions do not require everyone to become an investment expert, but collective should not mean passive. Particularly in the context of Mansion House reforms and greater exposure to private markets, people should understand how their money is being used and feel they have a meaningful voice in the process.

▶ PensionBee head of pensions, Becky O'Connor



Pensions history

June beginnings

June 1941 saw momentous beginnings. Hitler turned his fire towards the Soviet Union, one of the turning points of the war. At home, the wartime coalition government announced the creation of an inter-departmental committee to be led by Sir William Beveridge. Its purpose was to carry out a survey of Britain's social insurance and allied services and to make recommendations for post-war reconstruction. Hundreds of hours of interviews and research with business, trade unions and charities followed. *The Beveridge Report*, published the

following year, heralded the creation of the modern welfare state.

Public opinion of the time was generally positive. According to an opinion survey carried out by the British Institute of Public Opinion, 95 per cent of the public had heard about the report and welcomed the main features of its cradle to grave philosophy. Most criticism was of starting the old age pension at 14s a week, rather than at least 20s, or the time taken to reach the maximum prescribed level.

The Pensions Commission, whose interim report has just been published, faces different challenges. But if its key objectives of fairness and sustainability

are to be achieved there must be a much wider informed public debate. It is one thing to test public opinion as Beveridge did when choices are being made about relative degrees of generosity. A quite different approach is needed if sacrifices are to be demanded – particularly if they affect or are perceived to affect certain groups more than others.

www.pensionsarchivetrust.org.uk/ourcollections

► Pensions Archive Trust director, Jane Marshall

▼ The bright side

Pensions Age takes a closer look at some of the recent good news stories in the pensions industry...

► People's Partnership launched two new free webinars with digital inclusion charity, Good Things Foundation, to help members feel more supported and empowered in the digital world. The short, on-demand Build Your Digital Confidence webinars are designed to both help organisations



understand digital exclusion and take simple, practical steps to support their workforce, as well as help members recognise the signs and challenges of digital exclusion and

build confidence in signposting the right support.

► Rathbones will, for the first time, run a year-in-industry programme for university students. The nine-month placements, starting in September 2026, will help build a strong pipeline into the 2028 graduate scheme. Rathbones is expanding its existing graduate scheme to include placements in Rathbones Asset Management for the first time.



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Location: Hybrid/London or Scotland
Salary: Attractive benefits package and bonus potential

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Location: Hybrid – 2 days per week in London
Salary: Salary depended on experience

PENSIONS & PAYROLL PROJECT MANAGER IN-HOUSE, INITIAL 12MTH FTC

Location: Hybrid/Work from home, travel to various offices UK-wide as required
Salary: Excellent

PROGRAMME MANAGER

Location: London at least twice per week
Salary: Depending on experience

SENIOR PENSIONS DC CONSULTANT

Location: Hybrid/London or Hampshire office
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Salary: Competitive

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Salary: Dependent on experience, + bonus + pension + benefits

PENSIONS TECHNICAL OPERATIONS LEAD

Location: Hybrid/London, up to 3 days working from home
Salary: To £55000 pa



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Hybrid/London **£55000 - £65000 per annum**
A broad DC advisory role combining client management, governance, and investment expertise. Ref: 80699 BC

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Join a growing team of specialists creating engaging communications across the UK pensions sector. Ref: 70531 BC

Senior Associate Trustee - 12 month FTC

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Senior Pensions Administrator

Hybrid/Locations Countrywide **£32000 - £40000 per annum**
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Senior Pensions Administrator

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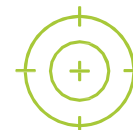
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A large-scale construction project is shown, featuring a massive steel truss bridge structure under construction on a steep, rocky hillside. The sun is low in the sky, creating a bright flare and casting long shadows. In the background, another bridge structure is visible, and the landscape is hazy with distant hills.

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