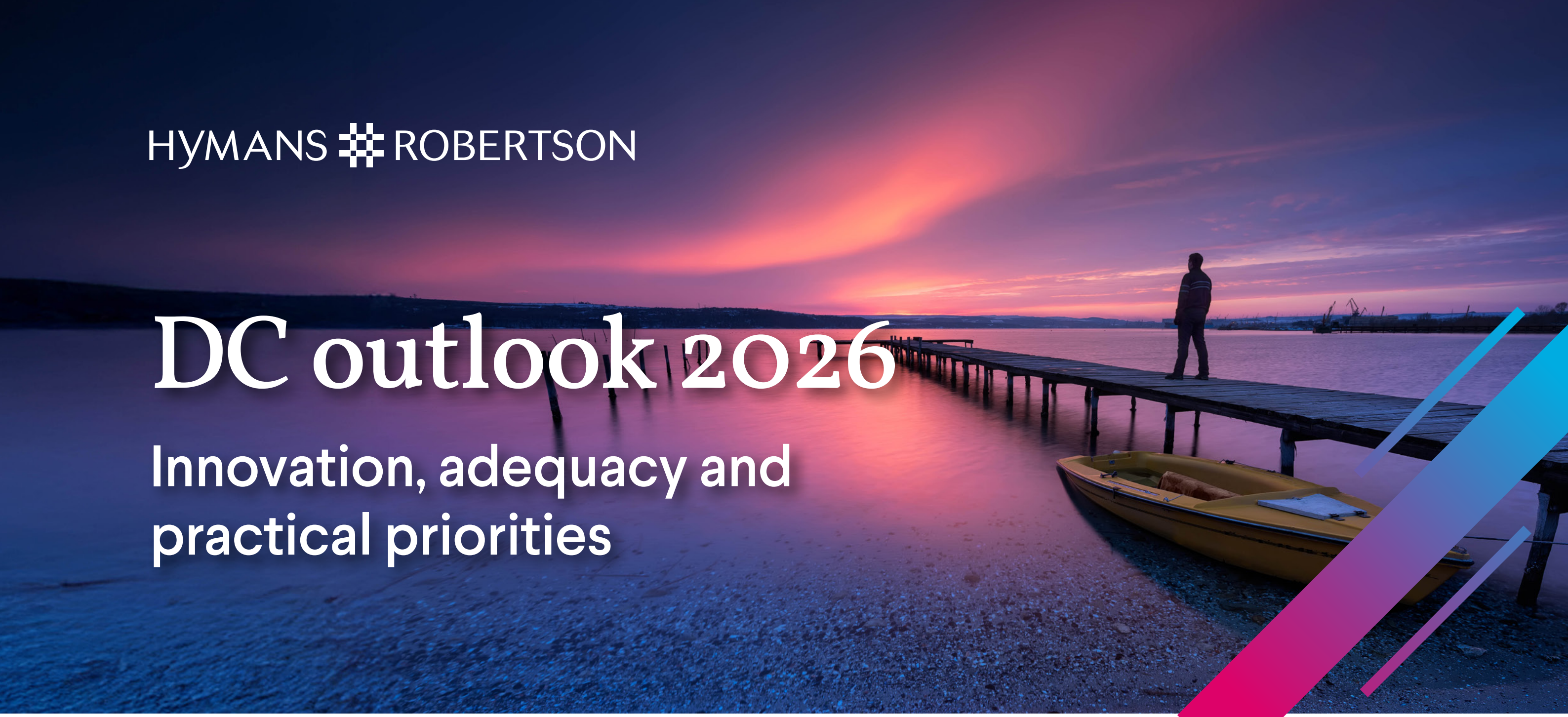
HYMANS ROBERTSON



DC outlook 2026

Innovation, adequacy and practical priorities

2025 was a year of transformation for defined contribution (DC) pensions. Technology, policy and innovation reshaped the landscape. This created new opportunities and new challenges for schemes, providers and employers. As we look ahead to 2026, we reflect on what changed, what we learned and what we hope to see in the year ahead.

Looking back: what did 2025 deliver?

The past year marked a new phase for DC pensions, as the industry embraced a more retail-style approach to member engagement. Technology played a central role, enabling real-time data and more personalised support. This shift was not just about new tools; it reflected a deeper understanding of what members need to make confident decisions about their retirement savings.

We also saw the expansion of collective defined contribution (CDC) schemes, moving from single-employer to developing multi-employer arrangements. Once in place, multi-employer CDC has the potential to improve pension adequacy and member outcomes for millions of members, as it becomes an accessible solution for most UK employers.

Master trust consolidation continued to reshape the market, with some trusts now approaching £50 billion in assets. This raised important questions about governance and operating models, especially as more single-employer trusts migrated to master trusts. Alongside this, schemes increased allocations to private markets to enhance returns and diversify risk. Trustees and managers faced new challenges in selecting partners and building expertise, particularly in private equity and venture capital.

Innovation also extended to decumulation. Providers such as Aviva and NEST launched new approaches to help members navigate the transition from saving to spending. Across the industry, stakeholders stayed alert to global trends, including concerns about US market valuations and the potential impact of an AI tech bubble.

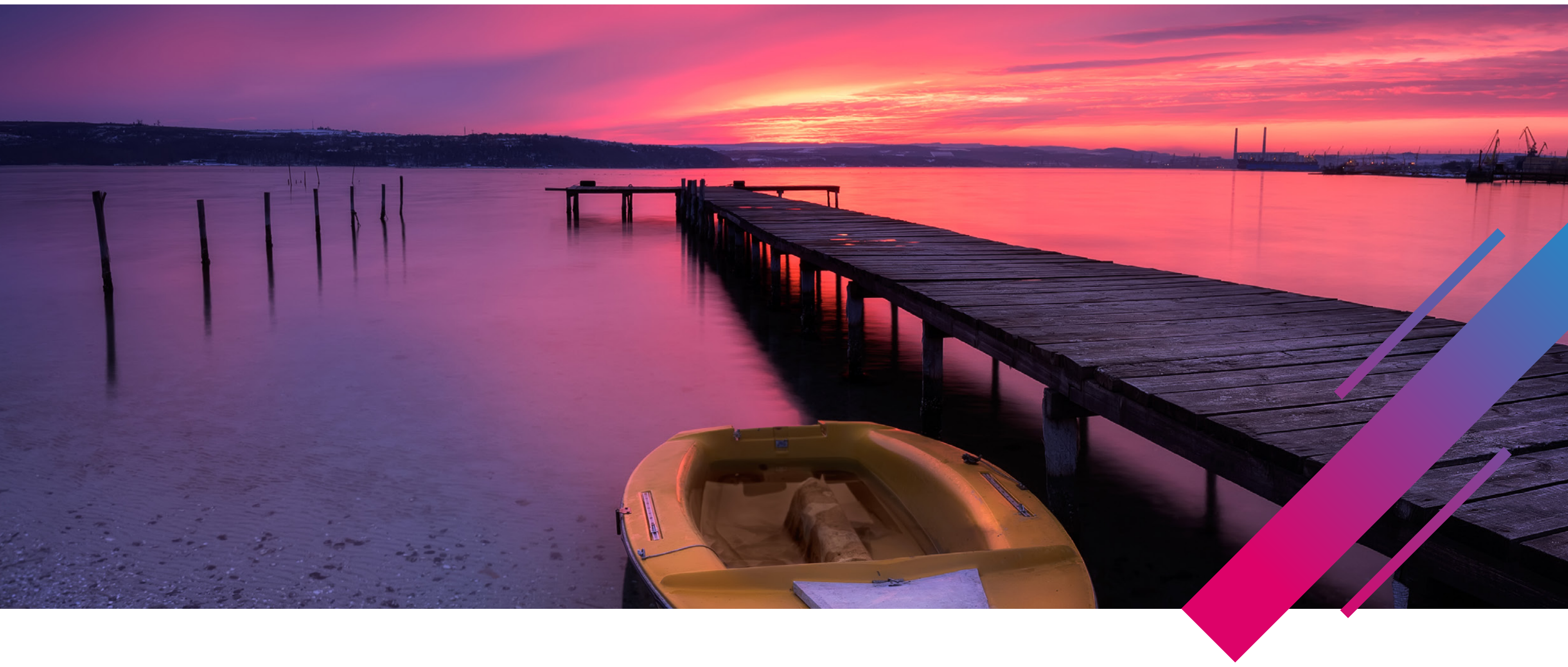
Key trends and lessons

If 2025 was a year of innovation, it was also a year of policy momentum. The introduction of the [pension commission] brought renewed focus to the adequacy challenge, while the [Pensions Bill] introduced globally inspired changes, including large pooled investment funds (megafunds) and further developments in DC decumulation. There is also now a real opportunity for defined benefit (DB) schemes to support DC adequacy through surplus sharing, blending the strengths of both models.

Policy uncertainty and a lack of transparency continued to influence member behaviour. Some individuals chose to withdraw funds, wary of changing tax and budget positions. The intersection of pensions and politics can be challenging to navigate, but innovation and collaboration—such as the AVC Dalriada solution and CDC partnerships—are helping to address these challenges.

Predictions and hopes for 2026

- We expect the pace of change to continue. There will be fundamental shifts in the provider landscape as consolidation sweeps up smaller schemes. Expect to see one or two new names emerge too!
- Targeted support rules, due to go live in the spring, should empower schemes and providers to offer more tailored guidance. This will help members make better decisions at each stage of their journey. We anticipate meaningful progress towards guided retirement pathways and broader adoption of CDC, with risk-sharing models delivering more secure outcomes for members.
- 2026 could be the year for employers to carry out impact and feasibility assessments of scheme design to support pension adequacy. It's also the right time to plan for the changes the pension commission may introduce, and to consider how to deliver within the Budget and salary sacrifice changes due in 2029. This makes 2026 a year to focus on scheme design, ensuring employers are well prepared for future changes and able to deliver on the adequacy agenda.
- 2026 will also be a pivotal year for dashboard connection, with all schemes required to connect to the pensions dashboards ecosystem by October. This will give millions of savers a clearer view of their retirement savings and support better decision-making.



- Value—rather than cost alone—will be the focus for DC propositions especially investment as the push into private markets continues into increasingly more sophisticated sub-asset classes. As the market matures, we expect a renewed focus on quality, innovation and practical support for members. The new VFM framework is already shaping thinking and we expect to see this continue in 2026.
- Stakeholders across the industry have important roles to play:
  - **The government** can build on recent momentum by extending the pension commission's remit to include taxation and allowing more sweeping reform ideas.
  - **Regulators** have an opportunity to introduce clear guidance and create a level playing field for master trust transfers as the secondary master trust market emerges.
  - **Providers and schemes** should review legacy arrangements and engage fully in designing default retirement plans that reflect the needs of today's savers.
  - **Employers** can improve retirement outcomes by focusing on how support and design choices affect their workforce.
- We also expect decumulation innovation to accelerate, driven by big data and global insights. Productivity will remain a key theme, and we anticipate new CDC solutions and more sidecar savings-style initiatives as regulations settle.

The DC pensions landscape is evolving quickly, but the direction of travel is clear. By working together, embracing innovation, focusing on adequacy and value, and supporting members with practical, timely guidance, we can help deliver better outcomes for clients and savers.

As we move into 2026, we are optimistic about the opportunities ahead and committed to supporting our clients at every step.

If you would like to discuss any of these themes in more detail, please get in touch.

Contact

If you have any questions, or would like to discuss further, please get in touch.

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