

Understanding DC pension adequacy

June 2025



The Retirement Living Standards



How much money will you need when you retire? And what standard of living will that give you?

In 2019, the Pensions and Lifetime Savings Association (“PLSA”) launched their Retirement Living Standards (“RLS”) to help members answer those questions. The RLS are the levels of expenditure required to achieve Minimum, Moderate and Comfortable standards of living in retirement. They’re derived using a “basket of goods” approach, which reflects the cost of goods and services on which individuals typically spend their retirement income.

The PLSA updates its RLS regularly to reflect changes in the cost of living and on 3rd June 2025, they produced their latest update. The new figures reflect a reduction in the cost of achieving the Minimum standard, while the Moderate and Comfortable standards have increased slightly.

We consider here the impact of the new RLS on member outcomes, based on market conditions to 30 April 2025.

How much will I need?

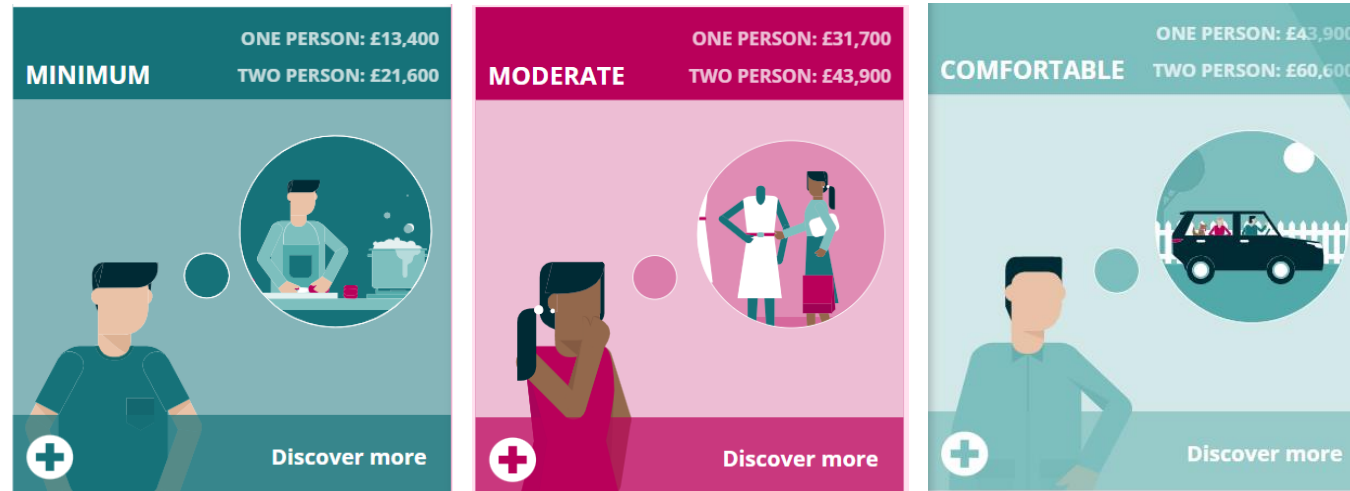
If you're a one-person household, then:

For a Minimum standard of living, you'll need £13,400 p.a.

For a Moderate standard of living, which gives you more financial security and flexibility than the minimum, you'll need £31,700 p.a.

For a Comfortable standard of living, which gives you more financial freedom and money for some luxuries, you'll need £43,900 p.a.

The PLSA also produces standards for two-person households, which are less than twice the standards for one-person households; members who are part of a two-person household can therefore achieve a higher standard of living for the same level of contributions as their one-person household counterparts.



Source: ([PLSA - Retirement Living Standards](#))

How much might I have?

The table shows the total income (including the State Pension of c.£12k for the 2025/26 tax year) members could reasonably expect to achieve under different combinations of salary and contribution rate:

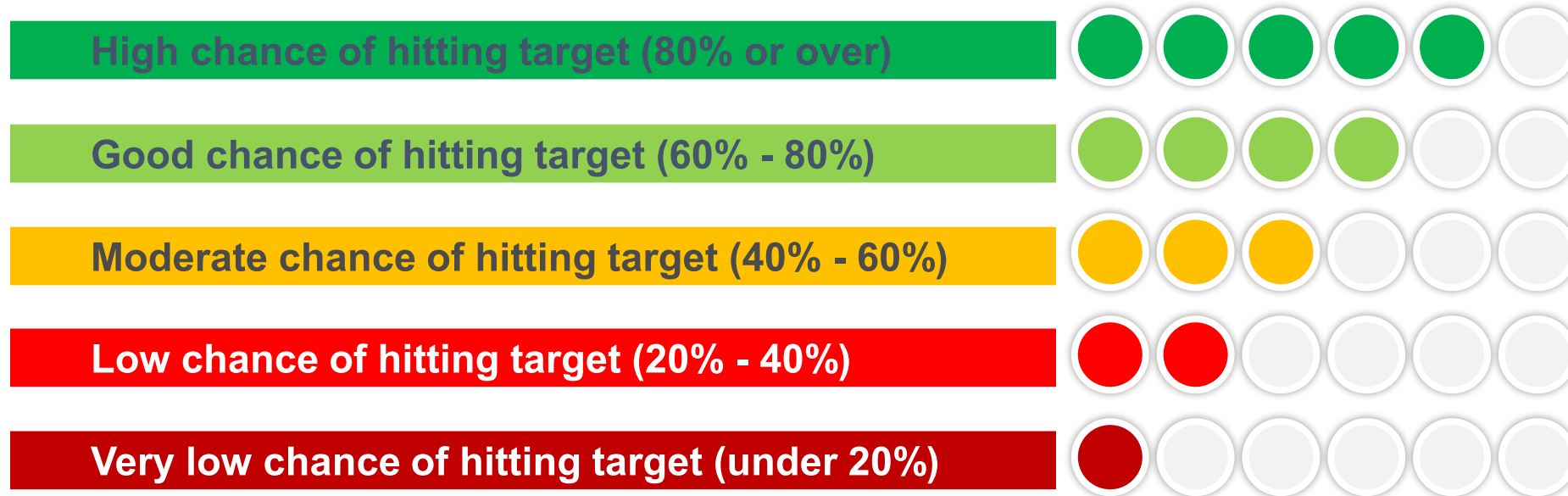
		Total contributions (% of pensionable pay)												
		8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
Annual pensionable salary (£ p.a.)	50k	£29,700	£31,900	£34,100	£36,400	£38,600	£40,800	£43,000	£45,200	£47,400	£49,700	£51,900	£54,100	£56,300
	45k	£27,900	£29,900	£31,900	£33,900	£35,900	£37,900	£39,900	£41,900	£43,900	£45,900	£47,900	£49,900	£51,900
	40k	£26,200	£27,900	£29,700	£31,500	£33,200	£35,000	£36,800	£38,600	£40,300	£42,100	£43,900	£45,700	£47,400
	35k	£24,400	£25,900	£27,500	£29,000	£30,600	£32,100	£33,700	£35,200	£36,800	£38,300	£39,900	£41,500	£43,000
	30k	£22,600	£23,900	£25,300	£26,600	£27,900	£29,300	£30,600	£31,900	£33,200	£34,600	£35,900	£37,200	£38,600
	25k	£20,800	£21,900	£23,100	£24,200	£25,300	£26,400	£27,500	£28,600	£29,700	£30,800	£31,900	£33,000	£34,100
	20k	£19,100	£20,000	£20,800	£21,700	£22,600	£23,500	£24,400	£25,300	£26,200	£27,000	£27,900	£28,800	£29,700
	15k	£17,300	£18,000	£18,600	£19,300	£20,000	£20,600	£21,300	£21,900	£22,600	£23,300	£23,900	£24,600	£25,300

As an example, a member earning £15k p.a. at the start of their career and contributing at the auto-enrolment (AE) minimum (i.e. a total rate of 8% p.a.) until they retire at their State Pension Age (SPA) could achieve a total retirement income of £17.3k p.a.

But there are no guarantees and, depending on investment markets and other factors, the member could face a better or worse outcome.

Assessing your chance of meeting the RLS

- We've used our Guided Outcomes™ model to determine the chance of meeting the RLS for different combinations of salary and total contribution rate.
- We categorise the results using a red/amber/green colour scale, where red means unlikely to achieve the standard and green means likely.



Achieving the Minimum

In our modelling, we've assumed that members are entitled to the full State Pension, which is £11,973 p.a. for the 2025/26 tax year.

The table shows that members who contribute regularly over their working life have a very good chance of achieving the Minimum standard of £13.4k p.a.

		Total contributions (% of pensionable pay)												
		8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
Annual pensionable salary (£ p.a.)	50k	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	45k	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	40k	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	35k	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	30k	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	25k	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	20k	98%	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	15k	95%	97%	98%	98%	99%	99%	99%	100%	100%	100%	100%	100%	100%

The 100% figures in the table don't mean the outcome is guaranteed. Rather, there are no scenarios in our modelling for which regular contributions over an entire working life, plus the State Pension, don't result in the member achieving the Minimum standard.

So, things look pretty good vs. the Minimum. But most people will want to aim for something more than that. How do they get there?

Aiming higher

These tables below show the chance of achieving the Moderate and Comfortable RLS for the same combinations of salary and contribution rate.

Moderate (£31.7k p.a.)

	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
50k	35%	39%	44%	50%	54%	59%	62%	66%	69%	72%	74%	76%	78%
45k	31%	35%	39%	44%	49%	53%	57%	61%	64%	66%	70%	72%	74%
40k	28%	31%	35%	38%	42%	47%	51%	54%	58%	61%	64%	66%	69%
35k	23%	28%	31%	34%	37%	40%	44%	47%	51%	54%	57%	60%	62%
30k	18%	22%	26%	29%	31%	34%	37%	39%	42%	46%	49%	52%	54%
25k	14%	17%	19%	22%	26%	28%	31%	33%	35%	37%	39%	41%	44%
20k	8%	11%	14%	16%	18%	21%	23%	26%	28%	30%	31%	34%	35%
15k	4%	6%	7%	9%	11%	13%	14%	17%	18%	20%	22%	24%	26%

Comfortable (£43.9k p.a.)

	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
50k	19%	22%	26%	29%	32%	35%	37%	40%	43%	46%	50%	53%	55%
45k	16%	19%	22%	26%	29%	31%	34%	36%	38%	41%	44%	47%	50%
40k	13%	16%	19%	22%	25%	28%	30%	32%	34%	36%	38%	40%	43%
35k	9%	13%	15%	18%	20%	23%	26%	28%	30%	32%	34%	35%	37%
30k	7%	9%	11%	14%	16%	18%	20%	22%	25%	27%	29%	30%	32%
25k	4%	6%	7%	9%	11%	13%	15%	17%	19%	20%	22%	24%	26%
20k	3%	3%	4%	6%	7%	8%	9%	11%	13%	14%	16%	17%	19%
15k	1%	2%	2%	3%	3%	4%	5%	6%	7%	8%	9%	10%	11%

Impact of housing costs

A significant assumption in the derivation of the RLS is that members do not pay housing costs during retirement. This is unlikely to be the case for all members, particularly those with lower incomes. We have therefore assessed the adequacy of different combinations of contribution rate and salary, assuming members pay rent throughout their retirement.

Minimum RLS (without housing costs)

	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
50k	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
45k	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
40k	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
35k	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
30k	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
25k	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
20k	98%	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
15k	95%	97%	98%	98%	99%	99%	99%	100%	100%	100%	100%	100%	100%

Minimum RLS (with housing costs)

	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
50k	84%	88%	91%	93%	95%	96%	97%	98%	98%	98%	99%	99%	99%
45k	81%	85%	88%	91%	93%	95%	96%	97%	97%	98%	98%	99%	99%
40k	77%	81%	84%	88%	90%	92%	94%	95%	96%	97%	97%	98%	98%
35k	71%	76%	81%	83%	86%	88%	91%	93%	94%	95%	96%	97%	97%
30k	64%	70%	74%	78%	81%	83%	86%	88%	90%	91%	93%	94%	95%
25k	54%	61%	66%	70%	74%	77%	81%	82%	84%	86%	88%	89%	91%
20k	43%	49%	54%	60%	64%	67%	71%	74%	77%	79%	81%	83%	84%
15k	32%	35%	39%	44%	49%	54%	57%	61%	64%	66%	70%	72%	74%

Some headlines

Most members who will receive the full State Pension are likely to achieve the Minimum standard.

Housing costs could be the difference between lower earners or lower contributors achieving the Minimum standard and not.

A member earning £20k and paying 8% with no housing costs has a greater than 90% of achieving the Minimum standard; however, a similar member with housing costs has a less than 50:50 chance.

A £20k earner with housing costs would need contributions of c.12% p.a. to have a good chance of achieving the Minimum standard.

A realistic target for low earners is likely to lie somewhere between the Minimum and Moderate standards.

For average earners, contributions of at least 16% p.a. are required to have a 50/50 chance of achieving the Moderate standard.

The Comfortable standard is well out of reach for most members.

For a salary of £50k p.a., a total contribution rate of c.18% p.a. is required to have a 50/50 chance of achieving the Comfortable standard.

What next?

A call to action for Trustees, Providers and Employers

1

Help members set a retirement income target. This can be an effective way of improving engagement and the RLS provide a useful framework for deriving targets that are tailored to members' likely spending patterns.

2

Help members find and understand their State Pension entitlement and what it means for the personal pension savings they'll need for retirement.

3

Provide members with the means to monitor progress against their target and understand what changes they can make to improve their retirement outcome.

Reliances and limitations

Our analysis is based on modelling, which relies on a set of subjectively derived assumptions. It would be possible to set alternative assumptions, which remain reasonable, but produce different results.

The RLS are quoted in terms of expenditure. Our DC projection model uses income targets so we convert the RLS to incomes by adjusting for the appropriate marginal income tax rates. The income figures modelled are:

- Minimum RLS – £13,608 p.a. , Moderate RLS – £36,483 p.a. , Comfortable RLS – £52,220 p.a.

The RLS do not include housing. For members facing housing costs in retirement, we have amended the RLS based on housing costs using data from: <https://www.gov.uk/government/collections/english-housing-survey>. The updated income targets for these personas are:

Minimum RLS with housing costs – £20,108 p.a., Moderate RLS with housing costs – £42,983 p.a., Comfortable RLS with housing costs - £60,887 p.a.

Our DC projections are based on The Hymans Robertson Guided Outcomes Model, which calculates future retirement incomes by considering member specific characteristics such as age, salary, contribution rate, current accrued fund, assumed investment choice and retirement age. The effective date of our modelling is 30 April 2025.

In the modelling, we project forward each member's salary and current fund using stochastic projections of asset returns and economic variables such as inflation. We assume that the member continues to contribute to the assumed investment strategy at the assumed contribution rate until they reach their retirement age, at which point they convert their accumulated fund to retirement income by purchasing an inflation-linked annuity.

Stochastic projections of yields are used to estimate the cost of income in retirement.

Income streams have been priced assuming that insurers adopt the S2 series of mortality tables, with best estimate future improvements in mortality rates assumed to be:

- CMI_2018 model, calibrated to E&W population data
- An initial addition to mortality improvements (A) parameter of 0.3%
- Otherwise core settings (including a smoothing parameter (SK) of 7.0)
- Long term rates: 1.5% p.a. for both males and females

The chances of success vs. the RLS we've calculated are based on representative member assumed to have the following characteristics:

- Age 25, starting fund value of £0, retirement age equal to State Pension Age, invested in a typical lifestyle investment strategy, contributions are paid at the same level until retirement and an inflation-linked salary increase each year

We have complied with the relevant Technical Actuarial Standards (TASs) in place at the current date, namely TAS 100.

Thank you



Important Information

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