

DC provider insights

From performance to outcomes – what it means for members

OCTOBER 2026

Introduction

Welcome to our defined contribution (DC) provider insights, where we assess the impact of the evolving default investment strategies across the master trust and group personal pension (GPP) universe on member outcomes. Our analysis shows that, as the market responds to regulatory and economic pressures, default strategy asset allocation and provider selection remain key drivers of member outcomes. We also explore in this edition the hidden costs of life events. Read our spotlight article on page 8, which looks into the impact on retirement adequacy of real-world member behaviours.

Q2 2026 provided a sharp reminder of both the opportunities and inherent unpredictability of investing for retirement. Following a volatile start to the year, global equity markets posted another quarter of strong returns, led by Emerging Markets and Asian (ex Japan) equities. The FTSE All-World Index returned 15.2% over the quarter, highlighting the benefits of maintaining exposure to growth assets despite periods of volatility. While short-term market movements can be significant, outcomes for DC savers are ultimately determined over much longer timescales.

As such, the performance and resilience of DC strategies should be assessed through a long-term lens, recognising that periods of volatility are an unavoidable feature of pursuing higher expected returns.

For members furthest from retirement, outcomes continue to be driven primarily by the extent and form of exposure to growth assets within the default strategy. Sustained investment in listed equities has historically delivered strong long-term returns, alongside bouts of short-term volatility such as those experienced in recent years. The strong rebound in equity markets during Q2 illustrates the challenge of reacting to short-term market events. It reinforces the importance of maintaining appropriately diversified growth exposure. As members approach retirement, providers must balance the need to reduce sequencing risk against preserving sufficient growth potential. This underlines the importance of well-designed retirement solutions that support sustainable retirement outcomes.

Across the provider market, significant differences in asset allocation, portfolio construction and the range of underlying asset classes employed continue to drive meaningful variation in member outcomes. The ongoing expansion of private market allocations, coupled with differing approaches to implementation throughout the retirement journey, will increase this dispersion further.

With the Value for Money (VfM) framework set to place greater emphasis on demonstrable member outcomes, now is the time to increase scrutiny on the decisions providers are making on behalf of members.

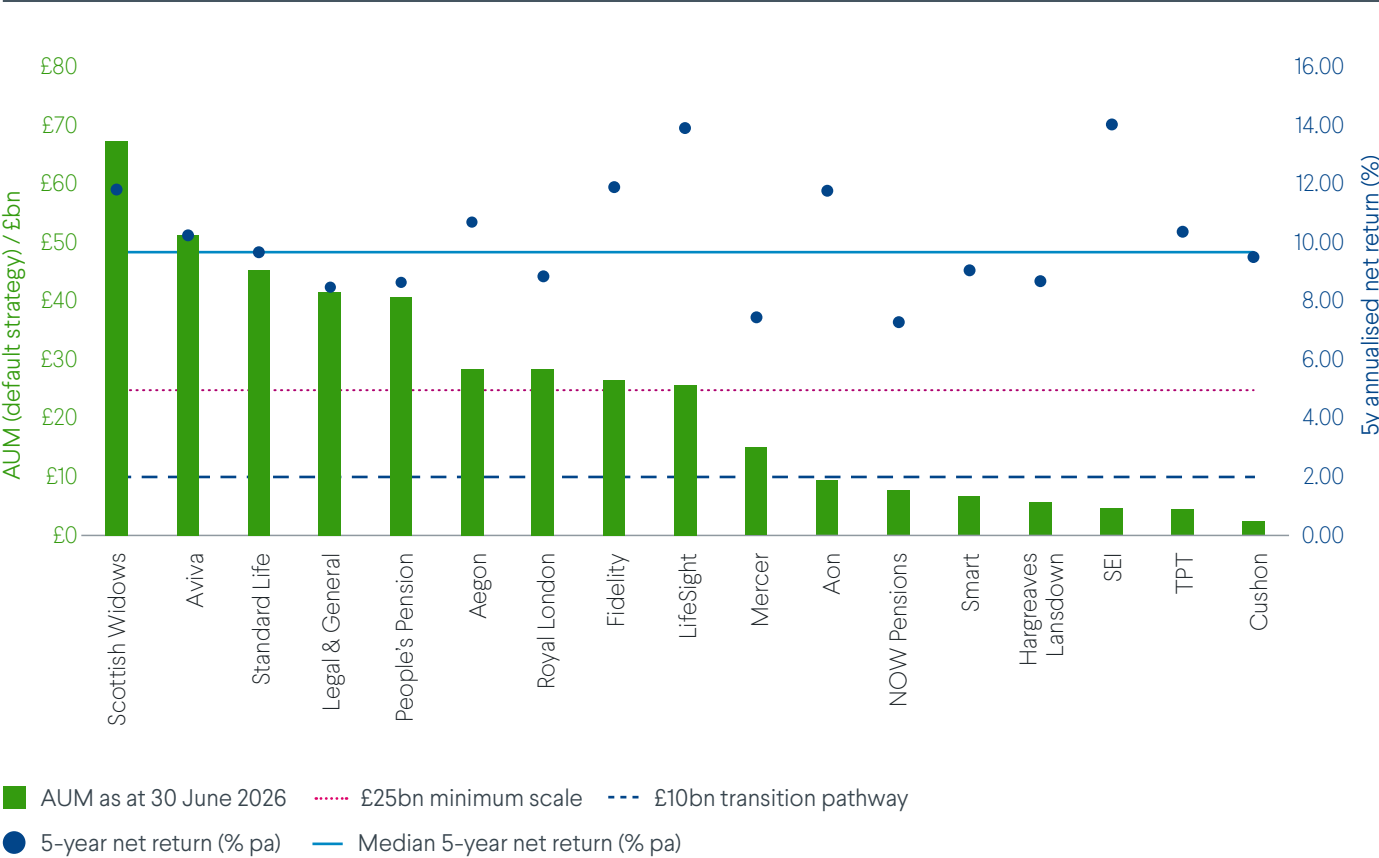
Where do providers currently stand on the road to achieving scale?

The Pension Schemes Act 2026 sets out that master trusts and GPP providers will need to demonstrate that their main scale default arrangement either exceeds £25 billion in assets by 2030, or is on a plausible path to reaching that threshold by 2035, with at least £10 billion by 2030.

We look at where the providers currently stand in relation to the £10 billion threshold and the £25 billion threshold across their master trust and GPP arrangements. We also look at their respective annualised net returns over a **five-year** period.

As at 30 June 2026, 9 out of 15 providers listed here meet the £25 billion scale requirements and a further one meets the £10 billion threshold. The definition of qualifying assets for the scale test is subject to further clarity. We understand that some providers expect to point to wider asset pools, which could increase reported Assets under Management (AUM) or allow them to meet the scale requirements through other measures.

Assets under Management (AUM) for providers' default arrangements

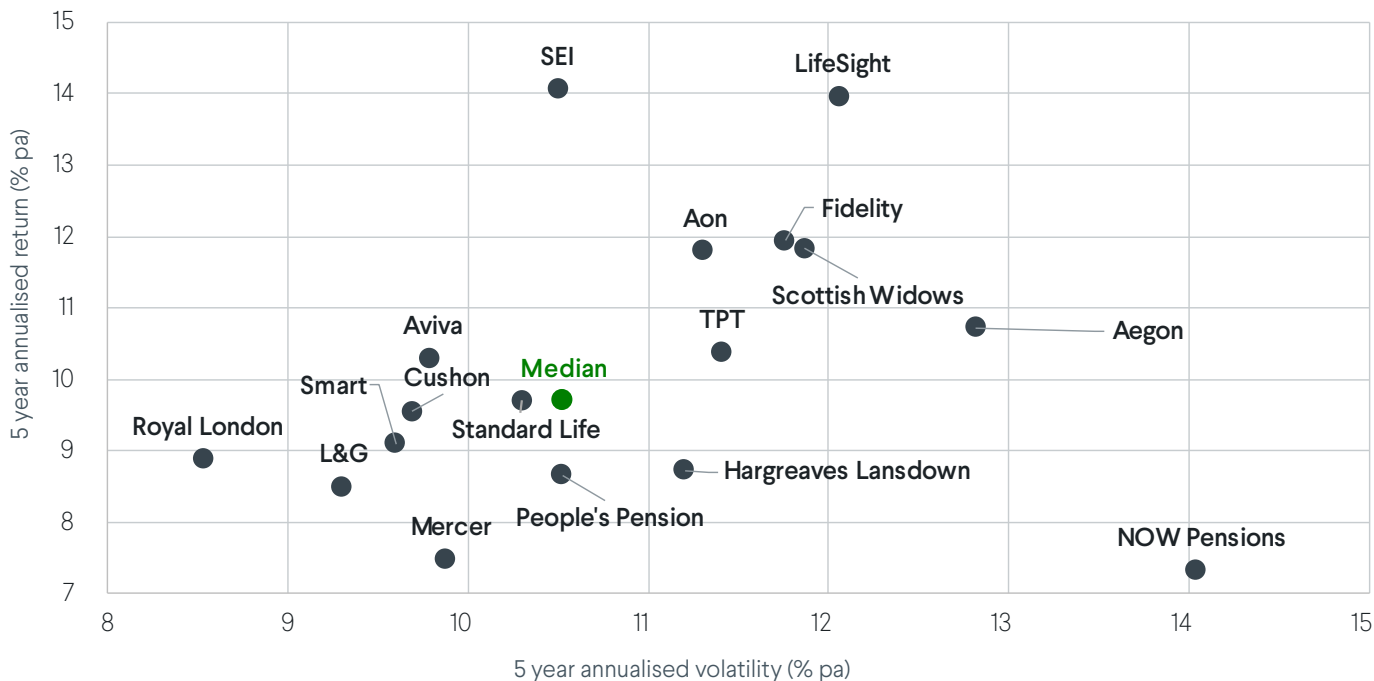


Please see notes on the last page of the report.

How have providers' default investment strategies performed in the past, over different stages?

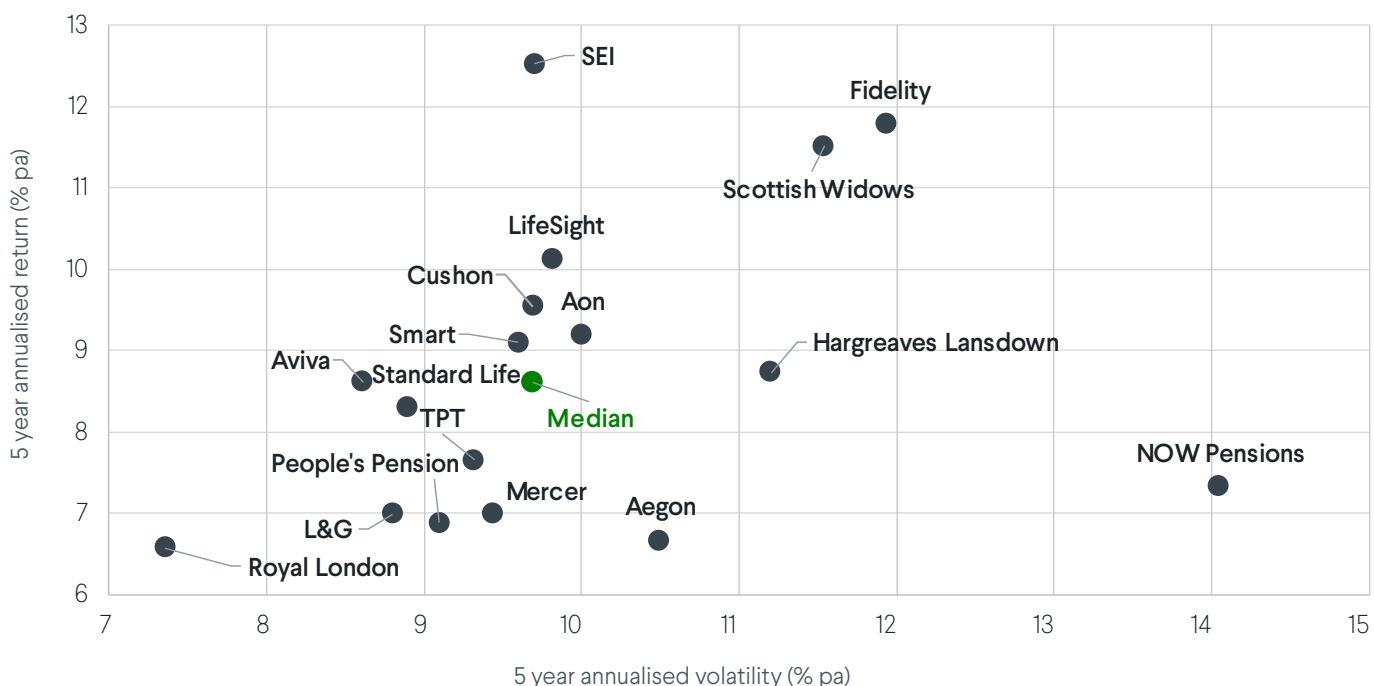
The charts below show past investment performance in the five years to 30 June 2026.

30 years to retirement



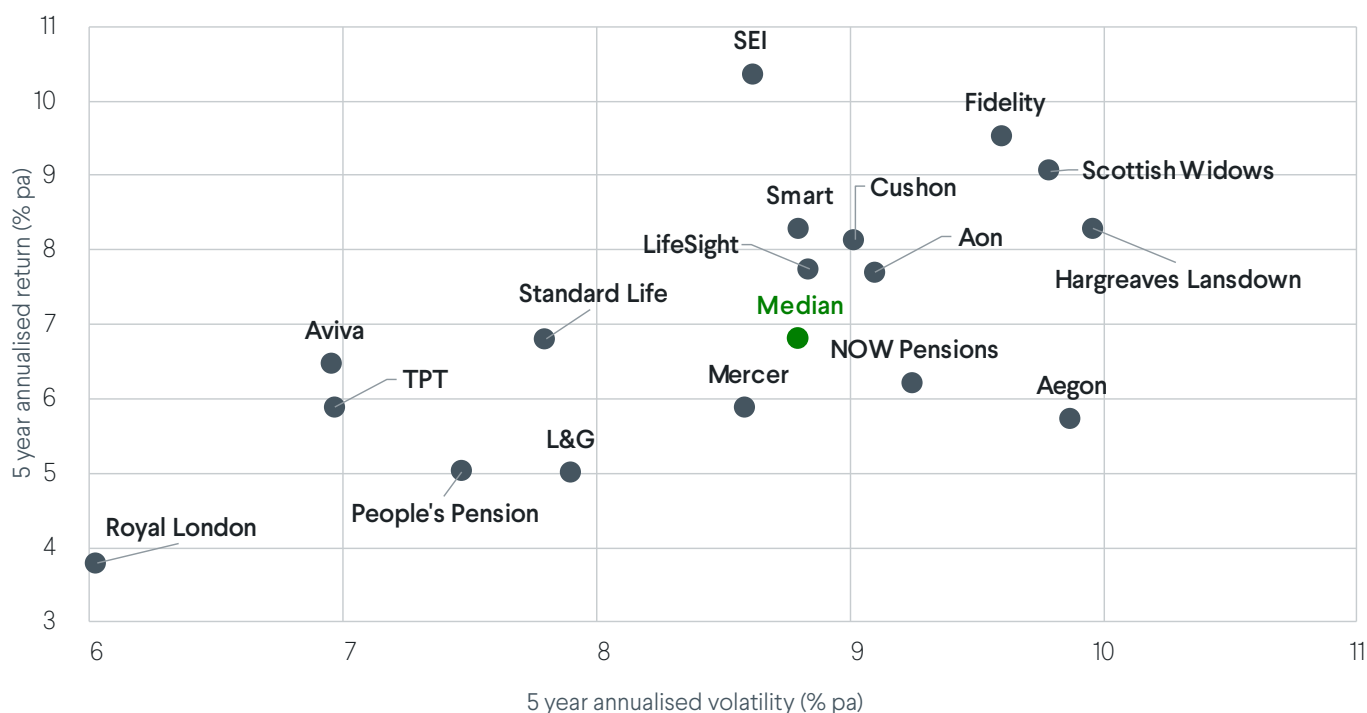
Please note that Scottish Widows Lifetime Growth performance pre-February 2025 has been simulated using the underlying benchmark indices. Performance is shown net of fees, with the exception of Aegon, Fidelity and SEI, where performance is reported gross.

10 years to retirement



Please note that Scottish Widows Lifetime Growth performance pre-February 2025 has been simulated using the underlying benchmark indices. Performance is shown net of fees, with the exception of Aegon, Fidelity and SEI, where performance is reported gross.

5 years to retirement



Please note that Scottish Widows Lifetime Growth performance pre-February 2025 has been simulated using the underlying benchmark indices. Performance is shown net of fees, with the exception of Aegon, Fidelity and SEI, where performance is reported gross.

Our insights

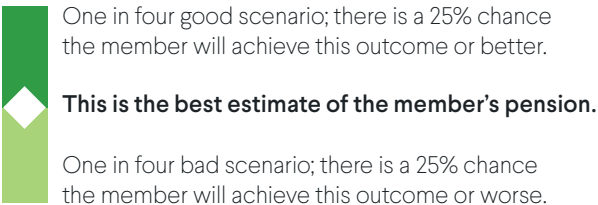
Over the last five years, members have enjoyed all round positive returns across all stages of the retirement journey. However, there are significant differences when we look across the market. Historic conservative positioning, differences in portfolio construction and regional differences in equity market exposure have driven around a 7% pa difference between the best and worst performers for younger members. Success over this period is heavily defined by the extent and form of listed equity market exposure, despite periods of significant volatility. This is also true for later stages of the glidepath where risk appetite and differences in the form of fixed income exposure have driven large differences in outcomes for members.

With increasing focus on the later stages of the glidepath, DC providers are looking beyond the traditional government debt and credit markets to access a greater range of diversifying exposures with attractive return potential. Solutions are being designed to give DC members access to a wider pool of credit exposures and structured solutions which can be used to manage duration risk, generate income and provide capital stability. This is a particularly important question in a world of rising sovereign yields, inflation pressures and tight corporate credit spreads.

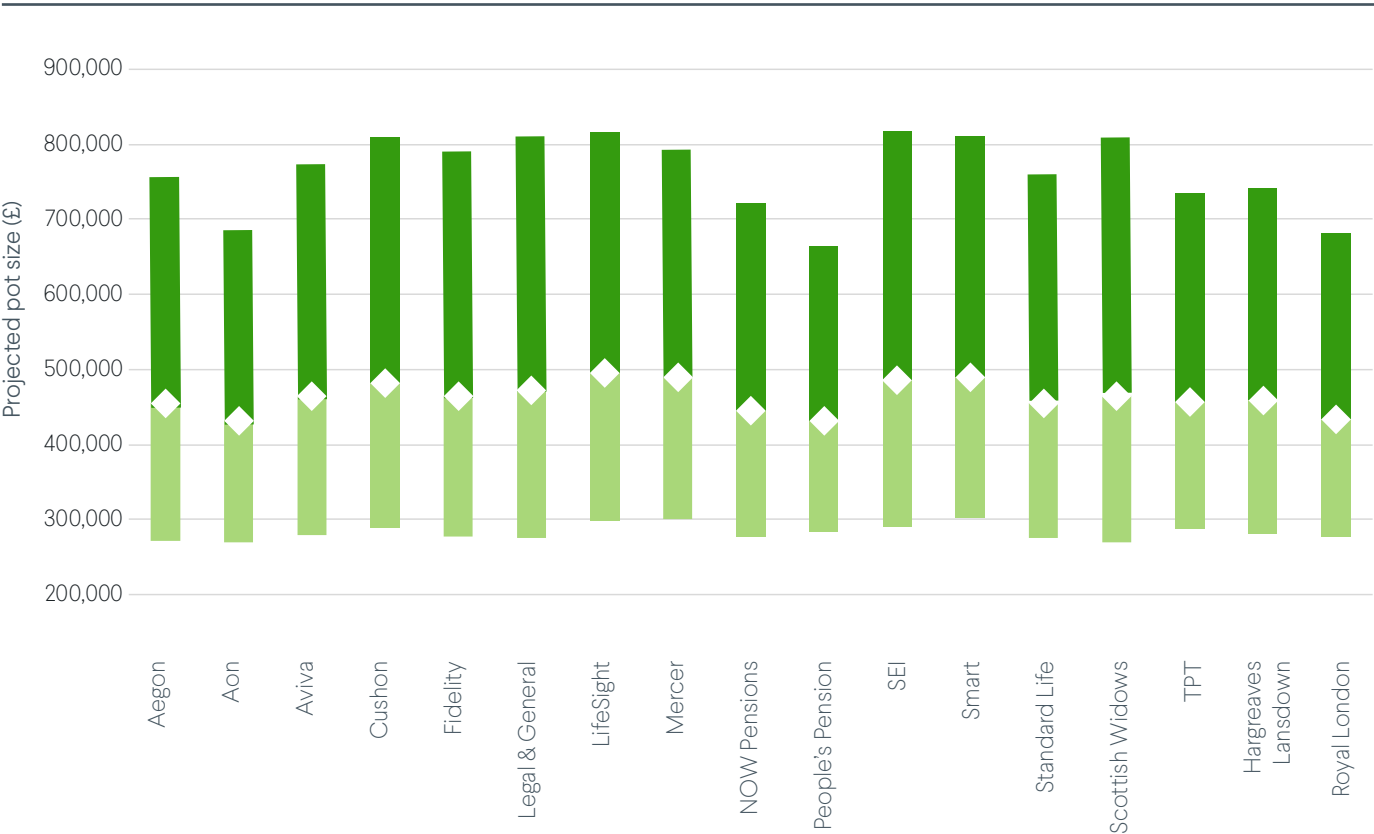
What impact are providers' default investment strategies expected to have on future projected member outcomes?

The charts below show projected member outcomes as at 30 June 2026, with varying ages, pension pots and salary.

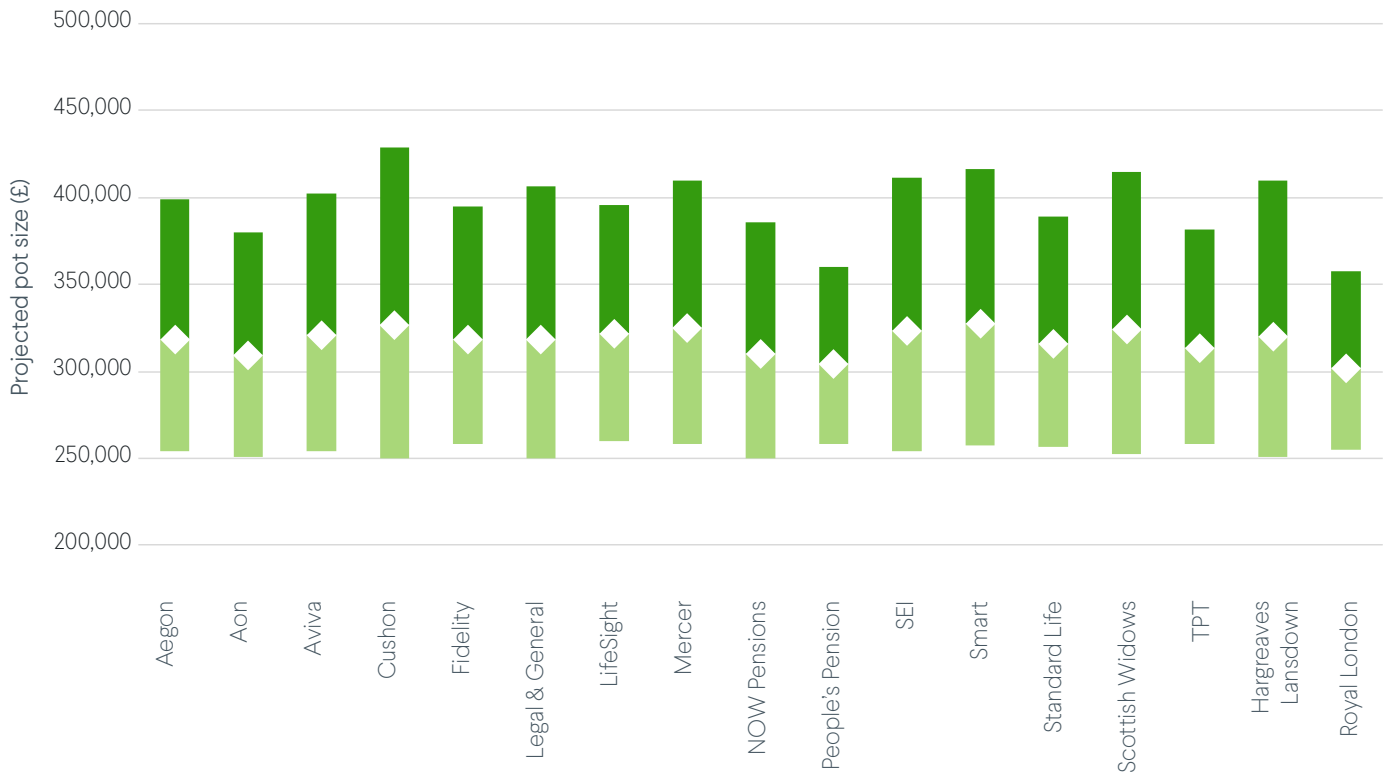
Illustrating uncertainty in outcomes



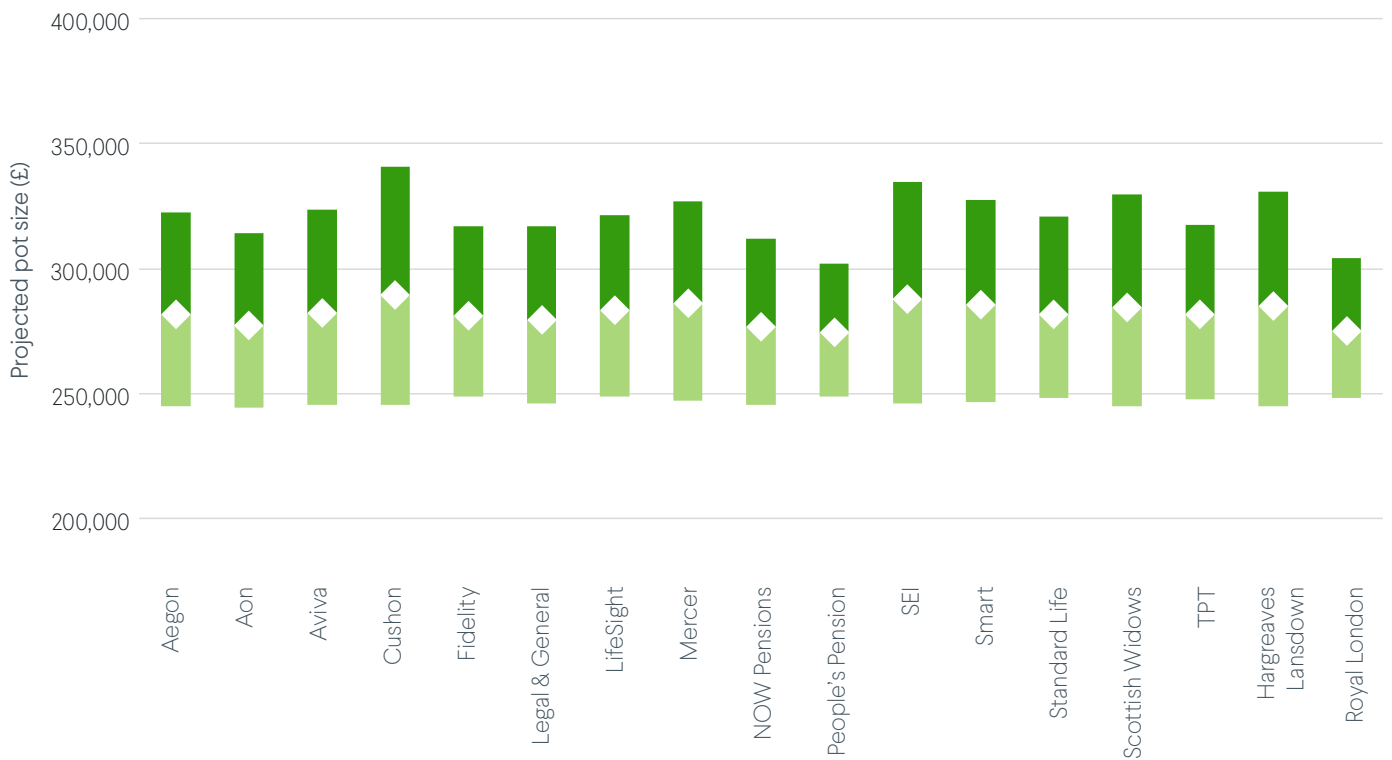
30 years to retirement



10 years to retirement



5 years to retirement



Our insights

The range of projected outcomes continues to vary widely across the market, at every stage of the retirement journey. While median projected outcomes for younger members have broadly converged as most providers have evolved to adopt higher-risk strategies, real differences emerge at later stages of the glidepath.

Best-case scenarios continue to show differentiation across the market, driven by notable variations in asset allocation and strategy construction. The widening asset class opportunity set being explored at all stages of the glidepath and changing risk and return assumptions are also driving evolving member outcome projections.

Forward looking projections continue to be one piece of the puzzle when assessing the design of a DC investment strategy. Other key factors which should form part of a wider assessment of the strategy are the quality of the implementation and the robustness of ongoing management of the strategy.

This is important across all asset classes but is particularly crucial within the increasing allocations being made to private markets and alternative assets. Access to the best quality opportunities across these asset classes, with associated terms that are aligned with the needs of DC members, should be a core component of any allocation to private markets.

Implementation and design factors have also driven considerable differences in outcomes within the listed components of many DC strategies. These shouldn't be overlooked when appraising your DC provider. Strategic positions on regions, sectors, factors and currency exposure have driven considerable differences in past outcomes and will continue to separate providers moving forward. Over a 30-year horizon, these differences can materially influence long-term projected wealth accumulation.

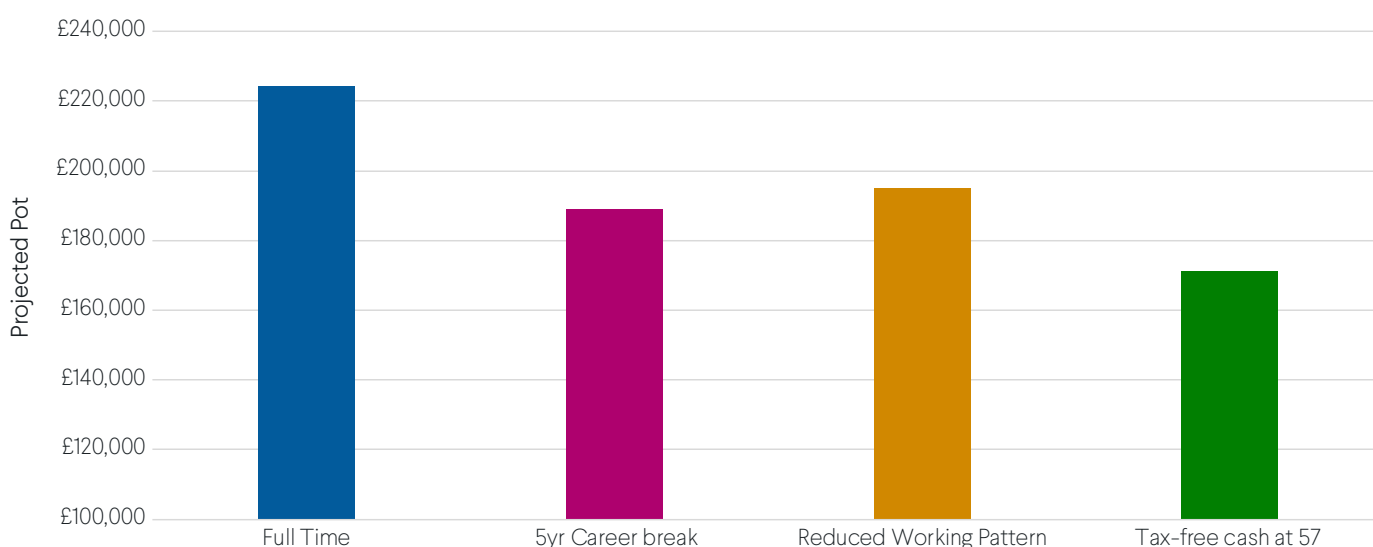
Headline allocations to asset classes don't capture all factors which drive material differences in past and forward-looking outcomes. While strategic asset allocation remains central to the returns generated by DC strategies, exploration of wider opportunities within asset classes, the robustness of implementation models and ongoing management of the strategy have a significant impact on members' experience.

Spotlight: retirement outcomes – the hidden cost of life events

For decades, the pensions industry has focused on contribution rates, investment performance and retirement age as the primary drivers of retirement outcomes. While these factors remain important, **real-world member behaviours often have a greater impact on retirement adequacy than many people realise.**

Using Hymans Robertson's Guided Outcomes (GO™) modelling, we explored three common life events and the impact this can have on their expected outcomes in retirement. We model a 25-year-old member with no initial pension pot, a current salary of £25k pa with contributions totalling 8% of pay throughout working life until retirement at age 67.

In each scenario, the member starts with the same savings strategy but makes a different decision during their working life which impacts their future pension provision. **The results demonstrate how relatively typical life choices can lead to materially different expected retirement outcomes.**



1. Taking a five-year career break

Whether driven by caring responsibilities, family commitments or other personal circumstances, stepping away from the workforce can have a lasting impact on retirement savings.

Our modelling shows that a member working full time can expect to build a retirement median pot of £224k, while under this five-year career break scenario, the member could expect around a 16% reduction to £189k. This difference is not simply the result of missed contributions; it's also the loss of years of investment growth and compounding on those missed contributions.

Trustees and employers can use targeted communications towards early career employees and employees considering parental responsibilities, highlighting the impact of future career breaks. Employees can feel empowered to make informed decisions and plan ahead, by making higher contributions in early career to counter the future career break and potential loss.

2. Working part-time – 60% of full time

Today nearly 9 million people work part time in the UK. We expect this figure to increase as more people are holding multiple part-time jobs and working part-time approaching and into retirement.

Under this part-time working scenario, the member can expect to build a retirement pot that is around 13% lower than a full-time counterpart at £195k.

Lower earnings as a result of part-time pay rather than full-time pay lead to lower pension contributions throughout the period of part-time employment. This creates an ever-widening pensions gap and, because women are statistically more likely to work part-time, places further pressure on the gender pensions gap.

Employers and trustees can highlight the impact of part-time working in their return-to-work information packs and direct employees to targeted webinars or supporting materials.

Footnote: Source [Employment in the UK: Economic indicators - House of Commons Library](#)

3. Accessing tax-free cash early

Financial Conduct Authority (FCA) data shows that around six in ten individuals access their tax-free cash without then taking additional retirement income at the same time. Reasons could vary from repaying a mortgage or other debts, to helping adult children get on the property ladder or for tax planning purposes.

Footnote: Source [Retirement income market data 2024/25 | FCA](#)

Under this scenario, the member can expect to build a retirement pot of £171k, which is c£50k (around 24%) lower than leaving the tax-free cash invested to age 67.

The impact arises because accessing tax-free cash early removes capital from the pension environment. This reduces the amount available for investment growth during the final decade before retirement.

Members often think they must choose between taking all their tax-free cash or none of it. Trustees and employers can explain to members that in many situations they can take their tax-free cash in stages.

What is striking is that none of these scenarios involves poor financial decisions. Each reflects a typical choice that many members make during their working lives. Yet the cumulative effect on retirement outcomes can be substantial, leading to lower retirement income.

The findings reinforce the importance of moving beyond generic pension communications and helping members understand the long-term consequences of key life events. Retirement planning is not simply about how much someone contributes today; it is about understanding how career decisions, working patterns and access choices shape future outcomes.

What trustees and employers should consider

- ◆ Consider whether scheme design, contribution flexibility or employer support could better reflect members' changing working patterns and help improve financial resilience in later life.
- ◆ Review member communications to ensure they clearly explain how common life events, such as career breaks, part-time working or early access to savings, can affect retirement outcomes.
- ◆ Explore targeted engagement or personalised modelling to help members understand the potential impact of key decisions.

Life events that happen to millions of people every day can have material impacts on member outcomes. Understanding their impact, and not assuming everyone follows a singular path of contributing fully throughout their whole working life until a set retirement age is a huge step towards reflecting the reality of today's people and the expected outcomes they could face in retirement.

If you would like to discuss how your provider compares, or whether your current default strategy remains aligned to your members' needs, please get in touch.



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Notes

AUM CHART – page 2

1. AUM from providers as at 30 June 2026.
2. NEST are not included as not all information was available at the time of writing.
3. Currently there is not a consensus approach to reporting scale, with some providers disclosing AUM for all their defaults with similar funds and some of them only disclosing for their “main” default. We expect more consistency of approach over time as the Government’s definition of scale becomes clearer. We have provided the AUM that providers expect to report as their ‘main scale default’ AUM.
4. 5-year annualised net return is for the main flagship default for each provider. Please note Aegon, Fidelity and SEI performance figures are reported gross of fees as net of fees data was not available at the time of writing.
5. The following “defaults” have been shown in the chart:

Provider	Default
Aegon	LifePath & Universal Lifestyle Collection
Aon	Managed Core Retirement Pathway Funds
Aviva	My Future Focus
Fidelity	FutureWise Target Dated Funds
Hargreaves Lansdown	HL Growth & Legacy Defaults
Legal & General	Target Date Funds
LifeSight	Medium Risk Drawdown
Mercer	Mercer SmartPath
Cushon	Sustainable Investment Strategy
NOW Pensions	Now: Lump Sum Fund & Retirement Countdown Fund
People's Pension	Balanced Profile
Royal London	Balanced Lifestyle Strategy (Drawdown)
Scottish Widows	Lifetime Investment
SEI	Master Trust Flexi Default Option
Smart	Sustainable Growth Targeting Flexible Income Lifestyle (Drawdown)
Standard Life	Sustainable Multi Asset
TPT	TPT Target Date Fund

PERFORMANCE AND MEMBER OUTCOMES CHARTS – pages 2-6

1. Past performance charts are based on net performance and volatility to 30 June 2026, supplied by the providers and relates to their default investment option. Performance is net of investment fees where available, otherwise net of bundled fees. Please see below a list of the defaults which are used in the charts.

Provider	Default
Aegon	LifePath
Aon	Managed Core Retirement Pathway Funds
Aviva	My Future Focus
Fidelity	FutureWise Target Dated Funds
Hargreaves Lansdown	HL Growth
Legal & General	Target Date Fund
LifeSight	Medium Risk
Mercer	Mercer SmartPath
Cushon	Sustainable Investment Strategy
NOW Pensions	Now: lump sum fund
People's Pension	Balanced Profile
Royal London	Balanced Lifestyle Strategy (Drawdown)
Scottish Widows	Lifetime Growth Path
SEI	Master Trust Flexi Default Option
Smart	Sustainable Growth Targeting Flexible Income Lifestyle (Drawdown)
Standard Life	Sustainable Multi Asset Universal
TPT	TPT Target Date Fund

2. NEST are not included as this information was unavailable.
3. Please note that the performance figures are actual performance, except for those from Scottish Widows Lifetime Growth which are simulated using the underlying benchmark indices.
4. Please note Aegon, Fidelity and SEI included in the Median Master Trust comparator are reporting gross of fees while the other 14 providers out of 17 report net.
5. Projected member outcomes assumptions are based on three members:
 - i. A member 30 years from retirement on 30 June 2026, with a starting fund value of £50k, earning £30k pa and with a total contribution rate of 10% pa
 - ii. A member 10 years from retirement on 30 June 2026, with a starting fund value of £150k, earning £50k pa and with a total contribution rate of 10% pa
 - iii. A member 5 years from retirement on 30 June 2026, with a starting fund value of £200k, earning £55k pa and with a total contribution rate of 10% pa
 - iv. All projections are shown in real terms (ie adjusted for inflation).

HIDDEN COSTS OUTCOMES MODELLING ASSUMPTIONS

Our outcomes modelling is based on a 25-year-old member with no initial pension pot, a current salary of £25k pa with contributions totalling 8% of pay throughout working life until retirement at age 67.

We explored three common life events and the impact that this can have on expected outcomes in retirement:

- 1. A member takes a five-year career break from age 35-40*
- 2. A member works part of their career part time (60% working hours from age 40 onwards)*
- 3. A member accesses their maximum tax-free cash permissible at age 57 but continues working until age 67.*

The member is assumed to be invested in a lifestyle strategy which is fully invested in equities until 15 years to retirement before derisking into c40% equities at retirement.

Our member outcome projections depend significantly on the Economic Scenario Service (ESS), our (proprietary) stochastic asset model. This type of model is known as an economic scenario generator and uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables. Some of the parameters of the model are dependent on the current state of financial markets and can be updated each month (for example, the current level of equity market volatility) while other more subjective parameters do not change with different calibrations of the model.

Given the context of this modelling, we've not undertaken any sensitivity analysis to assess how different the results might be with alternative calibrations of the economic scenario generator.

More details on the methodology are available upon request.

Member outcomes modelling

The distributions of outcomes depend significantly on the Economic Scenario Service (ESS), our (proprietary) stochastic asset model. This type of model is known as an economic scenario generator and uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables. Some of the parameters of the model are dependent on the current state of financial markets and are updated each month (for example, the current level of equity market volatility) while other more subjective parameters do not change with different calibrations of the model. Key subjective assumptions are the average excess equity return over the risk-free asset, the volatility of equity returns and the level and volatility of yields, credit spreads, inflation and expected (breakeven) inflation, which affect the projected liability and bond returns. The output of the model is also affected by other more subtle effects, such as the correlations between economic and financial variables.

The returns presented here are time weighted returns over the specified period and are unaffected by the timing of any contributions received or pensions paid over that period. Such returns are, in general, a poor estimator of money weighted returns, which are sensitive to the timing of cashflows.

While the model allows for the possibility of scenarios that would be extreme by historical standards, including very significant downturns in equity markets, large systemic and structural dislocations are not captured by the model. Such events are unknowable in effect, magnitude and nature, meaning that the most extreme possibilities are not necessarily captured within the distributions of results.

Evaluating risk/return trade-offs from different investment strategies can be a subjective process and the output from our model should be used to inform discussion and decisions on investment strategy rather than provide a definitive answer.

Given the context of this modelling, we have not undertaken any sensitivity analysis to assess how different the results might be with alternative calibrations of the economic scenario generator.

The material and charts included herewith are provided as background information for illustration purposes only. It is not a definitive analysis of the subjects covered, nor is it specific to circumstances of any person, scheme or organisation. It is not advice and should not be relied upon. Hymans Robertson LLP accepts no liability for errors or omissions or reliance upon any statement or opinion.

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