Pensions 2050: Evidence and future priorities

Response to the Second Pensions Commission interim report

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Opening remarks

We welcome the publication of the Second Pensions Commission's interim report and the opportunity to contribute to the next phase of its work.

The first Pensions Commission helped create one of the most successful long-term reforms in UK pensions. Automatic enrolment made pension saving normal for millions of workers, while the State Pension continues to provide a secure foundation for later-life income. Those foundations remain strong, but the world around them has changed.

Defined contribution (DC) is now the dominant form of private sector workplace pension saving. Housing costs have risen, fewer people can expect to own their home outright in retirement and more workers have non-linear careers, caring responsibilities, multiple jobs or self-employed income. Individuals must also make increasingly complex decisions about how to turn pension savings into a sustainable income.

The challenge is not to replace what works, but to build on it. The first Commission's success was reflected in participation. The second Commission's success should ultimately be judged by whether the system delivers better retirement outcomes for all.

Our contribution

The Commission has established a robust evidence base. Our response builds on it by focusing on practical reforms and by drawing on our own research, modelling and experience across the pensions market.

We assess reform against the Commission's three objectives:

Adequacy – whether it helps people achieve a sufficient and secure standard of living in retirement.

Fairness – whether it improves outcomes across different groups and addresses structural inequalities.

Sustainability – whether it remains affordable, trusted and viable for government, employers and savers over the long term.

Our central view is that higher contributions will be necessary, but will not be sufficient. Better outcomes will also depend on broader coverage, effective risk-sharing, strong investment value, sustainable retirement income, financial resilience and recognition of the role housing plays in later-life security.

About Hymans Robertson LLP

Hymans Robertson is an independent pensions and financial services consultancy. We advise employers, trustees, providers and public sector bodies across defined benefit (DB), defined contribution (DC) and collective defined contribution (CDC) pension provision, investment, governance, retirement income, financial wellbeing and pensions policy.

This response draws on our policy research, member and employer surveys, provider research and outcomes modelling. It also reflects our day-to-day work helping employers and pension decision-makers improve retirement outcomes for savers.

Our supporting publications are listed at the end of this response. We would be pleased to provide the Commission with further detail on the evidence and modelling underpinning our recommendations.

Executive summary

The UK pensions system has strong foundations, but it faces significant long-term challenges. The next phase of reform should preserve what works while strengthening the system where outcomes are weak, risks sit in the wrong place or people remain excluded.

Automatic enrolment has transformed pension participation, but participation alone does not guarantee a good retirement. Some people remain outside pension saving, while many of those taking part are not saving enough. Members can also experience materially different outcomes because of investment performance, charges, scheme design and the decisions they make at retirement.

These challenges are particularly acute for people whose working lives do not fit a traditional model of continuous employment. Carers, self-employed workers, lower earners and multiple-job holders face structural barriers that higher average contribution rates alone will not address. Housing costs and limited accessible savings can also make it harder for people to remain enrolled and build long-term financial security.

The shift from defined benefit to defined contribution has also transferred more investment, longevity and decision-making risk to individuals. Greater flexibility has value, but members are increasingly expected to manage risks they may not understand or be well placed to bear.

In this context, we believe the Commission should prioritise the following:

- **move automatic enrolment from participation towards outcomes.** Recommend that government implement the outstanding 2017 reforms and establish a phased roadmap towards total minimum contributions of 12%, supported by measures that strengthen financial resilience.
- **recommend greater use of risk-sharing to make existing contributions work harder.** Collective defined contribution and other collective approaches can improve expected retirement income and reduce the risks individuals must manage alone.
- **recommend that guided retirement should provide a strong safety net.** Members who do not make an active choice should have access to default pathways designed to provide sustainable income.
- **recommend targeted action on structural participation gaps.** This should include consideration of pension credits for carers, a default savings route and provider for self-employed workers and rules that better reflect lower-paid and multiple-job working.
- **reflect housing and financial resilience within its recommendations on retirement security.** Pension policy can support wider independent wealth creation, while sidecar savings could reduce opt-outs and provide firmer foundations for voluntary saving.
- **treat investment outcomes and governance as part of adequacy.** The value-for-money framework should drive action where investment performance, pricing or service fall short.
- **recommend that the State Pension remains the secure foundation.** The Commission should state the assumptions underpinning its analysis and align its work with the separate State Pension age review.

These reforms should be treated as a package. The UK does not need to start again. It needs to evolve from a system that has successfully brought millions into pension saving to one that helps them achieve adequate, fair and sustainable outcomes throughout retirement.

Priorities for a future pensions settlement

Good outcomes need more than higher contributions

Much of the debate about future pension reform focuses on a single question: how much more should people save? Contribution levels matter and, over time, we believe pension saving will need to increase if more people are to achieve financial security in retirement. But higher contributions alone will not resolve all the challenges identified by the Commission.

Retirement outcomes depend on who participates, how much is contributed, the investment returns achieved after charges, how risk is shared and how savings are turned into income. They are also shaped by wider circumstances, including housing costs, caring responsibilities, employment patterns and access to short-term savings. The State Pension remains the secure foundation on which private saving builds.

Different challenges therefore require different solutions. People who are excluded from pension saving need a route into the system. Those saving at minimum levels may need higher contributions. Members in poorly performing or more expensive arrangements need stronger governance and value-for-money protections. Savers approaching retirement need effective pathways for turning their pension pot into sustainable income. People balancing housing, debt and unexpected costs need greater financial resilience if they are to remain engaged with long-term saving.

The next phase of reform should therefore be outcomes-led, rather than focused on contribution rates alone. Higher saving should form part of a wider package that improves coverage, investment value, risk-sharing, retirement income and financial resilience. The key test should be whether the system helps more people achieve a secure and sustainable income throughout retirement.

Our perspective

Key insight: The first Pensions Commission succeeded in increasing participation. The second should be judged by outcomes. Higher contributions will be necessary in time, but wider coverage, investment value, risk-sharing, sustainable retirement income and financial resilience will also be critical.

Why this matters

Adequacy – retirement outcomes depend on more than contribution levels alone. Investment returns, retirement income decisions and housing costs all influence living standards in later life.

Fairness – different groups face different barriers and therefore require different forms of support. A fair system should recognise these differences rather than assume all savers face the same challenges. As a bi-product a more inclusive system should be more resilient to employment market changes, leading to changes in individual circumstance, that may follow from unknown AI related disruption.

Sustainability – reforms must remain affordable and maintain confidence among governments, employers and savers. A narrow focus on increasing contributions risks overlooking wider financial pressures and behavioural responses.

What the Commission should consider

- **using an outcomes-led framework in its final report and recommending its wider use in future pensions policy.** On measuring outcomes, we are supportive of the direction the Commission is taking on Hybrid adequacy targets.
- considering participation, contribution levels, investment outcomes, charges, risk-sharing and retirement income together, rather than as separate policy questions.
- recognising housing tenure and financial resilience when assessing the retirement outcomes people are likely to (need to) achieve.
- testing reforms across different groups and circumstances, rather than relying on improvements in average outcomes alone.

Risk-sharing and collective defined contribution

As DC has become the dominant form of workplace pension saving, more responsibility and risk have passed to individuals. Savers must decide how much to contribute, how to invest and how to turn their pension pot into an income that may need to last for several decades. They must do this while managing uncertainty around investment markets, inflation and how long they will live.

These decisions are difficult, even for financially confident savers. Greater choice can be valuable, but it can also lead to uncertainty, lower retirement incomes and a risk of people spending either too quickly or too cautiously. The challenge is therefore not only to help people save more. It is also to make better use of the contributions already being paid and to place risks with those best able to manage them.

CDC could play an important role. By pooling longevity risk and managing investments collectively, CDC can provide members with an income for life and allow growth assets to be held for longer. This creates the potential for higher and more stable retirement incomes than may be available through purely individual arrangements.

Our modelling illustrates the scale of that potential. Based on the assumptions used in our analysis, a 40-year-old joining a whole-life multi-employer CDC scheme could receive an income up to 50% higher than the income available through annuity purchase at current prices. The modelled CDC arrangement could also provide an income around 30% higher and more secure than a typical drawdown strategy. For someone who saves through conventional DC before moving into decumulation-only CDC at retirement, our modelling indicated an increase of around 20% to 30% relative to annuity purchase or typical drawdown.

These figures will vary with scheme design, investment strategy, charges and market conditions. They nevertheless demonstrate an important policy point. **Better risk-sharing can materially improve retirement outcomes without relying solely on higher contributions.** A future settlement focused only on contribution rates would risk overlooking opportunities to make existing savings work harder for members.

Our research also suggests that both savers and employers value the features CDC can provide. Among the 1,000 DC savers we surveyed, 80% said they would give up some flexibility to receive a higher overall income. The most valued features were protection against running out of money and a higher pension from the same level of saving. Only 4% said that no aspect of CDC appealed to them.

Employer interest is also growing. In our 2025 research, 91% of corporate pension decision-makers said they were likely to consider CDC or a similar risk-sharing arrangement, up from 81% in 2024. Employers were particularly attracted by the potential to offer higher pensions for the same contribution, protect members from exhausting their savings and reduce the burden of decision-making at and through retirement.

CDC is not a universal solution and should not replace every existing form of pension provision. Members have different needs and preferences, and CDC involves trade-offs. Members generally give up some flexibility, individual control and the ability to pass on an unspent pot in exchange for a higher expected income and protection from longevity risk. Clear communication, strong governance and transparent benefit adjustment rules will therefore be essential.

CDC should instead sit alongside conventional DC, drawdown and annuities as part of a broader retirement income system. The relevant question is not whether CDC is better than every alternative in every circumstance. It is whether collective risk-sharing can improve income security, reduce the burden placed on individuals and deliver better outcomes for a given contribution level.

In our view, the evidence is strong enough for CDC and wider risk-sharing to form a core part of the Commission's thinking. The policy debate should focus less on product labels and more on how different retirement arrangements can deliver adequate, fair and sustainable incomes for members.

Our perspective

Key insight: CDC should be treated as an outcomes tool, not simply a new pension product.

Our modelling shows that risk-sharing can materially improve the retirement income generated from the same contributions. CDC will not suit every member, but as a default it can improve income security and reduce the burden of individual decision-making. It should form a core part of the Commission's thinking on retirement outcomes.

Why this matters

Adequacy – risk-sharing can improve the expected income generated from a given contribution level and reduce the risk of members exhausting their savings.

Fairness – wider access to collective solutions could give more savers the benefits of longevity pooling and professional risk management, rather than leaving these risks with individuals.

Sustainability – improving outcomes through better risk-sharing can reduce reliance on contribution increases alone, while providing employers with another way to support better retirement outcomes.

What the Commission should consider

- **recommending a greater role for CDC and wider risk-sharing within future retirement income solutions, including decumulation-only models.**
- recommending continued support for the development of multi-employer CDC arrangements to broaden access across the workforce.
- recommending regulatory frameworks that support innovation while maintaining strong governance and member protection.
- giving greater weight to risk-sharing when developing its recommendations on retirement adequacy and retirement income design.
- assessing future retirement solutions based on member outcomes rather than product structures alone.

Decumulation and guided retirement

The UK pensions system has rightly spent much of the last two decades helping people build retirement savings. Automatic enrolment has transformed participation and significantly increased workplace pension coverage. However, as defined contribution (DC) becomes the dominant form of private retirement provision, greater attention must now be given to how people turn those savings into a sustainable income.

Decisions made at and through retirement can have a profound effect on outcomes. People must decide when to access their pension, how much tax-free cash to take, how quickly to withdraw income and how to invest their remaining savings. They must also manage inflation and the uncertainty of how long their income will need to last. These are not one-off choices. They often require ongoing engagement and adjustment throughout retirement.

Many people do not feel equipped to make these decisions alone. Our research found that 75% of DC savers aged 55 or over who were unsure how to use their pension would find it helpful if their savings automatically started paying them an income at retirement. This points to a clear need for stronger support and effective default pathways, particularly for those who do not take regulated financial advice.

The potential cost of poor or unsupported decisions is material. Members may withdraw too much and exhaust their savings, hold excessive amounts in cash, choose an unsuitable product or spend less than they could safely afford because they fear running out of money. These behaviours can affect both the amount of income received and its sustainability throughout retirement.

Our analysis suggests that better retirement design and risk-sharing could increase retirement incomes by as much as 20% compared with the options commonly available to individual DC savers. This is not a measure of the loss experienced by every member who makes an unsupported decision. It does, however, illustrate the value that may remain unrealised when individuals are left to manage complex investment, longevity and withdrawal risks largely on their own.

We therefore believe the next phase of pension reform should place greater emphasis on retirement income design and the effective implementation of guided retirement. Automatic enrolment successfully used defaults to help people start saving. The same behavioural principle should now be used to help people turn their savings into a sustainable income.

This does not mean removing choice. Flexibility remains an important feature of the UK system and should be retained. But choice should sit around a strong framework of support. The system should make good decisions easier and provide an effective safety net for those who do not engage, while allowing people to choose a different route where that better meets their needs.

Future retirement pathways are likely to draw on a range of solutions. Drawdown, annuities, collective defined contribution (CDC) arrangements and blended approaches may each have a role, depending on an individual's circumstances, preferences and retirement objectives. The key test should be whether these approaches support a sustainable income and manage the risks members face, rather than simply giving them access to an accumulated pot.

Our perspective

Key insight: Our analysis suggests that better retirement decumulation design and risk-sharing could increase retirement incomes by as much as 20%. The next challenge is to ensure guided retirement delivers a strong safety net for members who do not make an active choice.

A saver can make sensible decisions throughout working life and still experience a poor outcome if they lack support when turning pension savings into income. The next phase of reform should therefore place as much emphasis on how pensions are used as it has historically placed on how they are accumulated.

Why this matters

Adequacy – sustainable retirement income depends not only on how much people save, but also on how effectively they use those savings throughout retirement.

Fairness – many savers lack access to regulated financial advice and may find retirement decisions complex or intimidating. Better guidance and pathways can help improve outcomes across a broader range of individuals.

Sustainability – confidence in DC pensions will increasingly depend on whether people experience positive outcomes in retirement, not simply whether they accumulate pension wealth during working life.

What the Commission should consider

- **recommending that guided retirement should provide a strong default or safety net for members who do not make an active choice.**
- recommending retirement pathways that focus on sustainable income and the management of longevity, inflation and investment risks.
- how its recommendations can preserve choice while making suitable decisions easier for members who cannot or do not want to navigate the market alone.
- recommending that retirement income solutions are assessed against member outcomes rather than product structures.
- recommending the inclusion of retirement income outcomes within value-for-money and provider reporting frameworks.
- recommending that providers and regulators monitor whether members withdraw savings too quickly, hold excessive cash or underspend because they fear running out of money.

Strengthening automatic enrolment

The Commission is right to recognise automatic enrolment as one of the foundations of the modern pensions system. It has largely addressed the participation challenge for employees within its scope, but it has not yet solved the adequacy challenge. For many savers, the current minimum contribution framework is unlikely to provide the retirement income they expect or need.

The next step should be clear. We believe the government should set out plans to implement the outstanding recommendations from the 2017 Automatic Enrolment Review. This should include reducing the minimum age from 22 to 18 and removing the lower earnings limit so contributions are paid from the first pound of earnings. These changes would bring younger workers into pension saving sooner, increase contributions for lower earners and part-time workers and make the system fairer for people with more varied working patterns.

Contribution levels must also be addressed. Around one third of private sector defined contribution employees save at automatic enrolment minimum levels, while more than three quarters of private sector employees save less than 12% of total pay. This suggests the statutory minimum has become the effective default for many workers, rather than a starting point from which saving increases over time. As a result, individuals may contribute consistently throughout their working lives and still fall short of a good retirement outcome.

We therefore believe the Commission should recommend a long-term roadmap towards total minimum contributions of 12%. This should be phased gradually and communicated well in advance. The precise balance between employer and employee contributions will need careful consideration, alongside the role of government incentives. But the direction of travel should be clear: current minimum saving levels are unlikely to deliver good outcomes for many savers.

Reform must remain affordable for employees and employers. Sudden increases could put pressure on household finances, employer reward budgets and continued participation. The original introduction of automatic enrolment succeeded because it combined a clear long-term objective with consensus, simplicity and careful phasing. The next stage should follow the same principles.

Higher pension contributions should also be introduced alongside measures that strengthen short-term financial resilience. A system that ignores immediate financial pressures risks increasing opt-outs and undermining the outcome it is trying to achieve. Sidecar savings developed alongside automatic enrolment reform could help workers build an accessible emergency fund while remaining connected to long-term saving.

This approach could support more than continued participation. Once people have an emergency savings buffer, they may feel more confident remaining enrolled when contributions increase, engaging with their pension and making voluntary contributions above the minimum. Financial resilience should therefore be treated as a foundation for stronger pension saving, not as a competing objective.

Our perspective

Key insight: Automatic enrolment should evolve from a participation framework into one focused on outcomes. The immediate priority is to implement the outstanding 2017 reforms, bringing younger workers into pension saving earlier and ensuring contributions start from the first pound of earnings.

The Commission should also set a clear direction towards total minimum contributions of 12%. This should be phased gradually and supported by sidecar savings and other financial resilience measures, helping people remain enrolled as contributions rise.

Why this matters

Adequacy – higher contribution rates and broader pension coverage can materially improve retirement outcomes over time.

Fairness – reforms to thresholds and eligibility can help ensure that lower earners, younger workers and those with more varied employment patterns benefit more consistently from pension saving.

Sustainability – gradual and predictable implementation helps maintain employer support, affordability and public confidence in the system.

What the Commission should consider

- **recommending that government sets out a near term timetable to implement the outstanding 2017 automatic enrolment reforms**, including reducing the minimum age to 18 and removing the lower earnings limit so pension saving starts from the first pound of earnings.
- recommending that government establishes a longer-term roadmap towards higher automatic enrolment minimum contribution rates.
- considering the balance of employer, employee and government support, recognising affordability pressures for each group.
- recommending a review of how thresholds and eligibility rules affect lower earners, multiple-job holders and workers with varied employment patterns.
- recommending the development of sidecar savings alongside automatic enrolment reform to support financial resilience, reduce opt-outs and improve engagement.
- recommending that implementation continues to follow the principles underpinning automatic enrolment's success, including simplicity, stability, consensus and long implementation periods.

Closing participation gaps and supporting under-served groups

Automatic enrolment has brought millions more people into pension saving. However, important gaps remain. The current system works best for employees with stable earnings above the automatic enrolment thresholds and continuous access to employer contributions. It works less well for self-employed workers, carers, multiple-job holders, lower earners and people with interrupted or fluctuating employment.

A fair pensions system should not assume a single model of working life. People who contribute to society through unpaid care, combine several low-paid roles, move in and out of work or earn through self-employment face different barriers to pension saving. These are not marginal cases. They are a significant part of the modern labour market and should be central to the Commission's thinking.

These structural differences lead to uneven participation and lower pension wealth over time. Increasing average contribution rates will not address them on its own. The next settlement must broaden access to pension saving and provide targeted support that reflects the specific barriers faced by different groups.

The self-employed require a different approach from employees. They do not benefit from an employer contribution, their income may be volatile and locking money away in a pension may feel unattractive when they also need accessible savings. We believe the Commission should explore a default pension route using HM Revenue and Customs (HMRC) touchpoints, including self-assessment. This should sit alongside a liquid savings component (as we recommend for employed workers) that helps self-employed workers manage short-term fluctuations in income and unexpected costs.

Career breaks and caring responsibilities also contribute to persistent pension inequalities. Many carers make significant social and economic contributions but build less private pension wealth because they spend time outside paid work or work reduced hours. We believe the Commission should consider automatic enrolment-style credits for recognised caring responsibilities and career breaks. This would mirror the principle behind State Pension credits and recognise that unpaid care should not result in a permanent private pension penalty.

Lower earners and multiple-job holders can also miss out on the full benefits of workplace pension saving, despite participating actively in the labour market. Someone with several lower-paid roles may earn a meaningful total income but remain outside automatic enrolment in each individual job. Implementing the outstanding 2017 automatic enrolment reforms, including pension saving from the first pound of earnings, would help. However, the Commission should also consider whether assessing eligibility separately for each employment remains appropriate for a labour market in which people may have several sources of earned income.

The objective should not simply be to increase average participation or pension wealth. It should be to remove the structural disadvantages faced by people whose working lives do not fit the traditional model of continuous employment. Targeted interventions for carers, self-employed workers, lower earners and multiple-job holders would improve retirement outcomes while helping to reduce inequalities that otherwise build throughout working life.

Our perspective

Key insight: Average improvements will not be enough if pension policy continues to miss people whose working lives do not fit the traditional employee model.

Different groups need targeted support, including pension credits for carers, a flexible default route for self-employed workers and automatic enrolment rules that better reflect lower-paid and multiple-job working. These reforms would address inequalities that higher average contributions alone cannot fix.

Why this matters

Adequacy – people who are excluded from pension saving, or who experience persistent gaps in saving, are significantly more likely to face poorer retirement outcomes.

Fairness – addressing the barriers faced by carers, self-employed workers, lower earners and multiple-job holders can help reduce structural inequalities that accumulate throughout working life.

Sustainability – a pensions system that supports a broader range of working patterns is more likely to retain legitimacy and public support as employment structures continue to evolve.

What the Commission should consider

- **recommending the introduction of automatic enrolment-style credits for recognised caring responsibilities and career breaks, reflecting the principle behind State Pension credits.**
- recommending that government explores a default pension saving route for self-employed workers through HM Revenue and Customs and self-assessment.
- recommending that any default pension route for self-employed workers is combined with an accessible savings component that reflects income volatility.
- recommending a review of how the earnings trigger and job-by-job eligibility rules affect lower earners and multiple-job holders, including whether future systems could better recognise total earnings across several employments without creating disproportionate complexity for employers.
- recommending ongoing monitoring of outcomes across income, gender, disability, ethnicity, geography, employment type and housing tenure, rather than relying only on overall averages.

Financial resilience, housing and younger savers

The pensions system does not operate in isolation from the wider financial lives of savers. For many people, particularly younger workers, saving more for retirement competes with housing costs, childcare, debt repayment and the need to build accessible savings. Reform that does not reflect these pressures may look effective in theory but fail to improve outcomes in practice.

Housing is a particularly important part of this challenge. Home ownership has historically reduced the income people need in retirement, but younger generations are increasingly likely to face housing costs for longer and may be more likely to rent in later life. Housing supply and affordability are not for the Commission to solve. They require a wider government response. However, the Commission should recognise that housing tenure is becoming a major driver of retirement outcomes and consider how pensions can support wider wealth creation and protection.

Our analysis illustrates both the scale of the issue and the opportunity for pension policy to respond. Only 14% of pensioners who own their home outright are in poverty, compared with 38% of private tenants and 36% of social tenants. Half of pensioners who rent are not coping financially, compared with 11% of those who own their home. We estimate that meeting the cost of renting in retirement could require contributions equivalent to around 8% of salary from age 22. This is the same as the current statutory minimum contribution under automatic enrolment.

For lower earners, simply increasing pension contributions enough to meet future rental costs is unlikely to be affordable. The alternative is to reduce the number of people who enter retirement with continuing housing costs. Our modelling found that **approaches linking pension saving and property ownership could broadly double a low earner's wealth by retirement**. This suggests pension policy could improve later-life security not only by building larger pension pots, but also by helping people build and protect housing wealth.

This does not mean allowing unrestricted access to pension savings. Doing so could undermine long-term saving and expose members to inappropriate risks. Instead, the government and industry should explore carefully designed options that retain pension assets for retirement while allowing them to support a first home. This could include using pension savings as collateral for a mortgage, supported by strong consumer protection and suitable limits.

Workplace pension design can also improve the trade-off between pension saving and home ownership. Our modelling considered a 25-year-old worker earning £30,000 who was balancing pension contributions, student debt and saving for a deposit. Under a conventional matching structure, paying the maximum matched contribution meant it took around 14 years to save a deposit. Reducing pension contributions allowed the member to reach a deposit in around nine years, but at the cost of a lower pension and employer contribution.

A fixed employer contribution offered a better balance. In our model, an 8% employer contribution that did not depend on the employee matching it allowed the member to reach a deposit after around seven years while continuing to build pension wealth. This does not mean one contribution structure will suit every employer or workforce. It does show that scheme design, and in particular the approach to 'matching contributions', can either reinforce or ease the tension between home ownership and retirement saving.

Employers and policymakers should therefore assess outcomes across pension wealth, housing wealth, debt and accessible savings, rather than looking at pension pot size alone. A lower pension contribution for a limited period is not necessarily a poorer outcome if it helps someone buy a home sooner, retain employer pension support and increase their total long-term wealth.

Short-term financial resilience is the third part of this picture. People without accessible savings may be less able to absorb an unexpected cost or loss of income. If automatic enrolment contributions increase without addressing this vulnerability, some people may opt out and lose both their own pension saving and their employer contribution.

Sidecar savings should therefore be developed alongside automatic enrolment reform. Under this approach, pension saving and accessible emergency saving would form part of the same workplace framework. Employer contributions would continue to support retirement saving, while part of the employee's saving could initially build an accessible buffer. Once that buffer reached an appropriate level, more of the employee's contribution could flow into their pension.

This approach could make higher automatic enrolment contributions more sustainable. It could help ease affordability concerns, reduce opt-outs and provide a more immediate reason for people to engage with workplace saving. Once an individual has built an emergency buffer, they may also feel more confident remaining enrolled or making voluntary pension contributions above the minimum.

Financial resilience should therefore not be seen as competing with retirement saving. It can provide the foundation that allows people to save more consistently for the long term. The future pensions settlement should support both goals together.

Our perspective

Key insight: Retirement security depends on more than pension wealth. Housing tenure, accessible savings and scheme design all shape later-life outcomes.

Pension policy cannot solve housing supply, but it can support wider wealth creation and help people balance long-term and short-term needs. Sidecar savings developed alongside automatic enrolment reform could strengthen resilience, reduce opt-outs and encourage voluntary pension saving.

Why this matters

Adequacy – retirement income needs vary significantly depending on housing tenure, financial resilience and wider household circumstances. Pension outcomes cannot be assessed on pension wealth alone.

Fairness – younger generations, renters and lower-wealth households often face greater financial pressures and different trade-offs from previous generations. A fair system should recognise these differences.

Sustainability – reforms are more likely to succeed if they reflect real-world affordability pressures and help individuals remain engaged with long-term saving.

What the Commission should consider

- **reflecting housing tenure as a core driver of retirement outcomes within its final recommendations**, including the materially higher income needs of people who rent in later life.
- acknowledging that affordable housing supply requires a wider government response and recommending ways in which pension policy could support home ownership and wider wealth creation.
- recommending that government and industry explore carefully controlled ways for pension savings to support first-time home ownership without being withdrawn from long-term investment.
- recommending that employers and providers assess outcomes across pension wealth, housing wealth, debt and accessible savings, rather than pension pot size alone.
- recommending that employers consider contribution structures that maintain meaningful employer support while giving employees appropriate flexibility to manage competing financial priorities.
- **recommending the development of sidecar savings alongside automatic enrolment reform**, to help people build accessible savings, remain enrolled as contributions increase and engage more actively with workplace saving.
- recommending that any housing or savings innovation includes strong safeguards and preserves the primary purpose of pensions in providing income in later life.

The State Pension as the foundation

The first Pensions Commission recognised that private pension saving alone could not deliver retirement security. Its reforms established a clear settlement: the State Pension would provide a secure foundation, with workplace pension saving building on it. Twenty years on, that principle remains as important as ever.

Its importance may increase as retirement provision becomes more individualised. Future retirees will rely more heavily on defined contribution (DC) savings than previous generations, while carrying greater investment, longevity and decision-making risk. More people may also enter retirement with continuing housing costs. The State Pension provides an income that is not affected by investment performance or individual retirement decisions, helping to manage risks that savers increasingly bear elsewhere in the system.

The Commission should therefore be clear about the role it expects the State Pension to play within the future pensions settlement. Its assessment of private pension adequacy will depend on assumptions about both the value of the State Pension and the age from which people can expect to receive it. Changes to either could materially affect how much people need to save privately, when they can afford to retire and the support they need from workplace pensions.

The Commission should use its final report to recommend how the State Pension and private pension saving should work together to support adequate, fair and sustainable outcomes. It should also ensure its recommendations align with the separate State Pension age review and are robust under a reasonable range of future State Pension scenarios.

The State Pension should remain the secure foundation of the retirement system. The Commission's recommendations should help ensure the private pension framework builds effectively on that foundation, particularly for people with lower lifetime earnings, interrupted working lives or limited opportunities to build private pension wealth.

Our perspective

Key insight: Private pension adequacy cannot be assessed without clear assumptions about the future role, quantum and nature of the State Pension.

The Commission should reflect both the value of the State Pension and the age from which it is received when developing its recommendations. Its final report should also explain how the State Pension and private pension saving should work together, with consistent assumptions across the separate State Pension age review.

Why this matters

Adequacy – a secure foundation helps support retirement incomes and reduces the risk of poor outcomes in later life.

Fairness – the State Pension is particularly important for those with lower lifetime earnings, caring responsibilities or limited opportunities to build private pension wealth.

Sustainability – a trusted State Pension can support confidence in the wider retirement system and provide a stable platform for long-term saving.

What the Commission should consider

- **setting out clearly the State Pension assumptions underpinning its assessment of retirement adequacy.**
- reflecting both the value of the State Pension and the age from which it is received when assessing private saving needs.
- testing whether its recommendations remain robust under a reasonable range of future State Pension scenarios.
- drawing on the evidence and conclusions from the separate State Pension age review.
- recommending how the State Pension and private saving should work together within the future pensions settlement.
- considering how different State Pension scenarios would affect people with lower lifetime earnings, interrupted careers or limited private pension wealth.

Investment outcomes, value for money and governance

Improving retirement adequacy is often framed as a question of contributions, but investment returns after charges can make a material difference. Members with similar earnings and contribution histories may therefore reach retirement with very different outcomes depending on the arrangement into which they have been enrolled.

Our latest provider research found that five-year performance varied by around 7% pa between the best and worst-performing default arrangements assessed. Different strategies may take different levels of risk, and five-year performance should not be viewed in isolation. However, a difference of this scale is material. If sustained over a working lifetime, it could lead members making the same contributions to build significantly different pension pots.

This is an adequacy and fairness issue, not only an investment issue. Members do not generally choose their workplace pension arrangement. Adequacy assessments should therefore reflect a reasonable range of investment outcomes rather than relying on a single average return.

Charges also affect outcomes. Members of different employers may pay different charges for broadly similar services from the same provider, reflecting factors such as employer size, membership profile and the terms negotiated. Smaller employers may have less purchasing power and fewer governance resources, but their employees should not face poorer outcomes as a result.

This does not mean charges should be identical. Different services and membership characteristics may justify different pricing. However, material differences should be transparent, explainable and supported by evidence of value. Employers and governance bodies should also review charges regularly as arrangements and market terms develop.

The emerging value-for-money framework should help decision-makers compare outcomes after charges and act where an arrangement delivers persistently poor value. It should consider net investment performance, risk, charges, service quality and retirement support together. Consistent provider reporting and meaningful market comparisons will be particularly important for smaller employers.

Productive finance may support stronger returns and wider economic growth, but it should remain a means to an end. The primary purpose of pension investment is to deliver good member outcomes. Investment in private markets and other productive assets should therefore be supported by appropriate governance, diversification and evidence of value.

Investment outcomes and governance should ultimately form part of the adequacy debate. The objective is not simply to build larger pension pots, but to improve the sustainable income and financial security those savings provide.

Our perspective

Key insight: Our provider research found a difference of around 7% pa between the five-year performance of the best and worst-performing default arrangements assessed.

Members may also pay different charges within the same provider depending on the terms negotiated by their employer. As members have little control over either factor, adequacy assessments should reflect a range of investment outcomes and the value-for-money framework should drive action where performance, pricing or service fall short.

Why this matters

Adequacy – long-term net returns and charges can materially affect the pension wealth and retirement income members receive, even where contributions are the same.

Fairness – members should not experience substantially poorer outcomes because they were automatically enrolled into an arrangement with persistently weaker performance or less competitive terms.

Sustainability – effective monitoring, transparent comparisons and clear accountability can strengthen confidence that workplace pensions are delivering value over the long term.

What the Commission should consider

- **recognising that material differences in investment performance and charges can lead members making the same contributions to experience significantly different retirement outcomes.**
- recommending that future assessments of retirement adequacy reflect a reasonable range of investment outcomes, rather than relying only on a single average return.
- recommending that the value-for-money framework compares outcomes after charges, allowing for investment risk and the services members receive.
- recommending that the value-for-money framework helps decision-makers understand the causes of material differences and leads to action where poor outcomes persist.
- recommending that material differences in charges within the same provider are transparent, explainable and supported by evidence of value.
- recommending clear expectations for employers and governance bodies to review charges, investment outcomes and service quality regularly.
- recommending measures that help smaller employers access consistent information and meaningful market comparisons.
- recommending support for productive investment where it is expected to improve member outcomes and is backed by appropriate governance, diversification and value assessment.
- recommending that investment and value assessments are linked to the sustainable retirement income members can expect, rather than accumulated pot size alone.

Implementation principles

The first Pensions Commission delivered lasting change because it combined ambitious long-term objectives with a practical approach to implementation. Automatic enrolment did not succeed because participation was made compulsory overnight. It succeeded because reforms were clear, phased, predictable and supported by broad consensus.

The next phase of pension reform should adopt the same approach. The challenges facing the Commission are significant. Improving retirement adequacy, supporting under-served groups, strengthening retirement income provision and maintaining confidence in the State Pension will require substantial change over time. However, the scale of the challenge should not come at the expense of practical delivery.

A recurring theme throughout this response is that successful reform requires balancing adequacy, fairness and sustainability. This balance is just as important during implementation as it is during policy design. Reforms that improve outcomes in principle may fail in practice if they place excessive pressure on employers, reduce affordability for savers or undermine confidence in long-term saving.

Future reforms should therefore be guided by a clear long-term vision and a commitment to stability. Individuals need confidence that the decisions they make today will remain relevant in future decades. Employers and providers need sufficient certainty to plan and invest for the long term. Frequent policy changes, short implementation periods or abrupt shifts in direction risk undermining that confidence.

The Commission also has an opportunity to reinforce the importance of evidence-led policymaking. Future reforms should be tested against their impact on retirement outcomes, not simply their impact on participation, assets under management or fiscal costs. Particular attention should be paid to distributional impacts and whether reforms improve outcomes for groups that currently experience poorer retirement prospects.

Finally, implementation should recognise that the pensions system forms part of a wider financial ecosystem. Decisions relating to pension saving, retirement income, housing and financial resilience are often interconnected. The most successful reforms are likely to be those that recognise these interactions and adopt a more joined-up approach to supporting long-term financial security.

Our perspective

Key insight: Successful reform will depend on practical delivery as well as policy ambition.

The next phase should combine clear objectives and broad consensus with effective defaults and sufficient time for employers, providers and savers to adapt. Reforms should maintain confidence while delivering lasting improvements in retirement outcomes.

Why this matters

Adequacy – well-designed implementation increases the likelihood that reforms deliver meaningful improvements in retirement outcomes.

Fairness – sufficient notice periods, clear communication and careful policy design help ensure that reforms do not disproportionately disadvantage particular groups.

Sustainability – long-term success depends on maintaining confidence among governments, employers and savers and avoiding frequent changes in policy direction.

What the Commission should consider

- **recommending that government establishes a clear long-term roadmap for pension reform linked to agreed retirement outcome objectives.**
- recommending that significant reforms prioritise stability, predictability and sufficient implementation periods.
- assessing policies through the combined lenses of adequacy, fairness and sustainability.
- using distributional analysis to understand how reforms affect different groups of savers.
- recommending that reforms are tested against retirement outcomes rather than intermediate measures alone.
- recognising the interaction between pensions, housing, employment and wider financial wellbeing when designing future policy interventions.
- Recommend a quinquennial pensions review against agreed adequacy targets, to align with future state pension age reviews.

Conclusion

The first Pensions Commission transformed the UK pensions system. The State Pension and automatic enrolment created strong foundations and helped millions more people build financial security for later life. The task for the second Commission is not to start again, but to build on that success and respond to the realities facing future generations.

The next phase of reform should focus on the outcomes people achieve throughout retirement. Higher contributions will be necessary in time, but they must form part of a broader package that improves coverage, investment value, risk-sharing, retirement income support and financial resilience.

Reform should also recognise that people do not experience the pensions system equally. Carers, self-employed workers, lower earners, multiple-job holders and those likely to rent in retirement face distinct barriers. The Commission's final recommendations should improve average outcomes while also addressing these persistent inequalities.

The Commission has an opportunity to set a clear long-term direction for government. Its recommendations should be ambitious, practical and designed to maintain the confidence of savers, employers and the pensions industry. Success should ultimately be judged by whether the future system helps more people achieve adequate, fair and sustainable retirement outcomes by 2050 and beyond.

We stand ready to support the Pensions Commission in our sphere of influence in building consensus around the future pensions settlement.

Consultation response team

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Further evidence and related publications

Many of the themes discussed in this response build on previous research, policy development and industry engagement undertaken by Hymans Robertson. The Commission may wish to consider the following publications alongside this submission.

Automatic enrolment, adequacy and financial resilience

The untapped potential of pensions (March 2025) - Examines options for improving retirement adequacy through automatic enrolment reform, collective pension provision, financial resilience, support for self-employed workers, sustainable UK investment, and wider pension system reform.

Risk-sharing and CDC

CDC – the complete picture (October 2025) - Sets out Hymans Robertson's research on CDC pensions, including member outcomes, employer perspectives, investment strategy, international experience and the role of risk-sharing in improving retirement income security.

Housing, financial wellbeing and younger savers

Tapping the potential of pensions for home ownership (July 2026) - Examines the interaction between home ownership and retirement adequacy, arguing that housing is becoming one of the most significant determinants of retirement outcomes. Explores how pension policy and scheme design could support earlier home ownership, improve financial resilience and strengthen long-term retirement security.

Can pension scheme design help younger members onto the housing ladder? (2026) - Explores the interaction between pension saving, housing affordability and financial wellbeing, and considers how pension scheme design can better support younger workers facing competing financial priorities.

Retirement adequacy and the State Pension

Adequacy begins at SPa (October 2025) - Explores the future role of the State Pension, approaches to balancing adequacy, fairness and sustainability, intergenerational fairness, and the relationship between State Pension policy and retirement adequacy.

Supporting under-served groups

Written evidence to the Work and Pensions Committee: Saving for later life (May 2022) - Sets out proposals to improve retirement outcomes for women, carers, lower earners and part-time workers, including automatic enrolment credits and reforms to automatic enrolment thresholds.

We would be pleased to provide the Commission with copies of any of these publications or further evidence on the issues discussed in this response.

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