




# Tackling pensions adequacy: your DC checklist

Just before MPs ‘broke up’ for their summer holidays, the Government announced the formation of a new Pension Commission tasked with bringing forward proposals to improve outcomes for future pensioners. The size of the problem that needs to be tackled was highlighted by some of the accompanying documents:

- The **Analysis of Future Pension Incomes** showed that some 14.6m working age people are undersaving for retirement, with those in their 40s and 50s most likely to be affected (this is the group that are likely to have missed out on DB pensions and won't have benefited from a full career automatically enrolled into a DC scheme).
- The findings of the **Planning and Preparing for Later Life Survey 2024** indicated that 41% of 40–75 year olds had no idea how much income they would need in retirement and 13% of them had no confidence in their ability to make decisions about pension savings.

The Commission's final report isn't expected until 2027, so although help may be on the way, it will likely come too late for a significant proportion of today's employees.

**For employers, this is a growing concern. Inadequate retirement savings can lead to:**

-  delayed retirement, affecting workforce planning and productivity
-  financial stress among employees, impacting wellbeing and performance
-  reputational risk, especially where pension provision is seen as part of the employer promise

## WHAT CAN EMPLOYERS DO?

Closing the adequacy gap isn't just about increasing contributions.

We've shared thoughts below in a checklist to help you assess your current position in terms of actions taken and policies in place to address the pension adequacy of your workforce.

We've split these into shorter- and longer-term actions you can take. The short-term ones are designed to help you assess the scale of the issue for your workforce, along with some 'quick wins' you may be able to implement. The longer-term actions may require bigger changes and more strategic thinking. The list isn't exhaustive, but it highlights some of the areas you may want to consider. In addition to this, we've recently launched a three-year project which explores the retirement adequacy crisis that will be essential to the future of workplace pensions. You can find out more on our [website](#).

## Short-term actions

### Identify at-risk groups

Use data to spot members with low contributions, low engagement or poor outcomes.

### Improve member communications

Focus on clarity, relevance and timing – especially around contribution choices and retirement planning. Encourage staff to think about their savings.

### Help employees complete gaps

Consider if gaps for maternity leave/care leave can have employer contributions paid based on earnings before leave.

### Simplify the joining process

Make it easy for new hires to join and understand the scheme to reduce opt outs.

### Offer financial education

Provide access to tools, webinars or one-to-one support to help members make informed decisions. Your provider may have a suite of tools you can utilise.

### Check default position

Ensure it's aligned with member needs and retirement objectives – whether contribution levels or investment solution.

## Longer-term actions

### Set adequacy targets

Define what 'good outcomes' look like and track progress over time.

### Review DC scheme design

Consider changes to contribution structures, eligibility criteria/pay definitions /flexibility in opting up and down to enhance savings.

### Integrate pensions into reward strategy

Position pensions as a core part of the employee value proposition.

### Review overall pension strategy

Review overall strategy and delivery method. Can alternative solutions eg CDC or DB support your strategy?

Do you have a DB surplus that can be utilised to top up contributions?

### Review wider benefits and savings offering

How does your pension strategy fit in with your wider benefit strategy. Do wider saving vehicles have a place, eg side cars/ISAs/loan facilities?

### Monitor member outcomes

Use dashboards or analytics to continuously track adequacy and identify gaps.

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