

Employee benefits 2026: trends and employer priorities

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INTRODUCTION

2025 brought major shifts in the employee benefits landscape. Rising costs dominated employer agendas, with National Insurance (NI) increases adding to wider inflationary pressures. Private medical insurance (PMI) saw some of the steepest rises, pushing organisations to rethink affordability and value. Pensions were also in focus. The launch of the Pensions Commission and the Pension Schemes Bill highlighted adequacy and fairness, followed by the government's decision to curb NI relief on pension contributions. Together, these developments created a challenging environment for employers trying to balance cost control with competitive, inclusive benefits.

Our 2025 survey of 500 UK corporate finance and pensions decision-makers showed how employers were already adapting. They told us they felt increasing pressure to deliver value. Views were mixed on who should take responsibility for achieving adequate retirement outcomes. We also found a gap between employers' confidence in their approach to diversity, equity and inclusion (DEI) and the plans they actually have in place to support it. Retirement support also remained a concern, with one in five employers unsure whether members could access the guidance they need.

Building on that work, this report also brings together insights from 32 of our corporate clients. Their survey responses give us a snapshot of how some employers are shaping pensions, health and protection, and financial wellbeing. Our aim is to understand current practice, highlight where risks can arise and suggest practical steps that can improve outcomes for employees. This report brings together our survey findings and the insight we gain through our consulting work. Together, they give us a clear view of how UK employers are shaping their benefits structures and where they can make meaningful improvements.



The pace of change in 2025 has been unprecedented. Rising costs, regulatory shifts and growing expectations around fairness and inclusion mean employers are under pressure to rethink their benefits strategy from the top down. That's why we introduced our benefits survey – to give a clearer picture of how organisations are responding, where the challenges lie, and what support they need to deliver better outcomes for their people.”

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EXECUTIVE SUMMARY

We see many employers modernising benefits, but we believe three themes matter most in 2026: adequacy, equity and flexibility. These themes cut across pensions, health and protection, and financial wellbeing. They all support long-term employee security and engagement.

Pensions: adequacy remains the biggest challenge

Master trusts now dominate, with over half of employers using them. Contract-based plans remain common, and single-employer trusts are rare. While delivery is modern, contribution design is the real differentiator. Most employees are enrolled at modest levels: 84% of employers set employee defaults at 3–5%, and two in three employers default total saving at 10% or less. For an average earner, that means less than a 31% chance of achieving a moderate retirement income.

In our view, employers can change this picture. Raising defaults or introducing auto-escalation to the maximum contribution level can increase the likelihood of a moderate income from less than one in three to more than one in two, at little extra cost. Salary sacrifice is almost universal and delivers clear savings for employers and employees. Yet only 27% of employers share some or all of their NI savings with employees. Full sharing is rare at 7%, representing a missed opportunity to boost perceived value today. With National Insurance relief on employee contributions to be capped at £2,000 from April 2029, we think employers will need to adapt their reward strategies quickly.

Health and protection: strong provision, but fairness mismatch persists

Our survey responses suggest PMI remains a core benefit, with only 9% of employers not offering it. However, access is uneven: 34% restrict eligibility by grade, which in our view, can create equity risks. Family-friendly design is improving, and health cash plans are gaining traction as a cost-effective complement.

Our survey indicates that group income protection (GIP) remains widely offered, but design choices still shape how well it supports people. In our view, eligibility rules often exclude lower earners or part-time staff, who are usually most exposed to income shocks. Only one in three GIP policies cover the employer's pension contributions. Pension saving normally continues because employees remain on payroll. However, where the policy does not fund the employer cost, the employer must absorb this unfunded liability. We often see deferral periods and sick pay policies misaligned, creating income gaps that employees rarely understand. Group life assurance (GLA) remains a cornerstone benefit, with almost nine in ten employers offering cover. Yet flexibility is limited: few employers allow spouse cover or adjustable levels, limiting fairness for diverse family structures. We're seeing more employers consider critical illness cover (CIC) as part of their overall approach, offering flexible support for financial resilience and complementing traditional life assurance.

Financial wellbeing: progress, but a gap to employee expectations

Employers are investing in financial wellbeing, but most focus is on low-cost options such as discounts and webinars. Employees want deeper, personalised support, guidance, advice and emergency savings help. Nearly 40% of employers offer four or fewer types of support and have no plans to go further, despite 61% of employees saying better support would make them more likely to stay. We see this as an opportunity for employers to improve engagement and strengthen resilience across their workforce.



Employers have embraced modern benefit delivery, but outcomes will only improve when defaults rise, equity is embedded in eligibility, and flexibility becomes the norm.”

JAMES SMITH

Senior DC Consultant

PENSIONS

AT A GLANCE

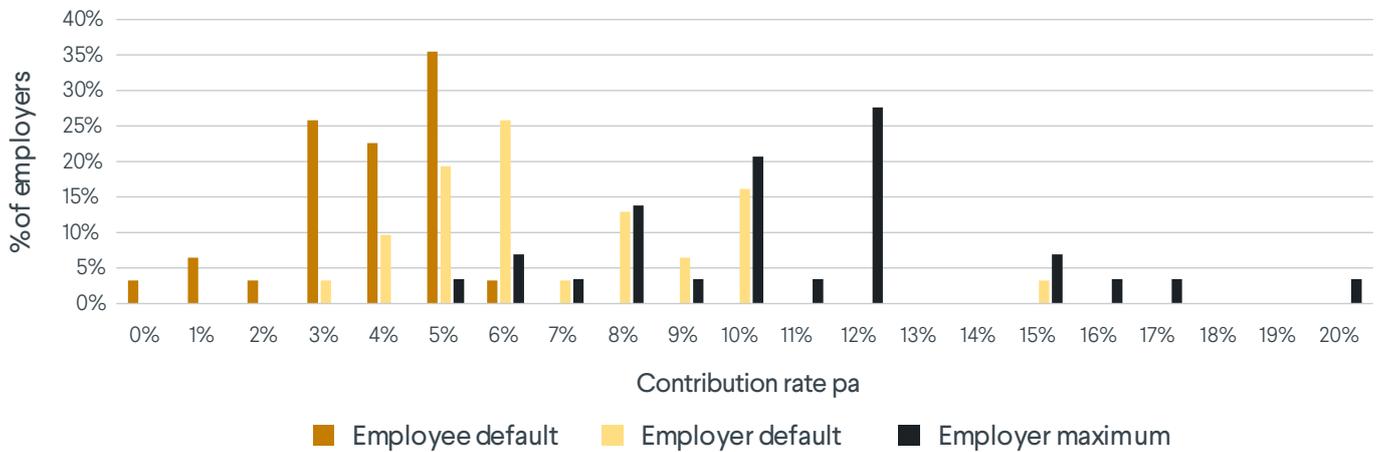
From our work with employers, we see contribution design as one of the biggest barriers to better retirement outcomes. Employers are moving towards master trusts and embracing efficient ways to help employees save, but low default rates and limited additional savings support mean many employees risk falling short of a moderate retirement.

Delivery vehicles

More than half of surveyed employers now utilise master trust arrangements, 40% have contract-based (otherwise known as Group Personal Pensions or “GPPs”) and fewer than 10% surveyed still maintain a single-employer trust.

Contribution rates

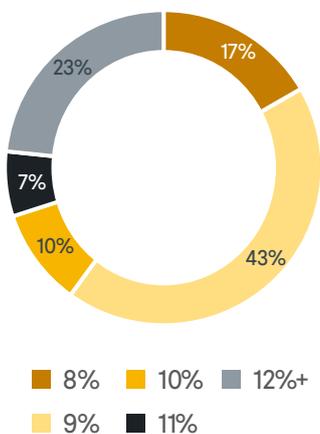
Starting with default contributions, most employees are being enrolled at modest contribution levels ranging between 3–5% pa, with 84% of employers setting the employee default in this range. Most employers (75%) provide matching or incentive-based contributions, while only 25% offer a flat or non-contributory rate, resulting in a wider range of default contribution rates paid by employers. The consequence of these different structures means a wider range in employer default contribution levels with clusters in default rates of either 4–6% pa or 8–10% pa.



Overall, our survey results tell us that two in three employers are defaulting their employees at a total contribution level of 10% pa or less. For those on an average salary in the UK, this gives them less than 31% chance of obtaining a moderate income in retirement – around £31,700 per annum after tax based on the [Pensions UK Retirement Living Standards](#).

Matching contribution structures encourage employees to save more, but may inadvertently impact ambitions around diversity, equity and inclusion, as some groups may struggle to afford higher contributions.

Total default contributions pa



Further we see that where employers offer matching structures and employees can choose to increase their contributions, inertia remains strong. Often staff remain at the lower levels if defaulted there.

Where matching structures were offered by those surveyed, the difference between the average employer default rate and their respective maximum contribution is broadly 4%.

OUR INSIGHT

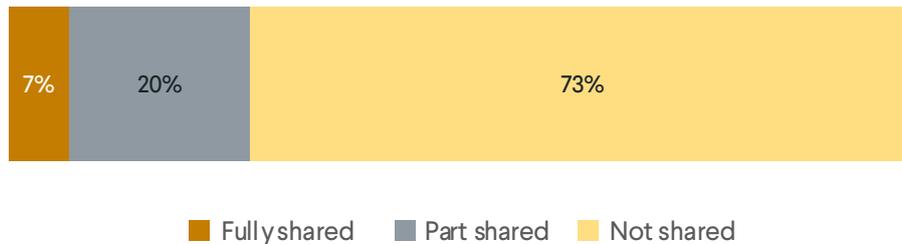
Where employers can afford to do so, defaulting members in at a higher contribution level can help address inadequate savings. Gradually increasing contributions over time can also make a real difference. These changes can significantly improve the chances of employees reaching a moderate income in retirement. If employers moved their defaults to the maximum level they offer, the likelihood of an average earner achieving a moderate income would rise from less than 31% to more than 50%.

Salary sacrifice

Use of salary sacrifice is almost universal across our survey respondents, generating significant savings for employers and employees.

To further incentivise pension saving and support long-term adequacy challenges, just over a quarter (27%) of employers share at least some of their NI savings with employees. However, sharing the full savings remains rare, with just 7% of employers doing so.

Employers sharing NI savings



OUR INSIGHT

NI costs for employers have risen since April 2025, but there's still scope to help employees see more value in their pension savings. Salary sacrifice remains highly attractive until 2029, when NI relief on employee pension contributions will be capped at £2,000 a year. Employers may want to encourage people to increase contributions ahead of the cap introduction. Employers may also want to revisit bonus sacrifice. It's simple to run and can generate real employer savings when compared with paying bonuses as cash.

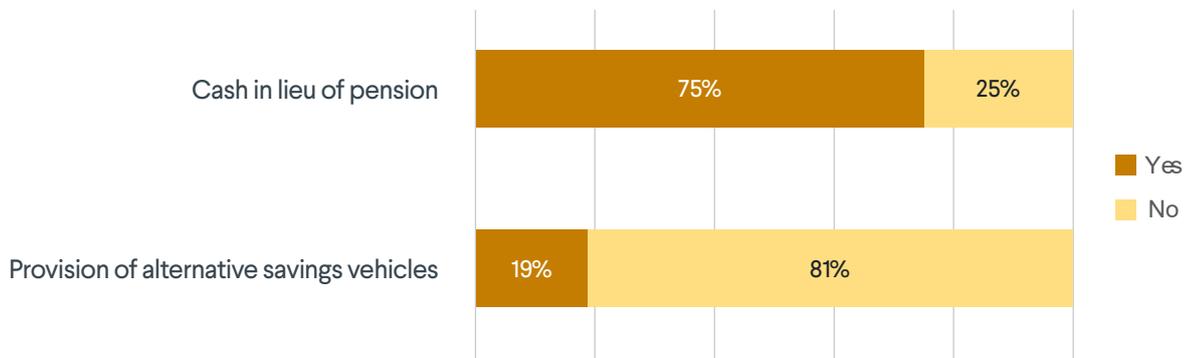
Before **the Budget**, 43% of employers surveyed told us that if salary sacrifice rules were to change, this would lead to a shift in their reward strategy. Following the Budget, 70% of employers shared that the change could lead them to review their pension contribution structure.

Cash, savings and support

Beyond the pension fundamentals, there's more at play for employers. Cash in lieu of pension contributions remains common. Three in four employers have a policy in place, most commonly for higher-earning employees.

At the other end of the saving spectrum, support is less prevalent. Fewer than one in five employers (19%) provide access to an alternative savings product, for example, a workplace ISA.

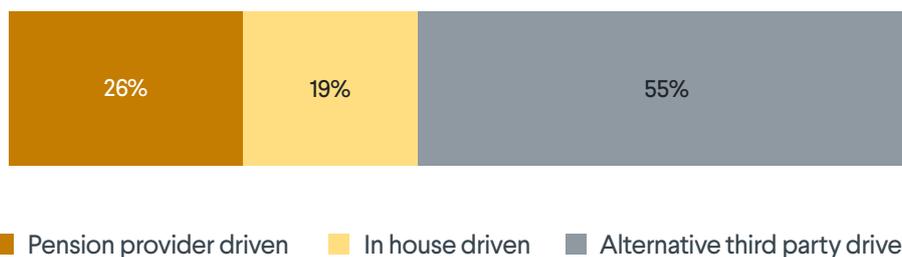
Employer additional saving offerings



OUR INSIGHT

Shorter-term saving proves to be a challenge for many employees, with recent estimates from the Resolution Foundation indicating that over 11m households in the UK have less than £1,000 in accessible emergency savings. There's an opportunity for employers to differentiate with the offering of workplace savings vehicles.

Employer retirement support



Support for employees is increasing, and more than half of employers now use third-party providers for education, although many still rely on internal teams or pension providers.

OUR INSIGHT

Employers have embraced defined contribution (DC) as the default, but contribution design remains the key differentiator. Defaults for employees are modest, so nudges and education will be vital to drive higher saving. Incentive-based models are emerging, linking reward to career progression and reinforcing the role of pensions in broader talent strategies.

ACTIONS FOR EMPLOYERS

- ✔ Review default contribution rates and structures – consider increasing rates or introducing auto-escalation or go bolder with a structural overhaul.
- ✔ Explore sharing National Insurance savings from salary sacrifice to boost perceived value.
- ✔ Maximise the value of salary (and bonus) sacrifice whilst rules remain as they are.
- ✔ Assess options for workplace savings products to support short-term financial resilience.
- ✔ Strengthen engagement through education and incentives linked to career progression.

INCOME PROTECTION AND PRIVATE MEDICAL INSURANCE

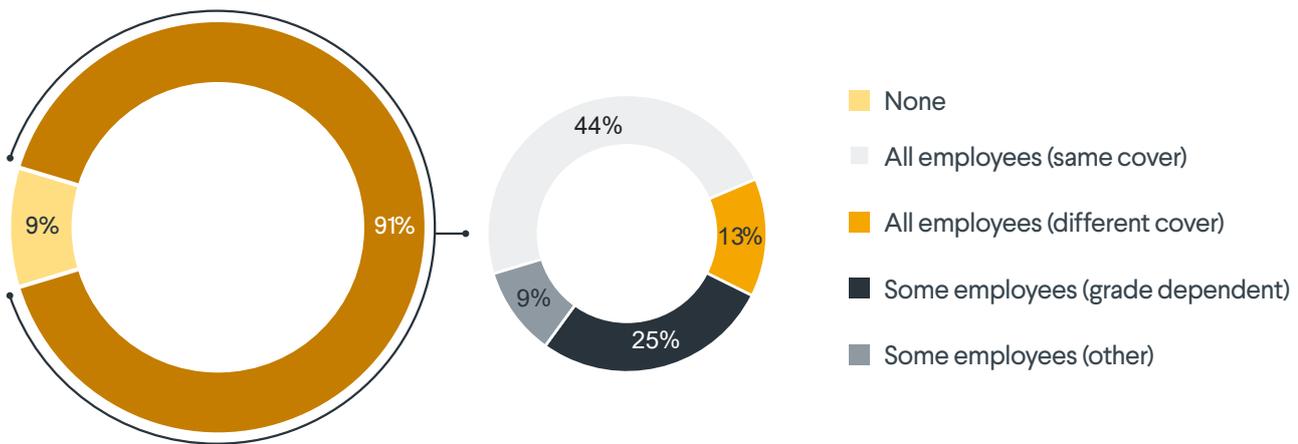
AT A GLANCE

Our survey shows how employers are using health and income protection benefits to support their people. The findings highlight strong provision overall, but also some mismatch that matter for fairness and flexibility.

Private medical insurance

In our view, access and eligibility remain the biggest issues employers need to watch. Our survey confirms that PMI remains a core benefit for many employers with just 9% not offering PMI, but access is not universal. While 57% of employers provide funded PMI for all employees, a significant 34% restrict access to certain grades or seniority.

Private medical provision



Family coverage is another area where our findings show nuance. Nearly half (48%) of employers offering PMI extend funded cover beyond the employee. Where employees can pay for extended coverage themselves, two in three employer policies allow for single-parent families. We're pleased to see this important step towards inclusivity.

Employers are complementing PMI with health cash plans. Three in ten employers now offer these plans, helping employees manage everyday healthcare costs such as dental or optical treatment.

Taken together, we believe PMI remains widely valued, but the responses suggest access may still be uneven. Eligibility rules often mirror market norms and rising cost pressures, particularly as PMI continues to become more expensive each year. Many employers prioritise senior roles because these employees are harder to replace and business-critical. At the same time, cash plans are emerging as a practical way to support wider populations when extending PMI is not feasible.

KEY INSIGHT

PMI provision is strong but shaped by cost and market practice. This is rarely quantified in market reports and highlights a clear equity challenge: health needs do not depend on job level. While access based on grade creates inequity, it's not always realistic to remove these limits. Cash plans offer a practical way to broaden support when full PMI for all employees is not affordable.

ACTIONS FOR EMPLOYERS

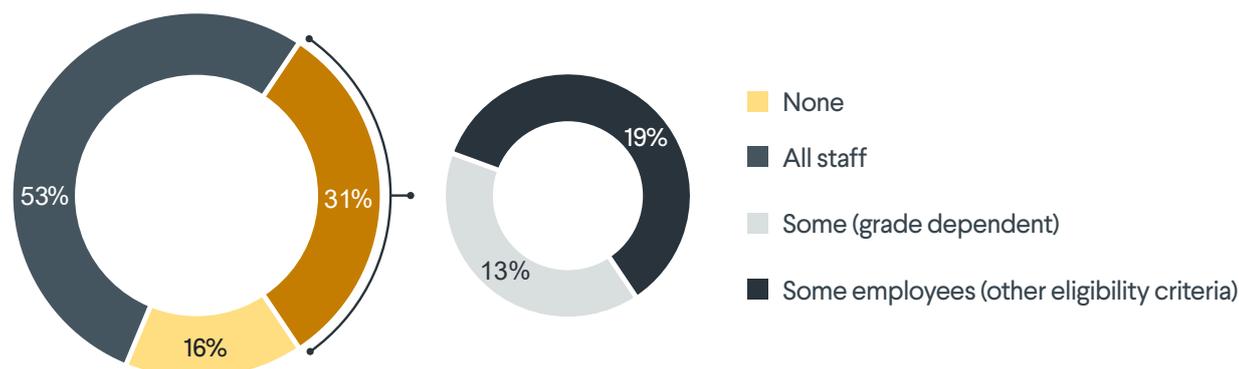
- Review eligibility criteria to ensure health benefits are not tied to seniority.
- Include single-parent families in extended cover to support inclusivity.
- Consider pairing PMI with a health cash plan to manage costs and broaden access.

Group income protection

We believe GIP design matters just as much as whether the benefit is offered. GIP is a valuable benefit, giving employees financial security during long-term sickness. Our research shows big differences in how employers structure cover and those details can make or break fairness and resilience.

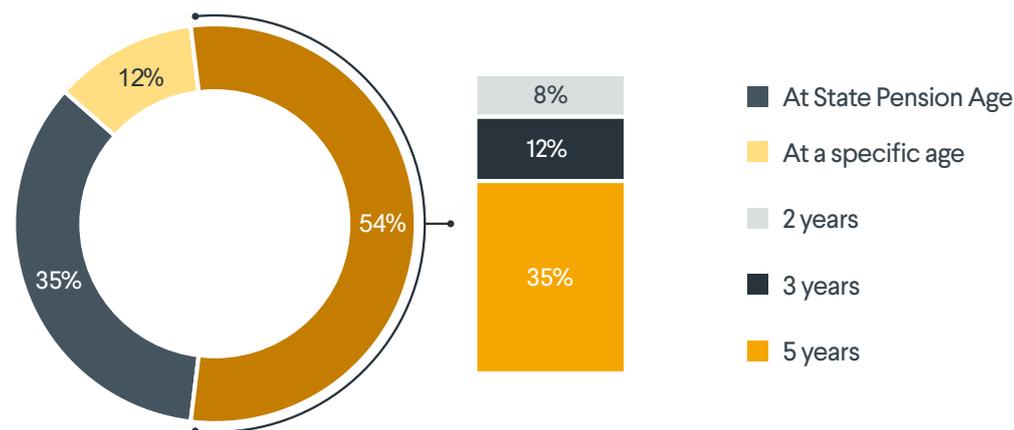
From our experience, most employers offer GIP, but not to everyone. 53% provide it to all staff, while 31% restrict access, often linking eligibility to pension enrolment or length of service. 16% offer no GIP at all. These rules can unintentionally exclude lower earners or part-time workers – the very people most exposed to income shocks. Where employees opt-out of pension saving for affordability or tax reasons many may not realise the implication on income protection.

Group income protection availability



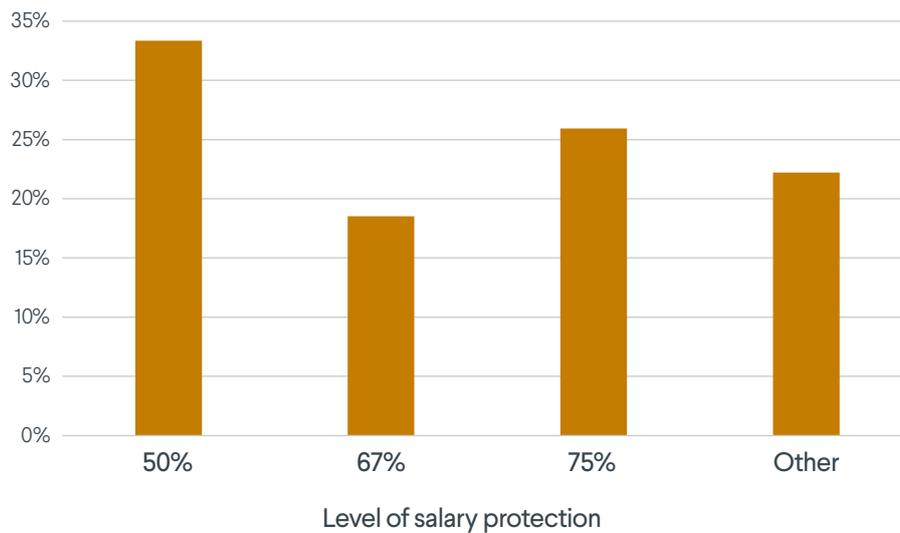
Cover design also varies. Our research shows that only one in three employers includes the cost of their pension contributions within the GIP policy. Pension saving usually continues because the employee stays on payroll, but where the policy does not fund the employer contribution, the employer must meet this cost themselves. Insurers allow employers to cover pension and NI contributions, but uptake is low, creating a missed opportunity to affordably better protect long-term outcomes.

Payment term



Payment terms differ too. While 35% pay until State Pension Age and 12% to a set age (most commonly 65), the majority (54%) opt for a fixed term, commonly five years. Limited-term cover reduces cost, which can help employers offer GIP to more employees, but it can shift risk back to individuals if recovery takes longer.

Levels of group income protection provided



Benefit levels show similar variation. While 50%, 67% (two-thirds) or 75% of salary remain common, more than one in five employers (22%) now provide benefit levels outside these norms. This gives employers flexibility to manage cost and to balance GIP with other benefits that can more directly enhance employee experience.

Deferral periods

Deferral periods are commonly around 26 weeks (78% of employers), but the remainder are split between 13 or 52 weeks. Notably, around a fifth of employers shared that their sick pay policy does not cover the full deferral period. That gap can leave employees without income before GIP starts – a practical risk that’s often overlooked.

These details matter because employees rarely know them. Without clear communication, people may assume they’re covered when they’re not.

KEY INSIGHT

Our survey shows that GIP design choices are often shaped by benchmarking and cost rather than a clear view of fairness. Shorter, fixed-term benefits have replaced cover until State Pension Age due to increased costs and job changes, so many employers now offer more generous benefits than their competitors anticipate. These choices have implications for equity and resilience, and they highlight the value of understanding not just whether GIP is offered, but how it’s structured.

ACTIONS FOR EMPLOYERS

- ✔ Review eligibility rules for equity across pay bands and working patterns.
- ✔ Align sick pay with deferral periods to remove income gaps.
- ✔ Consider insuring pension contributions during absence.
- ✔ Benchmark payment terms and benefit levels for adequacy, and review whether cover length remains appropriate.
- ✔ Communicate cover clearly so employees understand what support they can rely on, especially if they opt-out of pension saving.

LIFE INSURANCE AND CRITICAL ILLNESS COVER

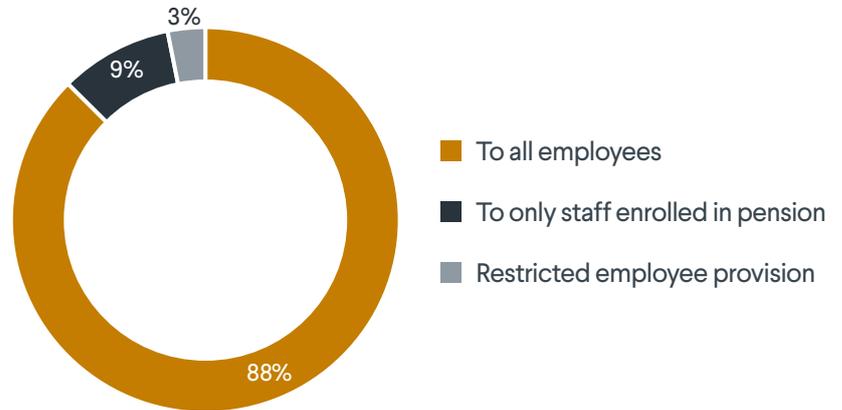
AT A GLANCE

In our experience, life assurance has long been a foundation of workplace benefits, but employee needs are changing. Critical illness cover is gaining ground as a flexible way to support financial resilience during serious illness, complementing traditional life cover. Both benefits aim to protect employees and families at some of the most difficult of times, but in different ways.

Group life assurance

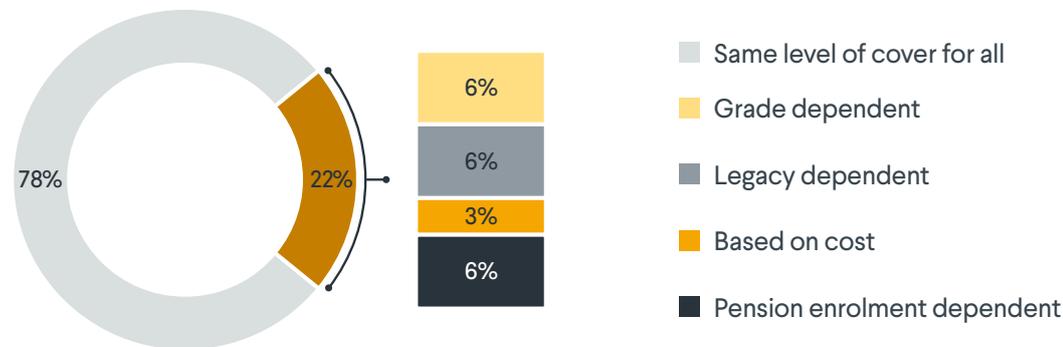
Provision of group life cover

The survey confirms that group life assurance remains a cornerstone of workplace benefits. 88% of employers offer GLA to all employees. A small minority (9%) still link cover to pension scheme enrolment, and just 3% restrict access on affordability grounds.

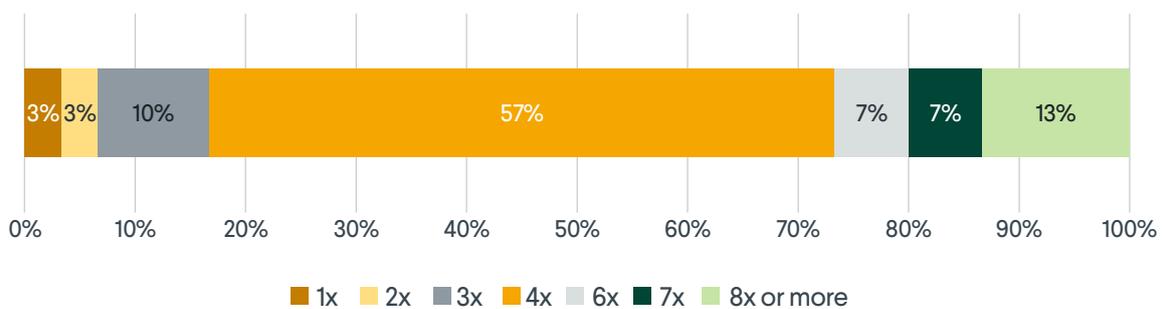


Levels of group life cover amongst employees

Most employers (78%) provide the same level of cover for everyone. Where cover differs, reasons include grade-based structures (6%), legacy arrangements (6%) and pension enrolment (6%). This shows that while consistency is common, some organisations are managing historical complexities.



Levels of group life cover



The default level of cover remains concentrated around four times salary, with 57% of employers setting their base level here. More than one in four (27%) now offer six times salary or more.

OUR INSIGHT

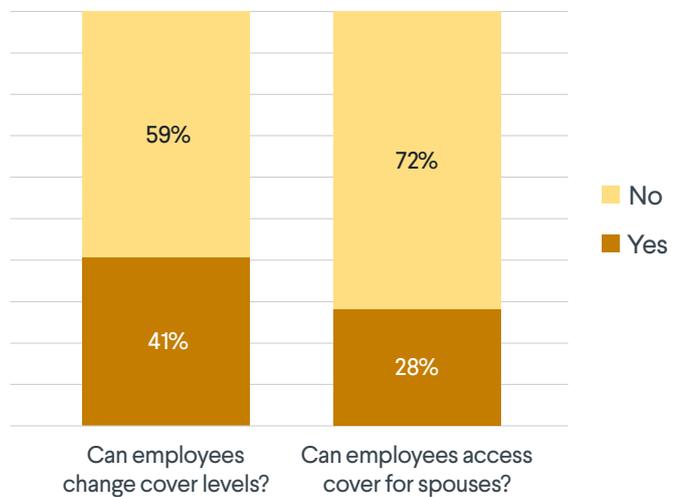
The long-standing norm of four times salary was shaped by historic HMRC limits and by the defined benefit (DB) world, where generous dependants' pensions were paid alongside lump sums. In today's defined contribution (DC) environment, life cover is relatively inexpensive, and DC pots can be exposed to inheritance tax if paid to anyone other than a spouse. Employers should consider whether four times salary still meets workforce needs or whether a higher level of cover would provide better protection.

How cover is delivered

The type of arrangement is split. Just over half (52%) of employers use a mix of excepted and registered schemes. The rest divide almost evenly between excepted (23%) and registered (25%). This reflects the tax and compliance considerations shaping design.

Flexibility in group life

Flexibility is where gaps appear. While 41% of employers allow employees to increase or decrease cover, only 28% offer spouse cover. This suggests that many employees cannot tailor protection to their family circumstances, which may limit the value of the benefit.



KEY INSIGHT

Four times salary remains the norm, but it reflects old HMRC limits and the DB world. In a DC environment, with DC pots exposed to inheritance tax for non-spouse beneficiaries, employers should revisit whether higher multiples or more flexible options offer better, fairer protection.

ACTIONS FOR EMPLOYERS

- Review whether linking GLA to pension enrolment still makes sense for your workforce.
- Consider adding spouse cover or flexible levels to meet diverse family needs.
- Check if legacy or grade-based differences align with fairness and inclusion goals.
- Assess whether your mix of excepted and registered arrangements remains tax-efficient and compliant.

Critical illness cover

We're seeing growing interest in CIC as employers look for more flexible ways to support financial resilience. While still less common than life assurance or income protection, the market is growing fast. In 2023, over 900,000 employees were covered under group CIC policies – a 22% increase on the **previous year**. Though in most cases (70%), CIC is provided by employers on a voluntary or flexible basis paid for by the employee.

Employers typically offer CIC as a lump sum benefit if an employee is diagnosed with a serious illness such as cancer, heart attack or stroke. Cover levels often range from one to five times salary or a fixed sum up to £500,000.

Flexibility is a key feature. Many employers provide a core level of cover and allow staff to top up through voluntary or flexible benefits. Spouse or partner cover is frequently available, and children are often included at no extra cost. This makes CIC a versatile option for supporting financial resilience during life-changing events.

KEY INSIGHT

CIC is moving from a niche benefit to a mainstream consideration, driven by demand for financial security and flexible benefit design.

ACTIONS FOR EMPLOYERS

- ✔ Review current benefit strategy to assess whether CIC aligns with workforce needs.
- ✔ Consider offering a core employer-funded benefit with optional top-ups for flexibility.
- ✔ Communicate clearly how CIC works and its value in protecting employees and families.
- ✔ Explore adding partner cover to enhance inclusivity.

FINANCIAL WELLBEING AND OTHER BENEFITS

AT A GLANCE

Employee benefits are evolving fast, and financial wellbeing is now a core part of the conversation. Employers recognise its importance, but latest research alongside that from [Hymans Robertson Personal Wealth](#) shows a gap between what is offered and what employees really want. Bridging that gap could make a big difference to engagement, retention and long-term security.

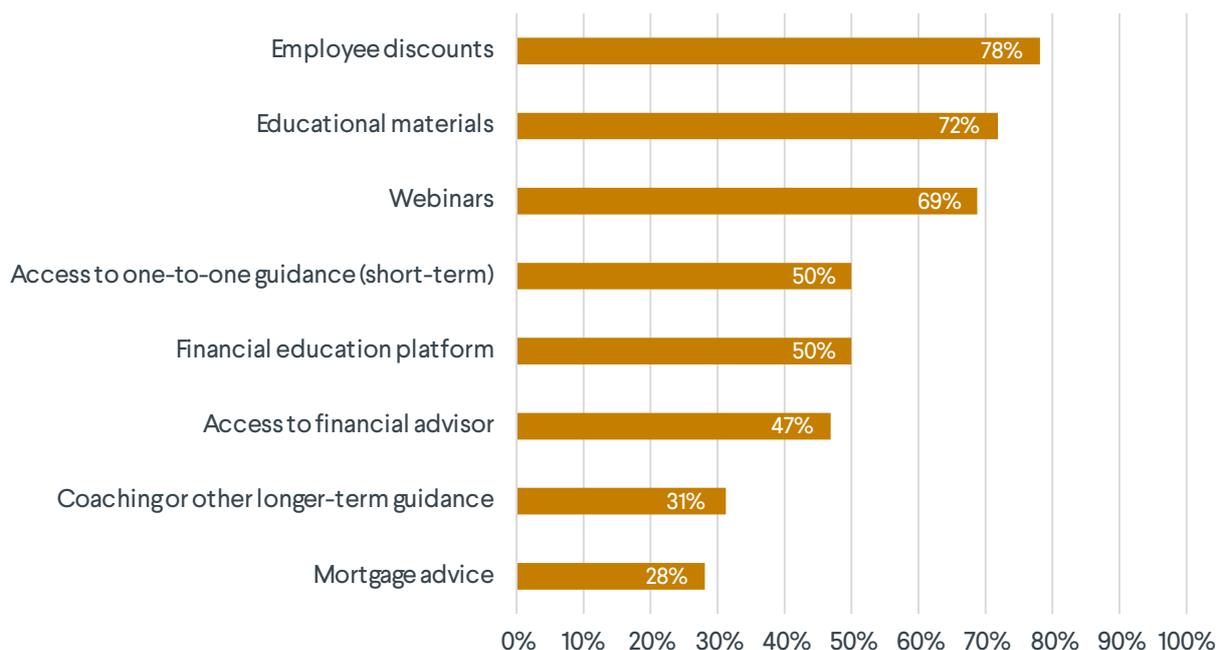
Employer support

Financial wellbeing support is becoming a standard part of the benefits package. Just 3% of employers say they offer none of the eight core forms of support we commonly see. This is a positive trend, but the detail shows a mixed picture.

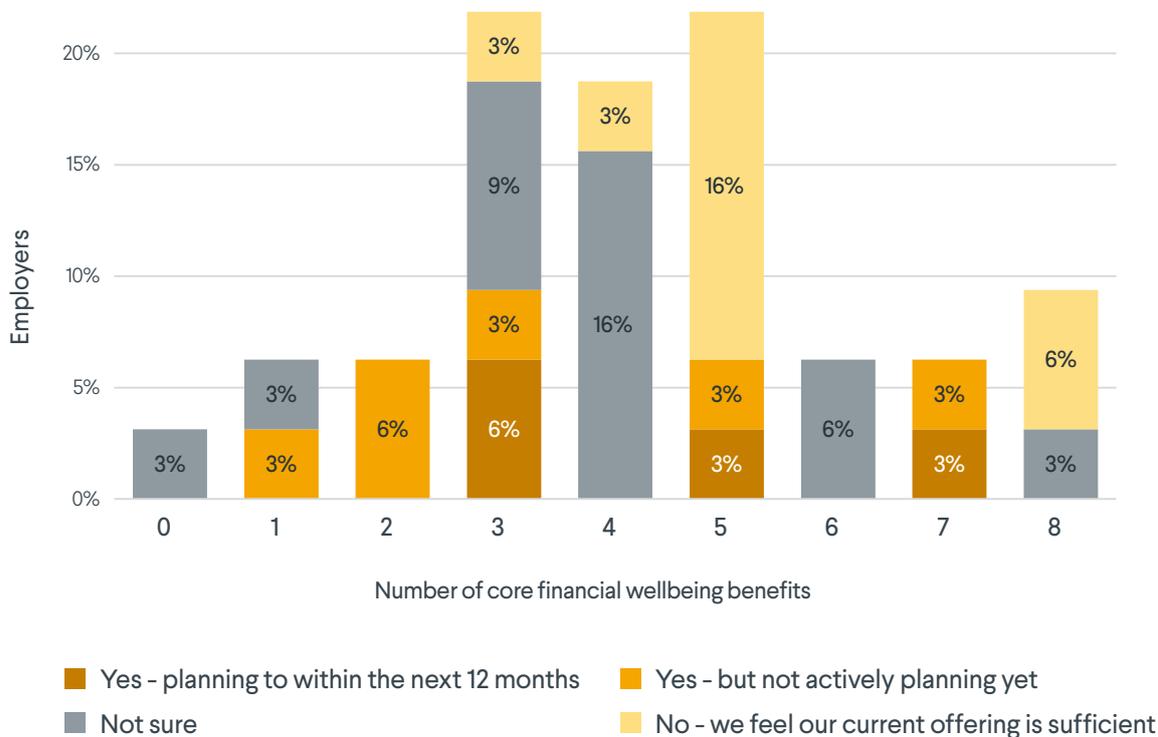
From our experience, employers tend to favour low-cost, high-reach options. Employee discount schemes are the most common, offered by 78% of employers. Educational materials (72%) and webinars (69%) also feature strongly. These are useful, but they don't always meet employees' deeper needs for help.

Access to guidance and advice is less widespread. Half of employers offer short-term one-to-one guidance, and 47% provide access to a financial adviser. Longer-form support such as financial coaching, is offered by less than a third (31%). Mortgage advice is even less common, with only one in four employers providing it.

Financial wellbeing offerings



Looking ahead, when asked about broadening support, 70% of employers either feel their current offer is sufficient or are unsure about extending it. Among those behind the curve, some plan to catch up: one in three employers who provide four or fewer types of support intend to broaden their offer. But the majority do not. Nearly 40% of employers offer four or fewer types of support and have no plans to go further.



Employee wants

This matters because employees want more. **Research from Hymans Robertson Personal Wealth** shows that 47% of employees want better financial wellbeing support, yet only 31% of employers plan to deliver this. The gap is clear. And it has consequences: 61% of employees say better support would make them more likely to stay with their employer.

Discount schemes remain the most wanted benefit, but employees also value retirement and pension guidance and the ability to speak to an expert. Emergency financial assistance and short-term savings support are also high on the list, even though these areas are rarely covered by employers today.

Beyond financial wellbeing, other benefits remain popular.

- Cycle-to-work schemes (94%).
- Holiday purchase (69%).
- Car schemes (66%).
- Give As You Earn (53%).
- Tech schemes (25%).

The message is clear: employers are making progress, but there's still a gap between what employees want and what they receive. Closing that gap could improve retention and engagement, while supporting employees' long-term financial security.

KEY INSIGHT

Employers are investing in financial wellbeing, but most focus on low-cost options. Employees want deeper, personalised support, and many would stay longer if they received it. The gap between employer plans and employee expectations is a risk and an opportunity.

ACTIONS FOR EMPLOYERS

- ❖ Review your financial wellbeing offer against employee expectations and identify gaps.
- ❖ Consider adding personalised support such as financial guidance or coaching.
- ❖ Explore emergency assistance and short-term savings options to meet pressing needs.
- ❖ Communicate clearly about existing benefits to maximise engagement.

SUMMARY

As we step back from the detail, a clear picture emerges. The benefits landscape is shifting quickly, and employers are making decisions in the face of rising costs, regulatory change and growing expectations around fairness. What stands out to us is not only the progress being made, but the intent behind it. Employers want to do the right thing for their people, even when the choices are difficult.

Across pensions, health, protection and financial wellbeing, we see employers balancing practicality with ambition. Many decisions still reflect legacy structures, market norms or affordability pressures. But we also see a growing willingness to question whether those conventions still support today's workforce. In our view, that willingness marks the start of meaningful change.

In our experience, benefits tell a story about culture, values and inclusion. They show how easily people can access support and where unintended gaps may sit. We think many of these gaps can be narrowed through clearer design and better communication. Employers don't need to overhaul everything at once. Small, well-chosen adjustments can still improve fairness, strengthen resilience and help people feel more secure.

In a year where pressures will continue to build, that sense of security has never mattered more.

If you have any questions or would like to discuss your benefits package and consider practical next steps, **please get in touch.**



A huge thank you to our clients for sharing their detailed practices and challenges. Your openness has enabled us to surface practical, evidence-based insights we're excited to share so that together we can improve fairness, adequacy and financial resilience for every employee."



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