HYMANS ROBERTSON

UK DC pensions in 2026: from participation to outcomes

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The UK defined contribution (DC) pension market is entering a new phase of development. The first decade of automatic enrolment (AE) focused largely on increasing participation. For the workplace, that objective has been achieved, with millions more people now saving for retirement. However, policymakers, employers and trustees increasingly recognise that participation alone isn't enough, and that some segments of society have been left behind.

The unifying challenge facing the industry today is pension adequacy. Many workers remain on minimum AE contributions and are unlikely to achieve the retirement incomes they expect. At the same time, significant inequalities persist across gender, ethnicity, disability and working patterns.

Against this backdrop, the industry is evolving rapidly. New policy initiatives, including the second Pensions Commission review, guided retirement reforms, value for money (VfM) regulations and pensions dashboards, are shifting attention towards member outcomes rather than simply scheme inputs. Meanwhile, advances in technology, data and artificial intelligence are creating new opportunities for personalised member support at scale.

For employers and trustees, the challenge is to navigate this changing landscape in a way that balances affordability, fairness and improved retirement outcomes.

1 SCHEME DESIGN AND THE CONTRIBUTION CHALLENGE

The most important debate in UK DC pensions today is whether current contribution levels are sufficient.

The Pensions Commission's **interim report** highlighted that around half of workers are contributing only the AE minimum and many are unlikely to achieve the retirement income they expect. While AE has successfully increased participation, adequacy remains a significant concern.

The challenge isn't distributed evenly across the workforce.

Women approaching retirement hold significantly lower levels of private pension wealth than men, reflecting differences in earnings, career patterns and caring responsibilities. Similar disparities exist for ethnic minority groups, those with disabilities and workers with interrupted employment histories.

For many employers, the question is no longer whether adequacy matters, but how best to improve outcomes without creating unintended consequences.

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Increasing contributions can improve retirement outcomes, but poorly designed changes may increase opt-outs or place additional pressure on lower-paid workers. Scheme design requires a more sophisticated approach than simply increasing contribution rates.

Increasingly, employers are considering:

- Earlier pension eligibility
- Matching contribution structures
- Enhanced contributions for targeted groups
- More inclusive designs for part-time workers
- Better integration with wider financial wellbeing programmes

The most progressive employers are exploring whether **pension scheme design can help employees** balance longer-term retirement saving with other financial priorities, such as building emergency savings or progressing towards home ownership. These approaches recognise that improving retirement outcomes may require greater flexibility rather than simply higher contribution rates.

Our recent **employee benefits survey** highlighted that 61% of employees say better support would make them stay in their current jobs. However, current offerings amongst employers vary widely, and some still contain gaps in support and/or don't support all staff equally. We expect a growing focus among employers to move from considering pension provision in isolation towards workforce-wide reward and benefit offerings that work for all.

2 AFFORDABILITY AND REALISTIC EMPLOYER ACTION

While adequacy concerns are growing, affordability remains a major constraint.

Many employers continue to face economic pressures from wage inflation, National Insurance increases and wider cost challenges. Future policy developments, including potential Pensions Commission recommendations and proposed restrictions on salary sacrifice arrangements, could further increase employer costs.

Employees face similar pressures.

Many workers are balancing competing financial priorities including housing costs, debt repayment, childcare expenses and day-to-day living costs. Financial stress has become a significant workplace issue, affecting absence, productivity and employee wellbeing. **Research from Hymans Robertson Personal Wealth** shows this is a growing problem: their Employee Financial Stress Index rose from 52.3 in 2025 to 58.4 in 2026, reflecting this mounting pressure on employees' day-to-day finances.

As a result, the most effective employer responses are often targeted and phased rather than transformational.

Forward-thinking employers are increasingly asking:

- Where will additional pension spending have the greatest impact?
- Which workforce groups are most at risk of poor retirement outcomes?
- How can pension strategy support broader reward objectives?
- What changes can be implemented sustainably over time?

This approach is increasingly underpinned by tools such as our **Guided Outcomes modelling**, which helps employers understand future retirement adequacy risks across different workforce groups and assess the potential impact of targeted interventions.

Increasingly, employers are recognising that pension strategy cannot be separated from wider financial wellbeing. Supporting employees with day-to-day financial challenges may ultimately be just as important as encouraging higher pension contributions.

> The emerging consensus is that small, early interventions often deliver better long-term outcomes than large changes introduced abruptly.

3 PENSION ADEQUACY REQUIRES SHORT-TERM FINANCIAL RESILIENCE

One of the most important shifts in industry thinking is greater recognition of the relationship between short-term and long-term savings. Historically, pension policy has focused primarily on retirement saving. However, evidence increasingly suggests that individuals who lack financial resilience struggle to maintain pension saving.

Many households have limited accessible savings and would struggle to absorb relatively modest financial shocks. This creates a challenge when contribution increases reduce take-home pay.

Housing is another important part of the retirement adequacy equation. Our **research** highlights that individuals who enter retirement without housing costs generally require significantly lower retirement incomes than renters to achieve a comparable standard of living. For many younger workers, however, saving for both retirement and a housing deposit can feel like competing objectives. This highlights the need to consider retirement adequacy through a broader financial wellbeing lens rather than viewing pension saving in isolation.

More broadly, it raises questions about how individuals balance competing short-term and long-term financial priorities throughout their working lives.

Research suggests that increases in pension saving are often funded through reductions in liquid savings or increases in borrowing rather than reductions in consumption. This has led to growing interest in pension-adjacent emergency savings accounts (PAESAs), often referred to as "sidecar savings".

The principle is simple:

- Employees build an accessible emergency savings pot alongside their pension.
- Financial resilience improves without undermining retirement saving.
- In **trials**, once a target was met, contributions could be redirected into pension saving.

Trials led by Nest Insight demonstrated significant increases in workplace savings participation while maintaining pension participation.

Importantly, improving retirement outcomes is not always synonymous with maximising pension contributions. For some individuals, building financial resilience or achieving home ownership may be just as important to long-term financial security as increasing pension saving during the early stages of their career.

The broader lesson is that retirement adequacy cannot be viewed in isolation. Better retirement outcomes depend on more than pension contributions. They depend on the interaction between pensions, financial resilience, housing and retirement support throughout an individual's working life.

4 RETIREMENT IS BECOMING THE NEW FRONTIER

Historically, most DC innovation focused on accumulation. Today, attention is rapidly shifting towards retirement. Growing pot sizes, changing retirement patterns and regulatory developments are driving demand for more structured retirement solutions.

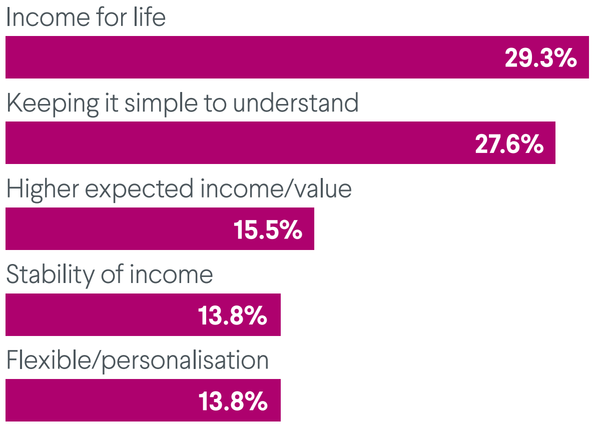
Government proposals around Guided Retirement and Targeted Support reflect growing recognition that many members struggle to navigate complex retirement decisions independently.

Across the market, providers are developing more sophisticated retirement propositions including:

- Flex-and-fix approaches
- Managed income solutions
- Retirement-focused investment pathways
- Retirement-focused collective arrangements
- Personalised support and decision tools

The objective is becoming clearer. Success is no longer defined by the size of a pension pot at retirement but by the sustainable income it can deliver throughout retirement. Based on our research, the key features of a future retirement strategy are an income for life and making retirement solutions simple to understand for members and employees.

Which of these design features of a DC default decumulation offering is most important to your members/employees?



Source: Hymans Robertson

For trustees and employers, retirement strategy is becoming a core component of scheme design rather than a peripheral consideration.

5 COLLECTIVE DEFINED CONTRIBUTION ENTERS THE MAINSTREAM

Few developments have generated as much interest as Collective Defined Contribution (CDC). CDC has the potential to provide a more predictable retirement income than individual DC while avoiding the balance sheet risks associated with traditional defined benefit schemes.

Supporters argue that CDC may represent the most significant innovation in workplace pensions since automatic enrolment. The attraction is clear:

- Lifetime retirement income
- Simplified member decision-making
- Greater pooling of investment and longevity risks
- Potentially higher retirement incomes than individual annuities

The trade-off is reduced flexibility and lower ability to pass wealth on to future generations.

Interest continues to grow among employers, trustees, providers and unions. The expected launch of multi-employer CDC arrangements during 2027 could mark an important milestone in the evolution of UK workplace pensions. As CDC moves further into the mainstream, we continue to offer insight on the **latest developments** and emerging thinking across the market.

6 INVESTMENT: MAKING EVERY POUND WORK HARDER

As the focus shifts from participation to adequacy, investment strategy is becoming a bigger driver of member outcomes.

For many years, DC defaults focused on listed equities, bonds and low cost. Today, providers and trustees are increasingly asking how they can use growing scale, better governance and new investment opportunities to maximise long-term returns and improve retirement outcomes.

Private markets are a key part of this evolution. Private equity, private credit and infrastructure can provide exposure to additional sources of return, greater diversification and long-term cashflows that are not readily available in public markets. The Mansion House reforms have accelerated this trend, but the direction of travel was already clear.

At the same time, retirement itself is changing. More members are expected to remain invested through drawdown, guided retirement solutions and potentially CDC arrangements. This means investment strategies are increasingly being designed not just to get members to retirement, but to support them throughout retirement.

The challenge isn't simply adding private markets to a default strategy. It's building genuinely diversified portfolios that balance growth, resilience, liquidity and sustainable income. As schemes mature, attention is turning to how scale can be used more effectively, ensuring every asset has a clear role in improving member outcomes.

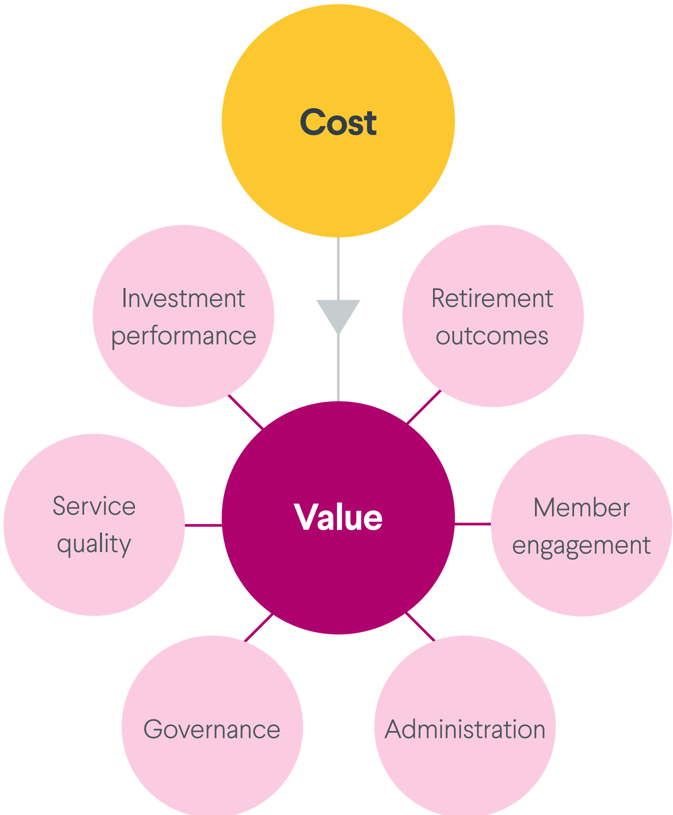
For trustees and employers, the key question is no longer whether investment strategies are low cost, but whether they are delivering the best possible long-term value and retirement outcomes for members.

7 VALUE FOR MONEY: A NEW ERA OF ACCOUNTABILITY

The emerging VfM framework represents one of the most significant regulatory developments facing the DC market. The framework signals a clear move away from assessing schemes primarily on cost.

Instead, value is increasingly being assessed across:

- Investment performance
- Service quality
- Governance
- Administration
- Member engagement
- Retirement outcomes



This represents a fundamental shift. Consolidation to date has already transformed the market. The next question is whether that scale is being translated into better outcomes for members.

For trustees and employers, demonstrating value is becoming just as important as delivering it.

8 PENSIONS DASHBOARDS: MAKING PENSIONS VISIBLE

Pensions dashboards have the potential to be transformational. For many individuals, dashboards will provide the first consolidated view of all their pension savings in one place. This visibility could fundamentally change how people engage with retirement planning.

It may also bring adequacy challenges into sharper focus. Members who previously paid little attention to retirement saving will be able to see more clearly whether they are on track to achieve their goals.

For employers, trustees and providers, dashboards may become a catalyst for more meaningful member engagement than the industry has previously achieved.

9 DIGITAL INNOVATION AND ARTIFICIAL INTELLIGENCE

Technology is increasingly reshaping how schemes operate and how members engage with pensions. Developments include:

- Personalised member journeys
- Behavioural nudges
- Predictive analytics
- Digital retirement modelling tools
- AI-assisted communication
- Targeted support delivery

The potential prize is significant. Historically, personalised support has been difficult and expensive to scale. Advances in data and artificial intelligence create the possibility of delivering more tailored support to millions of members at relatively low cost.

The challenge will be implementing these technologies safely, responsibly and within emerging regulatory expectations.

10 DIVERSITY, EQUITY AND INCLUSION: FROM AWARENESS TO ACTION

The industry's understanding of pension inequality has advanced significantly.

Evidence now highlights substantial differences in pension outcomes by:

- Gender
- Ethnicity
- Disability
- Working pattern
- Caring responsibilities
- Generation

The gap between awareness and action, however, remains considerable. The key challenge for the next phase of DEI in pensions is moving from diagnosis to intervention. Leading employers are examining:

- Contribution patterns
- Participation rates
- Retirement preparedness
- Leave policies
- Part-time workforce impacts
- Member engagement outcomes

Better data and modelling are helping employers move beyond identifying gaps to understanding which actions are likely to have the greatest impact on member outcomes. The goal isn't necessarily identical outcomes, but ensuring pension design does not unintentionally exacerbate existing inequalities.

As pensions dashboards make retirement savings more visible and the Pensions Commission sharpens its focus on adequacy and fairness, pressure for meaningful action is likely to increase.

CONCLUSION

The UK DC market stands at an inflection point. The success of automatic enrolment means coverage is no longer the primary challenge. The focus has moved towards adequacy, fairness and retirement outcomes.

The most successful schemes of the future are unlikely to be those that simply offer low-cost pension saving. They will be those that combine effective scheme design, strong investment strategies, meaningful retirement support, financial wellbeing initiatives, technological innovation and a clear focus on delivering better outcomes for increasingly diverse workforces.

To speak to our DC specialists about building a pension strategy that balances adequacy, affordability and member outcomes, **get in touch.**

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